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# Title Paper
# The information assets referred to industries for monitor the fight against climate change

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## Abstract

The main long-term global goal is to keep the increase in the global average temperature to well below 2 °C compared to pre-industrial levels, Europe intends to achieve this goal by 2050; Italy, in compliance with the European Green Deal, must involve its industries to invest in eco-sustainable economic activities envisaged by the new European taxonomy.

Official statistics at the international level have dedicated two satellite accounts to the description of physical and monetary flows: the account of environmental goods and services (Egss - Environmental Goods and Services Sector Accounts) and the expense account for environmental protection (Epea - Environmental Protection Expenditure Account).

The problem is that this account has a critical limit. It focuses only on the value of the offer of goods and services that directly serve environmental purposes, regardless of who produces them. Industries, instead, have a fundamental role in the fight against climate change and represent the most relevant actors that contribute to the emissions of climate-changing gases.

The European regulation 852/2020 "Taxonomy for sustainable finance" introduces the obligation for industries to indicate the share of their activities in line with the taxonomy, to determine which activities make a substantial contribution to the objectives of the Green Deal. To estimate the production and added value of economic activities which comply with the technical screening criteria established pursuant to regulation 852/2020, and should qualify as environmentally sustainable it is necessary to immediately collect information from the side of industries to identify the new key indicators for the activities considered "eco-sustainable" (environmentally sustainable economic activities) as necessary to measure the economic level of green projects shall by industries in terms of turnover which invest in eco-sustainable economic activity and contribute to one or more of the six objectives environmental conditions foreseen by the new European taxonomy. We must remember that the energy sector accounts for around 75% of the European Union's greenhouse gas emissions and therefore plays a key role in mitigating climate change.

As for the extension of the estimates to areas other than the current ones covered by the environmental accounts to expand the detail of the information offer for existing environmental accounts, it can be proposed to process the goods and services account as an account of eco-sustainable industries (from which the "green GDP" can be elaborated).


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## 1. The global long-term goals for climate change

The ambitious global goal is the increase in the global average temperature to well below 2 °C and pursuing efforts to limit it to 1,5 °C above pre-industrial levels (Paris Agreement).
The carbon dioxide emitted by man for the needs of the production sector exceeds 74% of greenhouse gases burned by fossil fuels. Industries therefore, through their activities, play a fundamental role in the fight against climate change.
The Intergovernmental Panel on Climate Change (IPCC) stressed in the recent report that the situation is "*disturbing, but makes it clear that limiting global warming and avoiding worst-case scenarios of the climate crisis remains possible if we rapidly reduce global emissions over this decade*". Rising temperatures and sea levels lead to increased scarcity of water and food and more frequent and intense climate disasters.
In the world, consumption, production processes and the use of natural resources must be made sustainable (from air to earth, from rivers, lakes and aquifers to seas and oceans).

In order to monitor the achievement of these ambitions, it is necessary to suggest new indicators at a global level which are necessary to measure the progress achieved by countries in support of the climate.

## 2. The European objectives for the fight against climate change with the Green Deal

The regulation establishing the mechanism for recovery and resilience is based precisely on the principle "do not cause significant damage"[2], enshrined in Article 17 of the Regulation on the new EU Taxonomy[3], Europe with the Green Deal intends to make the whole common territory climate neutral by 2050.

The regulation on the new European taxonomy is an important piece of legislation that entered into force in 2020 and introduces a common classification system to make sustainable investments possible and increase and thus implement the European Green Deal the establishment of a unified classification system for sustainable activities is the most important and urgent action envisaged by the action plan of the European Commission which is also linked to the recent proposal for a directive[4] on corporate communication on sustainability, industries are required to provide a lot of information[5] on environmental factors including information on climate change mitigation, climate change adaptation, the sustainable use and protection of water and marine resources, the transition to a circular economy, pollution prevention and control and the protection and restoration of biodiversity and ecosystems and their business strategy to demonstrate the transition towards a climate-neutral economy.

A single European access to point (ESAP) has been set up for the methods of data collection[6]. In this sense, the same information made available on the platform can be captured by each national statistical institute of each member state to monitor and measure the transition phases implemented by industries across Europe[7].

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[2] The "do not cause significant damage" principle applies only to investments underlying the financial product that takes into account the EU criteria for environmentally sustainable economic activities.

[3] The regulatory evolution on corporate communication on sustainability is integrated with two other Regulations that entered into force in 2021 to protect investors: the Regulation 2019/2088 "Sustainable Finance Disclosure Regulation" (SFDR) which entered into force in March 2021 and the Regulation EU 2020/852 entered into force on 12 July 2020 "Relating to the establishment of a framework that favors sustainable investments and amending regulation (EU) 2019/2088" (known as the Taxonomy Regulation and related delegated acts).

[4] The Proposal for a Directive amending Directive 2013/34 / EU, Directive 2004/109 / EC, Directive 2006/43 / EC and Regulation (EU) 537/2014 concerns corporate communication on sustainability. Once approved, the directive is a legislative act that establishes an objective that EU countries must achieve but it is up to Italy to define, through national provisions, how these objectives are to be achieved.

[5] The information communicated by the companies will therefore be available to analysts of banks, insurance companies, asset management companies and credit rating agencies, final investors, non-governmental organizations and other stakeholders who wish to have a greater corporate responsibility for their social and environmental impact.

[6] L'ESAP sarà disponibile in tutte le lingue ufficiali dell'UE, relazioni ed analisi settoriali e territoriali dovrebbero costituire delle opzioni disponibili per i futuri utenti dell'ESAP vedi all'interno della proposta pubblicata il 23 novembre 2021, 14377/21.

[7] At the European level it is proposed to integrate in the ESAP a minimum set of economic key performance indicators (KPIs), defined at EU level, as well as a common methodology to ensure a better and wider use of the single European access point (ESAP).

## 3. Italy's goal for sustainable economic growth in compliance with the European Green Deal

Official statistics at the international level have dedicated two satellite accounts to the description of physical and monetary flows: the account of environmental goods and services (Egss - Environmental Goods and Services Sector Accounts) and the expense account for environmental protection (Epea - Enviromental Protection Expenditure Account).

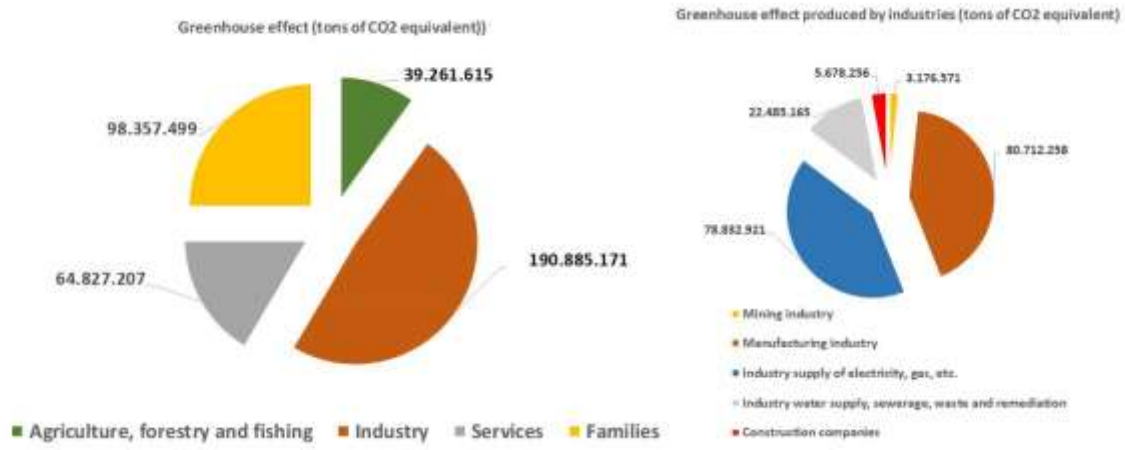
The purpose of these two accounts is to derive from the transactions of the profit and loss accounts the component of production, added value, consumption, investments, exchanges with abroad that responds to environmental purposes, describing it in more functional details to the analysis of the relationship between the natural environment and the anthropic system.

