

# Italy Proposes FIT Reductions



## OBJECTIVE ANALYSIS SEMICONDUCTOR MARKET RESEARCH

### Likely to Reduce Solar Demand, Drive Stocks Lower

After months of speculation, the Italian government on 20 April 2011 released a draft of legislation that defines solar incentives and drives solar demand in the country that will likely be the world's second largest consumer of solar modules in 2011. The draft of Conto Energia IV contains provisions that, if the draft is approved, are likely to substantially curb solar demand in Italy starting in June and thus reduce worldwide demand. In fact, on top of a fall in solar demand in Germany, France, the Czech Republic, the UK and a few other countries, lower solar demand in Italy could reasonably result in worldwide solar demand declining to less than 16 GW in 2011. With worldwide solar capacity already greatly exceeding demand, this demand fall is likely to accelerate revenue and margin pressures on solar cell and module manufacturers and, at least temporarily, drive solar company stock prices lower.

The good news: The long-term outlook for solar growth remains strong with demand likely to reach 18.4 GW in 2012 and with the installed cost of solar driven lower in part by lower module ASPs.

### Provisions of Conto Energia IV

While details of the proposed Italian subsidy legislation are in debate, a few key provisions are notable:

- FITs (feed-in tariffs) for ground-mount installations (read large, mainly utility-scale projects) are capped at 3.1 GW from June, 2011 through the end of 2012
- FITs for all types of installations are scheduled to drop from 2% to 5% per month from June through December, 2011
- In 2012, FITs are set to decline by an additional 10% in both halves of the year
- FIT incentives for projects already started may be subject to the new, reduced FITs if the installation is not completed by the end of May, 2011, bringing a retroactive aspect to the proposed new FIT law

Most likely, some of these provisions will be modified and a few additional provisions may be added while Conto Energia IV is under review by a conference of provincial representatives.

### Reaction of the Italian Solar Industry Association

Not surprisingly, the Italian solar industry associations appear to be stunned and appalled by the draft legislation. Assosolare's President, Gianni Chianetta, stated in a release Wednesday that if the draft is confirmed it will be a "definitive failure" for the PV industry and indicated that it should be reviewed by the Constitutional Court. Mr. Chianetta also suggested that the cost of the Italian FITs to rate payers have been greatly exaggerated and that the proposed FIT changes would result in a significant increase in unemployment.

