

OECD MISSION FOR ITALY EPR Environmental Performance Review

*OECD EPR Team Visit; CNEL; Rome February 8, 2012
Consultations with independent experts*

Sustainable Development Foundation¹ verbal Statement²

1. Environmental management

1.2. **Effectiveness of policy responses** in addressing pressures on the environment: successful experiences, failures, obstacles, challenges and opportunities.

R: We still suffer from a low and inadequate **effectiveness of policy responses**. It may be partially due to a low efficiency of the Public administration and to the high public debt that reduces to nothing the availability of resources. Some successes were registered in renewable energy, in the terrestrial and marine parks, in the obligatory recycle consortia and in the biological agriculture. Failures are the low air quality, mainly in the north and in the large cities, the unauthorized building, the environmental crime, the wastes crisis in the south. We believe that the best opportunity against the crises and the diseconomies will be the Green economy, the low carbon transition, and the energy and matter saving. The Foundation issued a Manifesto on the Green Economy that is in the annexed papers.

1.3. **Economic efficiency** of Italy's environmental policy mix; economic instruments (cost effectiveness of taxes, charges, subsidies, etc.).

R: The **Economic efficiency** of Italy's environmental policy is still scarce. The instruments in place are essentially the FER incentives, the fiscal 55% reduction, the contributions for the recycle consortia and the landfill disposal taxation. The adoption of the incentivizing tariff for separated municipal waste collection is increasing over the 50% of the cases. We don't have any real green taxation. On the contrary many harmful subsidies were recently confirmed, like those for freight transporters and for fishing fleets.

1.4. Governance: **inter-institutional co-operation**, performance of the competent environmental authorities, evaluation of environmental policies, public participation in decision-making, environmental awareness.

¹ www.fondazionevilupposostenibile.org

² The verbal communication follows the schema forwarded by OCSE as a question format

R: Our opinion is quite pessimistic about environmental governance. We do not expect any Italian Grenelle. It is difficult to attribute the deficit to a lack of culture or to some residuals of the conception of the environment as an obstacle to growth. The Monti government, just in case, does not display any perceivable environmental attitude. The inexistent horizontal integration de-facto stops any possible mainstreaming of the environment and of the sustainable development into the administration, even if, going down to the territories, either the administrations or the stakeholders show an increasing environmental sensitivity. The same happens for the industries.

The vertical integration is unsatisfactory as well. The awareness is at the maximum among the citizens and, because of the absence of consolidated participation processes, many environmental conflicts arise. We have a tradition in A21L, but no operating national SD strategy in place. We don't see any serious SEA applied to plans or programs. The Aarhus environmental rights are ignored, no one lawsuit was started. Environmental data and informations are substantially unavailable due to low administrative capacitation, to low level of technology, and probably to an ill-posed fear of conflicts.

1.5. Positive and negative impacts of Italy's environmental policy on economic activity and employment.

R: No more environmentally adverse production are remaining after the cases of Seveso, Acna, Marghera, Sesto (Falck), Bagnoli, Portovesme (AI), Casale (asbestos) etc. Many petrochemicals and refineries were displaced abroad by the market. Italy could be therefore open to the green productions that have the potential to increase employment. The Green economy is, in our opinion, the only opportunity to recover innovation and competitiveness.

1.6. Integration of environmental concerns into overall economic policy and in sectoral policies (energy, transport, industry, tourism, agriculture, construction).

R. The **integration of environmental concerns** is good for energy, as we saw, for tourism, agriculture, and partially for constructions, where a primitive way of designing and building is still prevailing. It is negative for transport because of urban congestion, of urban sprawling, of lack of modern urban planning and of bad management of the local public transportation. Probably we suffer also from the unique obsolete automotive monopolist. The environment oriented road pricing in Milan opened recently new horizons. Even for the productive sectors the green economy is the challenge, as we said.

1.7. Distributional implications of environmental policies; poverty and access to environmental services; regional disparities.

R: About **the environmental services**, problem of access to fresh water are occasionally present in the south. The same happens for the wastewater treatment. Regional disparities in waste management are also evident. The ARPA network in the south is very weak. Italy has huge income disparities but the effects on the environmental and health services access are limited.

