



Statistical Information - - Primary Energy Consumption

2007	Ktoe (1)	%
Coal	17,480	9.0
Petroleum	82,590	42.5
Natural Gas	70,040	36.0
Net Imports	10,100	5.2
Nuclear	N.A.	N.A.
Renewable	14,230	7.3
TOTAL	194,400	100

(1) one thousand tons of oil equivalent

Evaluation of Sector -- Electrical power Systems, Oil and Gas field machinery and Services and Renewable Energy Equipment

- A) On a scale of 1 (low) to 5 (high), evaluate the priority given by the host government to energy development: 4
- B) On a scale of 1 (low) to 5 (high), evaluate country's receptivity to U.S. products & services: 4
- C) On a scale of 1 (heavy) to 5 (little), evaluate competition for U.S. exporters from local domestic suppliers: 3
- D) On a scale of 1 (heavy) to 5 (little), evaluate competition for U.S. exporters from third-country suppliers: 4
- E) On a scale of 1 (severe) to 5 (little), evaluate overall effect of trade barriers on U.S. exports of products and services: 5

Summary

Italy is not self sufficient in energy and, although recent surveys indicate there is some oil and gas in the southern regions and offshore, the country still depends on foreign suppliers for about 80 percent of its needs. These imports mainly consist of hydrocarbons, while some electricity (16.3 percent of total consumption) is imported from abroad (France, Switzerland, Austria, and Slovenia).

In recent years, the Italian electrical sector has been subject to a wide ranging reorganization, following the implementation of the EC Directive 96/92 for the creation of a single electricity market, which set minimum objectives for the opening of the national market to competition to achieve harmonization among the norms of the Member States required for the creation of an integrated European electricity market. Further, Legislative Decree n. 79 of March 16, 1999 (Bersani Decree) was a decisive step on the road to the liberalization of the national electricity system, by defining as “free” the activities of electricity production, import, export, purchase and sale (though in respect of the obligations of a public service), setting an antitrust ceiling on the business of the dominant operator and opting for a series of measures meant to enhance competition. Since the Bersani Decree was implemented there has been a substantial increase in the number of electricity operators. In addition to the entry of new operators with new plants, there have been reorganizations of existing enterprises. In fact, various electricity companies have split their operations, establishing separate production entities, while only a few companies have merged or have incorporated smaller enterprises.

Energy Operating Companies

Type of company	Number
Self-Producers	444
Electricity Market Operators	1,137
Of which Distributors	178
Total	1,581

The Bersani Decree, among other things, stated that the National Energy Company’s (ENEL) generation capacity in the Italian territory had to be reduced from the original 61 percent to 50 percent. ENEL, in order to comply with the Bersani Decree, completed the sale of 15,000 MW of its generation capacity in order to allow adequate competition on the supply side. ENEL’s activities were also separated, giving birth to GRTN and, in 2006, to TERNA, which took the energy transmission and distribution activities, respectively, thus becoming the national grid manager.

Despite the forced cession by ENEL of much of its generating capacity, a study recently produced by the Energy Authority and the Antitrust Authority concluded that several years later, the reform had failed to adequately lessen the market dominance by ENEL. The same decree also gave birth to a new group of electricity operators: the "traders", and new relationships between operators and end users based on contracts and specific regulations.

Market Data

Italy's economic/political uncertainties coupled with a long economic stagnation, have significantly affected the local market for energy related products, equipment and systems. At the same time, electric power demand has continued to increase, requiring substantial imports of electricity from neighboring countries (France, Austria, Switzerland and Slovenia). Energy production investments (including incentives to self-producers), energy source diversification, promotion of energy conservation technologies and utilization of renewable sources will continue to play a significant role in Italy's power generation plans.

Energy generation by nuclear fuel was halted in 1987, but the recently elected government coalition, and in particular the Ministry of the Economic Development, have declared that the return to nuclear as a source of energy for electric power generation will be one of the principal goals in their agenda for the coming years. The idea is to create at least four nuclear power plants that should be located in the same sites that contain the prior operating nuclear power plants that have since been closed. Of course, before such a major program starts, new R&D studies will be required in order to employ the newest generation technology in the shortest possible time. In the meantime, ENEL is investing 3.2 billion Euros in Slovakia, where it manages, through its subsidiary Slovenske Elektrarne a.s., two existing nuclear power plants and has recently signed an agreement with the local government for the construction of two more plants that should be completed by 2013.

Oil and Gas Industry and Equipment Market

The market for oil and gas field equipment is mature and steady, with modest annual growth. The domestic industry is highly competitive (both in price and technical know-how) and export oriented. Gas and steam turbines are among the most promising prospects for this subsector.

