

COUNTRY FACTSHEET

April 2023*

* policy changes may have occurred between the time of preparation and publication of this factsheet



SOCIALWATT

CONNECTING

OBLIGATED PARTIES

TO ADOPT INNOVATIVE

SCHEMES TOWARDS

ENERGY POVERTY

ALLEVIATION

ITALY

BACKGROUND

- › **No official definition** of energy poverty, but the National Energy & Climate Plan ([NECP, 2019](#)) refers to energy poverty as “the inability to purchase a minimum energy basket of goods and services or a situation where access to energy services entails a diversion of resources (in terms of expenditure or income) higher than the socially acceptable level” in line with the definition suggested in the [National Energy Strategy of 2017](#).
- › The main **national indicator** used to estimate energy poverty is the one defined in a [report of the Bank of Italy in 2014](#), that combines two sets of energy poverty conditions:
 - **EITHER high energy expenditures:** when the equivalent energy expenditure is twice the average expenditure, AND that the total expenditures net of energy expenditures are lower than the relative poverty threshold.
 - **OR deprivation:** when the total equivalent expenditure is lower than the median, AND, that the heating expenditures are negligible (close to 0).
- › The trend over 2018-2020 decreased down to 8% of households in situation of energy poverty in 2020 ([OIPE 2021](#)). The indicator is monitored by the **independent Italian observatory on energy poverty (OIPE, created in 2019)**. OIPE's latest estimate showed an increase to **8.5%** (i.e., **about 2.2 million of households**) in situation of energy poverty in 2021, close to the 2016 level ([OIPE 2022](#)).

The OIPE published two annual reports in 2019 and 2020 that investigated different aspects of energy poverty in Italy and continues to share studies in the field. Studies for example analysed the differences among regions and found that the Southern regions present the highest rates of energy poverty. A new report should be published by the end of June 2023.

Other indicators account for a worsening of energy poverty during the last 2 years. The share of households with arrears on utility bills ([EU-SILC/Eurostat](#)) increased from 4.5% in 2019, to 6% in 2020, and 6.5% in 2021. In December 2021, the price index for “Dwelling, water, electricity, gas and other fuels” increased by 14.4%.

The **National Energy Poverty Observatory**, institutional observatory, was **established in March 2022** (Legislative-Decree n. 210 of 8 November 2021, in application of the Directive EU/2019/944) by the [Ministry of Ecological Transition](#) (now Ministry of Environment and Energy Security since the change of government in October 2022).

- › Italy has **6 climate zones**, with very different energy needs (both, for space heating and/or cooling). **Over 65%** of the 12.4 million residential buildings (about 32 million dwellings) was **built before the first energy requirements** for buildings set in 1976. The database of Energy Performance Certificates



provides an overview of the distribution of the dwellings per energy class: **78,8% of the rated dwellings are in the least performing classes (E to G)**, with 37% being in the G class ([LTRS – Long Term Renovation Strategy 2020](#)). Natural gas is the dominant energy for space heating.

- › The [Legislative Decree 17/2022](#) amended the Article 11 of the [Legislative Decree 210/2021](#) implementing the EU legislation on electricity markets, by requiring the **development of a national strategy against energy poverty**. However, this strategy has not yet been adopted.
- › The main measures to alleviate energy poverty, as presented in the [NECP](#) and in place before the COVID outbreak, have been **measures to help low-income households with their energy bills**, i.e., direct aids in the form of [electricity, gas and “Physical discomfort”¹ bonuses](#) available since 2008. The bonuses are funded through a charge on the electricity and gas tariffs. Households are eligible based on income criteria and the amount depends on the household size.
 - In 2019, the electricity bonus amounted to 137 million euros for about 840,000 households, and the gas bonus to 76 million euros for about 560,000 households.
 - The NECP however pointed that the regulatory body (ARERA, in charge of the bonuses) estimated that only 30 to 35% of the households who could be eligible applied for receiving the electricity and gas bonuses. This is why [their payment was made automatic](#) to all eligible households from January 2021.
- › The main **measures for energy efficiency** in residential buildings are the **tax deductions** on energy renovation works: the “Ecobonus” (since 2007) and the “Superbonus” (since 2020 to 2023). These tax deductions are open for all households. Specific provisions were adopted to make it easier for low-income households (from 2017) and for social housing bodies (from 2018) to use the scheme (*see more details in the table about energy efficiency measures below*).
- › Another national measure was initiated in 2020 to use **Renewable Energy Sources** (RES) to alleviate energy poverty. Building on the pilot scheme ([Reddito Energetico](#)) implemented in the municipality of Porto Torres, the **National Energy Income Fund** is a revolving fund with 200 million euros initially set to cover 100% of investment costs for the installation of PV panels for low-income households for own consumption. The revenues from the excess electricity fed in the grid go back to the fund. The Fund is operated through agreements between regions and [GSE](#), a public operating body that manages several energy efficiency and RES schemes like the feed-in tariffs for RES.

