



Italian White Certificates Market: main results and experience gained

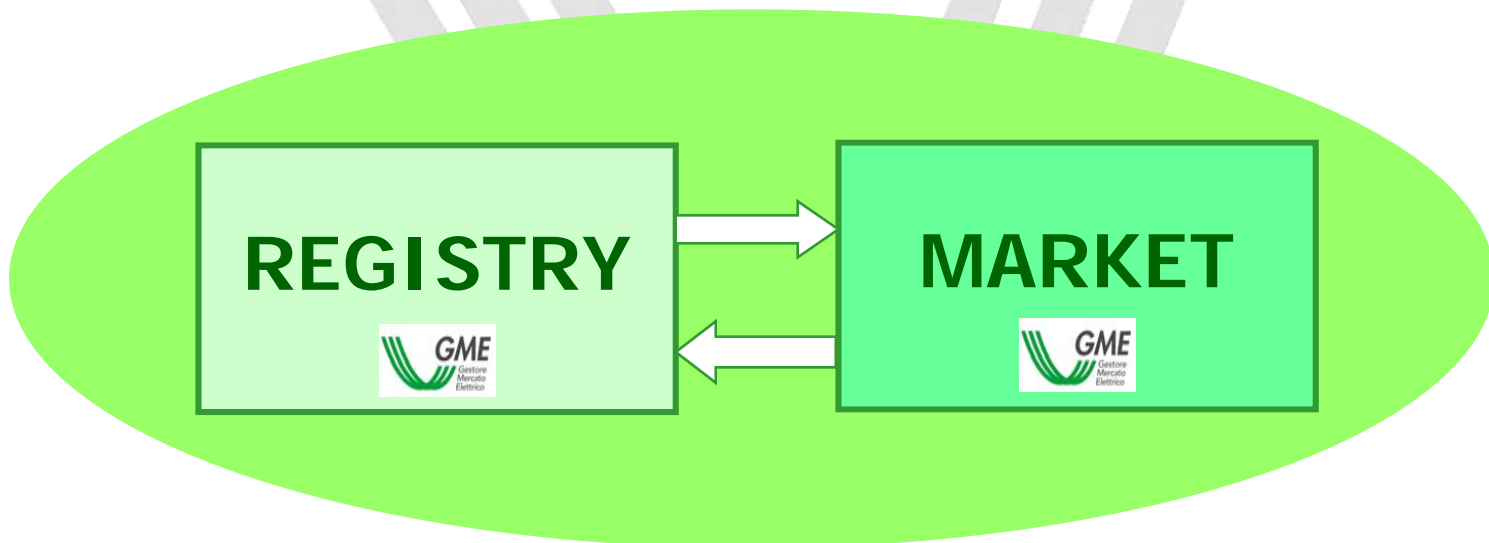
Stefano Alaimo

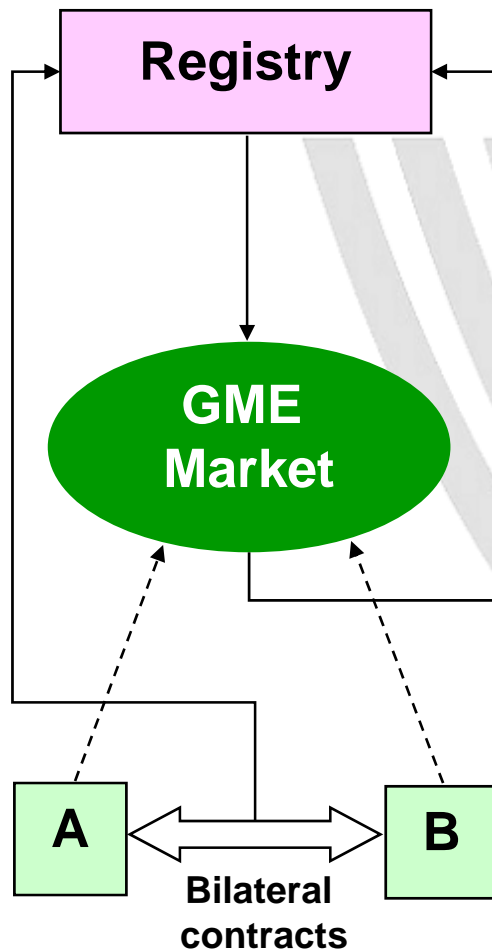
CESI RICERCA

Milan, 22 October 2008

□ GME's role outlined by Ministerial Decrees 20 July 2004 (as modified and integrated) is:

