

Climbing the ladder to the top: Italian photovoltaic market report

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ABSTRACT

Apart from some obstacles and bureaucratic hindrances, the Italian PV market has recently joined the upper echelons of the solar industry. Along with small and medium-sized systems, the commercial and large-scale segment in particular has a great deal of promise. Even though the local industry is still trying to block the domestic market from international competitors, increasing numbers of foreign investors are entering the market. In this close-up of the Italian PV market, the country's participation in the solar energy industry is reviewed and a projection to 2010 is given, with particular emphasis on the country's potential to be a major player in the large-scale installation sector.

Introduction

Companies from all along the value chain are currently looking at the Italian PV market with great interest. These are not just European enterprises; companies from the U.S., China and the Far East are beginning to sit up and take notice in the southern European market. "The main reason why interest has grown so enormously in the recent months is that Italy's photovoltaic installation capacities, promoted by the Conto Energia, are increasing so rapidly. From only 9.4MW at the end of 2006 they surpassed the 100MW-milestone in mid-April 2008 and by mid-June, 145MW had been notched up," explains Gianni Chianetta, President of the Italian solar industry association Assosolare. Currently, Italy is only the third largest country market in Europe, gaining

ground on PV 'world champion' Germany and the top market Spain.

However, both of these competitors are expecting stormy weather in the near future. "The German PV market for instance, known for years as a very stable and fast-growing sales market, is likely to experience some cutbacks in the face of the upcoming depression in 2009. For one, feed-in tariffs will be reduced and in addition to that a dynamic growth corridor for the installation

of PV systems has been set. If the limit is exceeded, the depression will be raised even further," says Markus A. W. Hoehner, Chief Executive Officer of EuPD Research. The story in Spain is quite similar. Although the Spanish solar promotion law was replaced by the long-awaited Royal Decree RD 1578/2008 in late September 2008, there remain uncertainties. Given this situation, many investors are pinning their hopes on the further development of the Italian market.

System size (kWp)	Non-integrated systems	Partially integrated systems	Integrated systems
$1 \leq p \leq 3$	0.40 EUR/kWh	0.44 EUR/kWh	0.49 EUR/kWh
$3 \leq p \leq 20$	0.38 EUR/kWh	0.42 EUR/kWh	0.46 EUR/kWh
$p > 20$	0.36 EUR/kWh	0.40 EUR/kWh	0.44 EUR/kWh

Table 1. Feed-in tariffs according to the Conto Energia (February 19th, 2007).

Source: EuPD Research 2008.



Figure 1. Enerco rooftop installation.

