ITALY

With high electricity prices, Italy is the first major country in which solar power is expected to reach "grid parity" with other electricity sources, meaning that within several years, generating a kilowatt-hour from a solar module will be directly cost competitive with buying that power from the grid at market prices. Accordingly, the government is has reduced the current solar feed-in tariffs in 2011, but even with these cuts, Bloomberg New Energy Finance's analysis indicates Italy will be the most attractive market for photovoltaic (PV) solar over the next few years. As such, Italy occupies a leading position for clean energy finance and investment in our scenarios. Under the enhanced policies scenario, Italy is in sixth position – attracting investments in 2020 worth $10 billion – which is almost equally balanced between solar and wind. In the enhanced policy scenario, the cumulative investment potential in Italy from 2010 to 2020 is projected to be $90 billion, which would leverage installation of 47 GW of renewable energy generating capacity.

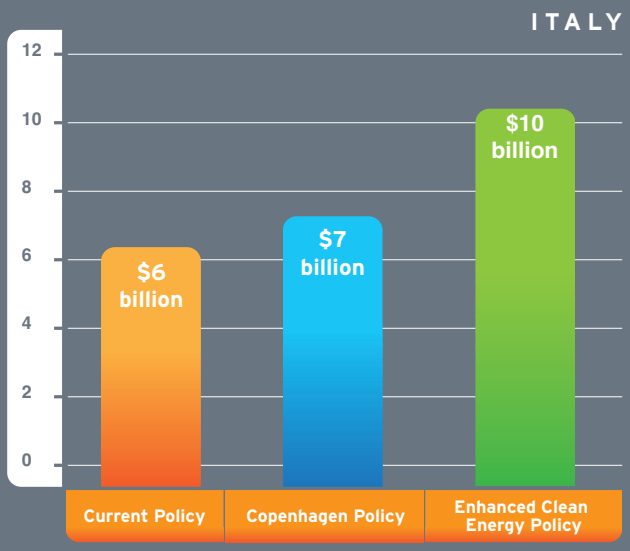
To date, Italy's feed-in-tariffs have helped it to add 2.4GW in solar capacity, 1.1GW in biomass and 4.8GW in wind. The current incentives, coupled with potential for PV grid parity, mean that solar has a potentially very bright future in Italy. The government has said it will source 25 percent of its power from renewables by the end of this year and has committed to reducing its emissions by at least 20 percent from 1990 levels by 2020 and possibly by as much as 30 percent, as part of the EU's Copenhagen pledge.

By streamlining the permitting process the country has paved the way for developers to get larger projects built rapidly, though only time will tell how effective this measure really is. The Italian wind market is now the third strongest in Europe and the biomass sector is thriving, but they are at risk because the government is debating a change to the green certificate system that would drive prices down and make revenue for developers more volatile.

The PV sector is sheltered from these changes, because it is governed by a different regime and Italy is on track to become the world's most profitable PV market in 2011, according to Bloomberg New Energy Finance. This could lead to unsustainable growth and a risk of creating a boom-bust cycle. The government has introduced moderate cuts to its feed-in tariff incentives for solar for 2011.

To foster strong but manageable growth in renewables, Italy can continue its feed-in tariff incentives accompanying the sector to grid-parity, but adjust them to better track solar system costs. The government might also consider offering additional tax breaks and financing programs to ensure that potential solar system buyers such as commercial, industrial and residential property owners do not simply defer purchases once the tariffs are phased out.

FIGURE 34. INVESTMENT IN RENEWABLE ENERGY ASSETS, 2020 (BILLIONS OF $)



FINANCE AND INVESTMENT (2009)*	
Total Investment	$2.6 billion
G-20 Investment Rank	9
Percentage of G-20 Total	2.3%
5-Year Growth Rate	110.6%

INSTALLED CLEAN ENERGY (2009)	
Total Renewable Energy Capacity	9.8 GW
Total Power Capacity	4.9%
Percentage of G-20 Total	4.0%
5-Year Growth Rate	12.4%
Key Renewable Energy Sectors	
Wind	3,700 MW
Solar	1,042 MW
Biomass	1,152 MW

NATIONAL CLEAN ENERGY POLICIES	
Carbon Cap	
Carbon Market	✓
Renewable Energy Standard	✓
Clean Energy Tax Incentives	✓
Auto Efficiency Standards	✓
Feed-in Tariffs	✓
Government Procurement	✓
Green Bonds	

KEY CLEAN ENERGY TARGETS (2010)	
Renewable Energy Electricity	Procure 25% of electricity from renewable energy

KEY INVESTMENT INCENTIVES	
Wind, Solar, Biomass	Feed-in tariffs
Biomass	30% of capital expenditure for biomass and hybrid units
Residential Renewable Energy Projects	30-60% refund on capital costs of projects

*Includes investments in venture capital and public markets, and asset finance for all clean energy technologies including biofuels and energy efficiency.