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# **The Coal Phase Out Transition: Italy's Leadership Opportunity**

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# Summary



- Italy needs to provide a clear pathway to phase out coal use in electricity generation before 2030. It must do this to drive domestic investment in clean energy and deliver on its international leadership responsibilities.
- Italy is being left behind its peers in the G7 and Europe. If it fails to develop a coal phase out strategy it will become increasingly under pressure.
- The majority of coal power plants in Europe and Italy are old. Many should close by the early 2020s. The politics of coal will become increasingly visible. Political parties are starting to anticipate this with proactive policy solutions.
- Enel has performed better than many of its competitors over recent years. But it now needs to accelerate the shift to clean energy & smart systems. The Italian government must provide a fair policy framework that incorporates all remaining coal power plants.
- The new National Energy Strategy and EU National Energy & Climate Plan processes provide the perfect opportunity for Italy to set out a coal phase out plan for the next decade.

# EU Coal Phase Out needed by ~2030

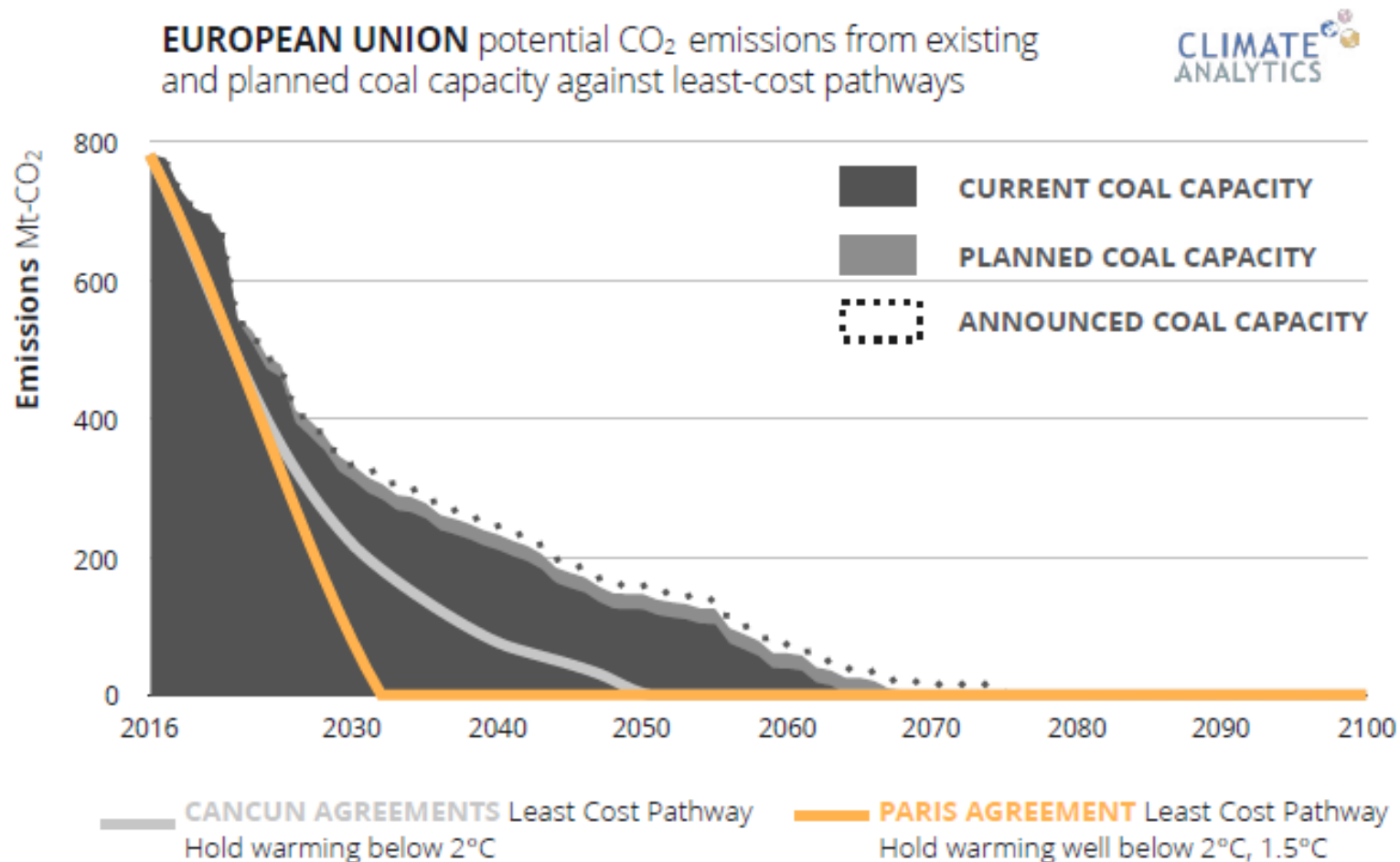


Figure 5 Emissions from existing and planned coal-fired power plants compared with the coal emissions budget according to the Cancun and Paris temperature goals. Sources Rogelj et al. (2015), GCPT, CAN Europe, own calculations.

