



Dipartimento
del Tesoro

How can the Italian PNRR steer the green transition towards sustainable growth?

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1. Introduction: The green transition and sustainable growth

- Greening our economy while ensuring sustainable growth
 - ✓ Climate and environmental challenges into opportunities
 - ✓ A cooperative action at international level is required to mitigate GHG emissions
 - ✓ At European Union: common legal framework, ambitious goals in the medium and longer term and specific sectoral timelines
 - ✓ Targeted policies to reduce potential adverse side-effect on consumers and to mitigate the short-term impact on the most vulnerable
- Social, economic, environmental and institutional dimensions of sustainability, in line with the 2030 Agenda for Sustainable Development
- Affordable clean and digital technologies to boost a new industrial policy
- Integrated policies to mitigate sectoral and social distributive impacts for a smoother transition



2. The EU Recovery and Resilience Facility: context and content

- Next Generation EU: the European Union response to the economic and social consequences of the Covid-19 pandemic
- The Recovery and Resilience Facility (RRF): a temporary instrument that is the centrepiece of Next Generation EU
- The six pillars of RRF
 - ✓ green transition
 - ✓ digital transformation
 - ✓ sustainable and inclusive growth
 - ✓ social and territorial cohesion
 - ✓ health, economic, social and institutional resilience
 - ✓ policies for the next generation
- National plans: reforms and investments presented by MS to be financed by RRF and other resources
- Main elements of the NRRPs
 - ✓ The plans should assign at least 37% of total expenditure to reforms and investments that support the green transition
 - ✓ A minimum of 20% of expenditure should support the digital transition
 - ✓ All investments and reforms must respect the “do no significant harm” principle to safeguard the environment



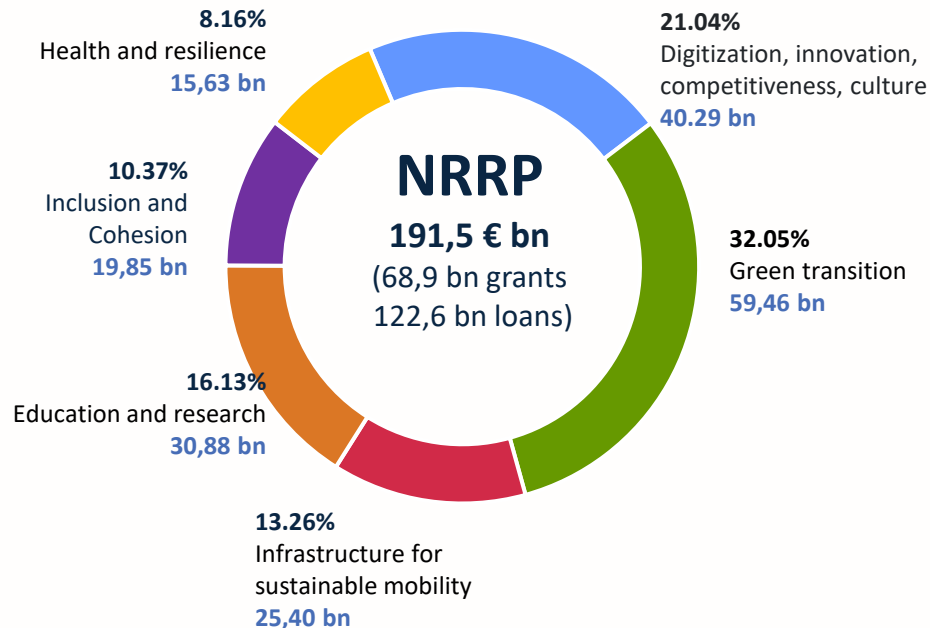
3. The Italian National Recovery and Resilience Plan: an overview

Milestones

- ✓ qualitative goals to be achieved through a certain measure of the NRRP (reform and/or investment)
- ✓ often identify key phases of the implementation of the measures (e.g. legislation adopted, full operation of information systems)

Targets

- ✓ quantitative goals to be achieved through a certain measure of the PNRR (reform and/or investment)
- ✓ measured using well-specified indicators (e.g. km of railways built, square meters of surface area subject to energy efficiency measures, number of students who have completed training, etc.)



Transversal priorities

- ✓ Reducing regional, gender and age disparities

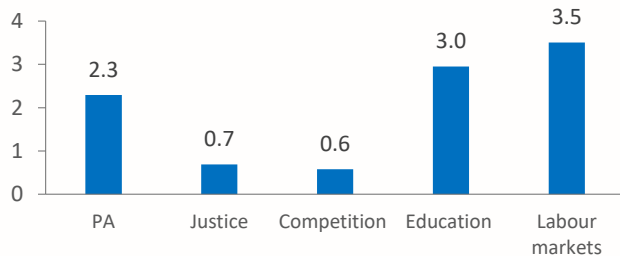


4. Macroeconomic impact of the NRRP

MAIN REFORMS

- ✓ Public administration
- ✓ Justice
- ✓ Competition and public procurement
- ✓ Education and research
- ✓ Active labour market policies

Reforms, impact on GDP (2050)
percent deviation from baseline



Note: Simulations based on the RRP Milestones and Targets. MEF elaboration.

