

Country report: ITALY

WP 1 – Taking stock of the current instrument mix

Deliverable 1.2: Review of the existing instrument mix at EU level and in selected Member States

Brussels

February 20th 2013



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.Performances

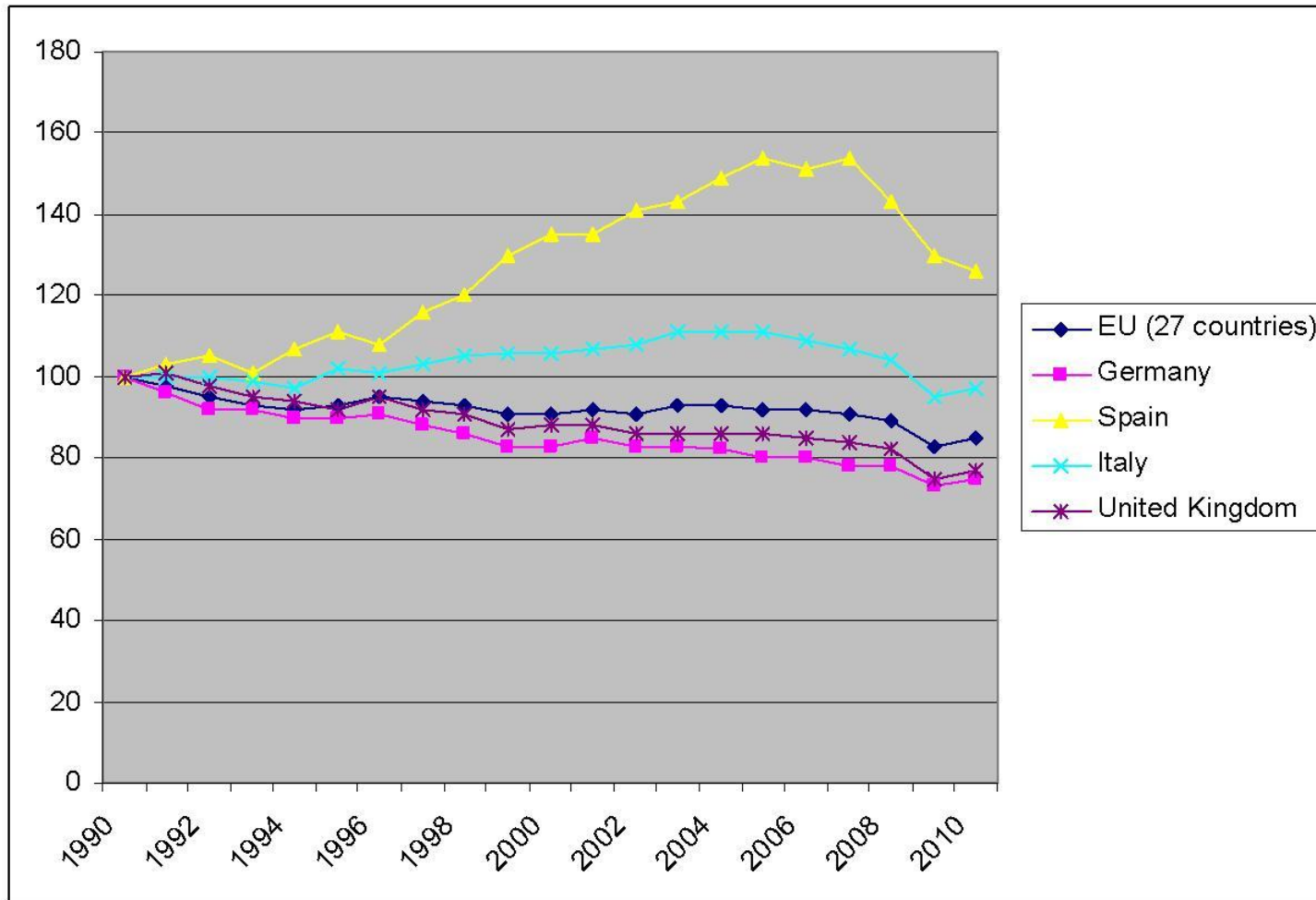
GHG trends not comply with Kyoto,

Energy efficiency historically high but..

