Italian PV market development

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ABSTRACT

The Italian PV market is poised to become the leading market worldwide. However the recent GSE estimates have revealed unexpected volumes installed in 2010. This may lead to an adjustment of the feed-in tariff (FiT) level in the course of this year. GIFI (the Italian PV industry association) is preparing the field for a proposal to make the market development more sustainable, long-lasting and to upgrade the 2020 target.

Italian PV market in 2010

In 2009 Italy became the second market worldwide for annual installed capacity. 2010 saw Italy become the second market for cumulative installed capacity, surpassing Spain. In fact, last year the peninsula saw between 5.5 and 6GWp of new installations: a huge increase in volume, which was partly unexpected.

We all knew that the last year of the second Conto Energia was anticipated to be very strong in terms of installations. On top of that, in August 2010, a measure called the Salva Alcoa was approved by Parliament without any explicit request from the industry. This measure has allowed all PV systems installed by the 31st of December 2010 to benefit from the 2010 FiT if they are connected to the grid by the 30th of June 2011.

GSE has received around 59,000 applications for the Salva Alcoa measure worth 4GWp. Some of them have already been found to be incomplete applications (i.e. missing documents and/or data). In any case, GSE estimates that the applications that can be considered valid amount to about 3.5GWp. Ultimately, it is still unclear whether or not those 3.5GWp will all be connected to the grid. In fact, from the beginning of January 2011, only 0.65GWp (out of 3.5GWp valid

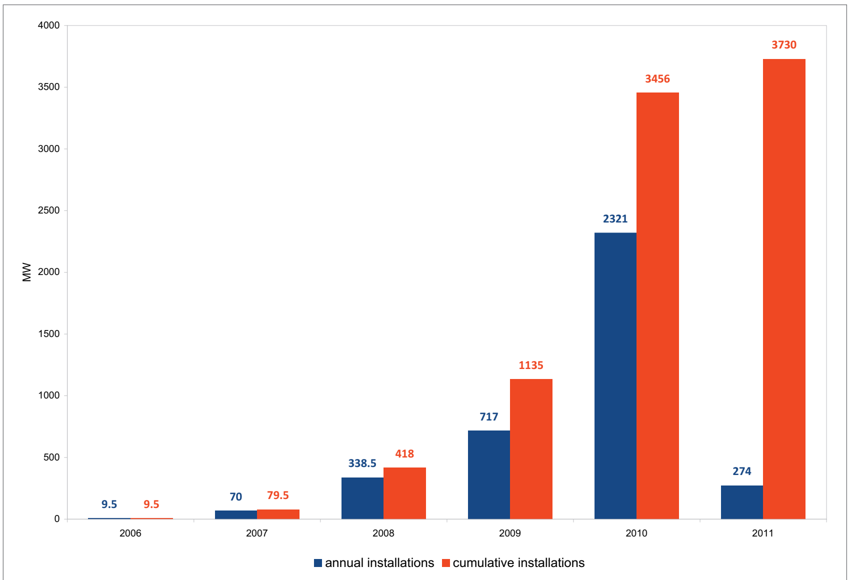

Figure 1. Annual versus cumulative installations from 2006 to 2011.

