



Ministero dello Sviluppo Economico

SMEPlus – Improving policy instruments to increase the energy efficiency in industrial SMEs

Ministry of economic development – Italy

Action plan

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Introduction

Climate change, decarbonisation, slow progress towards energy efficiency and the need for better tackling of measures and policy improvement on energy programs have become in recent decades of great focus. The EU's energy policy has a set of various measures at its core, aimed at achieving an integrated energy market and ensuring security of energy supply and the sustainability of the energy sector. The major challenges for European policies for regional development are territorial imbalances, with policy instruments acting on significant areas for economic and social development, as well as sustainable development, in our case imbalances regarding energy efficiency measures.

The current policy directions are determined by the integrated and comprehensive climate and energy policy, adopted by the European Council on 24 October 2014, revised in December 2018, which aims to achieve, by 2030, the following: an increase of at least 32.5% of the energy efficiency compared to the 2005 levels.

Also, under a new law agreed between member states and the EU Parliament, it has been set a new target for the reduction of carbon emissions by at least 55% by 2030, compared with 1990 levels, thus setting a neutral free CO2 target emissions by 2050.

As part of the European Environment Pact, the Commission proposed a review of the Energy Efficiency Directive and published its assessment roadmap on the 3th of August 2020. After a public consultation which ended in February 2021, the final feedback, regarding Commission adoption is set to be prepared in the 2nd quarter of 2021.

At national level, the energy transition strategy is defined by the Integrated National Plan for Energy and Climate 2030 (from now on PNIEC), the final text of which has been presented to the European Commission on 21 January 2020¹. The PNIEC identifies a series of objectives and correlated

¹ The PNIEC was sent to the EU Commission in implementation of Regulation 2018/1999 / EU, at the end of a process started in December 2018. The Plan proposal was in fact sent to the European Commission on January 8, 2019. On the PNIEC Proposal are Institutional and public consultations were then launched. This was sent to the Presidents of the Chamber and Senate, to the Ministry for Regional Affairs and Autonomies and to ARERA, the Regulatory Authority for Energy, Networks and the Environment. At the level of Parliament, the X Commission (productive activities) of the Parliament Chamber held a series of hearings on the subject, as part of the fact-finding survey on the prospects for implementation and adaptation of the National Energy Strategy to the National Energy and Climate Plan for 2030. On 20th March 2019, the public consultation was launched, which was open until 5 May 2019, and was aimed at gathering comments and proposals especially on the measures identified in the Plan proposal. On 16 June 2019, the European Commission adopted specific recommendations on the Italian PNIEC proposal.

actions which also include some directly connected to the development of enterprises in terms of support for research, innovation and competitiveness in order to favour the development of product and process technologies essential for the energy transition and to favour the introduction of technologies, systems and organizational and management models functional to the energy transition itself and to safety.

In this context SMEPlus project partners have shared their good practices over the past 2 years and a half to find the best solutions to contribute to the achievement of the target set using site visits, interregional thematic workshops or peer reviews, being in a position now to formulate an Action Plan for the next phase of the project in which the identified actions and measures will be implemented.

As regards the action hereon presented is a specific intervention tool for Italian SMEs made of a specific state aid scheme managed by the Ministry of economic development in the framework of the policy instrument represented by the National Operational Programme Enterprises and Competitiveness ERDF 2014-2020 (from here on “NOP EC”) or its new version for the 2021-2027 programming period (that is still in a very beginning phase of designing).

Initially, the intervention tool was framed in the NOP, Thematic Objective 4 “Supporting the transition to a low-carbon economy in all sectors”, Priority Axis IV “Energy efficiency” addressed only to the South of Italy, that sets out a specific (Action 4.2.1) in order to stimulate energy efficiency and the reduction of energy consumption and climate-changing gas emissions from enterprises and production areas. This includes the installation of renewable energy production plants for self-consumption, giving priority to high-efficiency technologies on the base of the experiences made by MiSE in programming period 2007-2013.

Following the reprogramming approved by the European Commission with decision C (2021) 5865 of 3 August 2021 resulting from the allocation of additional resources made available by the European Commission through REACT-EU, it was established within the NOP EC - and in order to contrast the effects of the crisis deriving from Covid-19 - a new axis, Axis VI “Promote the overcoming of the effects of the crisis in the context of the COVID-19 pandemic and its social consequences and preparing a green, digital and resilient recovery of the economy” which includes interventions both in favour of companies and in the energy sector and addressed to the whole Country. This is now where the instrument can be set up and it is the framework of this action plan.



