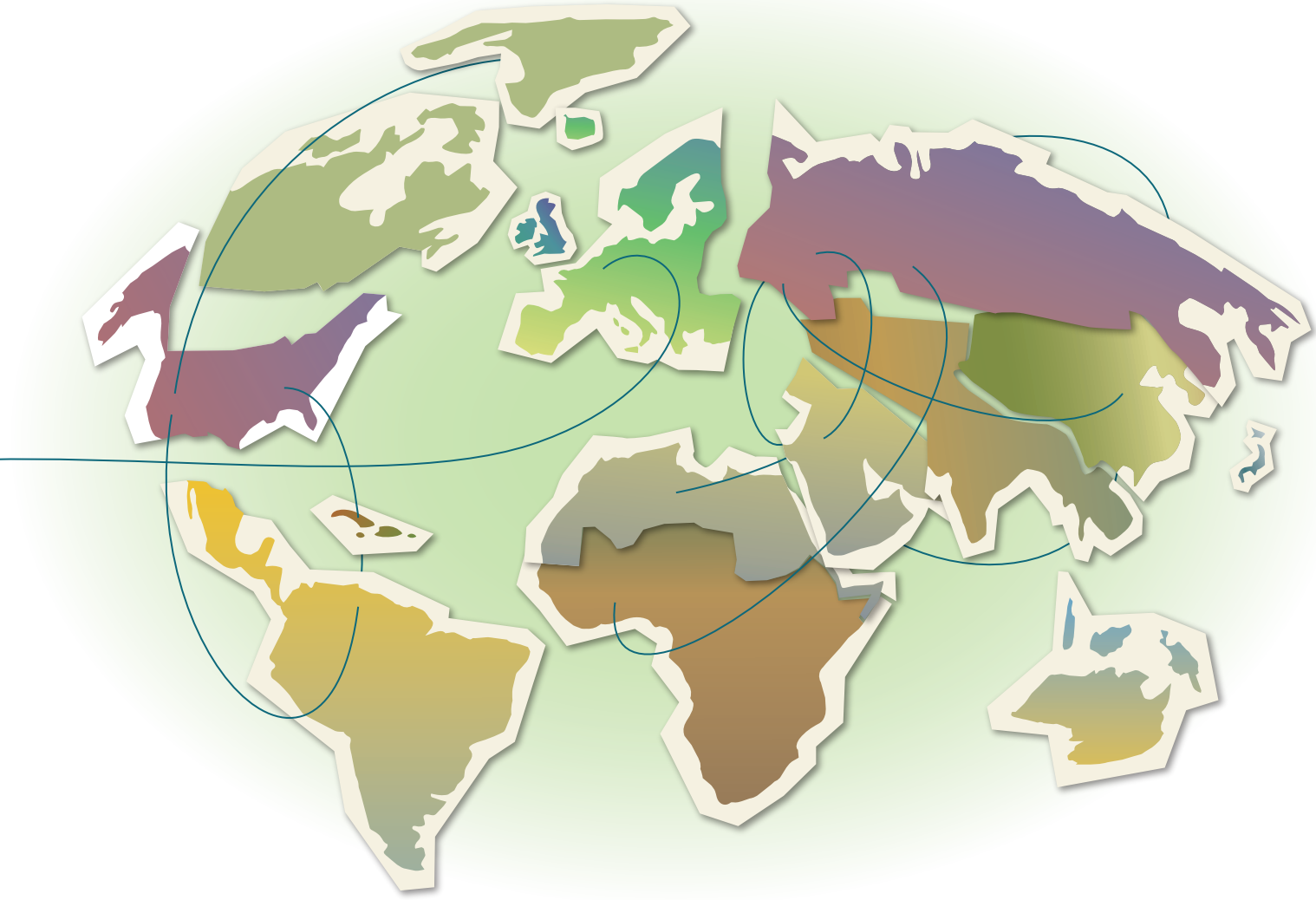
REPORT 2026
ON THE STATE OF THE GREEN ECONOMY