- 2. Green growth:** Is the focus of the Foundation activity. The proposal are well established in the Manifesto for the Green economy. The results are expected with the crisis overcoming. Many signals are in favour of a new green prosperity.
- 3. Climate change:** Italy is prone to extreme climate events. Fortunately, after the l'Aquila G8 the formerly large party of climate-skepticals was weakened. Notwithstanding the unexpected rebound of the GHG emissions in 2010, due to

a small economical recovery and to the coal power station of Civitavecchia, we have still good probabilities to get the Kyoto target and also the EU 2020 objectives, depending on the political willingness to go beyond the ideological oppositions. We are still waiting the national Adaptation Plan, more and more necessary to contrast the hydro-geological disasters increased by the extreme geo-climatic vulnerability of our country and by the extreme meteorological events.

4. **Water governance:** We need to stop the degradation and the losses of the water network. Over 60 €Mld were invested in many ATO's development program, but the operations are now slowed by the crisis. We begin to encounter some problems of water quality too. Our citizen stated with a referendum that not only water is a common good, but that the water distribution must remain in public hands and that therefore water selling cannot create profit.

Sustainable Development Foundation written Statement³

Note edited by A. Federico, Chair of the Scientific Committee⁴

The Sustainable Development Foundation is a think-tank, registered in Italy as "*not-for-profit organization*", born on September 13, 2008, by will of companies, firms association and sustainability experts, in order to encourage the sustainable development and the green economy. Today it can rely on a network of more than 80 firms (or associations of firms) and 50 top level experts. The President of the Foundation is Edo Ronchi, former Ministry of Environment (1996-2000), who signed for Italy the Kyoto Protocol in 1998. The network of experts includes most of the SD scholars who contributed to the development of the sustainability culture during the last 30 years, as well as young professionals who work closely with companies and business organizations. The second and last available *SD Environmental Strategy for Italy*⁵, issued in 2002 by the Interministerial Com. for Economic programming (CIPE) was edited by Foundation experts too.

The Foundation provides companies from different European Countries with technical support and environmental best practices implementation. It publishes reports and researches into energy and climate, waste management, sustainable mobility, environment management, spreading of new technology, regulations; it holds workshop, lectures, conferences and learning events.

To face the parallel crises of the economy, of the climate and of the resources scarcity, we need a vision capable of generating suitable proposals, supported by a wide consensus, overcoming the contingent positions of the political parties. These positions, while interpreting the true sense of the democracy coming from real cultural differences, must share a substantial idea of the future. Now we say that *the wind is in favor* of this epochal change, that should subtract common goods like the environment and the sustainability from the day to day controversies.

This is the deep motivation of what was called a *(global) Green New Deal*, a concept that, after the enduring economical crisis began in 2008, was refined as *Green Economy*. For our Foundation and, as is now well established, for EU and

³ www.fondazionevilupposostenibile.org

⁴ www.comitatoscientifico.org/index.htm

⁵ http://www.sinanet.isprambiente.it/it/a21locale/evoluzione_europea/normativa_europea/2002_italia/download

UN, the *GE* is the key paradigm to come out from the present drawbacks with an entirely changed model of development. The *GE* is the flag of Rio+20, but it is also largely the idea for walking out of the disaster, improving the employment, valuing the qualities of our country, promoting new urban models, developing a low-carbon production&consumption pattern, restoring the well-being of citizen on the basis of the new concepts of extended wealth (Stiglitz) and of a larger social equity.

The *Green Economy* will no more see environmentalists, politicians and companies on opposite sides. Many CEO are already working for sustainable processes and products, trying to move the market competition to higher levels of innovation and of environmental quality. On the other hand, the household consumption levels, depleted by the crises, could be relaunched with more quality, less wastes and larger investments on common goods that, like the environment and the social relationships, have potential to increase well being much more than many commodities.

Unfortunately in Italy it happens that priorities increasingly differ from citizens and the administration, more and more going from local to national levels. In the first decade of the new century some wrong myths were proposed by the political leaders, like nuclear energy, pharaonic infrastructures like bridges, tunnels and highways while ignoring the territory care against the geological and climatic hazards, the terrestrial and marine biodiversity, the urban traffic congestion and pollution, the urban sprawling, the transportation by train of passengers and freights, the air quality etc. On the positive side we have had a good policy for the renewable energy, mainly wind, PV and bio. As a concluding remark, the Foundation believes that the SD fate in Italy, beyond that shared vision of the environment, requires a new generation of administrators and a full integration of the environment in all decisions. A distant utopia, for the moment.

1. Energy and related emissions

Italy presents relatively small energy consumption and GHG emissions: either the per capita values or the intensity of GDP are generally lower than the European averages. These characteristics, favorable from an environmental perspective, depend primarily on the socio-economic and climatic conditions.