Regarding the established goal of SMEPlus, respectively to improve the energy efficiency at SME level, the proposed Action Plan aims at improving and implementing a policy instrument inspired by the good practice shared by one of the partners (House of Energy, DE) in support of micro, small and medium-sized companies. To achieve the purpose, the intervention proposes the granting of subsidies to support the competitiveness of SMEs and, at the same time, improve the energy sustainability of the production processes through the implementation of spending programs that allow to increase company productivity, also through the rationalization of costs, including those related to the use of primary energy in the work process.

1. Regional context

The Italian Republic (conventional long form name) has about 62,4 million inhabitants (Feb. 2020). With an area of 301,340 square kilometres (incl. the islands of Sardinia and Sicily), the resulting population density, at 207 inhabitants per square kilometre, is higher than that of most Western European countries. However, the distribution of the population is widely uneven. The most densely populated areas are those of the metropolitan areas of Rome (in Latium), Milan (in Lombardy) and Naples (in Campania).

Italy is the third-largest economy in the euro zone. Its economy comprises a developed industrial north, dominated by private companies, and a less-developed, highly subsidized, mostly agricultural south. The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized enterprises, many of them family-owned.

Italy is a democratic parliamentary republic where the executive power is exercised by the Council of Ministers, which is led by the Prime Minister, and the legislative power is vested primarily in the two houses of Parliament and secondarily in the Council of Ministers, which can introduce bills and holds the majority in both houses.

The Regions of Italy are the first-level constituent entities of the Italian Republic.

There are 20 regions, of which five (Aosta Valley, Friuli-Venezia Giulia, Sardinia, Sicily, Trentino A.A. - South Tyrol), have a broader amount of autonomy than the other 15 regions (Abruzzo, Basilicata, Calabria, Campania, Emilia-Romagna, Latium, Liguria, Lombardy, Marche, Molise, Piedmont, Apulia, Tuscany, Umbria, Veneto).

Regions acquired a significant level of autonomy following a constitutional reform in 2001. With this reform of the Constitutional Law, Italy implemented a bottom-up approach in law making, implying that the national government has exclusive legislative power only in few specific areas of national interest (foreign policy, immigration, defence, monetary policy, customs, citizenship, etc.). This reform increased multi-level governance and regional administrations are now responsible for policy making in the area of scientific and technological research and support to innovation for industrial sectors but have to observe some fundamental principles set by the national Law. Sometimes this reform brought to policy competence conflicts between Central Administrations and Regions.



2. Policy context

2.1 General overview

The Ministry of Economic Development (MiSE) is a department of the Italian central government. It deals with industrial policy, trade and communications. It has competences relating to the following areas of the Italian economy:

- Industrial policy: competitiveness, industrial research and innovation, technology transfer, patents and trademarks, fight against counterfeiting, funds and concessions for businesses, productive reconversion and reorganization, management of corporate crises, support for small and medium-sized enterprises, promotion of competition, liberalization, consumer protection, simplification for businesses, price monitoring (through the Observatory for the surveillance of prices and tariffs, better known as Mister prices), legal metrology and precious metals, product and plant safety, business register and chambers of commerce, supervision of the cooperative system, agricultural consortia, commissioner management and extraordinary administration procedures of large companies, trust and auditing companies, attraction of foreign investments.
- Communications policy: regulation of electronic communications, sound and television broadcasting and the postal sector, service contract with RAI (National TV and radio service) and Poste Italiane (National mail and parcel services), distribution of frequencies for sound and television broadcasting services, cellular telephony and emergency services, monitoring and national radio spectrum control, broadband infrastructure program.

Division IV of the Directorate-General for Business Incentives (DGIAl), PP7 in Interreg Europe SMEPlus project, is Managing Authority of the National Operational Programme Enterprises and Competitiveness ERDF 2014-2020 (from here on “NOP EC”). NOP EC, co-financed by EU, aims at promoting economic growth and strengthen the national production system with a special focus on Southern Italy, supporting research and development projects, new enterprise start-ups, development in foreign markets, energy efficiency improvements, access to bank credit and major industrial investments.

The Programme covers EU funding to Italy’s Regions (the more developed, the less developed ones and those in transition) under the “Investment for growth and jobs goal” provided from the resources of the European Regional Development Fund (ERDF).

The Programme implements 4 operational priorities covering 4 thematic objectives: (1) strengthening research, technological development and innovation, (2) enhancing access to, use and quality of ICT, (3) enhancing competitiveness of SMEs, and (4) supporting shift towards a low carbon economy.