Focus

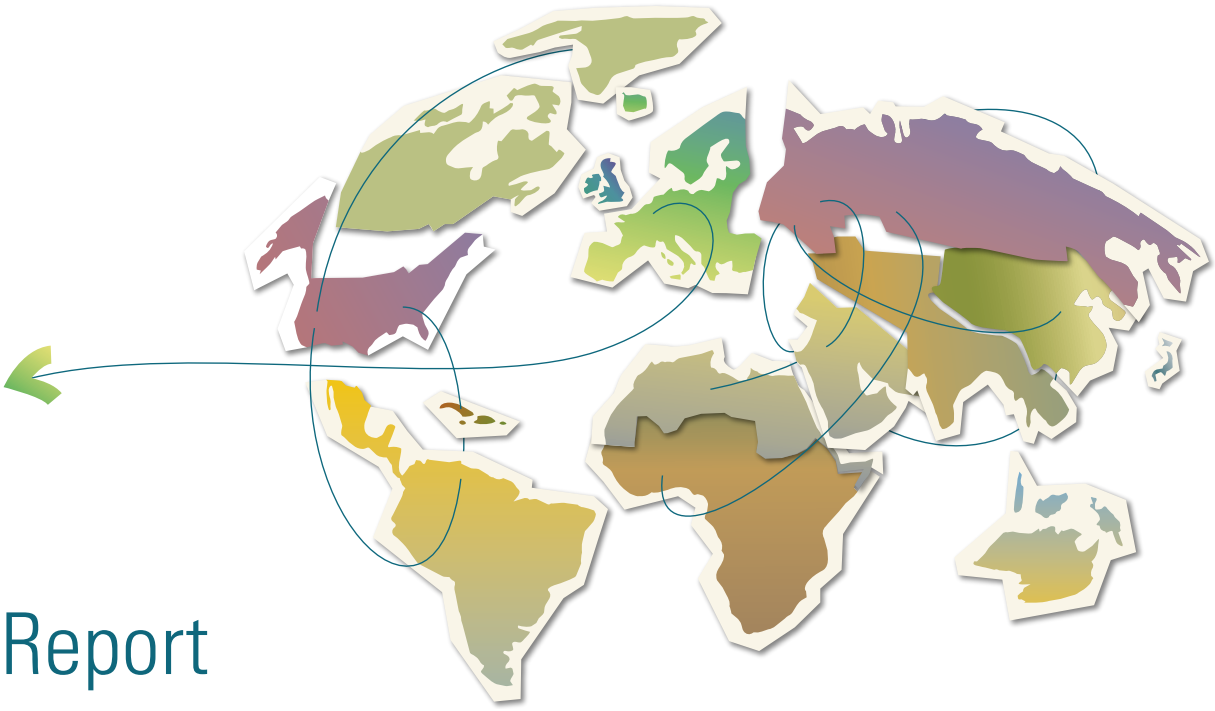
International drivers of the green economy
in a critical geopolitical context



STATI GENERALI della Green Economy

FONDAZIONE PER LO SVILUPPO SOSTENIBILE
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Report on the **state** of the **green economy 2026**

Presentation by **Edo Ronchi**
President, Fondazione per lo sviluppo sostenibile

Focus International drivers of the green economy in a critical geopolitical context

The thematic Focus of the 2026 Report on the State of the Green Economy examines a number of international drivers of the green economy: an economy that is decarbonized, circular and regenerative of natural capital. Eight drivers have been identified: a more widespread and informed perception of the severity of the ongoing climate crisis; the greater need for energy security and reduced dependence on oil and gas imports; supply constraints and rising prices for many important raw materials; the rapid acceleration in the use of renewable energy sources; the global take-off of the transition to electric cars; the growing evidence of the social and economic impacts of the crisis affecting natural capital and ecosystem services; the increasing support for the ecological transition among a significant and advanced group

of business leaders and forward-looking investors; and the potential offered by developments in artificial intelligence.

These drivers are emerging in an international geopolitical context that continues to be deeply marked by long and destructive armed conflicts, with heavy loss of life and extensive damage to the territories involved. These conflicts have helped undermine multilateralism and the capacity and credibility of international institutions and international law, fuelling fear and insecurity and accompanied by sharp increases in military expenditure. The conflicts have also driven up oil and gas prices and contributed to price volatility and supply difficulties for several raw materials. Together with the impacts of the climate crisis, these effects are shaping a global picture of economic slowdown accompanied by inflationary pressures.

For several years, this difficult economic environment has been accompanied by the emergence of widespread political positions opposed to the ecological and climate transition, culminating in 2024 with the election of President Trump. These positions have also had a major impact in Europe, where they have fuelled eco-sceptic positions and attacks on the Green Deal, that have gone far beyond legitimate, and sometimes useful, criticism of shortcomings and mistakes, seeking a radical reversal that has weakened the direction of travel and made it more uncertain.

These different drivers are often interconnected. In addition to their specific effects, they create a synergistic multiplier capable of triggering far-reaching change, showing that, in today's international context, **environmental sustainability and economic competitiveness are increasingly converging**. Could these drivers open a new phase that runs counter to the recent spread of eco-sceptical positions? This is possible, and it deserves careful analysis.

