

COMMISSION

COMMISSION DECISION

of 30 April 2003

on the aid scheme which Italy — Tuscany Region — is planning to implement for the reduction of the greenhouse gasses emissions

(notified under document number C(2003) 1327)

(Only the Italian text is authentic)

(Text with EEA relevance)

(2004/260/EC)

THE COMMISSION OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular the first subparagraph of Article 88(2) thereof,

Having regard to the Agreement on the European Economic Area, and in particular Article 62(1)(a) thereof,

Having regards to the Decision C(2002)3585 fin ⁽¹⁾, by which the Commission decided to initiate the procedure laid down in Article 88(2) of the Treaty, in respect of part of the aid C60/2002 (ex N747/2001),

Having called on interested parties to submit their comments pursuant to the provisions cited above,

Whereas:

(3) The Italian authorities, after a request for a prorogation, submitted information on 6 June 2002, by letter A/34113 (the legal basis was provided for the first time, annexed to the latter) and sent additional documents by letter A/34291 of 12 June 2002.

(4) By letter D/53543 of 6 July 2002, the Commission asked for further information, which the Italian authorities submitted by letter A/36074 of 8 August 2002. By the same letter the Italian authorities declared they considered the preliminary examination of the notification to be closed, following their reply.

(5) In that case, according to Article 5(3) of procedure Regulation No 659/1999 ⁽²⁾, the period of two months, referred to in Article 4(5) of the same regulation, begins on the day following receipt of the statement. As a consequence, within this time, the Commission has to take a decision on the notified aid.

1. PROCEDURE

(1) By letter dated 6 November 2001, registered by the Commission on 9 November 2001 (A/38755), the Italian authorities notified, pursuant to Article 88(3) of the EC Treaty, the abovementioned aid scheme.

(2) By letter D/55204 of 13 December 2001 the Commission requested additional information regarding the notified scheme. As the information provided by the Italian authorities by both letters A/30363 of 18 January 2002 and A/31888 of 12 March 2002, was incomplete, the Commission sent two reminders on 21 February (D/50737) and 25 April 2002 (D/51984), pursuant to Art.5(2)of Council Regulation 659/1999 ⁽²⁾.

(6) Accordingly, the Commission informed Italy, by letter dated 04.10.2002 (SG(2002)D/231959), that it had decided to initiate the procedure laid down in Article 88(2) of the EC Treaty in respect of part of the aid in hand.

(7) The Commission decision to initiate the procedure was published in the *Official Journal of the European Communities* ⁽⁴⁾. The Commission called on interested parties to submit their comments.

(8) The Commission received no comments from interested parties.

⁽¹⁾ OJ C 331, 31.12.2002, p. 50.

⁽²⁾ Council Regulation (EC) No 659/1999 of 22 March 1999 laying down detailed rules for the application of Article 93 of the EC Treaty (OJ L 83 of 27.3.1999, p. 1).

⁽³⁾ See footnote 2

⁽⁴⁾ See footnote 1

- (9) The official response of Italy was submitted by letter of 13.12.2002 (A/39170).
- (ii) 3 % of the global energy consumption derived from renewable sources,

(iii) energy saving equal to 25 000 tonnes of oil.

2. DETAILED DESCRIPTION OF THE AID SCHEME

2.1. Legal basis and object of the aid

(10) The legal basis is constituted by the Decision No 481 of the Regional Executive of the Tuscany Region of 20 May 2002. The scheme is intended to reduce the greenhouse gasses emissions through the promotion of renewable energy sources and energy saving programmes.

(11) The scheme involves two types of aid:

(a) Investment aid to promote the utilisation of renewable sources of energy to produce electrical power and heat, through the implementation of:

(i) new biomass installations, preferably integrated with district-heating networks,

(ii) new solar energy installations,

(iii) new photovoltaic plants,

(iv) new renewable energy installations (wind energy, solid biodegradable municipal waste and biogasses) serving the needs of minor islands;

(b) Energy saving measures,

(i) housing sector interventions,

(ii) promotion and spread of heating/conditioning systems and high efficiency electrical components in the housing sector, private and public office buildings,

(iii) implementation of high efficiency electrical components inside factories,

(iv) promotion of a wider utilisation of low environmental impact fuels or a more efficient use of fuel in the industrial sector.

(12) The expected overall environmental goals of the whole scheme, over the period 2002-2007, are:

(i) lower atmosphere pollution, engendered by greenhouse gasses, corresponding to 700 000 tonnes CO₂,

2.2. Form of the aid and investments concerned

(13) The aid is provided in the form of non-refundable grants.