The Programme focuses on the following 4 priority axes:

1. Innovation
2. Ultra-broadband and digital growth
3. SME competitiveness
4. Energy efficiency

Energy efficiency policy is a key factor to improve the low-carbon economy in South Italy where SMEs are structurally lacking ability to access credit for energy investments. The Italian Government has settled, in 2013, the National Energy Strategy, followed by the Action Plan for Energy Efficiency

(2014) and by the Interregional Operational Programme “Renewable energies and energy saving” (in short “POI Energie”) co-financed by ERDF 2007-2013. Under this last Programme, exclusively directed to the Southern regions of Italy, MiSE DGIAI as Intermediate body offered various incentives schemes aiming at improving enterprises’ energy efficiency and production from renewable sources including biomass. In the spirit of this experience, the NOP EC supports the transition to a low-carbon economy in all sectors and finances actions for the re-launch of territorial competitiveness through interventions aimed at stimulating the production of energy from renewable sources. The goal is to develop intelligent distribution systems, optimize the integration of energy generated by renewables in the electricity distribution system, promote the national production chain, the stimulation of new energy efficiency investments for SMEs and improve the innovation capacity of the manufacturing industry sector. To this aim, was adopted the instrument “Development Contract towards environmental protection programs”. Specifically, were allocated 100 MLN/€ to favour environmental protection through the reduction of energy consumption and emissions of climate-altering gases from companies and production areas.

2.2 Policy objective and measures

MiSE DGIAI intervention tool in Interreg Europe SMEPlus was initially framed in the Thematic Objective 4 “Supporting the transition to a low-carbon economy in all sectors”, Priority Axis IV “Energy efficiency” addressed only to the South of Italy. It sets out a specific (Action 4.2.1) in order to stimulate energy efficiency and the reduction of energy consumption and climate-changing gas emissions from enterprises and production areas. This includes the installation of renewable energy production plants for self-consumption, giving priority to high-efficiency technologies on the base of the experiences made by MiSE during the programming period 2007-2013 with POI Energie.

Following the reprogramming approved by the European Commission with decision C (2021) 5865 of 3 August 2021 resulting from the allocation of additional resources made available by the European Commission through REACT-EU, it was established, within the NOP EC and in contrast to effects of the crisis from Covid-19, a new axis, Axis VI “Promote the overcoming of the effects of the crisis in the context of the COVID-19 pandemic and its social consequences and preparing a green, digital and resilient recovery of the economy” which includes interventions both in favour of companies and in the energy sector.

Differently from what was the target area of Axis IV, now Axis VI is addressed to the whole Country. Axis VI aims to support SMEs investments to tackle with the negative effects of the pandemic crisis and to favour the economic transition in a green and digital key. The uncertainty caused by the epidemic determines the need to intervene, also through this new Axis, in favour of territorial production systems with the aim of supporting the processes of investment and accumulation of the capital stock and to accelerate the processes of digitization of SMEs also using specialized skills. Specific interventions are planned to facilitate access to credit, technological modernization of production, digitalization, development and / or acquisition of skills and large investment and open innovation projects.

As for the new programming period, the new Operational Programme is called “National Programme for Innovation, Research, Competitiveness for Transition and Digitization”. The new intervention tool can be framed in the Policy Strategic Objective 1 “A smarter Europe”, Specific objective no. 3 “Growth and competitiveness of the enterprises” of the Partnership Agreement between Italy and EC (note that the Operative Programme will replicate Policy strategic objectives, Specific



objectives, etc.). The status of the new Operational Programme is actually being at a very first draft as that the last draft of the Partnership Agreement between Italy and EC is dated a few days ago, 27th September 2021.

3. Action plan – objectives, measures and expected impact

The MiSE DGIAI action plan idea takes inspiration from the good practice that was presented for the first time by the German partner House of Energy at one of the events organized as part of the project's transnational partnership. This good practice “PIUS-Invest” was positively shared with the Italian stakeholders’ group (the three largest industrial associations in the country)² during the official stakeholder meetings and in bilateral sessions with individual stakeholders. This is the good practice that was considered more interesting and allows a quicker implementation.

Further in-depth analyses were carried out on the policy instrument presented by the German partner through bilateral on-line meetings, exchange of emails with requests for more information, the session dedicated to it during the double online appointment consisting of the joint German-Dutch study visit and, not lastly, the information shared by the partner on the pages dedicated to it on its website, on the policy owner's website and on the pages dedicated to SMEPlus on the Interreg Europe website, including interviews.