In particular, the objective of the environmental goods and services account, also known as the eco-industries account, is to measure how much of the value of the goods and services that the system produces has as its the most relevant purpose the protection of the environment (prevention, reduction or elimination pollution and any other form of degradation of the natural environment) or the management of natural resources (conservation, maintenance and increase of stocks of natural resources and their protection from exhaustion). Eco-industries are not a selected list of economic operators such as industries, institutions or families as producers, but refer to goods and services that respond to well-identified environmental purposes and that fall within the perimeter traced by the Eurostat manual and by Cepa environmental classifications and classification of resource management activities (CreMA).

The problem is that this account has an important limit, however, it focuses only on the value of the offer of goods and services that directly serve environmental purposes or whose use pursues an environmental purpose, regardless of who produces them. Instead, industries have a fundamental role in the fight against climate change and represent the most relevant actors that contribute to the emissions of climate-changing gases.

For example, as can be seen from graph 1 the transition towards a climate-neutral and sustainable economy for italian industries[8] it means reducing greenhouse gas emissions, becoming resilient and reducing damage to the environment[9].

**Graph 1** - Italy - Emissions of production activity by sector and households causing the greenhouse effect (thousands of tons of CO2 equivalent). Year 2020




*Source: Italian Institute of statistics, data processing*

[8] It should be noted that companies encounter difficulties in finding the information that they themselves need to receive from suppliers, customers and investee companies.

[9] A research project "Green GDP: a new measure of production and value added in national accounts" presented at the Istat call on February 28, 2022 with the aim of finding new indicators for estimating national accounts according to the transition path of businesses and the potential environmental impact of the economic activities carried out by them to measure production and green added value.

Emissions of greenhouse gases amounted, in 2019, to over 431 million tons of CO2 equivalent[10]. The share of 74.4% of the Italian production system on the total in 2019 generates 3 quarters of the total climate-altering emissions (industry 48.4 per cent, Services 16.9 per cent and Agriculture 9.1 per cent) of the entire economy compared to households that contribute only 25.6 per cent to emissions. CO2 constitutes 82 percent of climate-altering emissions and is the gas emitted prevalently by almost all economic activities and by households (Italy - Istat, 2021)11.

The manufacturing and energy industries absorb about 159 million tons of CO2 of the total 190 and contribute significantly to greenhouse gas emissions.

73.3 per cent of heavy metal and particulate matter (PM10) emissions in 2018 derive from production activities in the manufacturing sector, of which metallurgical activities generate 80.2 per cent of the total emissions of the entire sector (Italy - Istat, 2021).

Of the 98 million tons of CO2 emitted by households, 52% is attributable to needs related to private transport while 48% to domestic heating.

We must remember that the energy sector accounts for around 75% of the European Union's greenhouse gas emissions and therefore plays a key role in mitigating climate change.

For the purpose of determining the environmental sustainability of a given economic activity, an exhaustive list of environmental objectives should be laid down.

The six environmental objectives (Figure 1) that this European Regulation should cover are:

1. climate change mitigation; 2. climate change adaptation; 3. the sustainable use and protection of water and marine resources; 4. the transition to a circular economy; 5. pollution prevention and control; 6. the protection and restoration of biodiversity and ecosystems.

**Figure 1** – The six environmental objectives and description of the actions of eco-sustainable economic activities according to the New European Taxonomy in force from 2020

| **Environmental objectives** | **Environmentally sustainable economic activities** | **Description of the Shares** |
|---|---|---|
| *1. climate change mitigation* | An economic activity that pursues the environmental objective of climate change mitigation should contribute substantially to the stabilisation of greenhouse gas emissions by avoiding or reducing them or by enhancing greenhouse gas removals. | An economic activity shall qualify as contributing substantially to climate change mitigation where that activity contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals, including through process innovations or product innovations, by:<br>- through the production, transmission, storage, distribution or use of renewable energy and the creation of the energy infrastructure, production of clean and efficient fuels from renewable or carbon neutral sources<br>- improvement of energy efficiency<br>- the increase in clean or climate-neutral mobility<br>- transition to the use of renewable materials of sustainable origin<br>- increased use of technologies, which are not harmful to the environment<br>- strengthening of carbon sinks in the soil, avoiding deforestation, facilitating the restoration of forests, cultivated lands, grasslands and wetlands, afforestation and regenerative agriculture.<br><br>**Mitigation actions for example is the replacement of fossil fuels with renewable sources in the energy sector.** |
| *2. climate change adaptation* | An economic activity by the industries shall qualify as contributing substantially to climate change adaptation | An economic activity that pursues the environmental objective of climate change adaptation should contribute substantially to reducing or preventing the adverse impact of the current or expected future climate, or the risks of such adverse impact, whether on that activity itself or on people, nature or assets: |

[10] Emissions of CO2 and other climate-altering gases: Emissions of carbon dioxide and other climate-altering gases of the Italian economy expressed in tons of CO2 equivalent per inhabitant, the source of the data is: Istat-Ispra, Inventory and accounts of atmospheric emissions. Emissions of CO2 and other climate-altering gases: Emissions of carbon dioxide and other climate-altering gases of the Italian economy expressed in tons of CO2 equivalent per inhabitant, the source of the data is: Istat-Ispra, Inventory and accounts of atmospheric emissions.

[11] See also Unece indicators "9a - Total greenhouse gas emissions of resident units", "10a - CO2 emissions from combustion of resident units ", " 12 - Total greenhouse gas emissions from production activities ", " 14 - Direct greenhouse gas emissions of families " " 13 - Intensity of greenhouse gas emissions from production activities.

