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November 25, 2013 4:01 pm

## Italy trapped in a fog of confusion

By Guy Dinmore in Rome



Negotiations: Enel

High and rising electricity bills for consumers, over-reliance on imports of hydrocarbons, bottlenecks on the grid and near paralysis at the political level – Italy’s energy sector faces a legion of problems that risk stifling recovery from the country’s longest recession since the second world war.

“There is great confusion in this country,” says Davide Tabarelli, head of the Nomisma Energia think-tank, noting that Italy seems unable to match bold strategic decisions taken in the UK on nuclear power and in Germany on coal and renewables.

Six years ago, at the peak of economic output before a double-dip recession ensued, Italy’s utility executives fretted that electricity capacity would not keep up with demand.

Investments in power stations were stepped up, mainly in gas. Bold plans for new gas pipelines were hatched to expand supplies from Algeria, Russia and central Asia. Incentives for renewables were increased to the highest levels in Europe, with the cost passed on to consumers.

Since then recession has cut industrial output by 25 per cent and GDP has fallen by 5 per cent. Renewables have boomed while utilities have been locked into high long-term contract prices for gas, which still accounts for some 50 per cent of electricity output.

Nomisma Energia estimates that electricity demand this year will fall a further three per cent, with total capacity close to 130GW while peak demand will not exceed 54GW. Gas powered plants are idling. Some utilities find it cheaper to import electricity than produce their own.

Italy is left importing over 90 per cent of its gas and oil needs. Potential development of its own resources – it has the largest onshore oilfield in western Europe – is blocked by environmentalists and local governments.

The central government in Rome has said no to exploitation of Italy’s modest reserves of shale gas.

