



Ministry of Economy and Finance

Department of the Treasury
Directorate V – Regulation and Supervision
of the Financial System

Feedback by the Italian delegation to DG FISMA on the Complementary Delegated Act on nuclear energy and natural gas

As an introductory remark, Italy supports the Regulation EU 2020/852 (the “EU Taxonomy”), which fosters the path towards decarbonization and the phase out of energy generation from coal. While this is not an instrument of energy policy, it represents an essential tool to increase transparency for investors, as it enables them to make informed choices on sustainable investments.¹ In this context, delegated acts are essential to the completion and implementation of the EU Taxonomy, and we support their adoption in due time.

We welcome the proposal of the Draft Complementary Delegated Act to the Climate Delegated Act (EU 2021/2139), and we would like to share hereafter some general and more punctual comments on the text.

Regarding nuclear energy, the production of electricity from this energy source is forbidden in our country², and therefore involvement on this issue is legally limited. We recognise the importance of research on more advanced technical solutions, also regarding the disposal of radioactive wastes. While our involvement on the nuclear sector is limited, our concerns are much higher on provisions related to natural gas activities. Our country has already committed itself to increase production of energy from renewables’ sources. We are also following a clear path to phase out the production of electricity from coal. Nonetheless, the restrictive Greenhouse Gas (GHG) emission thresholds envisaged by the Draft Delegated Act appear to negatively affect our existing facilities.

The application of such restrained limits could also engender risks for the stability of energy systems. This could be particularly impactful in a time juncture, such as the current one, when we are experiencing a high rise in energy prices, with negative effects on consumption and on households, especially on the most vulnerable ones. Therefore, we would envisage a reduction in the discrepancy between Greenhouse Gas emission limits for existing and new facilities. Without losing in ambitions, we would like to see thresholds that are more consistent with what current technologies can achieve. The proposal should therefore be modified in order to:

¹ We have already seen the positive impact in this direction of related pieces of legislation, such as the Disclosure Regulation (SFDR – Sustainable Finance Disclosure Regulation EU 2019/2088), whose compliance to has brought to a significant raise in the number of ESG labelled financial products in recent months. Slowing down the adoption and the completion of the EU Taxonomy would hinder the achievement of the decarbonization targets that the EU committed to.

²This is the choice our citizens made early in 1987 and confirmed it more recently in 2011

- Recognize, at least until 2035, the sustainability of natural gas facilities that are needed to provide stability of the electricity system (of the energy supply)
- For new or renovated facilities, align GHG thresholds in line with best available technologies at least until 2035, while foreseeing a progressive abatement of CO2 emissions through CO2 capture technologies or increasing the share of co-firing of low carbon gaseous fuels
- Do not discriminate virtuous countries and operators which already committed to phase out from coal usage, easing conditions imposed on the replacement of highly emitting facilities
- Introduce the possibility to use credits in the accountability of supply chain emissions, according to major international standards.

Enclosed to this document, we will provide a version of the text of the Draft with punctual interventions. We provide here an explanation of the proposed modifications:

- **Whereas 4** – We suggest to insert in the text a specific sentence to include the evaluation of the potential contribution that could be provided by the relevant existing technologies.
- **Annex I, 4.29 and 4.30, paragraph 1(a)** – According to our assessments, almost none of the existing and new facilities in Italy would be aligned with the emissions limits envisaged in the draft text. The use of Carbon Capture and Storage (CCS) technology would not be enough to meet the target. It would also be necessary to set a different supply mix, in order to reduce emissions in other parts of the supply chain. Nonetheless, the 100 g Co2e/kWh emission would exclude less virtuous chains, such as the Russian one, which accounts for a large share of Italy’s energy mix. We therefore propose to articulate more smoothly the set of thresholds in the draft text.
- **Annex I (4.29 1(b) iii, iv, vi; 4.30 1(b), iv, viii; 4.31, 1(b), iv, vii) and Annex II (4.29, 4.30, 4.31)** – Chaining fossil gaseous fuels’ related activities to the phase-out of energy production from coal would facilitate countries or operators that did not replace their facilities, but not the ones already having natural gas facilities. In this context, Italy would be among the most penalized countries. Therefore, in order to respect the technological neutrality principle and to decarbonize existing facilities, point 4.29 – 1(b) would also need to include the renovation of existing facilities. The reference to coal could be replaced by a more general reference to fossil fuels. These criteria should apply until 2035, in order to keep into account the economic and technological ties, as well as the availability of low carbon or renewable fuels and the deployment of CCS technology. While it is possible to cut emissions by 55% replacing a coal facility, this would not be achievable through an existing but modernized facility. We therefore suggest to modify point 4.29 (vi), making reference to the first case only.
- **Annex I (4.29, 4.30, 4.31 – 1(b) – i, ii,iii)** – Emission levels indicated at point 1(b) are currently hard to be met. The percentage of the blending mix with low carbon fuels appear very high and the average annual carbon budget over the 20 year time span seems not enough. Both thresholds (for generation and co-generation of heat/cool and power) should therefore be raised, considering the economic and technological constraints, the availability of low carbon or renewable fuels and the deployment and evolution of CCS technology.

- **Annex I (4.29 – 1(a), 5; 4.30 1(a), 4); 4.31 1(a), 4)** – We welcome the acknowledgment of the role of CCS technology and we propose to extend its usage to all type of facilities, to the end of meeting the emission threshold.
- **Annex I (4.29 1(b), v, 4; 4.30 1(b), v, 3; 4.31 1(b), v, 3)** – The co-generation of heat/cool and power from fossil gaseous fuels provisions introduce limit to the technologies that can be used to meet the emission thresholds, only allowing the blending with renewable or low carbon gas and not the CCS one. It is currently hard to determine to which extent (i.e. in which amount and at what price) these gaseous fuels will be available on the market. Moreover, the proposed timing and percentage do not correspond to provisions of Hydrogen and Decarbonised Gas Package. In order to respect the technological neutrality principle and not to discourage the use of CCS for the gaseous fuels’ chains, the limits indicated at point 4.29 1(b) v should be considered as indicative and be applied to existing as well as to new facilities
- **Annex I (4.30 1(b) v)** – The substitution of a co-generation of heat/cool and power facility might face the risk that the new asset is not able to meet the heat demand that was satisfied by the replaced installation. We therefore suggest to increase the flexibility provided in the text.

As for the provisions on disclosure (whereas 19 and article 3), we support the delay of the application of the Delegated Act, in order to give financial and non-financial undertakings “sufficient time to assess whether their economic activities relating to fossil gas and nuclear energy comply with the Technical Screening Criteria laid down in this regulation”. Nonetheless, we underline that introducing new requirements, with different time of application, could engender some confusions or difficulties for investors that shall receive these information to make informed choices.