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Subject: State Aid SA.115180 – Italy –
Support scheme for electricity production from RES plants (FER X)

Excellency,

1. PROCEDURE

(1) By electronic notification of 29 April 2026, Italy notified a scheme to support the deployment of renewable energy sources ('RES') close to market parity (hereinafter 'the measure' or 'the scheme'), under the State aid framework to support the Clean Industrial Deal ('the Clean Industrial Deal State Aid Framework' or 'CISAF'). ([1])

(2) The Commission sent questions to the Italian authorities on 30 April 2026, to which they replied on the same day.

(3) Italy exceptionally agrees to waive its rights deriving from Article 342 of the Treaty on the Functioning of the European Union ('TFEU'), in conjunction with

([1]) Communication from the Commission: Framework for State Aid measures to support the Clean Industrial Deal (Clean Industrial Deal State Aid Framework) (OJ C, C/2025/3602, 4.7.2025, ELI: http://data.europa.eu/eli/C/2025/3602/oj)

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Article 3 of Regulation 1/1958 ([2]) and to have this Decision adopted and notified in English.

2. DETAILED DESCRIPTION OF THE MEASURE

(4) The scheme aims to accelerate the rollout of mature renewable energy technologies. Specifically, the measure will support, through two-way contracts for difference ('two-way CfDs'), the production of electricity from onshore wind, solar photovoltaic, hydropower, and sewage gases. Installations with capacity below 200 kW can decide to receive aid in the form of a feed in tariff ('FIT').

2.1. Background and objective

(5) The EU has set an ambitious climate protection target of reducing greenhouse gas emissions by at least 55% by 2030, with a view to becoming climate neutral by 2050 ([3]). Italy has set a national target in its National Energy and Climate Plan (*Piano Nazionale Integrato per l'Energia e per il Clima*, 'NECP'), submitted to the European Commission on 3 July 2024, of 39.4% of gross final electricity consumption from RES by 2030. To achieve these targets, Italy needs to drastically increase the rollout of RES.

(6) Italy explains that the adoption of the measure is necessary to reach the 2030 EU targets on renewable energy. Italy further explains that the measure is crucial to reduce the negative environmental impact linked to electricity production, as well as to reduce the Union's dependency on energy imports, in line with the objectives set out in the Fit for 55 ([4]) package and in REPowerEU plan ([5]).

(7) Previous measures to support electricity from renewable sources were in place in Italy from 2019 to 2021 ([6]) and from 2024 to 2025 ([7]) (the 'previous schemes'). In addition, a measure to support electricity from innovative renewable technologies was approved by the Commission on 4 June 2024 and will continue running in parallel until 31st December 2028 ([8]). On 5 January 2026, the Italian authorities pre-notified to the Commission another measure to support electricity production from renewable energy sources, referred to as 'FER Z'. The Italian authorities submit that FER Z is aimed at complementing this measure as well as other measures already in place. FER Z will reward beneficiaries through a two-way CfD with reference volume dependent on the estimated electricity production potential of a reference project rather than the installation's actual electricity

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([2]) Regulation No 1 determining the languages to be used by the European Economic Community (OJ 17, 6.10.1958, p. 385).

([3]) Regulation (EU) 2021/1119 of the European Parliament and of the Council of 30 June 2021 establishing the framework for achieving climate neutrality and amending Regulations (EC) No 401/2009 and (EU) 2018/1999 ('European Climate Law'), OJ L 243, 9.7.2021, p. 1.

([4]) Communication from the Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions 'Fit for 55': delivering the EU's 2030 Climate Target on the way to climate neutrality (COM/2021/550 final).

([5]) Communication from the Commission to the European Parliament, the European Council, the European Economic and Social Committee and the Committee of the Regions, REPowerEU Plan (COM/2022/230 final).

([6]) Commission Decision of 14 June 2019 on State Aid SA.53347 (2019/N) – Italy – Support to electricity from renewable sources 2019-2021.

([7]) Commission Decision of 17 December 2024 on State Aid SA.115179 (2024/N) – Italy – FER X TCTF Italian transitional support for electricity production from RES plants close to market parity.

([8]) Commission Decision of 4 June 2024 on State Aid SA.105880 (2023/N) – Italy – Renewable Energy Scheme 2024 (FER II).

production. As such, the measure is targeted towards more sophisticated market actors. Therefore, Italy noted that there are currently no measures supporting the technologies eligible under the scheme. Italy also submits that the measure will introduce innovative changes to the previous schemes to improve RES integration.

(8) The Italian authorities commit to allocate, within FER Z (see recital (7)), a minimum capacity of 15 GW reserved for photovoltaic installations, to be remunerated through a two-way contract for difference based on a reference profile, reflecting solar generation patterns but independent from the actual production of individual assets.

(9) The Italian authorities argue that the generation of electricity from the renewable technologies eligible under the scheme is not sufficiently profitable to cover their investment and operating costs (see Section 2.4.3). It is therefore necessary to support the deployment of these technologies.

(10) Moreover, Italy explains that, despite the recent increase in energy prices, investors expect high volatility in the coming years, meaning that precise price forecasts cannot be made. This uncertainty concerning future prices undermines the profitability of the investments, with investors lacking the stability necessary to undertake the projects.

(11) Under the scheme, Italy intends to support a maximum of around 37,15 GW of new capacity from the renewable technologies mentioned in recital (4).

(12) Italy confirms that aid granted under the measure cannot be conditioned on the relocation of an activity, as such conditions would be harmful to the internal market.

2.2. National legal framework

(13) The legal basis of the measure is the Legislative Decree 8 November 2021, nr. 199 (the 'National Legislative Decree'), transposing Directive (EU) 2018/2001 (the 'Renewable Energy Directive') (9) and the draft Ministerial Decree containing the implementing regulation for the scheme (the 'Implementing Decree'). Italy will adopt the Implementing Decree after the notification to Italy of the Commission decision approving the scheme.

(14) The granting authority is the Ministry of Environment and Energy Security (the 'Ministry'), and the delegated implementing authority is the Gestore dei Servizi Energetici ('GSE') (10).

2.3. Eligibility

(15) The beneficiaries of the measure are undertakings of all sizes producing renewable electricity, as described in recitals (16) to (27).

(16) The following technologies are eligible under the scheme: onshore wind, solar, hydroelectric and sewage gases.

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(9) Directive (EU) 2018/2001 of the European Parliament and of the Council of 11 December 2018 on the promotion of the use of energy from renewable sources (OJ L 328, 21.12.2018, p.82).

(10) The GSE is a joint-stock company, 100% owned by the Ministry of Economic Affairs and Finance and controlled by the Ministry for Environment and Energy Security. The GSE is the Italian public body responsible for the promotion of renewable energy and energy efficiency in Italy. It is also responsible for the monitoring of the development of renewable energies, from a statistical, technical, economic, and environmental point of view.

(17) The Italian authorities confirm that the scheme does not entail any artificial limitation or discrimination. They have clarified that those technologies not eligible are characterised by higher costs as compared to the ones included. For this reason, a scheme open to all RES technologies would lead to suboptimal results. Italy also explained that these innovative renewable technologies are already receiving support under the scheme authorised by the Commission on 4 June 2024 for the period 2024-2028 ([11]).

(18) The measure applies to newly built installations and, at given conditions, entirely or partially rebuilt, or repowered installations.

(19) To qualify for the scheme, installations with installed capacity higher than 1 MW must meet the following requirements:

i) Possession of a permit to construct and operate the installation or, only for technologies other than PV, a positive environmental impact assessment, where applicable;

ii) Cost estimate of the connection to the electricity grid definitively accepted and registration of the project on the Terna's GAUDI system ([12]) validated by the grid operator;

iii) Compliance with Union and national environmental protection requirements necessary to comply with the principle of 'Do No Significant Harm' (DNSH);

iv) Acceptance of the obligation to submit a bid in the dispatching services market in certain circumstances ([13]);

v) Proven financial standing ([14]).

(20) Installations are not eligible for aid if they started works ([15]) prior to the submission of their application.

(21) Installations with installed capacity up to 1 MW are entitled to directly access the mechanism if the requirements set out in recitals (19)(i), (19)(ii) and (19)(iii) are met. These installations will not be eligible if they started works before the entry into force of the Implementing Decree.

(22) Installations qualified to provide dispatching services must schedule maintenance in agreement with the TSO, in accordance with the Italian Network Code's

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([11]) Commission Decision of 4 June 2024 on State aid SA.105880 (2023/N) – Italy – Renewable Energy Scheme 2024 (FER II).

([12]) GAUDI ('Gestione delle Anagrafiche Uniche Degli Impianti di produzione') is the Italian portal providing unique identification for electricity generation plants. The platform (established by ARERA) is developed and managed by Terna.

([13]) Dispatching services are energy balancing services offered in the Ancillary Service Market (ASM) by generators and suppliers to balance demand and supply. The ASM is composed by the ASM ex-ante, where the Transmission System Operator ('TSO') procures the necessary reserve margins and solve potential intra-zonal congestions and the Balancing Market (BM), where operators may resubmit offers and bids that the TSO will activate in real time to guarantee balance between demand and supply.

