

Project leader



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Qualitative assessment of direct fiscal measures

Study of the Italian case
Focus groups with installers



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1. Context and Objectives

1.1 Context

This qualitative report is part of a more global study on individual investment in RES heating systems through direct tax measures.

The objective of this qualitative study is to evaluate the Italian on-going experience of credit tax among consumers.

1.2 Methodology

Installers have been recruited through internet sites or professionals known in the sector in relation to the RE heating technology provided. They had previously contacted by phone and asked about the requirement criteria set by the project co-ordinator. Once checked their correspondence to the above mentioned criteria and the availability in being interviewed we agreed to fix an appointment.

The interviewees have been held with installer but sometimes even with company's project manager and the interview length was averagely about one hour, one hour and a half.

Sample description

First name	Age	Job title	Working in the company since	Size of company (FTE jobs)	Activities of company	Percentage of turnover in overall turnover of the company	Number of annual installations for the concerned technology
E-GEO Manfroi	GHP	Manager (Bologna)	2006	2	GHP systems (floor heating incl.)	100%	20
GEETIT SRL G. Lazzari, F. Santi	ST	Director Bologna	2004	10	ST, CHP, PV, GHP	50%	8
Federico Reginelli	ST	Installer ROME	2003	Freelance	ST, PV	10%	15
Roberto Reggiani	ST	Installer Modena	1980	Freelance	Boilers, PV, ST	10%	3
Techne Photos Vicenzo Francesco	GHP	Director and proprietor Bologna	1992	1	ST, BEMS, GHP	10%	1

2. Contexts according to the technologies

In Italy all RE technologies show a market growth of which ST has the highest growth rate. All REs heating appliances considered in the study benefit from tax reduction, even in spite of the fact that only very few Regions have introduced additional grant emissions toward ST and GHP plants (i.e. Lazio, Trentino, Sicily, Veneto).

2.1 Level of knowledge of installers on the measure

It is remarkable that all installers interviewed have given very updated and detailed information about the fiscal measure, so they seem to be well informed and skilled in providing professional services to their final consumers. This is a surprisingly positive result considering that the enforcement of the measure so far is object of interpretation and clarification.

The fiscal measure background perceived by installers, when talking to final consumers, is quite limited and an average of 50 % of final consumers was already aware of fiscal measure's benefits.

Installers perceive a low level of preparation in their clients, with an exception made for all the GHP consumers that all were well prepared and informed.

Manfroi: "Those who, in the realm of an energy saving project were interested in the installation of GHP, were practically all well informed about the measure. My interference in this matter regarded only some specifications."

Final consumers use to acquire information from many channels: newspapers, trade unions, architects, surveyors, friends and net sites.

2.2 General perception of the measure

The majority of installers perceive the last fiscal measure as an advanced version of previous ones but think it still needs to be improved. According GHP salesmen the fiscal measure has a fundamental role in triggering investment and in most cases allows arranging bigger investments, considering the chance to buy other accessory systems in support to RE technology or the opportunity to purchase top products on market.

Vicenso: "GHP investment costs are relatively high in connection with other technologies, if there would not be an incentive this technology would not be economically sustainable"."

The proportion (in percentage, based on the installer's clients) of the incidence of the tax measure in the decision making whether or not installing a technology is as follows:

- 90 % for the ST sector;

- 100 % for the GHP sector;
- 50% for the PB sector.

The fiscal measure background perceived by installers, when talking to final consumers, is quite limited and an average of 50 % of final consumers was already aware of fiscal measure's benefits.

2.3 Perception of the impacts of the measure

The majority of installers agreed in perceiving the increase of fiscal measure rate to 55% as positive factor on sales on one hand, while on the other hand the exaggerated bureaucracy slows the procedure down and giving a negative message that regularly discourages the consumer's trust. These considerations are valid independently of the technologies concerned hence are strictly related only to the fiscal measure.

Limits to GHPs market take off

Both the National Financial Act 2007 and 2008 foresee tax reductions for a set of expenditures, including GHP, biomass boilers and Solar Thermal plants, made in a context of retrofitting for existing buildings. Among all the eligible RE technologies, GHP is the one that suffers the most of this situation, because it is the most expensive of the technologies and does not profit of any additional incentivation. Moreover only 10% of GHP plants is addressed to retrofitting, while 90% is installed in new buildings without any kind of incentivation. This leads to the important consideration that the GHP market is still ready to take off by now, but a trigger incentivation is absolutely needed just as occurs in the autonomous Provinces of Bozen and Trento, where an additional 30% reduction and a 25% grant to the investment are provided by the local Provinces.