(14) The investments concerned are as follows:

(a) land, which are strictly necessary in order to meet environmental objectives, up to a maximum percentage of 10 % of total eligible costs;

(b) buildings, plant and equipment intended to reduce or eliminate pollution and nuisances and investments to adapt production methods with a view to protecting the environment;

(c) directly linked expenditures for planning, work supervising and testing, if compulsory and on an account-rendering basis.

2.3. Aid intensity, recipients and eligible costs

(15) The intensity of aid is set as follows:

(a) In the case of investment aid promoting renewable sources of energy:

(i) 40 % gross of eligible investment costs for new biomass installations,

(ii) 30 % gross of the eligible investment costs for heat production plants from solar energy,

(iii) 75 % gross of the eligible costs relating to new photovoltaic installations;

(iv) 40 % gross of the eligible costs of new renewable sources installations serving the needs of minor islands, using wind, solid biodegradable municipal waste and biogasses sources.

(b) As it concerns energy saving investments:

40 % gross of the eligible costs for all kinds of intervention.

(16) All undertakings (small, medium and large) are eligible. The scheme does not apply to activities linked to the production, processing or marketing of products listed in Annex I to the Treaty.

2.4. Budget and duration

(17) The overall budget foreseen is EUR 29 million over the whole duration of the regime (i.e. 2002-2007).

2.5. Cumulation of aid

(18) Aid in respect of eligible costs under this scheme may not be combined with any other aid in the sense of Article 87(1) of the Treaty, neither with other community subsidy.

3. GROUNDS FOR INITIATING THE PROCEDURE

(19) The submeasures 'new biomass installations', 'new solar energy installations' and 'new renewable energy installations serving the needs of minor islands' of the measure (a) 'investment aid promoting renewable sources of energy' have been assessed by the Commission in the light of the Community guidelines for environmental protection⁽⁵⁾, hereinafter also referred to as 'the guidelines'. They have been deemed in compliance with point 32 of the mentioned guidelines and have been consequently authorised, pursuant to Article 87(3)(c) of the Treaty, by means of the same decision C(2002) 3585fin, initiating the present proceedings.

3.1. Doubts with regard to the measure concerning 'new photovoltaic installations' promoting renewable sources of energy⁽⁶⁾

(20) In the course of the preliminary examination of the notification, the Commission pointed out that the proposed maximum aid intensity of 75 %, seemed not to be compatible, save on the basis of point 32, third subparagraph of the guidelines, and asked the Italian authorities to demonstrate the necessity of such a rate of aid, with reference to the basic rate of aid of 40 %, normally allowed for investments in support of these forms of energy.

(21) As no data was provided, the Commission confirmed, in its decision to initiate the formal investigation procedure, it harboured doubts as to whether the conditions laid down at point 32, third subparagraph, of the guidelines were met, namely as it concerns the necessity to allow the rate of aid of 75 %, foreseen by the scheme in support of new photovoltaic installations.

3.2. Doubts with regard to the energy saving measures⁽⁷⁾

(22) It had been underlined by the Commission that the environmental guidelines state, at point 30, that investments in energy saving as defined in point 6, are deemed equivalent to investments to promote environmental protection, provided they are in accordance with the requirements laid down at point 36. Therefore, the Italian authorities had been asked to explain in a more detailed way what the single types of aid laid down in measure (b) of the notified scheme, consisted in.

(23) According to the information provided, some eligible investments, envisaged by the planned scheme, concerning namely the intervention in the housing sector and the implementation of high efficiency electrical components, seemed only regard control and measurement of energy consumption, instead of reduction of energy consumption. As regards the aid aiming at a wider utilisation of low environmental impact fuels or a more efficient use of fuel in the industry sector, it seemed to be intended to contribute to the substitution of polluting fuels. Whereas collocated among the energy saving measures, the latter appeared to be aimed rather at reducing pollution.

(24) Consequently the Commission expressed its doubts as to whether the above mentioned investments, aiming at the energy consumption control and measurement, could qualify as energy saving measures. The Commission found that they could eventually represent a part of an energy saving project, in connection with other measures, but could not be deemed to constitute energy saving investments on their own.

