5TH ITALY

G7 FOSSIL FUEL SUBSIDY SCORECARD

Despite Italy's commitments to phase out fossil fuel subsidies and tackle climate change under the Paris Agreement, the government – like all G7 governments – continues to provide billions in support to oil, gas and coal, both domestically and internationally, through fiscal support and public financing mechanisms.

Overview

In 2016, during Italy's presidency of the G7, the Ministry of Environment released an inventory of environmentally harmful subsidies, which includes reporting on fossil fuel subsidies. In 2017, the Italian government followed this by committing to undertake a G20 subsidy peer review, due to be completed in 2018.

Italy has phased out almost all fiscal support to coal mining, and all public finance – at home and abroad.

Although Italy has performed relatively well in the phase-out of domestic support for fossil fuel exploration, public finance institutions continue to support oil and gas exploration abroad. Italy also provides extremely high levels of support for fossil fuels consumed by industry, transport and agriculture, including through reductions in fuel taxation.

Scoring G7 progress in ending government support for fossil fuels

	ITALY	FRANCE	GERMANY	CANADA	UK	JAPAN	US
Overall score and ranking	5th 46/100	1st 63/100	2nd 62/100	3rd 54/100	4th 47/100	6th 44/100	7th 42/100
1. Transparency	3rd 50/100	3rd 50/100	1st 90/100	6th 25/100	7th 10/100	5th 30/100	2nd 70/100
2. Pledges and commitments	5th 58/100	1st 83/100	1st 83/100	4th 75/100	1st 83/100	6th 50/100	7th 25/100
3. Ending support for fossil fuel exploration	4th 38/100	1st 63/100	1st 63/100	3rd 42/100	4th 38/100	7th 29/100	4th 38/100
4. Ending support for coal mining	1st 75/100	1st 75/100	4th 60/100	1st 75/100	5th 55/100	6th 45/100	7th 20/100
5. Ending support for oil and gas production	3rd 42/100	1st 54/100	1st 54/100	7th 25/100	3rd 42/100	5th 38/100	6th 33/100
6. Ending support for fossil fuel-based power	7th 29/100	2nd 64/100	6th 39/100	1st 71/100	3rd 50/100	4th 46/100	5th 43/100
7. Ending support for fossil fuel use	7th 33/100	4th 54/100	6th 46/100	2nd 67/100	5th 50/100	1st 71/100	2nd 67/100

Source: see G7 fossil fuel subsidy scorecard and Methodology note for references.

This country scorecard is one in a seven-part series. The country findings are collated in the summary report, which you can find at **odi.org/g7-scorecard** along with full references and further information about the methodology and data source used. This country scorecard was written by Leah Worrall, and peer reviewed by Gabriele Nanni and Katiuscia Eroe (Legambiente) and Mariagrazia Midulla (WWF Italy).

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odi NRDC IISD International Institute for Sustainable Development OILCHANGE INTERNATIONAL

5TH

ITALY

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Indicators

1. Transparency **50/100**

- Italy is relatively transparent on fiscal support for fossil fuels, following the Ministry of Environment's 2016 inventory on environmentally favourable and harmful subsidies (*Catalogo dei sussidi ambientalmente favorevoli e dei sussidi ambientalmente dannosi*).
- In 2017, Italy agreed to take part in a fossil fuel subsidy peer review as part of the G20 countries' longstanding commitment to phase out subsidies.
- Neither of Italy's two public finance institutions that support oil and gas production and fossil fuel power – the Servizi Assicurativi del Commercio Estero (SACE) and Cassa Depositi e Prestiti (CDP) – provide comprehensive and specific data on fossil fuel projects.

2. Pledges and commitments **58/100**

- Beyond its G7 and G20 commitments, Italy has made two European Union (EU)-specific pledges to end fossil fuel subsidies: to phase out environmentally harmful subsidies by 2020; and, under the EU Decision to phase out hard coal mining subsidies by 2018.
- In contrast to other European G7 countries, Italy has made no commitments to end support for fossil fuels from its public finance institutions (SACE and CDP).

3. Ending support for fossil fuel exploration **38/100**

- Although no support for domestic exploration activities have been quantified, there is evidence of ongoing fiscal support for onshore and offshore exploration, as well as new support for facilitating exploration in the Adriatic.
- In 2015, SACE provided international guarantees for oil and natural gas exploration in Angola, Azerbaijan and Brazil, and in 2017 agreed co-financing with France's Compagnie Française d'Assurance pour le Commerce Extérieur for a natural gas exploration project in Mozambique.

4. Ending support for coal mining **75/100**

- In 2015–2016, Italy provided no public finance for coal mining either internationally or domestically. In the same period the only references to fiscal support for coal mining were for research and development (although the value of this support is not quantified).

5. Ending support for oil and gas production **42/100**

- From a fiscal support perspective, the Italian government is still providing support for oil and gas extraction and research and development activities (2015 and 2016).
- Italy also provides public finance for oil and gas production both domestically and internationally (2015 and 2016). For example, CDP provided loans and guarantees for oil refining in Italy and Egypt. SACE also provided loans and guarantees for oil refining and extraction in Brazil, Egypt and Russia (2015 and 2016). In 2017, SACE provided support for oil and gas infrastructure in Iran and Russia.