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| | | - includes adaptation solutions that either substantially reduce the risk of the adverse impact of the current climate and the expected future climate on that economic activity or substantially reduce that adverse impact, without increasing the risk of an adverse impact on people, nature or assets<br>- provides adaptation solutions that, contribute substantially to preventing or reducing the risk of the adverse impact of the current climate and the expected future climate on people, nature or assets, without increasing the risk of an adverse impact on other people, nature or assets. |
| *3. the sustainable use and protection of water and marine resources*[12] | An economic activity by the industries shall qualify as contributing substantially to the sustainable use and protection of water and marine resources where | 1. An economic activity shall qualify as contributing substantially to the sustainable use and protection of water and marine resources where that activity either contributes substantially to achieving the good status of bodies of water, including bodies of surface water and groundwater or to preventing the deterioration of bodies of water that already have good status, or contributes substantially to achieving the good environmental status of marine waters or to preventing the deterioration of marine waters that are already in good environmental status, by:<br>(a) protecting the environment from the adverse effects of urban and industrial waste water discharges, including from contaminants of emerging concern such as pharmaceuticals and microplastics, for example by ensuring the adequate collection, treatment and discharge of urban and industrial waste waters;<br>(b) protecting human health from the adverse impact of any contamination of water intended for human consumption by ensuring that it is free from any micro-organisms, parasites and substances that constitute a potential danger to human health as well as increasing people's access to clean drinking water;<br>(c) improving water management and efficiency, including by protecting and enhancing the status of aquatic ecosystems, by promoting the sustainable use of water through the long-term protection of available water resources, inter alia, through measures such as water reuse, by ensuring the progressive reduction of pollutant emissions into surface water and groundwater, by contributing to mitigating the effects of floods and droughts, or through any other activity that protects or improves the qualitative and quantitative status of water bodies;<br>(d) ensuring the sustainable use of marine ecosystem services or contributing to the good environmental status of marine waters, including by protecting, preserving or restoring the marine environment and by preventing or reducing inputs in the marine environment; or<br>(e) enabling any of the activities listed in points (a) to (d). |
| *4. the transition to a circular economy*[13] | An economic activity by the industries shall qualify as contributing substantially to the transition to a circular economy, including waste prevention, re-use and recycling, where that activity | (a) uses natural resources, including sustainably sourced bio-based and other raw materials, in production more efficiently, including by: (i) reducing the use of primary raw materials or increasing the use of by-products and secondary raw materials; or (ii) resource and energy efficiency measures;<br>(b) increases the durability, reparability, upgradability or reusability of products, in particular in designing and manufacturing activities;<br>(c) increases the recyclability of products, including the recyclability of individual materials contained in those products, inter alia, by substitution or reduced use of products and materials that are not recyclable, in particular in designing and manufacturing activities;<br>(d) substantially reduces the content of hazardous substances and substitutes substances of very high concern in materials and products throughout their life cycle, in line with the objectives set out in Union law, including by replacing such substances with safer alternatives and ensuring traceability;<br>(e) prolongs the use of products, including through reuse, design for longevity, repurposing, disassembly, remanufacturing, upgrades and repair, and sharing products;<br>(f) increases the use of secondary raw materials and their quality, including by high-quality recycling of waste;<br>(g) prevents or reduces waste generation, including the generation of waste from the extraction of minerals and waste from the construction and demolition of buildings;<br>(h) increases preparing for the re-use and recycling of waste; (i) increases the development of the waste management infrastructure needed for prevention, for preparing for re-use and for recycling, while ensuring that the recovered materials are recycled as high-quality secondary raw material input in production, thereby avoiding downcycling;<br>(j) minimises the incineration of waste and avoids the disposal of waste, including landfilling, in accordance with the principles of the waste hierarchy;<br>(k) avoids and reduces litter; or<br>(l) enables any of the activities listed in points (a) to (k). |
| *5. pollution prevention and control* | An economic activity by the industries shall qualify as substantial contribution to pollution prevention and control where | that activity contributes substantially to environmental protection from pollution by:<br>(a) preventing or, where that is not practicable, reducing pollutant emissions into air, water or land, other than greenhouse gasses;<br>(b) improving levels of air, water or soil quality in the areas in which the economic activity takes place whilst minimising any adverse impact on, human health and the environment or the risk thereof; |

12 In accordance with relevant Union law, including Regulation (EU) No 1380/2013 of the European Parliament and of the Council (9) and Directives 2000/60/EC (10), 2006/7/EC (11), 2006/118/EC (12), 2008/56/EC (13) and 2008/105/EC (14) of the European Parliament and of the Council, Council Directives 91/271/EEC (15), 91/676/EEC (16) and 98/83/EC (17) and Commission Decision (EU) 2017/848 (18), and with the communications of the Commission of 18 July 2007 on 'Addressing the challenge of water scarcity and droughts in the European Union', of 14 November 2012 on 'A Blueprint to Safeguard Europe's Water Resources' and of 11 March 2019 on 'European Union Strategic Approach to Pharmaceuticals in the Environment.

13 Including Regulations (EC) No 1013/2006 (19), (EC) No 1907/2006 (20) and (EU) 2019/1021 (21) of the European Parliament and of the Council and Directives 94/62/EC (22), 2000/53/EC (23), 2006/66/EC (24), 2008/98/EC (25), 2010/75/EU (26), 2011/65/EU (27), 2012/19/EU (28), (EU) 2019/883 (29) and (EU) 2019/904 (30) of the European Parliament and of the Council, Council Directive 1999/31/EC (31), Commission Regulation (EU) No 1357/2014 (32) and Commission Decisions 2000/532/EC (33) and 2014/955/EU (34), and with the communications of the Commission of 2 December 2015 on 'Closing the loop – An EU action plan for the Circular Economy' and of 16 January 2018 on 'A European Strategy for Plastics in a Circular Economy.

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| | | (c) preventing or minimising any adverse impact on human health and the environment of the production, use or disposal of chemicals;<br>(d) cleaning up litter and other pollution; or<br>(e) enabling any of the activities listed in points (a) to (d). |
| 6. *the protection and restoration of biodiversity and ecosystems*[14] | An economic activity by the industries shall qualify as contributing substantially contribution to the protection and restoration of biodiversity and ecosystems to the protection and restoration of biodiversity and ecosystems where | that activity contributes substantially to protecting, conserving or restoring biodiversity or to achieving the good condition of ecosystems, or to protecting ecosystems that are already in good condition, through:<br>(a) nature and biodiversity conservation, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration where they already have favourable conservation status, and protecting and restoring terrestrial, marine and other aquatic ecosystems in order to improve their condition and enhance their capacity to provide ecosystem services;<br>(b) sustainable land use and management, including adequate protection of soil biodiversity, land degradation neutrality<br>and the remediation of contaminated sites;<br>(c) sustainable agricultural practices, including those that contribute to enhancing biodiversity or to halting or preventing<br>the degradation of soils and other ecosystems, deforestation and habitat loss;<br>(d) sustainable forest management, including practices and uses of forests and forest land that contribute to enhancing<br>biodiversity or to halting or preventing degradation of ecosystems, deforestation and habitat loss; or<br>(e) enabling any of the activities listed in points (a) to (d)<br>Ecosystem service are grouped into four categories:<br>• namely provisioning services, such as the provisioning of food and water;<br>• regulating services, such as the control of climate and disease;<br>• supporting services, such as nutrient cycles and oxygen production;<br>• and cultural services, such as providing spiritual and recreational benefits. |
| *One or more of the six environmental objectives* | *Enabling activities* | An economic activity by the industries shall qualify as contributing substantially to one or more of the environmental objectives by directly enabling other activities to make a substantial contribution to one or more of those objectives, provided that such economic activity:<br>(a) does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and<br>(b) has a substantial positive environmental impact, on the basis of life-cycle considerations |
| *Failure to comply with one or more of the six environmental objectives* | **Significant harm to environmental objectives** | That economic activity shall be considered to significantly harm:<br>(a) climate change mitigation, where that activity leads to significant greenhouse gas emissions;<br>(b) climate change adaptation, where that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;<br>(c) the sustainable use and protection of water and marine resources, where that activity is detrimental: (i) to the good status or the good ecological potential of bodies of water, including surface water and groundwater; or (ii) to the good environmental status of marine waters;<br>(d) the circular economy, including waste prevention and recycling, where: (i) that activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable energy sources, raw materials, water and land at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products; (ii) that activity leads to a significant increase in the generation, incineration or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste; or (iii) the long-term disposal of waste may cause significant and long-term harm to the environment;<br>(e) pollution prevention and control, where that activity leads to a significant increase in the emissions of pollutants into air, water or land, as compared with the situation before the activity started; or<br>(f) the protection and restoration of biodiversity and ecosystems, where that activity is: (i) significantly detrimental to the good condition and resilience of ecosystems; or (ii) detrimental to the conservation status of habitats and species, including those of Union interest. |