- **to establish and manage a REGISTRY**
(WhC emissions, bilateral transactions registration, WhC redemption)
- **to establish and manage an organized MARKETPLACE**





Registry

- ❑ Each Participant opens an account in the Registry
- ❑ WhC are issued upon Regulator communication and deposited on owner's account
- ❑ WhC are transferred from seller's account to buyer's account after a transaction (bilateral or market based)

Market

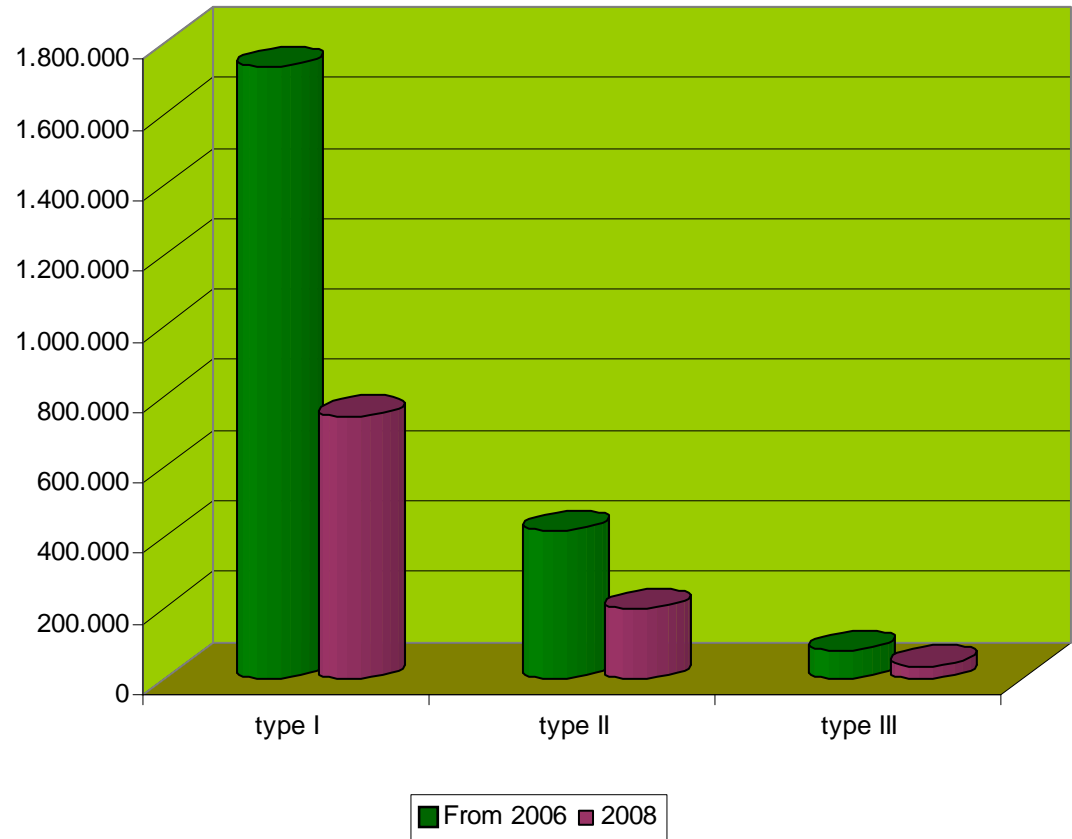
- ❑ Continuous trading (one market session a week)
- ❑ One trading book for each WhC type (electricity, gas, primary energy certificates)
- ❑ Guarantee deposit requested to buyers
- ❑ Real-time link with Registry (no short selling or double selling allowed)

