

Italian Stock Market

Thematic Report

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Winners and Losers in the “Age of Electricity”

The geopolitical tensions that are accelerating the transformation of the Energy Sector. Among the energy vectors, Electricity is the fastest-growing one, low-carbon technologies are capturing an increasing share of incremental demand, while grids, flexibility and critical supply chains are emerging as the key physical constraints of the transition. We provide our reading of the current industry outlook, identifying the strongest business models and the Italian Stocks poised to be among the winners in this new Era.

The key trends ongoing

Latest available industry statistics suggest a few clear trends:

- 1) The “Age of Electricity” is a reality: global electricity demand was up 3% in 2025, more than twice the 1.3% growth in total energy demand. And is expected to grow +3.6% p.a. over 2026-2030 outgrowing the broader energy system, also driven by data centres and AI;
- 2) Investment in power generation has outpaced network capex for years, and grids are becoming the bottleneck for connecting generation, storage and new electricity loads. Grid development / upgrade should thus enter a global supercycle, with investments up ca. 50% by 2030E;
- 3) Firm and flexible power is necessary to manage the rising shares of intermittent renewables and large concentrated loads of data centres. As a result, storage and flexibility should become core infrastructure, while digitalisation / grid-enhancing technologies increasingly complement physical storage by unlocking underutilised system capacity;
- 4) Critical-mineral and battery supply chains concentration is now an economic-security risk, subject to increasing export restrictions. This should support expansion of recycling and circular-economy solutions.

Winning models: the electrification enablers

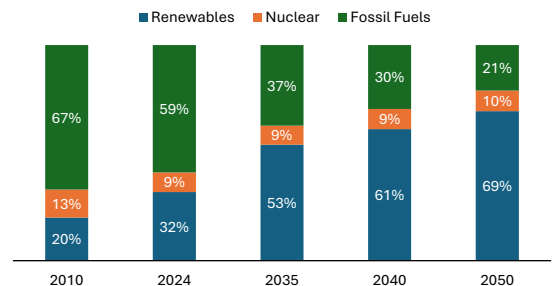
We see electricity TSOs and DSOs (e.g. A2A, Acea, DEA, Terna and more) and integrated power solution providers / grid-equipment / components manufacturers and engineering (e.g. Cembre, DBA, ErreDue, Maire, Prysmian, Tesmec, and more) as the clearest structural beneficiaries of the transition.

Grid/BESS monitoring / orchestration / optimization software solution providers (e.g. Altea Green Power, Redelfi and more) should also be among the main beneficiaries.

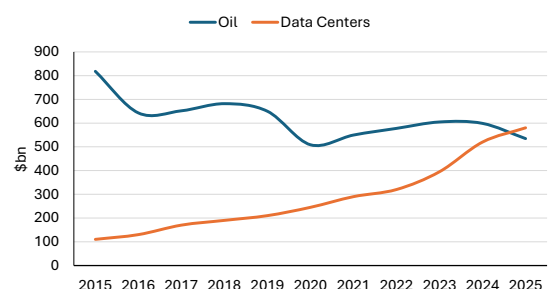
Players in circular economy (e.g. De Nora, Haiki+, RES and more) should face increasing need to create a strategic domestic supply of critical energy-related minerals.

Last but not least, renewable developers, EPC and IPPs (e.g. ESPE, Energy Time, and more) remain attractive selectively with RTB assets, hybrid RES+BESS projects and contracted portfolios more valuable than generic MW pipelines.

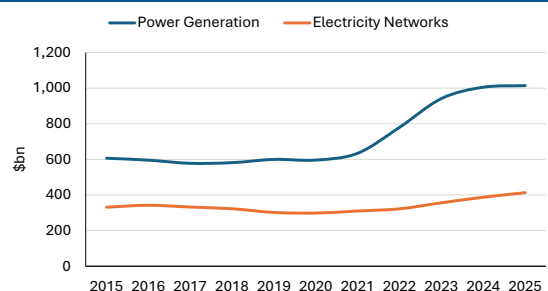
POWER GENERATION MIX



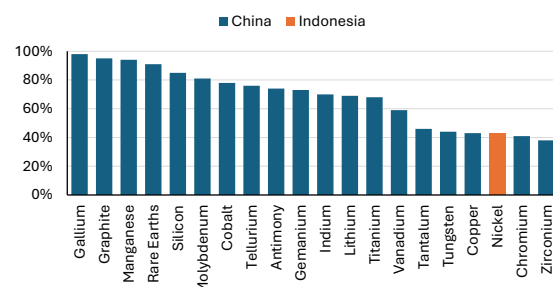
ANNUAL SPENDING IN DATA CENTERS VS OIL SUPPLY