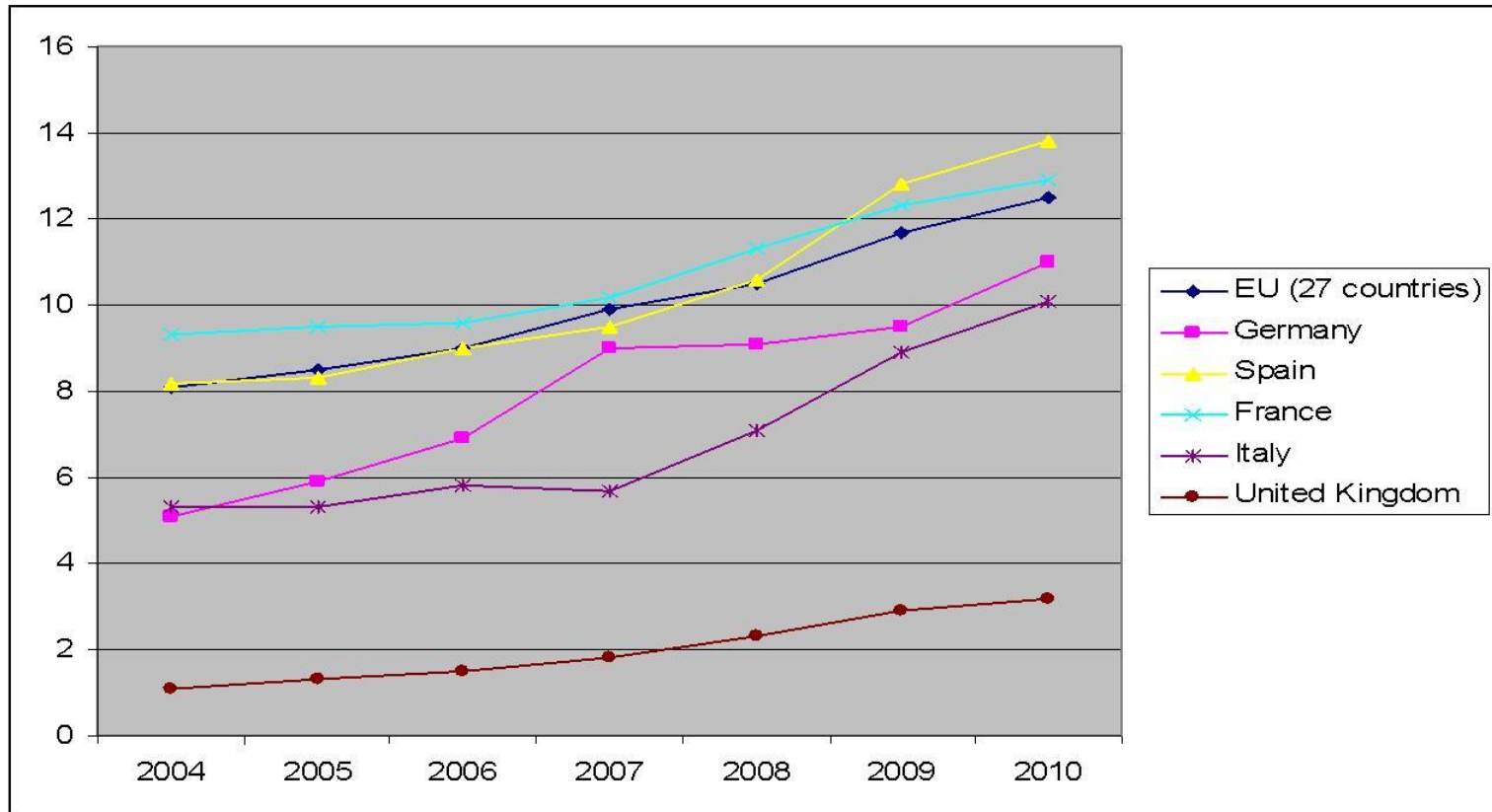
Good renewables expansion

Significant structural breaks are not