Structural policies for energy efficiency and renewables have only been started ten years ago. Since 2005 absolute decoupling phenomena were observed, with an inversion of the trend and a significant reduction in energy consumption and GHG emissions. From 2005 to 2010 the gross domestic consumption falls by 6% and GHG emissions by almost 13%, moving Italy very close to the Kyoto Protocol national target (-6,5% vs. 1990).

Into these recent favorable trends it's hard to separate the environmental policy effects from the contingent phenomena, mainly from the economic crisis: Italy growth is by the lowest in the world in recent years. In particular the decline of industrial production largely influences the fuel consumption and the emissions. Italy has a favorable energy mix: almost 40% of its energy comes from natural gas, the fossil fuel with less impact on the environment, while coal never exceeds 10% against 13% of renewable sources. The next step is a larger differentiation of the natural gas supply, through new infrastructures, a certain number of LNG terminals

and the complete separation of the distribution network. The fuel cost, higher than in the rest of Europe, is expected to decrease.

Looking at individual sectors, the concerns are about the general lack of cross-sectoral integration and the low quality of programming. Italy does not have a real national up to date energy strategy, because the last planning tools were issued by the 1998 *National Conference on the Environment and Energy*. Sectoral action plans have been prepared only in 2010 and 2011 in response to the European Directives for renewable energy and energy efficiency, however without SEAs.

The main improvements are in the electricity sector: according to recent estimates, the electricity from renewable sources for 2011 would be over 80 TWh, almost 25% of the gross domestic consumption. The non-traditional renewable sources, especially wind, biomasses and photovoltaics grew thanks to the incentives so that in 2011, with over 9 GW of installed PV, Italy was the first market in the world. A review of the system of incentives is ongoing, with the aim to limit the charge on the consumers, but the risk is that an important sector for the growth and the employment could be suddenly braked. Other decisive matters must be dealt with: firstly the delayed take-off of a strong national renewable energy industry. This sector must be encouraged providing stability to the framework of incentives; eliminating the uncertainties; avoiding the adoption of retroactive rules that discourages investors; enlarging the access to credit, which effectively limits the scope for profitable investment; introducing a greater efficiency in the authorization procedures; providing simpler, faster and more reliable processes; restoring more commitment in research and development and more support for the innovative companies.

In assessing the renewable heat sector, difficulties are due to a chronic lack of data, that only recently is being managed in response to European guidelines. The incentives are lower than in the electric sector and the growth is more difficult. Furthermore it is often linked to cogeneration, so falling back on electric incentives. For several years Italy adopted a *white certificate* scheme for efficiency, which led to important results, with some million tonnes of CO₂ avoided according to recent studies. This system seems less expensive, but suffers from some important limitations: the savings are always budgetary and the access to incentives is field for the big business only. To overcome this limit, a system of tax deductions was triggered by a number of years for energy efficiency, addressed to SME and to households (the so called 55%): this system had a good diffusion, but is expensive compared to the results achieved in terms of energy savings.

In the transport sector the instruments in place are only the improvements and the technological incentives to modernize the private car fleet, which, according to available estimates, gave several million tons of CO₂ avoided. We have to register, after the potentially discriminatory policies in favor of the continuous replacement of cars, an almost complete absence of structural policies, either for public transportation or for rail, both with modal shares among the lowest in Europe. The problem of freight transportation, mainly traveling by road in Italy without efficiency improvements, remains to be faced.

2. Wastes recycling and material flow reduction

In the field of waste management, Italy is required to fulfill the objectives set by the EU Directives. These objectives have so far been only partially achieved and in many cases have been delayed. Entirely lacking is the action on prevention. There is not a national program, there are no reports about the effects obtained by the plans of the local administrations (regions, provinces and municipalities in some cases), no analyses have been developed around the question of decoupling between economic growth and the generation of waste, even if the numerical ratio is currently calculated. Another shortcoming concerns the lack of analyses of the trends in the efficient use of resources.

The gap is due to the absence of a reliable accounting of waste generation, of management, reuse, recycling, recovery and disposal systems. The total production of wastes is underestimated, the amount recycled into the market is not well known and a relevant practice of illegal disposal still resists. The most critical area is that of construction and demolition, absolutely the most important wastes flow. 54 million tonnes of inert materials were produced in 2008 (about one third of the total) but only 10% was estimated to have been sent for recycling. Only estimates are available so far for these wastes (the last in 2008), thus leaving an high degree of uncertainty with respect to the quantities recycled/recovered/disposed of. Several are the reasons:

- ❑ yearly occurring regulatory changes in strategic sectors like the definition of wastes, the classification of the exclusions, the handling of excavated soils and rocks, the characterization of the recovery and of the disposal;
- ❑ different understanding of the rules by local governments;
- ❑ delays in the territorial programming of waste management and services;
- ❑ worrying level of illegal behaviours.