INVESTMENTS IN POWER GENERATION VS ELECTRICAL GRIDS



LEADING PRODUCERS OF KEY ENERGY-RELATED MATERIALS



Source: IEA, Value Track Analysis

Energy “Trilemma” facing rapid changes

Note by the Value Track Research Team: This chapter is largely drawn from the Executive Summary of the thematic report “Energy Atlas”, published today. Such report provides further detail on the key trends shaping the global energy sector and on its expected developments.

Driven by many different factors, the global energy system is entering / has entered the “**Age of Electricity**” with several implications in terms of the so-called “**Energy Trilemma**” - i.e.:

1. Energy Security;
2. Energy Sustainability;
3. Energy Affordability.

1. Energy Security: drivers, Outlook, Issues of Today “top Priority”

Energy security has evolved into a fundamental matter of economic and national security, demanding a three-pronged approach centred on:

- Meeting highly increasing demand;
- Ensuring grid stability;
- Diversifying mineral-heavy supply chains.

Here, the key messages are the following, in our view:

- **Record power demand ahead: the Age of Electricity is already visible in actual data.** Global electricity demand grew by almost 3% in 2025 versus +1.3% for total energy demand, and IEA forecasts electricity demand to grow by 3.6% p.a. in 2026-30, at least 2.5x faster than overall energy demand.
Looking further out, power demand could still rise by ~40-50% to 2035 depending on scenario, driven by global cooling demand, electrification (of mobility and heating) and digitalization (Data Center);
- **Low-carbon sources are capturing an increasing share of incremental demand, but the transition remains additive before becoming fully substitutive:** oil, gas and coal all increased in 2025, while low-emission sources accounted for almost 60% of global energy-demand growth.
Over the longer term, by 2050 electricity demand should still be 80% higher than 2024 and become the primary energy source for 50% of global GDP, with oil demand a few p.p. lower, coal demand almost halved, and fossil fuels in power generation declining from 60% in 2024 to 20% in 2050, replaced by renewables;
- **Asia remains the centre of gravity of electricity demand growth:** emerging economies are expected to account for nearly 80% of additional electricity consumption through 2030, with China alone remaining the largest contributor and India and Southeast Asia progressively increasing their share.
China also remains the “green giant” of this new era, effectively leveraging its massive manufacturing surplus to control over 80% and 85% of the world’s solar PV and battery storage manufacturing at every stage of the supply chains, respectively, at prices that no competitor can match;
- **There is a Chinese “bottleneck” in critical minerals’ refining and technologies:** the challenge of energy security today lies in the strategic securing of supply chains for strategic minerals, where market concentration creates extreme systemic vulnerabilities.
Critical-mineral refining remains highly concentrated and is becoming more, not less, strategic: excluding rare earths, the average share of the leading refining country (China) reached 72% in 2025, while export controls have turned concentration risk into an immediate economic-security issue;
- **Global supply is stuck in bureaucracy and infrastructure (grid) bottlenecks:** more than 2,500 GW of generation, storage and large-load projects remain stalled in grid connection queues worldwide, highlighting that network capacity is becoming the key bottleneck linking new supply and demand.

In EU/Italy the "permitting wall" remains a primary barrier, and solar deployment remained at record levels in 2025 — the more relevant structural issue is the shift from generation-cost constraints to integration constraints, with curtailment, negative prices, grid congestion and storage needs increasingly shaping deployment economics — while Global electricity grids require an expansion of over 25 million kilometers by 2035 to connect decentralized generation and modernize a backbone that has faced decades of under-investment;

- **A rising premium on firmness and flexibility** supports a multi-tool reliability mix including selected gas-fired generation, hydro, nuclear, storage and demand response, as the value proposition increasingly shifts from bulk energy volumes toward availability and responsiveness;
- **Storage and flexibility, the new core system resources:** battery additions reached around 110 GW in 2025 (+40%), while demand response, aggregators, smart meters, AI-enabled forecasting and grid-enhancing technologies are increasingly used to manage congestion, curtailment and volatile prices. This combines also with PSH (pumped storage hydropower) and low-emission hydrogen as further pillars of system flexibility.