1 A more widespread and informed perception of the severity of the ongoing climate crisis

In addition to the damage caused by extreme weather events to the economy, businesses and infrastructure, the effects of the 2026 heatwave on human health and lives made a deep impression on public opinion. Extreme temperatures are now widely perceived as one of the deadliest threats of our time. In 2026, it became clear that global warming can pose a serious and tangible danger, requiring some work activities to be suspended for several hours of the day and creating a direct threat to the health and lives of the most vulnerable and least protected groups.

The impacts of the climate crisis in 2026 were so severe and widespread that they also generated powerful media attention. Almost all news outlets prominently conveyed the message that heatwaves are a symptom, climate change is the disease and decarbonization is the treatment. The link between these three ideas gained considerable ground in public awareness. Although in previous years neither the United States nor Europe had recorded a direct connection between the worsening climate crisis and voting behaviour, this may now be changing. A greater and clearer perception of the crisis and the severity of its impacts could influence electoral choices, penalizing denialist and disengaged positions on climate action.

2 The greater need for energy security and reduced dependence on oil and gas imports

The period from 2020 to 2026 was marked by unprecedented volatility in energy markets, particularly oil and gas: first because of Russia's aggression against Ukraine and, more recently, because of the geopolitical shocks caused by the war waged by the United States and Israel against Iran and the crisis in the Strait of Hormuz. Higher fossil-fuel costs have both direct effects (at petrol stations and on energy bills) and indirect effects (higher transport and production costs are passed on to consumers). After the peaks of 2022, the recent energy shocks of 2026 renewed inflationary pressures, and recent International Monetary Fund estimates project rising global inflation.

The impact of fossil-fuel costs is distributed unevenly across the world's three largest economies. The United States enjoys a relative advantage as the

world's leading producer of oil and gas. However, crude oil is a global commodity, and a surge in Brent and WTI prices still translates into higher petrol prices for American consumers. Inflation expectations for 2026 remain anchored above target, requiring the Federal Reserve to keep real interest rates at restrictive levels.

Higher oil and gas prices have had limited effects on the Chinese economy, even though China is the world's largest importer of crude oil and a major importer of gas. In addition to investing in overland corridors for oil (China - Pakistan and China - Myanmar) and gas (the Central Asia-China gas pipeline), as well as increasing oil supplies from Russia, China has invested massively in renewable energy, building the world's largest solar and wind capacity and converting a significant share of its transport sector to electric.

Europe is the weak link because of its high dependence on imported fossil fuels. In 2019-2020, total EU expenditure on gas imports was around €40 billion per year; in 2026, Europe's annual gas bill could exceed €230-250 billion. European crude-oil imports fell from 507.2 Mt in 2019 to an estimated 435.6 Mt in 2026, a reduction of 14%. Despite this decline in imported volumes, the European Union spent a substantial €45 billion more on oil imports in 2026, a 20% increase in their cost.

3 Supply constraints and rising prices for many important raw materials

The globalization of a linear economic model based on high material consumption and the use of supply chains as a geopolitical weapon, has reduced the availability of crucial raw materials. Industrial bottlenecks have emerged because of shortages, inadequate supply or price volatility, affecting metals that are essential to industrial production, such as steel, aluminium and copper.

From 2019-2020, the price of steel in Europe ranged from €400 to €500 per tonne. In 2022, prices reached record levels of nearly €1,400 per tonne and stabilized at around €700 per tonne in July 2026. Aluminium, which cost around USD 1,800 per tonne in 2019-2020, reached an all-time high of approximately USD 4,073 per tonne in 2022, while prices stood at USD 3,150 - USD 3,170 per tonne in July 2026. Copper prices, which ranged from €4,600 to €5,700 per tonne in 2019-2020, reached peaks of €13,500 - €13,900 per tonne in July 2026. The cost of European Union imports of base and critical metals rose from €80 billion in 2019 to an estimated €103 billion in 2026, an increase of 28.7%.

Between 2009 and 2024, the number of export restrictions on critical raw materials, including tariffs, quantitative limits and export bans, imposed by different countries increased fivefold. Between 2022 and 2024, at least one restriction applied to approximately 70% of global cobalt and manganese exports, 47% of global graphite exports, 45% of rare-earth exports and 41% of tin exports. The latest analyses and reports describe a critical supply outlook for several raw materials that are strategic to the European Union's economy. The green and digital transitions, together with the recent artificial-intelligence boom, are pushing demand for strategic raw materials to record levels.

4 The rapid acceleration in the use of renewable energy sources

Worldwide electricity generation from renewable sources nearly doubled between 2015 and 2025, rising from 5,640 TWh (billion kilowatt-hours) to 10,912 TWh. Renewables' share of generation increased from 23.5% to 34.1%, even though electricity consumption grew by 33% over the same period. This expansion was driven by extraordinary growth in solar capacity, which increased more than tenfold, and wind capacity, which almost tripled.

