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ENERPOINT SISTEMI SOLARI

Italy, a growing market for renewable energy, is on the road to becoming the first country to achieve "grid parity" – the Holy Grail of solar power, where costs of producing photovoltaic energy fall below retail electricity prices.

At the same time, however, the photovoltaic industry is warning of the dangers of a speculative bubble unleashed by the attraction of the highest incentives in Europe but with no long-term clarity over the level of tariffs to be set after 2010.

Analysts say the collapse of the Spanish market, a victim of the credit crunch and property slump, is also driving investors towards Italy in spite of its difficult reputation for business.

Lighting the way: Sicily has moved its focus from large-scale wind or solar farms to microproduction this year

"Grid parity is certainly going to be seen next year," says Anton Milner, chief executive of Germany's [Q-Cells](), the world's largest solar cell producer, referring to Italy's residential sector.

Speaking at a conference in Verona, he forecast cost reductions of 40-50 per cent in producing solar energy within six years, leading to greater efficiency than gas-fired power stations in southern Italy by 2015.

However, he added: "Italy must stop the overheating and abuse of the market, a stop-and-go story that we saw in Spain."

Regional governments in southern Italy, each with its own complex sets of regulations, are under attack for being slow and bureaucratic.

Yet officials argue that they are grappling with a flood of applications to build solar farms, struggling to distinguish investors from speculators and, in some cases, suspected exploitation by the Mafia.

"We want an ethically responsible approach by investors," said Rosanna Interlandi, head of Sicily's environment department. "We want to know who our interlocutors are. Investors must appreciate this."

Sicily's regional government has taken a big step this year in deciding on a renewable energy strategy that shifts the focus from large wind or solar farms to microproduction. The aim is also to persuade the world's largest PV component manufacturers to build their plants in Italy.

Fraser McLachlan, head of GCube, a specialist renewable energy insurer, agrees that thorough due diligence is needed. "We find, on occasion, you can run into a project partner that is not always what it is cooked up to be," he told the Financial Times.

He said the risk profile in Italy was also increasing because "hefty" financial penalties were being introduced for solar projects not completed on time. "We are looking at this with a lot of caution. Some timelines are very tight," he said.

Already producers of solar power in Italy are running up against a saturation of power lines that is causing delays of sometimes over a year in connection to the grid.

Puglia, in the heel of Italy with a communist as regional governor, is seen as the most attractive market at present. However, Paolo Rocco Viscontini, head of Enerpoint, warned that prices of agricultural land suitable for solar development had risen as much as six-fold in the past two years.

Cheap food produced by farmers in North Africa is driving Italian farmers off the land, forcing them to look for other sources of income. Local governments are also attracted by the property tax they impose on solar farms.

"Solar is the new real estate in Italy," complained one project developer, saying that all sorts of property companies were piling into the sector.

Gerardo Montanino, head of GSE, the state-run power management agency, said incentives were too high in Italy at 68-75 cents a kilowatt hour, about double the level in Germany. Tariffs are expected to decrease in 2010 by 2 per cent.

Italy is projected to reach 1,200MW of installed PV capacity by the end of 2010, up from 450MW at present, which is only about 12 per cent of Spain's installed capacity.