

# The Italian clawback measures against renewables pose serious threats to the energy transition in Italy and Europe

*Article 16 of the Italian Law Decree 04/2022 (“DL Sostegni ter”) introduces discriminatory measures between producers of electricity based on generation technology, creates market distortions undermining investor confidence and risks slowing down the energy transition process. Leading Associations representing the electricity sector in Italy and Europe are united in calling on the Italian Government to withdraw Art.16 and to initiate a constructive dialogue to define effective and balanced solutions to tackle high energy prices.*

**Brussels-Rome, 3<sup>rd</sup> February 2022** – We appreciate that the purpose of the Law Decree 04/2022 is to limit the negative impacts of rising energy prices, which is primarily due to the sharp increase of gas prices, on the Italian economy and energy consumers, and we support this intention.

However, article 16 of the Law Decree 04/2022 (“DL Sostegni ter”), published on the Italian Official Journal on the 27<sup>th</sup> January 2022, introduces clawback measures against photovoltaic plants under Feed-in-Premium tariffs as well as for geothermal, hydro, photovoltaic and wind merchant power plants with capacity above 20 kW. The vast majority of such plants will receive a fixed reference price until the 31<sup>st</sup> December 2022, based on historical average zonal electricity prices in Italy.

Measures included in Article 16 will lead to **significant wholesale energy markets distortions** and on the behaviour of buyers and sellers in the market. It might affect the free formation of prices as required by the Electricity Regulation (2019/943) setting a de facto unavoidable and administratively determined strike price for any possible future Power Purchase Agreements (PPAs) in contradiction with the Government’s stated goal to promote the conclusion of such contracts in the Italian power market.

These complex and discriminatory measures will jeopardize the **Fit-for-55 targets**, by **breaking investors’ confidence**, with **huge impacts on RES investments** and **undermining the correct functioning of EU’s Internal Electricity Market**. Furthermore, Article 16 of the “DL Sostegni ter” is inconsistent with the proposals in the “**European Commission toolbox for action and support**”<sup>1</sup> that the EU and its Member States can use to address the immediate impact of current prices increases, and further strengthen resilience against future shocks.

Italy needs to accelerate and simplify permitting procedures in order to install **at least 8 GW of new renewable capacity every year until 2030** to achieve the Fit-for-55 targets. However less than 1 GW/year has been installed in recent years, mainly due to lengthy and complex permitting. Going forward with the current version of Article 16 of the Law Decree 04/2022 risks **further**

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<sup>1</sup> [European Commission toolbox, COM\(2021\) 660 final, “Tackling rising energy prices: a toolbox for action and support”, October 2021](#)

**slowing down the energy transition process** in Italy and Europe, **putting at risk vital investments for the entire economy.**

Similar interventions have been proposed in other Member States in 2021 (Spain and Romania), leading to significant regulatory instability and far-reaching changes in the dynamics of contracts. Consequently, the scope of the original measures has been drastically revised or blocked.

For all the above reasons, **the Italian and European electricity sector is calling on the Italian Government to withdraw Article 16 of the Law Decree 04/2022** and to initiate a constructive dialogue to define effective and balanced solutions to tackle the energy price rises.

A well-functioning electricity market is one of the best tools to shield consumers from price volatility, and to deliver a cost-effective transition to a carbon neutral economy in Italy and Europe.