Registry Operators up to now: 250

Markets Operators up to now: 198

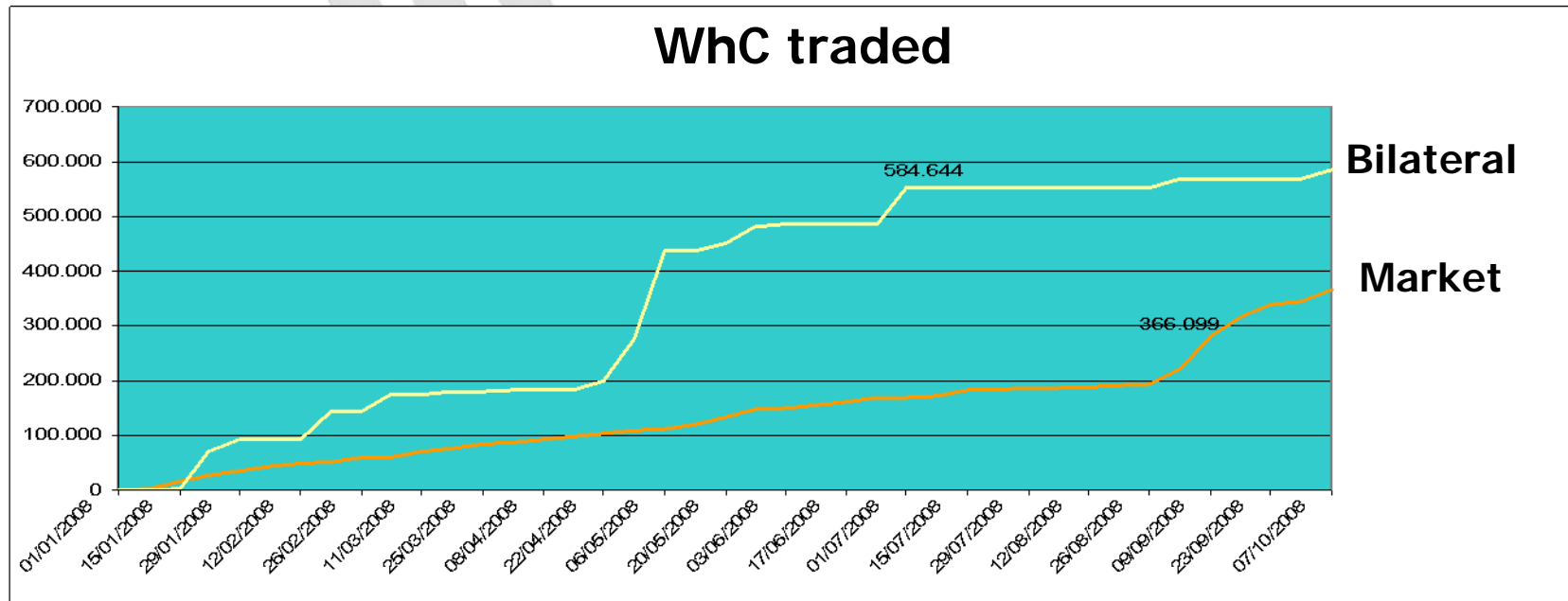
WhC issued

	From 2006	2008
type I	1.733.411	742.790
type II	419.279	197.636
type III	77.365	37.059
Total	2.230.055	977.485

