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Infrastructure, Energy & Ecological Transition Focus Team

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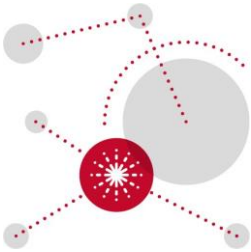

Focus Team Leader

Catia Tomasetti

catia.tomasetti@belex.com

Tel. +39 06 84551 284

Authors

Catia Tomasetti

catia.tomasetti@belex.com

Tel. +39 06 84551 284

Giovanna Zagaria

giovanna.zagaria@belex.com

Tel. +39 06 84551 275

Marilù Martoriello

marilu.martoriello@belex.com

Tel. +39 06 84551 719

Pietro Canale

pietro.canale@belex.com

Tel. +39 06 84551 741

Conversion into law of the so-called "Energy Bills Decree" and potential impact on electricity generation from renewable energy sources

1. Introduction

The Decree-Law No. 21 of 20 February 2026 has been converted, with amendments, into Law No. 49 of 10 April 2026, published in the Italian Official Gazette - General Series No. 90 of 18 April 2026, and entered into force on the following day (the "**Energy Bills Decree**").

The measures introduced in the original version of the Energy Bills Decree, which are analyzed in this newsletter, have largely been confirmed upon conversion, with certain corrective and coordinating amendments aimed at better clarifying their scope of application.

While, in their overall structure, such measures appear consistent with the objectives pursued by the legislator, they have nonetheless attracted attention and sparked debate among market operators active in the renewable energy generation sector, in light of the potential indirect effects they may have on economic balances and the sector's future developments.

From another perspective, the provisions of the Energy Bills Decree assume even greater relevance in the current geopolitical context, which has brought the issues of security of supply and national energy independence back to the forefront of public debate and economic policy.

2. Measures affecting the marginal cost of thermoelectric generation and the contraction of the PUN Index GME: potential implications for the renewable energy market.

Article 6 of the Energy Bills Decree introduces a comprehensive package of measures aimed at containing electricity prices for final consumers, acting both on the cost side of thermoelectric generation and on the competitive functioning of wholesale markets.

Upon conversion, the above-mentioned provision has remained substantially unchanged compared to its original wording[1].

[1] The amendments introduced are limited to a number of clarifications of a lexical nature, as well as to the introduction of a new provision whereby the proceeds deriving from the auctioning of CO_2 emission allowances under the ETS mechanism and credited to the dedicated account of the GSE within TARGET2 ("Trans-European Automated Real-time Gross Settlement Express Transfer System") shall, inter alia, be allocated to promote a modal shift from road transport to maritime and rail transport.

The intervention is structured along two main lines: **(i)** strengthening ARERA's oversight of bidding behavior in the day-ahead market (*Mercato del Giorno Prima* or MGP), and **(ii)** reducing the charges applied to natural gas used for electricity generation, including costs related to ETS emissions.

With regard to the first aspect, the Energy Bills Decree assigns ARERA the task of introducing, within **three months** of the entry into force of the same decree, new criteria aimed at preventing so-called **economic withholding** practices. These occur when operators, despite having available generation capacity, submit bids at prices higher than their marginal production costs, thereby contributing to an artificial increase in the electricity price formed on the market. This phenomenon is particularly relevant in the Italian context, where wholesale electricity prices are determined according to a marginal pricing mechanism, under which the final price is set by the most expensive plant required to meet energy demand.

The second pillar of the intervention concerns the **reduction of the cost of gas used in thermoelectric power plants** through a reimbursement mechanism providing for the repayment to producers of: **(i)** specific tariff components applied to gas, and **(ii)** the costs incurred for the purchase of CO_2 emission allowances under the European Emissions Trading System (ETS).

As regards the first measure, it is provided that ARERA will define the operational arrangements for granting thermoelectric producers, starting from **1 January 2027**, specific reimbursements relating to certain tariff components applied to the gas used for electricity generation.

With regard to the second measure, the decree provides that ARERA, through a dedicated resolution, will establish a reimbursement mechanism specifically relating to the costs incurred for the purchase of CO_2 emission allowances, granting producers a predetermined amount linked to defined time periods[2]. The rationale behind this provision is to reduce the incidence of such costs on the marginal cost of thermoelectric generation, with the aim of promoting a reduction in wholesale electricity prices[3].

The measures introduced by Article 6 of the Energy Bills Decree form part of a broader strategy aimed at reducing - at least temporarily - the marginal price of electricity and, consequently, the PUN Index (GME), by

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[2] The reimbursement will be determined by ARERA, taking into account the expected costs of complying with ETS obligations for an efficient gas-fired combined-cycle plant, identified as the reference technology.

