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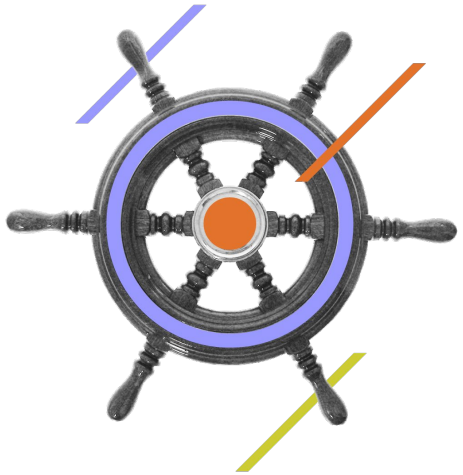
THE ITALIAN CLIMATE CHANGE THINK TANK

THE NECP: A PRAGMATIC POLICY APPROACH TO TRANSFORM THE ITALIAN PRODUCTIVE ECOSYSTEM



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WHAT IS THE NATIONAL ENERGY AND CLIMATE PLAN (NECP)?

Key policy document for the **national decarbonisation strategy** of EU member states – Italy's plan for Fit for 55

- '2030 strategy' for '2050 net-zero objectives'
- 5 dimensions: 1) decarbonisation; 2) energy efficiency; 3) energy security; 4) internal market; 5) research, innovation and competitivenes
- First version in 2019, update in 2023-2024

MAIN TARGETS OF THE NEW NEPC

	Old PNIEC	New PNIEC	FF55 REPowerEU
GHG emission reduction vs 2005 for non ETS sectors	-33%	-35.3% / -37.1%	-43.7%
GHG emission reduction vs 2005 for ETS sectors	Absent	-62%	-62%
Share of renewable energy of gross energy consumption	30%	40.5%	42.5%

Plus other targets on:

- Share of renewable energy in transport
- Share of renewable energy in heating and cooling
- Energy consumption

NEEED TO MOVE FROM 'WHAT' TO 'HOW'

- List of measures

PIANO NAZIONALE INTEGRATO PER L'ENERGIA E IL CLIMA - Giugno 2023

Tabella 2 - Principali misure previste per il raggiungimento degli obiettivi del PNIEC

Nome sintetico della politica o misura	Dimensione Emissioni	Dimensione Rinnovabili	Dimensione Efficienza	Dimensione Sicurezza	Dimensione Mercato, infrastrutture, consumatori	Dimensione Ricerca, Innovazione, Competitività
Fondo di garanzia per le PMI, sezione speciale turismo (PNRR)	Emissioni	Rinnovabili	Efficienza			R.I.C.
Partenariati per la ricerca e l'innovazione – Horizon Europe (PNRR)	Emissioni	Rinnovabili	Efficienza			R.I.C.
Agevolazione investimenti imprese per beni strumentali (nuova Sabatini)	Emissioni	Rinnovabili	Efficienza			R.I.C.
Fondo per la transizione industriale	Emissioni	Rinnovabili	Efficienza			R.I.C.
Investimenti sostenibili 4.0	Emissioni	Rinnovabili	Efficienza			R.I.C.
Sostegno per gli investimenti green e l'autoproduzione di energia da fonti rinnovabili nelle PMI (nuova Sabatini, Sabatini green)	Emissioni	Rinnovabili	Efficienza			R.I.C.
Supporto alla transizione ecologica del sistema produttivo e alle filiere strategiche per le net zero technologies	Emissioni	Rinnovabili	Efficienza			R.I.C.
Transizione 5.0 green	Emissioni	Rinnovabili	Efficienza			R.I.C.
Interventi per la sostenibilità ambientale dei porti - Green Ports (PNRR)	Emissioni	Rinnovabili	Efficienza			
Isole Verdi (PNRR)	Emissioni	Rinnovabili	Efficienza			

