The Impact of CDP on the Climate Crisis:

A review of the international investments of Cassa Depositi e Prestiti in fossil fuels and clean energy

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OVERVIEW

INTRO

In 2023, for the first time, global warming exceeded 1.5°C in an entire year. Yet responses to the climate crisis continue to be financially inadequate.

Finance plays a key role in facilitating the transition. This is clearly expressed in the Paris Agreement. Nevertheless, not only are financial commitments routinely disregarded, but **more resources continue to be devoted to the causes of the climate crisis than to solutions**. The energy sector is responsible for about three-quarters of greenhouse gas emissions, but investment continues to go towards fossil fuels rather than towards clean energy.

The responsibility of private banks, including some in Italy, lies at the heart of ActionAid's #fundourfuture campaign[1]. However, the role of public banks remains only partially explored. Of particular interest is the role of institutions such as our Cassa Depositi e Prestiti, a bank with many vocations and a key player in assisting in the Italian and international energy transition.
It is precisely the international role on which we have decided to focus, due to the volume of operations but also to try to understand **what contribution Italy, through CDP, intends to make to the global energy transition**.

How consistent is CDP's international energy portfolio with the Paris Agreement? This is the question that the report carried out by Perspective Climate Research for ActionAid Italia intends to answer to place Italy's international ambitions within the global context of combating climate change.

The result is a largely unsatisfactory rating. This is mainly due to the gap between national sustainability ambitions and international energy investments predominantly in fossil fuels.

While the national energy investment portfolio is now leaning noticeably more towards clean sources, the international one, and in particular the portfolio in the Global South, remained strongly characterised by investments in fossil sources during the period of 2016/2022.

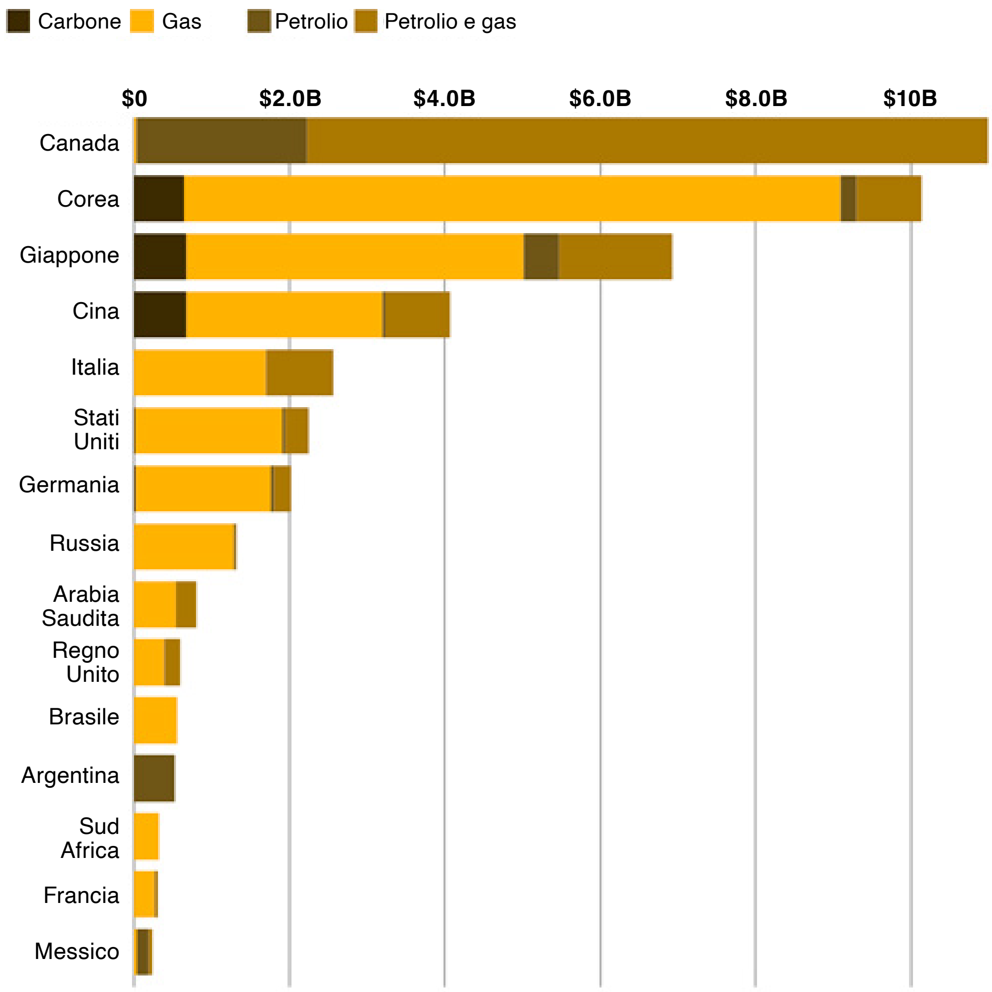
Despite CDP's significant progress in recent years in terms of sustainability, what emerges most markedly from the analysis is **the absence of sufficiently ambitious and comprehensive policies that declare a clear exclusion of investments in fossil fuels both at home and abroad**.