[3] It should be noted that the effectiveness of the ETS cost reimbursement mechanism is expressly subject to the prior authorization of the European Commission pursuant to Article 108, paragraph 3, of the Treaty on the Functioning of the European Union (TFEU), concerning State aid. This requirement reflects the potentially selective nature of the measure, as it entails an economic advantage for thermoelectric producers through the compensation of a component of their operating costs. The Commission's assessment will therefore aim to verify the compatibility of the mechanism with the EU State aid framework, particularly in light of the objectives of decarbonization, the proper functioning of the internal market and the absence of undue distortions of competition. The mentioned authorization will therefore constitute a key step for the full implementation of the measure and may affect both its timing and its final design.

intervening in one of its key determinants, namely the variable cost of thermoelectric generation. From a systemic perspective, the intervention appears consistent with the objective of containing prices for final consumers and strengthening the competitiveness of the national electricity system, generating - at least according to government estimates - a significant overall net benefit.

However, alongside these positive effects, the measure could also generate some **relevant implications for the renewable energy and battery storage sectors**, which should be carefully monitored. Indeed, the intervention outlined does not constitute a genuine structural decoupling of electricity prices from gas prices; rather, it represents a temporary mitigation of gas-related costs contributing to the formation of the marginal price, with the associated costs effectively being shifted from thermoelectric producers to final consumers.

With specific reference to the renewable energy sector, the most significant impact may concern merchant projects, which, being more exposed to market price fluctuations, could experience a reduction in their inframarginal rents. On the contrary, plants supported by incentive mechanisms based on contracts for difference (CfD) or by long-term fixed-price contracts would be less exposed to these developments. The PPA market could also be affected by the measures introduced by the Energy Bills Decree, in light of their potential impact on electricity forward price curves and, consequently, on the long-term economic sustainability of projects.

3. Energy Accounts: voluntary remodulation of tariffs and early exit option

Article 2 of the Energy Bills Decree introduces a **mechanism for the voluntary adjustment of incentive tariffs applicable to photovoltaic plants with an incentivized nominal capacity exceeding 20 kW that benefit from the Energy Account I, II, III and IV schemes**, which provides for fixed premium tariffs not indexed to market prices and with an incentive period expiring after **1 January 2029**. The adjustment mechanism would apply during the period **between the second half of 2026 and 31 December 2027**.

Also in this case, upon conversion of the Energy Bills Decree, the provision referred to above has not been amended compared to its original wording, save for a single change, which is indicated below.

The adjustment is provided **exclusively on a voluntary basis**, through the exercise, by 31 May 2026, of one of the following alternative options:

- **a reduction of the premium tariff to 85% of the originally applicable value, combined with an extension of the duration of the incentive agreement by a period of three months**; or
- **a reduction of the premium tariff to 70% of the originally applicable value, combined with an extension of the duration of the incentive agreement by a period of six months**.

During the extension period, the Gestore dei Servizi Energetici S.p.A. ("**GSE**") would grant an incentive tariff calculated as the average of the premium tariffs subject to the previous reduction.

The Energy Bills Decree also introduces an additional option for the operators of the above-mentioned plants, who may opt, by 30 September 2026, for early withdrawal from the Energy Account incentive scheme, effective from 1 January 2028, in exchange for the recognition of a revalued compensation. Access to this option is limited to a number of plants whose total capacity does not exceed 10 GW and is conditional upon the implementation of full repowering of the plants concerned[4], in accordance with procedures and criteria to be defined through subsequent implementing measures.

The measures outlined above form part of a broader strategy aimed at containing the tariff charges included in electricity bills, with particular reference to the Asos tariff component, i.e. the tariff component covering general system charges related to the support of renewable energy sources. At the same time, they pursue the objective of fostering the progressive renewal of the existing photovoltaic plants, through the replacement of older installations with more technologically efficient and higher-performing solutions.

However, the role of implementing measures remains central, as they will define in detail the operational arrangements and eligibility criteria for accessing the new mechanisms, thereby significantly affecting their effective attractiveness and uptake. In particular, it is envisaged that the ARERA, through a dedicated resolution, will establish the procedures for recognizing and transferring to final consumers the economic benefit resulting from the measure, ensuring that the savings generated translate into an effective reduction of the Asos component.