Ente Nazionale Idrocarburi (ENI), the Italian leading hydrocarbons company, is active in all sectors from exploration and production to distribution. ENI focuses on its three core businesses of hydrocarbons, chemicals and related engineering and services. ENI subsidiary companies are active in the petroleum and natural gas sectors: AGIP is responsible for exploration, production and marketing. It is also responsible for the treatment of crude oil and its distribution. In the natural gas sector, the main company is SNAM, which operates the supply, transport and distribution of natural gas.

In order to facilitate the supply of natural gas, whose consumption is constantly increasing, two new pipelines have been planned, one of which is already under construction and the other is still in the study phase. The former will connect Tripoli (Libya) with Gela (Sicily), with a capacity of 8bn cm, while the latter should bring 10bn cm from Al Kala (Algeria) to Cagliari (Sardinia) and from there to the mainland (Grosseto). A third pipeline is also under construction and should connect the Caspian region's gas fields to southern Italy passing through Greece. Completion of these works is expected in the next five years.

Other projects are for terminals for Liquefied Natural Gas (LNG). Enel is focusing on three sites: the southern port of Taranto, with a capacity of 5-9bn cm a year, the northwestern port of Vado Ligure (5bn cm) and the northeastern port of Trieste (4bn cm). Recently, a consortium comprised of Edison, ExxonMobil and Qatar Petroleum obtained approval for the construction of a receiving and re-gasification terminal for liquefied natural gas located offshore the Italian coast in the North Adriatic Sea. The terminal, called Isola di Porto Levante, should be operational by the end of 2009 and will be one of the largest foreign investments in Italy in the energy sector.

Coal

The use of coal covers nearly nine percent of the Italian energy demand and seems to be recovering following the recent decline that was accelerated by the partial implementation of the so called "carbon tax". The principal reasons for low consumption of coal are attributed to: the public perception that it is a polluting substance; the absence of policies supporting coal usage; and the lack of incentive measures for the expansion of coal consumption in the industrial and electric sectors. Nevertheless, as coal is a cheaper fuel than oil or gas, industries and power companies have, in the last few years, decided to increase their coal consumption. An example of this renewed interest is the recent opening of a new ENEL owned coal fired power plant in Torrevaldaliga Nord, not far from Rome, with a capacity of 1,980 MW, which replaces an old oil fired plant. This new plant features the most advanced technologies available and will considerably improve the environmental impact, reducing the CO2 emissions by 18%.

Bituminous coal was the third largest U.S. export commodity to Italy by value in 2006. U.S. exports grew by 62.7 percent in 2006 compared to the previous year, rising to USD 312.3 million, making the U.S. the top exporter of coal to Italy with a 45 percent import market share in 2007, followed by the Republic of South Africa's 20 percent and Australia's 15 percent.

Renewable Energy Equipment

The lack of oil and gas resources exposes the country to considerable political and economic risks. Moreover, continued reliance on imported fossil fuels and nuclear energy raise environmental concerns. The importance of promoting alternative sources of energy was recently confirmed by an increasingly strong political interest in clean energy as opposed to energy produced by fossil fuels and in particular coal.

As one of the world's largest markets with technically advanced industries, Italy needs to invest in the development of renewable sources of energy.

Interest in alternate sources of energy and specifically renewable energy such as geothermal, solar, wind and biomass has become an important issue on the GOI's agenda. There is substantial effort in research and development to expand the use of alternative sources of energy in Italy especially in the sectors of biomass, geothermal, solar (both photovoltaic and solar thermal) and wind energy.

For example, local administrations have favored the installation of a number of windmills throughout Italy and especially in southern regions. All these sectors together supply only a relatively small fraction (6.5 percent) of the total energy demand; some growth is expected in the future, at a rate that should not exceed 5 percent per year in the various subsectors, with the exception of wind energy and its related equipment that should expand at a slightly faster pace. This technology has proven to be very successful and certainly is one of the most attractive areas for future practical developments.

Currently, the main limitation to the increased use of renewable sources of energy is the relatively higher cost per kWh compared to that produced by traditional sources of energy. Renewable energy has found commercial applications only when production cost was irrelevant or, at least, not a predominant factor. U.S. advanced technology in the above subsectors is well known and appreciated in Italy. Although the total market is still rather small, there is a strong potential for U.S. renewable energy firms to carve out a substantial share of this niche market. Small and medium-sized enterprises may find good business opportunities, but it is essential that new-to-market companies use the expertise and services of well-established representatives, who in this specific subsector may be specialized distributors or installers. Local representatives can prove to be very useful when dealing with public entities for large procurements and supplies.