MAIN RECENT MEASURES TO HELP HOUSEHOLDS FACE THE ENERGY CRISIS

- › [Superbonus 110%](#) (Residential energy efficiency improvement incentive, 1st of July 2020 – 31st December 2023): special increased rate for the financial incentive (income tax reduction) for energy efficiency in dwellings, adopted as part of the Recovery & Resilience Plan (*see more details in the table below*).
- › [VAT reduction on gas bills](#) (Last quarter of 2021-First quarter 2023): VAT reduced from 10% or 22% (depending on consumption level) to 5%. On December 18th, 2021, 608 million EUR of revenue loss

¹ All households including a member requiring electro-medical equipment are eligible for the “Physical discomfort” bonus, administered by ARERA and the municipalities.

were agreed to finance it. On April 21st, 2022, an additional 5.5 billion EUR were approved towards this measure and keeping electricity bills to zero throughout summer.

- › **General system charges rates set at zero** (Last quarter 2021-first quarter 2023): The rates of general system charges to be paid by users were kept at zero. Directed towards 29 million domestic consumers during the last quarter of 2021. On December 18th, 2021, an additional 1.8 billion EUR were disposed for this measure.
- › **Mechanism to enable instalment payments for electricity and natural gas bills** (December 2021-April 2022): energy suppliers had to offer to their residential customers with payment difficulties an instalment plan without interest over maximum 10 months. The mechanism was defined by the regulatory agency (ARERA). In compensation, ARERA provided an advance (capped to 1 billion EUR in total) to the energy suppliers, and to be reimbursed by the suppliers by December 2023. A similar (but smaller) mechanism was used during the COVID crisis. This mechanism makes it possible to help households that face temporary difficulties with their energy bills and are not eligible to the social bonus (households eligible to the social bonus can also benefit from the instalment mechanism).
- › **Extension of the social bonus** (April 2022 – on-going): the equivalent annual income threshold has been increased from 8,000 to 12,000 EUR from April 2022, ensuring that over 3 million households receive the electricity bonus and over 2 million households the gas bonus. Further extensions were made (e.g., increasing the income threshold specifically for large families).
- › **Reduction of excise duties on transport fuels** (March to October 2022): successive tax reduction on transport fuels were implemented, with different rates (according to the trends in the market prices)
- › **One-off bonus** (September 2022): one-off bonus of 150 EUR for households with an equivalent annual income lower than 20,000 EUR (about 22 million people, i.e., more than a third of the population).

The 'crisis' measures were decided as part of successive '**Aiuti packages**'^{2,3}. The end of the main 'crisis' measures from the second quarter of 2023 was decided according to the decrease of electricity and gas wholesale prices. Nevertheless, the regulatory agency reminded that the increase in the average household electricity bill will be about 33% over 12 months (for July 2022-June 2023 vs. July 2021-June 2022)⁴. The social bonus then remains an essential measure ([ARERA 2023](#)).

² <https://www.corriere.it/economia/consumi/cards/decreto-aiuti-bis-14-miliardi-taglio-cuneo-bollette-pensionimisure/gas-tutela-clienti-vulnerabili.shtml>

³ <https://tg24.sky.it/economia/2022/09/13/decreto-aiuti-bis-2022#06>

⁴ The average increase was about 83% in July2021-June2022 compared to July2020-June 2021. The average increase in households' gas bills was about 71% over the same period ([ARERA](#)).

