

Italian Non Paper on Implementing the European Green Deal

Italy is determined to achieve **climate neutrality by 2050 at the latest**, in line with the Paris agreement (December 2015), working towards a successful UNFCCC COP26. Thus, Italy fully supports the leadership of the European Union in this sector and the European Commission's European Green Deal, aimed at making Europe the world's first climate-neutral continent.

This goal shall be achieved through a set of **mutually reinforcing actions in three domains: environment, industry and society**. Transformations in these three areas shall proceed in parallel, with the aim of **fulfilling our environmental objectives while ensuring a smooth industrial transition and avoiding social disruption**.

The future European Green Deal shall focus on the following key areas: **climate change, industrial and social transition, financial tools for the green transition, biodiversity, a modern and sustainable agriculture**.

Climate Change

Italy fully supports the intention of the European Commission to **enshrine the 2050 climate-neutrality target into a European Climate Law**, as long as the industrial and social consequences of such an ambitious goal are duly taken into account.

Italy's integrated national energy and climate plan (NECP) and the long-term national strategy to be presented by 2020 will be able to ensure climate neutrality by 2050, in line with the Paris Agreement and the European framework.

While we are ready to set increasingly ambitious domestic targets for 2030, it is crucial that all **Member States – especially those lagging behind with regard to 2020 targets – show a stronger determination in meeting existing commitments**. An additional effort should also come from Member States that, according to the European Commission, have not displayed a sufficient level of ambition.

The 2050 climate-neutrality target sets new ambitious goals in terms of climate change mitigation and adaptation, in the context of the improvement of air quality; water quality; the management of flood risk; the soil protection; counter-measures to coast erosion; an increase of forest covered surfaces in urban and coastal areas.

Decarbonisation shall be pursued in an effective but progressive manner, considering Member States' choices in promoting EU goals, without abruptly overturning recent choice towards the 2030 objectives but defining a smooth but highly effective strategy to support the emission reduction pathway.

The green strategy will consider different technology options, including the innovative ones. Therefore, an **adequate framework** in terms of **innovation and digitalisation** is deemed necessary.

IPCEI (Important Projects of Common European Interest) should support innovation and first industrial deployment in these fields.

Industrial and social transition

The potential impact of the 2050 climate-neutrality goal on the European society and industrial base shall not be underestimated. The path towards the setting of the Green Deal will be closely interconnected with the future European industrial strategy.

We need to make sure that industrial green transition leaves no-one behind and is **sustainable for both societies and territories**. This entails:

- the need to support the decarbonisation process with **adequate investments** and the development of **new skills** for workers;
- the need to ensure an **equitable distribution** of the benefits, so to boost social and economic convergence.

At the same time, Italy believes that a smooth transition can be achieved with suitable policies and appropriate investments in **important technological drivers** such as:

- sustainability of transport systems,
- systems of hydrogen storage, distribution and accumulation,
- wave and marine energy,
- technologies for decarbonisation,
- circular and bio-based economy,
- a transparent asset renovation for intensive energy sources.

The transition to a **circular economy requires structural change**. Innovation is the pillar of this change, and it should be supported by an efficient Governance Framework. The digital transformation of the production system and the enabling technologies, the s.c. "Industry 4.0", already offer solutions to make sustainable and circular production more possible and even efficient.

Rethinking our modes of production and consumption, while developing new business models and transforming waste into high value-added resources, requires technologies, processes, services and creative business models able to reshape the future of our economy and our society.

It will be essential to **promote investment in research and innovation** with the aim of developing increasingly sustainable technologies and modernising the 'energy intensive' industries. In this regard, particular attention should be paid to those technologies where Europe has a competitive expertise.

The effort of converting European production models, enabling research and development of green technologies, shall be considered as **a shared responsibility** that requires a strong and continuous involvement of private and public stakeholders.

In no case, the **level playing field principle** shall be put at risk, in particular for small and medium enterprises.

The transition towards a green economy will increase wellbeing for all, provided that **no one is left behind** and that **benefits are equally distributed**. While paving the way for new quality job opportunities, the green revolution could negatively affect some jobs. To ensure inclusivity and social sustainability of the transition, it is therefore essential to combine investments in technological drivers with **adequate**

support measures for displaced workers, including re-skilling and upskilling, and to ensure adequate wage, appropriate social protection and decent working conditions for newly created jobs. In this framework, **Cohesion Policy**, in particular the **European Social Fund**, will have an essential role for the requalification of workers subject to or affected by the green transition.

