



After the March 2011 decree, what might the future hold for renewable electricity generation in Italy?

In response to the EU Renewable Energy Directive (RED), the Italian Government published a decree in March 2011, which set out changes in the support mechanisms for renewable generators.

This Decree modifies the structure of revenues available to (non-solar) renewable projects by replacing the existing green certificate (CV) mechanism with a new scheme based on tariffs and auctions for renewable capacity commissioning.

The impacts of this fundamental shift in regulation are described in a new edition of our ILEX Energy Report: **'The Italian electricity market and support for renewables'**.

This report is designed to provide a guide to potential investments and an essential risk management tool for project developers, financiers and utilities.

It is built on Pöry's long-standing modelling expertise and in-depth knowledge of European energy markets.

The Pöry report contains projections for both possible

sources of revenue for renewable generation under the March 2011 decree – wholesale electricity market and/or separate support payments.

The report is available either as a **stand-alone product** or as an **annual subscription** service with updated market analysis and projections on a quarterly basis.

Updating our price projections on a quarterly basis allows us to incorporate the most up-to-date information on fuel prices, electricity demand and government policy.

Our projections for renewable support take into account many relevant factors, including renewable costs, renewable target and projected wholesale electricity prices (where appropriate).

We use our European electricity model to provide price projections for **wholesale electricity prices out to 2035** in three internally consistent scenarios – **High, Central** and **Low**.

By simultaneously modelling electricity markets across Europe, we can take account of the limits

and opportunities presented by (existing and future) physical interconnections with neighbouring markets.

Our scenarios illustrate a reasonable range of outcomes and are for sustainable long-term levels based on fundamental price drivers, such as:

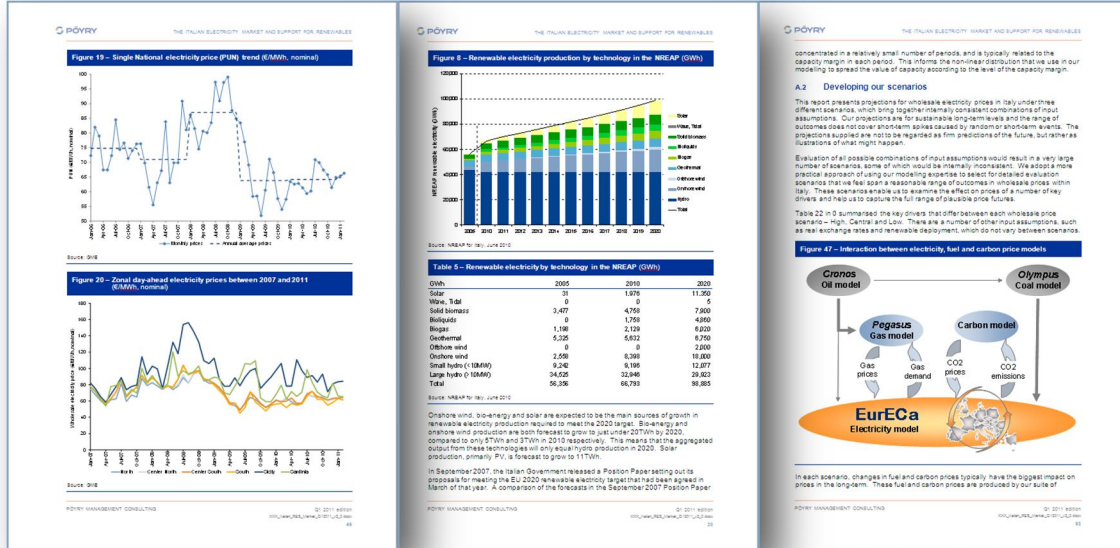
- fuel and carbon prices derived from our suite of models;
- construction of new generation capacity and plant retirements;
- electricity demand; and
- development of low carbon technologies, such as renewables and CCS.

Our iterative modelling process ensures that our fuel and carbon prices are consistent with the resulting level of fuel demand and carbon dioxide emissions.

The zonal structure of the Italian market is fully considered in our modelling approach. We present annual projections for macro-zone prices (North, Central & South, Sicily and Sardinia) and for the Single National Price (PUN).

THE ITALIAN ELECTRICITY MARKET AND SUPPORT FOR RENEWABLES

Q1 2011 Edition



The March 2011 decree has left open many areas of uncertainty around the exact mechanics of the new support arrangements.

The report addresses all these elements of uncertainty and provides an initial view on the potential outcomes of the reform process.

Given this, we produce projections in the following categories:

- prices of green certificates available to existing plants (out to 2015);
- all-inclusive tariffs available to existing plants after 2015;
- premium tariffs available to new plants (post-2012); and
- all inclusive tariffs available to new plants (post-2012).

A series of implementation decrees are expected to follow in the forthcoming months to provide more details on the scheme mechanics. The impact of any such decree would be described in the next quarterly update.

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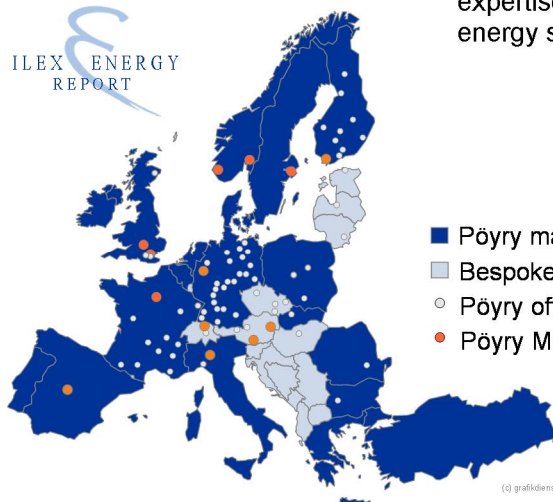
ILEX Energy Reports

Pöyry Management Consulting produces ILEX Energy Reports for electricity, gas, carbon and green certificate markets across Europe.

Pöyry Management Consulting is Europe's leading energy consultancy providing strategic, commercial, regulatory and policy advice to Europe's energy markets.

The team of 200 energy specialists, located across 14 European offices in 12 countries, offers unparalleled expertise in the rapidly changing energy sector.

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