ITALIAN SUPERBONUS

Briefing from the webinar “A Bonus For a Fair Energy Transition”

ELENA ALLEGRINI - Italian Energy Agency (ENEA):

1. The building stock is responsible for more than 40% of energy consumption in Europe. In Italy there are 12 million buildings of which 65% were built before 1976, the year of the first law on energy efficiency. Most of these buildings belong to the coldest climatic areas and perform at the worst energy efficiency level (class G).

2. The “bonus fiscal scheme” is the tool employed in Italy to support a fair energy transition:
   - **Bonus Casa**: 50% of renovation expenses covered by tax breaks
   - **Ecobonus**: from 50% to 85%
   - **Bonus Facciate**: either 60% or 90%
   - **Superbonus**: 110% conditional to a number of primary renovation measures

3. Until 2020, the only way to take advantage of such benefits was to claim them through tax deductions spread over 5 or 10 years. Had the tax credit been higher than the tax due, the excess would be wasted. Starting from 2020, it became possible to exchange the tax credit directly with your contractor/supplier, thus benefitting from the so-called "Invoice Discount", or exchange it for cash with an Italian financial institution upon payment of a fee.

4. Up until June 2022 (after about 20 months from the beginning of the program), the supported interventions under the Superbonus scheme were almost 200,000 for a total investment of more than EUR 38 billion, of which almost 50% was destined for interventions in multiple-dwellings, with an average investment of about EUR 572,400. Despite these promising numbers, it should be noted that only 0.5% of the Italian building stock has been reconditioned so far - with a prevalent concentration within middle-high classes in the North - leading to an increased real estate value of at least EUR 4.8 billion.

5. At the end of the current year, 2021-related data of energy savings from the Superbonus will be available. Expectations are high. In the period 2014-2020 the entire bonus fiscal scheme (without Superbonus) was responsible for a total energy saving of 2.621 Mtoe/year.

MATTEO LEONARDI - ECCO Think Tank:

1. The bonus fiscal scheme is seen as a litmus test for the kind of policies the EU may need to meet Fit for 55 targets. So far, this program has boosted growth and employment, but it has also caused inflation in construction services and numerous frauds have been perpetrated.

2. The biggest criticism against the Superbonus scheme is that it is too costly. This is because it competes with other generous rebate mechanisms in the building sector, such as Bonus Casa and Ecobonus, which have lower or no environmental conditionalities: to convince citizens to upgrade by at least two classes of energy efficiency they must therefore be lured with a higher incentive, such as that of the Superbonus.

3. Furthermore, the conditionalities regarding Superbonus itself are quite weak, which does not make it a particularly ambitious measure in terms of energy efficiency. Finally, no long-term vision has been laid out, leading to a surge in refurbishment costs and issues in materials availability in the short run. Another drawback is represented by the fact that there are no specific provisions for social housing.

4. More generally, greater consistency between taxation and incentive schemes on the one hand and targets for reducing emissions and energy savings on the other would be desirable. In particular, in the domestic sector there is a significant fiscal difference between electricity and gas-based products, with the latter being taxed less than half as much as electricity. As a result, energy efficiency solutions - such as heat pumps - are less affordable for households, particularly low-income consumers.

5. A reform of the current incentive regime should include:
   - a staged long-term strategy that fosters deep renovation (80% of residential buildings by 2050) but with a gradual decreasing evolution of tax deductions
   - abolishment of the current incentive schemes that do not include energy-savings requirements
   - ending subsidies for fossil-based heating
   - a higher tax deduction for multi-family buildings to give more support to low-income households
   - a lower support to higher income households, complemented by loans
   - specific measures for social housing and public buildings such as a revolving fund

6. According to the preliminary results, the introduction of a long-term tax reduction mechanism would require a total of approximately EUR 210 billion, generating a total energy saving of approximately 220 TWh (up to 2050).

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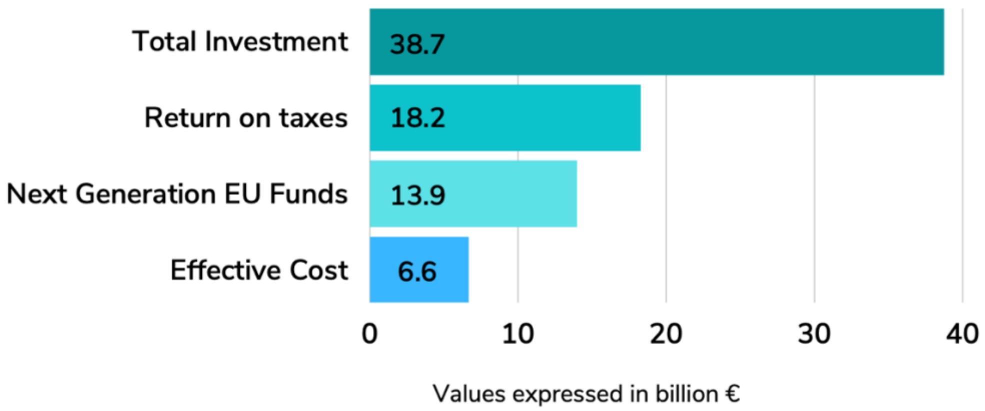
According to a study carried out by ANCE, the Italian Association of Private Construction Contractors, the economic value generated by the Superbonus is estimated to be EUR 124.8 billion, approximately 7.5% of the country's GDP. More specifically, EUR 56.1 billion benefitted the construction and related industries as for production and services; while in terms of employment in the sector, the economic gain reached EUR 43.4 billion.

On the side of households, as many as 483,000 families with low-medium income benefitted from the Superbonus deep energy redevelopment at no cost, allowing an average annual saving of EUR 500 in bills. Regarding the environmental impact, so far the scheme helped to reduce CO_2 emissions by up to 979,000 tons thanks to energy efficiency improvements. For instance, 106 million kWh of renewable energy were released for consumption per year following new installations of PV and solar panels, with a forecast of further 37 million deriving from construction sites that are still active.

When it comes to the cost of the Superbonus, the actual public investment required amounts to EUR 530M for every Billion of private investment generated.

Of the EUR 38.7 billion costs for the state so far, EUR 13.9 billion were provided by the Next Generation EU fund and the remaining part was partly mitigated by the increased tax revenues derived from the investments (EUR 18.2 billion). The net cost for the Italian public purse was EUR 6.6 billion. Lastly, it is worth reminding that this investment works on the anticipation of deductions for taxes that would have not been generated without the measure. In this sense the measure is a zero-sum policy.



Source: Il Sole 24 Ore, La Repubblica and Qualeenergia.it