The leap in renewables was enabled by a sharp fall in generation costs. Between 2010 and 2024, the cost of solar-generated electricity fell by 89%, while the cost of wind power fell by 63%. Another fundamental factor of the global growth of renewable energy was the steep decrease in battery-storage costs, from more than USD 1,200/kWh at the beginning of the previous decade to around USD 70/kWh in 2026, with the widespread shift to lithium iron phosphate (LFP) batteries. Annual new battery installations exceeded 40 GW in 2023, twice the previous year's volume. By 2025, newly installed capacity reached 112 GW in a

single year and is estimated to grow further to 158 GW in 2026.

The combination of renewable generation and battery storage has made it possible to provide daily renewable electricity for all 24 hours of the day, at competitive costs of USD 54 to 82/MWh for solar-plus-storage systems and USD 59 to 94/MWh for wind-plus-storage configurations (IRENA 2026). These costs are highly competitive compared with an estimated USD 100/MWh for gas-fired electricity and USD 155/MWh for nuclear power.

Spain significantly expanded solar, wind and battery-storage capacity and met 57% of its electricity demand from renewables in 2025. It reduced gas imports (Simon, 2026) and reduced the share of time in which gas sets electricity prices to only 15%. In Italy, by contrast, where renewables still account for a low share of electricity demand, met only 41% of electricity demand in 2025, and gas set prices 89% of the time, significantly increasing electricity prices.

5 The global acceleration of the transition to electric cars

Decarbonizing cars is an unavoidable challenge in addressing the climate crisis. Electric cars can run on clean renewable electricity and, in addition to reducing greenhouse-gas emissions, produce neither air pollution nor noise pollution in cities. In 2020, electric vehicles accounted for only 5% of new car registrations. Just five years later, in 2025, global registrations of battery-electric (BEV) and plug-in hybrid (PHEV) cars reached 21.2 million, exceeding 25% of the global market.

Europe led electric-car sales in 2020, closely followed by China, while the United States remained further behind and sales elsewhere were marginal. By 2025, China had increased electric car purchases tenfold to 13.3 million vehicles; Europe had more than tripled them to 4.3 million; the United States had increased them more than fivefold to 1.53 million; and sales in the rest of the world had reached 2.07 million, thirteen times their 2020 level.

China produced almost 16 million electric cars in 2025, nearly 75% of the global total, and exported 2.5 million. This industrial success, achieved in only five years, was the result of a stable industrial policy and large-scale production supported by appropriate public and private investment. Faster production and adoption of electric vehicles could provide an available, albeit challenging, response to the manufacturing crisis affecting conventional cars, particularly in Europe. The decline in the production of internal-combustion vehicles is irreversible. The sales, geographic reach and market shares achieved by electric vehicles in 2025 are themselves accelerating adoption. A significant reduction in electric-car prices are opening growing market segments. High petrol and diesel prices are also driving growth in electric car sales, alongside greater awareness of the climate crisis and the desire to reduce personal greenhouse-gas emissions generated by conventional cars.

6 Growing evidence of the social and economic impacts of the natural-capital and ecosystem-services crisis

The 2026 edition of UNEP's State of Finance for Nature calls for a "great reversal for nature". Why now? "Because – the report explains- there has never been greater awareness of the nature crisis – its underlying causes, the severity of its impacts and material implications for governments, citizens, businesses and financial institutions. The reality is stark: without nature, the foundation of our economy collapses".

This global shift begins with the scale reached by the natural-capital crisis. The major IPBES report published in 2019 documented that at least one million animal and plant species are threatened with extinction, that human impact has altered 75% of terrestrial natural environments and 66% of marine environments, and that, if current rates of natural-resource extraction and degradation continue, 90% of ecosystems could be altered by 2050, with devastating global effects on ecosystem services essential to well-being and development.

This warning led the United Nations to designate 2021-2030 as the Decade on Ecosystem Restoration, with three main aims: strengthening global, regional, national and local commitments and action to prevent, halt and reverse ecosystem degradation; improving understanding of the multiple benefits of

effective ecosystem restoration; and applying this knowledge in public- and private-sector decision-making. The European Union's Biodiversity Strategy for 2030, adopted in 2020, accelerated restoration and enhancement of natural capital. The EU Nature Restoration Regulation entered into force on 18 August 2024 and is one of the most important measures for implementing the Strategy.

Alongside these international and European policies and rules, at least three current drivers are supporting a great reversal in the regeneration of natural capital: stronger green action by cities; the expansion of green infrastructure and nature-based solutions; and the spread of organic and regenerative agriculture.