4. Update of Minimum Guaranteed Prices for Biogas, Biomass and Sustainable Bioliquids

Article 5 of the Energy Bills Decree updates the regulatory framework governing Minimum Guaranteed Prices ("**MGPs**") for electricity generation from **sustainable bioliquids, biogas and biomass**.

Article 5 amends paragraph 8 **of Article 24 of Legislative Decree No. 28/2011**, which sets out the **general principles of MGPs applicable to biogas and biomass plants currently in operation (i) whose incentive schemes have expired or (ii) which waive incentives expiring by 31 December 2027 in order to access the MGP mechanism.**

[4] This is the only provision affected by the amending intervention. In particular, it has been provided that, in the case of photovoltaic plants - whether ground-mounted in agricultural areas or not ground-mounted - repowering interventions must ensure an increase in the plant's output of at least 30%, rather than 40%, compared to the expected value over the remaining incentive period.
The required percentage increase remains unchanged for all other plants: in such cases, repowering interventions must ensure an increase in output of at least twice the level expected for the same remaining incentive period.

Upon conversion into law of the Energy Bills Decree, the above-mentioned deadline of 31 December 2027 ***has been extended to 31 December 2029****. This amendment is fully welcome, as it results in an expansion of the number of plants eligible to benefit from the MGPs in relation to the electricity produced.*

The updated MGPs framework applies from 1 April 2026 to 31 December 2037, based on the principles and criteria outlined in the decree (which have been partially amended upon conversion into law), combining expenditure control and operational flexibility of the mechanism with a recognition of plants integrated with productive processes, as well as a differentiated temporal framework for the MGP depending on the capacity of the plants accessing the mechanism, the duration of previous incentives, and any conversion pathways to biomethane production - which, in the pre-conversion version, in certain cases constituted a condition for remaining in or accessing the MGP mechanism - or, as introduced upon conversion, circular economy measures in the biogas sector incentivised pursuant to MASE Decree No. 99 of 13 March 2024[5].

ARERA is required to update the MGP mechanism within 90 days from the entry into force of the Energy Bills Decree (i.e. by **22 May 2026**).

The fact that the deadline for updating the mechanism falls after the date on which it will begin to apply may generate uncertainty and a lack of clarity within the sector, as operators will face almost two months of activity without knowing in detail the applicable criteria, limits and the quantities of energy eligible for valuation under the scheme.

With regard to electricity generation from sustainable bioliquids, Article 5 of the Energy Bills Decree, by amending the provisions set out in Article 5 of Law-Decree No. 181/2023:

(i) **repeals** the previous mechanism for the **contractualization of production capacity**[6];
(ii) **extends until 31 March 2026 the** (current) **MGP mechanism**, as defined according to the criteria set out in article 24 of Legislative Decree No. 28/2011; and
(iii) **provides for ARERA to update, by 22 May 2026**, **the MGP mechanism applicable from 1 April 2026 to 31 December 2030**, in accordance with the general principles and criteria described above.

Article 5 aims to reduce the impact of the MGP mechanism on the Asos component of electricity bills paid by households and businesses. While this objective is broadly understandable, it will be necessary to assess the **impact of the new measures on operators in the renewable energy sector**. In particular, at the time of the adoption of the Energy Bills

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[5] These are measures conducted by agricultural undertakings aimed at promoting the adoption of environmentally sustainable practices in biogas production, encouraging the replacement of obsolete and low-efficiency agricultural tractors with more efficient ones, and improving the energy efficiency of certain biogas production plants.

[6] For the sake of completeness, it should be recalled that the above-mentioned mechanism applied to plants (i) fuelled by sustainable bioliquids that meet the requirements and conditions set out in Articles 40 and 42 of Legislative Decree No. 199 of 8 November 2021; and (ii) currently in operation.

Decree, several industry associations[7], had pointed out that the new regulatory framework risked shifting a significant share of the additional costs onto agricultural enterprises producing biogas, potentially undermining their economic sustainability and the sector's capacity to contribute to the energy transition and the resilience of local territories. Such effects also appear to be inconsistent with the general principles underlying the mechanism, which was conceived as a tool designed to cover operating costs in order to ensure the continued operation and efficient functioning of the plants[8].

5. Grid connections and the overcoming of the virtual grid saturation: towards a "first-ready, first-served" model

Article 7 of the Energy Bills Decree introduces a reform that is likely to mark a turning point in the management of grid connections for renewable energy plants. The legislator addresses one of the main obstacles to the development of the sector - namely the so-called **virtual grid saturation** - by introducing a system that moves beyond the current chronological logic (*first-come, first-served*) towards a model based on the effective maturity of projects (*first-ready, first-served*).

