

Introduction

The Law Decree of 20 February 2026, No. 21 (the Decree), published in the Official Gazette on 21 February 2026, introduces “urgent measures to reduce electricity and gas costs, enhance industrial competitiveness, support decarbonisation, address virtual congestion in the national electricity grid, and integrate data centres into the electricity system”.

The Decree comprises 12 articles across two chapters, covering, *inter alia*, electricity costs, renewable energy, grid connections, data centres, tax and gas. It entered into force on 22 February 2026 and must be converted into law by the Italian Parliament by 21 April 2026.

The purpose of this alert is to provide a clear and concise overview of the Decree’s key provisions and their potential implications for energy costs, industrial competitiveness, the energy transition, grid connection management, renewable and bioenergy incentives, and the authorisation process for data centres.

Electricity and Gas Costs

Extraordinary Support for Household Electricity Costs

Article 1 of the Decree introduces extraordinary measures to support household electricity costs for 2026 and 2027.

- For 2026, an automatic contribution of €115 is provided to electricity supply contracts held by beneficiaries of the social electricity bonus.¹ The contribution is to be implemented by the Regulatory Authority for Energy, Networks and Environment (ARERA).

The total budget for 2026 is capped at €315 million,² to be disbursed through the *Cassa per i Servizi Energetici e Ambientali* (CSEA).

- For 2026 and 2027, electricity suppliers may voluntarily grant a supplementary contribution to residential customers who (i) are not social bonus recipients, and (ii) have an annual Equivalent Economic Situation Indicator (ISEE) not exceeding €25,000.

Eligibility is limited to low-consumption households: bimonthly consumption must not exceed 0.5MWh, and annual consumption in the previous year must be below 3MWh.

Contracts must be active as of 1 January or activated by 31 May, and the discount is applied directly in the invoice of the fifth month following the reference period.

Suppliers participating in the scheme will receive a certification issued by ARERA, which may also be used for commercial purposes. ARERA is required to define the applicable rules and procedures within 30 days of the Decree’s entry into force and will monitor implementation throughout 2026-2027.

The Decree therefore distinguishes between automatic public support and voluntary market-based support, with incentives favouring low-consumption households. The voluntary mechanism may introduce a reputational element for suppliers, while the intervention is financed from existing allocations under multiple budget lines rather than new structural spending. Any unused funds at the end of 2026 will revert to the state budget.

The practical impact of the measures will depend on ARERA’s implementing regulations and the level of supplier participation.

ASOS Reduction and Nondomestic Support Measures

Article 2 of the Decree introduces urgent measures to reduce the alternative sources support (ASOS) component of electricity bills for nondomestic users and to regulate incentives for photovoltaic (PV) plants (previously supported under “*Conto Energia*” incentives³).

- **Voluntary FIT Reduction (2026-2027)** – Owners of PV plants exceeding 20kW, with fixed feed-in tariffs (FITs) recognised by GSE S.p.A. (GSE) and expiring from 1 January 2029, may opt for (i) a 15% reduction in the tariff (July 2026 to December 2027) in exchange for a three-month extension; or (ii) a 30% reduction over the same period in exchange for a six-month extension. During the extension, GSE will apply an averaged tariff⁴. Elections must be submitted by 31 May 2026.
- **Early Exit From Incentives (from 2028)** – The same PV plants may, by 30 September 2026, opt for early withdrawal from *Conto Energia* incentives, effective 1 January 2028, subject to a 10GW national cap. Priority is given to participants in the voluntary FIT reduction schemes. Compensation equals 90% of the net present value of residual incentives, calculated on historical production over the last five years and discounted at a risk-adjusted rate. If requests exceed the cap, GSE will allocate capacity through an online competitive to be completed by 30 June 2027.

¹ Established under Article 1, Paragraph 375, Law No. 266/2005.

² This funding is drawn from six existing budget lines under prior legislative frameworks (legislative decrees 47/2020, 199/2021, 102/2014), without requiring new structural expenditures.

³ The “*Conto Energia*” refers to the series of feed-in tariff schemes introduced in Italy between 2005 and 2013 to support PV generation.

⁴ The tariff applied during the extension period will be equal to the average of the incentive rates subject to reduction.

Early exit is conditional on integral refurbishment of the PV plant by 31 December 2030 using modules registered in the PV technology registry,⁵ doubling expected output for residual incentive years, or achieving a minimum 40% producibility increase for ground-mounted or non-ground-mounted modules. PV plants undergoing integral refurbishment may access support mechanisms⁶ only for the incremental output generated by repowering. Residual production must be either sold via forward contracts, including power purchase agreements (PPAs), or incentivised in compliance with EU state aid rules.

