By Ciro Mongillo and Ettore Acampora

Friday 29th January 2016

Last year was a big one for energy news. COP21 in Paris delivered the global commitment to go carbon-neutral. Oil prices fell down to $34 and the phase-out of coal power plants continued in many countries.

After nearly a decade, the FED increased interest rates, whereas the ECB kept up monetary stimulus policies. Finally, the US extended the renewable energy tax credits. Above all, 2015 was the highest year ever for both global investments ($329bn) and installations of renewable energy.

These facts are a stunning response to all those who expected clean energy investment to stall on falling oil & gas prices, increasing global interest rates and subsidy cuts. On the contrary, they highlight that improving cost-competitiveness of solar and wind technologies, rather than policy, are increasingly driving the uptake of renewable technologies. Renewables are getting cheaper and it is very hard to see these trends reversing in the light of Paris Climate Agreement.

While emerging countries were running the show, Europe saw investment fall down by 18% in 2015, its lowest figure since 2006, because of economic stagnation, continuing failure in addressing its systemic problems alongside the attendant risk of a BREXIT. Is this a turning point for EU renewable energy investment?

Not really. European investment is shifting towards a new playing field based on innovation, smartness and reliability; Italy leads this transition. The EU has accomplished more toward the transition to the clean energy economy than any other region due to its common plan: *2020 climate & energy package*. The EU is at the forefront of the share of electricity generated by renewables: 28% against 22% of OECD countries and 13% of USA. Among the EU countries, Italy ranked first on the share of renewables in power generation mix (40%) and is a global leader in terms of PV contribution to the national power generation mix (10%),

Moreover, while new renewable energy capacity will be added over the next five years, there is a consolidating wave of existing renewable assets in Italy. On one hand, there is the shift from today's system composed of 60% fossil fuels to one with more than 40% from green energy sources. On the other, the Italian existing renewable portfolio has a lot yet to say in terms of consolidation, restructuring and active asset management. Major financial and industrial operators are willing to play a primary role as an aggregator of asset-based portfolios within a still highly fragmented market, as shown by the recent ENEL-F2i joint venture.

As renewable energy penetration increases, there will be higher demand for auxiliary services to compensate the variability of the generation and ensure system reliability. Electric grid and systems will need to reward system services such as battery storage, interconnectors and control systems to help match supply with demand. It is understandable how the smart integration of renewable assets with storage systems and batteries is becoming key to securing both the power system and returns of the investments. This presents a more interesting opportunity for investors and players to extract even more value from assets, especially in Italy given the depressed spot power market.

The new playing field is generating more reliable and cheaper renewables, and on this basis, Europe and Italy have a first-mover advantage. Moreover, there is currently a greater interest and commitment from investors, corporates and governments to support this shift to a reliable clean economy. Europe and Italy can play a key role once again and this is a strong indication for the incoming year.

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