

State aid: Commission approves €5.4 billion support for production of electricity from renewable sources in Italy

Brussels, 14 June 2019

The European Commission has approved, under EU State aid rules, a scheme to support electricity production from renewable sources in Italy. The measure will contribute to the EU environmental objectives without unduly distorting competition.

Commissioner Margrethe Vestager, in charge of competition policy, said: *“More renewable energy in power generation is essential for the future of our planet and environment. The €5.4 billion scheme will increase the level of Italy’s electricity production from renewable sources. This is in line with the EU environmental objectives and our common State aid rules.”*

Italy intends to introduce a new aid measure to support electricity production from renewable sources, such as onshore wind, solar photovoltaic, hydroelectric and sewage gases. The scheme will help Italy reach its renewable energy targets. The scheme, with an estimated total budget of €5.4 billion, will be applicable until 2021.

Renewables installations benefitting from the scheme will receive support in the form of a premium on top of the market price. This premium cannot be higher than the difference between the average production cost for each renewable technology and the market price.

The Italian scheme also includes a clawback mechanism. If, in the future, the market price were to move above the average production cost for each renewable technology, the selected installations would no longer receive a premium and would instead have to give back to the Italian authorities the additional revenue. This ensures that the state support is limited to the minimum necessary.

For larger projects above 1 megawatt, the premium will be set through a competitive bidding process open to all types of installations, irrespective of the renewable technology used. Smaller projects will be selected based on a combination of environmental and economic criteria.

The Commission assessed the scheme under EU State aid rules, in particular under the [2014 Guidelines on State aid for environmental protection and energy](#).

The Commission found that the aid has an incentive effect, as the market price does not fully cover the costs of generating electricity from renewable energy sources. The aid is also proportionate and limited to the minimum necessary, as it only covers the negative difference between the market price of electricity and the production costs. The scheme ensures that this will be case even if market prices rise unexpectedly.

Therefore, the Commission concluded that the Italian measure is in line with EU State aid rules, as it promotes the generation of electricity from renewable sources, in line with the [environmental objectives of the EU](#), without unduly distorting competition.

Background

The Commission's 2014 Guidelines on State Aid for Environmental Protection and Energy allow Member States to support the production of electricity from renewable energy sources, subject to certain conditions. These rules aim to help Member States meet the EU's ambitious energy and climate targets at the least possible cost for taxpayers and without undue distortions of competition in the Single Market. The [Renewable Energy Directive](#) established an EU-wide binding renewable energy target of 32% by 2030.

Specifically regarding hydropower installations, Italy will ensure that such installations can only receive the premium if they are in strict compliance with EU rules, in particular with the [EU Water Framework Directive](#).

The non-confidential version of the decisions will be made available under the case numbers SA.53347 in the [State aid register](#) on the Commission's [Competition](#) website once any confidentiality issues have been resolved. New publications of State aid decisions on the internet and in the Official Journal are listed in the [State Aid Weekly e-News](#).