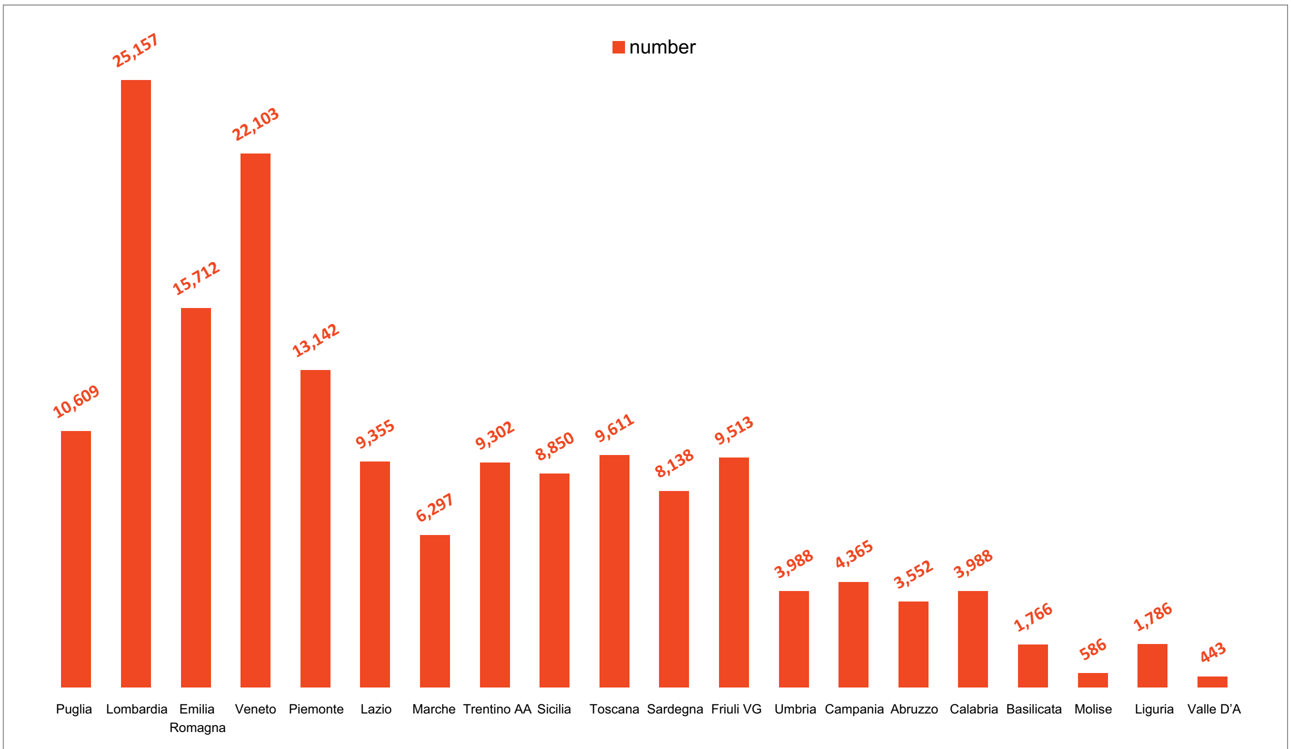

Figure 2. Regional uptake of the Salva Alcoa incentive scheme.

applications) were connected to the grid.

These figures are still estimates; final figures, considering the time gap between the connection to the grid and the FiT award, will be available, most likely, after the summer 2011 break.

In the meantime, it is important to take a look at how the market has developed so far in terms of types of installations, market segments and regional distribution.

While the number of ground-mounted solar PV systems is still a small percentage (7%) of the total amount, their power installed share is fast becoming significant (46%). Thanks to the generosity of the FiT, in 2010, this market segment has risen at an impressive rate.

At the regional level, the top five regions that represent nearly 50% of the cumulative power installed in Italy, are: Puglia, Lombardia, Emilia Romagna, Veneto and Piemonte.

> "Puglia has been one of the first regions to adopt clearer licensing procedures for the authorization to build PV systems."

It is worth mentioning that Puglia is the only southern region amongst the top five, most likely a direct result of the fact that Puglia has been one of the first regions to adopt clearer licensing procedures for the authorization to build PV systems. Also, Puglia hosts the largest PV systems: the average size is 70kWp, while in the Lombardia region (the second in the list for installed capacity) the average size goes down to 16kWp.