Italy agrees that **educational and awareness campaigns** aiming to change the behaviour of individuals and firms are fundamental tools in order to facilitate the green transition.

Financing tools for the green transition

Without adequate resources and a fully-fledged **Sustainable Europe Investment Plan**, the Green Deal is likely to prove ineffective. We sustain the use of communitarian financial instruments to channel capital (also private) towards sustainable projects in a coherent manner. Furthermore, it is fundamental that the European Commission will support the green transition not only focusing on the decarbonisation process but also considering all the different aspects of the energy transition, taking care of the employment and social effects.

Innovative and straightened financial tools are needed to promote a deep decarbonisation of the economy, in particular, of the transport, industry, buildings, and energy sectors, as well as of agriculture, rural development, forestry, accelerating the transition to a circular economy. Such tools are also necessary to promote more efficient production cycles, in particular in terms of resource consumption.

In this respect, we need to focus on:

- **infrastructure for transport system**, encouraging the modal shift of public transport from road to climate friendly alternatives and developing a network of alternative fuelling stations;
- the **building sector and social infrastructure**, improving energy efficiency of existing buildings, integrating smart energy solutions and increasing the rate of housing renovation;
- the energy sector - besides supporting renewables -, developing **storage capacity** as well as storage technologies and sources, redesigning the transmission grid, building new transmission links, investing in more efficient heating solutions and green energy innovations;
- **smart agriculture practices** and sustainable land management and reforestation;
- **manufacturing industry**, which should be encouraged to invest in energy efficiency in order to achieve more resource-saving production cycles, also through innovation and digitalisation, in line with the "Industry 4.0" paradigm.

Italy calls for **a coherent European economic governance**, allowing a wider use of budgetary policies for financing long-term investments and supporting the green transformation of our production system.

It is essential that all Member States are given fiscal space for public investments, for example by foreseeing **a targeted offset of effective green investments from the rules of the Stability and Growth Pact.**

The set of enabling and accompanying tools should include a consistent **revision of the State aid legislation** and specific initiatives dedicated to SMEs, providing for a simplified scheme that could foresee an increase in **aid intensity** for interventions with a measurable contribution to the Green Deal. A possible review of the existing State aid and concentration framework shall not disregard the role played by SMEs in the European economy and, on the contrary, shall enhance the importance of the **strategic value chains** they contribute to establish.

Another important key enabling factor is represented by the possibility of **minimising the impact of “green finance” on the capital of banks**, through the implementation of mechanisms aimed at promoting financing provided by banks, such as the “green supporting factor”.

Europe should design a plan to unleash public and private investments towards decarbonisation, electrification, innovation, digitalisation and circular economy. The mobilization of private resources will be crucial. The new **InvestEU** programme, which will allow gathering private funding thanks to the guarantee of the EU budget, should be preserved from possible cuts in the negotiations for the next Multiannual Financial Framework (MFF). Furthermore, we encourage the constitution of specific investment platforms, such as the Italian experience with the Investment Plan for Europe where a fundamental role has been played by the National Promotional Bank.

Italy believes that the **European Investment Bank (EIB)** as well as **National Promotional Banks and Institutions (NPBIs)** will play an essential role in supporting the energy transition. Indeed, NPBIs, thanks to their geographical proximity and local expertise, are in the best position to fill national market gaps, in a fully collaborative and comprehensive approach.

Accordingly, it is important to promote the recourse to Member State Compartments under InvestEU, strengthening incentives to provide national contributions, to counteract local market failures, through high leverage interventions. Finally, thanks to NPBIs' expertise in the field of Sustainable and Green Bonds, it could be possible to structure a “Euro Green Bond”, thus devising a new tool to achieve the goals of the MFF.

Further resources could come from the **MFF**, for example through the new **Just Transition Mechanism**. Such an instrument should:

- provide support for all Member States, through well designed and **inclusive criteria**. It should address both distributional as well as competitiveness impacts;
- promote the reduction of climate-altering emissions from **all highly polluting and energy-intensive industries, including the steel sector**;
- not translate into a “rewarding” mechanisms for Member States lagging behind in their energy transition, at the expenses of the most virtuous in terms of compliance with climate objectives;

- be financed with **fresh money** and not to the detriment of CAP and cohesion policy allocations, whose role is crucial both in supporting the transition and in mitigating its negative social impact.

Climate objectives need to be achieved in a way that does not hamper the EU's competitiveness, including by developing effective measures to tackle environmental dumping from outside the Union and carbon leakage. A **border carbon adjustment mechanism** could be an effective tool to avoid unfair extra-EU competition and promote higher international standards.

