

## Assessment of country performance and opportunities from the Energy Union

**Italy shows good performance** along the following dimensions of the Energy Union: Concerning *Energy Security*, despite overall dependency on imported natural gas and large gas imports provided by Russia, Italy has the highest degree of diversification of gas supply routes and sources in Europe. This contributes to the country's resilience to possible gas supply shortages. As far as *Energy Efficiency* is concerned, Italy is on track to meet its 2020 target and the total energy intensity of the Italian energy economy is among the lowest in Europe. In terms of *Decarbonisation*, Italy is also on track to meet its 2020 renewables and GHG emissions reduction target. Existing installed capacity for electricity production with renewables (solar, wind and hydro) is one of the highest in EU28. In the area of *Research and Innovation* the country's complete roll-out of smart meters supplies a favourable environment for experimenting with smart grids technologies. Italy is amongst the leading countries in Europe in the promotion of smart investments in distribution, metering and storage.

As regards the *Internal Energy Market* dimension of the Energy Union, **Italy faces some challenges:** Italy still has relatively high retail electricity and gas prices primarily driven by increases in taxes and levies. The country's success in promoting renewable energy deployment has been achieved at a high cost. The renewables surcharge will continue to raise already high electricity prices despite of the 2014 revision of support schemes. Challenges for network management were created by the absence of sufficient internal transmission capacity and a fast increasing share of renewables in electricity production. Further expansion of cross-border grids and cooperation with neighbouring countries will be required in order to accommodate increasing shares of renewables in a stable electricity system. Cumbersome and lengthy permitting procedures, often aggravated by local resistance, are creating several delays for the development of key energy infrastructures.

Against this background, the **Energy Union Strategy can provide potential benefits** for Italy:

- *Energy security:* Investments in gas infrastructures and interconnections through the implementation of Projects of Common Interest (PCI), including gas storage and transport facilities and reverse flow projects, will strengthen Italy's ambition to become a European gas hub.
- *Decarbonisation and energy efficiency:* Market integration of renewables and regional cooperation in relation to support schemes will increase the cost-effectiveness of the growing renewables generation capacity, which may also contribute to lower the high fossil fuel import dependency. Italy has still large renewable energy and energy efficiency potentials.
- *Internal energy market:* Improvement of electricity interconnections with neighbours and related internal grid reinforcements through the implementation of PCIs and enhanced cross-border trade will reduce differences between price zones will help control Italy's electricity prices as well as ease the grid constraints and increase security of electricity supply.