showing up overall

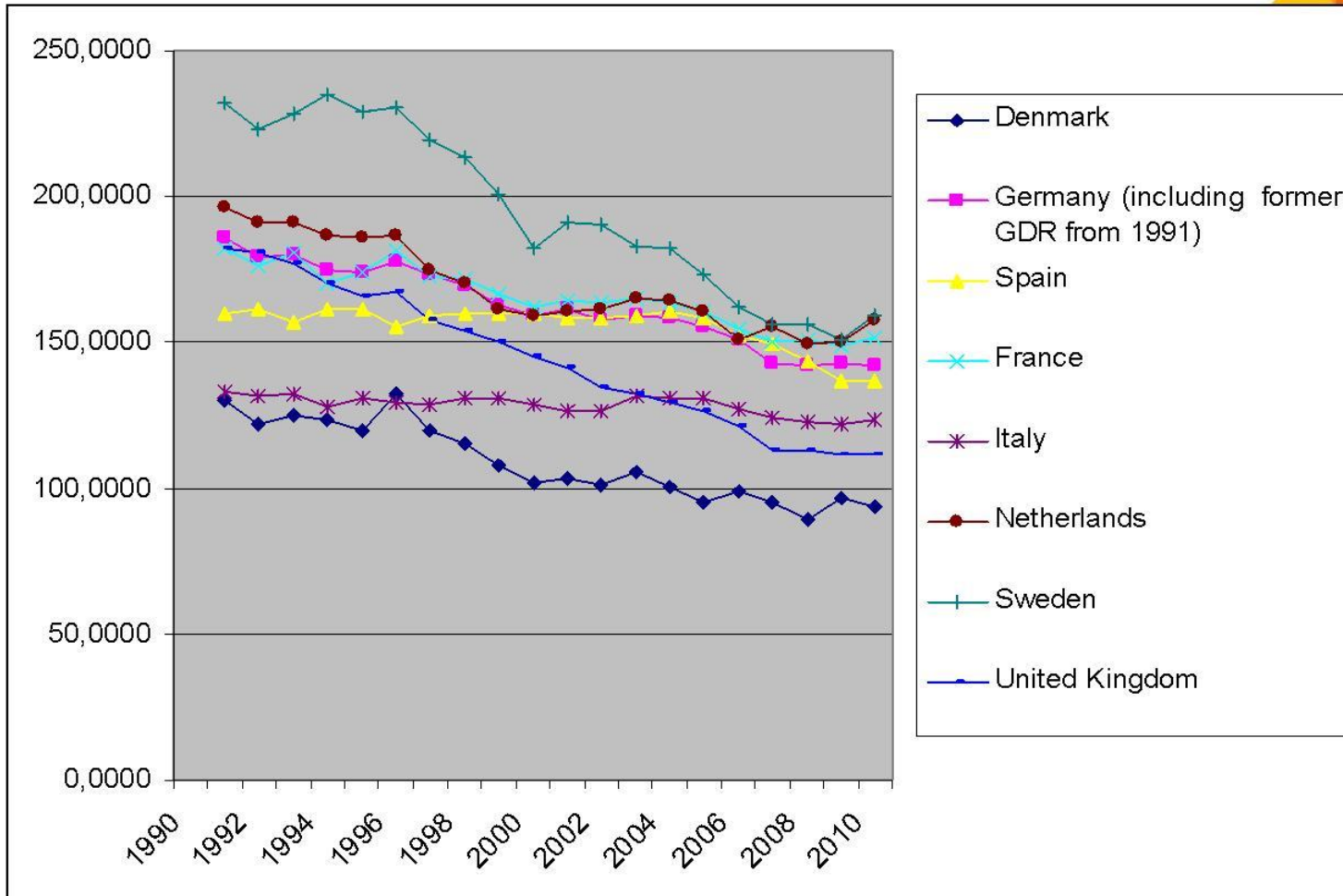
Figure 1 - GHG trends (1990 =100), source EUROSTAT



