

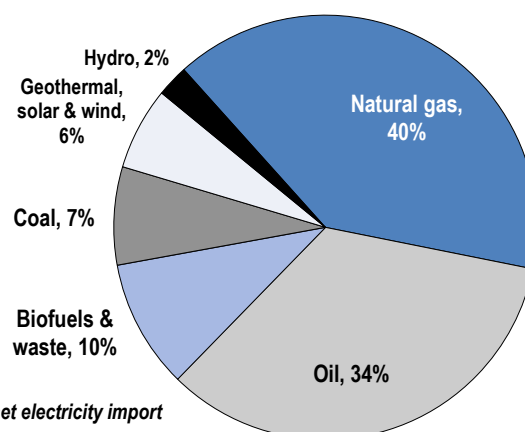
Italy

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight large partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa).

Energy resources and market structure

Italy produces small volumes of natural gas and oil but virtually no coal, so that domestic production only meets 20% of its primary energy needs. Yet the country counts among Europe's largest energy consumers. Most of the country's fossil-fuel supplies – as well as a significant share of its electricity – are therefore imported and increasingly so. Although the country's oil import sources are diverse, the Russian Federation, Libya, and Saudi Arabia each account for around one-fifth of all Italian crude-oil imports. To alleviate the country's dependency on oil imports, the demand for natural gas has been steadily rising since 1973, exceeding domestic production. 91% of domestic consumption of natural gas was satisfied by imports in 2016, mostly from Algeria and the Russian Federation.

Total Primary Energy Supply* in 2016



*excluding net electricity import
Source: IEA

Since the 90s, the role of the state in the Italian energy sector has been reduced through a privatisation program. In 2017, Italy released a new National Energy Strategy (SEN) based on four pillars: fostering the competitiveness of the Italian economy, protecting the environment, promoting green growth, and strengthening the security of energy supply. In practice, the government made the natural gas market more competitive, promoted the development of a European-integrated electricity market and the increase of fossil fuels production in the country, as well as the restructuring of the downstream oil market. The state still holds about 30% of four important players in the energy and electricity market: Snam S.p.A, who dominates the downstream gas market; Eni, which leads the oil industry from extraction to marketing and the upstream gas sector; Enel, which accounts for 25% of the production of electricity; and Terna S.p.A., the primary owner and operator of the national high-voltage transmission grid. Small generators account for 35% of the total national generation.

Although the Italian oil and gas market is fully liberalized, it is dominated by Eni, which retains about 85% of total extraction activities and 30% of the oil-refining market. In a similar vein, more than 90% of the physical gas infrastructure, including almost the entire transmission network and underground gas storage capacity, but also the leading local distribution-network operator, is controlled by Snam S.p.A.

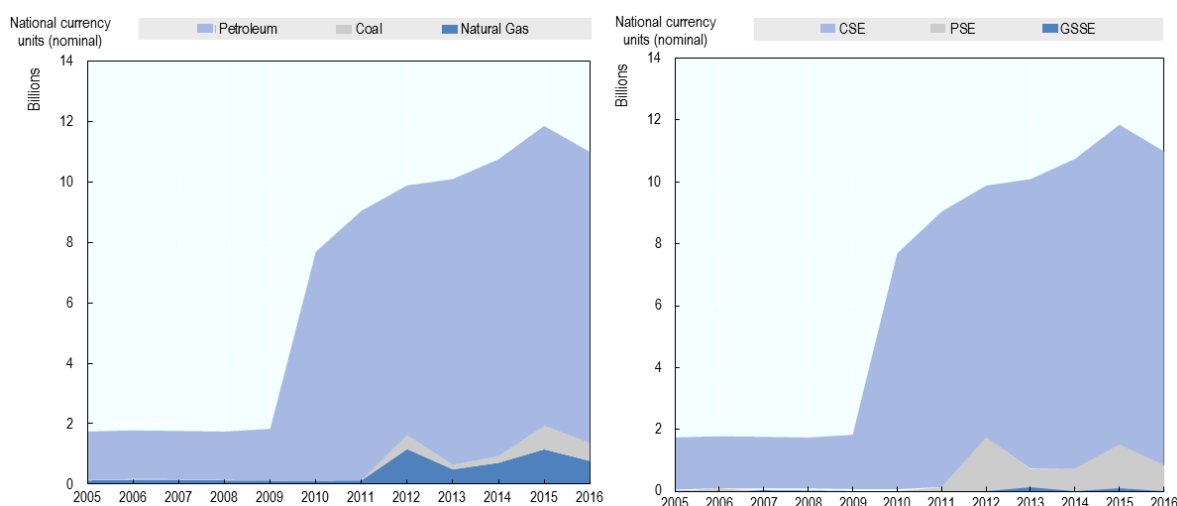
Energy prices and taxes

Italy has liberalised its electricity and gas sector progressively to conform to EU directives. Transmission and distribution of natural gas and electricity have been unbundled and a regulator, *Autorità di Regolazione per Energia Reti e Ambiente (ARERA)*—which succeeded the AEEG authority in 2018—supervises access to networks and regulate tariffs. Electricity consumers have a choice of supply from

incumbent suppliers at regulated tariffs or from alternative suppliers at market rates. VAT and excise taxes account for 13% of the price of electricity. Multiple pricing schemes exist to encourage the production of electricity from renewable resources and are managed by the Energetic Services Manager (*Gestore Servizi Energetici*). A society entirely owned by the Ministry of Finance.

Since 2013, gas users have the same choice between regulated and market prices as for electricity. Natural gas is subject to VAT (at a rate of 22%), an excise tax that varies according to whether the user is an household or a business, and additional regional taxes. Oil products are not subject to regional taxes.

Total support for fossil fuels in Italy by fuel type (left) and support indicator (right)



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

Recent developments and trends in support

Hovering at a stable level for many years, the amount of support dedicated to fossil-fuel consumption in Italy appears to have risen sharply since 2009. This is mainly a result of the lack of the data necessary to estimate the value of certain measures prior to 2009. In 2012 a nominal increase in tax credits granted to trucking companies for the purchase of diesel as well as the availability of the earliest estimations of the revenue forgone due to free distribution of carbon allowances and due to a VAT reduction on electricity for domestic use determined a further increase in total support estimates. Other significant tax benefits, the amount of which has also been increasing since 2012, are those related to the purchase of energy products for propellant use (gasoline, diesel oil and vegetable oils not chemically modified) employed in agricultural work, horticulture, rearing forestry, fish farming and floriculture. Important tax exemptions also apply to the use of petroleum products both in air transport (except for private air transport and instructional flights), and in marine navigation within EU territorial waters for activities including fishing (with the exception of private vessels), as well as for navigation in inland waters for transport of goods and dredging of waterways and harbours. While there has been a rise in support for fossil fuels since 2012, it is important to note that this increase is mainly due to the progressive increases of these fuels' excise tax rate, which resulted in a nominal increase of the differential between the full excise rate and the zero excise rates.

No data are available on the fiscal costs of the subsidies supporting the production of fossil fuels in Italy.

Examples of measures

Royalty-Free Thresholds (1996-)

Lower rates of royalties apply to offshore-production and the first 20 000 tonnes of oil produced onshore every year. A similar provision applies to natural gas for the first 25 million cubic meters extracted.

Tax Relief for Ambulances (2003-)

This provision grants ambulances a 60% reduction in the excise tax normally levied on sales of petroleum products in Italy.