1 As a recent ActionAid report shows, Unicredit and Intesa San Paolo are the two Italian banks that invest heavily in fossil mining and agribusiness in the global south.

WHY PUBLIC FINANCE AND WHY CDP

In recent years, a wave of relevant international commitments by governments in terms of public finance contributions has stressed the urgent need for action. In return for these largely unfulfilled commitments, however, it is important to bear in mind the **very high concentration of public fossil fuel support that see Italy behind countries such as Canada, South Korea, Japan, China and India followed by the US and Germany**[2].

Graph 1. *Top 15 G20 countries in terms of international public finance for fossil fuels, annual average 2020-2022, in billions of dollars. (Graph from the Public Finance for Energy database)*



The commitments made to date are therefore largely insufficient and more pressing action must be taken, broadening the coalitions and ambitions of these agreements and leaving no room for loopholes. **There are more than 55,000 new oil and gas projects in 159 countries for which a final investment decision is expected between 2022 and 2050**, and which should be cancelled in line with the Net Zero roadmap of the International Energy Agency[3].

Many of these projects benefit from public support, such as CDP.

CDP is a national promotional bank and development financial institution. It is therefore in a particularly good position to be an **early proponent and driving force behind a profound acceleration towards clean energy investments and the abandonment of fossil investments.**

In addition, the Ministry of Economy and Finance and Tresury holds more than 80% of the shares of the bank's shareholding structure.

2 Between 2020 and 2022, the public financial institutions of the G20 countries and multilateral development banks granted subsidies to the fossil sector amounting to $142 billion. Source OCI 2024

3 The IEA's 2050 net emissions strategy makes it very clear that, in order to achieve climate neutrality, there should be no further investment in new fossil fuel projects (IEA 2021))

WHAT DOES THE ANALYSIS REVEAL?

The analysis commissioned by ActionAid Italia was carried out according to a methodology based on 5 weighted dimensions for assessing alignment with the Paris Agreement. **The final result of the assessment of CDP's international energy portfolio and policies is that they are "not aligned"**, where, in dimensions 2 and 3, the highest-weighted, the score is zero.

Table 1. *Assessment of CDP's International energy related portfolio and policies*

Dimension of the assessment	Weight	Description	CDP's score
1. Transparency	0.2	Financial and non-financial disclosure	0.75/3.00
2. Mitigation I	0.4	Ambition of fossil fuel exclusion or restriction policies	0.00/3.00
3. Mitigation II	0.2	Climate impact and emission reduction targets for all international activities	0.00/3.00
4. Climate finance	0.1	Positive contribution to the global climate transition	0.40/3.00
5. Engagement	0.1	Awareness raising and "proactivity"	0.33/3.00
Result of the assessment:		**Not aligned**	**0.22/3.00**

The first dimension is that of **transparency**, a fundamental prerequisite for the analysis. The **intermediate score is 0.75/3.00**. This is mainly due to the failure to adhere to international standards that allow reporting of the greenhouse gas emissions of all operational activities (so-called Scope 3). In addition, **CDP does not report transparently data on fossil fuel financing**. The data analysed in the report and briefly presented here were extracted from the Public Finance for Energy Database.