([14]) It can either be a declaration from a banking institution or a minimum threshold of capitalisation that needs to be met, as specified in Article 3(2) of the Implementing Decree.

([15]) As defined in Article 2, point (15)(l), of the CISAF.

criteria. When approving maintenance schedules, the TSO will aim to ensure that maintenance is not carried out in periods critical to the system's stability ([16]).

(23) In addition, applicants are required to pay a provisional and a final guarantee according to the methods and timelines defined in the operating rules ([17]). The final guarantee is equal to 10% of the expected investment costs for the construction of the plant. The provisional guarantee amounts to 5% of the expected investment costs for the construction of the plant and has to be uploaded on the GSE website during the application procedure, before the ranking's publication.

(24) Undertakings in difficulty as defined by the Commission's Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty ([18]) are excluded from the scheme.

(25) Undertakings subject to outstanding recovery orders following a previous Commission decision declaring an aid illegal and incompatible with the internal market are not eligible for the scheme.

(26) Installations located in the territory of other Member States of the Union (or in a nearby third country with which a free trade agreement is in force) will be allowed to participate in the auction procedures, subject to the following conditions:

i) the existence of a cooperation agreement ([19]) with the Member State or the third country where the installation is located;

ii) the agreement establishes a system of reciprocity and the manner in which proof of physical import of renewable electricity is provided;

iii) the installation complies with the same requirements applied to the installations in Italian territory and foreseen by the Implementing Decree.

(27) Installations outside the Italian territory can place bids only up to a certain percentage of the auctioned volume. The percentage is calculated based on a function according to which the Italian overall imports of renewable electricity from neighbouring countries are divided by the total electricity consumption in Italy, based on the following formula:

$$P_{EU} = P_{tot} \cdot \frac{\sum_{i=1}^{n}(E_{imp\ MSi} \cdot RES_{\%MSi})}{E_{tot\ consumed\ IT}}$$

Where P_{EU} is the available capacity for projects in other States; P_{tot} is the totalcapacity made available in the auction procedure for each group; $E_{imp\ MSi}$ is the total imported electricity by State *i*; $RES_{\%MSi}$ represents the portion of

([16]) To enable each installation to carry out maintenance and to ensure the safety of the electricity system, each year the TSO identifies the proportion of the production capacity that each operator may make unavailable for maintenance in each week of the following year. These quotas are identified considering – for example - the possible production limitations related to the main development and maintenance interventions on the transmission network, as well as updates of the need of ensuring the security and adequacy of the electricity system.

([17]) Within 60 days from the entry into force of the Decree, the operating rules regulating the support mechanism shall be approved by Decree of the Ministry of Environment and Energy Security, following a proposal of the GSE.

([18]) Communication from the Commission – Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty (OJ C 249, 31.7.2014, p.1).

([19]) Defined in accordance with Article 16 of Legislative Decree N. 199/2021.

renewable electricity in the electricity mix of the particular State i; and $E_{tot\ consumed\ IT}$ is the total electricity consumption in Italy ([20]).

2.4. Selection of beneficiaries

(28) The measure aims to support a maximum of 37,15 GW of new renewable capacity in Italy. Of this capacity, 27,15 GW will be allocated through separate competitive procedures for each technology for installations with installed capacity higher than 1 MW (see Section 2.4.1). Aid for plants larger than 1 MW can only be granted aid within two years from the date of entry into force of the scheme.

(29) The remaining 10 GW will be allocated to smaller installations with an installed capacity equal or lower than 1 MW. Such installations can directly access the measure once in operation by presenting a request to access the mechanism by 31 December 2030 or sixty days after the date when a power quota of 10 GW is reached (if this date is before 31 December 2030). For these installations, the strike price will be set administratively by the Regulator ARERA in such a way as to cover the eligible costs.

2.4.1. Functioning of the auctions

(30) Italy confirms that the amount of aid for plants larger than 1 MW will be determined by an open, clear, transparent and non-discriminatory competitive bidding process to be carried out at the national level, on the basis of objective criteria, defined in advance and minimising the risks of strategic bidding and undersubscription (see recitals (28) to (34)).

(31) Beneficiaries with an installed capacity above 1 MW will be selected through competitive bidding procedures launched by the GSE, in which power capacities will be made available periodically. The competitive procedures can be launched only within two years from the date of entry into force of the Decree.

(32) In order to access the competitive procedure, the applicants must comply with the pre-requisites listed above (see recital (19)) and must have submitted a prequalification request and a manifestation of interest.

(33) Applicants will have to apply for aid under the scheme on the GSE website, by attaching their bid and the required documentation. The applications will include the applicant's name, and a description of the project or activity, including its location, as well as the amount of aid needed to carry it out. Applicants must indicate the offered reduction in percentage terms, starting from the upper reference price applicable to the project they intend to develop. The reference prices for 2026, expressed in EUR/MWh, are listed in Table 1. For the following years, the reference price will be periodically updated by the GSE to take into account the average inflation between the date of entry into force of the Implementing Decree and the month of publication of the notice of the relevant procedure.

([20]) All the figures are based on the last annual data available as published by EUROSTAT.

Table 1 – Reference prices for 2026, lower and upper reference prices per technology

Renewable Energy Source	Power capacity	Reference price	Upper reference price	Lower reference price
	MW	€/MWh	€/MWh	€/MWh
	> 1	80	95	65
	> 1	85	95	70
	> 1	90	105	80
	> 1	85	100	75

(34) Bidders will be ranked based on the reduction to the upper reference price offered, with the bidders offering the highest reductions prevailing, within the limit of the available quotas (see Table 2 below).

(35) Locational coefficients will moreover be added to the reductions offered to rank bids, which will be determined as follows. For each bidding zone, the Ministry defines a capacity threshold representing the maximum renewable capacity that can be integrated in the Italian network without the need for any additional infrastructure upgrade beyond those already planned in the NECP, also based on the burden sharing agreement of the Italian Regions ([21]). Positive coefficients will be applied to bids once the capacity threshold has been reached in the bidding zone and will be quantified by the Ministry to reflect the additional costs for the system to integrate the additional RES capacity in the bidding zone. Coefficients will be applied only for the purpose of ranking bids and will not alter the amount of support received by beneficiaries. Coefficients will depend on the costs of integrating renewables and will increase linearly as the additional capacity over the threshold in each bidding zone increases. However, coefficients will be capped to maximum 30% of the value of the reference price in the relevant auction. The exact methodology for calculating the coefficients will be made public by ministerial decree adequately in advance before the publication of the call for interest for the first auction in order to make the selection criteria known to operators.

(36) Italy indicates that the procedures will be carried out electronically, in accordance with the principles of transparency, advertising, protection of competition and in a non-discriminatory manner.

(37) Moreover, Italy will organise separate competitive procedures for solar and wind technologies with capacity greater than 1 MW, in which applicants will have to respect, in addition to the requirements listed in recital (19), additional pre-selection and award criteria designed in line with Implementing Regulation (EU) 2025/1176 ([22]) and described in the tender specifications. These pre-selection criteria are the following: a criterion relating to a responsible business conduct (as defined in Article 4 of Regulation (EU) 2025/1176), a criterion relating to the robustness of the installations in terms of cybersecurity and data security (as defined in Article 5 of Regulation (EU) 2025/1176); a criterion relating to the

([21]) The burden sharing agreement, as approved by the Ministry of Environment and Energy Security, establishes the renewable capacity quotas (in MW) that each Italian Region should install by 2030 in order to achieve the national target set in the NECP (see recital (5)).

([22]) Commission Implementing Regulation (EU) 2025/1176 of 23 May 2025 specifying the pre-qualification and award criteria for auctions for the deployment of energy from renewable sources, OJEU 18.6.2025, ELI.

ability to deliver the project fully and on time (as defined in Article 6 of Regulation (EU) 2025/1176); and a resilience criterion for PV installations and one for wind installations (as defined in Article 7 of Regulation (EU) 2025/1176). The award criterion is a sustainability criterion (as defined in Article 15 of Regulation (EU) 2025/1176). The capacity made available for these auctions will be at least 30% of the available quota for photovoltaics and wind capacity respectively in the year the auction is held, in compliance with Article 26(7) of Regulation (EU) 2024/1735 ([23]).

2.4.2. *Available capacity for each competitive procedure and baskets*

(38) The maximum capacity that can be auctioned within a two-year period amounts to 27.15 GW, divided into four baskets as shown in Table 2.

Table 2 - Total capacity that can be auctioned under the scheme

Technology	**Power capacity > 1 MW available for granting until June 2028 [GW]**
Photovoltaic	10
Wind	16.5
Hydro	0.63
Sewage gases	0.02
Total	**27.15**

(39) The Italian authorities consider that separate baskets are necessary to achieve diversification of the energy sources required to achieve national and Union decarbonisation objectives. Technology-neutral auctions would lead to suboptimal results, due to differences across technologies in relation to the following characteristics:

i. The impact on the electricity network (intermittence level and programmability);

ii. the future evolution of technology-related costs;

iii. the project lead-time.