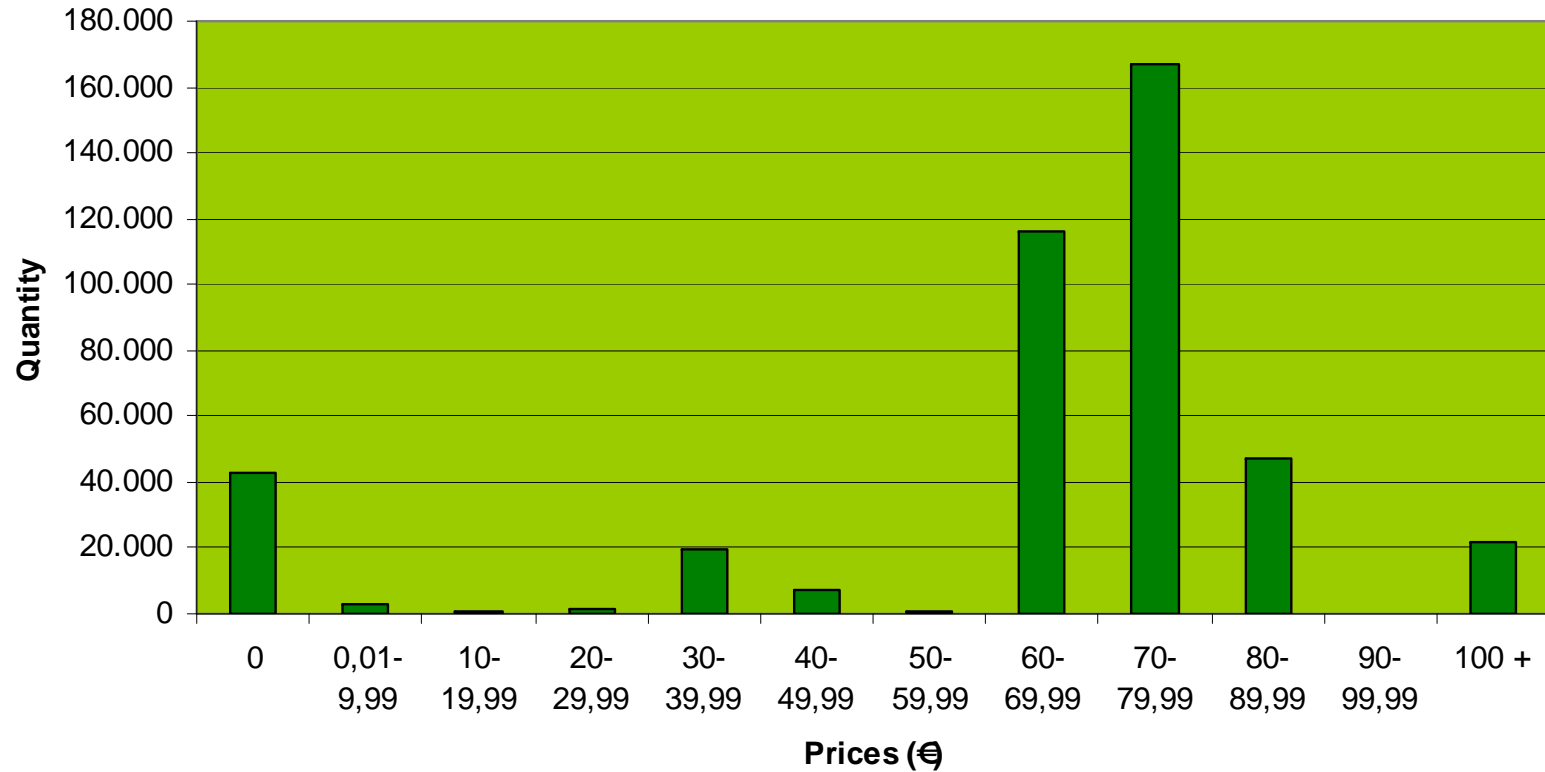


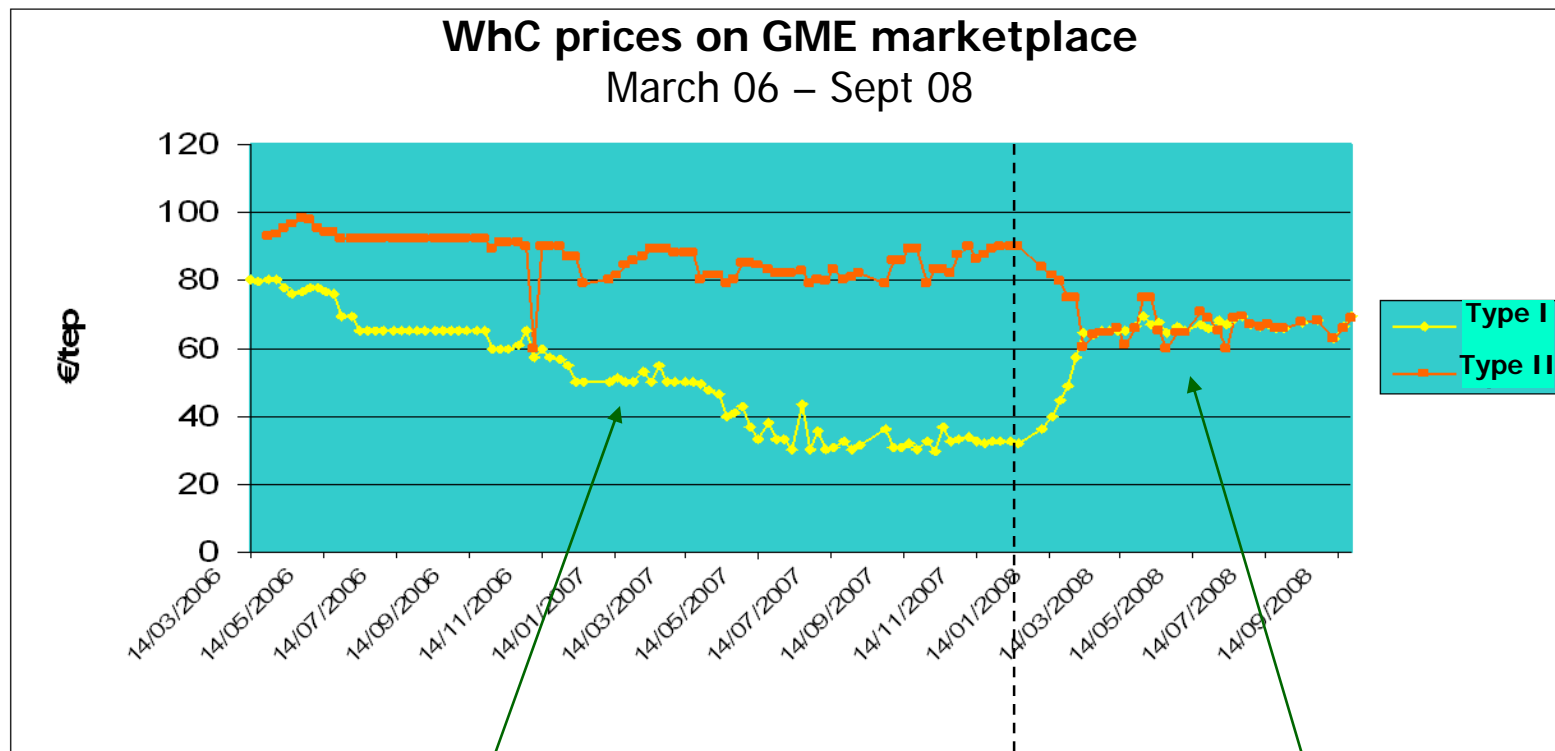
□ Since January 2008, percentage of WhC **traded in the market** is equal to **39%** of total volume (bilateral + market)

If we do not consider bilateral contracts between companies belonging to the same industrial group, the percentage rises to 63%.



Bilateral Trades (Apr - Sept 08)



