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Transitional FER X Decree

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Transitional FER X Decree

On 27 February 2025, the Italian Ministry of the Environment and Energy Security published the so-called Transitional FER X Decree (“Transitional FERx”). This decree marks a significant advancement in Italy’s renewable energy policy, aligning with European directives and national targets for decarbonisation by 2030. The new incentive scheme is designed to encourage investment in renewable energy sources by providing fair remuneration, promoting competition, and ensuring environmental sustainability.

The FER X Decree – Ministerial Decree 30 December 2024

On 27 February 2025, the Italian Ministry of the Environment and Energy Security published the so-called Transitional FER X Decree No. 457 of 30 December 2024 (“**Transitional FERx**”) on its institutional website. This decree **came into force the following day, on 28 February 2025**, and is set to regulate the public incentive support mechanism to produce electricity from renewable energy sources (RES) in Italy **until 31 December 2025**.

The Transitional FERx, pursuant to Articles 6 and 7 of the Legislative Decree of 8 November 2021, No. 199, aims to support the production of electricity from renewable sources by implementing support mechanisms that promote effectiveness, efficiency, and sustainability, in line with national decarbonisation objectives for 2030 and consistent with the security and capacity of the electricity system.



Why is it called “Transitional” Decree?

The FERX decree is defined as ‘**transitional**’ because it will be valid until the end of 2025. The transitional nature is determined by the fact that part of the funds come from the National Recovery and Resilience Plan (PNRR) and constitutes a first step of a broader framework to address the 2030/35 targets in a short period of time.

The Minister of Environment and Energy Security has scheduled two auctions to be carried out by the end of year 2025. It remains to be seen whether the whole auction procedures (including the awarding phase) shall be concluded within the announced timeframe.

For regulating the modalities for access to the incentives under the Transitional FERx, “operational rules” will be drawn up and come into force within 90 (ninety) days of the date of entry into force of this Decree (the “**Operational Rules**”). They will be approved by a decree of the Ministry of the Environment and Energy Security on the proposal of the GSE.

The Operational Rules will include:

- **Templates for access claims:** the templates for claims for direct access to the support mechanism and for participation in competitive procedures will be defined, with information on the requirements and how to fill them in.
- **Communication procedures:** the procedures for communicating the start of works and simplified access for installations having direct access to the support mechanism will be regulated.
- **Schedule of procedures:** a detailed calendar of the procedures to be carried out and the modalities for reallocating unallocated power will be provided.

- **Public notices:** public notice schemes for competitive procedures will be defined.
- **Construction and performance requirements:** the construction, performance and environmental protection requirements with which installations must comply will be specified.
- **Guarantees:** the procedures and timeframes for the provision and enforcement of provisional and final guarantee for participation in competitive procedures will be established.
- **Standard contracts:** standard contracts to be signed for the recognition of the award price (prezzo di aggiudicazione) will be defined.
- **Obligations of owners of the Plants.**
- **Imbalance charges:** the way the imbalance charges are transferred to the owners of the Plants will be specified.
- **Data acquisition:** the way the GSE acquires electricity measurement data from grid operators will be defined, as well as the procedures by which the GSE provides for the award prices.
- **Power threshold:** the modalities by which the power threshold for access to the accelerated procedure may be reduced will be indicated.
- **Investigation and management charges:** the charges to be borne by plants requesting access to the support mechanism will be specified.
- **Artificial fractioning:** procedures will be defined for verifying compliance with the provision on artificial fractioning of initiatives.
- **Expressions of Interest:** the modalities and timing for submitting expressions of interest will be regulated.
- **Updating of prices:** the modalities for updating the exercise price and the award price will be specified.
- **Monitoring:** the way the GSE acquires the data necessary for monitoring will be defined.
- **Net equivalent subsidy:** how the net equivalent subsidy value is to be determined will be specified.
- **Waiver of support mechanism:** the way the consideration to be paid to the GSE in the event of waiver will be defined.
- **Payment provisions:** the way the payment provisions are to be implemented will be specified.

Scope of Application

Transitional FERx regulates incentives for the following types of plants:

- Solar photovoltaic plants
- Onshore wind plants
- Hydroelectric plants
- Plants powered by gas from sewage treatment processes

The Transitional FERx will cease to apply on 31 December 2025 or, earlier, only in respect to plants with a nominal capacity of up to 1 MW, 60 days after a capacity quota of 3 GW under the support scheme is reached.

Access to the Transitional FERx support scheme is not permitted to the following subjects:

- Companies in financial distress or against whom a recovery order is pending.
- Applicants to whom the grounds for exclusion from public tender procedures set by Articles 94 and 95 of the Italian Public Procurement Code (Legislative Decree of 31 March 2023, No. 36) apply.
- Applicants who are subject to the prohibition or suspension causes referred to in Article 67 of Legislative Decree of 6 September 2011, No. 159.
- Companies against which a recovery order is pending as a result of a previous decision by the European Commission declaring the incentives received illegal and incompatible with the internal market.