# EU coal power plants by country and age

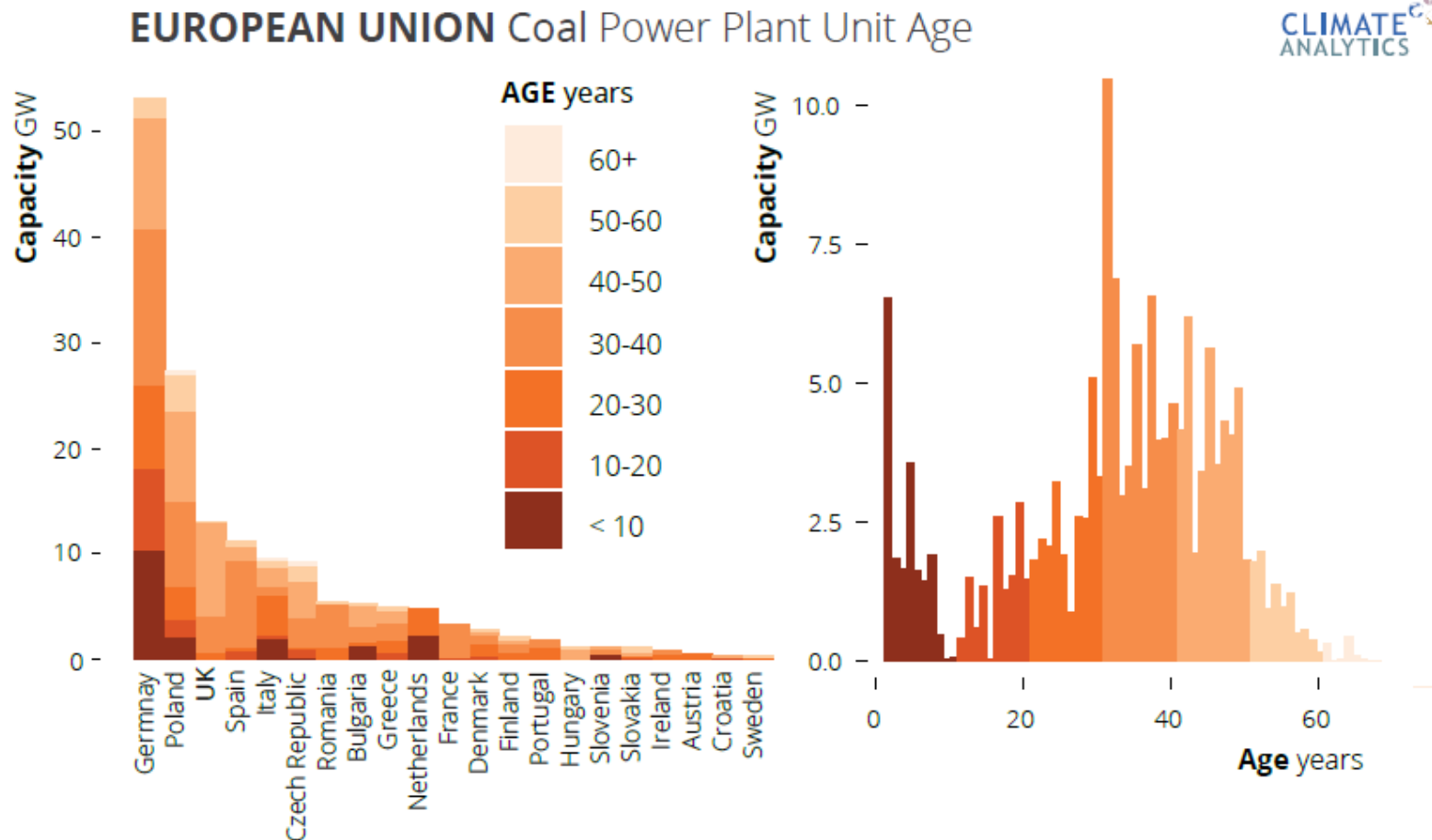


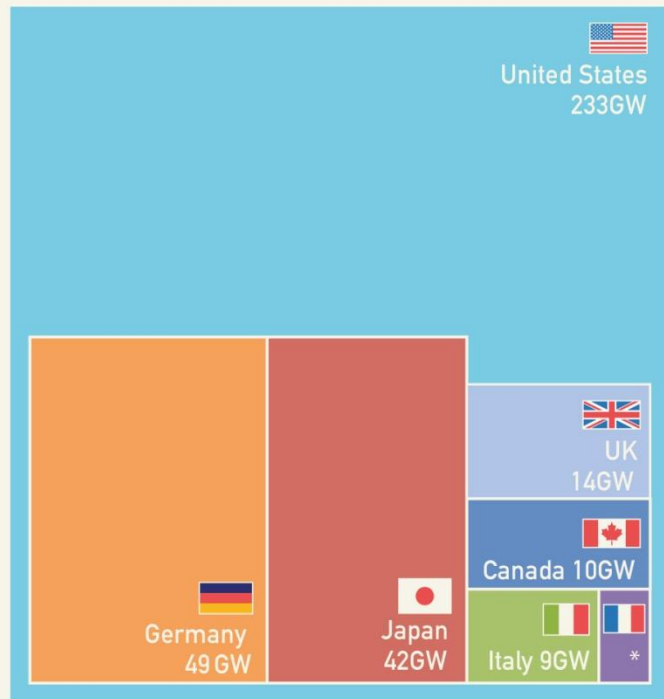
Figure 4: Age structure and capacity by country (left panel) and total age structure (right panel) of the EU's coal power plant unit fleet. Source(s): GCPT, CAN Europe.

# Italy in G7 context



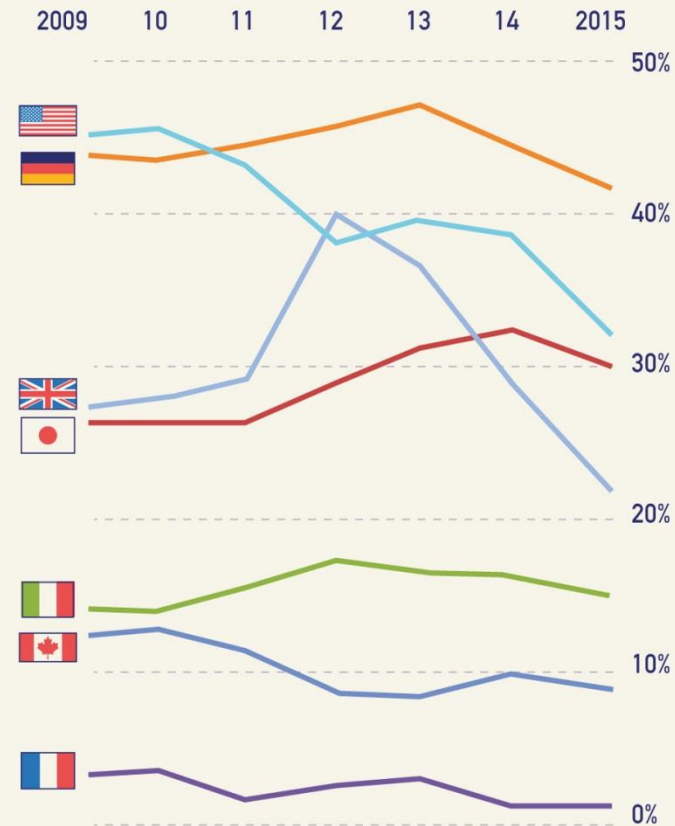
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Coal-fired electricity generation capacity 2016



Source: World Bank, IEA, E3G calculations. \*France 3GW

Share of electricity generation from coal-fired power plants



# The 2016 G7 Coal Scorecard: Italy in #5 position



In Italy, the market is performing better than government policy: this provides a positive opportunity to accelerate action.

Since May 2016, UK, Canada and France have all improved performance. The 2017 scorecard will be published in June. Will Italy also improve?