Share of renewable energy on total energy, source EUROSTAT



energy intensity of GDP



Instrument Name	Landscape
ETS	Carbon pricing
Kyoto Fund	Carbon pricing /Energy efficiency and energy consumption/Promotion of renewable sources of energy
energy efficiency related Tax incentive	Energy efficiency and energy consumption
Energy Performance Certificate for buildings	Energy efficiency and energy consumption
Incentives for the purchase of vehicles	Energy efficiency and energy consumption
White certificates	Energy efficiency and energy consumption
Energy related Feed in tariff/ premium (conto termico)	Energy efficiency and energy consumption
Landfill tax	Non-carbon dioxide greenhouse gases
Waste management tariffs (tariffa igiene ambientale) and new TARES (since January 2013)	Non-carbon dioxide greenhouse gases
All inclusive Tariff (tariffa omnicomprensiva)	Promotion of renewable sources of energy
Certificates of release for biofuels consumption	Promotion of renewable sources of energy
FEED in tariff/premium (conto energia) fotovoltaic	Promotion of renewable sources of energy
Green certificates	Promotion of renewable sources of energy
New Feed-in premium for renewable energy sources other than fotovoltaic	Promotion of renewable sources of energy
Regional objectives for renewable energy	Promotion of renewable sources of energy

KEY MESSAGES