(40) Therefore, according to the Italian authorities, the specificities of the individual energy sources and technologies envisaged impose the need to provide for distinct competitive procedures for the selection of eligible projects. This approach would also allow to reach the most efficient allocation of resources across technologies, thus minimizing the overall costs for the system.

(41) In addition, the presence of separate baskets for these technologies will contribute to the achievement of the technology-based targets reported in the NECP, which Italy has put in place to achieve EU targets. For example, regarding the electricity

([23]) Regulation (EU) 2024/1735 of the European Parliament and of the Council of 13 June 2024 on establishing a framework of measures for strengthening Europe's net-sero technology manufacturing ecosystem and amending Regulation (EU) 2018/1724, OJ L 28.6.2024, ELI.

sector, the NECP aims at achieving 28.14 GW of wind capacity (of which 26.04 onshore), and 79.25 GW of solar capacity by 2030 ([24]).

(42) For each round, the size of the capacity quota auctioned will be identified on the basis of the total capacity of the authorised plants that could theoretically participate in the auction procedure and on the frequency of the foreseen auctions, with methods that guarantee the competitiveness of the procedures. In particular, the Italian authorities confirmed that the power auctioned will not be sufficient to satisfy all the requests for support presented, implying that not all bidders will receive aid.

(43) Italy submitted that the volumes of capacity tendered in each procedure will be set to ensure that the bidding process is effectively competitive *ex ante*, meaning that not all bidders will receive aid. In particular, when determining the target power quota as well as the lower bound and higher bound power quotas ahead of each auction, the Ministry will take into consideration i) the expected development of generation capacity from renewable sources compared to the climate targets ([25]), ii) the status of authorization procedures and iii) the expression of interest submitted by the producers who intend to participate in the auction. Each applicant can submit a maximum of three expression of interests to participate in auctions, including expressions of interests submitted in the context of previous support mechanisms. However, in case the applicant presents an offer below the central reference price and is not selected, such expression of interest should not be counted towards the maximum allowed.

(44) Moreover, the Italian authorities confirm that the volume auctioned in each procedure will be at least 10% lower than the total volume that has received permits and for which an expression of interest has been received.

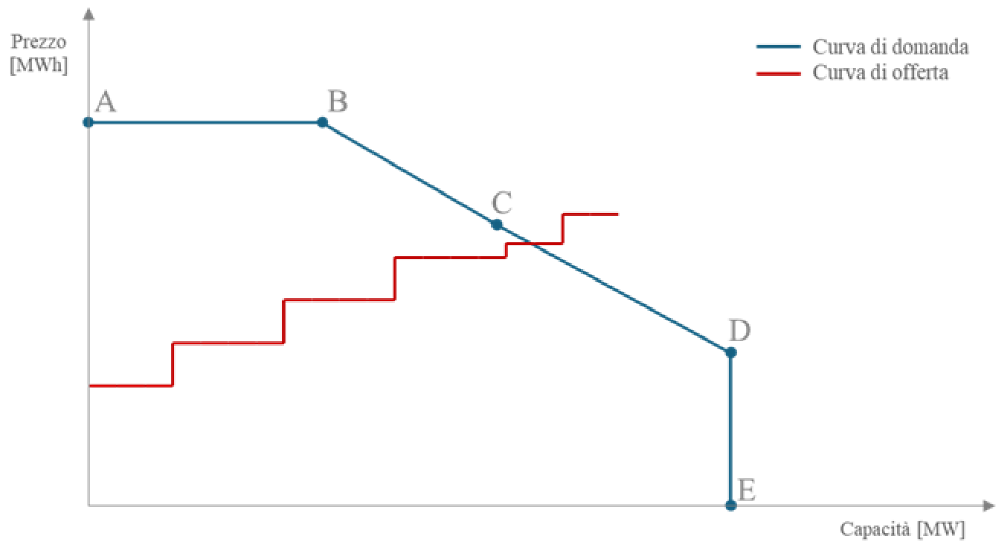
(45) The target power quota that the Ministry aims to allocate will be associated with the reference price (see Table 1), the lower bound power quota (point B of the curve in Figure 1) with the upper reference price and the higher bound power quota (point D of the curve in Figure 1) with the lower reference price.

(46) These points form a demand curve reported in Figure 1 below. The power quota allocated depends on the offer placed by the bidders from the upper reference price. The higher are the reductions offered the higher the allocated quota is and vice versa.

([24]) See PNIEC_2024.pdf - pdf, page 102.

([25]) Both as a result of already concluded auctions and with respect to the implementation of market-based initiatives.

Figure 1 - Demand curve (blue) and expected supply curve (red) for the competitive bidding procedures



Notes: The figure shows prices on the y axis and capacity on the x axis. Point B is the lower bound quota and upper reference price, point C is the target quota and central reference price and point D is the higher bound power quota and lower price.

(47) The upper and lower prices have been determined to reflect potential variations with respect to the reference case for which a quantification was developed based on a business plan (central reference price), which can result in generation costs conditions that are considerably higher or lower. The three power/price points forming the demand curve are used to ensure the competitiveness of the auctions, the minimization of the cost for the scheme and the achievement of the 2030 climate targets.

(48) In addition, after each bidding process, the GSE verifies that the offers characterized by a price lower than the central reference price correspond at least to 105% of the capacity auctioned. In case this condition is not met, a capacity quota equal to 5% of the capacity presented will be removed from the total capacity auctioned. This exclusion doesn't apply to projects that have presented bids lower than the lower price.

2.4.3. *Reference prices*

(49) The Italian authorities have identified several reference projects ([26]), on the basis of which the reference prices presented in Table 1 above have been set. The Italian authorities have identified at least one reference project for each basket and technology. Table 3 below presents the main characteristics of the reference projects as well as the net present value ('NPV') of the reference projects.

([26]) i) utility-scale PV (10 MW), also considering a scenario with asbestos removal; ii) utility scale PV (10 MW) on a water body; iii) utility-scale wind (25 MW); iv) utility-scale hydro (5 MW); v) utility-scale sewage gases (1,5 MW).

Table 3: Main characteristics and NPV (without support) of the reference projects

Technology	Type	Plant Capacity (MW)	Full load hours (h)	CAPEX (EUR/KW)	OPEX (EUR/KW)	NPV without Aid (mEUR)
Solar	Large on the ground	10MW	1 400	900	22	-1.9
	Large on inland waters	10MW	1 470	1080	25	-3.6
Wind	Large	25MW	2 100	1 420	30	-8.1
Hydro	Large	5MW	5 040	3 200	111	-4.8
Sewage Gases	Large	1,5MW	5 500	3 500	100	-1.3

(50) For each reference project, the Italian authorities have identified all main costs (investment and operating costs) and revenues. Investment costs take into account all the work necessary for the realization of the plants, such as electrical works for the plant and for the connection to the grid, civil works, transport costs and development costs, as well as any contingencies. Operating costs include all the relevant components, such as costs for raw materials, labour costs, and other operational costs (electricity, thermal energy, ordinary and extra-ordinary maintenance, insurance costs). Such operating costs therefore largely include fixed costs borne on a regular basis, independently of the actual generation of the assets.

(51) The estimated costs and technical characteristics of the reference projects are mainly based on data collected by the GSE from existing plants participating in previous schemes, public consultations, and literature.

(52) The calculation of revenues includes all main expected revenues from the sale of electricity. The expected lifetime of the projects is 20 years.

(53) The NPV of the reference projects has been calculated using as discount rate a Weighted Average Cost of Capital ('WACC') of 8% ([27]) for all installations. The Italian authorities consider that this level of WACC is appropriate for technologies such as those covered by the scheme.

(54) The data provided shows that without support the NPV of the reference projects would be negative (see Table 3).

(55) In view of the negative NPV, Italy considered that in the absence of aid a beneficiary would not invest in the construction of new installations or the refurbishment or repowering of existing ones.

(56) The reference prices have been set in a way such that the NPV of the projects after aid is received is still close to or equal to zero, to ensure that overcompensation is avoided.

(57) The reference prices will serve as the starting point for the auctions and will apply to all eligible participants within a basket. Italy has explained that the reference

([27]) To be meant as 'pre-tax' WACC.

prices are at a level that is expected to allow wide participation in the auctions and increase competition.

(58) As part of its monitoring activity, the GSE will analyse data on the production costs of these installations, taking into account data collected from installations already in operation as well as any changes on the costs of raw materials and components recorded on the national and Union markets, including as a result of the effect of changing inflation rates. This data will be sent annually to the Ministry of Environment and Energy Security.

(59) If those analyses show that the level of aid for the eligible categories is no longer necessary or no longer sufficient to ensure effective competition in tendering procedures, the Ministry of Environment and Energy Security may update the reference prices upwards if the aid is not sufficient, or downwards if the level of aid is no longer necessary. For example, the reference prices can be adjusted to inflationary changes occurring between the date of entry into force of the Implementing Decree and the publication of the tender procedures.

