Italy

G20 coal subsidies

Italy continues to subsidise coal, including through **tax breaks for coal-fired electricity** and heat production

<table>
<thead>
<tr>
<th>Coal and Italy’s economy</th>
<th>US$38,904</th>
<th>10,964</th>
<th>259</th>
<th>13%</th>
</tr>
</thead>
<tbody>
<tr>
<td>GDP per capita, PPP (2016–2017 average)</td>
<td>13%</td>
<td>2016 imports (kilotonne oil equivalent)</td>
<td>2016 exports (kilotonne oil equivalent)</td>
<td>Share in power mix (by generation)</td>
</tr>
</tbody>
</table>

**Key findings**

- Italy produces little coal, and most public support comes as consumer subsidies for industrial purchase of electricity (all coal power in Italy is for industry).
- Like several other G20 countries, Italy has undergone a peer review of its fossil fuel subsidies.
- No evidence was found for government financial support to transition away from coal.

**Prominence of fossil fuels and subsidy phase-out commitments**

- Italy obtains 61% of its electricity from fossil fuels (IEA, 2019) and the government still supports the production and consumption of oil, gas and fossil fuel-powered electricity (Gençsü et al., 2017).
- As a member of the G20, Italy has committed to phase out inefficient fossil fuel subsidies over the medium term (as agreed in 2009), and as a G7 member to do so with a 2025 deadline (G20, 2009; G7, 2016). Italy has also committed to phase out environmentally harmful subsidies, including for fossil fuels, by 2020 as part of the European Union and as a signatory to the Convention on Biological Diversity (Aichi Target 3) (UN, 1992; European Commission, 2011).
- In 2018 the government published a G20 subsidy peer review of its fossil fuel subsidies, together with Indonesia (Ministry of Environment et al., 2019), which was welcomed by non-governmental organisations (IISD, 2019). The Ministry of Environment also produced a 2017 catalogue of fossil fuel subsidies, although a mooted 2018 update never materialised.

**Government support to coal production**

- Italy has phased out almost all domestic and international public finance and fiscal support to coal mining.
Italy’s only coal mine – Carbosulcis, in Sardinia (Carbosulcis, 2018a) – was scheduled to close in 2012, but strikes resulted in upgrades and an extension until 2018. Carbosulcis is indirectly owned by the Sardinian regional government.

**Government support to coal-fired power production**

- Italy’s export credit agency Servizi Assicurativi del Commercio Estero (SACE) and state lender Cassa depositi e prestiti (CDP) continue to consider investing in coal projects overseas.
- Italy has proposed a publicly funded observatory to facilitate research into carbon capture and sequestration (CCS) technology, however a lack of new information on this suggests it is not up and running at the time of writing.
- Italy provides tariff support to energy producers, including for electricity from coal gasification.
- The Sardinia region was due to receive an €8.3 million (US$9 million) grant and €78 million (US$85 million) in subsidised loans for a new thermal coal plant with integrated CCS. EU State Aid laws blocked these subsidies however, and decommissioning of the plant has begun (Carbosulcis, 2018b).
- Our analysis finds tax exemptions for electricity and heat production from coal, resulting in €31 million (US$33 million) of subsidies per year (2016–2017 average).

**Government support to coal and coal-fired power consumption**

- Italy has few coal-specific consumption subsidies but does subsidise energy to keep prices low (Bast et al., 2015).
- Gestore dei Servizi Energetici (GSE) is a state-owned enterprise that promotes and supports renewable energy. Historically, it supported fossil fuel electricity production through price-gap support and was required to purchase fossil fuel electricity at above-market prices, selling on electricity at a loss. This is to be phased out by 2020 (Cammi and Assanelli, 2014).
- There are also tax exemptions for consumers and, given 13% of Italy’s electricity is from coal, this represents government support to coal-fired power. These include exemptions for transport, low-consumption households, and a 12% value added tax (VAT) reduction on domestic electricity, together resulting in €813 million (US$870 million) of fiscal support per year (2016–2017 average).

**Italy’s government support to coal and coal-fired power production and consumption**

€, 2016–2017 annual average

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Coal production</th>
<th>Coal-fired power</th>
<th>Coal consumption</th>
<th>Transition support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fiscal support (budgetary transfers and tax exemptions)</td>
<td>none identified</td>
<td>30,900,000</td>
<td>813,042,349</td>
<td>none identified</td>
</tr>
<tr>
<td>Public finance</td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
</tr>
<tr>
<td>State-owned enterprise investment</td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
<td>none identified</td>
</tr>
</tbody>
</table>

Note: for more detail and sources see the Italy data sheet available at odi.org/g20-coal-subsidies/italy.

1 This category includes support for coal exploration, mining, processing and transportation.

2 This category includes support for consumption of coal-fired power, and of coal other than for its use for coal-fired power generation (or for co-generation of power and heat).

3 This category includes support for closing down mining sites, and for workers and communities in their transition away from coal and coal-fired power.
Government support to the transition away from coal and coal-fired power

- There are plans for environmental reclamation and restoration at Carbosulcis mine, however it is unclear whether transition measures are in place to support workers and communities.

References