*Source:* European regulation 852/2020

The criteria for determining whether an economic activity qualifies as environmentally sustainable should be harmonised at Union level, the absence of uniform criteria would therefore

14 The environmental objective of the protection and restoration of biodiversity and ecosystems should be interpreted in accordance with relevant Union law, including Regulations (EU) No 995/2010 (40), (EU) No 511/2014 (41) and (EU) No 1143/2014 (42) of the European Parliament and of the Council, Directive 2009/147/EC of the European Parliament and of the Council (43), Council Regulation (EC) No 338/97 (44), Council Directives 91/676/EEC and 92/43/EEC (45), and with the communications of the Commission of 21 May 2003 on 'Forest Law Enforcement Governance and Trade (FLEGT)', of 3 May 2011 on 'Our life insurance, our natural capital: an EU biodiversity strategy to 2020', of 6 May 2013 on 'Green Infrastructure (GI) – Enhancing Europe's natural Capital', of 26 February 2016 on 'EU Action Plan against Wildlife Trafficking' and of 23 July 2019 on 'Stepping up EU Action to Protect and Restore the World's Forests'.

increase costs and significantly disincentives economic operators from accessing cross-border capital markets for the purposes of sustainable investment.

To identify an economic activity qualifies as environmentally sustainable, the European taxonomy has introduced the classification of six environmental objectives to which an economic activity by the Agriculture, forestry and fishing, industries and services shall qualify to connect such as:

1. the mitigation of climate change (starting from 1 January 2022);
2. adaptation to climate change (starting from 1 January 2022);
3. sustainable use and protection of water and marine resources (starting from 1 January 2023);
4. the transition to a circular economy (starting from 1 January 2023);
5. the prevention and reduction of pollution (starting from 1 January 2023);
6. the protection and restoration of biodiversity and ecosystems (starting from 1 January 2023)[15].

The regulation introduces the obligation for industries to indicate the share of their activities in line with the taxonomy (Figure 1), to determine which activities make a substantial contribution to the objectives of the Green Deal and also play an important role in defining the standard of EU for green bonds and in the creation of the "EU Ecolabel" for certain products.

It is hoped that Italian Industries are investing in green activities also thanks to the national recovery and resilience plan and to the multiple and different state contributions received through the funds allocated in the Italian State Budget[16].

As part of their business strategy, industries can plan the transition of specific activities by applying the limit values of the EU taxonomy.

The consolidated undertaking non-financial statement, envisaged with Directive 2014/95 / EU implemented in Italy with Legislative Decree 254/2016, is transformed into a "sustainability report", and the information contained in undertaking non-financial statements must indicate the:

- the proportion of their turnover derived from products or services associated with economic activities that qualify as environmentally sustainable [17];
- the proportion of their capital expenditure and the proportion of their operating expenditure related to assets or processes associated with economic activities that qualify as environmentally sustainable.

A list of an economic activity qualifies as environmentally sustainable shall qualify by an industry has been established in line with the taxonomy with the four general conditions that comply with the eco-sustainability uniform criteria.

Investors will also have to channel financial resources to industries with sustainable business models and activities[18].

In order to establish the degree of an economic activity qualifies as environmentally sustainable of the turnover and / or of an industrial investment whose industries production has a positive impact on the environment, the entrepreneurial economic activity, which forms the basis for the collection, compilation and dissemination of data in each area of the statistics, it should be divided into:

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15 The disclosure obligations pursuant to the aforementioned regulation will apply from 1 January 2022 (except for extensions) for the climate change mitigation and adaptation objectives and from 1 January 2023 for the other four objectives.

16 In 2020, Italian companies received payments from the State for 11.6 billion euros for current expenditure in "Tax concessions in favor of companies" with no destination constraint and 3.1 billion euros in capital expenditure payments for "Incentive of the productive system" in subsidized loans, contributions in interest account and capital account, for the development of companies; however, there is still no tax measure dedicated to environmental sustainability despite the 2020 regulation on the new European taxonomy in force. Within the Ministry of Economic Development, a specific area dedicated to eco-sustainable industrial development should be added to the Directorate General for Energy Supply, Efficiency and Competitiveness.

17 The share of turnover must be calculated as the part of net revenues obtained from products or services, including intangible ones, associated with economic activities aligned with the taxonomy (numerator), divided by the net revenues (denominator). Turnover must include revenue recognized in accordance with the international accounting standard (IAS)

18 Read the regulation 2019/2088 on sustainability disclosure in the financial services sector.

1. "eco-sustainable economic activity" that respects criteria an economic activity qualifies as environmentally sustainable;

2. “transitional economic activities” which contribute substantially to the mitigation of climate change19;

3. “enabling economic activity” which contributes substantially to one or more of the environmental objectives;

4. "economic activity eligible for taxonomy" described in the acts delegated by the European Commission;

5. "non-eco-sustainable economic activity - not eligible for taxonomy" not described in documents, that which causes significant damage to the environment.

**Figure 2** - Environmentally sustainable economic activities type linked to the six environmental objectives according to the new European taxonomy


*Source:* European regulation 852/2020

(*) enabling provided that it does not involve a dependence on assets that compromise long-term environmental objectives - taking into account the economic life of these assets has a significant positive impact on the environment, based on considerations relating to the life cycle

19 Faced with the repercussions of climate change on the natural and socio-economic, actions, strategies and interventions must be implemented that have the purpose of mitigate the phenomenon by acting on the economy's potential to generate greenhouse gases. A first example of mitigation actions identifiable through Unece indicators is the replacement of fossil fuels with renewable sources in the energy sector.

## 4. Italy's new proposal

Official statistics at the international level have dedicated two satellite accounts to the description of physical and monetary flows: the account of environmental goods and services (Egss - Environmental Goods and Services Sector Accounts) and the expense account for environmental protection (Epea - Environmental Protection Expenditure Account).

The problem is that this account has a critical limit (see Figure 3). It focuses only on the value of the offer of goods and services that directly serve environmental purposes, regardless of who produces them. Industries, instead, have a fundamental role in the fight against climate change and represent the most relevant actors that contribute to the emissions of climate-changing gases.

The data of the six environmental accounts are regularly disseminated in compliance with the European Regulation. Of the impact production on the environment is measured by Accounts of the flows of matter and Physical energy flow accounts. Accounts of the flows of matter (withdrawals of natural resources -transformed into products- and returns to the environment of degraded matter) and Physical energy flow accounts (describes the flows of energy according to origin from the environment to the economy, within the economy and from the economy to the destination environment) measure the organized flows of matter and energy to and from nature and between economic units. The economic units affected by the physical flows are defined and aggregated as in the national economic accounts. This allows the joint representation of the contributions that the different activities make to the pressures and economic flows.

The atmospheric emissions accounts describe a specific type of return, the release into the atmosphere as substances, identifying their origin in production activities, organized according to the NACE classification or in families. The Accounts of the flows of matter, of the physical flows of energy and of the emissions, measure quantities expressed in physical terms.