The second dimension is the highest-weighted and concerns the **ambition of policies to exclude or restrict fossil sources**. The intermediate score is 0.00/3.00. This result is due to the **absence of policies that explicitly prohibit investments in the coal, oil and fossil gas sectors**.

In addition, **CDP has historically financed national and international oil projects, and holds a 27.7% stake in the major O&G major ENI** (a stake that was 26.2% as of 2022).

Finally, another element that helps justify the low score on this dimension, lies in the **support for fossil gas that CDP considers fundamental for promoting energy security**. Still on the matter of gas, the current government places CDP in a central role in the questionable project to convert Italy into a gas hub.

The third dimension analysed, that of climate impact and emission reduction targets for all international activities, was assigned an intermediate score, again, of 0.00/3.00.

Comprehensive methodologies for accounting for emissions are lacking, as has already emerged from the transparency dimension. But above all, this dimension allows us to analyse the available data of the international portfolio.

In the observed period 2016 – 2022, the energy portfolio amounts to about 3 billion euros (see Table 2). Of these, **only one third was used for clean energy projects**. These projects are, among other things, 70% within Italy. In contrast, **those of a fossil nature are concentrated with almost 80% abroad**, marking a clear difference between the national and international investments.

Table.2 *Detail of CDP's entire international energy portfolio (domestic + international)*

	Total amount	% of total	Italy	% ITA	INT Amount	% INT
Clean	€ 999,050,940	33,32%	€ 696,920,690	72,86%	€ 302,130,250	14,80%
Fossil	€ 1,692,602,890	56,45%	€ 102,703,250	10,74%	€ 1,589,899,640	77,86%
Other	€ 306,932,830	10,24%	€ 156,933,680	16,41%	€ 149,999,150	7,35%
TOTAL	**€ 2,998,586,660**	**100,00%**	**€ 956,557,620**	**100,00%**	**€ 2,042,029,040**	**100,00%**

It should be remembered that since 2017, Mozambique has been struggling with an armed insurgency stimulated also by the appetites that the great availability of natural resources of the country has generated. The country ranks third in the world for estimated gas reserves but at the same time is among the last countries in the UN Human Development Index.4 Mozambique and Egypt togheter account for over 60% of CDP's international energy portfolio in fossil fuels.

Table 3. Detail of the fossil fuels energy portfolio

Year	Country	Amount	% of the international fossil portfolio
2016	Oman	€ 170,667,000	10,73%
2016	Egypt	€ 103,962,390	6,54%
2018	Egypt	€ 338,800,000	21,31%
2020	Mozambique	€ 569,400,000	35,81%
2020	Nigeria	€ 76,413,480	4,81%
2020	Russia	€ 194,839,920	12,25%
2021	Russia	€ 135,816,850	8,54%

The fourth dimension, that of the **positive contribution to global climate transition**, was given an intermediate score of 0.40/3.00, which is Unaligned. The score is improved by the 43 million euros per year of international investments in clean energy (302 million in the entire period 2016 – 2022 – Table 1), with a rapid increase in the three-year period 2020/22. However, as already mentioned, **we cannot fail to note that since 2017, all investments in Italy have been in clean energy sources, while in 2020 and 2021 international investments in gas, and therefore fossil energy sources, doubled**.

Finally, even for the fifth and last dimension, of involvement and proactivity, the score remains Unaligned, namely 0.33/3.00. This is partly due to the fact that, in addition to participation, **the level of international climate commitment of CDP is unclear**. As for the national forums, however, while records are kept of participation initiatives, **it is not reported transparently to what extent the feedback received from the stakeholders involved is taken into account**.

4 The main demands are made by the international campaign Say No to Gas! In Mozambique. There is also an Italian Campaign. There are numerous investigative journalism reports and reports of other nature.

