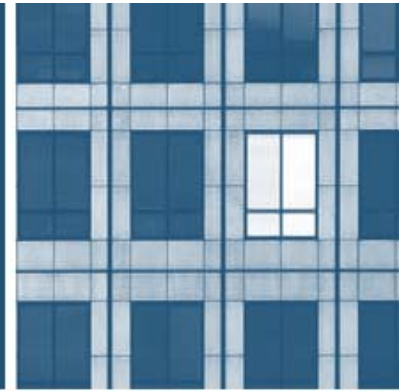


On the Subject



Energy & Commodities Advisory

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After a long tug-of-war between the Italian Federal Government, regions and interest groups, the Government has finally published Italy's new feed-in tariffs for photovoltaic (PV) plants, thereby confirming that, despite significant cuts, Italy remains one of Europe's most attractive markets for investments in PV projects.

“Third Conto Energia”: 2011 to 2013 Feed-In Tariffs for Photovoltaic Plants in Italy

On 25 August 2010 the so-called “Third Conto Energia”, a decree by the Italian Ministry of Economic Development in agreement with the Ministry of Environment, entered into force, setting out the incentives for the production of electricity by photovoltaic (PV) plants.

In relation to the tariffs applicable until 31 December 2010 under the so-called “Second Conto Energia”, the 2011 tariffs have suffered cuts of between 4.73 per cent and 36.25 per cent, depending on the type and size of the PV plant on the date of its grid connection. Nevertheless, tariff reduction is not the only aspect of the Third Conto Energia that deserves attention.

Introduction

With the goal of achieving an overall target of 8,000 megawatts (MW) of nominal PV capacity installed on Italian territory by 2020, the Third Conto Energia makes available funds for 3,000 MW of installed ordinary PV plants, 300 MW of integrated PV plants with innovative features and 200 MW of concentrated PV plants. Once these thresholds are reached, PV plants will, a grace period of 14 months will apply, during which time grid-connected PV plants will still be entitled to the feed-in tariffs under the Third Conto Energia.

The Third Conto Energia defines the feed-in tariffs applicable to PV plants that start operating between 2011 and 2013. Under

a transitional regime introduced by Law no. 129 of 13 August 2010, however, PV plants that start operating by 30 June 2011 may still benefit from the 2010 feed-in tariff provided under the previous tariff regime (so-called “Second Conto Energia”) on the condition that the end of construction has been communicated to the competent public administration, local grid operator and the Gestore dei Servizi Energetici (GSE) on or before 31 December 2010.

As under the Second Conto Energia, all feed-in tariffs under the Third Conto Energia are paid for a period of 20 years and without adjustment to inflation.

Feed-In Tariff for Ordinary PV Plants

Ordinary PV plants are all those plants that do not fall within the special categories described below. With 3,000 MW of subsidised capacity, they represent more than 85 per cent of the installed PV capacity that will receive incentives under the Third Conto Energia.

Unlike the Second Conto Energia, the Third Conto Energia no longer distinguishes between ground-mounted, partially integrated and fully integrated PV plants. Instead, it provides for two tariff classes:

- PV plants installed on buildings
- Other PV plants

The Third Conto Energia also specifies, however, that arbours, greenhouses, acoustic barriers and sheds, which meet certain specified requirements, will benefit from a special feed-in tariff calculated by the arithmetic mean between the two classes. As a consequence, the tariff system can de facto again be subdivided into three different tariff classes.

Base Tariff

In order to secure a smooth reduction of the feed-in tariff from 2010 to 2011 and to avoid a traumatic impact on projects currently under development or construction, the Third Conto Energia provides for a successive reduction of the tariff in three

four-month periods. The tables below show the tariff system for ordinary PV plants in 2011.

POWER CLASS	1 JANUARY 2011 TO 30 APRIL 2011		
	PV PLANTS INSTALLED ON BUILDINGS	ARBOURS, GREENHOUSES, SHEDS, ACOUSTIC BARRIERS	OTHER TYPE OF PV PLANT
KW	€/KWH	€/KWH	€/KWH
1≤P≤3	0.402 (-4.73%)	0.382 (-18.72%)	0.362 (-5.73%)
3<P≤20	0.377 (-6.45%)	0.358 (-19.00%)	0.339 (-7.12%)
20<P≤200	0.358 (-6.77%)	0.3395 (-19.54%)	0.321 (-7.22%)
200<P≤1000	0.355 (-7.55%)	0.3345 (-20.73%)	0.314 (-9.24%)
1000<P≤5000	0.351 (-8.59%)	0.332 (-21.32%)	0.313 (-9.53%)
P>5000	0.333 (-13.28%)	0.315 (-25.35%)	0.297 (-14.16%)

POWER CLASS	1 MAY 2011 TO 31 AUGUST 2011		
	PV PLANTS INSTALLED ON BUILDINGS	ARBOURS, GREENHOUSES, SHEDS, ACOUSTIC BARRIERS	OTHER TYPE OF PV PLANT
KW	€/KWH	€/KWH	€/KWH
1≤P≤3	0.391 (-7.34%)	0.369 (-21.48%)	0.347 (-9.63%)
3<P≤20	0.360 (-10.66%)	0.341 (-22.85%)	0.322 (-11.78%)
20<P≤200	0.341 (-11.19%)	0.325 (-22.98%)	0.309 (-10.69%)
200<P≤1000	0.335 (-12.76%)	0.319 (-24.40%)	0.303 (-12.42%)