7 Growing support for the ecological transition among business leaders and forward-looking investors

The worsening climate crisis and growing public awareness of its severity; growing economic vulnerability caused by dependence on fossil fuels and high consumption of raw materials, many of which are now critical; and the rapid expansion of clean, low-cost and widely available renewable energy, particularly solar and wind power: these three factors are helping to overcome a period of difficulties and setbacks and are fostering growing support for the ecological transition among business leaders.

According to the World Business Council for Sustainable Development's Business Breakthrough Barometer 2026, most business leaders surveyed now expect environmental sustainability to deliver economic benefits as well. For the first time, these interviews express concern about the consequences of denialist positions, which obstruct unavoidable choices and reopen planned climate measures, making the transition disorderly and undermining the stability of the policy framework. The business leaders interviewed also argue that environmental sustainability policies and measures must become more effective. They acknowledge that policy has sometimes focused excessively on formal and non-essential issues and has often failed to mobilize the private and public investment needed to meet stated objectives.

In recent years, investors have operated in a context shaped by both conflicts and extreme weather events caused by the climate crisis. These are redefining risks in capital markets and testing investment resilience. A recent BNP Paribas Asset Management study of the trends expected to shape 2026 focuses closely on climate impacts not only for risk management, but also for identifying new areas of growth and opportunity. Institutional investors, including pension funds, insurers and sovereign wealth funds, are not merely maintaining their climate commitments but increasing them. A recent survey found that 58% of UK and European asset managers expect to increase net-zero allocations over the following year, while none intend to reduce them. The green-bond market, which finances projects such as renewable energy, green buildings and low-carbon transport, has grown from €30 billion ten years ago to €1.9 trillion today.

8 The potential offered by developments in artificial intelligence

Including the potential of artificial intelligence among the drivers of the ecological transition is not free from contradictions or uncertainty. It was selected because several significant applications are encouraging, but above all because the other drivers described in this Report are not isolated or sector-specific. They are interconnected in different ways and can influence the development and use of artificial intelligence.

A London School of Economics study identifies five fundamental areas in which artificial intelligence can be particularly effective in supporting the ecological transition: the energy transition and climate mitigation; climate adaptation; the transformation of complex systems such as mobility and urban planning; circular innovation in resource use; and the widespread promotion of responsible and sustainable behaviour.

Artificial intelligence is also being used and integrated increasingly in electric vehicles and so-called software-defined vehicles. Applications include advanced driver-assistance and autonomous-driving systems; battery management through the analysis of data on temperature, voltage, usage and charging-cycles; and smart-charging optimization based on grid demand, renewable generation and electricity prices.

People often find it difficult to identify climate-friendly options and behaviours due to lack of information, misleading advertising, and market prices that do not reflect real environmental costs or benefits. Artificial intelligence can improve climate resilience and adaptation by creating large-scale simulations to monitor how ecosystems may evolve under climate change or biodiversity loss following forest fires.

The New York Times of 24 June 2026 reported an interesting initiative involving Tesla, an electric-vehicle and battery manufacturer; Sunrun, the largest US installer of rooftop solar and battery-storage systems; and Renew Home, a Google spin-off specializing in the management of thermostats and other household devices. With users' consent, the companies use software to connect thousands of home batteries and energy-saving devices so that they operate as a virtual power plant, providing significant amounts of electricity that would otherwise remain unused or be wasted. A further benefit is that households receive cash payments or electricity-bill credits when the companies connect to their devices.

The state of the green economy in Italy

An assessment of the strategic dimensions of the transition to a green economy: a decarbonized and circular economy that regenerates natural capital.

Decarbonization: Italy's climate commitment is slowing, and greenhouse-gas emissions increased in 2025

According to the preliminary ISPRA estimates available, the downward trend of recent years came to a halt in Italy in 2025, with greenhouse-gas emissions increasing by slightly less than one million tonnes compared with 2024. More concerning still, this slowdown is occurring precisely when Italy needs to accelerate and double its pace in order to play its part and meet the European climate objective incorporated into the National Energy and Climate Plan (NECP). Since 2015, Italy has reduced greenhouse-gas emissions by an average of approximately seven million tonnes per year. To reach the NECP objective of 291 million tonnes of total emissions in 2030, it would need to cut emissions by 14 million tonnes per year for the next five years.

At the European level, preliminary Eurostat data for 2025 show that decarbonization is continuing. Greenhouse-gas emissions have fallen by 31% compared with 1990, with an acceleration over the last twenty years and a reduction of 1.5 billion tonnes of greenhouse gases, from 4.6 billion in 2004 to 3.1 billion in 2025. Unlike Italy, the European trend is positive and accelerating, although it remains insufficient to meet the EU target of a 55% emissions reduction by 2030.