(60) The Italian authorities confirmed that they will take corrective measures in case of repeated undersubscribed bidding processes, through the adjustment of the tendered capacities. In case of repeated undersubscription, Italy commits to introducing remedies for any future scheme that it notifies to the Commission for the same technologies covered by this scheme.

2.5. Form of aid

(61) The form of the aid is direct price support to cover the production of electricity from RES. The selected beneficiaries will receive aid in the form of a 'fusion' two-way CfD, meaning that the reference volume over which the aid will be paid will be based on the actual production of the supported installation in most periods (production-dependent two-way CfD) and independently from the actual output of the installation in some selected periods (production-independent two-way CfD). Beneficiaries will either receive a premium covering the difference between the reference market price during the reference period and the strike price or pay back to the State this difference if it is positive.

(62) The strike price will be determined in the auction through a pay-as-bid system. The strike price, or awarded strike price, corresponds to the applicable upper reference tariff adjusted for the reduction offered in the auction by the selected beneficiary.

(63) For installations with capacity below 1 MW, the strike price will be set administratively by ARERA. To set the prices, ARERA will rely on investment and operating costs of the installations based on data obtained from monitoring exercises and elaborated by the GSE, the size of the installation and its technology.

(64) Awarded strike prices will be indexed according to the Consumer Price Index to account for inflation variation between the time of publication of the call for auctions (or of the price administratively set by the Regulator ARERA for the installations with capacity below or equal to 1MW excluded from the auctions) and the expected date of entry into operation of the installation. Awarded strike prices can also be partially adjusted to inflationary changes from the date of effective operation over the duration of the CfD ([28]). Italy considers that covering the risk of

([28]) The adjustments will be applied on the base of the national consumer price index and will be limited to the percentage of the strike price necessary to cover the operation and maintenance costs of the specific technology.

inflationary dynamics, so that the support can better reflect the evolution of the cost structure of the installations, will give operators the possibility to offer a higher reduction in the bidding process.

(65) After the competitive procedures will take place, to reflect the different costs level, a correction factor of 27 EUR/MWh is applied to the awarded strike price of photovoltaic installations substituting eternit or asbestos, and a correction factor of 10 EUR/MWh to the awarded strike price of photovoltaic installations realised on water.

(66) The reference price will be the Day Ahead market price in the bidding zone where the plant is located and the reference period will be the market time unit in the Italian day ahead Market.

(67) The duration of the two-way CfD will be of 20 years from the start of operation of the installation concerned.

(68) Under specific circumstances described below, the reference volume over which the support is paid will be the installation's estimated electricity production potential (production capability) rather than its actual electricity production. The production capability of the installations will be calculated installation by installation on the basis of a methodology approved by the ARERA that takes into account, among other factors: the measurement of the primary source (for example, for wind: anemometric measurements), specific data on the production units (such as location and dimensions), power curves calculated by the GSE using historical meteorological data, production and unavailability data reported by the operators, and installation-based data sent by Transmission System Operator ('TSO') and Distribution System Operator ('DSO').

(69) The remuneration of the beneficiaries can be further adjusted due to the following circumstances:

   (a) on the production independent two-way CfD, with reference volume as described in recital (68), in the following limited instances:

      i. In market time units where the installation has to cut production according to dispatching orders from the DSO or TSO to solve operational security issues. In such cases, the amount of the payments shall include, in addition to the awarded strike price, the average monthly trading price of the guarantees of origin, within the limits of the volumes subject to cut;

      ii. If the installation has to cut production according to dispatching orders from the TSO (Terna) in the Italian Balancing Market and/or in the EU balancing platforms. In this case Terna accepts downward offers that those installations placed at a price equal or greater than zero €/MWh in the relevant periods characterised by the probable need to proceed to cut production to ensure the safety of the System ([29]). In such cases, the amount of the payments shall include, in addition to the awarded strike price, the average monthly trading price of the guarantees of origin, within the limits of what is not already covered by the fees paid for the selection of such downward offers in the Balancing Market.

([29]) Terna is required to notify the producers sufficiently in advance of these periods.

iii. During planned maintenance intervals. To this end, the Italian authorities will identify *ex-ante* a standard efficient maintenance period for each technology (for example lower than 3 days per year). During these periods, the CfD will have a lower strike price, equal to the minimum value between:

- the awarded strike price and;
- the minimum value between the average market price recorded over the previous year during the typical maintenance window ([30]).

(b) In the market time units with zero or negative price in the Day-Ahead Market, the volume for the payment is calculated on the basis of the minimum between the production capability of the installation and the sum of the energy scheduled entering the Balancing Market and the upward offers offered at zero or negative price on the Balancing Market. In such cases, the amount of payments shall include, in addition to the awarded strike price, the average trading price of the guarantees of origin, within the limits of the difference if positive between the production capability and the program as a result of the Balancing Market. Payments are not made for volumes produced when the zonal price on the Day Ahead Market is zero or negative.

(c) In the event of positive price on the Day-Ahead Market and zero or negative price in at least one of the auctions in the Intraday Market, the volume for the payments is calculated on the basis of the minimum between:

i. the difference between the production capability and the sum of the quantities of programs entering the Balancing Market;

ii. the quantities that the operator bought back at zero or negative price on the Intraday Market and

iii. the quantities offered on the Balancing Market at prices not exceeding the variable cost of the plant ([31]).

In such cases, the amount of payments shall include, in addition to the awarded strike price, the average trading price of the guarantees of origin, within the limits of the volumes for which the valorisation on the capability to produce applies.

(d) When the Day Ahead Market price is significantly higher than the price in at least one of the auctions in the Intraday Market ([32]), during periods when the Intraday Market is considered sufficiently liquid ([33]), the operators are

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([30]) The average of the 3 or 4 periods of the previous year where lowest prices are recorded over x consecutive days, where x is the efficient maintenance period per technology.

([31]) ARERA will define, for each technology, the admissible level of variable cost. In the event that the submitted bids deviate from the admissible variable cost defined by ARERA, the operator would be required to provide adequate justification for such deviation.

([32]) Specifically, when the Day Ahead price minus the Strike Price is larger than the price in at least one of the auctions in the Intraday Market.

([33]) In order to determine the liquidity of the Intraday Market session, the Italian authorities consider the average ratio over 6 months between the volumes traded in the intraday market session and those in the day-ahead market session calculated for each market zone and relevant period (‘churn factor’). The six-months average should be at least equal to 10% to consider the market sufficiently liquid.

obliged to present an upward offer on the Balancing Market of a volume equal to the difference between the best forecast of the plant's ability to produce and the schedule resulting from the Intraday market at a price equal to the variable cost (or opportunity cost) borne by the plant. In such cases, for the quantities accepted on the Balancing market, the pay back described in recital (61) is suspended.

(70) The mechanism described in recital (69) applies to i) installations without obligation to participate in the dispatching services markets and that decide not to participate only in circumstances described in point i. above, ii) installations larger than 1 MW and iii) installations with a capacity below 1 MW that decide to participate in dispatching services markets. For installations up to 200 kW and smaller than 1 MW that decide not to participate in the dispatching services markets, payments are suspended in the event of zero or negative zonal prices on the Day-Ahead and Intraday Market.

(71) Generators benefitting from the measure are responsible for the sale of their electricity production on the electricity market and will be subject to standard electricity balancing responsibilities as established by the ARERA ([34]).

(72) Moreover, for installations with capacity above 1 MW, only 95% of the electricity produced by each beneficiary will be supported under the two-way CfD, leaving the remaining 5 % exposed to market risk. The producer will be able to sell all the produced electricity, including the part of the electricity production which will not be supported by the CfD, directly on the market. The producer is also free to conclude power purchase agreements covering these quantities.

(73) The Italian authorities confirmed that the potential revenues from these CfDs will not be used for purposes other than the distribution of revenues to final customers, the financing of the costs of direct price support schemes or the financing of investments aimed at reducing electricity costs for final customers. The Italian authorities also committed to informing the Commission in the event that the remaining revenues from the CfDs are distributed to undertakings and, if necessary, to notify such a measure under State aid rules.

(74) Installations with an installed capacity lower than 200 kW can choose to receive support in the form of a feed-in tariff ('FIT') rather than a two-way CfD. In that case, they are obliged to sell their electricity to the GSE, which resells the electricity on the market. The FIT corresponds to the strike price.

(75) In the event of cumulation with other support (within the limit of 40% of investment costs, see recital (91)), the price resulting from the competitive bidding process is linearly reduced using a multiplicative factor (1-F), in which F varies linearly between 0 in the absence of contribution, and 35% in case of a 40% contribution.

(76) The Italian authorities provided calculations illustrating how the awarded strike price is reduced to account for the additional aid when operating aid is cumulated with a 40% investment aid and showing that the methodology ensures the absence of overcompensation. Italy confirmed that they will ensure that overcompensation is prevented, in line with point 70 CISAF.

(77) For refurbished installations, the awarded strike price is reduced by applying a coefficient of gradation 'D', which can assume the following values: for integral refurbishment interventions, D is set at 0.95; for integral refurbishment

([34]) See decision 522/2014/R/EEL of the ARERA available at: http://www.autorita.energia.it/it/docs/14/522-14.htm.

interventions that increase the plant's capacity by at least 20%, D is set at 1; for integral refurbishment interventions of PV installations that do not involve the removal of mounting structures, D is set at 0.9; for interventions that increase the plant's capacity by at least 20%, D is set at 0.95; finally for refurbishment interventions of hydro installations, D is set at 0.73.