To address this issue, the legislator intervenes along two main lines. On the one hand, it strengthens planning and transparency with regard to the grid capacity that is effectively available; on the other hand, it introduces operational measures aimed at redesigning the mechanism for allocating connection solutions, aligning it more closely with the maturity and actual feasibility of projects.

With regard to the first aspect, a new information obligation is introduced for Terna, aimed at strengthening transparency and predictability with respect to the capacity effectively available on the national transmission grid. In particular, Terna will be required to publish and update on a quarterly basis the data relating to the **maximum additional capacity** available for the connection of new renewable energy plants and storage systems, excluding offshore installations.

As regards the second aspect, Article 7 of the Energy Bills Decree introduces operational measures aimed at making the connection system more efficient and better aligned with the actual stage of development of projects. To this end, the decree introduces a new Article 10-bis into Legislative Decree No. 190/2024 (the so-called "**TU FER**"), providing, first of all, that ARERA shall update the regulatory framework governing grid connections within 180 days from the entry into force of the Energy Bills Decree.

The decree also introduces an articulated system of expiry mechanisms applicable to connection solutions, distinguishing between those issued before the publication of the measures adopted by ARERA as part of the above-mentioned regulatory update and those issued afterwards.

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[7] See, for example, the press release published by the Italian Biogas Consortium on 19 February 2026, available here.

[8] See, in particular, Article 24, paragraph 8, of Legislative Decree No. 28/2011, a provision that remains fully in force.

This appears to be the most significant measure introduced by the Energy Bills Decree to directly address the phenomenon of virtual grid saturation, as it is intended to make available capacity formally reserved by projects that have not reached an adequate level of authorization maturity or implementation readiness.

More specifically:

- pending the adoption of ARERA's measures, Terna and distribution system operators may issue connection solutions in excess of the maximum admissible capacity for a given grid connection point. This transitional provision is intended to prevent interruptions in authorisation procedures and to ensure the continuity of project development pending the adoption of the new regulatory framework.
- following the publication of ARERA's implementing measures, the new expiry framework will become fully operational, producing direct effects on the portfolio of already issued connection solutions and leading to a realignment between formally allocated capacity and capacity effectively reserved for mature projects. A joint reading of the provisions introduced by the Energy Bills Decree suggests that the new regime will give rise to **three distinct scenarios**, differentiated according to the stage of development of the project and the validation of the connection solution by the grid operator:

  1) connection solutions already issued but not yet validated by Terna, relating to projects that have not yet obtained the required authorization or permitting title: such solutions will **lose their effectiveness**[9];

  2) connection solutions already issued and validated, but relating to projects that have not yet obtained the required authorization or permitting title: such solutions will remain **formally effective but not definitively binding**[10];

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[9] In such cases, Terna is required to notify the interested parties and the competent authorities of the loss of effectiveness of the connection solution, while also ensuring the reimbursement or adjustment of any connection fees already paid by the applicant, in accordance with the procedures to be defined at the regulatory level. As a result, project developers will be required to submit a new connection request, the allocation of which will take place within the framework of the new competitive procedures introduced by the Energy Bills Decree. With regard to the impacts on ongoing environmental, permitting and authorization procedures, the Energy Bills Decree introduces a specific **safeguard clause**, providing that the declaration of ineffectiveness of connection solutions may not lead to the dismissal or rejection of permitting or authorization applications already submitted, including those relating to environmental assessment procedures, where such procedures have already been initiated at the time the ineffectiveness is declared. In such cases, the deadlines of the relevant procedures will be suspended and will resume from the moment the documentation relating to the new connection solution obtained through the procedures introduced by the reform is submitted.

[10] In such cases, the final allocation of capacity will be conditional upon obtaining either the Simplified Authorisation Procedure (PAS) or the Single Authorisation (AU).

3) connection solutions already issued and validated, relating to projects that have already obtained the required authorization or permitting title: such solutions will be **effective and binding**.

The reform appears primarily aimed at connections to the national transmission grid, which represents the main access point for medium and large-scale plants. Even following conversion into law, however, the regulatory framework applicable to distribution networks remains less detailed and further clarification may be provided through implementing measures. Lastly, it should be noted that the new regulatory framework does not contain specific provisions concerning interventions which, pursuant to the TU FER, fall under free activity regimes, thereby leaving certain interpretative issues - that have not been clarified even upon conversion of the Energy bills Decree - particularly as regards the coordination between such simplified regime and the new system for the allocation of network capacity.

