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Italy's wasted Kyoto billions

Italy stands to waste €2.2 billion on foreign carbon credits between 2008 and 2012 according to a new report from the emissions trading NGO Sandbag.

The government's attempts to shield Italian companies from reducing their emissions in the EU Emissions Trading Scheme (ETS) will mean €1.7 billion in taxpayers' money will need to be spent on foreign carbon credits if the country is to meet its obligations under the UN Kyoto Protocol. In addition, Italian companies in the ETS are expected to spend a further €500 million in private funds outsourcing their carbon reductions overseas rather than investing at home.

Furthermore, this money is likely to be spent on highly controversial carbon credits: the Italian government is likely to purchase so called "hot air" Kyoto allowances from countries which were given billions more Kyoto credits than they actually needed. Based on current patterns 87% of the offsets purchased by Italian companies for ETS compliance will be from industrial gas destruction projects which the European Commission has proposed to ban from 2013.

"Italy has raced to the bottom to meet its climate commitments at minimum cost when it could have been investing in Italy's future," says report author Damien Morris. "Ironically, while the Italian government will need to spend some €1.7 billion of public money on Kyoto compliance it will have given away €2.5 billion worth of carbon permits as windfalls to companies like Riva Group, Edipower and Italcementi".

The report finds Italy's destiny relatively fixed until 2012, but recommends Italy refocus on decarbonising the country's energy infrastructure if it is to avoid wasting further billions buying foreign offsets between 2013 and 2020.

Italy's costly mistake is a key reason behind its repeatedly obstructive stance on more ambitious European climate targets. The adoption of a 30% reduction target by 2020 (up from the current target of 20%) is explicitly supported by countries such as the UK, Germany, France and Denmark and has been made far easier to reach by reductions in emissions caused by the recession. "Insofar as Italy presents its difficulties meeting its Kyoto targets as grounds for resisting more ambition in Europe we need to understand that they stem from strategic errors Italy has made in handling its climate commitments to date." Says Morris.

ENDS

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Notes

1. Sandbag is a climate change campaigning organisation focused on emissions trading and the carbon market. Our full report on Italy is available here: <http://sandbag.org.uk/carbodiem>
2. An Italian version of the report will be available from when the embargo lifts at the following link: http://sandbag.org.uk/carbodiem_italian
3. Projecting forward from 2008-2009 data Sandbag projects Italy will miss its Kyoto target by 181Mt and will need to purchase Kyoto Flexible Mechanisms to make up the remainder. At the same time our projections find that Italy will award 166Mt of superfluous permits to installations under the EU ETS. Had Italy avoided this overallocation and awarded its traded sector 166Mt fewer permits, it could have avoided purchasing these as offsets at state level. This is therefore seen as “wasted” expenditure.
4. The €2.2 billion consists of €1.7 billion government spend on 166Mt of AAUs (at €10/tonne) and approximately €500 million company spend on 30.8Mt of CERs (at €12.50 tonne).