Moreover, regarding the development phase of the plant, **are not eligible to Transitional FERx:**

- New plants with a nominal capacity up to 1 MW that began construction works **prior to the entry into force of the Transitional FERx**¹;
- New plants with a nominal capacity greater than 1 MW that began construction works **prior to applying for competitive procedures under the Transitional FERx**.

Access to the Transitional FERx is also granted for a power quota of a plant, and in cases of partial or total refurbishment and upgrading of existing plants but limited to the new upgraded section of the plant.



This could be quite a game changer in terms of finding alternative procedures to manage the sale of electricity through other mechanisms available in the Italian market, such as under power purchase agreements (PPAs).

Procedures for Access to Incentives

Access to the new incentives is granted through **direct access** or **competitive procedures**, depending on the capacity of the plant.

Direct access

Plants with a power capacity up to 1 MW (capacity ≤ 1 MW) that started construction work after the entry into force of the Transitional FERx have direct access to the support mechanism. These plants acquire the right to access the mechanism with the submission of the notice of commencement of work, ensuring some key requirements are met (possession of building authorisations or environmental authorisations, acceptance of the connection estimates, registration on the GAUDI¹ platform, and compliance with environmental rules, including the “Do No Significant Harm” principle).

Award prices for those plants up to 1 MW will be defined by the Italian Energy Regulation Authority (“**ARERA**”) through an implementing decree to be issued within 90 days from the entry into force of the Transitional FERx. These prices will be set to ensure fair remuneration of investment and operational costs, considering technology and plant size, and will be subject to annual updates based on market analyses and cost trends.

Competitive auction procedures

Plants with a nominal capacity of more than 1 MW can apply for the support mechanism through national competitive procedures, within the limits of allocated power quotas, if they meet specific requirements. These procedures are managed by the Italian state-owned energy service system operator, “*Gestore dei Servizi Energetici*” – GSE S.p.A. (“**GSE**”) and are designed to promote transparency, competition, and non-discrimination.

Plants must fulfill the following requirements:

- **Authorizations:** building permits already obtained or, upon request of the applicant, environmental permits.
- **Grid connection:** an accepted estimate for connection to the national electricity grid and registration of the plant on the GAUDI system validated by the Terna S.p.A.
- **Environmental Compliance:** (including the principle of “Do No Significant Harm” (DNSH), and specific requirements detailed in Annex 3 of the Transitional FERx.
- Duty to participate in the **Balancing and Redispatch Market**.
- **Financial solvency:** possession of certain standards of financial and economic capacity of the participating entity.

¹ Construction works shall be deemed as started in case the notice of commencement of works has already been sent.

Enrolling in competitive auction procedures

Plants with a capacity greater than 1 MW participate in competitive auction procedures that can be summarized as follows:

- **Letter of interest:** plants potentially interested to take part to the procedure must submit a previous letter of interest (with a maximum of three letters of interest).
- **Submission of bids:** participants submit a bid offering a percentage reduction on the base tariff.
- **Payment of a provisional guarantee** to the extent of 50% of the **final guarantee** (which is 10% of the investment cost for the plant) and commitment to submit the final guarantee.
- **Ranking criteria:** bids are ranked by the GSE based on the highest percentage reduction offered with further criteria in case of offers of equal values (so-called “priority criteria”).
- **Awarding:** rankings are published by the GSE within 90 days from the closure of the deadline for submission of bids.
- **Contingent allocation:** total capacity contingents are established for each technology and competitive procedure.

The Transitional FERx establishes the following total capacity contingents to be allocated through auctions and registers up to 31 December 2025:

- Solar Photovoltaic: 10 GW
- Onshore Wind: 4 GW
- Hydroelectric: 0.63 GW
- Gas from sewage treatment processes: 0.02 GW

Further details on contingent allocation will be provided by a Ministerial Decree to be issued within 60 days from the publication of the Transitional FERx.

Further details on the letters of interest and the competitive procedures will be provided in the operation rules to be approved by the GSE within 90 days from the entry into force of the Transitional FERx.

Plants with a nominal capacity greater than 10 MW subject to sole authorisation procedure (it. “*Autorizzazione unica* - AU”) may opt for an **accelerated assessment procedure**. Following a specific application, GSE will evaluate the project while the authorisation procedure is pending and will issue a qualification of eligibility within 30 days from the issuance of the AU.

Compatibility with Other Aid

The incentives provided by Transitional FERx are compatible only with certain other forms of aids, subject to specific conditions:

- **Capital grants:** cumulative with capital contributions not exceeding 40% of the investment cost.
- **Financial instruments:** compatible with guarantees and revolving funds.
- **Tax benefits:** compatible with tax incentives in the form of tax credits or deductions.