MAIN NATIONAL ENERGY EFFICIENCY MEASURES TACKLING ENERGY POVERTY

<p>Ecobonus (renewed periodically since 2007)</p>	<ul style="list-style-type: none"> › Income tax deduction for energy and seismic renovation works, rate from 50 to 90% depending on the action type (this incentive rate has evolved strongly over the years); it is granted in 10 equal annual instalments (making it difficult for low-income households to use it). › The scheme does not include social criteria for eligibility or grant rate. New provisions were added in 2017 to make it possible for low-income households to use it (possibility to transfer the tax deduction to a third-party). Other provisions were added in 2018 to open it to social housing bodies. A superbonus was added in 2020 as part of the recovery plan (see below). › The National Energy Efficiency Fund, operational since 2019, provides financial guarantees for credit institutions to issue eco-loans to households or co-owners of condominiums for the energy renovation of dwellings, in synergy with the ecobonus. Which may also improve the access to it for low-income households. › Maximum eligible costs are set for each action type to limit the risk of price increase by installers. › From 2007 to 2021 (included), the Ecobonus supported about 5.5 million interventions representing investments of about 53 billion EUR and estimated savings of 21.7 TWh/year. In 2021, 59% of the savings came from the replacement of heating systems, 22% from the replacement of windows or doors, 13% from wall insulation (ENEA 2022a). It is difficult to assess what share of these results comes from interventions among households at risk of energy poverty (for more details, see ENEA 2022a; and ENEA 2022b)
<p>Superbonus (1st of July 2020 – 31st December 2025)</p>	<ul style="list-style-type: none"> › Similar scheme as the Ecobonus, with a special rate of 110% until the end of 2023, and granted in 4 or 5 instalments (instead of 10). › The higher incentive rate is related to higher energy efficiency requirements: the project must improve the buildings by at least two energy classes and include insulation of at least 25% of the building envelope (with materials meeting environmental criteria) or the replacement of the heating system. › The super bonus was also designed to facilitate the credit transfer to a third party and invoice discount, to make it possible for low-income households to use it. › It was first extended until the end of 2023 and will then continue with decreased rate (70% until end of 2024 and 65% until end of 2025). › More than 51 billion EUR of investments in about 307,191 projects were done between November 2020 and end of September 2022, for estimated energy savings amounting to about 9.4 TWh/year (ENEA 2022). 42% of the investments happened in condominiums, 39% in single-family houses, and 19% in other buildings (with a single owner and several dwelling units). As for the Ecobonus, it is difficult to assess what share of these results comes from interventions among households at risk of energy poverty (for more details, see ENEA 2022a; and ENEA 2022b).

The table above is focused on the national EE policy measures tackling energy poverty. More initiatives exist at regional or local level, or led by stakeholders such as energy companies. As illustrated by the [schemes developed](#)

as part of SocialWatt.

FOCUS ON ARTICLE 7 EED AND THE ROLE OF ENERGY COMPANIES

Italy implements an Energy Efficiency Obligation Scheme, including white certificates, since 2005. The obligated parties are the electricity and gas distributors. However, this EEOS does not include specific provisions related to energy poverty. In practice, most of the white certificates come from the non-residential sectors (mostly in industry). Therefore, energy companies are not directly involved in the implementation of energy efficiency policies for households at risk of energy poverty.

The main policy measure for energy efficiency in the residential sector is the tax credit scheme (ecobonus, superbonus and bonus casa) (see details above). It is among the alternative measures reported by Italy to Article 7 EED. Another alternative measure that can also contribute to tackling energy poverty is the Thermal Account ('Conto Termico'): it provides another type of financial incentive for energy efficiency improvement and RES systems for thermal energy in buildings.

Italy's NECP also mentioned that a large-scale programme for making social housing more energy efficient was under consideration. This could have been done for example with the special budget of the superbonus (as part of the Recovery & Resilience Plan). Social housing bodies can apply for the superbonus, but they represent a very small share of the investments supported by these incentives (it is mostly used by individual owners) ([ENEA 2022a](#); and [ENEA 2022b](#)).



INTERVIEW WITH ALESSANDRO FIORINI (ENEA)

› Do you expect an increase in the number of households at risk of energy poverty due to the current energy crisis?