2. Energy Sustainability: Despite All...Still a Priority (Especially for EU)

Among the three pillars of the Trilemma (i.e. the priorities in the energy sector) probably today **Energy Sustainability** (i.e. decarbonization) is perceived as no longer really top-priority, due to geopolitical shocks and affordability concerns.

However, the 2025 data show that low-emission technologies continue to scale rapidly, underscoring that sustainability remains a structural policy objective and should not distract from the primary long-term objectives, i.e. **achieving Net Zero Emissions scenario ("NZE") by mid-century**.

We would assess that **renewables are the primary engine** of this shift, and especially **for the EU**, renewables are also **a key driver for security**, as fossils are not an option to improve its energy independence. Yet, achieving absolute **sustainability requires also**:

- A complex portfolio of **innovative technological solutions** to address the temperature overshoot. While several technologies have exceeded expectations, including batteries, electric vehicles (EVs), liquefied natural gas, shale oil, and solar photovoltaics, other technologies are taking longer to mature despite initial enthusiasm, such as **carbon capture and storage and clean hydrogen**.

Among the most promising we flag Carbon Capture, Utilization, and Storage ("CCUS"), Direct Air Capture ("DAC") and Bioenergy with CCS ("BECCS") and, with a longer time horizon, Small Modular Reactors ("SMRs") and Next-Generation Geothermal, Bioenergy and Hydrogen-based fuels and all the Storage Spectrum;

- Sustainability transitioning from a purely environmental goal to a structural economic requirement, where **material efficiency and circularity** are as critical as the energy source itself, serving as a structural imperative to ensure technology sovereignty in a resource-constrained world.

Global economy is currently only 7.2% circular, total material consumption (now around 100bn tons of materials per year) is projected to double by 2050 and circularity is no longer just an environmental goal but a geopolitical necessity to enhance energy independence.

In the energy sector specifically, under current policy settings, secondary supply for key energy minerals could rise from around 10% today to close to 20% by 2040, making recycling an increasingly important supply-security tool;

- Maximizing the existing infrastructure "value" (i.e. power), **via repowering and revamping** policies. Without further land usage, modern technologies serve as a significant lever of the circular economy. Repowering offers a few advantages: a) it allows developers to bypass the bureaucratic wall; b) it can help to reach 2030 targets without controversial new transmission corridors; c) In the solar sector, shortening replacement schedules could expand the global PV market by up to 60% by 2035, even without adding new operational capacity.

3. Energy Affordability: Now it is an Issue for the Whole Value Chain

Energy Affordability is a pre-requisite for widespread adoption of new low-carbon technologies. For many nations, high energy prices can crash an economy and cause social tension, making the predictability of costs as vital as the clean nature of the energy itself.

The transition is increasingly shifting affordability risk from fuel procurement toward financing, networks and system integration. In a more capital-intensive electricity system, WACC, grid charges and the recovery of infrastructure costs become as important as commodity prices. This creates a causal chain where the high upfront costs of clean technologies dictate the affordability of energy for those who supply it, those who consume it, and those who finance its expansion:

- **For Suppliers** – The affordability for energy producers is defined by their ability to recover massive upfront investments through stable, long-term revenue streams. In fact, the traditional risk of fuel price volatility is replaced by the logistical and financial challenges of an infrastructure-heavy grid.

In other terms, in the legacy fossil-fuel model, fuel and carbon costs accounted for roughly 75% of a project's lifetime expenses, while in the renewables-led system, upfront capital represents over 67% of total costs, with “marginal cost” of energy frequently dropping to zero. Hence, the average cost of energy comprises four critical components: a) **Capital Recovery**; b) **Fuel and O&M Costs**; c) **Emissions-Related Costs** (as European emissions trading system, or “ETS”) and d) **Grid Tariffs**.

- **For Consumers** - The structural shift toward electric mobility and heating is increasing consumer sensitivity to electricity price fluctuations. Yet, household energy bills typically do not reflect only commodity prices and energy delivery costs, but also policy and market design. Residential electricity prices vary significantly across countries and regions, and Europe has some of the world's highest prices. European affordability is increasingly shaped by a two-sided volatility problem: scarcity hours can still transmit gas and capacity costs into high prices, while periods of renewable surplus generate zero or negative prices and weaken capture rates. Market design must therefore reconcile affordable consumer bills with adequate remuneration of capacity, grids and flexibility.