(25) Moreover the Commission harboured doubts as to whether the substitution of polluting fuels by other kinds of fuels, supposed to be less polluting, could be eligible for environmental aid, as the measure was too broadly described and did not foresee explicitly any link between the aid and the expected pollution reduction, at the level of the single recipient. In addition, in the opinion of the Commission, even if such a measure were to be eligible as an aid aimed at reducing pollution, an intensity of 30 % would be acceptable, instead of 40 % as notified.

⁽⁵⁾ OJ C 37, 3.2.2001, p. 3.

⁽⁶⁾ See point 11(a)(iii).

⁽⁷⁾ See point 11(b).

4. COMMENTS FROM ITALY

4.1. Concerning the sub-measure related to new photovoltaic installations promoting renewable sources of energy ⁽⁸⁾

- (26) In their comments, the Italian authorities take the view that the granting of aid up to the maximum intensity of 75 % is absolutely necessary to make the photovoltaic installations spread over the territory of the region, as the investment costs, required by this renewable source of energy, are significantly higher, even if related to the more expensive among the other renewable sources of energy. In their opinion, the basic aid intensity of 40 %, envisaged at point 32, first sub-paragraph, of the guidelines in support to renewable sources of energy, will deter the potential investors, where photovoltaic installations are concerned.
- (27) To this purpose, a study has been joined, showing the non-profitability of 5 different options of photovoltaic installations, through the comparison of investment costs, effective production of energy, envisaged gross annual proceeds, deriving from the sale of energy on the basis of a price of 0,18 EUR/kWh, and pay-back time of the investments without any aid.
- (28) The outcome of this study is summarised in the following schedule:

Capacity	Investment cost (EUR)	Effective production (kWh/day)	Gross annual proceeds in EUR	PBT (pay back time) without aid (in years)
0,2 kW	1 370,00	5,12	42,00	32
0,2 kW	3 320,00	0,64	42,00	79
1,6 kW	17 800,00	0,64	336,00	53
5 kW	38 280,00	16,00	1 051,20	36
50 kW	347 050,00	160,00	10 512,00	33

- (29) The double hypothesis of installation with the same capacity (0,2 kW) is due to the different purposes pursued. The former aims at producing electricity for marginal purposes (i.e. a weather forecast local plant or the lighting of an isolated country cemetery); the latter is intended to work as a water lifting apparatus for agricultural purposes (the appreciable difference in cost is due to the necessity of a pump for the specific aim). Both imply the 'island-technology' (installation not linked to the distribution network); likewise in the case of the 1,6 kW installation. On the contrary, in both the hypothesis of more powerful installations (5 and 50 kW), the connection to the distribution network is envisaged.

- (30) According to this study, the pay back time of such kind of investment, in the absence of any aid, would be 32 to 79 years. Therefore, given the average time life of this kind of installations, which is 25 to 30 years, nobody would undertake such an investment.
- (31) Moreover, the Italian authorities confirmed their commitment to respect point 37, first and fourth sub-paragraph, of the guidelines, concerning calculation of extra costs, namely for renewable energies, stating that eligible costs taken into account will be the extra costs borne by the firm compared with a conventional plant with the same capacity in terms of the effective production of energy. They had already undertaken, during the notification ⁽⁹⁾, to notify separately those cases where the eligible costs would be calculated in a different way.
- (32) A schedule has been furthermore submitted, comparing the investment costs for the production of green electricity, by photovoltaic installations (linked to the distribution network) to other renewable sources (wind, mini-hydro, biogas, geothermal, biomass) and to grey electricity produced by conventional plants. This data has been obtained from a technical report of ENEA (National Agency for Energy and Environment), and more precisely by its Sustainable Development Unit.

(EUR/Kw)

Energy sources	Investment costs
photovoltaic	7 746-8 263
wind	1 033-1 291
Minihydro (0-3MW)	1 807-2 324
Biogas	1 291-1 549
Geothermal	2 324
Biomass	2 324-2 582
Non renewable	413-464

4.2. As far as energy saving measures are concerned ⁽¹⁰⁾

- (33) Following the opening of the proceedings, the Italian authorities communicated they decided to modify some eligible investments of the measure at hands. The amended list of investments taken into account, which is intended to replace the previous one, laid down in the notification, is the following one:
- (a) High efficiency heat generators;
- (b) Heat insulation;

⁽⁹⁾ See letter No 9709 of 1 August 2002, registered on 9 August 2002 as A/36098

⁽¹⁰⁾ See point 11(b).

⁽⁸⁾ See point 11(a)(iii).

- (c) High efficiency lighting;
 (d) Reheaters.

In addition they confirmed the forecast intensity of 40 %, with respect to all the submeasures.