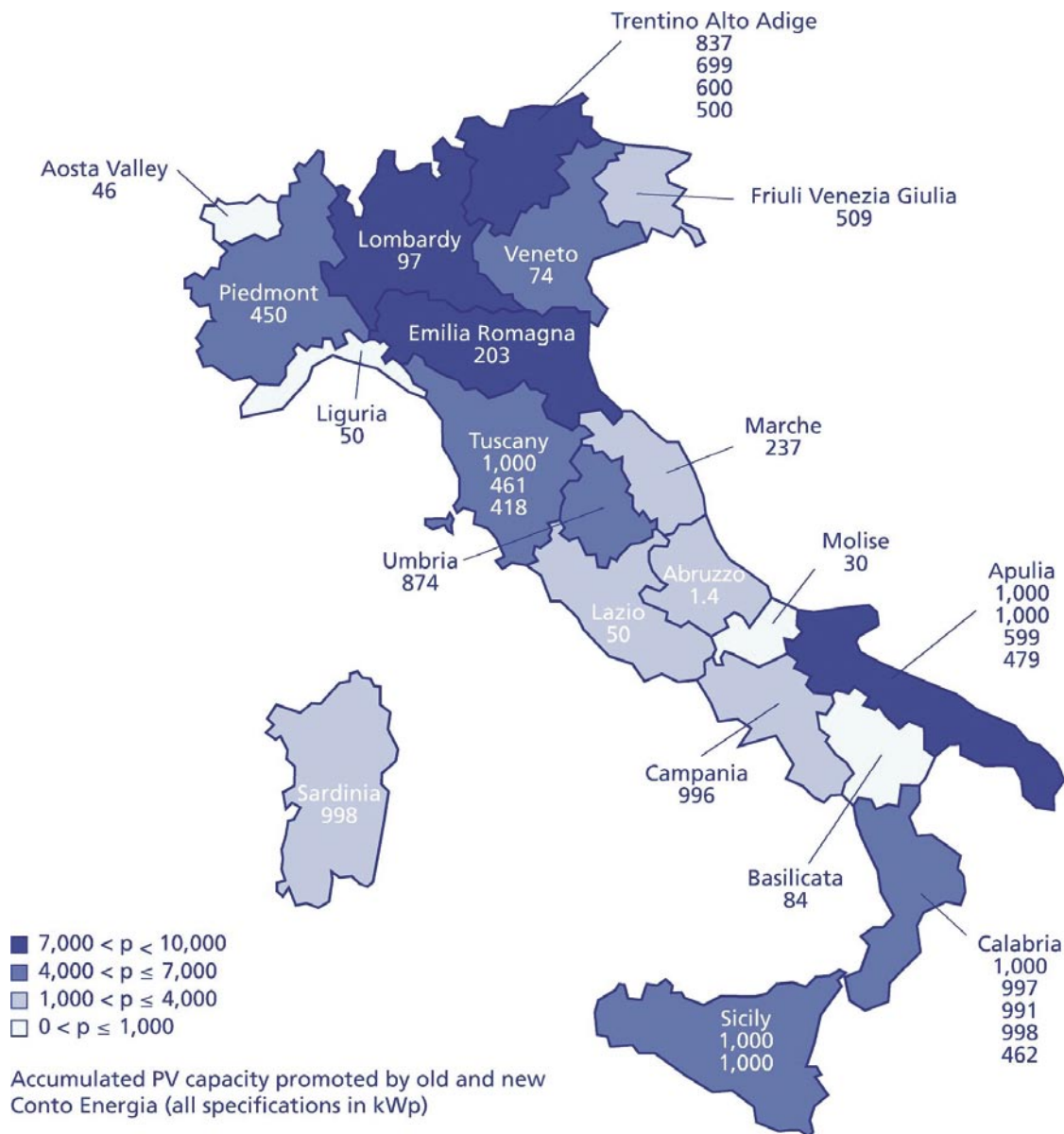


Figure 2. Largest installed systems per region (source: GSE, EuPD Research 2008).

Large-scale rooftop PV is catching up

Within the next few years, Italy is expected to become a sales market for commercial and large-scale systems in addition to the small and medium-sized systems for which it has previously been known. While the proportion of mid-sized installations of between four and 20kW was in the lead in 2007, the segment of rooftop systems of 100kW up to one GW is catching up fast. According to a market survey recently published by EuPD Research, large-scale systems contributed a total of 17MW in 2007.

By 2010, this is expected to increase by six, and probably even by seven times, and achieve a volume of more than 110MW total. This is a belief that market players like Maurizio Battistella from the Italian PV company Enereco corroborate: "In 2010, the most important system segment will be PV plants of between 100 and 500kW, installed

mainly on factory roofs and shopping centers," Battistella claims. The reason for this is that due to high electricity prices in Italy, the use of electricity generated by company-owned PV systems increases the efficiency of industry activities.

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'Closed-shop mentality'

Nevertheless, Anne Gassen, Research Analyst with responsibility for the

Italian PV market at EuPD Research, quashes expectations that she considers too optimistic, especially for open-space systems. "It is still to be expected that the large-scale ground-mounted system segment will be prevented from progressing as much as it could due to the complex bureaucracy, lack of knowledge and experience in handling such large projects and the overburdened administrative departments. This market segment has to overcome these difficulties first," Gassen sums up. According to the expert, it is mainly local stakeholders who oppose these large MW plants. They fear that public incentives largely go in the hand of foreign investors mounting primarily imported modules, while a solid local industry, that might create employment and long-term development of the solar industry, is neglected. An argument that even Romano Prodi, former President of the Italian government, brought into the discussion at 22nd

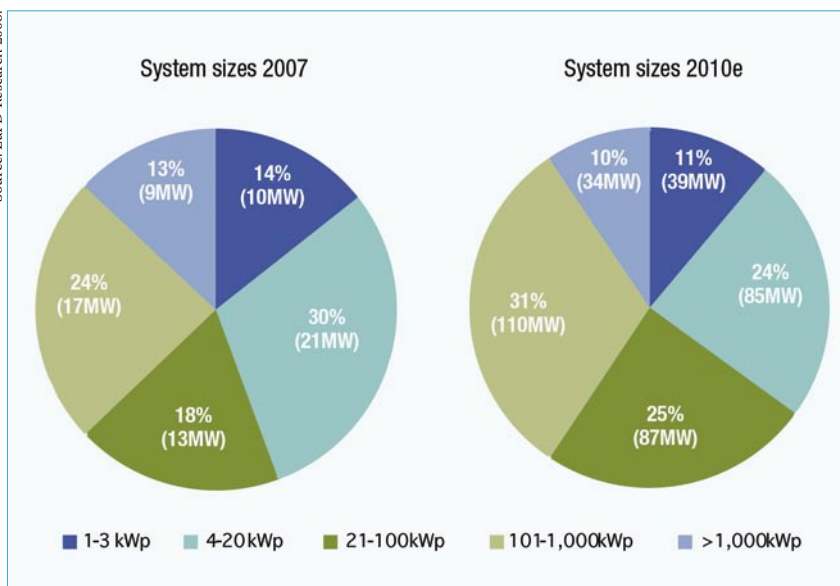


Figure 3. PV system sizes in 2007 and expectations for 2010.