CONCLUSIONS

The analysis notes a general **"non-alignment" of CDP's international energy portfolio** and policies with the goals of the Paris Agreement. This is mainly due to **significant support for the Oil & Gas sector, accounting for more than 77% of international energy investments**.

The analysis of the national energy portfolio is not the focus of this study. However, some points of comparison are needed to create a picture of what an external observer might see as a **differentiated strategy between the national and the international**. Moreover, looking at the entire portfolio (domestic + international) it emerges that over 56% of energy-related investments are still in fossil, highlighting the **lack of strong and consistent support for projects for investment in renewable energy**.

In addition to the analysis of the portfolio, what draws most attention is the **absence of fossil fuel exclusion policies, in stark contrast to the commitments made by the Italian government**. These commitments include, in particular, the Statement on International Public Support for the Clean Energy Transition launched at COP26 di Glasgow.

In addition, some policies and guidelines (Energy Transition and Green, Social and Sustainability Bond Framework) leave the door open to new investments in fossil gas. The latter is referred to as a “clean transition fuel” and its use is too simplistically linked to geopolitical issues and the ambition to make Italy a Mediterranean gas hub.

The issue of gas appears to be particularly controversial. Contributing to a low score is the fact that investments in gas are being made despite the fact that, two years after the energy crisis following the Russian invasion of Ukraine, gas consumption has already fallen in Europe to its lowest levels for 10 years. **Whether gas is a source of national energy security is therefore highly questionable**. The entire strategy of the Government on this issue should therefore be questioned. In addition, explorations for new sources of gas, such as those in Mozambique where CDP has its largest investment in the observed period, have helped to **destabilise an already fragile political environment as well as significantly increase the impact of climate change on the ground**, as reported by many organisations and a report commissioned by Total itself[5].

Finally, as a member of the G7 and G20, **Italy should set an example and expand its investments in clean energy instead of turning Italy into a gas-based "energy hub" and using the Italian Climate Fund (€4.4 billion) to invest in gas extraction in Africa**.

[5] The report, commissioned by Total to Jean-Cristophe Rufin, a French human rights activist and ambassador, while trying to demonstrate the usefulness of the venture on the ground, highlighted the enormous socio-environmental impact produced by the mining project

RECOMMENDATIONS

We call on the Italian Government to work for rapid alignment with the goals of the Paris Agreement and the subsequent commitments made, in particular:

- **GIVE CONTINUITY TO THE STATEMENT ON INTERNATIONAL PUBLIC SUPPORT FOR THE CLEAN ENERGY TRANSITION SIGNED IN GLASGOW AT COP 26 IN 2021.**
  We wish to point out that on that occasion the Italian Government undertook to:

  a. support the transition to clean energy by "ending direct public support for the international fossil fuel energy sector";

  b. Encourage "other governments, their official export credit agencies and public financial institutions to implement similar commitments in COP27 and beyond." Thanks to the Italian presidency of the G7, this commitment is now becoming more important.

- **PROVIDING SPECIFIC GUIDANCE FOR A CONCRETE AND SHORT-TERM TIMELINE FOR PHASING OUT PUBLIC FINANCING OF FOSSIL FUELS, CONSISTENT WITH THE IEA'S ROADMAP FOR NET ZERO EMISSIONS BY 2050;**

- **NOT USING THE ITALIAN CLIMATE FUND TO INVEST IN GAS EXTRACTION ON THE AFRICAN CONTINENT.**
  The extraction of gas, and in particular through the use of the Climate Fund, does not contribute to energy cooperation nor to Italy's energy security. These priorities are achievable through:

  a. **the transfer of know-how and investment in local supply chains** (in Africa and beyond), starting with those of renewable energy to improve energy cooperation;

  b. **the increase in investment in clean sources** at the expense of fossil fuels;

  c. **the abandonment of investments harmful to the civilian population such as in the Mozambique** LNG project which has already largely shown its limitations;

  d. **the abandonment of the strategy of converting Italy into a gas hub**, which involves a source that is not clean, and risks stimulating the construction of facilities that are unnecessary in the medium term