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Italy unveils €8bn energy support plan
The Italian government is to spend €8bn protecting consumers, industry and local authorities from soaring energy prices that are threatening to hinder the country's recovery from the pandemic.— PAGE 2

Pandemic recovery

Italy unveils €8bn plan to reduce impact of soaring energy prices

'Sanctions [against Russia's energy industry] must be effective but sustainable'

AMY KAZMIN — ROME
SILVIA SCIORILLI BORRELLI — MILAN

Italy will spend €8bn to shield consumers, industry and local authorities from rising energy prices and support the car industry, as soaring electricity and gas bills threaten to undermine its recovery from the pandemic.

Mario Draghi, prime minister, also warned that any international sanctions targeting Russia's energy industry — in response to aggression against Ukraine — would hit Italy particularly hard.

"All sanctions that impact energy will impact Italy more than any other country because we are gas dependent, unlike France and Germany," Draghi said as he unveiled the energy package. "Sanctions must be effective but sustainable."

Italy will spend roughly €6bn to cut levies on energy bills and to shield the poorest households, its most energy-intensive businesses and financially fragile local authorities from the full impact of the energy price surge.

Rome will also allocate €800mn this year, and €1bn next year, to help Italy's automotive industry transition to more energy efficient, less polluting electric vehicles. Details will be decided later.

The package is the latest attempt by Draghi's government to ensure that the country's rebound from a near 9 per cent Covid-induced contraction in gross domestic product in 2020 is not derailed by surging energy bills. "The government wants to prevent rising energy prices from reducing households' purchasing power and help businesses be competitive," he said.

Rome has already spent some €10bn since last July to try to hold down consumer power bills. Despite that, Italy's energy regulator, Arera, raised electricity prices by 55 per cent and gas prices by 42 per cent at the start of this year.

Without the government's intervention, domestic electricity prices would have increased by 65 per cent in the first quarter of this year, energy analysts say.

Industry groups warn that the energy price shock will result in lower corporate profits and higher consumer prices, acting as a drag on the recovery.

Italian industries are expected to face €37bn in energy costs in 2022, up from €8bn in 2019, according to a publication by economists Massimo Beccarello and Ciro Rapacciuolo of the national business lobby Confindustria. "This is an unsustainable level for Italian companies and could lead to business closures in the absence of a meaningful public intervention," the study said.

Draghi said the package unveiled on Friday would not affect Rome's ability to meet its fiscal deficit target of 5.6 per cent of GDP, nor add to public debt.

An Italian official said the government had headroom as a result of better than projected fiscal performance last year. Italy depends on imports for nearly three-quarters of its energy needs, according to Eurostat, the statistical agency of the European Commission.

L'Italia annuncia un piano da 8 miliardi di euro per ridurre l'impatto del prezzo crescente dell'energia