6. Postponement of the coal phase-out deadline

Article 5-bis of the Energy Bills Decree, introduced upon conversion into law, intervenes on the timeline for the coal phase-out, **setting 31 December 2038 as the final deadline for the decommissioning of coal-fired power plants used for electricity generation**. This represents a significant departure from the provisions of the current National Integrated Energy and Climate Plan (PNIEC), which envisages the phase-out of coal-fired electricity generation by 2025 (or by 2028 for plants located in Sardinia)[11].

This measure falls within the flexibility granted to Member States under Regulation (EU) 2018/1999 which, under Article 14, allows amendments to national policies set out in the respective PNIECs at any time, provided that such updates are duly reflected in the integrated national energy and climate progress report.

From a systemic perspective, the above extension appears to follow a trajectory that is not fully aligned with decarbonization objectives and with the overall rationale of the Energy Bills Decree, reflecting a markedly cautious and emergency-driven approach. Indeed, in seeking to address the ongoing tensions in energy markets, the measure introduces elements of flexibility that may affect the reliability of the regulatory framework and the consistency of the energy transition pathway.

[11] In this regard, it should be noted that the Minister for Enterprises and Made in Italy, in a response provided on 6 August 2025 during a question time session in the Italian Chamber of Deputies, clarified that the postponement of the coal phase-out deadline will be implemented through the so-called "cold reserve" of the relevant plants. Such plants, while ceasing ordinary production, will continue to be subject to maintenance activities in order to ensure their availability as reserve capacity, which may be activated in the event of national emergencies related to developments in the geopolitical context.

7. Conclusions

A systematic reading of the provisions examined and, more broadly, of the overall structure of the Energy Bills Decree clearly highlights the legislator's intention to intervene in a structural manner in the dynamics of energy costs, reducing the charges included in electricity bills for final consumers while at the same time strengthening the competitiveness of the national productive system, also with a view to the progressive decarbonization of industrial processes.

However, the pursuit of these objectives requires a constant balancing with other equally essential interests, including support for the ecological transition and the growth of renewable energy sources.

From this perspective, some of the measures introduced raise **concern regarding their possible medium to long-term impacts on investment in the renewable energy and energy storage sectors**. In particular, it is necessary to consider whether, and to what extent, these interventions - while aimed at providing immediate economic relief to final consumers - may have disincentive effects on the deployment of renewable generation and storage systems, which represent key structural levers for achieving, over time, an effective decoupling between gas prices and electricity prices.

Finally**, in light of recent geopolitical tensions related to the conflict in Iran, there has been a growing and increasingly concern over a rise in gas prices on international markets, with inevitable repercussions also on electricity prices, given the still central role of gas in the formation of the marginal price in the Italian electricity market**. This has contributed to intensifying a widespread climate of uncertainty, raising questions as to the ability of the Italian energy system to cope with potential price increases through adequate generation capacity. This scenario has progressively fostered a cautious approach which, on the one hand, is aimed at ensuring system security in the short term, but, on the other hand, risks weakening the energy transition pathway. From this perspective, measures such as the extension of the coal phase-out risk having a disincentive effect on investments in renewable energy sources, thereby weakening the long-term signals necessary to support the decarbonisation of the electricity sector. As a result, there is a risk that emergency-driven, short-term priorities may prevail over structural planning aimed at reducing emissions, with the effect of slowing down the transition towards a more sustainable, resilient and climate-consistent energy model in the medium to long term.

Infrastructure, Energy & Ecological Transition Focus Team

The Focus Team is a constellation of skills in different practice areas, with a focus on infrastructure, energy and ecological transition.

Catia Tomasetti
Banking & Finance

Enrico Chieppa
Litigation & Dispute Resolution

Paolo Daino
Corporate

Francesca Di Carpegna Brivio
Corporate

Anna Di Vilio
Banking & Finance

Michele Dimonte
Tax

Roberto Flammia
Banking & Finance

Giorgio Frasca
Banking & Finance

Biagio Giliberti
Administrative

Sara Lembo
EU law and Antitrust

Gabriele Malgeri
Banking & Finance

Marco Giovanni Mancino
Legal Risk, Compliance & Investigations

Giuseppe Manzo
Corporate

Francesca Marchetti
Banking & Finance

Fulvio Marvulli
Corporate

Massimo Merola
EU law and Antitrust

Francesca Peruzzi
Corporate

Augusto Praloran
Corporate

Alessandro Rosi
Administrative

Alberto Saravalle
Corporate

Emanuela Spinelli
Criminal Law

Giovanna Zagaria
Banking & Finance