According to the International Energy Agency's latest estimate, global CO2 emissions from fossil-fuel use reached 38.1 billion tonnes in 2025, 1.1% more than in 2024. The increase was driven first of all by the Trump Administration's pro-fossil policies, which produced an increase of approximately 100 million tonnes in US emissions, as well as by rising emissions in India, Africa and Indonesia. The European Union and other advanced economies maintained their downward trend. A significant new development emerged in 2025: for the first time, China reduced its energy-related emissions, by almost 70 million tonnes of CO2 compared with the previous year.

Water resources: the impacts of the climate crisis are severe and worsening

Italy's location in the Mediterranean basin, one of the hotspots of climate change, makes the country particularly vulnerable to the effects of global warming. Over the last fifty years, Italy's average temperature has increased by more than 2°C, generating high temperatures and rainfall shortages

in some periods and areas, and short, exceptionally intense rainfall in others. Sixty per cent of heavy-rainfall episodes were concentrated in five northern regions: Veneto, Lombardy, Piedmont, Friuli-Venezia Giulia and Emilia-Romagna.

Between 1980 and 2024, estimated economic losses associated with extreme weather events in Italy reached approximately €145 billion. Floods were the leading cause, accounting for around 50% of the total, followed by hailstorms and strong winds (25%), and droughts and fires (25%). In recent years, the phenomenon has accelerated considerably: approximately one quarter of all losses recorded since 1980 occurred in the last four years alone.

The other side of the climate crisis is water scarcity, which particularly affects southern regions. In Italy, the natural water availability is below the European average and, with approximately 36 billion cubic metres withdrawn in 2023, the country has some of Europe's highest water-consumption levels. Withdrawals amounted to 8.4 billion cubic metres for civil uses, 6.6 billion for industrial uses and 17.5 billion for agriculture, second only to Spain's 20.8 billion cubic metres in the agricultural sector.

The combination of lower availability and rising demand creates particularly critical conditions in the Southern regions. In summer 2024, drought affected approximately 40% of Italy's territory, while more than 90% of Sicily was exposed to extreme drought conditions. Climate impacts and high consumption are compounded by shortcomings in the water network, which loses more than 40% of the water entering it, and more than 50% in regions including Sicily and Sardinia.

Renewable energy: major delays persist in thermal uses and transport, while electricity growth remains insufficient

In 2024, renewable sources supplied approximately 22.4 million tonnes of oil equivalent (Mtoe) of Italy's final energy consumption, up from 21.8 Mtoe in the previous year. This was less than 20% of national energy demand and remained far from the 39.4% European objective for 2030 set in the NECP. Over the last decade, Italy's final renewable-energy consumption increased by only 11% in absolute terms, against average European growth of more than 42%. Italy is an exception in the European landscape: most major countries have accelerated renewable-energy development significantly over the decade, while growth in Italy remained almost stagnant.

Renewables' contribution to national heating and cooling consumption was virtually unchanged over the past decade and stood at around 20% in 2024, well below the NECP target of 35.9% by 2030. In transport, renewable sources supplied approximately 10% of final energy consumption in 2024. To meet the NECP target, renewable consumption in transport would have to more than triple in six years, reaching 34.2% of projected demand in 2030.

Renewable sources produced 47% of Italian electricity in 2025. Reaching the NECP target of approximately 70% renewable generation by 2030 will require faster growth. In 2025, Italy installed 7.2 GW of new wind and solar capacity (specifically, 6.4 GW of solar photovoltaic capacity and 0.6 GW of wind capacity), less than in France (8.1 GW), Spain (10.8 GW) and, especially, Germany (23.3 GW).

Terna data for the first half of 2026 indicate that wind and solar installations accelerated by 11% compared with the first half of the previous year. If this trend continues, new renewable installations could approach 8 GW by the end of 2026. This would still be insufficient: Italy needs to install more than 10 GW per year to meet its 2030 national objectives.

Energy savings and efficiency: energy consumption rises in transport and agriculture, falls in industry and declines only slightly in buildings

Estimates by the Ministry of the Environment and Energy Security indicate a slight increase in energy

consumption in 2025 compared with 2024 (+0.5 Mtoe) to more than 108 Mtoe. Transport energy consumption increased by approximately 1 Mtoe. Agriculture is another sector that saw an increase in final energy consumption, with an increase of around 300 ktoe, mostly from petroleum products.

Buildings remain Italy's most energy-intensive sector and account for more than 40% of national energy demand. The Ministry of the Environment and Energy Security estimates that consumption was broadly stable in 2025, with a slight reduction of 100 ktoe. Industry was the only sector to reduce final energy consumption during the year, by 3%, or approximately 700 ktoe, alongside a contraction of roughly 1% in the industrial-production index.

