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Italy enacted an emergency decree to lower electricity and gas costs

The measure rewrites gas plant reimbursements, with ARERA ordered to define abusive market conduct within 30 days

Saturday, November 14, 2026

Italy has put into force an emergency decree aimed at lowering electricity and gas costs, changing how gas-fired power plants are reimbursed and narrowing how the related costs can be spread through the electricity system.

The measure, Decree-Law No. 207 of Friday, November 13, entered into force on Saturday, November 14, according to the legal text published on Normattiva and in the Official Gazette. It amends parts of Decree-Law 21/2026, which had already introduced energy cost relief for households and businesses.

The government said the intervention was needed because of continued volatility in natural gas prices and the effect that volatility has on electricity prices. The decree also says the changes are meant to make the earlier measures work more effectively within current European Union rules on state aid and electricity market regulation.

One part of the decree gives Italy’s energy regulator, ARERA, 30 days to issue guidelines on conduct in the wholesale electricity market. The text says those guidelines must set criteria for assessing what it calls the economic withholding of capacity by market operators and define when operators’ behavior amounts to abusive practices under the EU regulation on wholesale energy market integrity and transparency, known as REMIT. The stated aim is to strengthen competition in the

wholesale electricity market and help reflect the variable costs of non-programmable renewable sources in market offers.

A second set of changes deals with gas-fired thermoelectric plants. Starting on January 1, 2027, ARERA must define how certain gas transport tariff items and additional tariff components linked to general gas system charges will be added to the costs eligible for reimbursement for those plants. The rule applies to plants fueled by natural gas and derived gases, but excludes plants already covered by essential-service regimes with cost reintegration. The reimbursement is limited to fuel withdrawals used to produce electricity that is either fed into the grid or consumed on site in simple production-and-consumption systems.

The decree says the loss of revenue created by that reimbursement will be covered through charges applied to electricity withdrawals and to electricity consumed on site, under rules to be set by ARERA. That makes the regulator central to how quickly and how broadly the cost changes reach end users.

The decree also creates a separate reimbursement mechanism for gas-fired power producers. ARERA must set that mechanism in advance and for pre-defined periods, with the decree saying the goal is to maximize the benefit for Italian consumers while avoiding major distortions in the internal market, limiting changes in cross-border electricity flows and preventing abrupt price shifts when the measure ends. The mechanism can run for no more than 18 months.

Under the text, the reimbursement cannot exceed, for daily fuel withdrawals, the positive difference between the previous day’s spot price for gas at the Dutch Title Transfer Facility, or TTF, and 58.9 euro/MWh. The decree adds that when the market price in a given period was not set by one of the reimbursed thermoelectric plants, ARERA must reduce the reimbursement by an amount linked to the gap between the market price and the last accepted offer of one of those plants, taking into account the zonal configuration of the Italian market. That reduction does not apply to plants inside simple production-and-consumption systems.

The financing side of that mechanism is also tightly defined. The decree says the related charges will be imposed on balancing responsible parties, based on the electricity withdrawn at the delivery points linked to them. For electricity consumed on site in simple production-and-consumption systems, the charges will apply to producers who also receive the reimbursement.

At the same time, the decree carves out several exemptions that limit where those charges can fall. The text excludes electricity covered by forward contracts signed before the decree entered into force when that electricity is produced by renewable plants that began operating on or after January 1, 2017 and did not receive incentives. It also excludes electricity tied to pre-existing wholesale purchases and sales at prices not linked to the spot market when those transactions are strictly necessary to supply delivery points served under economic terms that are not indexed to spot electricity prices. Electricity withdrawn by storage facilities for later injection into the grid and electricity used for ancillary services are also excluded.

In practice, those exemptions mean the burden of financing the new reimbursements is more closely tied to electricity volumes exposed to spot market pricing, while pre-existing fixed-price or otherwise non-spot-indexed supply arrangements are given a degree of protection. The decree also requires balancing responsible parties to file formal declarations with ARERA to benefit from the exemptions.

Another provision sets a ceiling of 15 euro/MWh for the charge in cases involving renewable generation used in the quantities strictly necessary to supply delivery points served under terms not indexed to spot prices. Even before ARERA issues the implementing rules, that cap gives the market a clearer signal that the government is trying to limit how much of the new cost recovery can be pushed onto certain non-spot supply structures.

For businesses, the immediate effect is not a direct tariff cut set in the decree itself, but a new legal framework that changes incentives and cost allocation in the electricity market. The practical outcome will depend on ARERA’s implementing decisions, on gas prices at TTF, and on how suppliers classify contracts and hedging positions under the new rules.

That matters for energy-intensive beverage producers such as wineries, breweries and distilleries, which rely on power for refrigeration, bottling, temperature control, pumping and processing. Their energy bills could change if they buy electricity under contracts linked to spot market prices, while companies with fixed-price or otherwise non-indexed arrangements may be less exposed to the new cost recovery system. The effect for the sector remains potential rather than certain because the details still depend on ARERA’s rulings and on how individual supply contracts are structured.