- Table with specifications and indicators

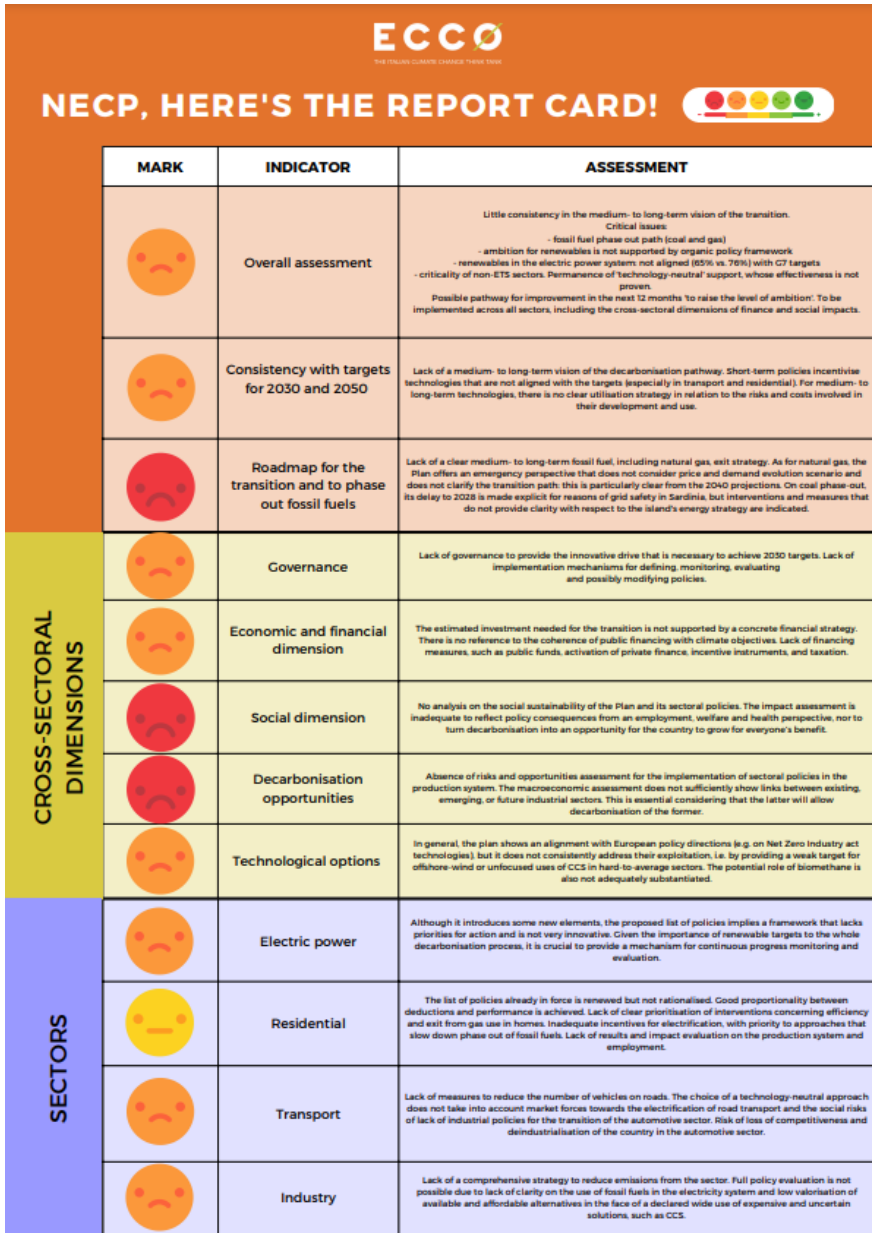
Measure	Sources of Financing	Financing instrument	Socio-economic impact	Monitoring indicators	Governance
Description	%public %private	e.g. grant, loan, guarantee	e.g. job creation, energy saving, etc.	e.g. no. jobs created, KWh saved, etc.	Who does what and when

ECCO'S ASSESSMENT

Three minimal requirements:

- **Utility** in addressing 2030 & 2050 objectives
- **Cross-sectorality**: governance, financial dimension, socio-economic dimension, technological issues
- **Efficacy**

The big **absent** is a long-term plan for the **manufacturing industry with specific policy measures**



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NECP, HERE'S THE REPORT CARD!