- (34) A technical report has been also enclosed, pointing out the energy saving engendered by each sub-measure, as follows:

(a) *High efficiency boilers*

- (35) The basic energy saving resulting from the implementation of a boiler with conversion efficiency higher than 0,92, compared to 0,75 of the existing boiler, in a climatic zone of kind 'D', which corresponds to an average effective thermal need of 6 200 Mcal/year per boiler, is 0,15 tep/year per UA (equivalent residential unit).

- (36) According to the Italian authorities, 0,02 tep/year for the increased electric consumption has to be deducted from the above mentioned rough value, while 0,05 tep/year, for the consumption decrease due to the absence of pilot light, and 0,035 tep/year, engendered by consumption decrease for the production of hot water, have to be added up.

- (37) The final energy saving resulting is 0,185 tep/year, corresponding to a saving lightly exceeding EUR 150 per year, on the basis of the energy cost, for residential purpose, of 800 EUR/tep.

(b) *Heat insulation*

- (38) The minimal eligible thermal resistance of the insulating materials, referred to climatic zones of 'D' kind, is 1,1 m² °K/W, which corresponds to a polystyrene equivalent thickness of 4 to 6 cm.

- (39) Given a thermal conductivity, before the intervention, between 1,4 and 1,7 W/m² °K, related to insulated surfaces of 100 m², the expected outcome is an energy saving between 0,28 and 0,36 tep/year for residential buildings and between 0,24 and 0,32 in the case of offices accommodation and commercial premises.

(c) *High efficiency lighting*

- (40) Various kinds of lamps are foreseen in the present measure; namely compact and tubular fluorescent lamps, mercury and sodium-vapour lamps.

- (41) The average energy saving has been calculated on the basis of glow-lamps being substituted by compact fluorescent lamps with incorporated feeder. On the basis of a conversion ratio between electricity consumption and primary energy of 0,22 10⁻³ tep/kWh, and given a wattage of the substituted glowlamp of 100 W and of

the adopted fluorescent lamp of 20 W, an average running time per year of 1 000 hours, the specific energy saving resulting is 17,6 10⁻³ tep/year per lamp.

(d) *Reheaters*

- (42) Heat exchangers, heat pumps and heat retainers, sweat recycling and steam recompression plants are eligible under the present submeasure. It's a matter of recycling heat otherwise lost, hence saving the energy needed to produce the same quantity of heat.

- (43) In particular in the case of steam recompression plants, the energy saving (ES) is obtained as follows: $ES = (Hv - E) / 0,39) / 4,187 \cdot 10^{-4}$. As E (energy consumption in order to compress 1 kg of steam) depends on the temperature and on the enthalpy gap, we will have a range of energy saving figures, according to the following schedule:

Temperature gap (°C)	E (kJ/kg)	ES (tep/kg)
< 10	75,35	0,0494
10-20	99,52	0,0479
> 20	146,44	0,0450

The resulting primary energy saving will be consequently between 45 and 50 tep per compressed steam tonne.

- (44) The Italian authorities committed themselves once again to calculate the eligible costs net of the benefit accruing from any increase in capacity, cost savings engendered during the first five years of the life of the investment and additional ancillary production during that five-year period.

5. ASSESSMENT

5.1. Presence of aid in the meaning of Article 87(1) of the EC Treaty

- (45) The Commission has assessed the notified scheme on the basis of Article 87(1) of the EC Treaty. Article 87(1) states that 'any aid granted by a Member State or through State resources in any form whatsoever which distorts or threatens to distort competition by favouring certain undertakings or the production of certain goods shall, insofar as it affects trade between Member States, be incompatible with the common market'.

- (46) The measures laid down in the planned aid scheme are realised through grants of public funding, on a discretionary basis. These grants improve the financial situation of the undertakings in receipt of aid and have the potential to affect trade between Member States. Such measures are therefore subject to Article 87(1) of the Treaty.

5.2. Legality of the aid

- (47) The Italian authorities have fulfilled their obligation under Article 88(3) of the Treaty, by notifying the scheme to the Commission before it came to effect.

5.3. Compatibility of the aid

- (48) The Commission has examined the aid measures in the light of the Community guidelines on State aid for environmental protection (hereinafter also referred to as the guidelines) ⁽¹⁾.

(a) *As far as photovoltaic installations are concerned*

- (49) In order to assess the necessity of the aid intensity of 75 %, relative to new photovoltaic installations, proposed by the Italian authorities, the Commission calculated the investment cost per kW in the five examples of installation, supplied by Italy, as shown in the schedule below.

