

GME'S NEWSLETTER – New issue now on line

Rome, 17 December 2009 – The new issue of the Newsletter of Gestore dei Mercati Energetici (GME) is now downloadable from www.mercatoelettrico.org

The newsletter opens with a contribution by the **Energy Department of the Italian Ministry of Economic Development** commenting on IEA's Report on development and deployment of renewables, which was presented at the Ministry on 10 December 2009.

The report is rich in data, calculations and analyses and very topical, as it covers themes that are common to those of the Copenhagen Summit. The report *warrants some comments*.

As reported in the contribution, *the first one concerns the "realisable potential" by 2020. IEA estimates that the global potential amounts to 2.5 times the current production in the electricity sector, 30 times in the heat sector and 5 times in the biofuel one. The data on the potential achievable by 2020, provided for Italy, are as follows: 158 TWh of electricity, 28.4 TWh (2.5 Mtoe) of household biofuels and 173.4 TWh (14.9 Mtoe) of heat. These values are much above the ones that the Ministry of Economic Development estimated for the technically and economically feasible potential. For instance, the electricity potential does not exceed 100 TWh. The need probably arises not only to define the potential which is achievable, but also the prerequisites for such achievement. It is indeed clear that the values indicated by IEA might be reached by fully tapping the technical solar potential.*

Another comment on the report concerns the exhaustibility of renewables and the problems of competition between different uses. The contribution explains that this competition *might however be unbalanced; to give an example, biomass for energy uses receives support, whereas biomass for food or industrial uses does not. Consequently, priority uses should be identified: i) products for potential food use should not be supported as products for energy uses; and ii) support should be shifted from the energy use of biomass to the production of specific biomass for energy use, grown or harvested in areas not used for agrifood production.*

The contribution emphasises that the same competition might also arise in land-use management, as is now the case for projects of use of land (previously designated for agrifood production) for photovoltaic facilities. *This phenomenon should be monitored and controlled as necessary.*



Another focus of the report is on *the costs of the incentive schemes. We agree on IEA's recommendations, especially those stressing the need for incentives of a transient nature and declining over time. Nonetheless, it is patently difficult to fully implement this recommendation. It follows that the costs of renewables should be more carefully assessed and that support of renewables should be combined with incentives for business development and employment, so as to lessen the concerns of the consumers/payers of the incentives.*

Other comments on the report regard the need for a more thorough assessment of the costs of renewables, more emphasis on research as instrumental to more deployment of renewables, as well as for intensification of international cooperation.

The contribution concludes that *IEA's report is a positive development, with more refined data and analyses, as compared to previous studies. We particularly appreciate the fine-tuning of the index of effectiveness of renewable policies. In our opinion, the current index can now prompt an in-depth reflection on Italy's present regulatory framework, where a higher perceived investment risk corresponds to a higher level of incentives.*

As has become customary, GME's new publication reports **the summary data of the electricity market for the month of November** and the **fuel market** section, which analyses international oil and fossil fuel price trends. The new issue also comes with: the usual technical commentaries on European and national power exchanges and environmental markets; and a survey by **Marzio Galeotti & Clara Poletti from IEFE** of climate change measures already implemented or to be implemented in the future.

The two authors recall that, *while scientific knowledge of these themes was becoming more accurate - as shown by IPCC's 2001 and 2007 reports - the Bali Conference was held. On that occasion, a roadmap to the new treaty (the so-called BAP - Bali Action Plan) was drawn up. Thus, the new rendez-vous was in Copenhagen in 2009. The BAP was a vivid example of non-decision: as taking commitments of immediate effect was too costly, economically and politically, the Conference decided not to make a decision or, better still, that it would make a decision.* However, the experts from IEFE observe that, *while expectations about Copenhagen grew, agreements on the aspects of the negotiations unfortunately lagged behind. The key elements of the treaty should be: ambitious commitments to emission reductions by developed countries, including the United States, in the range of 25-40% from 1990 levels by 2020; adequate actions by developing countries to cut the growth of their emissions to about 15%-30% less than normal levels by 2020; a financial agreement to help developing countries to mitigate their emissions and adapt to climate change, in the range of € 100 billion/year by 2020.* Galeotti & Poletti conclude that *we are beginning to adjust to the idea that the Copenhagen Conference (COP15) will be followed by a second Conference one year afterwards (COP15-bis), as was the case for the COP6-bis in Bonn in 2001.*



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