In reality both NFA 2007 and NFA 2008 foresee a fund for the RE endowment of new buildings of volume above 10.000 cubic metres. This fund should refund the extra cost in respect to conventional heaters but, till now, not one executive decree has been issued so it constitutes an empty instrument, that despite of the fact that it is already budgeted, remains unavailable.

In the opinion of professionals and sellers this is an unacceptable (national energy) policy destined to increase the gap between the national market suffering of a lame development policy and those Provinces that are actually capable of enforcing decrees, thus running faster than the rest of the country and enlarging their quota of the market.

Lazzari: "From the government I expect the enforcement of National Energy Directives valid for the entire country, cancelling the possible differences between the Regions in matters of economic growth and development or incentive politics..."

The **RE advertising strategy** has been changed during the years, mainly for the ST and GHP sector, putting more and more emphasis on economical benefits given by the chance to get tax reductions. The advertising focuses also on offering all-inclusive packages with top quality products.

One interviewed person reports a positive experience regarding the condominium manager, even if it took nearly one year to get to the agreement for installing 150 sq.m. solar collectors for 107 dwellings.

In this case the strategy was to cover almost 40% of hot water heating load, proposal that has been successfully concluded and that got the common agreement of all residents. The condominium firstly started with the idea to contract an energy service company to arrange the purchase, installation and fiscal management, but reviewing all calculations under the fiscal opportunities given by NFA 2007, all residents agreed otherwise. Therefore the 55% incentivisation has been a decisive factor to take the opportunity. The condominium manager has therefore contracted a company for the supply, installation and fiscal measure management, sharing all costs and tax reductions among each resident according to the usual calculation based on the quotas of surface, with extra monthly instalments. The condominium manager turns out to be well informed and skilled. Furthermore, the management is presently working very well and every resident feels satisfied by the choice made.

One of the evident results in the **ST market** is the recent appearance of many small and medium sized retailer companies, making only pure trade, buying even from third party. None the less, in spite of natural market expectations and a strong competition, the RE retail price still remains high.

The solar thermal market seems to be blown up so there is a huge amount of sellers and installers. Nevertheless, as usually occurs in this circumstance, it is very difficult to understand who is really skilled and professional and who is not.

Reginelli: "The presence of many not skilled or ill prepared retailers damages the other retailers and the RE s sector as a whole."

GHP plants prices have grown by 20% to 30% in the last 2 years, so presently the whole system for a 100 sq. m. cottage, including floor heating, two drillings and condensing boiler, can easily reach 18.000 euros. The most expensive item is constituted by the drillings.

In the opinion of a few installers the Fiscal Measure did not have significant effects on the reduction of **pellets boiler market prices** in spite of the increasing demand of well-finished and ceramics boilers - the top quality products (around 10.000 euros) - is evident.

2.4 Success / failure factors

Basically, installers wanted to put more emphasis on failure factors trusting in REFUND + project capacity to bring those issues to a higher level of confrontation and to analyze them critically according to a European technical approach: An understandable logic from the professional installer's point of view who would like to improve its own business and the market as a whole.

2.4.1 Failure Factors

In the opinion of solar thermal salesmen the last 10 years of enforcement of the fiscal measures have not given many benefits, considering that the prices are still high, and even if the total sales increased one could sustain that a negative impact on prices has been given. The perception is that fiscal measures have altered or drugged the system, because, if the percentage of incentivation increased on one hand, on the other also RE technologies prices increased, undermining the measure improvements. As a final result a fiscal measure should give strong impulse to the market and then let the market operate and balance itself, not exclusively feed the market, so some change in direction has to be achieved.

Administrative complexity and bureaucracy have produced very bad consequences in terms of time spending and papers. One of the installers has in fact calculated that making request for 3 sq.m. of solar thermal plant requires 6 sq.m. of papers reporting static calculations, start of works declaration, security plan for installation, plant guarantees, energy audit, and so on.

From the point of view of GHP sellers, it doesn't make any sense to address a fiscal measure only to building retrofitting excluding all new constructions that constitute the market segment where there is the greatest vitality.

In most cases the **managers of the condominium** represent an obstacle in promoting or supporting RE heating plants in block of flats, because they do not have any personal advantage from such investments that could justify an interest, from their side they consider it a waste of time. Their reluctance to investigate the possibilities of change is dictated by ignorance in energy matters. Without changing this attitude the condominium manager will contribute very little to the development of REs.