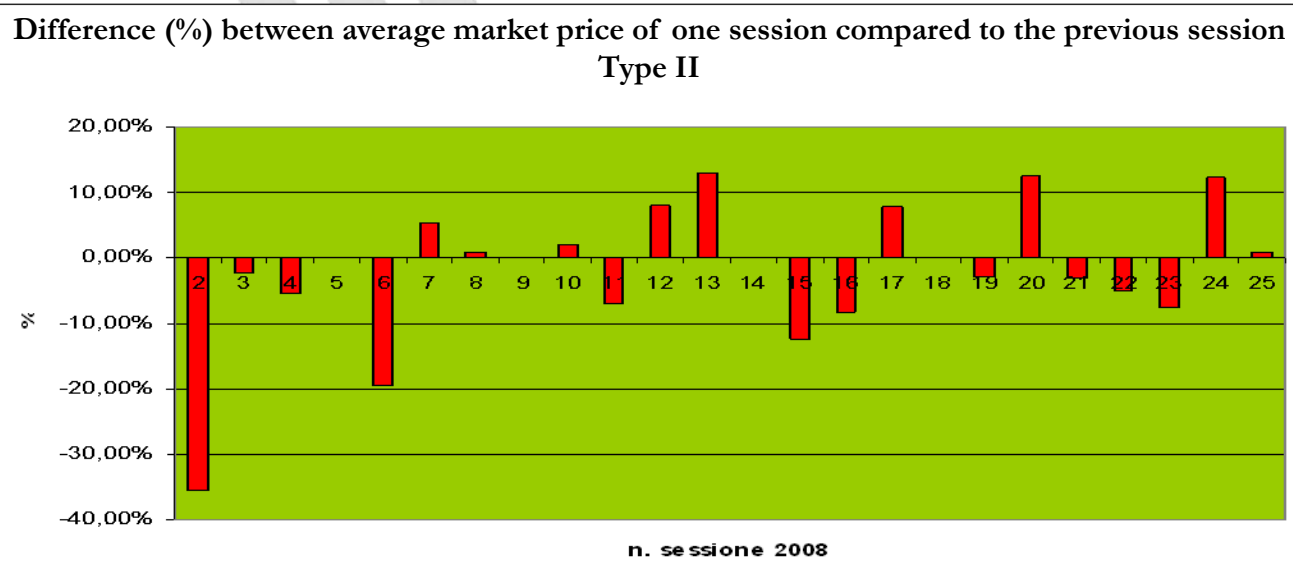
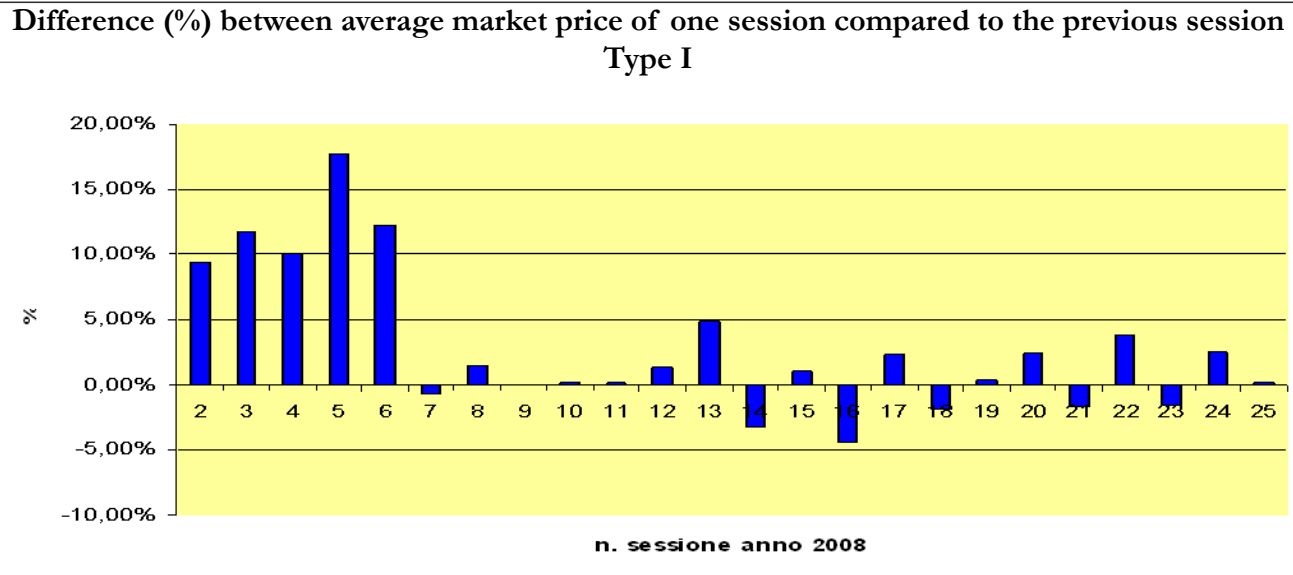