**Coal scorecard comparison** May 2016

G7 coal phase out progress

	Risk of new coal		Plant retirements		International impact	
	Market drivers	Government policy	Market drivers	Government policy	Private sector actions	Government finance
<b>Canada</b>	✓	✓	—	— ✓	✘	—
<b>France</b>	✓	—	—	—	—	✓
<b>Germany</b>	—	—	✘	—	✘	✘
<b>Italy</b>	—	—	—	✘	—	✘
<b>Japan</b>	—	✘	✘	✘	✘	✘
<b>UK</b>	✓	✓	— ✓	— ✓	✘	—
<b>USA</b>	✓	✓	✓	✓	✘	✓

Source: E3G assessment

# Italy is falling behind its peers in the G7 and Europe



- The **UK** has committed to a coal phase out by 2025. The policy framework is under development. 4.5GW of coal closed in 2016 while electricity from coal fell by 52% to just 9% of total, less than the 11% from wind. The UK had ‘zero coal’ periods in summer thanks to solar power. Coal generation has fallen 74% since 2006.
- **Canada** has committed to a coal phase out by 2030, a policy also being taken by the Province of Alberta. Ontario has already completed a phase out.
- **France** has passed a law to close coal by 2023. But initial proposals for policy measures were not introduced in the budget in late 2016. Macron has committed to act on coal.
- In **Germany** the lignite reserve will close the oldest power plants. The political debate is continuing ahead of Federal elections. A commission on growth and structural change has been proposed.
- In the **USA** real world trends will continue to close coal power plants over the coming years. 115GW (251 power plants) have already announced retirement.
- **Japan** is still considering new coal power plants, but momentum slowing. Two proposed projects have recently been cancelled.
- Other European countries are also moving away from coal: **Belgium, Finland, Portugal, Austria, Sweden, Denmark, and Ireland.**

# The Politics of coal is visible & growing



- UK political party leaders agreed before 2015 election to restrict coal use.
- D66 and Greens campaigned on coal in Netherlands election: closure of new coal plants may be part of coalition negotiations following parliament vote.
- Macron commitment to coal phase out in France within next five years.
- ‘Trump digs coal’ vs Clinton investment plan for US coal transition.
- Coal plants in Europe are ageing. Closures will continue anyway. Needs a plan!

**Stem** D66 @D66  
We sluiten de kolencentrales en geven groene ondernemers de ruimte.  
#stemD66

A graphic with the D66 logo (a green square with 'D66' in white) and the text 'Goed klimaat' and 'D66 krijgt het voor elkaar'.

Translated from Dutch by bing

We are closing the coal-fired power plants and give green entrepreneurs the space. #stemD66 [cards.twitter.com/](https://cards.twitter.com/)

**MacronInEnglish** @MacronInEnglish **Following**

"In the next five years, we must close all remaining coal-fired power plants in France."  
@EmmanuelMacron for #pandalive #macron #enmarche

A screenshot of a tweet from Emmanuel Macron. The tweet text is in French: "Dans le quinquennat, nous devons fermer toutes les centrales à charbon qui existent encore dans notre pays. #PandaLive". There is a small image of a document to the left of the text.

**Emmanuel Macron** @EmmanuelMacron

Dans le quinquennat, nous devons fermer toutes les centrales à charbon qui existent encore dans notre pays. #PandaLive



# Enel is positioned as a leader... But it needs a plan to phase out coal



Enel has performed much better than other European utilities that failed to grasp the transition to renewables and smart grids.

But other companies are now shifting strategy: DONG will be coal-free by 2023. Enel needs to accelerate its shift from coal to clean energy if it is to stay a leader.

In March 2015, Enel pledged to phase out NEW investments in coal. Now, Enel needs to act to phase out EXISTING coal power plants in Italy, Spain, Portugal, Chile, Slovakia and Russia.

In Italy it will need the support of government policy to provide a level playing field that also secures the closure of other coal power plants.



# Government policy is required

- The scale of coal generation in Italy requires a policy framework to support investment in clean energy and smart grids as well as facilitating closure decisions by utility companies.
- The EU ETS is not enough. Additional policies are required. Higher carbon prices can help to reduce generation from existing coal power plants (as has occurred in the UK).
- Providing a clear timetable for phase out can assist by providing greater investor certainty and a transition period for workers.
- The new Italian Energy Strategy must show how coal will be phased out before 2030. This is the challenge set by Italy's Paris Agreement commitments. This coal policy must be an input to the upcoming EU National Energy & Climate Plans.