6. Ending support for fossil fuel-based power **29/100**

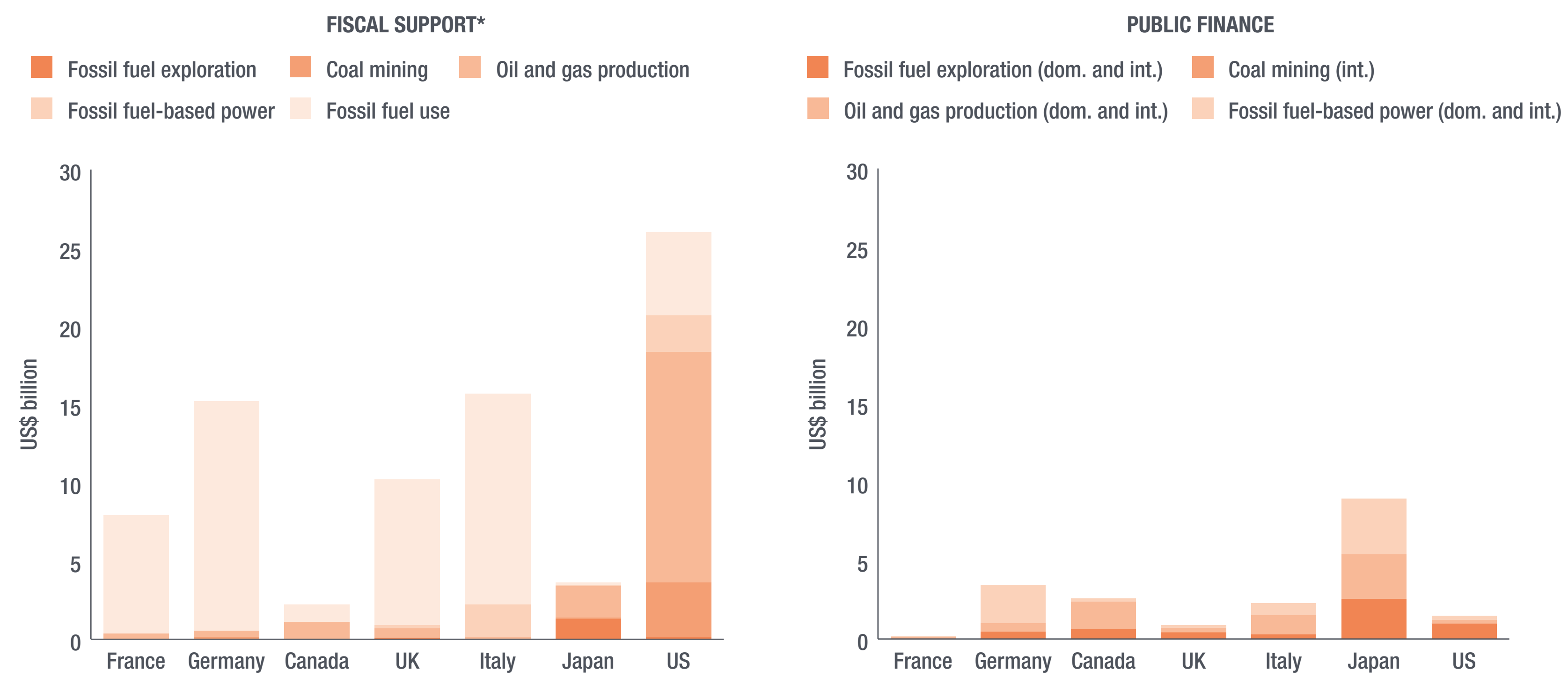
- The Italian government is providing tax relief for domestic electricity and heating production, alongside budget transfers to fossil fuel-fired power plants.
- Italy's SACE also provided guarantees to coal and gas-fired power projects overseas, including in the Dominican Republic, Egypt and Indonesia (2015 and 2016).
- Our analysis also found that as recently as 2017 and 2018, SACE guarantees were provided to a coal-fired power plant in Viet Nam and a gas-fired power plant in Switzerland.

7. Ending support for fossil fuel use **33/100**

- Italy provides extremely high levels of support for fossil fuels consumed by industry, transport and other sectors (e.g. fisheries and agriculture). The largest fiscal support measures are reduced taxation on diesel fuel, tax relief measures for fuel consumption by trucking companies and aviation.
- The Italian government also provides high fiscal support to household use of fossil fuels, including through VAT tax reductions on natural gas and liquid petroleum gas. However, it is worth noting that tax relief to poor families is energy neutral, and also applies to renewable energy.

> Italy provides significant levels of fiscal support to the transport sector, the vast majority of which goes towards the use of diesel fuel.

Figure 1 G7 fiscal support and public finance for fossil fuels (annual average 2015 and 2016)



**All domestic. Note: scoring under indicators 3–7 was based on totals in Figure 1 divided by gross domestic product (GDP), so that countries were compared based on totals per unit of GDP.*
Source: author's own

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