

RESPONSE TO PUBLIC CONSULTATION

DCO 198/2026/R/GAS - Implementation of the Liquidity Service

Pursuant to Article 10 of Decree-Law 20 February 2026, No. 21

Respondent: [omitted - anonymous publication pursuant to resolution 649/2014/A]

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Preamble

This contribution is submitted by an operator active across the principal European natural gas hubs. In this capacity, we are participating in the present consultation to express our opposition to the implementation of the Liquidity Service as set out in Article 10 of D.L. 21/2026 and detailed in DCO 198/2026.

We consider that the proposed mechanism cannot be corrected through technical adjustments, as the shortcomings we identify are intrinsic to its operational logic. Implementation would produce effects contrary to those declared, structurally distorting the Italian gas market to the detriment of supply security and competition.

1. Risk of Indirect Subsidy to Central and Eastern European Markets

The proposed mechanism provides for the injection of additional volumes at the Punto di Scambio Virtuale at contained prices, with the declared objective of reducing the PSV-TTF spread. However, the DCO does not adequately consider the re-export dynamics of Italian gas toward adjacent markets, in particular Austria (CEGH VTP) and Central and Eastern Europe.

In a context marked by the absence of Russian gas supplies to Europe and the imminent entry into force of the ban on imports of Russian gas and LNG from 1 January 2027, it is reasonable to expect that the CEGH VTP and Eastern European hubs will structurally trade at a premium relative to TTF and, consequently, relative to the PSV compressed by the liquidity mechanism. In this scenario, the gas injected at the PSV under the Liquidity Service, purchased thanks to the regulatory subsidy of 200 million euros, will become the most competitive marginal source to supply Austria, Slovakia, Hungary and other markets historically dependent on Russian gas.

The resources allocated to the mechanism, financed by the proceeds from the sale of last-resort gas in storage and therefore borne by the Italian gas system, will largely be absorbed by benefits transferred to Eastern European markets, without producing any net benefit for the Italian system in terms of supply security or structural reduction of final consumer prices. This effect is intrinsic to the open nature of the PSV market and cannot be eliminated without introducing volume-destination mechanisms that contradict the fundamental principles of the European internal gas market. The DCO does not address this contradiction.

2. Structural Disincentive to LNG Baseload at Italian Terminals

The proposed mechanism aims to compress the PSV-TTF spread toward a value close to zero, or in any case below the volatility premium cap of 0.50 EUR/MWh. This artificial compression of the Italian gas premium structurally reduces the expected remuneration for LNG cargoes destined for Italian regasification terminals.

Under normal market conditions, the PSV-TTF spread is the economic component that compensates for the cost of transporting regasified gas from coastal plants to the national network, and that makes the choice of an Italian port preferable to North European or Iberian alternatives. Below a certain spread threshold, the selection of an Italian terminal becomes suboptimal, and LNG operators structurally reallocate supplies toward more remunerative markets.

This effect is compounded by the current contraction in global LNG supply resulting from the closure of the Strait of Hormuz to Qatari cargoes. In a market where available cargoes are below global demand, the artificial compression of the PSV permanently alters the geographic optimisation of supplies: once LNG operators have repositioned contracts toward more remunerative alternative hubs, the recovery of Italy's import share cannot be taken for granted and may require considerable time, regardless of any subsequent regulatory adjustment.

The proposed mechanism therefore generates a paradox: by using public resources to reduce the gas price in Italy in the short term, it structurally reduces the availability of gas in Italy over the medium term, with effects potentially contrary to those declared on winter supply security. The DCO does not analyse this risk.

3. Remuneration of Non-Incremental Flows: the Pre-existing PEG Capacity Problem

The mechanism as described in the DCO does not define with sufficient clarity the concept of incrementality of volumes injected at the PSV. In the absence of this definition, a significant share of the 200 million euro budget risks remunerating flows that would have transited toward the Italian market regardless of the mechanism.

Flows originating from the PEG-Oltingue route already transit toward the PSV whenever market conditions make it economically convenient, without any public incentive. The combination of the structural discount of PEG relative to TTF and largely amortised logistics costs ensures that these volumes reach the Italian market on competitive terms entirely on their own. The DCO itself assumes, for simulation purposes, a minimum volume of 100,000 MWh/day that would be injected at Passo Gries and Tarvisio regardless of the mechanism, even at spreads below the volatility premium cap. This confirms that a significant share of flows toward the PSV is structurally independent of the price signal created by the Liquidity Service, and that the premium recognised to such volumes would constitute a regulatory rent with no incremental benefit for the system. Allocating the 200 million euro fund to remunerate these flows would mean subsidising something the market already produces on its own.

The budget should instead be used to attract marginal flows from the THE route via VIP Germany-CH (Wallbach), where transport costs are entirely incremental and new capacity bookings do not occur spontaneously in the absence of an adequate economic signal. Only in this case would the Liquidity Service finance genuine additionality, generating capacity bookings that would not otherwise occur and structurally compressing the PSV-TTF spread

through volumes that the market would not have delivered on its own.

It is therefore proposed that among the necessary conditions for participation be introduced the requirement that the shipper demonstrate the availability of new and not previously booked transport capacity at the VIP Germany-CH (Wallbach) interconnection point, with a start date consistent with the period of service delivery. This approach is moreover consistent with the mandate set out in paragraph 3 of Article 10 of D.L. 20 February 2026, which assigns to the Authority the task of promoting the integration of the Italian and German natural gas markets through the transport infrastructure located in Swiss territory.

The logical consequence of this qualification requirement is that the maximum value of the sum $P+C_v$ referred to in paragraph 8.4 must be calculated exclusively on the basis of transport costs for the route VIP Germany-CH (Wallbach) - Transitgas - Passo Gries, including the tariffs published by the transport undertakings concerned and the conditions agreed with the Swiss operator pursuant to paragraph 7.2. Calibrating the regulatory cap on a route whose costs are largely already sunk would produce a maximum value systematically below the actual costs of the only operators admitted to participate, rendering the mechanism formally open but substantially empty.

Conclusion

The first two effects described (indirect subsidy to Eastern Europe and structural disincentive to LNG baseload) are not correctable design flaws. They are direct and foreseeable consequences of the mechanism's very objective, namely the artificial compression of the PSV-TTF spread through public resources.

There is no configuration of the Liquidity Service that achieves the declared objective without producing these side effects. For this reason, we call on the Authority to express a contrary opinion on the implementation of the mechanism and to recommend to the legislature a revision of Article 10 of D.L. 21/2026.

Should the Authority intend to proceed with implementation, it is requested that the corrections indicated in point 3 (requirement of new capacity at VIP Germany-CH (Wallbach) and calibration of the $P+C_v$ cap on the same route) be adopted as minimum necessary conditions to guarantee the incrementality of flows and the competitive neutrality of the mechanism. In the absence of these corrections, the 200 million euro fund would largely finance flows that would have transited toward the Italian market regardless of the service, without producing any incremental benefit for the system.