- **Structural reforms could raise GDP by 10%**

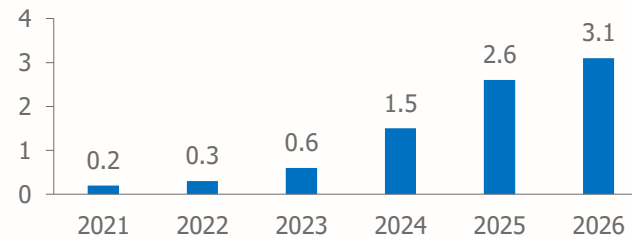
- ✓ In a low (high) scenario GDP would be 4.5% (16.3%) above the baseline in the long run

NEW OVERALL INVESTMENTS

Source of financing (€/bln)

RRF	124.5
React-EU	13.9
National fund	46.2
Total	184.7

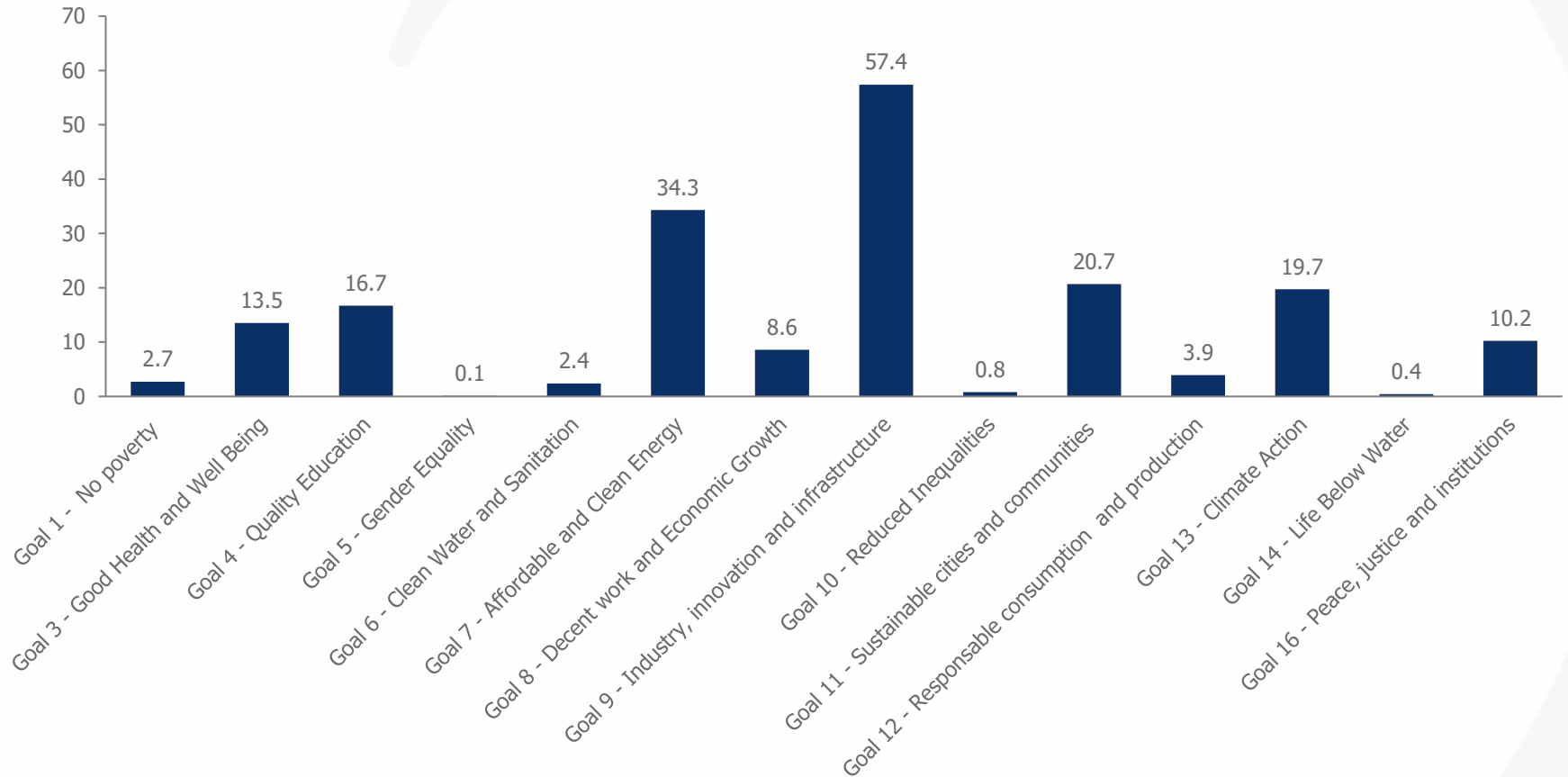
New investments, impact on GDP
percent deviation from baseline



Note: Simulations based on the updated RRP investment timeline. Preliminary results. MEF elaboration.