To solve the accounting emergency, a new computerized system (SISTRIS) is coming into operation, even if suffering from a widespread hostility by the operators due to the high cost and the low efficiency of the service.

The general picture shows a country not yet prepared to the objectives and a market with a limited capability of dealing with a recycling society. According to a study conducted in 2009 by our Foundation (*ref: The plant waste in Italy 0109*), the capacity authorized for recycling and recovery plants amounts to about 138 Mt/year, compared to a total of over 170 Mt produced. The treatment capacity is reduced to approximately 50% of waste produced in Italy since not all plants are active nor running at full capacity. The landfilling of municipal waste in 2009 was equal to 47.4% while the waste sent to incineration amounted to 14.2%. Landfilling is therefore still the main destination of wastes in Italy.

Waste management in Italy reports encouraging data too. The separate collection of municipal solid waste in 2009 was 33.6%, the composting being the 11,4% and mechanical biological treatment the 23.4%, of which 21.7% sent to recovery. From 2000 to 2009 there was an increase of matter recovery from 8,4% to 21.7% and composting increased from 7,3 to 11,4%.

The waste management is however a patchwork. In Italy there are well known critical issues in the south (not only Naples), where landfilling is 60.9% of

municipal wastes. In our country fiscal or financial incentives do not support the recycling activities, as opposed to economic benefits for energy recovery. The levy for disposal activity is an eco-tax, but of minor value and unable of reversing this option. Furthermore the DL n°1, January 24, 2012 (*liberalization Decree*) may weaken the national packaging Consortium (CONAI) increasing the number of new consortia, so weakening the supply chain and allowing an uncontrolled proliferation of consortia increasing the risk that flows of packaging waste ends up in landfills.

3. Sustainable development and Green economy (Manifesto for a sustainable future for Italy)⁶

To gain a sustainable future for Italy, we are convinced that it is both necessary and possible, to deal together with the economic, social and ecological crisis, retraining our development towards a green economy. We believe that even in Italy there are the conditions to face both the great challenge coming from a severe economic and financial crisis, and to implement the demanding measures needed to tackle the climate change. This is the moment to catch the wind that blows in different parts of the world in favor of innovation, differentiation and ecological conversion of the economy, to pave the way for a development durable and sustainable. Bearing in mind that, like in the European institutions, the important choices cannot change with the political leadership. It is necessary to build a broad convergence on the basic objectives that have a common economic and ecological value, going beyond the political alignments and enabling the contributions of citizens, institutions and enterprises.

1. Italy needs a new energy strategy based on strong measures for energy efficiency and conservation. This is a program that must set clear objectives and promote effective sectorial actions: the energetic renovation of existing buildings and new buildings with "*zero or nearly zero consumption*"; promote a more sustainable urban mobility, vehicles with low fuel consumption, cycling and pedestrian traffic and a modal shift to railways and maritime transports; diffusion of the energetic analysis of production processes and products, adoption of standards, deployment of best practices and technologies with high energy efficiency in industries and services. Investing resources in a true revolution in energy saving and efficiency is the best way to reduce dependency and costs of imports, to cut energy bills and greenhouse gas emissions, to improve economic competitiveness and create thousands of new jobs. Administrations at all levels must show leadership, by energy-saving initiatives in all the public facilities. The universities and the research centers must be more involved in the development and diffusion of innovation for energy efficiency and saving, in the upgrading of existing skills and training of new professionals.

2. Italy can still position among the world leaders in renewable energy. However it should move quickly, while maintaining adequate and economically sustainable systems of incentives for as long as necessary, and enhancing the wealth of experience and capacity of the manufacturing industry. Renewable sources of energy will have an increasing role at the international level. To prevent and mitigate the climate change, as a matter of fact, the International Conference

⁶ <http://www.manifestofuturosostenibile.it/>

in Cancun reached a general agreement on the need to achieve drastic cuts in emissions of greenhouse gases. Italy, a country poor in fossil fuel, has an historic opportunity to develop a widespread use of its renewable sources, exceeding the EU target in 2020. Later, Italy could attain an even more ambitious target in the electrical and thermal sectors, strengthening the production chains of plants, improving the electrical grid and its storage capacity and preparing and planning certain and adequate regulatory frameworks at national and regional level.