Market Entry

The Italian energy market consists of a few large, still partially state-controlled customers (ENEL, ENI, National Railways, AGIP, SNAM) and of local governments, municipalities and self-producers. With the privatization of ENEL, private self-producers are now allowed to produce more energy for their own use and to sell excess electric power at profitable rates. ENI is slated for privatization, a process that is being implemented rather slowly because of its labor and political implications. As a result, the spectrum of prospective customers for electrical power systems is likely to widen.

A carefully planned and targeted marketing and business strategy is needed. While self-producers are seeking to employ new technologies to modernize and optimize existing power plants, private industry is interested in energy-saving and cogeneration systems. Appropriate strategies must be used in approaching them, especially by new-to-market small and medium sized enterprises.

In order to acquire or maintain close contact with end-users and approach local manufacturers for potential technical cooperation and business joint ventures, the assistance of a fully competent and skilled local representative/consultant is strongly recommended, especially for government procurement.

In January 1992, Italy adopted the EU directives pertaining to the renewable energy industry and has implemented the relevant regulations. There are no trade barriers or limitations on importation and use of U.S. renewable energy generation equipment. Moreover, the Italian government favors foreign firms that compete with advanced technologies. Standards are set by the National Standard Board (UNI) in compliance with EU standards.

In general, small equipment and system components are sold through wholesalers, specialized distributors and installers. As to larger equipment for both public and private sector end-users, contacts should be made with the various distributors or government agencies.

Market Issues & Obstacles

Financing and trade practices in this sector adhere to normal business/banking standards. Most of the financing, however, is done through the private sector. There are special incentives for renewable energy that are provided mainly by local entities such as regional or municipal authorities on a case-by-case basis.

It is important to note that the public sector is often slow in paying for purchases from both foreign and domestic suppliers. This should be considered in both bidding processes and quotes.

Trade Events

ZeroEmission

**October 1-4 2008 – Rome (Fiera Roma)
Renewable Energy and Emission Trading Business**

HTE – Hi.Tech. Expo 2008

**November 25-28 2008 - Milan (Fiera Milano)
PV, Hydrogen, Fuel Cells, Electric Storage, etc.**

Solarexpo

**March 2009 – Rome (Fiera Roma)
Solar Energy**

Enermotive

**May 27-30 2009 – Milan (Fiera Milano Nuovo Polo)
Electric Energy - Renewables**

Resources & Contacts

U.S. Commercial Service
Embassy of the United States of America
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00187 Rome, Italy
Contact: Cristiano Sartorio
Senior Commercial Specialist
Tel.: 39/06/4674-2252
Fax: 39/06/4674-2113
E-mail: cristiano.sartorio@mail.doc.gov
www.buyusa.gov

Ministry of Economic Development
Direzione Generale delle Fonti di Energia e
delle Industrie di Base
Via Molise, 2
00100 - Roma
Tel.: 39/06/47052036
www.minindustria.it

ENEL - Ente Nazionale per l'Energia Elettrica
Direzione Studi e Ricerche
Vice Direzione Energie Rinnovabili
Via G.B. Martini, 3
00198 ROMA
Tel.: 39/06/85091
Fax: 39/06/85092560
www.enel.it

ENI S.p.A. - Ente Nazionale Idrocarburi
Piazzale E. Mattei, 1
00144 Rome (EUR), Italy
Tel.: 39/06/59821
Fax: 39/06/59822141
www.eni.it

ENEA - National Board for New Technologies, Energy and Environment
Branch for Renewable Energy Sources
CRE CASACCIA
Viale Regina Margherita
00198 ROMA
Tel.: 39/06/30484089
Fax: 39/06/30484643
www.enea.it

Associations

ASSOCARBONI

**Associazione Generale Importazione e Commercio Carboni
(The Italian Association of Coal Importers and Traders)**

Via T. Campanella, 9/2

16146 Genoa

Tel: 39/010/3621641

Fax: 39/010/3622369

www.assocarboni.it

ANIE

**Ass. Nazionale Industrie Elettrotecniche ed Elettroniche
(The National Association of Electric and Electronic Industries)**

Via Algardi, 2

20148 Milan, Italy

Tel. 39/02/326-41

Fax: 39/02/3264-212

www.anie.it

ASSOMINERARIA

**Associazione Mineraria Italiana per l'Industria Mineraria e Petrolifera
(National Association of Mineral and Petroleum Industries)**

Via A. Bertoloni, 31

00197 - Rome, Italy

Tel.: 39/06/807-3045

Fax: 39/06/807-3385

www.assomineraria.org

UNAPACE

**Unione Nazionale Aziende Produttrici e
Consumatrici di Energia Elettrica**

(National Association of Energy Self Producers)

Via Ombrone 2/G

00198 Roma

Tel: 39/06/8537281

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www.unapace.it

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