The obligation to elect a condominium manager in condominiums for the common administration of the block of apartments, represents here an important obstacle to ST development: in fact this has been the 60ies and 70ies most common housing model and it is wide spread all over the Italian cities.

Basically, when residents want to install a ST plant on the common rooftop of the condominium area, the only path to pursue is through the manager of the condominium.

Anyway, in spite of the unfavourable manager opinion, a RE heating plant for a condominium can be carried out when there is an agreement of (at least) the majority of the residents. The playground of this situation is often out of the range of the installers' influence so, from their point of view, their trying to change it is a waste of time.

National parameter mistake

The NFA 2007 in its first publication reported a wrong parameter of insulation thickness for the calculation of the overall building energy performance, hence the risk to state wrong building energy performance when installing solar thermal, geothermal plants or biomass boilers was very high. It took nearly one year to correct the mistake but in the meantime fiscal measure has been in practice curbed, because of the uncertainty in making the right calculation for building energy performance

and even more the fear to discover, once corrected the parameter, to be mistaken and loose the right to get tax reduction.

Cultural issues

In Italy it is difficult to install solar system both in historical building and in buildings in landscape-protected areas. The extension of these areas is quite wide and every city or even small town has a certain area qualified as a historical zone.

In order to install a system, one has to apply first to the municipality; on their agreement, a second application must be presented to the Protection of Cultural and Architectural Heritage, and only if they approve one is allowed to proceed. Even if it is true that the final permission is not easy to obtain, still several successful examples can be pointed out. But it also has to be said that, like in case of granted applications for Thermosiphon systems on the roof, municipalities imposed the use of a boiler with the same colour as the roof covering, or to install under-roof boilers, or even hiding boilers in “fake chimneys”. Moreover, the Protection of Cultural and Architectural Heritage has a running time of answering not less than three months; a period excessively long for granting only one out of many permits and declarations that complete the request to obtain tax reduction.

Success factors

One interviewed person reports a positive experience regarding the condominium manager, even if it took nearly one year to get to the agreement for installing 150 sq.m. solar collectors for 107 dwellings.

In this case the strategy was to cover almost 40% of hot water heating load, proposal that has been successfully concluded and that got the common agreement of all residents. The condominium firstly started with the idea to contract an energy service company to arrange the purchase, installation and fiscal management, but reviewing all calculations under the fiscal opportunities given by NFA 2007, all residents agreed otherwise. Therefore the 55% incentivisation has been a decisive factor to take the opportunity. The condominium manager has therefore contracted a company for the supply, installation and fiscal measure management, sharing all costs and tax reductions among each resident according to the usual calculation based on the quotas of surface, with extra monthly instalments. The condominium manager turns out to be well informed and skilled. Furthermore, the management is presently working very well and every resident feels satisfied by the choice made.

The fiscal measure has been the reason to trigger many RE heating investment otherwise undone, so it seems to be undoubtedly a good incentive toward increasing market sales of GHP and ST plants. This trend has been much more emphasized since the increase of the fiscal measure rate to 55% rather than in previous years of tax reduction.

In many cases tax reduction has constituted the chance to substitute old boilers and renovate heating systems.

In the perception of many installers final consumers do not feel the rise of fossil fuel prices as a critical factor to trigger the choice of investment. Final consumers are rather driven to the choice of investment by the opportunity to make a green investment and secondly by the chance to save money.

2.5 Improvements

None of the installers has implemented a system to get clients' feedback after sale so no data have been reported on fiscal measure effectiveness or on possible suggestions to improve the fiscal measure.

2.5.1 Improvements on the measure itself

In addition to a tax reduction extension also for new construction (see *improvements on the context*), in an indirect way, a possibility would be to incentive all the RE residential heating sector (responsible for a third of the national CO2 emissions), or to persuade the Italian Government to adopt of the Carbon Tax on CO2 emissions. Notwithstanding the fact that the National Energy Policy goes in a different direction, and could appear as an unrealistic measure, this is a valid option to keep in mind for the future.

According to data provided by one of the sellers, the Emilia Romagna Region counts a higher number of installers than France, informing us there is a huge supply of installers – though frequently not properly skilled. This leads to the undesirable consequence that it is easy to find badly working plants or plants out of order, that can be attributed to an unskilled installer, wrong maintenance or the lack of it, or an incorrect installation. Such situations can be overcome by establishing an official installers licence that has to be get by the RE plants installers, or, as second suggestion, by creating a kind of RE plant producer insurance, on the correct functioning of the plant, making the producer responsible for the correct installation.