While household energy bills in all advanced economies are projected to fall by 2035 due to the superior efficiency of electric technologies, a new “**financing barrier**” has emerged. Also consumers (or prosumers) are moving to a more capital intense model and affordability for the modern consumer depends not only on the price per kilowatt-hour (the operating cost) but on the ability to finance the high upfront capital costs to buy efficient equipment (e.g. heat pumps and EVs) required to access lower long-term operating costs. We note that a mechanism introduced in Italy to directly enhance consumer affordability is **Renewable Energy Communities (“CERs”)**: a sophisticated legal and operative ecosystem (association or cooperative) that shares energy locally, which may allow households to join as “consumers” with zero upfront investment, participating in local generation and energy sharing.

- **For investors** – As energy transition is a structural shift from an “Opex-driven” system to a “Capex-driven” one, **WACC** remains one of the most important determinants of project economics in capital-intensive energy infrastructure, particularly for renewables and grids, while revenue structure, capture-price exposure, permitting and connection risk are increasingly important co-determinants.

With \$3.2tn of global energy investments in 2024, affordability for investors means securing **predictable, long-term returns in a capital-intensive environment**. This implies that

- a) even minor variations in interest rates or **risk premiums** can affect high-quality renewable resources viability - note that the cost of capital for power generation projects in emerging and developing economies is over twice as high as in advanced markets;
- b) developers need **standardized market instruments** to bridge the structural mismatch between their long-term needs and the short-term preferences of energy buyers, the Power Purchase Agreements (PPAs) and Contracts for Difference (CfDs), which “bancabilize” projects by providing fixed revenue streams and reducing the overall LCOE (Levelized Cost of Energy) to support transition;
- c) the large **regulated asset bases** of large-scale grid operators provide the high earnings visibility required to navigate a generational investment cycle, granting investors superior visibility.

Winning Business Models in the new Era

In such a challenging scenario, the business models / verticals that in our view are structural beneficiaries of the transition, are the following ones:

1. **Transmission System Operators (TSOs) & Regulated Utilities:** these regulated monopolies are the primary beneficiaries of an **investment super-cycle**.

With Europe requiring ~€3 trillion in investments over the next decade to modernize grids that are 40 to 50 years old, and because these investments are integrated into utilities' RAB, they generate regulated and contracted earnings (estimated at 85% of total sector investment for major utilities), granting investors superior visibility compared to volatile commodity markets.

Indeed, they win through the expansion of their Regulatory Asset Base (RAB), which guarantees a "fair return" (**often ~10% ROE**) on the massive infrastructure needed to modernize grids;

2. **Equipment and Infrastructure Manufacturers:** companies producing high-voltage cables, transformers, switchgear, integrated power solutions, power electronics and transformers hold immense pricing power, for example.

These and other products are the "peak and shovels" of electrification and energy transition. Lead times for critical components have nearly doubled due to a massive global backlog as grids expand by 25 million kilometers;

3. **Smart Grid and AI Software Providers** (e.g. Grid/BESS monitoring / orchestration / optimization software solution providers): these firms act as the "neural network" of the transition. They win by providing the digital tools needed to predict weather-dependent supply and manage Virtual Power Plants (VPPs), which monetize decentralized flexibility that was previously invisible to the market;

4. **Flexible Generation and Storage Operators:** in a system led by intermittent renewables, these players win by providing "split-second responsiveness".

They profit from "value stacking": combining wholesale price arbitrage (i.e. buying low, selling high) with high-margin grid stability contracts;

5. **Renewables Operators (not always):** EPCs are due to build the massive additional wind and solar capacity (mostly expected by 2030-2035) and IPPs to operate it, provided the former operate in attractive margin segments and the latter adopt flexible models, supported by storage and/or PPAs or fixed-price contracts (CfDs/PPAs), and/or in a stable regulatory framework;

6. **Circular Economy Specialists:** with a projected 30-40% supply shortfall in minerals like copper and lithium by 2035, firms that recover minerals from electronic waste win by creating a strategic domestic supply, reducing dependency on concentrated imports.

7. **Nuclear Technology Vendors and SMR Developers:** Nuclear is experiencing a renaissance as the only carbon-free source capable of providing 24/7 stable baseload for AI data centers.

Small Modular Reactors (SMRs) win by offering serialized, factory-built units that reduce construction risk and upfront costs.