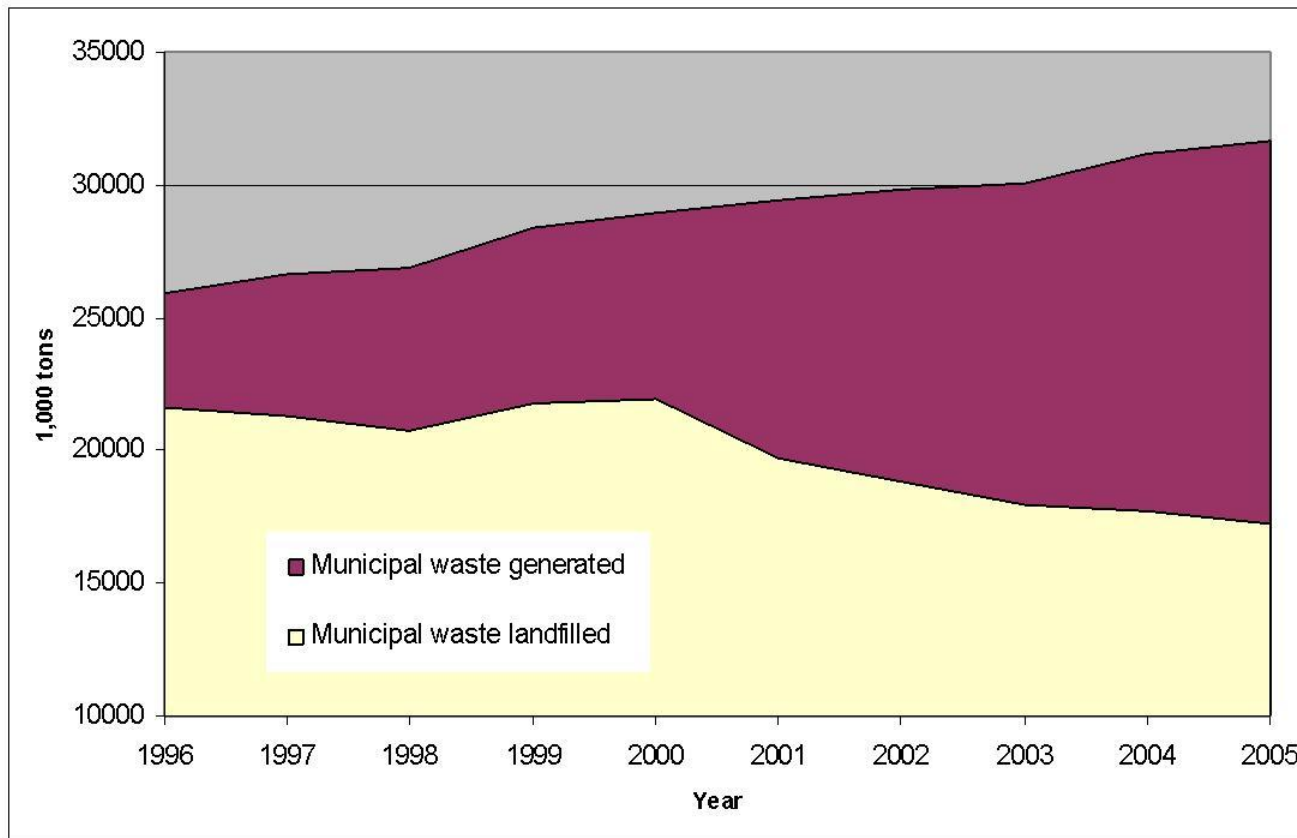
MAIN INTERACTIONS

.Key messages

- Within the **carbon pricing landscape**, the **ETS and the Kyoto fund** are pivotal.
- The latter is a flexible funding mechanism which may possess fruitful complementarity with other landscapes but it is currently not totally assessed in its functioning. Operative since 2012
- Non ETS sectors have been and are basically policy free (environmental taxation 0.03% GDP, GHG and emissions nearly 0%)
 - Carbon tax introduction linked to the EU Energy Directive implementation (December Parliament decision)

•Non CO2 realm: waste

- The **non CO2 landscape** presents a key instrument, the regional landfill tax introduced in 1996.
 - This is one of the main economic instruments that also generates 0.5 Billions of € in revenue.
 - Around 10-15€ per ton; room for increasing
 - Complement to the new waste management tariff
-



•Energy efficiency realm

- **tradable market of ‘white certificates’** deriving from energy saving projects.
 - Operators can generate certificates if they stay below a threshold
 - Energy authorities monitor and manage
 - They interact with another key tool, composed of various somewhat changing **tax deductions** for EE in (old and new) buildings
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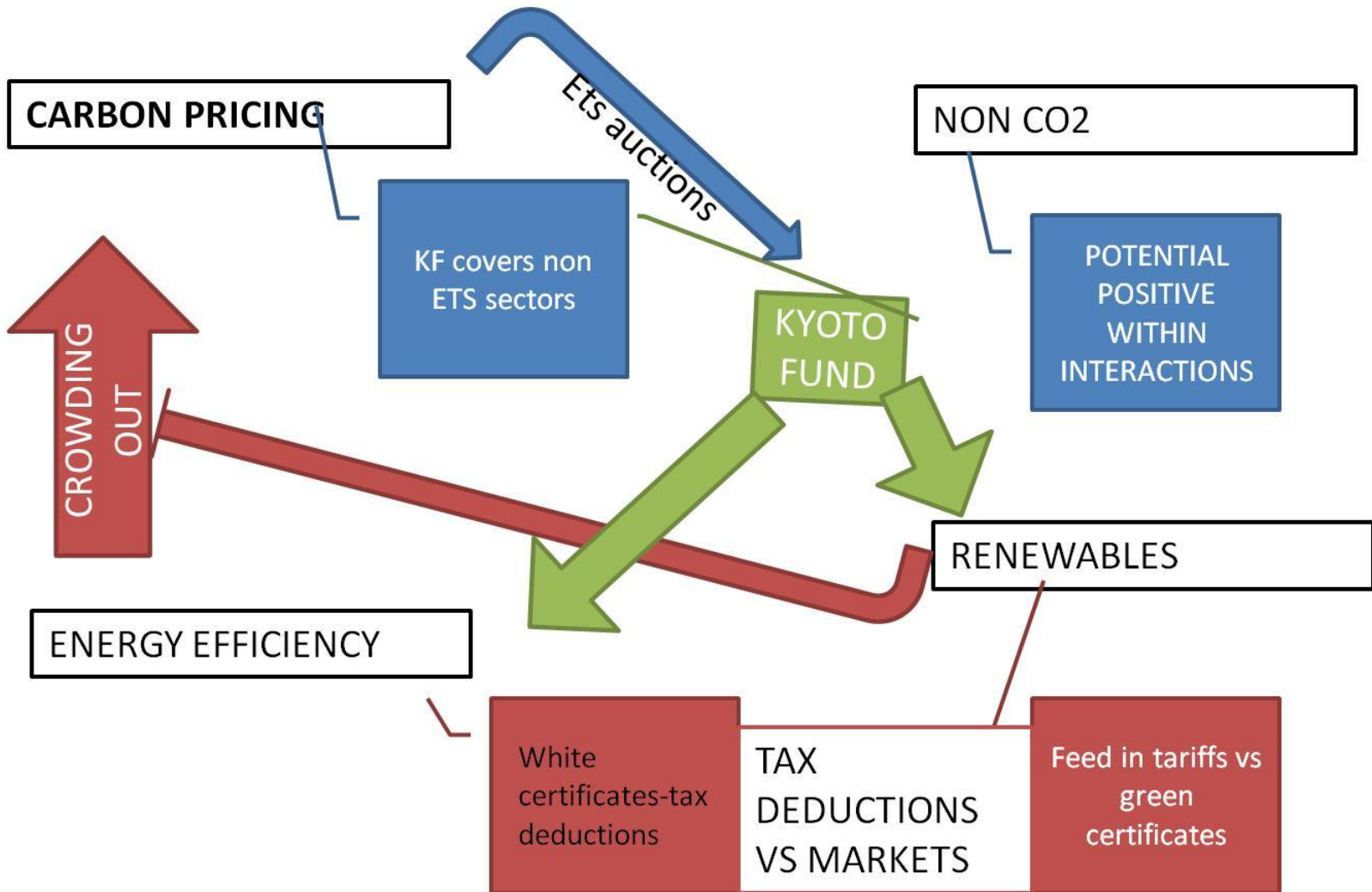
.renewables