The set of regulations referring to tax reductions is constituted by more than five documents including two NFAs, some ministry decrees, tax regulations, clarifications, the ENEA FAQ site, that as a whole create a huge complexity in interpreting the right rules; it is necessary to include all useful information in one single correct, clear and updated text to refer at. Undoubtedly this constitutes the first of several steps that has to be realistically accomplished on the route of making the administrative procedure more simple and easy to use.

Reggiani: “Sometimes the Italian legislation seems a madhouse: The continuous publishing of integrations, clarifications and interpretations of a Directive or of regulations makes it impossible to be updated on the one hand and to give conclusive answers on the other. What is needed is one single and simple Law to refer to. As it is now the consumer can never be a 100 percent sure that what he is doing is the right thing.”

2.5.2 Improvements on the context

Roads of improvement suggested by installers

Local administrations should foresee and budget grants on investments as incentives for GHP sector and publicize more the benefits related to this technology, pointing out for example the CO2 emission reduction, or the elimination of direct flame heaters with a big positive effect in terms of security plans' and security systems' cutting on costs and maintenance. These are the main arguments used by sellers that are able to convince consumers to buy GHP plants, in most cases even without incentives.

Santi: "Public administrations should start to adopt a REs development planning strategy and meanwhile start to invest in human and economic resources in a medium-long term perspective."

One realistic route of improvement can be to spend more resources of public administrations in setting up training courses or making easier procedures, reducing the amount of paper to produce and creating professional RE info points. Extend the 55% tax reduction to REs in new constructions can be useful especially to help GHPs systems.

In order to facilitate the grant mechanism in order to obtain a permit for the installation of solar thermal collectors in municipalities, the local administrations have been given the practical advice to create and publicize an urban development plan, clearly indicating which areas are eligible and which are not, so that there is no more confusion or space for different interpretations about it. In this way administrations get acquainted with how to manage RE plant requests in each urban area and also those who want to make a request then know exactly what papers to produce and what the real chances are to install or not.

This is a very smart proposal but, considering the time the administrations use to spend in carrying out territorial planning, it is unlikely that it will be realized in the next coming years.

3. Conclusions and recommendations

The NFA 2007 has many positive traits confirmed by the market data increase of all three RE sectors, bringing to the attention that since 2007 installers expected to finally progress by leaps and bounds. From now we recommend that it is worth concentrate on a few and realistic goals rather than ask for radical changes.

1. Greater communication efforts have to be put to widely promote the fiscal measure and reach as many final consumers as possible, i.e. creating professional RE info points.
2. Real support to GHP sector can be established by co-operating with local administrations to foresee and budget grants on investments as additional incentives. It is also important persuading the local councillor responsible for environment to stress the promotion of benefits related to GHP technology;
3. The NFA 2007 is considered to be sufficient to its scopes but we should overcome the administrative complexity rationalizing the procedural rules

and issuing a single text or guide, in clear and unambiguous language. Concerning this issue positive signals are coming from the new text of the NFA 2008;

4. The NFA 2008 has in fact introduced an important facility in compiling the papers for solar thermal systems tax reduction request, and has in fact excluded the obligation of an energy certification of the building. Although this could be seen as innovative simplification of the procedure and a chance to cut down paper costs, some installer outlines that for the kind of information still required in papers, the support of a professional technician is anyway necessary, thus diminishing the amount that could be saved;

Other suggestions on indirect obstacles that have a negative effect on the tax reduction measure:

- ◆ Abolish the severe restrictions (different laws, at local or provincial level, sometimes contradict each other) concerning the architectural landscape regulations in the city centre area: the near impossibility to use the roof tops for solar thermal energy sources in these protected areas slow down a big part of the REs installation process in ancient city centres;
- ◆ The same (as above) goes for buildings that fall under the category of cultural heritage, that by all means, should be and remain protected, but the procedure and regulations should be 'updated' in accordance to the latest progress and possibilities in the field of REs technologies;
- ◆ Introduction of a tax reduction also for new constructions that go beyond the already established regulations on energy saving and efficiency;
- ◆ The municipalities should start with obligatory energy management courses for condominium managers - include a package of 'simple' REs technologies in the courses to become condominium manager;
- ◆ Door to door distribution of energy saving / efficiency solutions explaining how to obtain tax reduction and how to convince the condominium manager for its application.
- ◆ GHP: a trigger incentive is absolutely needed (just as occurs in the autonomous Provinces of Bozen and Trento, where an additional 30% reduction and a 25% grant to the investment are provided by the local Provinces).