- ❑ Difference between type I and type II WhC for obligation purpose (type II limited to max 50% of electricity obligation, type I viceversa)
- ❑ Oversupply for WhC type I

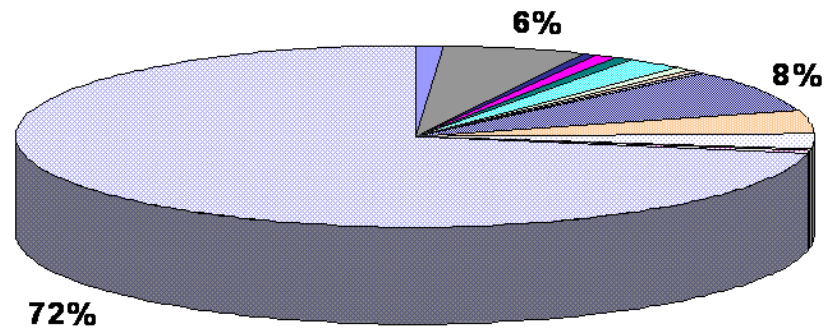
- ❑ Type I and type II WhC can be used either for electricity obligation or for gas obligation without limits
- ❑ If supply exceeds demand of more than 5%, the difference is given as an additional target for obliged parties the year after

Year 2008

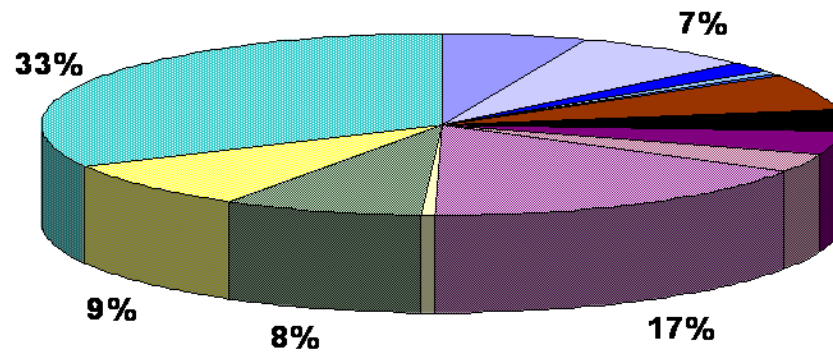
WhC type	I	II	III
Minimum price (€/toe)	35,00	35,00	10,00
Maximum price (€/toe)	77,00	84,00	40,00
Weighted average price (€/toe)	63,02	66,13	21,00
n. WhC traded	278.240	81.419	6.440
Since 19 feb 2008:			
Weighted average price (€/toe)	65,78	65,27	



Main Electricity Distributors
Market share (1st half 2008)



Main Gas Distributors
Market share (1st half 2008)



	Electricity Distributors Annual Target	Gas Distributors Annual Target	Total Annual Target Assigned
Year 2005	97.854	58.057	155.911
Year 2006	191.949	117.062	309.011
Year 2007	385.558	247.824	633.382
Year 2008	1.200.000	1.000.000	2.200.000
Total	1.875.361	1.422.943	3.298.304
Total WhC issued so far			2.230.055

❑ Once a market mechanism has been adopted to support energy efficiency, it is important to have **an organized market**

❑ It helps liquidity and information disclosure. Prices are more efficient from an economic point of view, new investments are stimulated

❑ In the Italian experience, market signals have been useful to amend the rules and re-establish market equilibrium

❑ A price corridor (cap and floor) could be useful to maintain stability in the mechanism.

A price floor can guarantee a minimum return of investment and a cap price can limit overall cost of incentivization. The market sets the price level within the corridor

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