3.1 Implementing an intervention tool to support competitiveness and energy sustainability of small and medium-sized enterprises in the national production system

3.1.1 The background

The main purpose of this action plan is to improve the existing policy instrument whose main implementation tool was the call for proposals “New Innovative Machinery call”³ of which it can be considered a reinterpretation and improvement. The new call is designed within the framework of REACT-EU and includes technological and digital transition, ecological transition (circular economy) and energy efficiency. The part regarding energy efficiency in the new call is inspired and influenced by the good practice presented by the German Partner in order to make it adhere as much as possible to the original idea of the German partner, adapting it to the Italian context: the PIUS-Invest is a support funding scheme having as main objective to help SMEs save resources. Savings of energy, water, raw-materials or auxiliary materials will also lead to financial savings and environmental protection. While simple organizational changes can already lead to resource and energy efficiency, major investments are frequently necessary. Therefore, the funding applies to process and organizational innovations, for example improvements and efficiency increases in production and business processes and also investments in environmentally friendly plant engineering. Required are direct actions that lead to a reduction in material and energy consumption and CO2 emissions reduction.

3.1.2 Objective and activities

The new policy tool will consist in a support instrument for SMEs competitiveness and innovative investments in continuity with the “New Innovative Machinery Call”, and to encourage the business processes of:

² “Confindustria”, the General Confederation of Italian Industry. “Confartigianato Imprese”, the National Association of Artisans and Small Businesses. “CNA”, National Confederation of Crafts and Small and Medium Enterprises. “CNA Campania” National Confederation of Crafts and Small and Medium Enterprises, Regione Campania headquarters.

³ Ministerial Decree 30th October 2019. <https://www.mise.gov.it/index.php/it/incentivi/impresa/macchinari-innovativi>

- Technological and digital transition (in line with the Transition Plan 4.0).
- Ecological transition (circular economy).
- Energy efficiency.

The eligible activities are manufacturing SMEs, business networks and business services activities, subject to the limitations deriving from the State Aid Rules.

The type of investments admitted are direct investments in the construction of new production units or in the expansion of capacity of existing ones or in the diversification of production, alternatively capable of:

- Promote the technological and digital transformation of the company through the acquisition of enabling technologies consistent with the Transition Plan 4.0.
- Favour the company transition towards the circular economy paradigm with the adoption of solutions capable of making the production process more sustainable.
- Improve the processes energy sustainability with an increase in company productivity, achieving a given reduction in Tonne of oil equivalent (TOE) at the end of the project, compared to the previous average consumption of primary energy.

The investment programs must be carried out within 12 months from the grant, taking into account the duration up to 31st December 2023 of REACT-EU.

The thresholds depend from the investment's location:

- Regions of the Centre-North: eligible expenses not less than 1 million euros and not more than 3 million euros.
- Southern regions: eligible expenses not less than 500 thousand euros and not more than 3 million euros.

The form of the aid is plant grant. It is planned to link a contribution amount equal to 5% of the eligible costs (by way of reward) for the investment projects that will be completed in 9 months from the concession.

The eligible expenses are tangible and intangible fixed assets, which concern machinery, plants and equipment strictly functional to the implementation of investment programs as well as computer programs and licenses related to the use of the aforementioned tangible assets.

It is expected that applications can be presented according to a dedicated IT procedure and are processed through an over-the-counter evaluation procedure pursuant to art. 5 of d.lgs. No 123/98. Applications will be instructed in chronological order of submission. The chronological order will be mitigated by the prediction of a ranking formed on the basis of indicators relating to the characteristics of the proposer and the quality of the project.

3.1.3 Players/Partners involved and target group

MiSE DGIAI is involved as policy owner. MiSE will avail itself of the operational support of INVITALIA, its in-house company, in all the activities concerning the implementation of the measure (receipt of applications, investigation, admission to subsidies, request for additions, forfeiture of admission, renunciations, follow-ups).

The Italian stakeholders' group⁴ will be involved in the advertising activities especially in those directed to their associates and will be shared with the stakeholders the monitoring data following the implementation of the call in order to obtain their eventual suggestions on corrective measures for the improvement of the measure.

3.1.4 Expected costs and funding sources

The proposed intervention is strongly inspired by the "New Innovative Machinery call"⁵ whose data have been taken as a reference for estimating the financial support that can be granted with the new measure. Based on the implementation data of the Ministerial Decree of 30 October 2019, it is conceivable that each eligible project absorbs resources equal to € 950,000.00.