	MARK	INDICATOR	ASSESSMENT
		Overall assessment	Little consistency in the medium- to long-term vision of the transition. Critical issues: - fossil fuel phase out path (coal and gas) - ambition for renewables is not supported by organic policy framework - renewables in the electric power system: not aligned (65% vs. 76%) with G7 targets - criticality of non-ETS sectors. Permanence of 'technology-neutral' support, whose effectiveness is not proven. Possible pathway for improvement in the next 12 months 'to raise the level of ambition'. To be implemented across all sectors, including the cross-sectoral dimensions of finance and social impacts.
		Consistency with targets for 2030 and 2050	Lack of a medium- to long-term vision of the decarbonisation pathway. Short-term policies incentivise technologies that are not aligned with the targets (especially in transport and residential). For medium- to long-term technologies, there is no clear utilisation strategy in relation to the risks and costs involved in their development and use.
		Roadmap for the transition and to phase out fossil fuels	Lack of a clear medium- to long-term fossil fuel, including natural gas, exit strategy. As for natural gas, the Plan offers an emergency perspective that does not consider price and demand evolution scenario and does not clarify the transition path: this is particularly clear from the 2040 projections. On coal phase-out, its delay to 2028 is made explicit for reasons of grid safety in Sardinia, but interventions and measures that do not provide clarity with respect to the island's energy strategy are indicated.
CROSS-SECTORAL DIMENSIONS		Governance	Lack of governance to provide the innovative drive that is necessary to achieve 2030 targets. Lack of implementation mechanisms for defining, monitoring, evaluating and possibly modifying policies.
		Economic and financial dimension	The estimated investment needed for the transition is not supported by a concrete financial strategy. There is no reference to the coherence of public financing with climate objectives. Lack of financing measures, such as public funds, activation of private finance, incentive instruments, and taxation.
		Social dimension	No analysis on the social sustainability of the Plan and its sectoral policies. The impact assessment is inadequate to reflect policy consequences from an employment, welfare and health perspective, nor to turn decarbonisation into an opportunity for the country to grow for everyone's benefit.
		Decarbonisation opportunities	Absence of risks and opportunities assessment for the implementation of sectoral policies in the production system. The macroeconomic assessment does not sufficiently show links between existing, emerging, or future industrial sectors. This is essential considering that the latter will allow decarbonisation of the former.
		Technological options	In general, the plan shows an alignment with European policy directions (e.g. on Net Zero Industry act technologies), but it does not consistently address their exploitation, i.e. by providing a weak target for offshore wind or unfocused uses of CCS in hard-to-average sectors. The potential role of biomethane is also not adequately substantiated.
SECTORS		Electric power	Although it introduces some new elements, the proposed list of policies implies a framework that lacks priorities for action and is not very innovative. Given the importance of renewable targets to the whole decarbonisation process, it is crucial to provide a mechanism for continuous progress monitoring and evaluation.
		Residential	The list of policies already in force is renewed but not rationalised. Good proportionality between deductions and performance is achieved. Lack of clear prioritisation of interventions concerning efficiency and exit from gas use in homes. Inadequate incentives for electrification, with priority to approaches that slow down phase out of fossil fuels. Lack of results and impact evaluation on the production system and employment.
		Transport	Lack of measures to reduce the number of vehicles on roads. The choice of a technology-neutral approach does not take into account market forces towards the electrification of road transport and the social risks of lack of industrial policies for the transition of the automotive sector. Risk of loss of competitiveness and deindustrialisation of the country in the automotive sector.
		Industry	Lack of a comprehensive strategy to reduce emissions from the sector. Full policy evaluation is not possible due to lack of clarity on the use of fossil fuels in the electricity system and low valorisation of available and affordable alternatives in the face of a declared wide use of expensive and uncertain solutions, such as CCS.