- On the side of renewable, again **tax deductions** for building related investments and
 - **green certificates** seem to show up as key factors
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.Mapping the framework

Negative interact

Positive inter



Non ETS sectors uncovered

Economy wide tools absent

- How policy landscapes are structured and how they interact seems to influence the country performance
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• **Main positive interactions (complementarity)**

- **Within landscapes**
 - ETS – Kyoto fund (KF)
 - Landfill tax – waste tariffs
 - **Between landscapes**
 - The KF might play a pivotal role
-

•Main negative interactions (Conflict)

- **Within landscapes**
 - potential crowding out of ‘energy saving markets’ based on certificates determined by the overlapping with tax deductions schemes for building/housing
 - Effect: market distortions, EE and RES similar issues
 - **Between landscapes**
 - ETS carbon pricing crowding out due to electric efficiency oriented incentives in EE and RES realms.
 - Carbon pricing mitigation
-

•Markets undermined by other fiscal incentives?

- the promotion of RES and of EE has somehow influenced the ETS ability to provide the right price signal
 - **interaction arises between feed in tariff/premium systems and green certificates**, although the latter are being gradually phased out
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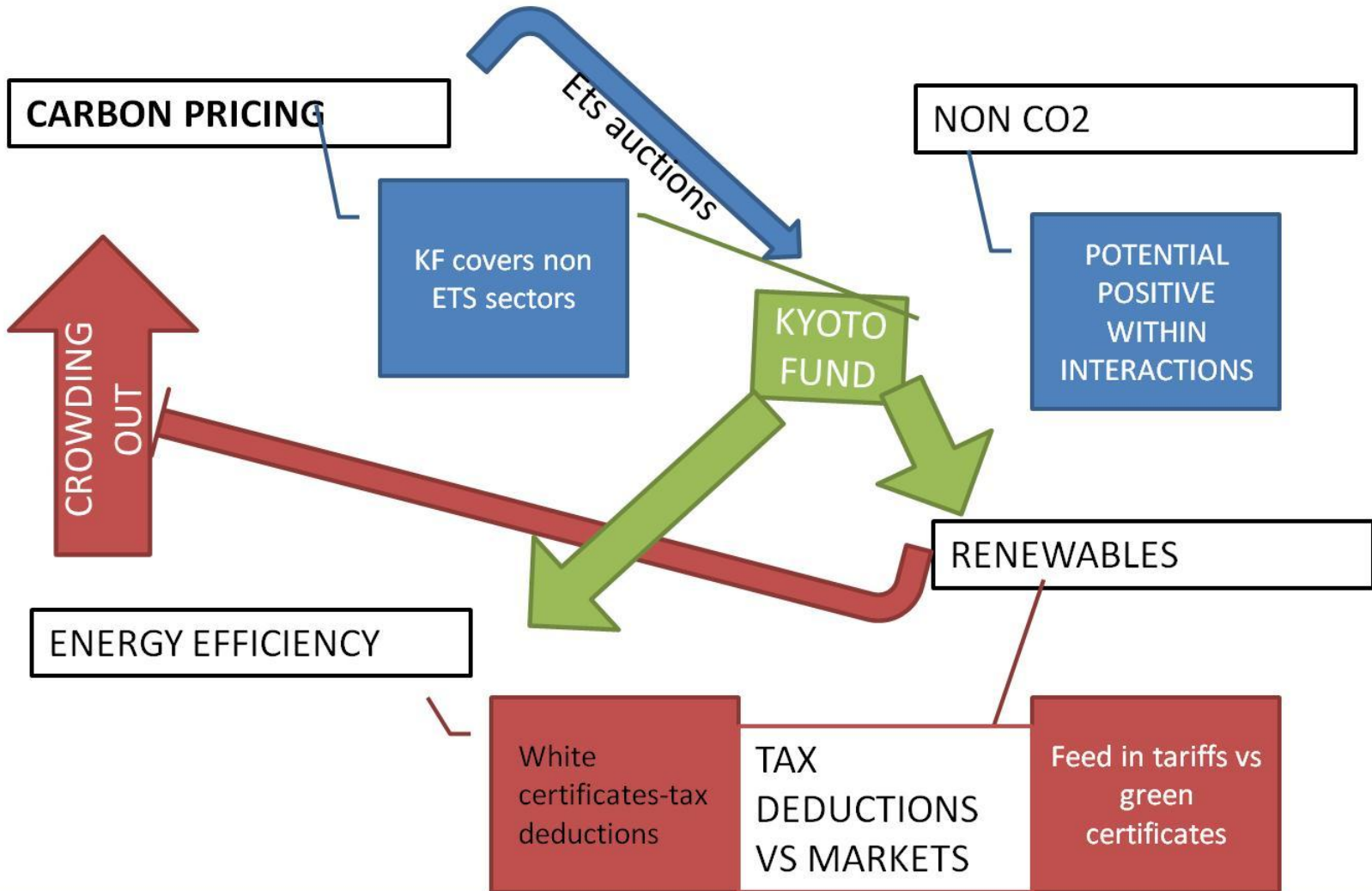
•Cumulating incentives: complements and trade offs