The Ministry is investigating the amount of budget for the measure. It has yet to be decided and has to be quantified on the basis of a context analysis and also considering the possibility of activating resources from cohesion policies as well as from the National Recovery and Resilience Plan (PNRR). The Ministry is also investigating the possibility to make it compliant as much as possible with REACT 100% Green in order to make it a pivot for any future re-editions of the same to be valid on REACT-EU. The foreseen budget's total amount for the "New Innovative Machinery call" as a whole should amount to Euro 500,000,000.00 from REACT-EU and from the Complementary Operational Program for Enterprises and Competitiveness 2014-2020 (POC) based on national resources and complementary to the ERDF one. At the moment, the Ministry is not able to quantify the amount of the budget to be assigned to each of the three areas of the call (Technological and digital transition, ecological transition/circular economy and energy efficiency). Possible territorial allocations are being evaluated, based on the current margin of use of REACT-EU resources in the Centre-North Italy.

Pursuant to Article 16, paragraph 1, letter a), of Law no. 180/2011 (Statute of companies) it is necessary, however, to provide for a minimum reserve of 25 percent to be allocated exclusively to micro and small enterprises.

Concerning the EU State aid framework, the Ministry is investigating for a combination of frameworks, using:

- for the regions of Southern Italy, Article 14 ("Regional investment aid") of the General Block Exemption Regulation - EU Reg. 651/2014 (GBER) for the Southern Regions.
- for the regions of the Centre-North, a combination of:
 - the sixth amendment of section 3.13 ("Investment support for a sustainable recovery") of the Temporary Framework (TF), which has been introduced with the TF communication of extension on 18th November 2021.

⁴ Its components are "Confindustria", the General Confederation of Italian Industry. "Confartigianato Imprese", the National Association of Artisans and Small Businesses. "CNA", National Confederation of Crafts and Small and Medium Enterprises. "CNA Campania" National Confederation of Crafts and Small and Medium Enterprises, Regione Campania headquarters.

⁵ Ministerial Decree 30th October 2019. <https://www.mise.gov.it/index.php/it/incentivi/impresa/macchinari-innovativi>

- Article 17 (“Investment aid for SMEs”) of the GBER itself in the other areas.

Section 3.13 of the TF regulates aid with a maximum intensity of 15% of the eligible costs, regardless of the size of the company, cumulative with other aid up to 100% of the eligible costs, for a maximum amount per company not exceeding 1% of the resources allocated for the scheme and in any case within a ceiling of 10 million euros per company in nominal terms.

For the companies in the Centre and North Italy, in particular, the 15% intensity provided for by the TF will be added to those provided for by the SME regime pursuant to art. 17 of the GBER (in the other areas).

Therefore, the combination of the two aid schemes brings to the 35% for micro and small enterprises and to the 25% for the medium-sized ones as overall aid intensities for companies in the Central North regions.

3.1.5 Impact and output indicators

As each eligible project absorbs a concession equal to € 950,000.00, consequently, depending on the budget available, 105 requests could be satisfied in the case of a budget of € 100m, 84 requests in the case of an allocation of around € 80m, 63 requests in the case of a budget of € 60m.

3.1.6 Time frame

We expect that the call for proposals will be opened on June 2022 and will be closed before the end of November 2022: as for the timing, once the call for proposals have been published and opened, the objective is to start the preliminary phase with the receipt of the applications for financing by companies around half 2022. Closing this phase by mid/end November 2022 we will have the possibility to communicate to the Interreg Europe JTS, well before the closure of Interreg Europe SMEPlus project (31st January 2023), some fundamental monitoring data concerning the draft of the call (e.g. number of requests, size of companies, subject of requests, size of investments, ...).

The complete implementation of the measure must be realized during 2022 and 2023, with the last grants to be financed by 31st December 2022 (effective deadline of section 3.13 of the TF) and each investment program must be realized in line with the term of duration of the REACT-EU (31st December 2023).



PHASE 2												
Activity / month	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6	Month 7	Month 8	Month 9	Month 10	Month 11	Month 12
<i>Drafting of the Ministerial Decree</i>												
<i>Approval of the Ministerial Decree</i>												
<i>Publication of the Ministerial Decree on the Italian Official Journal</i>												
<i>Call for proposals: collection of the applications</i>												
<i>Closure of the call</i>												
<i>Collection of monitoring data from the applications and transmission at Interreg Europe JS</i>												