MANUFACTURING: KEY SECTOR FOR THE GREEN TRANSITION

- 12% of direct GHG emissions (2021)

but key for

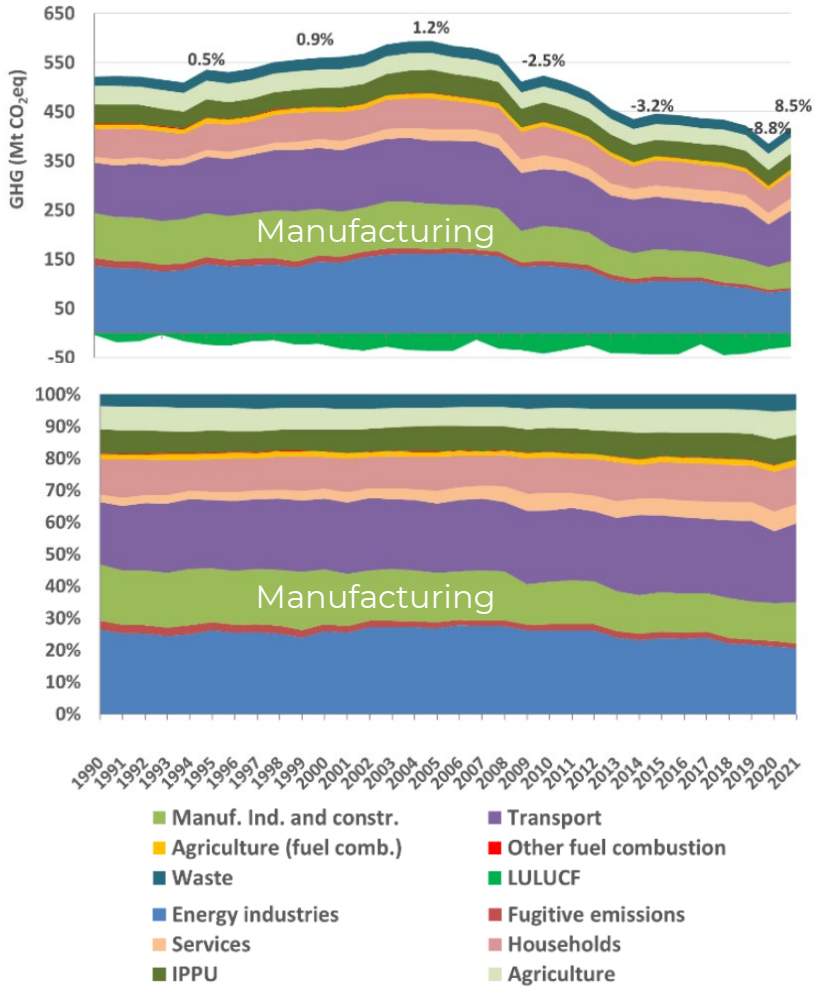
a) Hard-to-abate sectors (steel, cement, chemical, paper, food and tobacco)

b) Cross-cutting impact of **green manufacturing technologies** to decarbonise other sectors

i. Electric batteries → Transport (carmaking)

ii. Heat pumps → Residential heating and cooling

iii. PV modules and wind turbines → Energy generation



Ispra (2023) *Efficiency and decarbonization indicators in Italy and in the biggest European Countries*

THE GREEN TRANSITION NEEDS GREEN INDUSTRIAL POLICIES

Pro-competitive? Practical competitiveness rather than abstract free competition

- There is no single technology that cuts across the manufacturing industry with its sector-specific characteristics
- Importance of forcing comparative advantages and building productive/technological capabilities (betting on national champions)

Market-friendly? Market shaping and creating rather than market compliant

- Relying only on ‘cost-effective’ technologies (or on technology neutrality) and on investments with guaranteed financial returns is a static approach that does not deliver net zero objectives, nor it avoids de-industrialisation
- Positive role of public finance and public institutions that do more than ‘de-risking’ and invest with market-shaping criteria