- Limits to cogeneration imposed by new bills (one very recent Dec 2013), which prevents from adding up electric/renewable and thermal combustion incentives.
 - The ‘cumulativeness’ of incentives is then central to efficiency oriented complementarity and conflicts
 - **It may generate positive and negative effects**
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.Mapping the framework

Negative interact

Positive inter



Non ETS sectors uncovered

Economy wide tools absent

•Landscapes and optimality

- Differently from other countries (e.g. France), more than 70% of the EE measures has favoured a reduction of carbon emissions in sectors (such as the industry and power generation) already covered by the ETS, while only less than 30% of the energy saving has been achieved in the household, tertiary service and public administration thermal energy consumption.
- This has provoked a **limited reduction of carbon emissions in the non-ETS sectors**, where governments are financially liable for the compliance of the related target.
- It should be pointed out that while ETS Italian emissions have been systematically lower than the assigned cap, non-ETS emissions are higher than the related target

.The picture

- Overall, the Italian policy is energy oriented. Climate change is overlooked
 - effectiveness
 - Energy policy provides indirect effects
 - On the ‘economic instrument side’ it is market oriented more than tax oriented
 - **Interactions possibly mitigate cost effectiveness**
-

.feasibility

- It also lacks integration with competitiveness and innovation targets (feasibility)

.overall policy package

- Energy policies may crowd out carbon pricing
 - Energy policies show up a framework of eventually conflicting non coherent tools
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•Past, Future?

- At least bizzare a country with the public debt and fiscal needs such as Italy 'prefers' (tax) expenditures and subsidies
 - Rather than a general environmental taxation
 - E.g. even reallocating energy (41Billions€) and environmental tax (1B€) shares
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•Landscapes and optimality

- **The promotion of RES and EE can possibly clash with the carbon pricing policies**
 - supporting these policies in the ETS sectors might end up simply decreasing the demand of the emission permits and thus their price without generating additional emissions cut. If so, the renewable energy policies set forth in the ETS sectors should be seen as a substitute rather than as a complement to the ETS.
 - In particular, this applies to national subsidies or incentives to electric RES generation, such as the solar feed-in tariff
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