Italy

Summary

Italy continues to provide significant support to the consumption of fossil fuels, mostly through tax credits and exemptions on diesel consumption. It has also increased its public finance to fossil fuels by 33% relative to 2014–2016, mostly for oil and gas production.

BIGGEST RED FLAG → Italy continues to provide very high levels of support for fossil fuel consumption, at USD 11.2 billion annually (2017–2019 average), mostly through a range of fuel tax credits and exemptions on diesel and petroleum consumption (Organisation for Economic Cooperation and Development [OECD], 2020).

PROGRESS → Italy increased the amount of public finance it committed to fossil fuels by 33% on average between 2014 and 2018, mostly due to an increase in support for oil and gas production. Italy has phased out its international and domestic support for coal production (Gencsu et al., 2019).

Overall ranking and score *(out of 11 countries)*	**4th**	**54/100**
1. Transparency	**3rd** / Mediocre	**$13.7 billion** total government support to fossil fuels, 2017–2019 average, USD ($1.1 billion direct transfers, $10.2 billion tax expenditure, $2.4 billion public finance)
2. Pledges and commitments	**7th** / Weak	
3. Scale of support for coal exploration, production, processing, and transportation	**1st** / None identified	**No support** identified for coal exploration, production, processing, and transportation
4. Scale of support for oil and gas exploration, production, refining, and transportation	**1st** / Low	**$2.2 billion** of support to oil and gas exploration, production, refining, and transportation
5. Scale of support for fossil fuel power	**1st** / Very low	**$270 million** of support to fossil fuel-based power
6. Scale of support for fossil fuel use	**11th** / Very high	**$11.2 billion** of support to fossil fuel use
7. Progress in ending support for fossil fuels	**7th** / Very poor	**33% increase** in public finance for fossil fuels relative to 2014–2016 average

See Table 2 in the main report for score descriptions and their relationship to numerical scores. Estimates in the table are in USD ($) and are annual averages based on the following sources:

- *For direct transfers and tax expenditure: OECD (2020) data, 2017–2019 averages*
- *For induced transfers: International Energy Agency (2020) data, 2017–2019 averages*
- *For public finance: Oil Change International (2020) data collected from several sources, 2017–2018 averages*
- *For SOE investment: capex data collected by Overseas Development Institute (2020) from annual reports, 2017–2019 averages*

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MAIN UNACCOUNTED FOR AND UNQUANTIFIED SUPPORT → Royalties for oil and gas companies are very low by international standards: companies are taxed at 10% and 7% rates for onshore and offshore extraction, respectively (Legambiente, 2019). Oil companies can also receive tax deductions on up to 3% of their generated income (Legambiente, 2019).

COVID-19 GOVERNMENT SUPPORT → Italy's COVID-19 economic recovery and investment plan (Decreto Rilancio) includes a USD 3.3 billion bailout of the Alitalia airline that aims to improve the airline's financial situation and protect jobs (Fonte, 2020; International Institute for Sustainable Development et al., 2020).

TRANSPARENCY & PEER REVIEWS → Italy's transparency is mediocre. The Italian Ministry of Environment quantifies and reports on environmentally harmful subsidies and environmental taxation only irregularly. The third edition of its subsidies catalogue was completed in December 2019 and only recently published; the previous edition was published in 2017 using 2016 data (Italian Ministry of Environment, 2016, 2019). In addition, Italy's public finance institutions do not report comprehensive transaction-level data on their investments. Italy performed the G20 OECD fossil fuel subsidy peer review with Indonesia in 2018–2019 (OECD, 2019).

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