Environmental protection expenditure Accounts and environmentally and Environmental goods and services sector account measure (only goods and services regardless of who produces them) make it possible to identify from the national economic accounts the component of production, added value, consumption, investments, exchanges with foreign countries, taxes and expenses that respond to environmental purposes. In this way it is possible to describe the actions that the economic system activates for environmental protection or the management of natural resources, producing goods and services useful for these purposes and incurring costs for the same purposes. This makes it possible, for example, to identify the monetary flows that the economic system activates as measures for the prevention of environmental damage or for the management of natural resources, as responses of the socio-economic system to environmental challenges.

Related taxes public administration (PA) in the context of tax revenues, the part of the revenue deriving from taxes defined on tax bases that have a negative impact on the environment, it is possible to analyze the role of taxation as a tool to guide the choices of producers and consumers in a compatible sense with respect to 'environment.

The revenue from environmental taxes in force in Italy and the relevant taxation for atmospheric emissions and related tax bases. The European regulation 852/2020 “Taxonomy for sustainable finance” introduces the obligation for industries to indicate the share of their activities in line with the taxonomy, to determine which activities make a substantial contribution to the objectives of the Green Deal.

To estimate the production and added value of economic activities which comply with the technical screening criteria established pursuant to regulation 852/2020 taking into account the outcome of their application by financial market participants and their impact on capital markets, including on the channelling of investment into environmentally sustainable economic activities, and should qualify as environmentally sustainable, it is necessary to immediately collect information from the side of industries to identify the new key indicators for the activities considered “eco-sustainable” (environmentally sustainable economic activities) as necessary to measure the economic level of green projects shall by industries in terms of turnover which invest in eco-sustainable

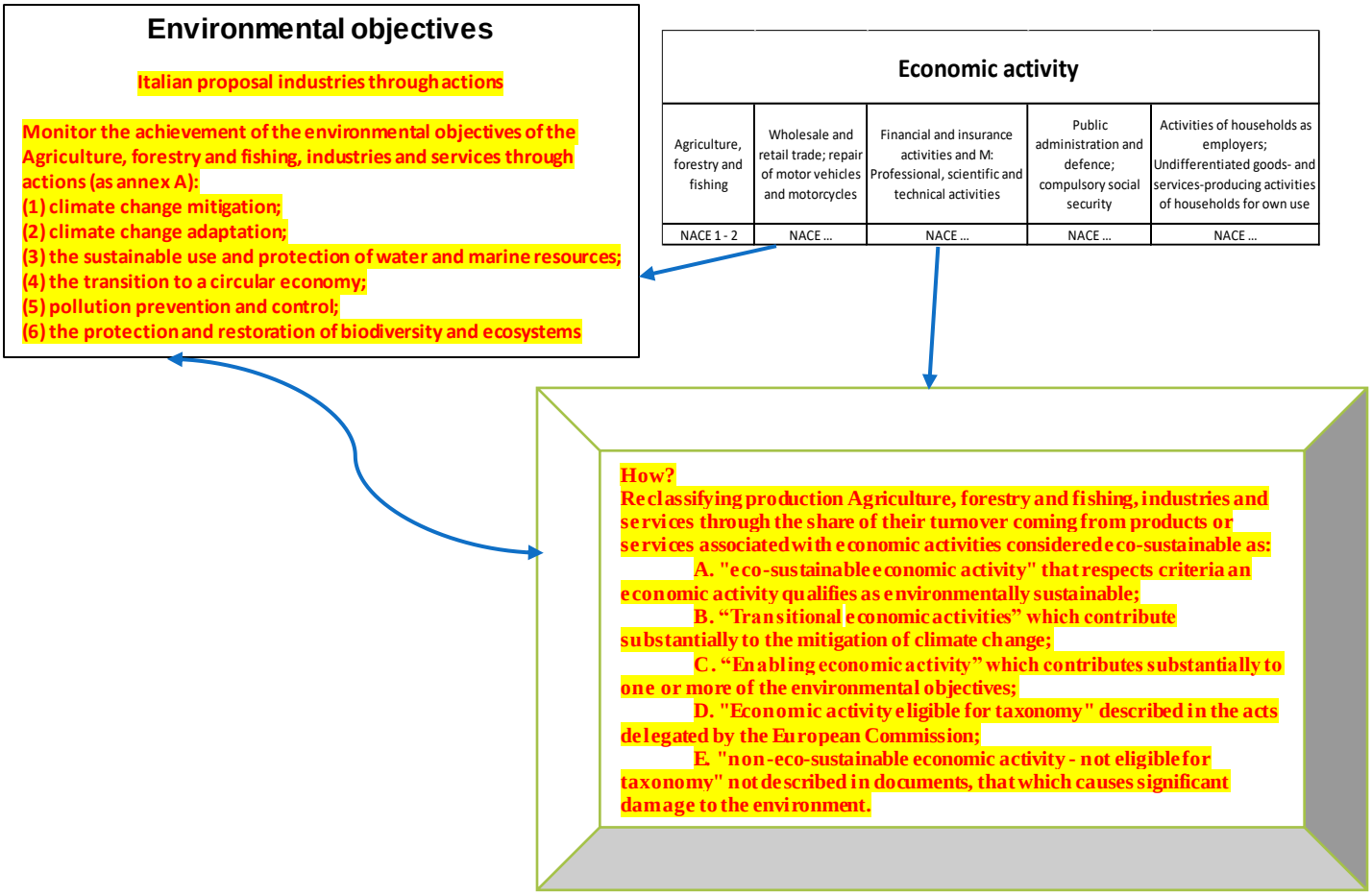
economic activity and contribute to one or more of the six objectives environmental conditions foreseen by the new European taxonomy.

To be able to measure how Italy reduces $CO_2$ emissions by 33% first you have to leave once one or more specific questions have been introduced in the multi-purpose survey of the Census Permanent Business, the type of economic activity is analysed and codified (as Annex A) prevalent (NACE) linked to the eco-sustainable one of belonging, which can be all sustainable or only partially sustainable or completely unsustainable, and therefore the turnover the product will be broken down into its various stages of production based on the green contribution to the activity e to the product (perhaps with the help of the "EU Ecolabel", products can also be reclassified of the company), in order to know the sustainability share of production and individual products necessary to correctly measure the 'green' GDP linked to sustainable and inclusive growth in a perspective of the national accounts framework.

Based on the information made available as a result of the European Taxonomy Regulation it is possible to create a correspondence table between the different classifications Nace Rev.2 for activities and products and services (relations with EU classifications NACE link to ISIC/, Classification of Products by Activity – CPA/CPC, PRODCOM etc.) and a list of activities, products and services considered relevant for the purposes of compliance with the principle "do not cause significant damage" associated with six environmental objectives to which an economic activity is associated under the EU criteria for environmentally sustainable economic activities.