All the available information brings to this conclusion. Recent trends showed that, despite the economic shock caused by the COVID pandemic, the percentage of households in energy poverty (according to the indicator chosen in the Italian NECP) has decreased (from 8.5% in 2019 to 8% in 2020). Different indicators confirm that households nonetheless experienced difficulties in securing a minimum level of energy services, as the needs increased. The percentage of households declaring to be in arrears on utility bills in 2020 ([EU-SILC/Eurostat](#)) increased by 1.5% points compared to 2019 (from 4.5% to 6%). A further increase has been registered in 2021 (to 6.5%).

From the second quarter of 2021, prices of energy commodities have started rising because of the prompt recovery of the economic activity after the relaxation of lockdown measures due to the pandemic. According to the [latest OIPE update](#), in 2021 the share of Italian households in energy poverty rose to 8.5%. The additional instability on energy markets and the supplementary deterioration of the economic context caused by the war in Ukraine lead to expect a further increase for 2022.

› Have there been recent changes in the policy measures to tackle energy poverty?

End of 2021 and 2022 have been characterised by an intense policy making activity aimed at tackling the effect of the energy crisis. Despite no measure is specifically tailored for households identified as in energy poverty, the

interventions implemented are certainly coherent with counteracting energy deprivation. Law-Decrees issued between the second half of 2021 and the first half of 2022, as well as the 2021 Budget Law, have mostly targeted:

- Cancellation/reduction of the system charge component of the electricity and gas energy bill;
- Reduction of the VAT to 5% for gas consumption;
- Strengthening of the energy social bonus;
- Reduction of excise duties on transport fuels.

The overall expenditure commitments amount to approximately 60 billion EUR, half of which allocated to the reduction of households' energy bills.

› Are energy efficiency schemes an important part of the national strategy or approach to tackle energy poverty?

Potentially yes, because the current set-up of the eligible energy efficiency projects for buildings allows the promotion of significant improvements to tackle energy poverty (See: [Table 1](#), Annex 2 of the Ministerial-Directorial Decree 30/04/2019). Provided that the technical and normative framework of the Scheme will be adapted to the need of prioritising vulnerable energy end-users. This would also mark a significant step ahead in the introduction of the Energy Efficiency First principle in the national EED framework, as envisaged by the recent guidelines published by the European Commission.

› **What is or should be the role of energy companies in the schemes to tackle energy poverty?**

As part of the white certificates' schemes, energy companies, and more specifically electricity and gas distributors, can contribute with a general reduction of energy demand in final use through systemic-infrastructure interventions that they can put in place: e.g., energy network retrofitting. The establishment of collaboration with other relevant stakeholders (administrations, agencies, third sector) can reinforce the identification and diffusion of good practices on energy-saving oriented behaviours and consolidate informed consumption models.

› **The current recast of the Energy Efficiency Directive will likely introduce an “energy poverty” ringfence or sub-target as part of the national energy savings obligation. Do you expect changes in the policy measures to meet this sub-target?**

› Anchoring energy efficiency measures to energy poverty reduction/alleviation outcomes certainly allows to combine positive (measurable) social impact to the

energy security and the sustainable transition objectives pursued by the European Union. However, an energy poverty ringfence must be flexible, i.e., built upon the specific features of energy poverty incidence faced by each Member State (along the lines with different occupational status of household members, location, number of components, etc.). National policy makers must identify such unbalances among their populations and set-up convenient targets.

› **Would you like to add a comment on the topic of energy efficiency measures to tackle energy poverty?**

A crucial challenge for Italy is shaping the measures for the development of energy efficiency in buildings (fiscal deductions) to the purpose of reducing energy poverty. Since the introduction, such measures show encouraging results (especially the Ecobonus: see ENEA's Annual Report on Energy Efficiency 2022, [Chapter 3](#)). A reorganisation of the incentive schemes ending up to a single structural measure whose support is proportional to the environmental and social benefit produced is desirable.

INTERVIEW WITH DANIELE BERGESIO (eVISO Spa)

› Do you expect an increase in the number of households at risk of energy poverty due to the current energy crisis?

Energy poverty was already high in Italy before inflation and price rise, but with the recent events (such as the war in Ukraine) energy poverty has undergone a surge. Social services institutions have already realized, but the Government not enough.

