

PRESS RELEASE

Energy: Government intervention reduces the impact of increases, + 29.8% for electricity and + 14.4% for gas. Zero impact on families facing hardship

***General charges on bills waived in the quarter for 35 million domestic customers and micro-companies and VAT for gas reduced.
Over 3 million families supported with bonuses***

Milan, 28 September 2021 - The exceptional dynamic of commodity prices towards historical highs - still growing strongly due to the recovery of economies after the pandemic and the difficulties in supply chains - and the high prices of CO2 emission permits, would have led to an increase of over 45% in electricity bills and over 30% in gas bills.

The Authority intervened by temporarily waiving the general system charges in the bill and increasing the social bonus for families facing hardship, **thanks to the Government's emergency decree** that allocated the necessary resources, thereby cushioning the impact on **29 million families and 6 million micro-companies**.

Applying today's figures to the measures adopted by the Government, valid for the next quarter, the increase for the typical family^[1] in the standard offer service will be reduced to **+29.8% for the electricity bill and +14.4% for the gas bill** (thanks also to the reduction in VAT contained in the decree).

For more than **3 million households entitled to the electricity discount bonus and 2.5 million households entitled to the gas bonus**, based on the ISEE (Equivalent Economic Status Indicator), the **tariff increases have been essentially eliminated** by the decree.

According to the President of ARERA, **Stefano Besseghini**: *“We are facing a further increase in the cost of commodities, larger and more unpredictable than before. The government's intervention, to which we have provided the necessary technical support, will mitigate the effects at a delicate stage of the recovery in order to protect the most vulnerable consumers. Alongside the focus on families experiencing the greatest hardship, there is now a large percentage of families and businesses that are 'average' but struggling to cope with everyday life. Continued work is even more necessary to exploit all opportunities for a structural reduction in energy costs.”*

The impact of the Government's measure

The more than 3 billion euros allocated by the Government with Decree-Law No. 130 of 27 September 2021 (*“Misura urgente per il contenimento degli effetti degli aumenti dei prezzi nel settore elettrico e del gas naturale”*), have been earmarked to limit the bills of families and micro-companies, allocating 2.5 billion euros to the elimination of general system charges for the next quarter and about 500 million euros to boost bonuses. Added to this was a 5% reduction in VAT for gas bills.

As a result, the Authority was able to confirm the reduction in general system charges for the October-December quarter that had been planned for all electricity customers, while also setting them at zero for domestic customers and small low-voltage businesses.

^[1] The typical family has an average electricity consumption of 2,700 kWh per year and a committed power of 3 kW; for gas, consumption is 1,400 cubic meters per year.

The gas bill for this quarter will also be less costly in terms of system charges, which have also been greatly reduced for all users, thanks to the extraordinary resources allocated.

The scale and exceptional nature of the measures decided by the Government to deal with an unprecedented price situation nevertheless call for the identification of structural measures, which are already being studied and which the Authority is ready to contribute to technically, capable of providing suitable instruments to deal with the changes under way in the energy markets which, at least in part, could be permanent.

In January, the Authority, in the absence of further extraordinary interventions, will have to start a process of realignment of the revenues from the Asos and Arim components and gas charges, within the flexibility allowed by the prudent management of accounts.

Effects on the bill

In terms of final effects, for **electricity** in 2021 the annual expenditure for the typical family will be **around 631 euros**, a variation of +30% compared to 2020 (corresponding to an **increase of around 145 euros per year**).

The annual expenditure of the typical family for the **gas bill** in 2021 will be about **1,130 euros**, a variation of about +15% compared to 2020 (corresponding to an **increase of about 155 euros per year**).

Comparisons with 2020 must take into account the particularly low prices experienced during the pandemic period. **For electricity, in fact, annual expenditure in 2021 is around 13% higher than pre-Covid expenditure in 2019, while for gas it is essentially back to 2019 levels.**

Social bonuses

The Government's measures make it possible to keep **tariffs unchanged** for more than 3 million families receiving **social bonuses for electricity and gas**.

For these families - moreover - the automatic mechanism that allows those who are entitled to it (households with ISEE not exceeding 8,265 euros, 20,000 if there are more than 3 children) to receive the discount bonus directly credited in their bill was activated in July.

However, it remains necessary to fill in the application for discounts for physical hardship (use of life-saving electromedical equipment).

The "automatic" bonus on the bill is in place thanks to the collaboration between ARERA and the entities that manage ISEE and utility data - INPS - the National Social Security Institute - and Acquirente Unico - the Single Buyer respectively.

Reasons for the increases

Internationally, the increases are linked to the sharp upward trend in the prices of the main energy commodities; in particular, European gas prices rose by more than 80% in the third quarter of 2021 compared to the second quarter, with peaks on the wholesale markets of more than 70 €/MWh in the second half of September (compared to around 20 €/MWh at the beginning of the year).

Prices also correlated with the price of CO₂, which has been above 60 €/tCO₂ since the end of August this year. By way of comparison, consider that in September 2020 CO₂ was worth around 28 €/tCO₂. Compared with the second quarter of 2021, the average price recorded in the third quarter increased by approximately 13%.

Increases in the prices of commodities and CO₂ that confirm strong repercussions on final consumer prices also in other European countries, such as Spain and France.

Details of electricity and gas trends

For the price of natural gas, there are no signs of a reversal of the trend from the historical highs reached in the European hubs, despite some attempts at a downward correction (of short duration) in the wake of news concerning the potential increase in supply (with the entry into operation of the Nord Stream 2 pipeline) and the risk of reduced demand (with the closure of major industrial plants).

European demand continues to be supported both by the need to complete injection into storage, in view of the coming winter season, and by the greater use of thermoelectric generation in some countries (such as Germany, the United Kingdom and Spain) to compensate for the lower production from renewable sources (wind power, in particular) compared to last year.

On the international front, competition from Asian LNG demand has been joined more recently by Brazilian demand due to a particularly dry winter that reduced hydroelectric production.

On the CO₂ price front, on 14 July the European Commission presented the "Fit for 55" climate package, to achieve a reduction in greenhouse gas emissions of at least 55% by 2030 compared to 1990, and then achieve "carbon neutrality" by 2050.

During the third quarter, pending upcoming regulatory developments, CO₂ permits showed much smaller price increases than natural gas.

The wholesale electricity price reflected the trends in gas and CO₂ prices. According to the preliminary figures for the third quarter of 2021, the Single National Price for electricity is approximately 65% higher than in the second quarter of 2021 and approximately 195% higher than the average level for the corresponding quarter of 2020 (124 €/MWh compared with 75 €/MWh and 42 €/MWh respectively).

Bill components

Specifically for the individual components in the bill, for electricity the increase is mainly linked to the increase in the commodity component, with an impact of +41.5% on the price for the typical family (which can be broken down into: +41.1% due to the PE energy item, +0.4% linked to the PD dispatching item), offset by the strong reduction/elimination of general system charges, -11.7% between Asos and Arim, thus reaching a final +29.8% for the typical family that does not receive the discount bonus. Regulated network tariffs (transmission, distribution and metering) remain unchanged overall.

For natural gas, the trend is driven by an increase in the commodity component, based on forward quotes for the next quarter, with an impact of +30.3% on the final price for the typical family. Added to this is a slight increase in network tariffs (transmission, distribution and metering) of +1.8%. Increases partially offset by the reduction/waiving of general system charges (-3.7%) and the decrease in VAT (-14%). This results in the +14.4% increase for the typical user in the standard offer market who does not receive the discount bonus.

All the details of the update are available in the Technical Sheet.