EMBARGOED UNTIL 9 APRIL 2024

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New Report: Italy blocks clean energy transition with outsized fossil fuel support

- From 2020 - 2022 support for fossil fuels from G20 countries international finance institutions and MDBs averaged at least $47 billion a year, almost 1.4 times their support for clean energy in the same period.
- Italy has released a Clean Energy Transition Partnership (CETP) policy that falls short of the commitment and has big loopholes that are allowing ongoing fossil gas support, making it the largest financier of fossil fuels in Europe and the fifth largest globally, mostly through its export credit agency, SACE.
- In 2023, Italy's SACE approved eight loan guarantees for oil and gas and petrochemical projects amounting to $4.95 billion. In 2024, SACE is considering approving hundreds of millions for fossil fuel projects in Vietnam, Brazil, and Mozambique.[1]
- Just 8% of all G20 and MDB international finance for energy went to low-income countries, and, of that, 71% was for fossil fuels, and delivered virtually no energy access, despite this argument being used frequently to justify continued fossil fuel finance.
- Between 2020 and 2022, Italy's public finance institutions SACE and CDP spent a total of $7.7 billion on fossil fuels; yet at COP28 pledged a paltry $109 million for Loss and Damage fund – roughly one percent of its overseas fossil fuel finance.[2]

9 April 2024 - Despite seeing the single biggest year increase in G20 and Multilateral Development Bank (MDB) international finance for clean energy in 2022, a report published today reveals that a handful of bad actors, including Italy, are blocking a just transition to renewable energy with continued outsized financial support for fossil fuels.

This new report by Oil Change International and Friends of the Earth United States, highlights the alarming disparity in international energy finance, with a staggering $142 billion total of known G20 and MDB international public finance for energy between 2020 and 2022 directed towards fossil fuels, while $104 billion supported clean energy projects. Italy provided an annual

[1] SACE, Environmental News, sace.it/en/about-us/our-commitment/our-environmental-and-social-commitment. Oil Change International, Fossil Finance Violations: Tracking Fossil Fuel Projects that violate commitments to end international public finance for fossil fuels, https://priceofoil.org/2023/09/06/fossil-finance-violations-tracking-fossil-fuel-projects-that-violate-commitments-to-end-international-public-finance-for-fossil-fuels/

[2] "Pledges to the Loss and Damage Fund*" UNFCCC, Accessed March 10, 2024, https://unfccc.int/process-and-meetings/bodies/funds-and-financial-entities/loss-and-damage-fund-joint-interim-secretariat/pledges-to-the-loss-and-damage-fund

average of $2.6 billion for fossil fuels compared to $175 million for clean energy. Italy's international public finance policy rates as being the worst among the CETP signatories.[3]

To limit warming to 1.5°C in line with international climate agreements, 60% of already-developed fossil fuel reserves must stay in the ground. In light of these limits, the IEA has sent a clear message that there should not be any new oil and gas field or LNG investments -- public or private -- beyond what was already committed as of 2021.

The findings reveal that the wealthiest G20 nations are the primary culprits behind continued investments in fossil fuels, with Italy emerging as one of the worst offenders. Support for fossil fuels decreased from an average of $68 billion in 2017-2019 to $47 billion in 2020-2022, but this progress could be threatened if Italy continues to break its promise by funding fossil fuels.

In particular, the report puts the spotlight on SACE, the Italian export credit agency, which is responsible for the majority of Italy's international fossil fuel finance and has a reputation for supporting highly polluting projects. In November 2022, research showed that SACE was considering four fossil fuel projects that taken together could emit or enable greenhouse gas emissions equivalent to at least 3.5 times Italy's entire annual emissions.[4] More recently, SACE approved $500 million in financing for the Talara oil refinery in Peru, once again breaking Italy's commitment to end international public finance for fossil fuels by the end of 2022.[5]

The report also highlights where there has been momentum to shift finance out of fossil fuels. It shows that coal exclusion policies have worked to nearly eliminate international public finance for coal with Italy not providing any support for coal.

Simone Ogno, Finance & Climate Campaigner at Recommon, said:
"When it comes to public financing of fossil fuels, Italy continues to rank first in Europe and rises to fifth globally. The inconsistent implementation of the Clean Energy Transition Partnership allows fossil fuel projects to be supported until at least 2028 and, thanks to several loopholes, practically forever. At the centre of this unconditional support for fossil fuels is SACE, the Italian export credit agency. With gas demand falling in Italy, it is time for the government to stop using the energy security loophole and seriously implement the CETPwith an appropriate policy."

Kate DeAngelis, Senior International Finance Program Manager at Friends of the Earth United States, said:

"Italy and the United States have proven themselves to be two of the worst laggards – through SACE and US EXIM – in the world. These two countries continue to pour billions into fossil fuel

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[3] Press Release, "Italy breaks climate promise to end public financing for international fossil fuel projects, publishing 'worst-in-class' climate policy," Mar. 21, 2023, https://priceofoil.org/2023/03/21/italy-breaks-glasgow-statement-climate-promise/.

[4] Oil Change International, 'Italian government considering support for international fossil fuel projects that would emit 3.5 times Italy's annual emissions, despite major climate promise,' 'https://priceofoil.org/2022/11/30/italian-government-considering-support-for-international-fossil-fuel-projects-that-would-emit-3-5-times-italys-annual-emissions-despite-major-climate-promise/

[5] Oil Change International, Italy's SACE breaks climate promise with $500 million guarantee for Peru oil refinery, https://priceofoil.org/2023/07/11/italys-sace-breaks-climate-promise-with-500-million-guarantee-for-peru-oil-refinery/

infrastructure all over the world despite their climate commitments and the devastating floods and other climate impacts that their countries are experiencing each year. Unfortunately, Italy and the U.S. have continued this destructive fossil fuel finance in 2023 and 2024 with more likely to come."

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Notes:

- The Clean Energy Transition Partnership (CETP) was launched at the 2021 UN COP26 climate conference in Glasgow. The 41 signatories (full list here) aim to "end new direct public support for the international unabated fossil fuel energy sector by the end of 2022" and instead "prioritise our support fully towards the clean energy transition." This implementation tracker outlines country-level progress on implementation of the CETP, which is regularly updated.
- This fossil fuel finance violations tracker outlines the laggard countries who have broken their commitment to the CETP, namely the U.S., Italy, and Germany, and continued to finance fossil fuel projects with public money in 2023.
- The IPCC's AR6 report highlights public finance for fossil fuels as 'severely misaligned' with reaching the Paris goals, but that if shifted, it could play a critical role in closing the mitigation finance gap, enabling emission reductions and a just transition. More background on the role international public finance plays in shaping energy systems is available in this Oil Change International briefing.
- A legal opinion by Professor Jorge E Viñuales from the University of Cambridge and Barrister Kate Cook of Matrix Chambers argues that governments and public finance institutions that continue to finance fossil fuel infrastructure are potentially at risk of climate litigation.