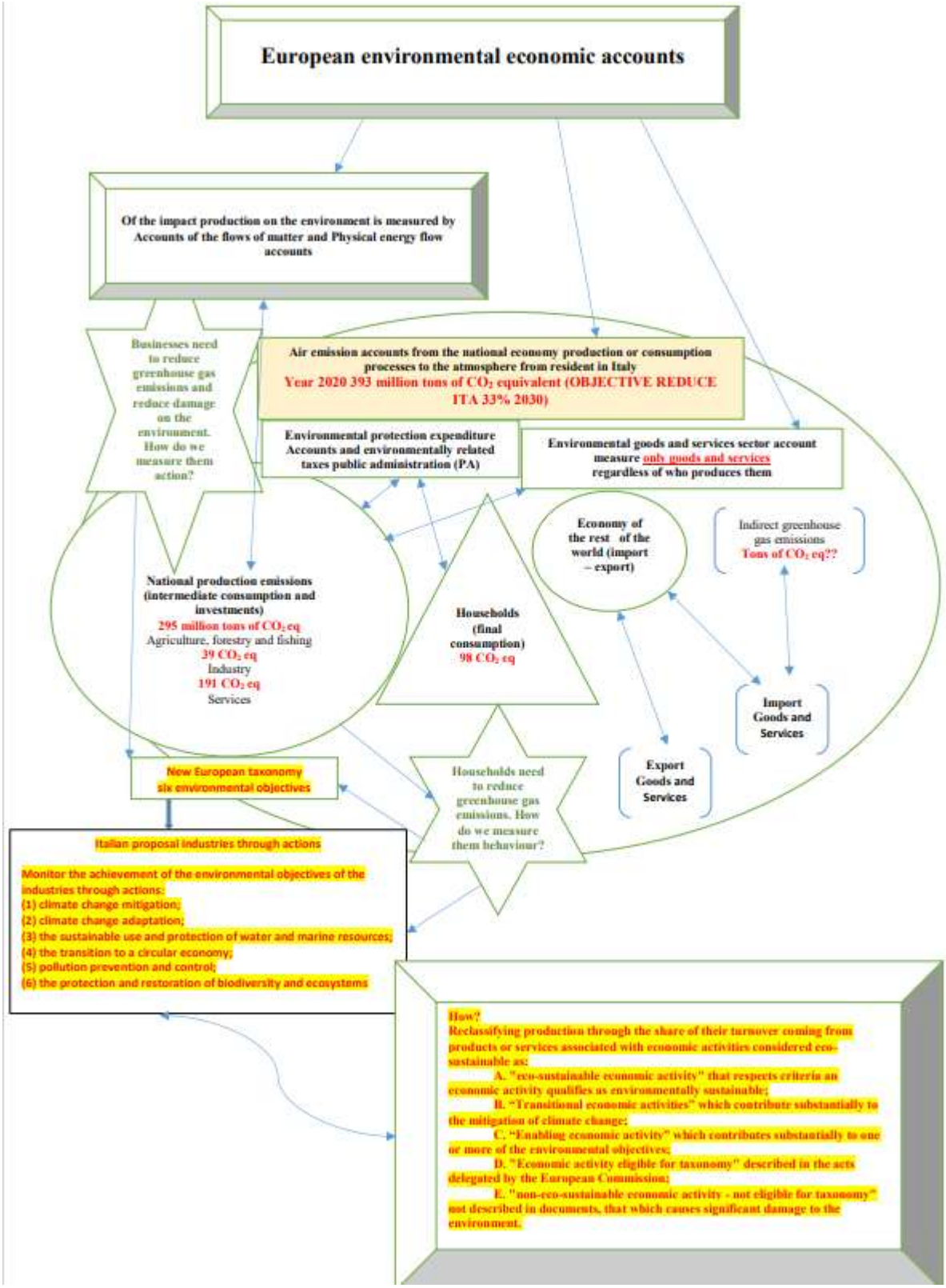
Once the production has been reclassified we can through its economic destination as it is divided through actions the achievement of the environmental objectives between intermediate consumption, final consumption and investments.

**Figure 3 -** Conceptual scheme associated with six environmental objectives to which an economic activity is associated.




*Source:* Italian Institute of statistics, new project of National Accounts

**Figure 4 -** Conceptual scheme European environmental economic accounts to implement a new measure the achievement of the environmental objectives of the industries




*Source:* Italian Institute of statistics, new project of National Accounts

**Figure 5 -** Simplified example of final report of economic activity qualifies as environmentally sustainable and green gross domestic product, Greengdp

| **Economic activity qualifies as environmentally sustainable** | **Economic activity** | | | | | Production and value added |
|---|---|---|---|---|---|---|
| | Agriculture, forestry and fishing | Wholesale and retail trade; repair of motor vehicles and motorcycles | Financial and insurance activities and M: Professional, scientific and technical activities | Public administration and defence; compulsory social security | Activities of households as employers; Undifferentiated goods- and services-producing activities of households for own use | |
| | NACE 1 - 2 | NACE ... | NACE ... | NACE ... | NACE ... | |
| A. "eco-sustainable economic activity" that respects criteria an economic activity qualifies as environmentally sustainable; | | | | | | |
| 1. the mitigation of climate change | | | | | | |
| **OAMCC 1.1** | | | | | | |
| **OAMCC 1.1.1** improving energy efficiency etc. | | | | | | |
| 2. adaptation to climate change | | | | | | |
| 3. sustainable use and protection of water and marine resources | | | | | | |
| 4. the transition to a circular economy | | | | | | |
| 5. the prevention and reduction of pollution | | | | | | |
| 6. the protection and restoration of biodiversity and ecosystems | | | | | | |
| B. “transitional economic activities” which contribute substantially to the mitigation of climate change; | | | | | | |
| C. “enabling economic activity” which contributes substantially to one or more of the environmental objectives; | | | | | | |
| D. "economic activity eligible for taxonomy" described in the acts delegated by the European Commission; | | | | | | |
| **E. "non-eco-sustainable economic activity - not eligible for taxonomy" not described in documents, that which causes significant damage to the environment.** | | | | | | |
| **Tot A - D** | | | | | | **Green GDP** |
| **Tot E** | | | | | | **No Green GDP** |

## Conclusions

To implement sustainable finance policies, from planning (identifying the most polluting economic activities, formulating alternative scenarios, defining strategic objectives and 'goals' to be achieved for climate change), to application (for example to set reference values and thresholds for incentives and disincentives to make substantial contribution to climate change mitigation), to monitoring, to forecasting the possible effects of policies on socio-economic and environmental systems. The information provided by the environmental accounts is useful but partial.

As for the extension of the estimates to areas other than the current ones covered by the environmental accounts to expand the detail of the information offer for existing environmental accounts, it can be proposed to process the goods and services account as an account of eco-sustainable industries (from which the “green GDP” can be elaborated).

Industries will have to provide information on the sustainability of their business activities in a transparent and comparable way and, indirectly, financial industries will be able to consider diverting financial resources in favour of the transition and environmental performance.

The information in their possession, compliant with the certification principles adopted by the European Union on sustainability, will become increasingly useful from a decision-making point of view, and can achieve global convergence through corporate communication on sustainability.

The new disclosure requirements apply to all large industries and all listed industries, including small and medium-sized enterprises (SMEs), but the latter, although they are not obliged to do so, have the right to respond and it could be possible find a way to convince them to participate in the communication (perhaps with financial contributions dedicated to the ecological transition).

Industries can therefore provide crucial information on both quantitative and qualitative sustainable production both retrospectively and prospectively focused on future adverse impacts, with the attestation of a certification by an independent body.

The urgency of the issues and the need to address them in a short time horizon, before reaching fatal tipping points, increase the reasons for making available all the possible and most up-to-date information.