Capacity	Total investment cost (EUR)	Investment cost (EUR/kW)
0,2 kW	1 370,00	6 850,00
0,2 kW ⁽¹²⁾	1 420,00	7 100,00
1,6 kW	17 800,00	11 125,00
5 kW	38 280,00	7 656,00
50 kW	347 050,00	6 941,00
Average		7 934,40

⁽¹²⁾ The cost of the pump (EUR 1 900), needed for the specific purpose foreseen, has been deducted with respect to the investment costs, as in the opinion of the Commission, it cannot represent an eligible cost, as it would be anyway necessary, even in the case of a conventional installation.

- (50) Concerning the installations proposed by the Tuscany Region, the average investment cost resulting is 7 934,40 EUR/kW, which is in line with the ENEA data, submitted enclosed to the comments of the Italian authorities. According to the latter, the investment costs per kW, related to photovoltaic installations, have to be set in a range between 7 746 and 8 263 EUR, particularly when referring to the production of electricity, linked to the distribution network.

- (51) Later on, the Commission compared the average extra costs of the sole initial investment of photovoltaic installations to the other renewable energies (wind, minihydro power, biogases, geothermal, biomass) and to non-renewable (fossil sources), as follows:

(EUR/Kw)				
Energy sources	Average investment costs (EUR/Kw)	Average extra costs (EUR/kW)	Aid intensity	Aid amount
photovoltaic	8 004	7 566	75 %	5 674
wind	1 162	720	40 %	288
minihydro(0-3MW)	2 065	1 627	40 %	651
Biogas	1 420	982	40 %	393
Geothermal	2 324	1 886	40 %	746
Biomass	2 453	2 015	40 %	806
Non renewable	438	0	0 % =	0

- (52) Although the non assisted percentage of the extra costs is equal to 25 % for the photovoltaic installations, compared to 60 % for the other renewable energies, the average contribution of the beneficiary to the extra costs of the investment is supposed to amount to 25 % of 7 566 or 1 892 EUR/kW in the case of the photovoltaic energy, while it attains only 1 209 EUR/kW (60 % of 2 015) for the most expensive among the other renewable energies (biomass plants).

- (53) The average contribution, net of any aid, of the recipients to the total investment costs, in absolute terms per kW installed, is therefore EUR 2 330 (8 004-5 674) in the case of the photovoltaic installations, compared to EUR 1 647 (2 453-806) for biomass (the most expensive after photovoltaic), EUR 874 (1 162-288) for wind (the cheapest among the renewable sources), and finally EUR 438 for conventional plants, producing grey electricity.

- (54) As it concerns the average pay back time, the Commission notes that, on the basis of an effective production of 3,2 kWh/day per 1 kW of capacity installed, it should be 11 years in the case of photovoltaic, provided a rate of aid of 75 % of the extra costs is allowed.

- (55) The Italian authorities also undertook not to allow any further support to the installations concerned.

⁽¹⁾ See footnote 5.

- (56) In the light of the above, the Commission considers therefore sufficiently proved the necessity of the rate of aid of 75 %, in the case of the submeasure 'new photovoltaic installations', pursuant to point 32, third subparagraph of the guidelines.
- (57) Nevertheless, it takes the view that a yearly report on the execution of the scheme, allowing the monitoring of the gap between the investment costs of the photovoltaic technology and those of the other renewable sources, has to be submitted by the Italian authorities.
- (58) Where a risk of overcompensation arise, in particular where the average contribution - net of any aid — of the recipients to the total investment costs, in absolute terms per kW installed become lower in the case of photovoltaic installations than in other renewable energies plants, a recommendation proposing appropriate measures might be issued by the Commission to Italy, pursuant to Article 18 of procedure Regulation (EC) No 659/1999.
- (b) *As regards measure (b) of the scheme 'energy savings'*
- (59) The submeasures of the present measure have been amended, following the view expressed by the Commission in its decision to open the formal investigation procedure.
- (60) Accordingly, the Commission is of the opinion that the modified submeasures comply with the conditions set down at point 30 of the environmental guidelines, as they clearly consist in energy savings measures, as defined at point 6 of the same guidelines, stating that an efficient use of natural resources has to be encouraged and are consequently deemed equivalent to investments to promote environmental protection.
- (61) Moreover, in the light of the technical data submitted, the new measures foreseen, are deemed to be able to reach the goal of reducing the amount of energy used by undertakings in their production cycle ⁽¹³⁾.
- (62) Plants and equipment taken into consideration are defined in accordance with the requirements set down at point 36 of the guidelines. Investments in land and buildings are not concerned; neither is forecast investment in intangible assets.
- (63) Beneficiaries of the aid provided under the measure at hand will be both SMEs and large enterprises, according to the guidelines.
- (64) The aid intensity of 40 % gross is in line with the ceiling of aid laid down at point 30 of the guidelines. The measure does not foresee any increase in the intensity of aid, neither for firms located in assisted regions, nor for SMEs.