Biodiversity

Italy attaches the greatest importance to **the conservation of biodiversity, the protection of the marine environment and water**. Biodiversity loss, climate change, desertification and land degradation are interdependent challenges of unprecedented severity (Convention on Biological Diversity).

The ecosystem services provided by biodiversity are crucial for our wellbeing. We therefore need to **reduce soil consumption and plastic waste** in order to achieve sustainable harvest of natural resources, reduce the pollinators loss and its impact on agriculture, enhancing Green Infrastructures, Nature-Based Solutions and sustainable tourism.

The Green Deal should include a reinforced commitment to achieve the full implementation of the Nature Directives, as well as ensure a sound integration of biodiversity conservation objectives into Common Agricultural Policy, in a framework of ever closer synergy between the regulatory instruments.

Soil Ecosystem services are fundamental for societal needs and for overcoming societal challenges. Good quality soil has important economic, ecological and social functions. Increasing soil fertility and health, while managing soil in a sustainable way, offers multiple benefits in terms of biodiversity, climate change adaptation and mitigation. To achieve these goals Italy considers important:

- to increase knowledge of soil ecosystem services in order to support informed political decision making and to promote soil management practices that contribute to the provision of ecosystem services;
- to set-up new financing tools to monitor soil quality and support research in the field;
- to finance projects to promote soil circularity both in urban and extra-urban areas, to reach the Agenda 2030 15.3 target that foresees the achievement of land degradation neutrality.

New actions have to be put in place to fight chemical pollution, endocrine disruptors and PFAS in order to achieve the ambitious objective of good chemical quality of surface and groundwater bodies in Europe and take the Zero Pollution Initiative into account. Concerning PFAS, we should strengthen policies and water management actions to fight chemical pollution in water resources, also taking into consideration the introduction of new legislation.

A modern and sustainable agriculture

We share the European Commission's ambition to support farmers' living standards, ensuring a key role to SMEs, and we are eager to contribute to the new EU Commissions' "**Farm to Fork Strategy**" on sustainable food along the whole value chain.

The agricultural, agri-food, forestry and fishery sector is a complex system with sound economic, social, territorial and environmental connotations, able to contribute to the achievement of the European Green Deal's goals. The sector performs important productive functions within the national and EU economic system and promotes the safeguard and protection of territories, of natural heritage and biodiversity, being a cornerstone for social and economic cohesion.

The European Green Deal itself identifies **farmers and fishermen as key actors to managing the transition towards a more sustainable future**.

Italy is keen on enhancing this strategic role. In doing this, the agricultural, agro-food, forestry and fishery system should be accompanied along a transition process capable of transforming the multiple aspects of sustainability, as they emerge from the European Green Deal, into elements of competitiveness.

Pivotal points of this path are the following items:

- Reduction of agro-forestry activities pressure on natural resources (water, air, soil) and on climate,
- Strengthening ecosystem services ensured by agro-forestry activities (carbon sink, conservation of biodiversity, landscape preservation, cycle and recycle of nutrients) and by the agro-food chain (products traceability, food security, animal welfare, antibiotic resistance, environmental sustainability of agriculture and livestock productions),
- Triggering novel development and consumption dynamics based on a new and central role of the agro-forestry system (bio-economy; circular economy; reduction of food waste; agro-ecology).

A systemic view is needed to stimulate a new pathway, rethinking the complex interconnections between, on the one hand, agriculture, forestry and fishery and, on the other, environment, climate and society.

In this framework, and with a view to the future strategic plan of the post 2020 CAP, the national strategy on the agricultural, agri-food, forestry and fishery sector has the potential to serve the European Green Deal through five different action lines, capable of re-interpreting the most significant intervention necessities ([see annex 1 for details](#)):

- a) **enhancing the competitiveness** of agri-food businesses and clusters;
- b) **improving climate and environmental performance** in production;
- c) strengthening **resilience and vitality of rural areas**
- d) active participation of **citizens**
- e) improving the **efficiency of the governance**;

(annex 1)

The agricultural, agri-food, forestry and fishery sectors: the European Green Deal in five different action lines.

1. Enhancing the competitiveness of farms and chains

The adoption of new eating habits by consumers has been accompanied by a growing attention to environmental-friendly production methods, as well as by the request for better information concerning origin and characteristics of food, stimulating the adoption of new information schemes (such as origin labels, eco-labels, information campaigns, etc.). Such an attention has been growing also for forest management certification and transformation of wood and non-wood products.