POWER CLASS	1 MAY 2011 TO 31 AUGUST 2011		
	PV PLANTS INSTALLED ON BUILDINGS	ARBOURS, GREENHOUSES, SHEDS, ACOUSTIC BARRIERS	OTHER TYPE OF PV PLANT
KW	€/KWH	€/KWH	€/KWH
1000<P≤5000	0.327 (-14.84%)	0.308 (-27.01%)	0.289 (-16.47%)
P>5000	0.311 (-19.01%)	0.293 (-30.56%)	0.275 (-20.52%)

POWER CLASS	1 SEPTEMBER 2011 TO 31 DECEMBER 2011		
	PV PLANTS INSTALLED ON BUILDINGS	ARBOURS, GREENHOUSES, SHEDS, ACOUSTIC BARRIERS	OTHER TYPE OF PV PLANT
KW	€/KWH	€/KWH	€/KWH
1≤P≤3	0.380 (-9.95%)	0.3565 (-24.14%)	0.333 (-13.28%)
3<P≤20	0.342 (-15.13%)	0.323 (-26.92%)	0.304 (-16.71%)
20<P≤200	0.323 (-15.88%)	0.304 (-27.96%)	0.285 (-17.63%)
200<P≤1000	0.314 (-18.22%)	0.290 (-31.27%)	0.266 (-23.12%)
1000<P≤5000	0.302 (-21.35%)	0.283 (-32.93%)	0.264 (-23.69%)
P>5000	0.287 (-25.26%)	0.269 (-36.25%)	0.251 (-27.45%)

The percentages in brackets show the tariff reductions in relation to the 2010 tariffs. “PV plants installed on buildings” are compared to “partially integrated PV plants” under the Second Conto Energia 2010, while “arbours, greenhouses, sheds, acoustic barriers” are compared to the “fully integrated PV plants”. It is important to note that the percentage reduction in tariff is not equal to the percentage of reduction in proceeds generated by

a PV plant, given that the proceeds of a PV plant are composed of the sum of the feed-in tariff and the sale price of the electricity.

PV plants that only start operating in 2012 or 2013 are entitled to the feed-in tariff applicable to the last four-month period of 2011, reduced by 6 per cent per year.

Premiums

The Third Conto Energia provides for certain premiums for specific types, location and applications of PV plants. In particular:

- Ground-mounted PV plants (i.e., those neither installed on buildings nor in arbours, greenhouses, sheds or acoustic barriers), which are located in areas qualified by the applicable zoning plan as industrial or commercial areas, rubbish dumps or contaminated areas, are entitled to a 5 per cent increase in base tariff.
- PV plants constructed by municipalities with less than 5,000 inhabitants are entitled to a 5 per cent increase in base tariff if they are installed on buildings and operate under the net-metering regime.
- PV plants that are installed on buildings benefit from a 10 per cent increase in base tariff in the event that they replace roofs containing asbestos.

Only one of the above premiums can apply to each PV plant. They cannot be used in combination with each other.

Other premiums, which are not expressly mentioned here, apply to PV plants that are combined with efficient use of energy or a system of predictable electricity input.

Integrated PV Plants with Innovative Features

“Integrated PV plants with innovative features” describes PV plants composed of innovative modules and components specifically developed to integrate and substitute architectural elements of buildings. 300 MW of these plants will be subsidised by a specific tariff.

Integrated PV plants with innovative features that start operating between 1 January 2011 and 31 December 2011 will benefit from the feed-in tariffs listed in the table below.

2011 Feed-In Tariffs for PV Plants with Innovative Features

POWER RANGE	FEED-IN TARIFF
KW	€/KWH
1≤P≤20	0.44 (-0.45%)
20<P≤200	0.40 (-5.21%)
P>200	0.37 (-12.32%)

The percentages in brackets show the tariff reductions in relation to “fully integrated PV plants” under the Second Conto Energia in 2010.

The reduction of the feed-in tariff for integrated PV plants with innovative features that start operating after 31 December, 2011, will (only) be 2 per cent per year.

Concentrated Photovoltaic Plants

Concentrated photovoltaic (CPV) plants must not be confused with CSP (concentrated solar power) systems. These are PV plants where optical systems allow the concentration of sunlight on the photovoltaic cells. 200 MW of CPV plants will be subsidised by a specific tariff.

The feed-in tariff of the Third Conto Energia applies to CPV plants with immediate effect, not just from 1 January 2011. CPV plants that start operating before 31 December 2011 will benefit from the feed-in tariffs listed below.

2010 to 2011 Feed-In Tariffs for CPV Plants

POWER RANGE	FEED-IN TARIFF
KW	€/KWH
1≤P≤200	0.37
200<P≤1000	0.32
P>1000	0.28

The reduction of the feed-in tariff for CPV plants that start operating after 31 December 2011 will be 2 per cent per year.

Award Procedure

Within 90 days from the start of operations of the PV plant, the plant manager shall file the application for the award of the feed-in tariff with the GSE, which includes voluminous documentation. The GSE has 120 days to evaluate the application and award the feed-in tariff, which will then apply retroactively from the start of operations of the plant.

Unlike the Second Conto Energia, should the applicant miss the 90-day application deadline,, this will no longer result in the radical loss of the entire feed-in tariff, but only of the amounts for the period between the start of operations and the date of filing the tariff application.

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