Italy

G20 coal subsidies

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

Coal and Italy's economy

US$38,904	10,964	259	13%
GDP per capita, PPP (2016–2017 average)	2016 imports (kilotonne oil equivalent)	2016 exports (kilotonne oil equivalent)	Share in power mix (by generation)

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

Instrument	Coal production[i]	Coal-fired power	Coal consumption[ii]	Transition support[iii]
Fiscal support (budgetary transfers and tax exemptions)	none identified	30,900,000	813,042,349	none identified
Public finance	none identified	none identified	none identified	none identified
State-owned enterprise investment	none identified	none identified	none identified	none identified

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

[i] This category includes support for coal exploration, mining, processing and transportation.

[ii] 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).

[iii] 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.
- The Minister for Economic Development stated in 2017 that 'an exit from coal between 2025 and 2030 is possible [and] will cost about €3 billion' (Wynn, 2017). The 2018 National Plan for Energy and Climate confirmed the closure of coal-fired power plants by 2025 (European Commission, 2018).

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This country study is one in an 18-part series. The country findings are collated in the summary report, which you can find at **odi.org/g20-coal-subsidies** along with full references, acknowledgements and further information about methodology and data sources.

Unreferenced information in this summary is from the analysis conducted for this report, available in the Italy data sheet at **odi.org/g20-coal-subsidies/italy**.

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