(78) In addition, the Italian authorities envisage the possibility of adjusting the values of the strike prices of the beneficiaries to inflationary changes occurring between the date of publication of the tender procedure and the date of entry into operation of the installation. The Italian authorities have confirmed that this option will be clearly communicated at the time of publication of the call to allow bidders to take this into account in their bid and will be applied in a competitive, transparent, and non-discriminatory manner.

(79) In order to ensure the proportionality of the aid, in cases of undue unilateral termination of the contract, beneficiaries are required to pay a fee to GSE. Such fee is calculated as the maximum between:

(a) A value increasing proportionally as a function of the contracted power share and decreasing as a function of the remaining contract period. Such value cannot in any case exceed 20% of the standard investment cost of the plant.

(b) A value corresponding to any overcompensation resulting from the termination of the contract itself, determined as a function of the expected production of the plant and the difference between the best available estimate of the average forward energy prices in the bidding zone in which the supported assets are connected over the residual period of the contract increased by 20% and the awarded strike price. In the event that, at the end of the original contract period, the actual electricity prices exceed the estimated forward energy prices increased by 20%, the value is then corrected to take into account any overcompensation.

2.6. Start of works and deadline for the implementation of the projects

(80) First, the Italian authorities have confirmed that to receive aid under the scheme new, refurbished or repowered projects cannot start works before the submission of their application. Installations which started works prior to the submission of their application are not eligible for aid. Smaller installations with installed capacity equal or lower than 1 MW will not be considered admissible if they started works before the entry into force of the Implementing Decree.

(81) Second, the scheme foresees deadlines for the entry into operation of successful installations, depending on the type of installation, as reported in Table 4. Deadlines apply from the date of publication of the rankings.

Table 4 - Deadlines for the entry into operation of successful installations.

Technology	Type of intervention	Months
Wind	All interventions	36
Solar photovoltaic	All interventions	36
Hydro	New installations	54
Sewage gases	New installations/Enhancement	48

Hydro	Refurbishment	48
Sewage gases	Refurbishment	36

(82) Penalties are foreseen in case of failure to abide by the indicated deadlines. In particular, the strike price will be reduced by 0.2% for each month of delay for the first nine months, and by 0.5% for the next six months, up to a maximum delay of fifteen months.

(83) After this period, the plant will be excluded from the scheme and the GSE will redeem the final guarantee. Moreover, in case the plant is to be readmitted to the scheme, a reduction of 5% of the strike price is applied.

(84) In the event that the beneficiary notifies the GSE of its intention to waive the support within six months from the date of publication of the final ranking, the GSE will keep 30% of the final guarantee. If the applicant withdraws between six to 12 months after the publication of the final ranking, the GSE will keep 50% of the final guarantee. In such cases, the penalties described in recital (83) do not apply.

2.7. Financing, budget and duration

(85) The estimated budget of the measure is EUR 23 billion ([35]) in nominal terms. The annual estimated budget of the measure is EUR 1.2 billion.

(86) The duration of the scheme is until 31 December 2030. However, aid for plants larger than 1 MW can only be granted within two years from the date of entry into force of the scheme. The aid will be disbursed over a period corresponding to the useful lifetime of the installations covered by the scheme (see recital (52)).

(87) The scheme will be financed by a levy included in the electricity bill paid by final consumers, i.e. the general system charges, and more specifically the general system charges for the support of renewable energy and cogeneration (the ASOS component). The ASOS component is used to finance several measures that support renewable energy and cogeneration ([36]). The Italian authorities explain that the Energy and Environmental Services Fund ('CSEA' ([37])) handles the general system charges and transfers the collected funds to the GSE. The use of these funds is regulated by ARERA. The charges are paid by end consumers to their respective electricity suppliers, which in turn transfers the amounts to the

([35]) The indicated budget is an estimate and due to the nature of two-way CfDs, the actual budget could vary based, among other things, on the realized ex post electricity prices. This estimate is based on several assumptions: realisation of all the installation selected through the auctions; application of the reference price equal to the central strike price; energy prices equal to 70 EUR/MWh over the course of 20 years (PNIEC-based scenery). In case of higher long-term energy prices, for example 100 EUR/MWh, the annual budget would be negative (i.e. income for the State), at around EUR – 1.0 billion, with a cumulated income for the State of about EUR 21 billion after twenty years.

([36]) The ASOS component also covers other measures such as Ministerial Decree of 4 July 2019, Ministerial decree on agrivoltaic power plants, self-consumption mechanism, net metering mechanism etc as approved by Commission decisions SA.107161, SA.53347, SA.106777.

([37]) CSEA is a public economic entity operating in the electricity, gas and environmental sectors. Its main task is to collect certain tariff components and system charges from operators; the revenue from these components is collected in dedicated management accounts and distributed to companies according to rules issued by the Regulatory Authority for Energy Networks and Environment (ARERA).

electricity distributors ([38]). The latter transfers the sum collected to the CSEA which according to specific rules set by ARERA, transfers the sum to the GSE, which earmarks it for the support scheme.

2.8. No violation of relevant Union law

(88) The Italian authorities confirm that the measure does not, in itself, or by the conditions attached to it or by its method of financing, constitute a breach of relevant Union law.

2.9. Transparency and cumulation

(89) Italy will ensure that detailed records regarding all measures involving the granting of aid are maintained. These records, including all information relevant to demonstrating that the terms of the proposed scheme have been complied with, will be kept for a period of ten years from the granting of the aid.

(90) Italy will ensure compliance with the transparency requirement of section 9 CISAF, and the obligation to publish information on each individual aid above EUR 100 000 granted under this measure. The Italian authorities explained that the relevant information on the measure will be published on a comprehensive website ([39]) within 6 months from the moment of granting.

(91) Support under the scheme may be cumulated with the following aid mechanisms:

i. Only for newly built installations, capital grants not exceeding 40% of the investment costs.

ii. Financial facilitations to access bank credit either in the form of guarantees or through loans subject to repayment.

iii. Tax relief mechanisms connected to investment activities.

(92) In the case of cumulation with a capital grant (see recital (91)i), a price reduction will be applied for the plants which have been granted both aid under the scheme and a capital grant to avoid overcompensation (see methodology described in recital x?). The other two types of support (recitals (91)ii,iii) will be assessed by the GSE, which will calculate an equivalent amount of aid and apply the price reduction on the basis of this equivalence. The methodology described in recital (75) will then be applied to ensure that overcompensation is avoided.

3. ASSESSMENT OF THE MEASURE

3.1. Existence of State aid

(93) Article 107(1) TFEU 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, in so far as it affects trade between Member States, be incompatible with the Common market'.

([38]) With judgment of 24 May 2016, the Council of State (Consiglio di Stato) has clarified that the obligation to pay is on the final consumers.

([39]) https://www.rna.gov.it/RegistroNazionaleTrasparenza/faces/pages/TrasparenzaAiuto.jspx and the GSE website.

(94) In order to conclude on whether State aid is present in this case, the Commission must assess whether the measure fulfils all the cumulative conditions set out in Article 107(1) TFEU.

3.1.1. Imputability to the State and financing through State resources

(95) For measures to be qualified as State aid within the meaning of Article 107(1) TFEU, they have to be (a) imputable to the State and (b) involve State resources. The latter condition means that the notion of aid covers both advantages which are granted directly by the State and those granted by a public or private body designated or established by the State ([40]).

(96) The Commission notes that aid under the scheme is imputable to the State, as it is granted by the Ministry for the Environment and Energy Security and implemented by the GSE (see recital (14)) and it is established by the National Legislative Decree and the Implementing Decree (see recital (13)). In addition, the measure will be financed through a levy on electricity consumption imposed by law and it will be transferred in accounts managed by the GSE, a State-controlled public entity specifically appointed by the State to collect the financing and to pay out the aid amount (see recital (61)).

3.1.2. Economic advantage conferred on certain undertakings for the production of certain goods (selective advantage)

(97) An advantage, within the meaning of Article 107(1) TFEU, is any economic benefit, which an undertaking would not have obtained under normal market conditions, i.e. in the absence of State intervention ([41]).

(98) The scheme confers an advantage on certain electricity producers in the form of two-way CfDs or FITs for small installations (see recitals (61) and (74)). Those payments guarantee that when the electricity price is lower than the strike price, eligible electricity producers will obtain a remuneration for their electricity produced that is higher than the market price, enabling them to cover their costs, which would not be fully covered under normal market circumstances. The Commission also notes that the measure shelters the selected beneficiaries from price volatility and ensures stability of revenues. They are thus advantaged by the scheme.

(99) Furthermore, the aid is selective, since aid will be awarded only to certain undertakings, namely to producers of renewable electricity from specific RES (see recital (4)), while other undertakings (RES or non-RES) in a comparable legal and factual situation are not eligible for aid and thus will not receive the same advantage.

