

## PRESS RELEASE

### **“Monitoring of supply contracts for the import of gas into Italy” report sent to Parliament and the Government**

most of our imported gas is index-linked to the TTF and the rest to the Brent.

Incidence of risk hedging instruments for companies.

Statistical differences of recent months explained by the Istat note.

Milan, 14 June 2022 - The Italian Regulatory Authority for Energy, Networks and Environment (ARERA), in accordance with the gas supply contracts sent it for the Italian market, has made recommendations to Parliament and the Government on the **“Monitoring of supply contracts for the import of gas into Italy”**.

The analysis - also carried out through simulations and requests for operator data - focussed on the **consistency of costs of natural gas import, wholesale prices and procurement costs** considered in determining the prices for households under standard offer service.

Import contracts are characterised by an **initial price set when the contract is stipulated, by formulae that update the price automatically on the basis of indexes and ordinary and extraordinary mechanisms for its periodic update**.

**70-80% of the total gas contracted** refers to indexes linked to the **list prices of gas products exchanged on the various European and national wholesale hubs** (typically TTF and PSF).

**The remaining 20-30% has contracts that are index-linked to the average prices of oil products** (Brent).

The different types of index-linking entail the use by operators of specific **mainly financial hedging instruments to limit the risk of a misalignment between the purchase prices of multi-year contracts and those of the wholesale market** to which the gas can be sold.

The survey shows how the trend of the weighted average cost of contracts varies in a similar manner to that of the component relative to the gas procurement costs used for the protection system ( $C_{MEM}$ ), despite the fact that the speed of adjustment differs when there are repeated changes in price on the wholesale market, due to the different index-linking mechanisms.

**The Authority has also specifically compared this with the data on imported gas prices available publicly nationally and across Europe**, to verify overall consistency.

This comparison has revealed that ISTAT source data is essentially in line with that obtained from an analysis of contracts once adjusted upwards (as anticipated in the Istat press release given last 15 March) and in light of the recently announced methodological review (note of last 27 May on non-EU foreign trade).

As ISTAT data is used as the information base for Eurostat and the European Commission in drafting the Quarterly Report on European Gas Markets, this information too, will be progressively realigned.

The analyses performed and the information made available on the risk management mechanisms adopted by operators clearly show how the cost of procuring gas from abroad tends to maintain trends that are consistent with the value of gas on the wholesale market, but also how **the identification of any “extra profits” should be addressed, also taking into account all costs and margins generated throughout the supply chain and that impact the final customers.**

**This approach is in line with the European Commission Communication** on energy markets given last 18 May 2022 when presenting the **RepowerEU** plan, which, amongst other measures, on an exceptional basis and for limited periods of time only, allows Member States to extend the possibility of reallocating exceptionally high infra-margin revenues (the “extra profits”) in order to support consumers.

Starting out from this consideration, ARERA **considers it appropriate that part of the income deriving from tax rulings regarding industry companies should be allocated to final customers who have borne the relevant cost.**