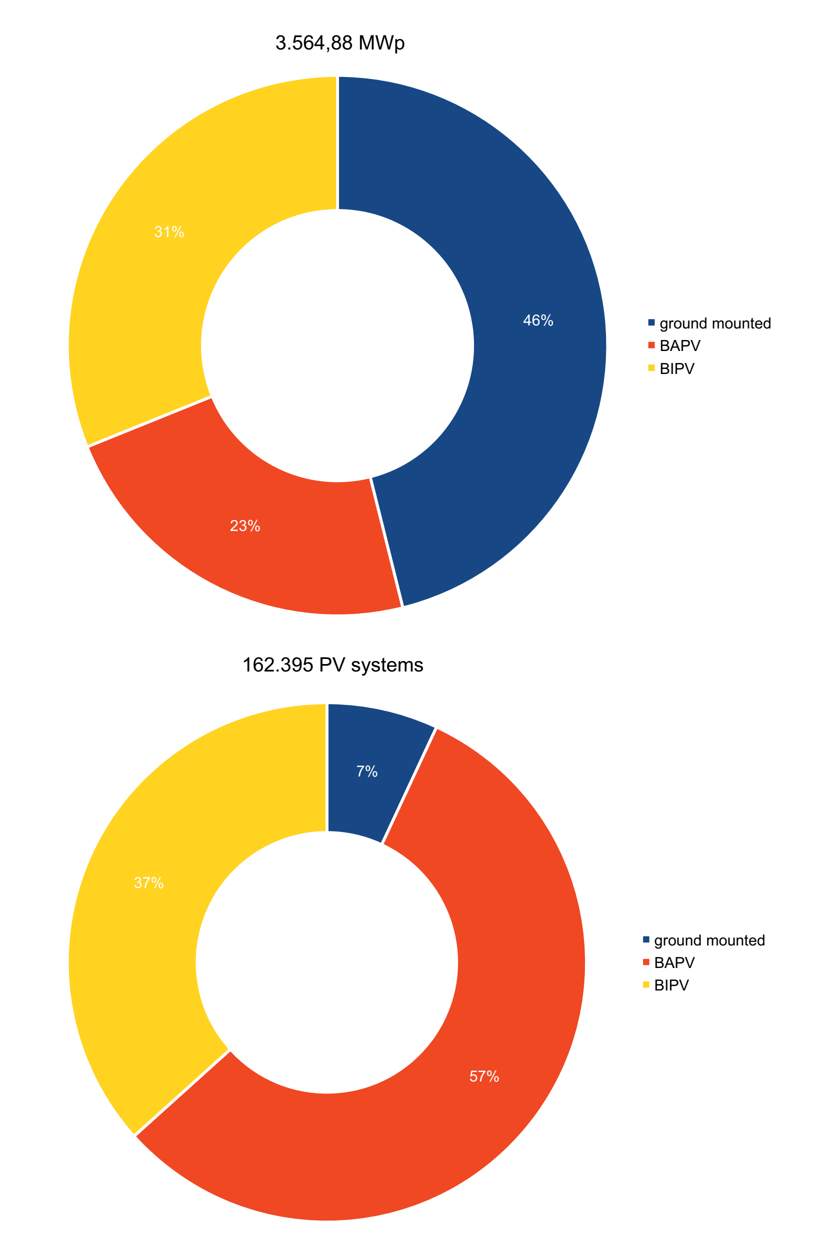

Figure 3. Types of installation by (top) total power output and (bottom) number of systems.

The third Conto Energia came into force, but...

The third Conto Energia was approved in August 2010 and came into effect from January 1st 2011. The new 'solar bill' has a rather different structure when compared with the second Conto Energia. First of all, it has lower levels of FiT and different power classes (from three to six). A decrease in three steps of the tariff during 2011 is needed in order to have a 15–20 % decrease by the end of 2011.

Unfortunately the third Conto Energia is already obsolete. On March 3rd 2011, the Italian Council of Ministers approved the so-called Renewable Legislation: the legal framework to allow the development of renewable energy in Italy. The PV relevant contents of Renewable Legislation can be summarized as follows:

- limitations for PV system size in agricultural land;
- when the 2020 target (8GWp) for PV has reached, the FiT will expire. Looking at the volumes in 2010 we can assume that 8GWp can be reached by the end of 2011; and
- all systems connected to the grid by May 31st 2011 will still be able to be granted with the FiT of the third Conto Energia. All PV systems connected to the grid from June 1st 2011 onwards will be granted with a different FiT which will be defined and published by April 30th 2011.

