



EUROPEAN COMMISSION  
DIRECTORATE-GENERAL FOR COMPETITION

The Director General

Brussels, 27 June 2025  
COMP.Dir B/JP/LN/AZ\*comp(2025)7330658

Permanent Representation of Italy to  
the European Union

Rue du Marteau 7-15

B-1000 Bruxelles

**Subject: SA.118336 – Italy - Energy Release 2.0**

Dear Mr. Boschi,

The Italian Minister for Environment and Energy Security (“MASE”) signed Decree n.268 on 23 July 2024 with the aim of supporting Energy Intensive Users (“EIUs”). The scheme was not notified by Italy to the Commission and DG COMP services sent a request for information ex-officio on 20 September 2024 based on information available in the press.

In the following months, several meetings took place between Commission services (DG COMP and DG ENER) and the Italian authorities to discuss possible changes to the measure to reduce market distortions.

**Description of the revised measure**

Based on your explanations on 25<sup>th</sup> June 2026, the revised measure will function as described below.

EIUs will have the possibility to receive electricity from the Gestore dei Servizi Energetici (“GSE”) (cumulatively 24TWh per year) through a financial 2-way Contract for Difference (“CfD”) at 65 EUR/MWh, for three years. All EIUs registered in the official list from Cassa per i servizi energetici e ambientali (“CSEA”) are automatically eligible to be beneficiaries. If the expression of interests submitted by EIUs exceeds the maximum available capacity of 24 TWh/a (as we understand is currently the case), the amount of electricity allocated to each beneficiary in the first three years will be determined pro-rata. Beneficiaries will receive electricity following monthly quotas determined on the base of the electricity available to GSE (which reflects renewable output under ongoing feed in tariff schemes in each month) in the bidding zone of the consumer. However, for a given month, the EIUs will receive this electricity as a flat volume throughout the day. The reference period over which the reference price will be calculated for the financial 2-way CfD between GSE and the beneficiaries in the first 3 years is one month, i.e. the monthly simple average will be used.

Afterwards, the GSE will organise a tender procedure open to all interested parties, EIUs and RES developers, for the construction and operation of new renewable generation assets (namely solar, wind, or hydro) for double the capacity required to return the electricity anticipated over the first three years. Participants in the renewable tender will bid for an upfront premium (a grant) that they would need to receive to be willing to build the required RES capacity. 50% of the newly generated renewable electricity will then be covered by a 2-way CfD concluded with the GSE at a strike price of 65 EUR/MWh for a period of 20 years. Such CfD will follow the design already approved in Commission Decision C(2024) 9136 final <sup>(1)</sup>. Participants are allowed to bid negative premiums. For EIUs who benefit from the reduced electricity prices under the measure the following applies:

- a. If an EIU does not bid in the tender, the GSE will deem the EIU to have submitted a bid equal to the minimum bid admitted in the procedure, as EIUs that benefit from the reduced electricity prices are obliged to build and operate (or outsource the building and operation of) double the capacity needed to give back the electricity received. Therefore, EIUs are always treated as if they participate in the tender with the lowest bid still accepted. Point c below will then be applicable.
- b. If an EIU is not successful in the tender, it has to pay the GSE the upfront premium resulting from the auction, which is based on marginal pricing. Then the GSE will assign the operator that will build and operate the renewable plants in place of the non-selected EIU and it will transfer such upfront premium to them. For half of the newly generated electricity, RES operators will enter into a 2-way CfD with the GSE with strike price equal to 65 EUR/MWh.
- c. If an EIU is successful in the tender, it will be responsible for building the new RES capacity to produce double the electricity received in the first three years and it will enter a 2-way CfD with the GSE for 20 years to give back the anticipated electricity for a strike price equal to 65 EUR/MWh (the CfD therefore will only cover half of the capacity that needs to be built). They **will not** receive the additional premium.

