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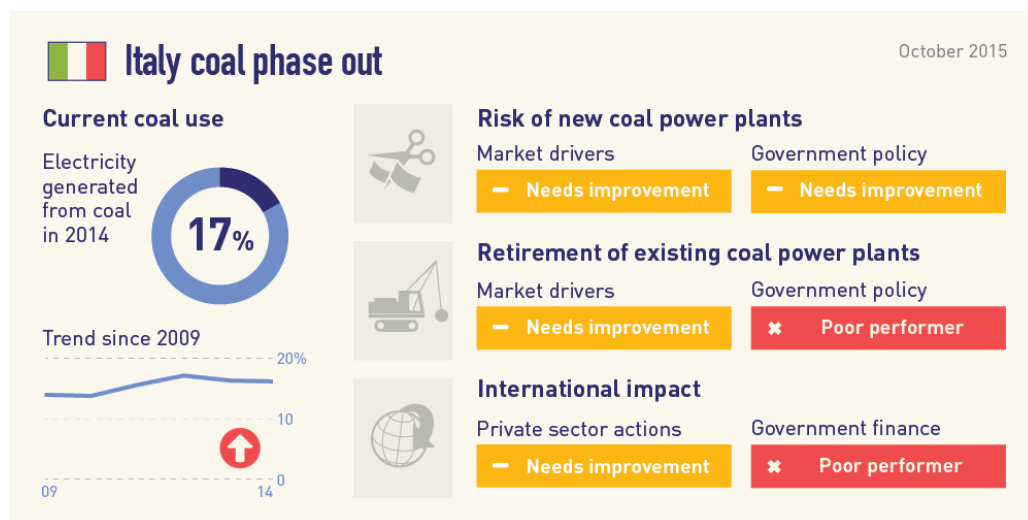
SUMMARY OCTOBER 2015

# ITALY COAL PHASE OUT G7 SCORECARD COUNTRY PROFILE

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Italy is in the curious position of having helpful market dynamics and a headline commitment to action from its major utility Enel but an almost complete absence of policy action by government. Italy can rapidly improve its performance domestically and internationally. The Italian government needs to grasp hold of the situation and confirm a timeline for a coal phase out along with policies to ensure its delivery.

Italy is ranked #5 in the E3G G7 coal phase out scorecard.



Italy has a gas-heavy electricity sector with significant overcapacity and a rapid growth in renewables, which accounted for 37.5% of electricity generation in 2014. Italy has 10GW of coal-fired electricity generation, which is the source of close to 10% of Italy's total CO<sub>2</sub> emissions. Italy is almost totally dependent on imports of coal, which make it the 3<sup>rd</sup> largest importer of coal in Europe.

## Risk of new coal power plants

Proposals for the conversion of old oil-fired plants to coal have been defeated in the courts over recent years. There are now just three remaining coal projects under



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development but the business case for new coal has now disappeared. The combination of civil society opposition, legal challenges, and changes in market dynamics mean that the government could easily now confirm that there will be no new coal in Italy. This would be a simple first step towards a full transition out of coal.

### **Retirement of existing coal power plants**

Italy is expected to have eight coal power plants still in operation around the end of this decade, totalling almost 8GW of capacity. Further rationalisation of the power generation sector will be required. This should prioritise closure of coal capacity.

At present, neither the Italian Government nor the utility company Enel have a plan to deliver a phase out for these last remaining coal plants. The Italian government holds a 25% stake in Enel so there is a particular responsibility on Enel to take a lead in acting on coal. Indeed, Enel has committed to becoming a carbon neutral power generator and to reducing its use of coal. However it has only announced plans to close three small coal power plants in Italy, leaving ageing coal power plants open.

Following the G7 commitments in June 2015, Prime Minister Matteo Renzi has recognised that policy changes are required and has admitted that *“Some choices made in the past have led paradoxically to an increased use of coal that today is our enemy”* but the Italian government is yet to act to secure this transition.

### **International impact**

The partly state-owned utility Enel is ahead of the government, having announced a commitment to become a carbon neutral company and to end its international investments in coal. The Italian government has, however, not committed to end support for coal via its bilateral and multilateral development finance, nor has it been proactive in pushing for action on export credit support at OECD level.

### **Actions required**

Italy has an opportunity to secure a place at the top table of climate influence if it commits to a clear timetable for the phase out of unabated coal ahead of the Paris negotiations. Italy faces similar transition challenges to Canada and the UK over similar timescales so could work together to catalyse a broader coal phase out coalition with additional countries and partners.

Internationally, Italy must work with other G7 countries to strengthen OECD conditions on export credits ahead of the Paris talks. This should end financing of unabated coal plants and shift support to accelerate the deployment of renewables. Italy must also strengthen restrictions on coal financing via bilateral development finance and the multilateral development banks.

The G7 coal phase out scorecard report and associated briefings will be available from Wednesday 21 October at <http://www.e3g.org/showcase/coal-phase-out>

A detailed review of the coal situation in Italy is available at [http://www.e3g.org/docs/Italy\\_G7\\_analysis\\_September\\_2015.pdf](http://www.e3g.org/docs/Italy_G7_analysis_September_2015.pdf)

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