⁽¹³⁾ As regards, in particular, the submeasure A 'high efficiency heat generators', to the extent that hot-water boilers are concerned, Council Directive 92/42/EEC of 21 May 1992 (OJ L 167, 22.6.1992, p.17), on efficiency requirements for new hot-water boilers fired with liquid or gaseous fuels, will be observed.

- (65) Aid in respect of the eligible costs under this measure may not be combined with any other aid in the sense of Article 87(1) of the Treaty, neither with other community subsidy.

5.4. Closing remarks

- (66) The Commission has taken note that the intensity of aid, concerning the photovoltaic installations, has been applied, in the scenarios proposed in the annexe A to the answer of Italy, to the whole amount of the investment instead of the only extra costs, just in order to show that even in that case the investment in question needs quite a long depreciation time and consequently does not look so profitable, from the point of view of an operator in a competitive market.
- (67) At the same time, it observes that the commitments concerning the respect of point 37, first and Fourth subparagraphs, have been confirmed by the Italian authorities, implying that the eligible costs taken into consideration will be strictly confined to the extra investment costs borne by the firm, compared with a conventional plant with the same capacity in terms of the effective production of energy.
- (68) Likewise, savings deriving from the investment concerned, compared to conventional sources, i.e. the cost for the connection to the distribution network no more needed, have not been deducted, namely in the schedule 6bis of annex A, just to demonstrate that even in this case the pay back time of the specific installation would be eight years.
- (69) The Commission recalls that the Italian authorities already committed themselves to calculate the eligible costs net of the benefits accruing from any increase in capacity, cost savings engendered during the first five years of the life of the investment and additional ancillary production during that five years period, as laid down at point 37, third subparagraph of the guidelines. This should in particular concern fuel savings of a photovoltaic installation compared with a conventional one.

5.5. Conclusion

- (70) In the light of the above, the Commission takes the view that the submeasure 'New photovoltaic plants' of measure (a) 'promotion of renewable sources of energy' of the aid scheme notified as N747/2001, complies with the requirements set down in the Community guidelines on State for environmental protection ⁽¹⁴⁾, namely at point 32, third subparagraph and may consequently benefit of a derogation pursuant to Article 87(3)(c) of the EC Treaty.

⁽¹⁴⁾ See footnote 5.

(71) Likewise, the amended measure (b) 'energy saving measures' of the abovementioned notified aid scheme, fulfils all the conditions laid down at point 30 of the environmental guidelines and may be accordingly allowed an exemption under Article 87(3)(c) of the EC Treaty,

HAS ADOPTED THIS DECISION:

Article 1

The aid which Italy — Tuscany Region is planning to implement for the reduction of the greenhouse gasses emissions, pursuant to Decision No 481 of the Regional Executive of the Tuscany Region of 20 May 2002 is compatible with the common market, subject to the conditions set out in Article 2.

Article 2

1. The eligible costs taken into consideration in the implementation of the scheme will be strictly confined to the extra investment costs necessary to meet the environmental objectives, and in particular, as far as renewable energy is concerned, to the extra costs borne by the firm, compared with a conventional plant with the same capacity in terms of the effective production of energy.

2. Likewise, the eligible costs have to be calculated net of the benefits accruing from any increase in capacity, cost savings engendered during the first five years of the life of the investment and additional ancillary production during that five-year period.

Article 3

A yearly report on the execution of the scheme, allowing the monitoring of the gap between the investment costs of the photovoltaic technology and those of the other renewable sources, in order to allow the Commission to exclude any contingent risk of overcompensation in respect of the former, has to be submitted by the Italian authorities.

Article 4

Italy shall inform the Commission, within two months of notification of this Decision, of the measures taken to comply with Articles 2 and 3.

Article 5

This Decision is addressed to the Republic of Italy.

Done at Brussels, 30 April 2003.

For the Commission

Mario MONTI

Member of the Commission