

Italian environment minister says supports cuts in emissions allowances

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Italian environment minister Corrado Clini supports the idea of increasing the price of CO2 emissions allowances by freezing the number of allowances on sale on the market, Clini said Thursday.

"One of the objectives that we have is to keep the price of emissions up, because obviously if the price of CO2 is low there's no driver for technological innovation," the minister said on the sidelines of the Clean Energy Ministerial conference in London.

The price of EU Allowances for delivery in December 2012 was Eur7.16/mt of CO2 at the close Wednesday, according to Platts assessments.

EU ministers of environment are currently discussing how to reach that objective, Clini said. The UK government in particular supports the idea to set a minimum price below which emissions allowances cannot go, he added.

A second option was the "set aside" of a certain amount of allowances "on which I personally agree," Clini said.

"Many observed that this would be another intervention which strongly regulates an already regulated market," Clini said. "But all this comes from a decision taken in 2003 at EU level to set a price for CO2 emissions. Back then there wasn't a consensus on carbon tax, so we created the emission trading system, which however is converging towards the carbon tax. So basically the price of CO2 on the emissions trading system cannot be lower than the price that we have set for the carbon tax."

EU environment ministers are working on setting a minimum price for emissions "in order to make the carbon tax and the emissions price converge," he said.

The Italian cabinet April 16 approved a number of measures, including a carbon tax on CO2 emissions, to finance incentives for renewable energies.

The government is expected to detail in the next weeks how the carbon tax should work and how much it expects to raise from it.

Clini specified Thursday, however, that the tax "will not apply to industries that are already obliged to buy emissions allowances, but to other sectors like transports."

"It's a measure that will have to be harmonised at EU level," he said. "The objective is to leverage the price in order to reduce emissions and to stimulate the competition with other non-fossil energy sources."

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Italy eyes hybrid gas-photovoltaic electricity generation: minister

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Italy aims at producing electricity by hybrid gas-photovoltaic micro-power plants instead of just through fossil fuel-powered generation in the near future, Italian environment minister Corrado Clini said Thursday.

Italy in the last year has been developing systems of electricity gas-photovoltaic co-generation and that the environment ministry in March has made available funds for 600 million euros in order to finance investments in the sector, Clini said on the sidelines of the Clean Energy Ministerial conference in London. "Those resources have all been booked within one week, which means that in Italy there's the willingness to invest in this sector."

Clini said he expected Italy to generate around 35%-40% of its electricity through such hybrid micro-power plants "in a few years time."

Asked on whether he saw a future for oil-to-coal power plants conversions, such as Enel's project of conversion of a 1,980-MW, oil-fired plant to coal in Porto Tolle in northeastern Italy, Clini answered, "I don't see today in Europe a great perspective for big power plants, while I see it much more for the development of technologies for distributed energy."

"I believe that the European electric system is mature in its current configuration," he said. "It is a system that has many big power plants generating electricity that flows through very long transmission lines."

Because of this type of transmission system, a considerable amount of electricity gets lost in the process, he added.

The efficiency rate for gas-fired power plants was 50%, with half of the electricity produced being

dispersed in the distribution process, while coal-fired plants have an efficiency rate of around 30%, Clini said.

"That system has now to compete with the distributed generation system with small power plants that can reach almost 100% of efficiency because they produce both heat and electricity at the same time" he said.

GRID PARITY

Increasing the efficiency of Italy's electricity generation system was one of the key objectives of the government, Clini said.

Renewables account for 20% of power costs for Italian consumers, Clini said, and "the introduction of renewables in the electricity system didn't lead to a reduction in costs coming from traditional power plants, so one cost is added to the other instead of replacing it.

"This is a problem that we have to fix quickly," Clini said. "The lack of an energetic plan in the last few years made it possible for both things to grow in parallel. I think that the solution is to progressively move part of the investments from traditional systems of generation towards other systems, for example by not building other power plants."

Clini expects power produced through photovoltaics to reach grid parity with that generated by fossil fuel in two years, he said.

"The objective that we have with the photovoltaic is to close this phase of incentives by 2015, and at the same time to identify other incentives for the development of new technologies" he said.

The government earlier this month announced a new plan of incentives to renewables for Eur11.5 billion annually through 2015. The plan is now being considered by the state-regions conference, a body in charge of the relations between the Italian federal government and the regions.

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