Compensation for early exit will be paid in ten annual instalments starting in 2028, at a GSE-determined interest rate, capped at 6%.

To facilitate refurbishment, a new category of “integral refurbishment” applies to PV plants on industrial sites (Legislative Decree 190/2024). A ministerial decree, due by 22 May 2026, will set out operational procedures, competitive tender rules and contractual requirements, including revocation conditions.

The measures aim to reduce electricity costs for nondomestic users, encourage repowering existing PV assets, and transition from historical fixed incentives to more market-oriented support mechanisms. This framework combines temporary incentive reductions, early exit with compensation, and mandatory upgrades, with significant potential implications for public finances and the PV sector.

Gas Cost Reduction and Electricity Market Competition

Article 6 of the Decree introduces urgent measures aimed at both strengthening competition in the Italian wholesale electricity market and reducing the impact of natural gas costs for thermoelectric electricity production.

To this end, ARERA is required to adopt measures within three months to assess potential economic withholding by market operators. In the day-ahead market, prices above marginal cost are only permitted if they can be justified by opportunity costs reasonably estimated at the time of bidding. The goal is to prevent speculative practices and ensure that the low variable costs of nonprogrammable renewable energy sources are reflected in electricity market prices.

From 1 January 2027, ARERA will define how variable components of the natural gas transport tariff that are not linked to actual variable costs, as well as additional tariff components covering general gas system charges applied to gas withdrawals for electricity production, will be reimbursed to thermoelectric producers. These reimbursements are intended to shift part of the gas cost burden onto the electricity system, while the resulting revenue shortfall will be recovered through charges applied to electricity withdrawals.

In addition, ARERA may establish an extra reimbursement related to Emissions Trading System (ETS) costs, calculated in advance for specific periods and capped at the expected cost for an efficient combined-cycle gas turbine (CCGT) plant. This measure aims to maximise benefits for Italian consumers while taking into account cross-border electricity market effects.

ARERA will also verify that the reimbursed amounts are fully reflected in the market offers of the relevant thermoelectric plants. If producers fail to transfer these reimbursements into their bids, they will be required to return the amounts, potentially with penalties. ARERA will define procedures and criteria to assess compliance and determine acceptable bidding behaviour. Finally, ARERA will adjust the economic conditions of the capacity market to ensure that these measures are fully incorporated, so that capacity market bids correctly account for the reimbursed costs and resulting reductions.

Overall, these provisions combine competition-enhancing tools, aiming to reduce wholesale electricity prices, enforce regulatory oversight, and partially transfer the cost of gas from producers to the electricity system, while reinforcing ARERA's role as a regulator of both competition and tariffs.

Renewable Energy

Article 4 of the Decree introduces measures to promote long-term contracting (≥ 3 years) of electricity from renewable sources by companies, including small to medium-sized enterprises (SMEs):

- The PPA market is strengthened through an enhanced noticeboard, enabling companies to register contracts, including aggregated agreements based on location, consumption profile or sector. The noticeboard promotes renewable energy not already covered by support schemes, and contracts must be registered on the noticeboard even if concluded directly between parties, including with GSE support.
- Parties that meet eligibility requirements may request that GSE acts as guarantor of last resort, within the limits of resources available under Art. 28 of Legislative Decree No. 199/2021. GSE also defines risk mitigation and transfer mechanisms, with the possibility of using SACE S.p.A. to provide guarantees for any excess portion once resources allocated to the last-resort guarantee are exhausted, without new or additional burdens on public finances.
- The Ministry of Environment and Energy Security (MASE) will approve the operational rules within 90 days of the decree's entry into force, defining requirements for access to the guarantee and contract templates for joining the service.
- Demand aggregation will be facilitated by Acquirente Unico S.p.A., including standard contracts tailored to consumption profiles.

⁵ The registry is established under Legislative Decree 199/2021 and is managed by GSE to certify compliant PV technologies.

⁶ In accordance with Articles 6, 7, and 7-bis of Legislative Decree 199/2021, which establish the rules for the calculation of feed-in tariffs for PV plants, the mechanisms for reductions or adjustments to incentivised tariffs, and the modalities for extending or modifying incentive periods in exchange for voluntary tariff reductions.