5. The NRRP's contribution to the goals of the 2030 Agenda

- Agenda 2030: 17 Sustainable Development Goals – 169 targets
- Resources allocated from the NRRP toward each SDG (in bn)



Source: ISTAT

6. The Italian NRRP to steer the green transition

- Investments and reforms to directly boost the green transition

Some examples:

- ✓ Investment M2C2 1.4 Promotion of renewable gas (bio- methane)
- ✓ Investment M2C1 2.2 Agrisolar Park
- ✓ Investment M2C3 2.1 Ecobonus and Sismabonus up to 110% for energy efficiency and safety of buildings (i.e. Superbonus)
- ✓ Reform M2C3 1.1 Simplification and acceleration of procedures for energy efficiency interventions

- Investments and reforms that indirectly stimulate the green transition

Some examples:

- ✓ Investment M2C2 5.4 Support to start ups and venture capital active in the ecological transition
- ✓ Reform M3C1 1.2 Acceleration of the authorization process for railway projects



7. REPowerEU

- Political context: The conflict in Ukraine disrupts the EU's energy system
- EU reaction: New REPowerEU chapter in NRRP with focus on: i) save energy, ii) diversify supplies, iii) quickly substitute fossil fuels and iv) combine investments and reforms
- Italian proposal of REPowerEU chapter:
 - ✓ Investments:
 - ❑ energy grids: i) high voltage transmission lines and cross-border electrical interconnection; ii) scale up of measures already within the PNRR (e.g. Smart grid and interventions on climate resilience of networks)
 - ❑ energy transition: tax credits and similar instruments to support: i) renewable sources and self-production plants; ii) agri-food and livestock sectors, iii) upskilling and reskilling of workers
 - ❑ strategic industrial sectors: i) energy-related production chains, ii) supply of critical raw materials
 - ✓ Reforms under consideration:
 - ❑ legislation aimed at reducing the costs of connecting biomethane production plants and mitigating the financial risk associated with Power Purchase Agreements (PPAs) from renewable sources
 - ❑ a Consolidated Law for the authorization procedure of renewable energy plants
 - ❑ rationalization of subsidies for fossil fuels

8. The green transition beyond NPRR

- NRRP as short-medium plan vs a medium-long term process green transition
 - ✓ coherence of all policy instruments and engagement at all levels of government:
 - ❑ PNRR, PNIEC, other climate related national strategies (e.g. Adaptation Plan, Air Quality, Green Treasury Bonds, cohesion funds, regional and local policies)
 - ✓ stable regulatory framework over time
 - ❑ The update of the National Energy and Climate Plans (NECPs)
 - ❑ The national medium-term fiscal-structural plans
- Significant additional investments
 - ✓ Private and public resources
 - ✓ A new European approach to industrial policies
- Green transition and growth
 - ✓ Trade off?
 - ✓ Sectorial and social impacts



9. A new European approach to industrial policies

- The twin transitions are crucial and mutually reinforcing opportunities
- In the long term coordinated EU industrial policies are crucial to achieve a net-zero economy while remaining competitive
- In detail the EU industrial approach is oriented to
 - ✓ strengthen green growth and strategic technologies
 - ✓ ensure a predictable regulatory environment
 - ✓ improve access to finance for innovative firms
 - ✓ provide structural answers to European industries as they compete in a more fragmented global market
- Recent EU initiatives
 - ✓ Net-Zero Industry Act
 - ✓ European Critical Raw Material Act
 - ✓ Strategic technologies for Europe Platform (STEP)



10. Trade-off between the green transition and growth?

Better to mitigate social impacts

- Estimated impact on aggregate growth slightly positive or, in any case, minimal
 - ✓ short-medium run or the long run impacts
 - ✓ possible technological and productivity gains
- Large sectoral shifts
 - ✓ The transition is expected to entail a significant reallocation of employment and output
 - ✓ For example some sectors stand to gain in terms of employment (i.e. construction, renewable sourced power, sustainable mobility) while others see a fall in employment (i.e. emission intensive manufacturing, fossil fuel industries)
- Most employment could be characterized as "white" but sectoral shifts will impact on workers in "brown sectors" that can be concentrated geographically and affect disproportionately low-skilled workers
- Need for specific interventions to mitigate social impacts
 - ✓ Training and reskilling within the NRRF (private sector and public administrations)
 - ✓ Measures to contrast energy poverty

Thank you for your attention.

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