



Italy needs incentives to hit 2020 renewables target

By Svetlana Kovalyova

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(Reuters) - Italy should boost incentives for renewable energy sector to meet a 17 percent target for green energy in total energy use set by the European Union for 2020, a senior official at state energy management agency GSE said.

"It's a difficult target to meet," Costantino Lato from the engineering unit of GSE's operations directorate, told Reuters on the sidelines of a renewable energy conference on Tuesday.

Renewable energy accounts for 7 percent of a total energy use in Italy at present and the government should introduce incentives to use green energy for residential and industrial heating to bring Italy closer to the 2020 target, Lato said.

Aiming to boost the use of geothermal energy for heating, Italy has simplified permitting procedures for development of geothermal projects which use the earth's inner heat to turn it into electricity and for heating.

More incentives for energy efficiency aimed to cut total energy use would also help Italy reach the 2020 target, other participants told the conference.

Italy has been quite successful in using renewable energy sources to produce electricity, with about 19 percent of total power use covered with green electricity in 2009, close to a non-binding goal of 22 percent set for Italy in 2010, Lato said.

FOCUS ON SOLAR INCENTIVES

International and domestic investors and solar market operators have been keenly awaiting the Italian government to unveil a new incentives plan for the country's booming solar energy market, the third-biggest in Europe.

The new scheme presentation -- which have suffered a series of delays since the start of 2010 -- is likely to wait until after Italy's regional elections scheduled on March 28-29 if a key state body which should approve it is not convened in the next few days, Lato said.

The meeting of the "Unified Conference of State and Regions" which should back the plan before it is signed by economic development and environment ministers is yet to be called and is unlikely to take place this week, an official at the state body said.

Photovoltaic systems that turn sunlight into power produce less than 1 percent of electricity in Italy with 1,000 megawatt of total installed PV capacity at the end of 2009, but the capacity is set to double to 2,000 MW in 2010, Lato said.

"Incentives will be reduced from 2011, so there will be a race to realize projects using the current generous incentives," he said.

Aiming to bring incentives in line with falling sector costs, the government plans to cut the current scheme that is among the most generous in Europe and has given a boost to Italy's market since it was adopted in 2007.

But delays with the new plan presentation have upset investors and other solar energy market operators who threaten to divert investment flows to other markets.

"Investors like incentives because they give secure returns and predictability. They make an investment in renewables similar to investing in bonds," Alessandro Marangoni, chief executive of Althesys consultants who compile Italy's renewable energy index IREX, told the conference.

(Reporting by Svetlana Kovalyova)