In cases of cumulation, the price of adjudication is adjusted accordingly.

Entry into operation of the plants and payments

Plants awarded in the rankings shall **enter into operations within 36 months from the publication of the rankings to avoid tariff reductions** and **within maximum further 15 months to avoid the forfeiture of the tariff**.

The plants that are in a useful position in the awarding rankings, may waive their position within six months from the date of publication, by notifying the GSE. The GSE may impose the following penalties:

- 30% of the final guarantee if the waiver is communicated within six to twelve months of the ranking list's publication, or
- 50% of the final guarantee, if the waiver is communicated after 12 months.

Payment of incentives

- Plants with capacity ≤ 200 kW: the GSE directly handles the collection and sale of the electricity, paying the feed-in tariff for the net production fed into the grid. The plant owners can request, alternatively, the application of the mechanism described below.
- Plants with capacity ≥ 200 kW: the electricity produced remains available to the producer, who autonomously provides for its valorisation on the market. The GSE calculates the difference between the award price (prezzo di aggiudicazione) and the greater value between zero and the reference price identified in the Day-Ahead Market price determined in the relevant transaction period (hereinafter, relevant period) and in the market area where the contracted plant is located, and:
 - i if this difference is positive, the GSE shall pay a consideration equal to such price differential, calculated on the net production fed into the grid.
 - ii if this difference is negative, the GSE shall adjust or request from the the holder a fee equal to such price differential, calculated on the net production fed into the grid.

Adjustment payments mechanism

The GSE shall, as of the date of the entry into operation of a plant, adjust the payment of auction prices according to the following (among others):

- **Penalties for delays**: delays in entering into operation may result in reductions of the awarded tariff or forfeiture of the incentive.
- **Price adjustment mechanisms**: the decree includes mechanisms for adjusting the awarded price based on inflation indices.
- **Duration of incentives**: the incentive period is set for 20 years from the date of the entry into operation.

Monitoring and Adjustments

The GSE is tasked with monitoring the implementation of the decree and the progress towards achieving national decarbonization goals:

- **Data analysis**: the GSE will analyze cost data and market trends to assess the effectiveness of the incentive scheme.
- **Adjustments**: based on monitoring results, the Ministry may adjust the tariffs or contingents if the level of support is deemed insufficient or excessive.
- **Reporting**: regular reports will be published, providing transparency on the implementation and impact of the incentives.

The GSE is responsible for the following **verification procedure**:

- **Before the conclusion of the competitive procedure**, GSE shall verify the completeness of the application for participation.
- **After the conclusion of the procedure**, GSE shall examine the documentation transmitted and, within the deadline for publication of the ranking list and shall conclude the verification of compliance with the requirements necessary for admission to the support mechanism.

Priority criteria in case capacity contingents are exceeded

If the total number of requests exceeds the quota allowed for a single procedure, the GSE will apply the following **priority criteria in the following order**, with equal value of the offered percentage discount:

- only for photovoltaic plants: complete removal of the Eternit covering or covering in any case containing asbestos (amianto) on which the plant is installed.
- only for photovoltaic plants: complete renovation and upgrading of existing plants in agricultural areas on the same area and with the same surface area of agricultural land originally occupied.
- plants built in areas identified as suitable according to the law.

- the presence of an energy storage system serving the plant that guarantees at least daily modulation of electricity according to criteria defined in the Operational Rules.
- signing of long-term energy supply contracts with a duration of at least 10 years.
- the date of the application to participate in the procedure.

Maximum time required for the interventions

The plants that are in a useful position in the relative rankings shall be put into operation within thirty-six months from the date of publication of the rankings.

Failure to comply with the above deadline will result in a reduction of the award price:

- 0.2% for each month of delay for the first nine months, and
- 0.5% for the following six months, up to a maximum limit of fifteen months.

If the additional maximum term of 15 months is not respected, the GSE declares the forfeiture from the ranking list and enforces the final guarantee; moreover, if the plant is subsequently readmitted to support mechanisms, the GSE applies a 5% reduction in the award price to that plant.



In conclusion

Following the Minister's recent statements, there is a widespread expectation that two auctions will be held by the end of the year. However, if the first auction takes place at the end of the summer as announced, there may not be enough time to complete both auctions by the end of 2025.

It is important to note that, despite potential differences in base prices for the auctions, competition between technologies may lead to lower prices. Therefore, in the medium term, this mechanism might seem less attractive compared to the market price or the conclusion of a long-term Power Purchase Agreement (PPA) with a top-tier corporate off-taker.

Having said that, we anticipate significant interest from the market in this transitional instrument. Together with other regulatory frameworks and incentive schemes, it will ensure the bankability of Italian renewable projects.

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