



INVESTING IN GREEN ENERGY SPOTLIGHT ON... ITALY

Following our Investing in Green Energy: Spotlight on Italy event on Wednesday 8 February, please find an overview of what was covered below. For reference, here is the [agenda](#) for the event, and [speaker details](#) if you would like to discuss the topic further.

With thanks to [Suki Rees](#), Senior Associate, for preparing this overview.

Italian energy market: background and future trends

[Eugenio Tranchino](#)

- There has been significant GDP growth in Italy, the highest in Europe in 2021-22 with 11% growth in both years
- Of course, this attracts investment
- A key factor in Italy's energy market recently has been a drive to diversify sources of natural gas – noting over 90% of Italy's supply comes from abroad, which has been severely disrupted by Russia's invasion of Ukraine
- Italy is perfectly positioned on the edge of the Mediterranean to act as a link to Europe
- As a firm WFW has experience of working on traditional power sources that the country has historically relied upon, and has been diversifying its practice as the market diversifies
- Italy's priorities in the energy market
 - Increasing LNG capacity
 - Increasing energy efficiency – via repowering, electric vehicles, power cables and non-renewables
 - Increasing investment in renewables – noting in 2021, the capacity was 57 GW in total, the majority of that being solar and onshore wind
- Offshore wind is a key area for exploration in Italy – currently there is only 1 operating plant but plenty of appetite – as demonstrated by connection requests for up to 95 MW having been registered
- In summary
 - as a result of economic growth, demand is high and not expected to change
 - there is strong demand across a large base of investment types

The Italian regulatory framework: RES plants and the impact of regulatory simplification

[Tiziana Manenti](#)

- Starting with a Simplification Degree from July 2020, a number of changes have been made in recent years, and further regulation is expected
- The context for the regulatory change is as follows
 - Climate crisis – the European Commission Energy and Climate plan from 2019 set a number of targets, including reduction of gas emissions and climate neutrality
 - Covid-19 pandemic and related impacts
 - Russia's invasion of Ukraine
- Italy has put in place a National Recovery and Resilience Plan (known as the PNRR) focusing on social mobility and removing barriers to growth via the green and digital transition
- Under the Italian Regulatory Framework – the development process has three different requirements:
 - Authorisation for the construction and operation

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- Connection to the grid
- Availability of the area
- The authorisation types range from simple to complex depending on the type and size of the power plant involved
- Increasing focus is being put on the simplified authorisation procedures, allowing more projects to benefit from them, particularly for solar
- Offshore wind is being encouraged via the simplification procedure also, but due to the fact it is at an earlier stage and the complexities of the site rights, it requires updated regulation, which is currently pending
- Incentive schemes and tariffs are key for investor understanding of the potential of Italian RES plants (including offshore wind) – accordingly the new 'FER 2 Decree' setting out the proposed incentive scheme is also keenly awaited, and discussed further below

New opportunities and new technologies

[Cristina Betti](#)

- This talk focussed on two key areas on the basis of recent investor interest – offshore wind and agrivoltaic

Offshore wind

- The existing 'FER 1 Decree' regulates the methods of incentivising the production of energy from significantly innovative sources
- In place since 2019, this is directed at the most technologically and commercially advanced renewable energy sources (e.g. hydropower, solar PV and onshore wind)
- FER 2 will pivot to focus on offshore wind and provide necessary updates
 - This includes access to auctions without the previously required authorisation, as long as a favourable environmental assessment has been obtained, opening up earlier access to the incentives
 - It also includes auction criteria geared towards offshore wind

Agrivoltaic

- Compared to standard PV, agrivoltaic plants are being permitted to use land otherwise only available for agricultural use
- This exception to general prohibition widens access to incentives for different kinds of PV plant
- It is aimed at facilities which enable integration between agricultural activity and electricity production, provided that at least 70% of the land in question is used for agricultural purposes, among other criteria
- As well as tariffs for such projects, the PNRR has provided direct capital grants for up to 40% of eligible costs of the development of agrivoltaic plants

Trends in debt financings of renewable energy

[Matteo Trabacchin](#)

- Increasingly, a combination of traditional and new structures are being seen – including bond issuance instead of or alongside bank loans
- As well as increasing the pool of investors, hybrid structures provide borrowers with increased flexibility
- Reforms changing the tax treatment of bond issuances have enabled this
- Bonds can now be structured like project finance debt and included in familiar debt structures, also through hybrid structures, which are now permitted following the new harmonised tax treatment of bonds and loans – e.g. a VAT facility under a bank tranche may be funded alongside a pari passu bond tranche
- The reform has included:
 - Exemption from withholding tax on certain payments
 - Applicability of the low rate '*imposta sostitutiva*' tax already available to other financing structures
 - Fixed stamp duty payments on project bonds (i.e. bonds funding an Italian PPP project)