- ARERA will define operational procedures and guidelines to ensure long-term renewable electricity procurement in compliance with EU electricity market legislation.⁷
- Industrial consortia (ASI) and GSE will support SMEs and industrial areas by identifying suitable sites for renewable generation, mapping available roofs and land, estimating self-consumption and aggregating consumption to participate in the PPA mechanisms.
- Plants larger than 20kW that have previously benefited from support schemes (e.g. *Conto Energia* incentives) may receive an annual premium of 15% of the positive difference between the zonal spot price and the contracted price, if selected by Acquirente Unico S.p.A. through the notice board. The premium is financed via general system charges.
- The national transmission system operator is authorised to issue connection solutions for a given connection point even beyond the maximum capacity technically available at that point.
- Available network capacity must be allocated through transparent and nondiscriminatory procedures.
- Network capacity may be definitively assigned only to projects that both (i) have been awarded capacity through the relevant allocation procedures; and (ii) have obtained the required authorisation, namely a simplified authorisation procedure (PAS) or a single authorisation (AU).
- Distribution system operators are granted similar powers, including the ability to (i) issue connection solutions beyond the maximum capacity of a connection point through transparent and nondiscriminatory procedures; and (ii) grant low-voltage connection solutions even where works on higher-voltage networks are still pending, allowing plants to enter into operation earlier.
- The updated framework must also include mechanisms for efficient network capacity management, including the revocation of connection solutions where authorisation procedures are unsuccessful or where project developers fail to meet the deadlines for initiating such procedures.

These measures create a hybrid model combining bilateral contracting with public last-resort guarantees, supporting industrial decarbonisation and facilitating SME participation. They integrate the phase-out of historical incentives with market mechanisms, providing long-term price stability and supply security for industrial users.

Grid Connections

Article 7 of the Decree introduces measures aimed at addressing the phenomenon of “virtual saturation” of the national transmission grid (RTN), caused by the large number of connection requests that, although not reaching the authorisation or construction stages, occupy network capacity. The article also establishes new procedural rules for connecting renewable energy (RES) plants and storage systems (excluding offshore storage) to both the transmission and distribution networks, affecting ongoing projects and future pipelines. The new framework allows for the allocation of capacity even beyond the theoretical limits of individual nodes, while reserving final allocation exclusively for projects holding the appropriate authorisation.

The implementation of these measures is contingent on ARERA updating the technical and economic conditions and procedural rules for connecting renewable energy and storage plants, to be completed by 20 September 2026.

For increased transparency, Terna S.p.A. (Terna) must publish on its portal the maximum additional capacity that can be integrated into each portion of the RTN for RES and storage systems. This capacity must be updated quarterly, based on issued authorisations, connection requests and plants entering into operation.

Article 7 lays the groundwork for a general reform of electricity grid connection procedures, establishing competitive procedures as the central mechanism for allocating network capacity. In particular, ARERA is required to update the procedural rules for grid connections based on the following guiding principles:

Until ARERA publishes the new measures, Terna and distribution operators may continue to issue connection solutions beyond theoretical node capacity; however, such solutions are indicative and nonbinding if the authorisation process does not proceed. Once the new measures take effect, existing connection solutions for unauthorised or unapproved projects will expire, with ARERA regulating refunds or adjustments of any fees paid. The loss of a connection does not automatically invalidate pending authorisation procedures, which are suspended until a new connection solution is obtained.

Project developers must submit a PAS or AU application within 90 days of accepting a connection solution obtained through competitive procedures. If the authorisation lapses due to missed deadlines for commencement or completion of works, the connection solution expires, and any unfinished works will require a new connection request.

Future RTN upgrades and development works for renewable energy and storage plants will be ministerially authorised at Terna’s request, following the simplified procedures under Legislative Decree 239/2003,⁸ with further simplifications for projects in eligible areas or acceleration zones. These procedures may apply, for example, to the expansion or adaptation of existing substations or the construction of new substations on industrial sites without constraints, provided Terna holds the necessary land rights, as expropriation procedures are not applicable.

Overall, the reform establishes a competitive and transparent allocation system, clearly separating the reservation phase from final allocation, introducing a regulated “overbooking” mechanism, prioritising mature and fully authorised projects, and reducing speculative hoarding of network capacity.

⁷ Article 4 of Directive (EU) 2019/944, as amended by Directive (EU) 2024/1711.

⁸ Legislative Decree No. 239/2003 governing authorisation procedures for electricity transmission infrastructure.

Data Centres

Article 8 of the Decree establishes an AU procedure for the construction, expansion and grid connection of data centres in Italy, replacing all previous separate permitting processes. The procedure aims to simplify access to authorisations, reduce administrative burdens and shorten approval times. It applies to corporate, colocation and cohosting data centres, and includes their related connection networks.