The role played by policy tools in providing incentives for production choices e consumption related to greenhouse gas emissions, is measured by the incidence on GDP of support measures for fossil fuels.

In Italy, according to available estimates, in 2018 the fossil sources have benefited from support measures such as incentives, concessions, exemptions from taxes of over 17 billion, equal to about 1 percent of GDP. We must reverse the course from environmentally harmful subsidies to subsidies environmentally friendly.

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**ANNEX A**

# New classification
# Italian proposal
# ECO - codification of eco-sustainable economic activity

**Definition:** an economic activity qualifies as environmentally sustainable should be contributes substantially to the achievement of one or more of the environmental objectives contained in the European regulation such as:

**Objective 1**

**OAMCC- environmental objective to climate change mitigation**
**OAMCC 1.1** An economic activity shall qualify as contributing substantially to climate change mitigation where that activity contributes substantially to the stabilisation of greenhouse gas concentrations in the atmosphere at a level which prevents dangerous anthropogenic interference with the climate system consistent with the long-term temperature goal of the Paris Agreement through the avoidance or reduction of greenhouse gas emissions or the increase of greenhouse gas removals, including through process innovations or product innovations, by
**OAMCC 1.1.1** improving energy efficiency
**OAMCC 1.1.2** increasing clean or climate-neutral mobility;
**OAMCC 1.1.3** switching to the use of sustainably sourced renewable materials;
**OAMCC 1.1.4** increasing the use of environmentally safe carbon capture and utilisation (CCU) and carbon capture and storage (CCS) technologies that deliver a net reduction in greenhouse gas emissions;
**OAMCC 1.1.5** strengthening land carbon sinks, including through avoiding deforestation and forest degradation, restoration of forests, sustainable management and restoration of croplands, grasslands and wetlands, afforestation, and regenerative agriculture;
**OAMCC 1.1.6** establishing energy infrastructure required for enabling the decarbonisation of energy systems;
**OAMCC 1.1.7** producing clean and efficient fuels from renewable or carbon-neutral sources; or
**OAMCC 1.1.8** enabling any of the activities listed in points (1.1.1) to (1.1.7).

**OAMCC-1.2** An economic activity for which there is no technologically and economically feasible low-carbon alternative shall qualify as contributing substantially to climate change mitigation where it supports the transition to a climate-neutral economy consistent with a pathway to limit the temperature increase to 1,5 °C above pre- industrial levels, including by phasing out greenhouse gas emissions, in particular emissions from solid fossil fuels, and where that activity
**OAMCC 1.2.1** has greenhouse gas emission levels that correspond to the best performance in the sector or industry;
**OAMCC 1.2.2** does not hamper the development and deployment of low-carbon alternatives; and
**OAMCC 1.2.3** does not lead to a lock-in of carbon-intensive assets, considering the economic lifetime of those assets.

**Objective 2**

**OAACC- Environmental objective substantial contribution to climate change adaptation**

**OAACC 2.** An economic activity shall qualify as contributing substantially to climate change adaptation where that activity:

**OAACC 2.1** includes adaptation solutions that either substantially reduce the risk of the adverse impact of the current climate and the expected future climate on that economic activity or substantially reduce that adverse impact, without increasing the risk of an adverse impact on people, nature or assets; or

**OAACC 2.2** provides adaptation solutions that contribute substantially to preventing or reducing the risk of the adverse impact of the current climate and the expected future climate on people, nature or assets, without increasing the risk of an adverse impact on other people, nature or assets.

**OAACC 2.3** the adaptation solutions shall be assessed and ranked in order of priority using the best available climate projections and shall, at a minimum, prevent or reduce:

**OAACC 2.3.1** the location-specific and context-specific adverse impact of climate change on the economic activity; or

**OAACC 2.3.2** the potential adverse impact of climate change on the environment within which the economic activity takes place.

**Objective 3**

**OAUSPAM- Environmental objective substantial contribution to the sustainable use and protection of water and marine resources**

**OAUSPAM 3.** An economic activity shall qualify as contributing substantially to the sustainable use and protection of water and marine resources where that activity either contributes substantially to achieving the good status of bodies of water, including bodies of surface water and groundwater or to preventing the deterioration of bodies of water that already have good status, or contributes substantially to achieving the good environmental status of marine waters or to preventing the deterioration of marine waters that are already in good environmental status, by:

**OAUSPAM 3.1** protecting the environment from the adverse effects of urban and industrial waste water discharges, including from contaminants of emerging concern such as pharmaceuticals and microplastics, for example by ensuring the adequate collection, treatment and discharge of urban and industrial waste waters;

**OAUSPAM 3.2** protecting human health from the adverse impact of any contamination of water intended for human consumption by ensuring that it is free from any micro-organisms, parasites and substances that constitute a potential danger to human health as well as increasing people's access to clean drinking water;

**OAUSPAM 3.3** improving water management and efficiency, including by protecting and enhancing the status of aquatic ecosystems, by promoting the sustainable use of water through the long-term protection of available water resources, inter alia, through measures such as water reuse, by ensuring the progressive reduction of pollutant emissions into surface water and groundwater, by contributing to mitigating the effects of floods and droughts, or through any other activity that protects or improves the qualitative and quantitative status of water bodies;

**OAUSPAM 3.4** ensuring the sustainable use of marine ecosystem services or contributing to the good environmental status of marine waters, including by protecting, preserving or restoring the marine environment and by preventing or reducing inputs in the marine environment; or

**OAUSPAM 3.5** enabling any of the activities listed in points (3.1) to (3.4).

**Objective 4**

**OATEC- Environmental objective substantial contribution to the transition to a circular economy**

**OATEC 4.** An economic activity shall qualify as contributing substantially to the transition to a circular economy, including waste prevention, re-use and recycling, where that activity:

**OATEC 4.1** uses natural resources, including sustainably sourced bio-based and other raw materials, in production more efficiently, including by
**OATEC 4.1.1** reducing the use of primary raw materials or increasing the use of by-products and secondary raw materials; or
**OATEC 4.1.2** resource and energy efficiency measures;
**OATEC 4.2** increases the durability, reparability, upgradability or reusability of products, in particular in designing and manufacturing activities;
**OATEC 4.3** increases the recyclability of products, including the recyclability of individual materials contained in those products, inter alia, by substitution or reduced use of products and materials that are not recyclable, in particular in designing and manufacturing activities;
**OATEC 4.4** substantially reduces the content of hazardous substances and replaces substances of very high concern in materials and products throughout their life cycle, in line with the objectives set out in Union law, including by replacing these substances with safer alternatives and ensuring the traceability of products;
**OATEC 4.5** prolongs the use of products, including through reuse, design for longevity, repurposing, disassembly, remanufacturing, upgrades and repair, and sharing products;
**OATEC 4.6** increases the use of secondary raw materials and their quality, including by high-quality recycling of waste;
**OATEC 4.7** prevents or reduces waste generation, including the generation of waste from the extraction of minerals and waste from the construction and demolition of buildings;
**OATEC 4.8** increases preparing for the re-use and recycling of waste;
**OATEC 4.9** increases the development of the waste management infrastructure needed for prevention, for preparing for re-use and for recycling, while ensuring that the recovered materials are recycled as high-quality secondary raw material input in production, thereby avoiding downcycling;
**OATEC 4.10** minimizes the incineration of waste and avoids the disposal of waste, including landfilling, in accordance with the principles of the waste hierarchy;
**OATEC 4.11** avoids and reduces litter; or
**OATEC 4.12.** enables any of the activities listed in points (4.1) to (4.11).