3. Italy must become a world champion in resource efficiency and recycling. In a planet with limited resources, in the presence of a strong and growing demand, cost and availability of the raw materials are increasingly important elements for the development. Natural resources and environment must be now considered scarce and precious. In a country traditionally poor in raw materials like Italy, it is no longer acceptable that wastes grow more than income and consumption. Concrete measures are needed to prevent the production of wastes involving the production processes and the products design, their duration, their re-use and consumption patterns. Although Italy is historically a country committed to recycling in many manufactures, from steel to textiles, from furniture to paper and glass, despite the progress made in the areas managed by strong management systems, yet almost half of urban waste - in some regions more than the 80% - and most of inert construction and demolition wastes, ends up in landfills. To leap forward in the recycling of wastes, best practices in differentiated collection must be diffused throughout the country, including also to the organic fraction. It is also necessary to improve the regional plants and equipments, promoting the best techniques for recycling and the market for the recycled products, even to achieve the European target to recycle at least 50% of municipal wastes and 70% of construction and demolition wastes. To be developed and research, production and efficient use of energy sources not only, but also of renewable materials that can make an important contribution to sustainable development. It is necessary to develop research, production and efficient use not only of energy sources, but also of renewable materials that can make an important contribution to the sustainability of the future development.

4. Italy must better protect and better enhance its cultural and natural heritage that is among the richest and most important of the world. The cultural, historical and landscape heritage is essential to our national identity. The natural heritage, the availability of good quality water, of unpolluted air, a livable territory, are indispensable means for the quality of our lives. These assets are also important for many economic activities: for tourism with its vast related activities, for the food chain, for large productive sectors depending on the quality and availability of water resources, for the promotion of the *made in Italy* brand, where an idea of quality and beauty of our country is implicit. There is no future for Italy if we will not protect and properly exploit these extraordinary assets with effective protection systems. We have to create a fund for the protection and the enhancement of the cultural and natural heritage, powered by sustainable businesses, capable of producing economic revenues with particular attention to the improved management and distribution of touristic flows. Now it is time to define the main lines for the management of the Italian territory, paving the way for a renewed planning and for an environmental protection of our territory capable of curbing its misuse. It must be established that no further soil may be exploited

without true evidences that no existing resource may be recovered to satisfy the new soil demand. The remediation and the reuse of contaminated sites must be extended, the maintenance and the hydro-geological risk prevention must be promoted.

5. Italy needs to pursue an high ecological quality and a new age of savings. The ecological quality of goods and services is not only a good chance for the environment, but meets the needs of a growing number of conscious consumers improving the competitiveness on the markets. A more simple and stable environmental legislation at European standards should be assured, with faster authorization procedures and effective controls. The increasing demand of eco-labeled products, and of environmental certifications by more and more companies, should be encouraged. Being Italy a country with a very high public debt and a high consumption rate of natural resources, a sustainable future requires a new era of savings while curbing expenditures for the public administration and politic representatives and reducing the exploitation of natural resources. We can get new development with reduced environmental impacts, being possible living better with wasting less. A simpler economy, based on high ecological quality, would ensure a greater and more equitable well-being with more social cohesion in a densely populated planet with limited natural resources.

6. Italy must raise the prominence of its cities, either large or small. Local communities have been the true workshops of innovation, based on responsibility, creativity and entrepreneurial spirit. They were often successful, even in adverse conditions, to produce and maintain high environmental, economic and social quality. This trend is confirmed, for example, by the Italian cities that, with the highest number in Europe, acceded to the European Covenant of Mayors, adopting challenging policies and measures to reduce greenhouse gas emissions. There is a need to support local sustainable development valuing the initiatives of cities and territories, fostering knowledge and skills and actively involving companies.

7. Italy need a greater awareness and ability to find an alternate path of change and development. We are experiencing a real risk of an economic and environmental decline and of trust in the future. For the first time in decades, the new generations have a reasonable fear that their future condition will be worse than that of their parents. Furthermore Italy needs an innovative development project for the restoration of its huge public debt. No wind will blow in favor of Italy if the country, without a shared development project for the future, does not know where to go. Our problems cannot be solved by thinking the way we thought when we created them. To overcome the already chronic inertia and shortcomings we need a new vision, able to resort to the best energies of the country, as we often did in the past difficult times. Not only difficulties come with the crisis but also opportunities for change. We believe that the innovation and the green conversion can give a great contribution to a shared project of change because now, more than ever, they are crucial for environment protection, jobs creation, economic recovery and new opportunities of development.