EU PVSEC in Milan one year ago. This 'closed-shop mentality' accounts for the rather marginal role of large-scale systems with multiple MW sizes so far, representing not more than 13 percent of the total installed capacity until now.

Despite this, investment plans for the future – especially from foreign companies – are ambitious. The German company Solon AG, for example, announced its plans to install five PV plants of 10MW each until 2009 and possibly further plants through its Italian affiliate Solon Spa, totaling another 100MW up to 2010. Another example is the recent agreement between Enel and Sharp to install a total capacity of 161MW by end of 2011. Such emerging demand from foreign companies displays the attractiveness of the Italian market. Hence Salvatore Cristofori, a representative of the Italian project planning company Sorgenia Solar reports a remarkably "high interest from international investors, in particular from Europe and the USA."

Local industry has to overcome obstacles

Besides these positive aspects, there are diverse factors that might slow down or even put question marks on the further development of MW projects in Italy. "On the one hand, the duration of the authorization procedures can take a long time, as they are complex due to the many stakeholders involved and plethora of technical questions that have to be cleared before the installation can proceed", says Research Analyst Anne Gassen. On the other hand, Gassen continues, the heavy criticism for ground-mounted systems from the local industry or individual interests may prevent development. Lawyer Jürgen Reiß, a specialist for such authorization procedures affirms: "Everything here depends on the individual situation. Sometimes there

are really very small issues that cause difficulties. For example, if the person in the office responsible is not interested in PV technology, this could influence your case." Q-Cells' General Manager for Italian operations Matthias Altieri counters with pragmatism and states that only a broad and "professional preparation of the documentation required for the authorization procedures can make things easier." Jürgen Reiß mentions one further factor that he claims is very characteristic for business in Italy, especially in the southern regions. "There are those organizations that you cannot avoid when planning large projects", Reiß said, meaning for example the Mafia in Sicily and the 'Ndrangheta in Calabria.

'Cathedrals in the desert': Where the large-scale segment is heading

Despite vehement criticism against intensified implementation of large-scale PV plants in the regions, the main argument in support of such installations is that large solar power fields enable PV technology to contribute relevant capacities to meet EU climate targets. According to the targets, by 2010, 25 percent of the electricity generated in Italy must stem from renewables. But even Leonard Berlen, Editor of the renewable energies internet portal Qualenergia, advises against the excessive use of open-space PV plants. "The installation of large-scale PV fields is not advantageous for Italy, at least today. It would be preferable for Italian operators to acquire special expertise in building integrated plants. And I am sure that the big figures will arrive anyway," Berlen states. He even stresses the Italian image of 'cathedrals in the desert', a figurative picture that is very familiar in Italy. It stands for large projects in southern regions (see Figure 2), which were implemented with the aim of promoting

the economically-underdeveloped south, but did not stimulate any positive development, effectively only enriching some commissioned companies.

Conclusion

The destiny of this market segment depends more on local bureaucratic procedures and politics than on market dynamics. It is not very likely that the 'nodo burocratico,' the bureaucratic bottleneck, will dissolve in one fell swoop as the situation in Italy is highly heterogeneous due to the lack of national guidelines for PV and the fact that individual regions, provinces and even municipalities are responsible for the authorization procedures. "Especially in the field of large-scale PV plants, it can be observed that there are many investors that underestimate costs and expenditures, trying to install a PV field with a minimal financial investment," EuPD CEO Markus A. W. Hoehner states. Lawyer Jürgen Reiß comments: "Somebody even compared the PV boom in Italy with the gold rush in Alaska. But this initial euphoria has already begun to evaporate. It requires effort and perseverance to implement large-scale plants in Italy. In the end, only serious investors will succeed in realizing those projects."

But Reiß is optimistic regarding the facilitation of the authorization procedures: "During the last three, four years, the situation of authorization procedures has significantly improved. I assume that by 2010, the large-scale segment will grow slowly, but continuously. The largest size I can imagine succeeding is 10MW, as local interest conflicts are likely to become too difficult for larger projects. I think that the majority of large installations will be around one MW."

About the Author



Daniel Pohl, graduated with an M.A. in North American studies, literature and political science from the University of Bonn and the University Paris-Sorbonne.

He has been working as an editor and media consultant in the field of economics and renewable energies and is now heading the corporate communications department at EuPD Research in Bonn. Throughout his career he has published numerous articles on diverse energy topics in national and international special-interest magazines. He has also worked for national newspapers as well as broadcasting stations and a TV production company.

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