([40]) Judgment of the Court of Justice of 22 March 1977, *Steinike & Weinlig*, C-78/76, EU:C:1977:52, paragraph 21; Judgment of the Court of Justice of 13 March 2001, *PreussenElektra*, C-379/98, EU:C:2001:160, paragraph 58; Judgment of the Court of Justice of 15 May 2019, *Achema*, C-706/17, EU:C:2019:407, paragraph 47 *et seq*.

([41]) Judgment of the Court of Justice of 11 July 1996, *SFEI and Others*, C-39/94, EU:C:1996:285, paragraph 60; Judgment of the Court of Justice of 29 April 1999, *Spain* v *Commission*, C-342/96, EU:C:1999:210, paragraph 41.

3.1.3. Distortion of competition and trade within the Union

(100) The measure is liable to distort competition since it strengthens the competitive position of its beneficiaries. It also affects trade between Member States since those beneficiaries are active in a sector in which intra-Union trade exists.

3.1.4. Conclusion on the assessment under Article 107(1) TFEU

(101) Based on the above considerations, the Commission concludes that the scheme constitutes State aid within the meaning of Article 107(1) TFEU. The Italian authorities do not contest that conclusion.

3.2. Lawfulness of the aid

(102) By notifying the measure before its implementation (see recital (13)), the Italian authorities have respected the notification and standstill obligation laid down in Article 108(3) TFEU.

3.3. Compatibility of the aid

(103) Since the measure constitutes aid within the meaning of Article 107(1) TFEU, it is necessary to examine whether it is compatible with the internal market.

(104) According to Article 107(3)(c) TFEU, the Commission may declare compatible with the internal market '*aid to facilitate the development of certain economic activities or of certain economic areas, where such aid does not adversely affect trading conditions to an extent contrary to the common interest*'.

(105) In particular, the Clean Industrial Deal ([42]) recognises the need to accelerate the deployment of renewable energy sources in a cost-effective manner, contributing to global competitiveness, reducing dependencies on fossil fuel imports, accelerating the energy transition and lowering the cost and volatility of energy prices.

(106) In this context, the adoption of the Clean Industrial Deal State Aid Framework ('CISAF') demonstrates that the Commission considers that State aid is justified and can be declared compatible with the internal market on the basis of Article 107(3)(c) TFEU if it contributes to accelerating the deployment of renewable energy.

(107) The Commission considers that the measure is necessary, appropriate and proportionate to accelerate the deployment of renewable energy and can be declared compatible with the internal market on the basis of Article 107(3)(c) TFEU, in light of the conditions set out in Sections 3 and 4.1 CISAF for the reasons set out below.

3.3.1. Positive condition: the aid facilitates the development of an economic activity

3.3.1.1. Contribution to the development of an economic activity

(108) In order to be compatible under Article 107(3)(c) TFEU, an aid measure must contribute to the development of certain economic activities or of certain economic areas. In accordance with this, point 17 CISAF states that the Commission considers that aid under the CISAF aims at incentivising investments

([42]) Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the regions: The Clean Industrial Deal - A joint roadmap for competitiveness and decarbonisation (OJ C, C/2025/3602, 4.7.2025) and activities in certain sectors that contribute to the objectives defined in the Clean Industrial Deal Communication, thereby facilitating the development of specific economic activities.

(109) As the measure contributes to accelerating the deployment of renewable energy (see recitals (4)), a recognised objective in the Clean Industrial Deal Communication, the Commission considers that the measure facilitates the development of certain economic activities as required by Article 107(3), point (c) TFEU and point 17 CISAF.

3.3.1.2. Incentive effect

(110) Point 18 CISAF explains that State aid needs to have an incentive effect, meaning that it induces the beneficiary to undertake an investment or activity that it would not undertake, or would carry out in a restricted or different manner, absent the aid. According to point 18 CISAF, an incentive effect is presumed where the start of works on the project or activity only takes place after a written aid application by the beneficiary to the competent authorities. The aid application must at least include the applicant's name, a description of the project or activity, including its location where relevant, and the amount of aid needed to carry it out.

(111) As detailed in recital (20), only projects for which the start of works did not take place before an aid application will be eligible under the measure. The measure is therefore in line with point 18 CISAF.

(112) Point 19 CISAF provides that the Commission presumes that in the absence of the aid, beneficiaries would continue their activities without changes. The Commission notes that, in the absence of the aid, the economic activity supported by the measure (i.e. deployment of RES) would not be undertaken (see also recital (55)). Therefore, the measure is presumed to have an incentive effect in line with point 19 CISAF.

3.3.1.3. No breach of any relevant provision of Union law

(113) Point 20 CISAF explains that State aid cannot be declared compatible with the internal market if the aid measure or the conditions attached to it, including its financing method when it forms an integral part of the measure, entail a violation of relevant Union law. For example, in the field of energy, which is relevant in the case at hand, any levy that has the aim of financing a State aid measure and forms an integral part of that measure needs to comply in particular with Articles 30 and 110 TFEU ([43]).

(114) Italy confirms that the measure does not, by itself, by the conditions attached to it or by its method of financing, constitute a violation of relevant Union law (see recital (88)).

(115) Moreover, according to settled case law, for a levy to be regarded as forming an integral part of an aid measure, it must be hypothecated to the aid under the relevant national rules, in the sense that the revenue from the charge is necessarily allocated for the financing of the aid and has a direct impact on the amount of aid and, consequently, on the assessment of the compatibility of that aid with the common market ([44]). In particular, the concerned charge must be 'levied

([43]) Judgment of 17 July 2008, Essent Netwerk Noord and Others, C-206/06, EU:C:2008:413, paragraphs 40 to 59.

([44]) See judgment of 22 December 2008, Régie Networks v Rhone Alpes Bourgogne, C-333/07, EU:C:2008:764, paragraph 99 and case law cited.

specifically and solely for the purpose of financing the aid at issue' and must be 'necessarily allocated' or 'wholly and exclusively' allocated for the purpose of financing the aid at issue ([45]).

(116) In the present case, the scheme will be financed fully and exclusively by a levy imposed on electricity consumption as part of the electricity tariffs paid by final consumers, i.e. the general system charges, and in particular the ASOS component (see recital (87)). The ASOS component is also used to support other measures supporting renewable energy ([46]).

(117) Against this background, the Commission cannot exclude the existence of hypothecation between the levy and the aid awarded and has examined its compliance with Articles 30 and 110 TFEU.

(118) According to case law ([47]), a charge which is imposed on domestic and imported products according to the same criteria may nevertheless be prohibited by the Treaty if the revenue from such a charge is intended to support activities which specifically benefit the taxed domestic products ([48]). If the advantages which those products enjoy wholly offset the burden imposed on them, the effects of that charge are apparent only with regard to imported products and that charge constitutes a charge having equivalent effect to custom duties, contrary to Article 30 TFEU. If, on the other hand, those advantages only partly offset the burden borne by domestic products, the charge in question constitutes discriminatory taxation for the purposes of Article 110 TFEU and will be contrary to that provision as regards the proportion used to offset the burden borne by the domestic products.

(119) If domestic electricity production is supported by aid that is financed through a charge on all electricity consumption (including consumption of imported electricity), the method of financing, which imposes a burden on imported electricity not benefitting from this financing, risks having a discriminatory effect on imported electricity from RES and thereby may violate Articles 30 or 110 TFEU. However, in line with its decisional practice ([49]), the Commission considers the opening of the competitive bidding process to producers from other Member States and neighbouring countries as described in recitals (26) and (27)

([45]) See judgment of 22 December 2008, Régie Networks v Rhone Alpes Bourgogne, C-333/07, EU:C:2008:764, paragraphs 99, 100 and 104.

([46]) See for example Commission Decision of 10 November 2023 in SA.107161 (2023/N) – Italy – RRF – Support for the promotion of agrivoltaic installations (OJ C, C/2023/1636, 27.12.2023) and Commission Decision of 22 November 2023 in SA.106777 – Italy – RRF – Support for the development of Renewable Energy Communities (OJ C, C/2024/1159, 30.1.2024).

([47]) Joined Cases C-128/03 and C-129/03 AEM, EU:C:2005:224; Case C-206/06 Essent, EU:C:2008:413, paragraph 42.

([48]) Joined Cases C-128/03 and C-129/03 AEM, EU:C:2005:224; Case C-206/06 Essent, EU:C:2008:413, paragraph 42.

([49]) See Commission Decision of 20 December 2021 in State Aid SA.58731 (2020/N) – Austria – Operating aid to electricity from RES in Austria, section 3.3.4; Commission Decision of 29 April 2021 in State Aid SA.57779 (2020/N) – Germany - EEG 2021, section 3.3.1.3; Commission Decision of 24 November 2021 in State aid SA.60064 (2021/N) – Greece - Greek RES and CHP scheme 2021-2025, section 3.3.12; Commission decision of 23 April 2019 in State Aid SA.50199 (2019/N) – Lithuania Support to power plants producing electricity from renewable energy sources, section 3.4.1; Commission decision of 29 March 2019, in Aide d'État SA.48601 (2018/N) – Luxembourg Production d'électricité basée sur les sources d'énergie renouvelables, modification du régime de soutien pour les énergies renouvelables au Luxembourg, section 3.3.8; Commission decision of 24 October 2014 in State aid No SA.36204 (2013/N) – Denmark Aid to photovoltaic installations and other renewable energy installations, section 3.4

to remedy any potential discrimination against RES producers in other Member States, under Articles 30 and 110 TFEU.