Weaker Business Models in the new Era

Among the business models that in our view might be negatively impacted by the sector changes, there are:

1. **Unabated Coal & Inflexible Baseload Generators:** the biggest losers face structural decline due to carbon pricing ("ETS"). They lose because they cannot ramp output fast enough to handle the "Duck Curve" or negative price events caused by zero-marginal-cost renewables.
2. **Unhedged Pure Commodity Retailers:** facing "extinction-level" risks. Relying on selling "naked" kWh without sophisticated hedging or energy services leaves them exposed to spot market price spikes that can trigger immediate financial distress.
3. **Single-Source Dependent Manufacturers:** industries (particularly automotive and hardware) that rely on a single country for 70-90% of refined minerals face extreme risks from export controls and geopolitical trade barriers.
4. **Standalone/Uncontracted Renewable Operators:** pure play solar or wind without storage or fixed-price contracts (CfDs/PPAs) suffer from "price cannibalization". Their high production crashes market prices during the very hours they are most active, eroding their revenue.
5. **Energy-Intensive Industries with Slow Electrification Pathways:** failing to adopt industrial heat pumps or other electric processes face a "competitiveness gap" due to reliance increasingly penalized fossil fuels
6. **Traditional Residential Gas Utilities and Boiler Manufacturers:** facing terminal demand decline as electric heat pumps and residential technologies physically displace natural gas in buildings.

Italian Stocks Best Positioned in the new Era

Given what we said in terms of: 1) key trends / expected evolution of the Energy Sector; and of 2) business models / verticals that in our view are structural beneficiaries of the transition in such scenario, here follows a list of Italian stocks that in our view are best positioned to be among the winners in the new Era.

In this respect, however, it is important to underline that

- Most of the names of the energy industry and of the industries related are not “pure play”. They are often diversified, or moving away from legacy businesses and in the middle of the transition process;
- The trends we outlined are sometimes medium/long term trends and hence the strategic and financial implications for the various players are not immediately visible.

Italian Stocks: Winners in the new “Electricity Age” Era already as of now

Name	Segment	Categories	Notes
A2A S.p.A.	EXM	Distribution System Operator (DSO); Renewables (RES) Operator; Circular Economy Specialist	Multiutility; Power Generation (RES and Traditional); Retail/Trading; Circular Economy
Acea S.p.A.	EXM	DSO; RES Operator; Circular Economy Specialist	Multiutility; Power Generation (RES and Traditional); Grid Infrastructure; Gas Infrastructure; Retail/Trading; Circular Economy; Development, EPC, O&M
Acinque S.p.A.	EXM	DSO; Circular Economy Specialist	Power Generation (RES and Traditional); Grid Infrastructure; Gas Infrastructure; Retail/Trading; Circular Economy; ESCo
Alerion Clean Power S.p.A.	EXM	Flexibility and Storage Provider	Pumped Hydroelectric Energy Storage (PHES)
Altea Green Power S.p.A.	EXM STAR	Flexibility and Storage Provider; RES Operator	Utility-scale BESS; Development; Generation (RES) from 2025
Ascopiave S.p.A.	EXM STAR	DSO; RES Operator	Power Generation (RES); Gas Infrastructure
DEA S.p.A.	EGM	DSO	Grid Infrastructure; Last-Mile Transmission
Energy Time S.P.A.	EGM	Infrastructure Equipment Manufacturer (for RES Generation)	Development, EPC, O&M
ERG S.p.A.	EXM	RES Operator	Power Generation (RES)
Erredue S.P.A.	EGM	Flexibility and Storage Provider	Hydrogen Generation (Electrolyzers)
ESPE S.p.A.	EGM	Infrastructure Equipment Manufacturer (for RES Generation); Flexibility and Storage Provider	Development, EPC, O&M; BESS; Mini wind turbines, Biomass cogeneration units, Power Stations
ICOP S.p.A.	EGM	Infrastructure Equipment Manufacturer	Development, EPC, O&M; Other Works
Industrie De Nora SpA	EXM	Flexibility and Storage Provider; Circular Economy Specialist	Hydrogen Generation; Development, EPC, O&M; Lithium Recovery
Iniziativa Bresciane S.p.A.	EGM	RES Operator; Infrastructure Equipment Manufacturer (for RES Generation)	Power Generation (Hydro); Development, EPC, O&M
IRCE S.p.A.	EXM STAR	Infrastructure Equipment Manufacturer	Magnet Wires and Energy Cables
Italgas SpA	EXM	DSO; Flexibility and Storage Provider	Gas Infrastructure; Hydrogen Storage; ESCo
MAIRE S.p.A.	EXM	Infrastructure Equipment Manufacturer; Flexibility and Storage Provider; Circular Economy Specialist; Nuclear Technology	Development, EPC, O&M; Other Works; Hydrogen Infrastructure
Next Geosolutions S.p.A.	EGM	Infrastructure Equipment Manufacturer	Development, EPC, O&M; Other Works
PLC S.p.A.	EXM	Infrastructure Equipment Manufacturer (for RES Generation)	Development, EPC, O&M
Prysmian S.p.A.	EXM	Infrastructure Equipment Manufacturer	Development, EPC, O&M; Key Materials; Grid Infrastructure
Recupero Etico Sostenibile S.p.A	EGM	Circular Economy Specialist	Chemical Recycling of Key Materials
Redelfi S.p.A.	EGM	Infrastructure Equipment Manufacturer (for RES Generation); Flexibility and Storage Provider	Development, EPC, O&M; BESS
Snam S.p.A.	EXM	Transmission System Operator (TSO); Flexibility and Storage Provider	Gas Infrastructure; Hydrogen Infrastructure
Terna S.p.A.	EXM	TSO; Infrastructure Equipment Manufacturer; Flexibility and Storage Provider	Grid Infrastructure; Development, EPC, O&M; BESS; Other Works;

