

**Energy: commodity prices lead to 55% increase for electricity and 41.8% for gas. Government intervention limits worst-case scenarios. Families facing hardship protected from the increase.**

*Once again, general charges on bills have been eliminated and VAT on gas has been reduced for 35 million domestic and micro-business customers. For families facing hardship, social bonuses are increased and it is possible to pay in instalments.*

Milan, 30 December 2021 - New record highs in the prices of wholesale energy products (which almost doubled in the spot markets for natural gas and electricity in the period September-December 2021) and CO2 emission permits have led to a 65% increase in electricity bills and a 59.2% increase in gas bills.

**The Authority has confirmed the temporary elimination of general system charges from bills and strengthened the social bonus for families facing hardship**, based on the provisions of the Budget Law 2022, with which the Government - in addition to reducing VAT on gas to 5% for the quarter - has allocated the necessary resources for interventions, thus helping to lighten the impact on **29 million families and 6 million micro-businesses**.

However, despite the measures, the increase for the typical family<sup>[1]</sup> in the standard offer service will still be **+55% for the electricity bill and +41.8% for the gas bill** for the first quarter of 2022.

For **2.5 million households entitled**, on the basis of ISEE, to the **social bonus for electricity** and for **1.4 million who receive the gas bonus**, the tariff increases have been substantially offset: the amounts defined for the next quarter, thanks to the resources made available by the Budget Law, protect families facing hardship from the increase.

The Authority, in fact, has strengthened the **bonuses which, for the first quarter of 2022 alone, will support families facing hardship with around €600**: 200 euros for electricity (family with 3-4 members) and 400 euros for gas (family with up to 4 members, with gas heating in climate zone D).

As provided for by the Budget Law, ARERA has defined, for **domestic customers who find themselves in arrears**, the procedures for **paying electricity and gas bills issued from January to April 2022 in instalments**, for a maximum period of 10 months and without interest. A fund of €1 billion is planned for the instalment system, with an advance mechanism for the electricity sector to be implemented with CSEA, the Energy and Environmental Services Fund.

According to the President of ARERA, **Stefano Besseghini**: *"This is a truly exceptional situation. ARERA is also trying to help by exploiting the limited leverage available for bills and the tool of social bonuses for electricity and gas. As in the lockdown period, responsible consumer action will be crucial. Energy saving is a tool to be looked at carefully, but we also need solidarity between consumers, which also means timely payments for those who are able to do so. We are aware that large parts of society are now facing serious and unexpected difficulties, and ARERA is considering changes to the part of the regulation that normally applies to ordinary situations, adapting it - in line with its founding mandate - to an unprecedented situation"*.

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**The impact of the Government's measure**

The approximately **€3.8 billion** allocated by the Government in the 2022 Budget Law has been earmarked for limiting the bills of families and micro-businesses, allocating **€1.8 billion to reducing general system**

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<sup>[1]</sup> 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.

**charges for electricity and €480 million for gas charges** in the next quarter, as well as **€912 million for boosting bonuses**.

Added to this was a **5% reduction in VAT for gas bills**.

As a result, for the electricity sector, the Authority was able to confirm the reduction in general system charges for the January-March 2022 quarter that had been planned for all electricity customers, and their elimination for domestic customers and small low-voltage businesses.

The gas bill for the first quarter of 2022, thanks to the extraordinary resources allocated, will also be less costly in terms of system charges, which will also be reduced to almost zero for all users.

## Effects on the bill

In terms of final effects, the **typical family will spend around €823 on their electricity bill during the rolling year<sup>1</sup>** (between 1 April 2021 and 31 March 2022), up +68% compared with the equivalent 12-month period of the previous year (1 April 2020 - 31 March 2021), corresponding to an annual increase of approximately 334 €/year.

During the same period, the typical family's expenditure on their **gas bill will be approximately €1560**, up +64% compared with the equivalent 12-month period of the previous year, corresponding to an annual increase of around 610 €/year.

## Social bonuses

The Government's measures make it possible to keep **expenditure on electricity and gas substantially unchanged for 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 social bonus directly credited in their bill, simply by making an ISEE application, 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 the Single Buyer respectively.

## Reasons for the increases

Bill increases reflect the **trend of sharply rising international energy commodity prices and the price of CO<sub>2</sub>**.

In particular, the spot price of natural gas on the TTF (the European reference market for natural gas) increased, from January to December this year, by almost **500%** (from 21 to 120 €/MWh in average monthly values); in the same period, the price of CO<sub>2</sub> more than doubled (from 33 to 79 €/tCO<sub>2</sub>).

The marked increase in fuel and CO<sub>2</sub> costs was therefore reflected in the wholesale electricity price (Single National Price - PUN), which rose by almost **400%** over the same period (from 61 to 288 €/MWh in average monthly values).

Similar repercussions on end-consumer prices were seen across Europe.

With reference to the first quarter of 2022, the forward prices recorded in December do not yet indicate a reversal of the trend, standing at around €118/MWh for natural gas and around €300/MWh for electricity,

## Details of the gas and electricity context

Tensions persist in the European natural gas market, which on 21 December recorded a price spike of more than 180 €/MWh for gas with next-day delivery, which also had an impact on forecasts for the first quarter of 2022.

Temperatures below seasonal averages in the last quarter of 2021 fuelled demand for natural gas for heating.

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<sup>1</sup> The rolling year refers to the year composed of the quarter under review and the three previous quarters, also considering the consumption associated with each quarter.

Demand for natural gas for thermoelectric use was also particularly strong in some European countries, both to cope with reduced production from renewable sources (especially wind power) and to compensate for the lower availability of nuclear capacity.

Natural gas supply is struggling to keep up with demand.

Supplies from Russia, in spite of high prices at European hubs, have not increased beyond what is required by contractual obligations. In addition, expectations that the new Nord Stream 2 pipeline would soon be operational were dashed after the German regulator suspended the certification process for the pipeline operator.

Recent geopolitical tensions around Ukraine are adding to market uncertainties.

European stocks are at historically low levels and are expected to end the year with stocks at 50% of capacity.

Looking ahead, supply could increase if the current positive differential between European and Asian natural gas prices persists, boosting LNG supplies to Europe.

The wholesale electricity price in the national market has reflected trends in gas and CO<sub>2</sub> prices. With regard to the first quarter of 2022, tensions in the fuel and CO<sub>2</sub> markets are compounded by the risk of lower electricity imports from France, due to the shutdown of some nuclear reactors announced by EDF.

### **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 +55.6% on the price for the typical family (which can be broken down into: +37.3% due to the PE energy item, + 3.3% linked to the PD dispatching item and +15% for the EPP equalisation item, the latter linked to compensation for deviations mainly generated in 2021, against the extraordinary increases in energy prices in recent months, offset by a slight reduction in regulated network tariffs (transmission, distribution and metering), -0.6%, made possible by the Authority's recent decision to reduce the remuneration rate for network infrastructure.

General system charges remained unchanged.

**This leads to a final +55% for the typical family not receiving social bonuses.**

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 +41.2% on the final price for the typical family.

Added to this is a slight increase (+0.6%) mainly due to the balancing and settlement components, only partially offset by the reduction in the remuneration of gas networks, recently decided by the Authority.

General charges for gas are also almost zero and VAT remains at 5% as in the previous quarter.

**This results in the +41.8% increase for the typical user in the standard offer market who does not receive social bonuses.**

**All the details of the update are available in the [Technical Sheet](#).**