(120) Therefore, the Commission considers that the financing mechanism of the notified aid measure does not infringe Article 30 or Article 110 TFEU, and notes that there is no indication that the either the aid measure, or the conditions attached to it entail a non-severable violation of relevant Union law. The Commission therefore concludes that the requirements of point 20 CISAF are fulfilled.

3.3.1.4. Conclusion

(121) The Commission therefore concludes that the measure fulfils the first (positive) condition of the compatibility assessment, i.e. that the aid facilitates the development of an economic activity pursuant to the requirements set out in Section 3.1 CISAF.

3.3.2. Negative condition: the aid does not unduly affect trading conditions to an extent contrary to the common interest

3.3.2.1. Necessity of the aid

(122) Point 26 CISAF provides that aid must be necessary, meaning that it must be targeted towards a situation where it can bring about a material development that the market alone cannot deliver, for example by remedying market failures in relation to the projects for which the aid is awarded. In view of the need to accelerate investments to support the achievement of the objectives of the Clean Industrial Deal, the Commission presumes that the measure falling within the scope of the CISAF and complying with all conditions in the applicable sections are necessary.

(123) In line with the assessment in Sections 3.3.1 to 3.3.3, the Commission concludes that the measure notified by Italy complies with all the conditions in the applicable CISAF sections and that, therefore, the measure complies with point 26 CISAF and the necessity of the aid may be presumed.

3.3.2.2. Appropriateness of the aid

(124) Point 27 CISAF states that the Commission acknowledges in the Clean Industrial Deal Communication that public financial support may be required to incentivise necessary additional investments and that other policy instruments alone are not sufficient to achieve its goals. The Commission therefore presumes that State aid within the scope of the CISAF is, in principle, an appropriate measure to incentivise the investments and activities eligible for aid provided all applicable conditions in the relevant sectors are complied with.

(125) Moreover, point 28 CISAF provides that aid will in principle not be granted to undertakings in difficulty to ensure that only viable undertakings receive aid. The Commission notes that undertakings in difficultly are not eligible to receive aid under the scheme (see recital (24)), hence point 28 CISAF is complied with.

(126) According to point 33 CISAF, when assessing aid in favour of a beneficiary that is subject to an outstanding recovery order following a previous Commission decision declaring an aid illegal and incompatible with the internal market, the Commission will take account of the amount of aid still to be recovered. Italy confirmed that in order to be eligible, an applicant should not be subject to an outstanding recovery order following a previous Commission decision declaring

an aid illegal and incompatible with the internal market (recital (25)). The measure is therefore in line with point 33 CISAF.

(127) Point 36 CISAF states that aid under CISAF cannot be conditioned on the relocation of an activity as such conditions would be harmful to the internal market. As provided in recital (12), Italy confirmed compliance with this requirement. The measure is therefore in line with point 36 CISAF.

(128) Furthermore, in line with the assessment in Sections 3.3.1 to 3.3.3, the Commission concludes that the measure notified by Italy complies with all conditions in the applicable CISAF sections. Therefore, the measure complies with point 27 of the CISAF, and its appropriateness may be presumed.

3.3.2.3. Proportionality of the aid including cumulation

(129) According to point 29 of the CISAF, aid is considered to be proportionate if the amount per beneficiary is limited to the minimum necessary to carry out the project or activity benefiting from the aid, and that proportionality is generally ensured if the aid amounts are determined through a competitive bidding process, because it provides a reliable estimate of the minimum aid required by potential beneficiaries. When a competitive bidding process is used to grant the aid, point 70 CISAF establishes that the level of aid must correspond to the result of the competitive bidding and must not exceed 100% of the total eligible costs of supported projects.

(130) Point 53 CISAF requires aid to be granted with respect to newly installed or repowered capacities. For the latter, only the additional costs in relation to the repowered capacity should be eligible for aid. The aid is granted for newly installed or repowered capacity and Italy confirmed that, in this case, only additional costs are eligible for aid (see recital (18)). The measure is therefore compliant with point 53 CISAF.

(131) Point 67 CISAF states that aid may be granted through a competitive bidding process or administratively. Point 68 provides that a competitive bidding process is required where aid is granted for the production of electricity from renewable sources with the exception of aid to demonstration projects and to small projects as defined in point 56 CISAF. In turn, point 59(a) CISAF defines projects with installed capacity equal or below 1MW as small projects. Moreover, Point 71 CISAF provides that where the aid is granted administratively, the level of aid must be set by the competent regulatory authority to cover the eligible costs.

(132) The Commission notes that aid will be granted administratively solely to projects with installed capacity below or equal to 1MW, and that the remaining capacity will be allocated through a competitive bidding process (see recitals (28) and (29)). Hence point 68 CISAF is complied with. Moreover, the Commission notes that the level of aid will be set administratively by the national regulatory authority ARERA to cover the eligible costs (see recital (29)), in line with point 71 CISAF.

(133) The Commission notes that the Italian authorities have shown that the bidding process will be ex-ante competitive within the meaning of point 15(d) CISAF, in particular:

(a) The competitive bidding process under the measure will be open, clear, transparent, non-discriminatory and effectively competitive, based on clear eligibility criteria (see section 2.3 and recital (37)), defined ex ante in accordance with the objectives of the measure, thus reducing the risk of strategic bidding and undersubscription (see sub-section 2.4.1).

(b) At least 70% of the total selection criteria used for ranking bids has been defined in terms of aid per unit of electricity produced and injected into the network (see recitals (34)). The measure also includes locational coefficients, which will be used to rank bids but which will be capped to maximum 30% of the value of the reference tariff in the relevant auction (see recital (35)). Moreover 30% of the capacity will be auctioned separately and subject to additional criteria in line with the NZIA regulation (see recital (37)).

(c) The criteria of the competitive bidding process are either already spelled out or will be published sufficiently in advance (see sub-section 2.4.1 and recital (35)).

(d) The volume relating to the bidding process is a binding constraint in that it can be expected that not all bidders will receive aid. In fact, Italy has submitted elements that confirm that the volume tendered will be below the potential offer of projects (see recital (43)). In particular, the Commission notes that the power quotas will be set in such a way that the volume auctioned in each tender will be at least 10% lower than the total volume that has received permits and for which an expression of interest has been received, thus ensuring the competitiveness of the auctions (see recital (43)). Furthermore, in case of repeated undersubscription of competitive bidding processes, Italy commits to introduce remedies for any future scheme that it notifies to the Commission for the same technologies (see recital (60)).

(e) The aid amount is determined on the basis of the outcome of the competitive procedure (see recital (61)).

(f) Ex post adjustments to the bidding outcome are excluded. The rationing described in recital (48) will be known ex-ante to the bidders and hence does not constitute an ex-post adjustment.

(134) On this basis, the Commission considers that the measure fulfils the requirement in point 29 and 67 CISAF.

(135) As indicated in recital (61), the level of aid granted to selected beneficiaries under the measure will correspond to the result of the competitive bidding process. In addition, Italy confirmed that the eligible cost is the estimated net cost, taking into account all the main costs and revenues over the life cycle of the project and any aid already received, discounted by the WACC, and that the level of aid will not exceed 100 % of the eligible costs (see recitals (50) to (53)). The Commission also positively notes that, in case of undue unilateral termination of the contract, beneficiaries are required to pay a fee to GSE (see recital (79)). Such fee is set in such a way as to disincentivise opportunistic behaviours by the beneficiaries to avoid payment obligations and keep windfall profits, thus avoiding overcompensation. The measure is therefore in line with points 69 and 70 CISAF.

(136) The Commission also positively note that, to ensure proportionality, in cases of undue unilateral termination of the contract, beneficiaries are required to pay a fee to GSE, calculated as described in recital (79). The fee is set in such a way as to avoid overcompensation and discourage opportunistic behaviours from beneficiaries.

(137) The Commission, therefore, concludes that the aid under the measure is proportionate.

(138) Save as specified otherwise in CISAF, Section 3.3 CISAF allows aid under the CISAF to be cumulated with:

(a) Any other State aid or de minimis aid or centrally managed EU funds as long as these measures concern different identifiable eligible costs;

(b) Any other State aid or de minimis aid or centrally managed EU funds in relation to the same identifiable eligible costs, provided that such cumulation does not lead the aid to exceed the highest support intensity or amount applicable under any of the relevant conditions;

(c) Any other State aid without identifiable eligible costs.

(139) Italy confirmed that aid under the measure may be cumulated with other State aid or with centrally managed funds for the same eligible costs (see recital (91)). The Commission notes that, in case of cumulation with a grant, the incentive tariff will be subject to a reduction to ensure that such cumulation does not result in exceeding 100% of the eligible costs as defined in point 69 CISAF (see recital (92)). On this basis, the Commission considers that the notified measure complies with section 3.3 CISAF.