Source: Value Track Analysis

Italian Stocks: Wannabe Winners in the new “Electricity Age” Era

Name	Segment	Categories	Notes
A.B.P. Nocivelli S.p.A.	EGM	Infrastructure Equipment Manufacturer (RES)	Development, EPC, O&M; ESCo
Cembre S.p.A.	EXM STAR	Infrastructure Equipment Manufacturer	Electrical Connectors; Railway and Power Transmission
DBA Group SpA	EGM	Infrastructure Equipment Manufacturer	Development, EPC, O&M in Energy and TLC
Ecosuntek S.p.A.	EGM	RES Operator; Flexibility and Storage Provider; Commodity Reseller (L)	Power Generation (RES); Retail/Trading; BESS
Edison SpA	EXM	RES Operator; Nuclear Technology; Traditional Residential Gas Utility (L)	Power Generation (RES and Traditional); Hydrogen Storage; Nuclear (SMR; AMR); Retail/Trading;
Enel SpA	EXM	DSO; RES Operator; Flexibility and Storage Provider, Traditional Residential Gas Utility (L)	Power Generation (RES and Traditional); Grid Infrastructure; BESS; Retail/Trading
ESI S.p.A.	EGM	Infrastructure Equipment Manufacturer (for RES Generation); RES Operator	EPC (incl. repowering/revamping), O&M, Power generation (RES) from 2025
Gas Plus S.p.A.	EXM	Infrastructure Equipment Manufacturer; Flexibility and Storage Provider; Traditional Residential Gas Utility (L)	Power Generation (Traditional); Gas Infrastructure; Gas Storage; Development, EPC, O&M; Retail/Trading
Haiki+ S.P.A.	EGM	Circular Economy Specialist	Circular Economy of Key Materials
Hera S.p.A.	EXM	DSO; Circular Economy Specialist; Traditional Residential Gas Utility (L)	Grid Infrastructure; Gas Infrastructure; Water Infrastructure; Retail/Trading; Circular Economy
Innovatec SpA	EGM	Infrastructure Equipment Manufacturer (for RES Generation); Standalone RES Operator; Commodity Reseller	Development, EPC, O&M; Retail/Trading Power Generation (PV) from 2025
Iren S.p.A.	EXM	DSO; RES Operator; Circular Economy Specialist; Traditional Residential Gas Utility (L)	Power Generation (RES and Traditional); Grid Infrastructure; Gas Infrastructure; Development, EPC, O&M; Retail/Trading; ESCo; Circular Economy
Seri Industrial S.p.A.	EXM	Flexibility and Storage Provider; Circular Economy Specialist	BESS; EV
SIT S.p.A.	EXM	Infrastructure Equipment Manufacturer	Smart Water and Gas Metering
Tesmec S.p.A.	EXM STAR	Infrastructure Equipment Manufacturer	Grid Infrastructure; Development, EPC, O&M
Webuild SpA	EXM	Infrastructure Equipment Manufacturer	Grid Infrastructure; Development, EPC, O&M

Source: Value Track Analysis

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