From this standpoint, elements of competitiveness of the Italian agricultural, agro-food, forestry and fishery sector are:

- The safety and quality of products,
- The supply chain tracking, including production, social, environmental and ethical aspects,
- The respect of animal welfare, concerning both the fight against antibiotic resistance and the adoption of ethical practices,
- The virtuous models coupling production flows to consumers' needs,
- The promotion of farms and forest properties resilience and adaptation to climate change dealing with biotic and abiotic extreme events (by means of risk management tools).

The achievement of the abovementioned elements is a process that needs a new development vision of the sector, based on national standardisation practices aimed at certifying its quality and its added value.

The Green Deal should also be the occasion for the agri-food system to support investments in supply chains oriented to an ecological transition, moving from a linear economy generating waste towards a circular economy that enhances by-products.

In this framework, priority should be given to national certification systems, enhancing consumers' awareness, overcoming unfair practices, granting an equitable distribution of the added value along the supply chain, promoting the supply of raw materials in line with the zero-deforestation commitments.

In the agro-livestock sector, a re-engineering process based on the development of an integrated model is needed. In particular, such a process should be the base for developing a new quality system on animal welfare.

According to the Italian vision, combating food waste is one of the objectives of the European Green Deal, considering the social, ethical, economic and, particularly, the environmental consequences of food waste. From this standpoint, it is crucial to reduce food surpluses and waste, and to adopt new methods of production.

“Physiological” surpluses should be managed in accordance with the principles of good management and circular economy, reusing food production for animal feeding or other uses (i.e. energy production, compost, etc.).

2. Improving the environmental and climate-friendly performances of productions

The efficient use of natural resources represents an essential factor to ensure the environmental sustainability of development processes and, at the same time, a key element to promote competitiveness in terms of innovation technology, product enhancement and innovation, creating added-value chains within new pathways related to bio-economy and circular economy.

In this respect, the agricultural and forestry sector should be accompanied along a strategic path of growth and renovation aimed at:

- supporting the development and use of renewable energies,
- enabling the adoption of practices to enhance carbon stocks in agriculture and forestry and reduce the emission of greenhouse gases,
- ensuring the efficient use of natural resources, such as soil and water, thanks to the increased use of precision farming and decision support systems, and to the modernisation of irrigation infrastructures and techniques. Investments in the irrigation sector should be directed towards the optimisation of agriculture water uses, developing technologies aimed at monitoring and quantifying water volumes and improving their management,
- increasing the awareness of positive externalities related to the efficient and sustainable management of irrigation water,
- reducing the risk of contamination of environmental matrices,
- safeguarding natural habitats linked to farming and forestry activities,
- preserving typical rural landscapes,
- reducing ammonia emissions from livestock farming activities, the use of nitrogenous fertilizers and the distribution of livestock manure,
- reducing soil erosion and land degradation connected with the misuse of soil resources,
- enhancing active sustainable forest resources management,
- reducing hydrogeological risk.

Particular emphasis should be put, in relation to circular- and bio-economy, on the role of wood and other forestry products.

3. Strengthening the resilience and vitality of rural areas

In rural areas, the actions needed to consolidate growth dynamics are closely linked with the promotion of environmental, cultural, economic and social resources.

To this end, it is therefore necessary to:

- enhance the multifunctionality of the agricultural and forestry system,
- create an environment that ensures quality of life,
- prevent and limit phenomena of land deterioration, including those resulting from forest fires,
- enhance the urban-rural and production-consumption relations,
- enhance the biodiversity of agro-food, forestry and fishery productions and of eco-systems,
- protect landscape and natural resources,
- promote active sustainable forest management.

4. Citizens' active participation

Improving the awareness of consumers, producers and business operators is crucial to achieving the goals of the European Green Deal.

Information, awareness, knowledge are all fundamental to stimulate a radical change of eating habits.

Actions addressed to primary sector operators to enable the transition and a change of paradigm include research, innovation, technological transfer, training, information, technical assistance and advice.

5. Good governance and funding synergies

An efficient governance system, able to provide adequate tools for managing and clearly disseminating the actions undertaken and their impacts, is crucial to accompany the transition process.

In this context, the renovation and modernisation of the National Agricultural Information System (SIAN) is intended to transform today's system of services supporting the central and local bodies in the exercise of their coordination and management of the agricultural sector, into a governance tool for the entire life cycle of public interventions.

The EU strategy explicitly engages Member States to elaborate the future strategic plans of the CAP in a way that, from the outset, fully reflects the ambition of the Green Deal and the Farm to Fork Strategy. Available funds, although significant, require the full integration with other national and EU funds in order to ensure a just transition process.