Eurostat data updated to 2024 show that Italy continues to have the lowest average primary-energy consumption per person among the large European economies, at 2.4 tonnes of oil equivalent per year, compared with an EU27 average of 2.9, and 3.2 and 3 toe for France and Germany respectively. According to ENEA's preliminary analysis, in 2025, primary-energy consumption in the 27 EU Member States was estimated to be stable compared with the previous year, while GDP grew by 1.6%, (in 2024, GDP had grown by 1%).

Italy remains among the European countries most dependent on imported energy (on average, 15 to 20 percentage points above the EU27 average), because of fossil-fuel imports. In 2025, imports covered an estimated 74% of energy demand, slightly less than the previous year. According to UNEM estimates, these imports cost Italy more than €53 billion in 2025. This significant economic burden is compounded by the strategic and geopolitical risks increasingly, in recent years, associated with the economy's high dependence on fossil fuels. The war in Iran, which began in the first months of 2026, and tensions over the Strait of Hormuz, through which more than one fifth of the world's oil passes, could have major effects on oil and gas prices if they continue for a prolonged period.

Circular economy: strong performance, particularly in waste recycling, but material-import dependence remains high

Italy's resource productivity in 2025 amounted to €4.6 of GDP for each kilogram of materials consumed. This was down slightly, by 0.6%, from the previous year, but remained above the EU27 average of €3/kg, (+1% compared with the previous year), as well as Germany at €3.9/kg and France and Spain both at €3.8/kg.

Italy's circular material-use rate, the share of secondary raw materials generated through recycling in total material consumption, was 21.6% in 2024, 2.9 percentage points higher than in 2019. France followed at 17.8%, Germany at 14.8% and Spain at 7.4%, compared with an EU27 share of only 12.2%, which had increased by just 1.1% since 2019.

Italy recycled 85.6% of total waste in 2024, a percentage well above the European average. Eurostat data, however, are only available up to 2022 and indicate recycling rates of 41% for the European Union, 44% for Germany, 52% for France and 55% for Spain.

In 2025, Italy recycled 77.3% of all packaging waste, up from 76.4% in 2024. EU27 data, available only up to 2023, indicate an average of 67.4%, with Spain at 70.5% and Germany and France at around 69%. Italy has already met the 2025 packaging-waste recycling targets for every material stream (including plastics at 50.5%) and has exceeded the 2030 targets for the other five materials (paper, glass, wood, aluminium and steel).

Eurostat data up to 2022 indicate a relatively high ratio between Italy's total waste generation (excluding mineral waste) and GDP: 66 kilograms for every €1,000 of GDP, compared with an EU27 average of 60 kilograms, Germany at 48 and France at 42. Finally, material imports accounted for 47.1% of Italy's total material consumption in 2025, broadly unchanged since 2021. This is more than twice the EU27 average of 22.1%, with Germany at 39.7%, Spain at 37.2% and France at 30.9%.

Sustainable mobility: in 2025 high number of cars per thousand inhabitants is confirmed; hybrids increase and electric cars begin to grow; public-transport investment remains low

New passenger-car registrations totalled approximately 1.525 million in 2025, a 2% reduction from the previous year (around 32,000 fewer cars). As of 31 December 2025, Italy's car fleet comprised approximately 41.8 million vehicles, more than 455,000 above the previous year. The number of cars therefore continues to increase, confirming Italy as one of the European countries with the highest motorization rates, at almost 710 cars per 1,000 inhabitants.

Non-rechargeable hybrids, plug-in hybrids and battery-electric cars together accounted for 57% of new registrations in 2025. Approximately 670,000 hybrid cars were registered, representing 44% of the market and an 8% increase from 2024. 2025 also marked a clear recovery in electric-car sales after the slowdown of the previous two years. Plug-in hybrid registrations increased by approximately 90% to more than 100,000, while battery-electric cars grew by 44% to almost 95,000. Rechargeable vehicles represented nearly 13% of the Italian market.

The internal-combustion market continued to shrink: petrol cars fell to 24% of registrations and diesel cars to 10%. In the first half of 2026, the Italian car market recorded 936,000 new registrations, approximately 81,000 more than in the same period of 2025 and an increase of around 10%. Hybrids rose to a 49.7% share, while rechargeable vehicles also grew: plug-in hybrids reached 9% of the market and battery-electric cars 8.4%. Petrol fell further to 19.7% and diesel to 6.8%.

The European rechargeable-car market, covering battery-electric and plug-in hybrid vehicles, resumed growth in 2025 after the setback in 2024. Nearly 2.9 million electric cars were registered in the European Union, approximately 700,000 more than in the previous year, an increase of 31%, and equal to about 27% of new registrations. Despite recent progress, Italy still lags behind leading European markets, where electric cars account for 30% of the market in Germany, 26% in France and 35% in the United Kingdom.