At the end of the 20-years period of the 2-way CfD duration, the GSE will estimate whether 100% of the advantage EIUs received over the first three years has been returned under the second two-way CfD. If this is not the case, then the 2-way CfD will be extended, with a strike price not higher than operation and management (“O&M”) costs of photovoltaic installations at the start of the claw-back period, until 100% of the initially estimated advantage has been returned. The obligation to pay back the outstanding advantage through the 2-way CfD extension falls on the winners of the auction, therefore, if the auction was won by the RES developers, they are responsible for the extension of the 2-way CfD contract if necessary and are expected to factor in this obligation in their bids.

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<sup>(1)</sup> Under this design, when market prices in the DAM are negative, the CfD pays based on production capability rather than on production and 5% of the capacity is not covered at all by the CfD to maintain market incentives.

In particular, the values of the claw-back mechanism will be calculated as follows:

- *Estimation of the initial advantage:* to estimate the advantage stemming from reduced electricity prices in the first three years, the Italian authorities will calculate *ex-post* the difference between the strike price of 65 EUR/MWh with average future prices available on the electricity exchange platform EPEX <sup>(2)</sup> as traded in the month of May 2025 for the year 2025 (only quarterly prices available), 2026 and 2027. The value of this amount will be discounted to the present value at time zero (that is 2025, at the moment of the first payment from GSE to the EIUs at the end of the first month during which the first 2-way CfD contract with strike price of 65 EUR/MWh is active). The financial flows will be discounted using the official interest rate for non-financial enterprises as published by the bank of Italy at the end of April 2025, which is equal to 4.25%. 100% of the estimated advantage will need to be clawed back in the second period.
- *Estimation of the advantage repaid in the second period:* to calculate the portion of the advantage that is paid back in the second period, Italy will compare the overall revenues generated from the sale of electricity with an administratively estimated LCOE of the RES plants. For the part of electricity covered by the CfD, the revenues are given by the strike price of 65 EUR/MWh. For the remaining part, Italy will use realised prices i.e. the reference price used to settle the difference under the two-way CfD. On the cost side, Italy intends to use an initial LCOE of 73 EUR/MWh. The LCOE expresses the average cost per unit of energy produced by a plant over its entire useful life (investment, O&M with inflation, debt and equity costs through the WACC used to discount cash flows to 2025). The LCOE already incorporates the minimum remuneration that can be considered acceptable. The outcome of the first FERX TCTF auction will be used as a reference point to adjust the initial LCOE used for the claw-back calculation. In particular, the set LCOE of 73 EUR/MWh will be adjusted upwards or downwards by 50% of the difference between the outcome of such auction and 65 EUR/MWh. The resulting net cash-flows are then discounted to the present (2025) using as discount rate the WACC of RES producers.
- *Portion of the advantage to be repaid through contract extension:* if positive, the difference between these two values will have to be repaid through a contract extension with strike price not higher than the O&M costs of solar installation at that time, as explained above, until the Net Present Value equals zero.

DG Competition services thank the Italian authorities for the constructive discussions and welcome the changes that have been proposed to reduce market distortions and the risk of overcompensation. Those changes have helped alleviating our main concerns.

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<sup>(2)</sup> <https://www.eex.com/en/market-data/market-data-hub/power/futures/#%7B%22snippetpicker%22%3A%2224%22%7D>

Based on the agreement described above, it appears that there are credible grounds to consider that the overall advantage is passed on to the production of renewable energy, and that the measure could be regarded as compatible with the relevant requirements for promoting renewable energy production under current State aid rules. Therefore, DG Competition services would, based on the currently available information and on the changes outlined above, not see reasons to further investigate the measure on its own initiative. Please note that this letter does not represent a formal position of and does not bind the European Commission.

Yours sincerely,

A handwritten signature in blue ink, consisting of a large, stylized 'O' followed by a series of loops and a final 't' or 'r' shape.

Olivier GUERSENT