**Objective 5**
**OAPRI - Environmental objective substantial contribution to pollution prevention and control**
**OAPRI 5.** An economic activity shall qualify as contributing substantially to pollution prevention and control where that activity contributes substantially to environmental protection from pollution by:
**OAPRI 5.1** preventing or, where that is not practicable, reducing pollutant emissions into air, water or land, other than greenhouse gasses;
**OAPRI 5.2** improving levels of air, water or soil quality in the areas in which the economic activity takes place whilst minimising any adverse impact on, human health and the environment or the risk thereof;
**OAPRI 5.3** preventing or minimising any adverse impact on human health and the environment of the production, use or disposal of chemicals
**OAPRI 5.4** leaning up litter and other pollution; or
**OAPRI 5.5** enabling any of the activities listed in points (5.1) to (5.5).

**Objective 6**
**OAPRBE - 6 Environmental objective: substantial contribution to the protection and restoration of biodiversity and ecosystems**
**OAPRBE 6.** An economic activity shall qualify as contributing substantially to the protection and restoration of biodiversity and ecosystems where that activity contributes substantially to protecting, conserving or restoring biodiversity or to achieving the good condition of ecosystems, or to protecting ecosystems that are already in good condition, through:

**OAPRBE 6.1** nature and biodiversity conservation, including achieving favourable conservation status of natural and semi-natural habitats and species, or preventing their deterioration where they already have favourable conservation status, and protecting and restoring terrestrial, marine and other aquatic ecosystems in order to improve their condition and enhance their capacity to provide ecosystem services;
**OAPRBE 6.2** sustainable land use and management, including adequate protection of soil biodiversity, land degradation neutrality and the remediation of contaminated sites;
**OAPRBE 6.3** sustainable agricultural practices, including those that contribute to enhancing biodiversity or to halting or preventing the degradation of soils and other ecosystems, deforestation and habitat loss;
**OAPRBE 6.4** sustainable forest management, including practices and uses of forests and forest land that contribute to enhancing biodiversity or to halting or preventing degradation of ecosystems, deforestation and habitat loss; or
**OAPRBE 6.5** enabling any of the activities listed in points (6.1) to (6.4).

**-ABI - Enabling economic activity**
**ABI 1.** An economic activity shall qualify as contributing substantially to one or more of the environmental objectives set out by directly enabling other activities to make a substantial contribution to one or more of those objectives, provided that such economic activity:
**ABI 1.1** does not lead to a lock-in of assets that undermine long-term environmental goals, considering the economic lifetime of those assets; and
**ABI 1.2** has a substantial positive environmental impact, on the basis of life-cycle considerations.

**-ADS – An economic activity shall qualify as significant harm to environmental objectives**
**ADS 1.** an economic activity shall be considered to significantly harm:
**ADS 1.1** climate change mitigation, where that activity leads to significant greenhouse gas emissions;
**ADS 1.2** climate change adaptation, where that activity leads to an increased adverse impact of the current climate and the expected future climate, on the activity itself or on people, nature or assets;
**ADS 1.3** the sustainable use and protection of water and marine resources, where that activity is detrimental:
**ADS 1.3.1** to the good status or the good ecological potential of bodies of water, including surface water and groundwater; or
**ADS 1.3.2** o the good environmental status of marine waters;
**ADS 1.4** the circular economy, including waste prevention and recycling, where:
**ADS 1.4.1** that activity leads to significant inefficiencies in the use of materials or in the direct or indirect use of natural resources such as non-renewable energy sources, raw materials, water and land at one or more stages of the life cycle of products, including in terms of durability, reparability, upgradability, reusability or recyclability of products;
**ADS 1.4.2** that activity leads to a significant increase in the generation, incineration or disposal of waste, with the exception of the incineration of non-recyclable hazardous waste; or
**ADS 1.4.3** the long-term disposal of waste may cause significant and long-term harm to the environment;
**ADS 1.5** pollution prevention and control, where that activity leads to a significant increase in the emissions of pollutants into air, water or land, as compared with the situation before the activity started; or
**ADS 1.5.1** significantly detrimental to the good condition and resilience of ecosystems; or
**ADS 1.5.2** detrimental to the conservation status of habitats and species, including those of Union interest.
**ADS 1.6** the protection and restoration of biodiversity and ecosystems, where that activity is
**ADS 1.7** activity that significantly harms the good condition and resilience of ecosystems harms the conservation status of habitats and species, including that of interest to the European Union

**ADS 2.** when assessing an economic activity against the criteria, both the environmental impact of the activity itself and the environmental impact of the products and services provided by that activity throughout their life cycle shall be taken into account, in particular by considering the production, use and end of life of those products and services.

**-CRI - Technical screening criteria**

**CRI 1.** The technical screening criteria identify the main potential contributions to a given environmental objective:

**CRI 1.1** identify the most relevant potential contributions to the given environmental objective while respecting the principle of technological neutrality, considering both the short- and long-term impact of a given economic activity;

**CRI 1.2** specify the minimum requirements that need to be met to avoid significant harm to any of the relevant environmental objectives, considering both the short- and long-term impact of a given economic activity;

**CRI 1.3** be quantitative and contain thresholds to the extent possible, and otherwise be qualitative;

**CRI 1.4** where appropriate, build upon Union labelling and certification schemes, Union methodologies for assessing environmental footprint, and Union statistical classification systems, and take into account any relevant existing Union legislation;

**CRI 1.5** where feasible, use sustainability indicators as referred to in Article 4(6) of Regulation (EU) 2019/2088;

**CRI 1.6** be based on conclusive scientific evidence and the precautionary principle enshrined in Article 191 TFEU;

**CRI 1.7** take into account the life cycle, including evidence from existing life-cycle assessments, by considering both the environmental impact of the economic activity itself and the environmental impact of the products and services provided by that economic activity, in particular by considering the production, use and end of life of those products and services;

**CRI 1.8** take into account the nature and the scale of the economic activity, including

**CRI 1.8.1** whether it is an enabling activity as referred enabling activity

**CRI 1.8.2** whether it is a transitional activity as referred transition activity

**CRI 1.9** take into account the potential market impact of the transition to a more sustainable economy, including the risk of certain assets becoming stranded as a result of such transition, as well as the risk of creating inconsistent incentives for investing sustainably;

**CRI 1.10** cover all relevant economic activities within a specific sector and ensure that those activities are treated equally if they contribute equally towards the six environmental objectives, to avoid distorting competition in the market; and

**CRI 1.11** be easy to use and be set in a manner that facilitates the verification of their compliance.

**CRI 2.** The technical screening criteria referred to in paragraph 1 shall also include criteria for activities related to the clean energy transition consistent with a pathway to limit the temperature increase to 1,5 0C above pre-industrial levels, in particular energy efficiency and renewable energy, to the extent that those activities substantially contribute to any of the environmental objectives.

**CRI 3.** The technical screening criteria shall ensure that power generation activities that use solid fossil fuels do not qualify as environmentally sustainable economic activities.

**CRI 4.** The technical screening criteria shall also include criteria for activities related to the switch to clean or climate-neutral mobility, including through modal shift, efficiency measures and alternative fuels, to the extent that those are substantially contributing to any of the environmental objectives.