› Have there been recent changes in the policy measures to tackle energy poverty?

During 2021 and 2022, Italy allocated more than 90.7 billion EUR (5.1% GDP)⁵ mainly to cover electricity and gas invoices. Less funds were assigned for energy efficiency: most of the funds were given for the emergency and not for a proper project to solve it upstream. I am not saying this is wrong; there are households who could not pay bills before the crisis, and when the prices rose, they needed aid. However, after the emergency, energy efficiency should be considered as one of the most urgent actions among the institutions' activities.

› Are energy efficiency schemes an important part of the national strategy or approach to tackle energy poverty?

There are 50-60-90% tax deductions (before 2023, the 90% deduction was 110%) for renovating homes. But this led to higher prices for materials and manpower, and the uptake was mainly for households who could already pay for the retrofit. There is not any specific and effective directive for energy poor households by the recent Governments (electricity, gas and water bonuses are windfall measures and

are not correctly addressing energy poor households).

› How do you see the role of energy companies or ESCOs in the field of tackling energy poverty?

Utilities and ESCOs have a key role in addressing energy poor households with direct visits, energy management assessments, advice and renovations. In my opinion, though, their contribution is only partial, and they cannot be left alone at this action.

In fact, only a strong collaboration with no-profit institutions, municipalities and NGOs could alleviate energy poverty efficiently. Trust with households should be created and kept, and for-profit companies usually do not address well this task. In addition, energy poverty should be mapped, and for-profit companies usually do not work with any kind of poverty. This means they do not know nor understand poverty as much as social care institutions or municipalities do. Energy poverty could be alleviated starting with a strong partnership between public and private sectors together with direct help from central or regional Governments (for instance with specific tax deductions, direct or indirect funds, bureaucracy reduction, and so on).

› The current recast of the Energy Efficiency Directive will likely introduce an “energy poverty” ringfence or sub-target as part of the national energy savings obligation (either for EEOs or Alternative measures). Do you expect changes in the Italian policy measures to meet this sub-target?

⁵ <https://www.bruegel.org/dataset/national-policies-shield-consumers-rising-energy-prices>

As soon as the Italian authority for energy, distribution and environment regulation (ARERA) will take up the European policy and deliberate the Italian norm, there will be a change at tackling energy poverty. Nevertheless, it could take months or, most probably, years before obligated companies (at the moment, only electricity and gas distributors) will start developing schemes to alleviate energy poverty directly. Right now, obligated parties are more interested at schemes that turn into action more easily, while energy poverty alleviation involves collaborations, trust, talking to households, public sector partnerships which is something companies usually are not looking for (as it takes more time and money to approach).

› **Would you like to add a comment on the topic of energy efficiency measures to tackle energy poverty?**

European directives are more likely to succeed if European Governments' uptake will be high. In addition, for a stronger impact every country needs enough funds, especially for energy poverty, not to cause gentrification (landlords usually are not interested in renovations involving tenants who struggle to pay rents; or, in case they agree, then rents could increase letting energy poor tenants leaving the dwellings), and to address properly energy poverty efficiently. This regards not only lower cost schemes (from information up to lightbulb and appliances replacement), but higher cost ones (from photovoltaic panels and heat pumps to insulation, which is the most efficient action but more expensive), for which energy poor households should be helped more.





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SocialWatt is a Horizon 2020 project that develops and provides **utilities** and **energy suppliers** with appropriate **tools** for effectively engaging with their customers and working together towards **alleviating energy poverty**.

SocialWatt also enables obligated parties under **Article 7** of the Energy Efficiency Directive across Europe to develop, adopt, test and spread **innovative energy poverty schemes**.

SocialWatt contribute to the following three main pillars:

- 1 Supporting utilities and energy suppliers contribute to the fight against energy poverty through the use of **decision support tools**.
- 2 Bridging the gap between energy companies and social services by promoting collaboration and implementing **knowledge transfer** and **capacity building activities** that focus on the development of schemes that invest in Renewable Energy Sources / Energy Efficiency and alleviate energy poverty.
- 3 **Implementing** and **replicating** innovative schemes to alleviate energy poverty.



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