3.3.2.4. Transparency of the aid

(140) Italy confirms that they will respect the monitoring and reporting obligations laid down in Section 9 of the CISAF (see recital (90)), hence the Commission considers the measure to be compliant with Section 9 CISAF.

3.3.2.5. Compatibility with other CISAF conditions

(141) Point 54 CISAF requires that the supported projects must be completed and operational within 48 months after the date of granting, except for hydropower. The Italian authorities have confirmed that this is the case (see Table 4). The measure also includes an effective system of penalties in case this deadline is not met (see recitals (82) and (83)). The measure is therefore in line with point 54 CISAF.

(142) Point 55 CISAF requires aid to be granted based on a scheme with an estimated capacity volume and budget. According to this point, schemes can be limited to one or several technologies but must not include limitations to eligibility that would lead to disproportionate competition distortions. Point 55 CISAF also states that schemes must not result in discrimination in the award of licences, permits or concessions when they are required.

(143) The aid is granted on the basis of a scheme with an estimated capacity volume and an estimated budget (see recitals (38) and (85)). Furthermore, the support scheme is limited to technologies referred to in point 48(a) CISAF and, in particular to onshore wind, solar photovoltaic, hydro, and sewage gases installations (see recital (16)), which are renewable energy technologies presenting generation costs close to market parity. Italy also explained that a measure to support electricity from innovative renewable technologies was approved by the Commission on 4 June 2024 and will continue running in parallel (see recital (7)). Based on the above information, the Commission does not consider the measure to entail any artificial limitation or discrimination. The Commission also notes that the scheme does not involve the award of licenses or concessions. In addition, installations of

all sizes can participate to the scheme. The measure is therefore in line with point 55 CISAF.

(144) Point 56 CISAF requires Member States to ensure compliance with the 'do no significant harm' principle. For each of the installations, Italy confirmed that it would ensure compliance with the DNSH principle (see recital (19)(iii)). The measure is therefore in line with point 56 CISAF.

3.3.2.6. Avoidance of undue negative effects of the aid on competition and trade and balancing

(145) According to point 35 CISAF, the Commission presumes that measures will not result in any manifestly negative effects on competition and trade in as far as they comply with all conditions in the applicable sections.

(146) In accordance with point 72 CISAF, the aid must be designed in such a way as to prevent any undue distortion to the efficient functioning of markets and preserve efficient operating incentives and price signals. Beneficiaries should not be incentivised to offer their output below their marginal costs and must not receive aid for production in any period in which the market value of that production is negative.

(147) Point 66 CISAF, requires that aid takes the form of two-way CfDs designed in line with the principles set out in Article 19d(2) of the EMD Regulation ([50]) and that the contract duration does not exceed 25 years.

(148) In this regard, the Commission notes that:

(a) The contract duration is limited to 20 years.

(b) The design of the two-way CfD preserves incentives for the power-generating facility to operate and participate efficiently in the electricity markets, in particular to reflect market circumstances. Moreover, the design of the two-way CfD prevents distortive effects of the support scheme on the operation, dispatch and maintenance decisions of the power-generating facility or on bidding behaviour in day-ahead, intraday, ancillary services and balancing markets (see recital (61), (68) and (69)). Specifically, the two-way CfD is a fusion CfD aligned with the design principles of 2-way CfDs as laid out in the Commission guidance on the design of two-way contracts for difference ([51]), except for sufficiently long reference periods to incentivise the maximisation of the value of investments for the electricity system and EU consumers. Longer reference periods are also important to provide efficient maintenance incentives to operators. However, the Commission notes that Italy has introduced specific designed elements, as described in recital (69)(a)(iii) in order to preserve such incentives. In addition, the Commission notes that the Italian authorities have limited the period during which aid to installations with capacity greater than 1 MW can be granted to 2 years in order to include only potential beneficiaries that either have already obtained a permit or have already started the process to obtain one (see recital (28)). The Italian authorities explained that the

([50]) Regulation (EU) 2024/1747 of the European Parliament and of the Council of 13 June 2024 amending Regulations (EU) 2019/942 and (EU) 2019/943 as regards improving the Union's electricity market design, *OJ L, 2024/1747, 26.6.2024, ELI:* http://data.europa.eu/eli/reg/2024/1747/oj.

([51]) Commission guidance on the design of two-way contracts for difference (C/2025/6701), *OJ C, C/2025/6701, 19.12.2025, ELI:* http://data.europa.eu/eli/C/2025/6701/oj decisions that RES developers can take at the time of investment are already taken when requesting the permit (e.g. choice of orientation of solar panels or type of blades for wind farms etc). Therefore, operators that have already requested or obtained a permit would not be able to take into account additional investment incentives provided by the design of two-way CfDs under this scheme. Moreover, the Commission notes that the Italian authorities have committed to including, within the future FER Z scheme (see recital (8)), a minimum capacity of 15 GW reserved for photovoltaics, to be remunerated through a production-independent two-way contract for difference based on a reference profile, reflecting solar generation patterns but independent from the actual production of individual assets, which is expected to provide adequate incentives to maximise the value of investments for the electricity system and EU consumers in the future. The Commission therefore concludes that the measure is in line with Article 19d(2)(a) and (b) of Regulation (EU) 2019/943 and with point 72 CEEAG.

(c) The measure ensures that the level of the minimum remuneration protection and of the upward limit to excess remuneration are aligned with the cost of the new investment and the market revenues, to guarantee the long-term economic viability of the power-generating facility while avoiding overcompensation The measure ensures that the beneficiaries' electricity generation will be remunerated at the strike price resulting from the competitive bidding process. When the electricity market price is lower than the strike price resulting from the competitive bidding process, the beneficiaries will be compensated for the difference in order to ensure the economic viability of the project (see recital (61)). On the other hand, when the electricity market price is higher than the strike price resulting from the competitive bidding process, the beneficiaries will transfer the difference to the GSE, in order to avoid excess remuneration (see recital (61)). The strike price is determined through a competitive bidding process, where applicants bid a price at which they can develop the project and ensure the long-term economic viability of the installation concerned (see recital (33)). The Commission therefore concludes that the measure complies with Article 19d(2)(c) of Regulation (EU) 2019/943.

(d) The measure avoids undue distortions to competition and trade in the internal market, by determining remuneration amounts through an open, clear, transparent and non-discriminatory competitive bidding process, as assessed above. The Commission therefore concludes that the measure is in line with Article 19d(2)(d) of Regulation (EU) 2019/943.

(e) The measure avoids distortions to competition and trade in the internal market resulting from the distribution of revenues to undertakings. The Italian authorities confirmed that the potential revenues from these CfDs will not be used for purposes other than the distribution of revenues to final customers, the financing of the costs of direct price support schemes or the financing of investments aimed at reducing electricity costs for final customers (recital (73)). The Italian authorities committed to informing the Commission in the event that the remaining revenues from the CfDs are distributed to undertakings and, if necessary, to notify such a measure under State aid rules (recital (73)). The Commission concludes that the measure is in line with Article 19d(2)(e) of Regulation (EU) 2019/943.

(f) The measure includes penalty clauses applicable in case of undue unilateral termination of contracts (see recitals (80) to (84)). Hence the Commission concludes that the measure complies with Article 19d(2)(f) of Regulation (EU) 2019/943;

(149) In line with footnote 51 of the CISAF, small-scale installations are not obliged to participate in the market and can benefit from direct price support ([52]). As detailed in recital (74), this applies to installations with capacity up to 200 kW. In these instances, the FIT will correspond to the strike price.

(150) The Commission therefore concludes that the measure is in line with point 66 and 72 CISAF.

(151) Overall, the Commission considers that the notified measure complies with point 35 CISAF and will thus not result in any manifestly negative effects on competition and trade.

3.3.3. Weighing up the positive and negative effects of the aid

(152) Point 37 CISAF requires that the Commission has to balance the negative effects on competition and trading conditions of the aid measure with the positive effects of the planned aid on the supported economic activities, including its contribution to the clean, just and competitive transition and the Clean Industrial Deal objectives. According to this point, provided that the measure complies with all conditions in the applicable sections, the Commission will find that the positive effects of the planned aid outweigh the negative effects on competition and trading conditions. On the basis of the conclusions in Sections 3.3.1.1, 3.3.1.2, 3.3.1.3, 3.3.2.1, 3.3.2.2, 3.3.2.3, 3.3.2.4, and 3.3.2.5, the Commission considers that the positive effect of the measure outweigh its negative effects and that the measure complies with point 37 CISAF.

4. CONCLUSION

The Commission has accordingly decided not to raise objections to the aid on the grounds that it is compatible with the internal market pursuant to Article 107(3)(c) of the Treaty on the Functioning of the European Union.

Yours faithfully,

For the Commission

Teresa RIBERA
Executive Vice-President

([52]) Installations will be considered small scale if their capacity is below the applicable threshold in Article 5 of the Electricity Regulation.