The authorities responsible for issuing the AU correspond to those empowered to grant integrated environmental authorizations (AIA/IPPC) under Legislative Decree 152/2006:

- MASE for large-scale plants with thermal capacity $\geq 300\text{MW}$
- Regional authorities for plants with thermal capacity between 50MW and 300MW

The AU is issued through a services conference, in accordance with Articles 14-*bis et seq.* of Law 241/1990, with the participation of all relevant administrations, including environmental, landscape, cultural heritage, health and public safety authorities. The region may delegate the province, but not subprovincial bodies, to ensure administrative adequacy.

The AU replaces all separate permits, licences and approvals, including integrated environmental authorization (IPPC), environmental impact assessment (EIA/VIA), landscape and cultural permits, water use authorisations, and air emission authorisations.

The proponent must submit a complete application containing all required documentation. For projects subject to EIA (thermal capacity $>150\text{MW}$), a public notification is also required to ensure transparency. For smaller projects (50MW - 150MW) undergoing screening, if a full EIA is later required, the application must be submitted within 90 days, otherwise the AU procedure is automatically closed.

The maximum duration of the procedure is 10 months from verification of the application's completeness, with the EIA deadlines halved. Extensions of up to three months are permitted only in exceptional circumstances, such as the project's nature, complexity, location or scale.

For projects of preeminent national interest with direct investments of $\geq \text{€}1$ billion, the special procedure under Law Decree 104/2023 applies. These projects may be managed by a special commissioner, appointed by the prime minister in coordination with the relevant region. The special procedure produces a single decision, replacing all environmental, urban, landscape, and safety permits, while following the rules established by Law Decree 104/2023 in combination with the new AU procedure.

For projects already authorised before 21 February 2026 requiring connections above 220kV , the competent authority is the region where the works are located. If the project spans multiple regions, the authority is assigned to the region with the largest portion of the works.

The reform centralises competences, preventing regions from introducing parallel or alternative environmental permitting procedures. At the same time, regional authorities retain important functions in areas such as territorial governance, urban planning, energy programming, site selection criteria and compensatory measures, and they continue to participate in the Services Conference.

For investors, the reform provides clear practical advantages. By establishing a single point of contact and consolidating all necessary permits, it significantly reduces administrative complexity. The binding timelines of 10-13 months improve predictability for planning and investment, while the halving of EIA deadlines accelerates environmental authorisations. Furthermore, the clear delineation of responsibilities between regional and national authorities eliminates jurisdictional uncertainty.

Tax

Article 3 of the Decree introduces temporary, sector-specific measures affecting energy companies and photovoltaic PV plant owners.

In particular, for the 2026 and 2027 tax periods, companies whose main activities fall under certain energy-related Classification of Economic Activity (ATECO) codes⁹ will be subject to a 2% increase in the ordinary Regional Production Tax (IRAP) rate. For the calculation of the 2026 advance payment, the previous year's tax will be recalculated using the increased rate, thereby avoiding any deferral of tax revenues. The 2% IRAP increase is therefore (i) selective, applying only to the ATECO codes specified for the energy sector, (ii) temporary, limited to the 2026 and 2027 tax periods, and (iii) additional, applied on top of the ordinary statutory rate.

The additional revenue¹⁰ will finance the reduction of the ASOS component of electricity bills for nondomestic users. Public lighting, energy-intensive users and special-tariff entities are excluded.

The measures create a sector-specific redistribution mechanism, imposing a temporary but significant (+2%) IRAP increase on energy companies to fund the reduction of ASOS charges for nondomestic electricity users. The direct link between additional tax revenue and ASOS reductions reinforces the para-tariff nature of the intervention, while the combined effect with ASOS reduction rules represents a structural adjustment of general system charges. Companies should be aware of potential competitive and selective tax pressure implications, particularly for vertically integrated operators, and consider the impact on net profitability and compliance planning.

9 Relevant ATECO Codes are the following: B (Mining and quarrying) – 06 Extraction of petroleum, crude oil and natural gas, and 09.1 Support activities for oil and natural gas extraction; C (Manufacturing activities) – 19.2 Manufacture of products derived from petroleum refining and fossil fuels; D (Supply of electricity, gas, steam and air conditioning) – 35.1 Production, transmission and distribution of electricity, 35.2 Production of gas and distribution of gaseous fuels through pipelines, and 35.4 Electricity and natural gas trading services; and H (Transport and storage) – 49.50.1 Transport via gas pipelines.