The approval of this legislation has been largely unexpected by all PV stakeholders. Since late November 2010, when the first draft was disclosed by the Italian Council of Ministers, there have been a number of meetings, negotiations and parliamentary hearings amongst all PV sector stakeholders in order to find a common position for the development of renewable energy in Italy.

The final document, however, is going in a different direction and in the PV industry we immediately experienced drawbacks and criticism. As a direct consequence the Italian PV sector has halted:

- €8 billion of orders are now blocked;
- €20 billion of contracts are now on standby; and
- 10,000 workers are at risk of being made redundant.

On top of that, many investors, national and foreign, have redirected their funding towards different markets and many companies have suspended the recruitment processes planned for 2011, thus jeopardizing the development of the whole PV industry.

Towards the fourth Conto Energia

What has caused this radical change in the Government's approach to renewable energy? The main reason behind it is the fact that the impact of renewable energy (mainly wind and photovoltaic) in the energy bill is considered by many industry players to be too high. What has emerged from the recent happenings is the need for a better control of the costs related to incentivizing solar electricity.

> "What has caused this radical change in the Government's approach to renewable energy?"

We at GIFI (the Italian PV industry association) have always considered the FiT as the most appropriate legislative tool to achieve full competitiveness within the sector. The FiT needs to be decreased according to the cost of the PV systems. The administrative burden linked to the licensing procedures has a rather high impact on the final cost (up to 20% in some cases) of the PV system. Therefore, while we are ready to negotiate lower FiT as of June 2011, we expect the Government to make an effort to help us to reduce the bureaucratic burden and to promote clear and fast licensing and connection to the grid procedure.

On the topic of grid systems, a strong support for the development of the distributed generation comes from the development of the smart grid. In Italy we have around 20 million smart meters already installed and thus we are in a privileged position to overcome the bottleneck of an inadequate energy transmission and distribution infrastructure.

Negotiations with the relevant institutions, Government representatives and a member of the Italian Parliament are already underway and (at the time of writing this article) and the first draft of the fourth Conto Energia is about to be disclosed by the Minister of the Economic Development, Mr Romani. The draft will be the result of many meetings amongst stakeholders and we are confident this time there will not be any surprises.

What is our position? We aim to regulate transition from the third to the fourth Conto Energia. As the fourth Conto Energia will start in 2012 with an annual decrease of the FiT, we need to make sure that from June to December 2011 the decrease of the FiT is gradual enough to allow all PV systems and investments already planned to be safeguarded. In regulating this transition it is important to avoid any legislative measure that may potentially harm the sustainable growth of the installations.

- six power classes (1kWp to 3kWp; 3kWp to 20kWp; 20kWp to 200kWp; 200kWp to 1000kWp; 1000kWp to 5000kWp; and over 5000kWp);

- different tariff for PV systems built on buildings and ground-mounted systems;

- feed-in premium for:
  - the removal of asbestos roofing;
  - the energy efficiency intervention to buildings;

- PV systems ground-mounted in abandoned and contaminated land;
  - promotion of the self consumption of solar electricity;

- finally we have a strong position against any form of caps: this will make the installations slow down significantly (as in Spain a couple of years ago) and lead to market instability. These are all consequences we want to avoid.

About the Author

Valerio Natalizia is president of GIFI (the Italian PV Industry Association). Since 2003 he has been involved in the production of modules, distribution systems, photovoltaic inverter production and participates in international working groups, conferences, workshops and forums with an extensive knowledge of the Italian and European PV market. In 2005 Valerio was made director general of SMA Italy, the Italian subsidiary of the world's largest inverter, SMA Solar Technology AG.

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Editor's note: data contained in this paper was compiled during the period of uncertainty surrounding the Italian FiT status. We now know that the tariff format has been revised as of May 6th, but it was not possible to update this paper to reflect the amendment prior to going to press.