10 Estimated in $\text{€}469.6$ million in 2026 and $\text{€}545.4$ million in 2027.

Biogas, Biomass and CCUS

Articles 5 and 11 of the Decree introduce updated measures for biogas and biomass plants, revise incentives for natural gas supply to industrial consumers, and establish a regulatory framework for CO₂ capture, transport and storage (CCUS).

For biogas plants, the Decree provides that facilities with a capacity above 300kW must commit to converting to biomethane production, according to modalities defined by ministerial decree upon GSE's proposal, in order to remain eligible for guaranteed minimum price incentives beyond 2030. Smaller plants, with a capacity of up to 300kW, may continue to benefit from guaranteed minimum prices until 31 December 2037 without conversion. Access to incentives is conditional on compliance with specific operational criteria and existing contractual obligations.

From 1 April 2026 to 31 December 2030, ARERA will update the incentive mechanism by determining the maximum number of guaranteed-price hours per semester, differentiated by plant type. For plants integrated into a production process, the maximum hours correspond to the operating hours of that process. For other plants, Terna will define the maximum hours to ensure system flexibility and compliance with operational constraints, including the permitted use of fossil fuels during startup and shutdown phases.

Plants linked to production processes are defined as facilities directly connected, either electrically or thermally, to a production site, where the absence of electricity or heat would either prevent the execution of the production cycle or significantly increase its costs. GSE will estimate the cost of the incentive mechanism by mid-June 2026 for each semester and may adjust the number of guaranteed hours if the projected expenditure exceeds the allowed limits. Reductions will first apply to plants not connected to production processes and will take effect after the expiry of existing incentive schemes.

The Decree sets specific annual expenditure ceilings for biogas and biomass plants, financed through general system charges, providing financial visibility and regulatory certainty for operators.

Regarding CCUS, the Decree mandates ARERA to define, within 120 days of the Decree's entry into force, a preliminary framework of principles and criteria for access to CO₂ transport networks and storage sites, as well as for the accounting of captured emissions, ensuring a first level of regulatory certainty for carbon capture and storage activities.

Finally, the Decree consolidates transparency and competitiveness in the gas and bioenergy sectors, providing industrial consumers with updated long-term supply contracts, greater market predictability, and clear operational rules for the aggregation of biomethane demand.

Gas

The Decree introduces urgent measures aimed at reducing gas costs for industrial consumers while promoting competition and greater integration of the Italian natural gas market with European markets.

Pursuant to Article 9, GSE will sell the gas stored under Article 5-*bis* of Law Decree No. 50/2022, converted into law with amendments by Law No. 91/2022,¹¹ in accordance with the terms and procedures to be defined by a directive of the MASE to be issued within twenty days from the Decree's entry into force.

The revenues generated from these sales, together with those derived from gas sold by Snam S.p.A., must be transferred to the CSEA by 30 September 2026 and used to reduce transport and distribution charges. The reductions will apply to industrial consumers directly connected to the transmission network, gas-intensive users connected to the distribution network, and other end users with annual consumption exceeding 80,000 standard cubic metres (SMC). Gas volumes used by thermoelectric producers for electricity generation, as well as residential or condominium consumption, are excluded. The reductions will be allocated primarily to tariff classes or consumption bands with the highest charges.

Article 10 requires ARERA to establish a liquidity service aimed at strengthening competition in the wholesale gas market and enhancing integration with European markets. The service will be based on contracts between the largest national gas transmission operator and selected market participants, identified through competitive procedures. Selected operators will be required to offer predetermined daily volumes of natural gas in dedicated auction sessions on the Italian spot markets at prices linked to the European Title Transfer Facility (TTF) benchmark, plus a premium determined by the operator within a cap set by ARERA to mitigate price volatility.

Any revenues exceeding the reference price must be returned to the transmission operator, and operators must also inject the corresponding volumes into the national gas transmission system through entry points identified by ARERA.

The liquidity service will be financed through the resources generated by the sale of stored gas under Article 9, within an overall cap of €200 million.

In addition, ARERA must submit proposals to the Ministry of Environment and Energy Security within ninety days from the Decree's entry into force aimed at achieving full integration between the Italian and German gas markets through Swiss transport infrastructure. The objective is to eliminate distortions caused by cumulative transport costs and promote greater alignment between Italian gas prices and the broader European market.

Overall, these measures combine immediate cost-relief mechanisms for gas-intensive industrial consumers with structural regulatory tools intended to strengthen competition, improve market transparency, and support the long-term stability of natural gas prices in Italy.

¹¹ Article 5-*bis* of Law Decree 50/2022 introduced strategic gas storage measures during the energy crisis.

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