Funding for local public transport remains inadequate in Italy. Service supply has stagnated, with seat-kilometres offered falling by 4% over the last decade. Between 2015 and 2025, the nominal allocation to the National Transport Fund increased by only 6%, while its real value fell by approximately 13.5%, from around €4.54 billion in 2021 to €4.48 billion in 2022 and €4.26 billion in 2025.

Protection and restoration of natural capital: investment is too low and land consumption too high

According to the European Commission's latest Environmental Implementation Review, Italy should allocate €39.7 billion per year (over the 2021-2027 period, at 2022 prices) to meet its environmental objectives in pollution prevention and control, circular economy and waste, water protection and management, biodiversity and ecosystems. Investment needs for biodiversity and ecosystems alone are estimated at €4.8 billion per year, against current funding of approximately €3.9 billion per year (at 2022 prices). The European Union therefore estimates an annual investment gap of around €0.96 billion for meeting biodiversity- and ecosystem-protection and restoration objectives.

Italy continues to show a concerning delay in adopting clear and effective policies to combat the loss and degradation of natural soils. The latest ISPRA data show that net land take between 2023 and 2024 amounted to 78.5 square kilometres, approximately 21.5 hectares per day (2.5 square metres per second). This was the highest level in twelve years: between 2012 and 2023, the annual average had never reached 20 hectares per day. The share of national territory covered by artificial surfaces rose to 7.17%.

Land occupied by infrastructure, landfills and, once again, buildings continues to grow despite a further decline in the resident population. The artificialization of natural and agricultural soils significantly reduces ecosystem-service flows, with economically important losses particularly in hydrological regulation and agricultural production.

Agriculture: climate impacts worsen, while organic farming slows down

The primary sector, including agriculture, forestry and fisheries, plays an important role in a green economy. It enhances certain ecosystem services while supplying essential food, beverages and a range of materials. In 2025, the sector continued to carry significant economic weight in Italy with an increase in both production (a value of €80.1 billion, +3.9%), and value added (€43.1 billion, +5.9%).

The European Environment Agency briefing Building climate-resilient agriculture in Europe: an economic perspective, published on 17 March 2026, reports that drought currently causes approximately 54% of losses linked to the main climate hazards, followed by heavy rainfall at 21%, frost at 16% and hail at 9%. Southern European countries are the most exposed to climate change.

Moving from emergency management and compensation for damage to preventive climate-adaptation policy for farmers is not simple. Costs are substantial, particularly during the transition phase, while returns may emerge only after several years. Public intervention is therefore needed through incentives, co-investment or compensation, especially to reward activities that generate important public benefits, including improved water quality, reduced soil erosion, biodiversity and carbon storage, without providing farmers with sufficient private economic returns.

The organic sector showed mixed results. As of 31 December 2025, certified land and land under conversion totalled 2,377,596 hectares, a decrease of 5.4% compared with the previous year, due to a reduction in land already converted to organic production (-0.5%) and, above all, in land under conversion (-24.4%).

The Farm to Fork target of 25% organic farmland by 2030 has been incorporated into Italy's National Strategic Plan for the Common Agricultural Policy. Nine Italian territories have already exceeded the threshold and two others are close. Organic farming currently occupies 19.4% of Italy's utilized agricultural area, down 1.1% from 2024. The number of operators also declined slightly, to 95,389 in 2025 (1.8% fewer than the previous year). These signals highlight the need to strengthen investment and support policies for the sector.

Another distinctive feature of the Italian agri-food system is quality production, which is often associated with high environmental quality. The PDO economy continued to grow in 2024. The total production value of PDO and PGI products reached €20.7 billion (3.5% more than in 2023 and 25.3% more than in 2020) and accounted for 19% of total national agri-food turnover.

Italian cities strengthen their commitment to the ecological transition

At the national meeting of the Observatory for the Ecological Transition in Cities on 23 June 2026, the results of a survey conducted by IPSOS and Legacoop in a sample of Italian cities of different sizes showed that the ecological transition (covering climate adaptation and mitigation, the circular economy and the protection and enhancement of natural capital) is now considered important for respondents' own cities, especially by residents of large municipalities.

As many as 85% of respondents consider climate-adaptation measures important in their city to reduce risks and citizens' exposure to flooding and heatwaves and 82% consider climate-mitigation measures necessary, including the progressive reduction of greenhouse-gas emissions at city level. Eighty-nine per cent believe that production, consumption and waste management should become more circular and that urban green areas and tree cover should be improved and expanded.

These figures are highly significant. Citizens are also calling for stronger ecological action in their cities because only a minority, albeit a substantial one, is satisfied with current initiatives for climate-adaptation and mitigation measures (38%), with action to increase circularity and improve waste management (43%), and with the improvement and

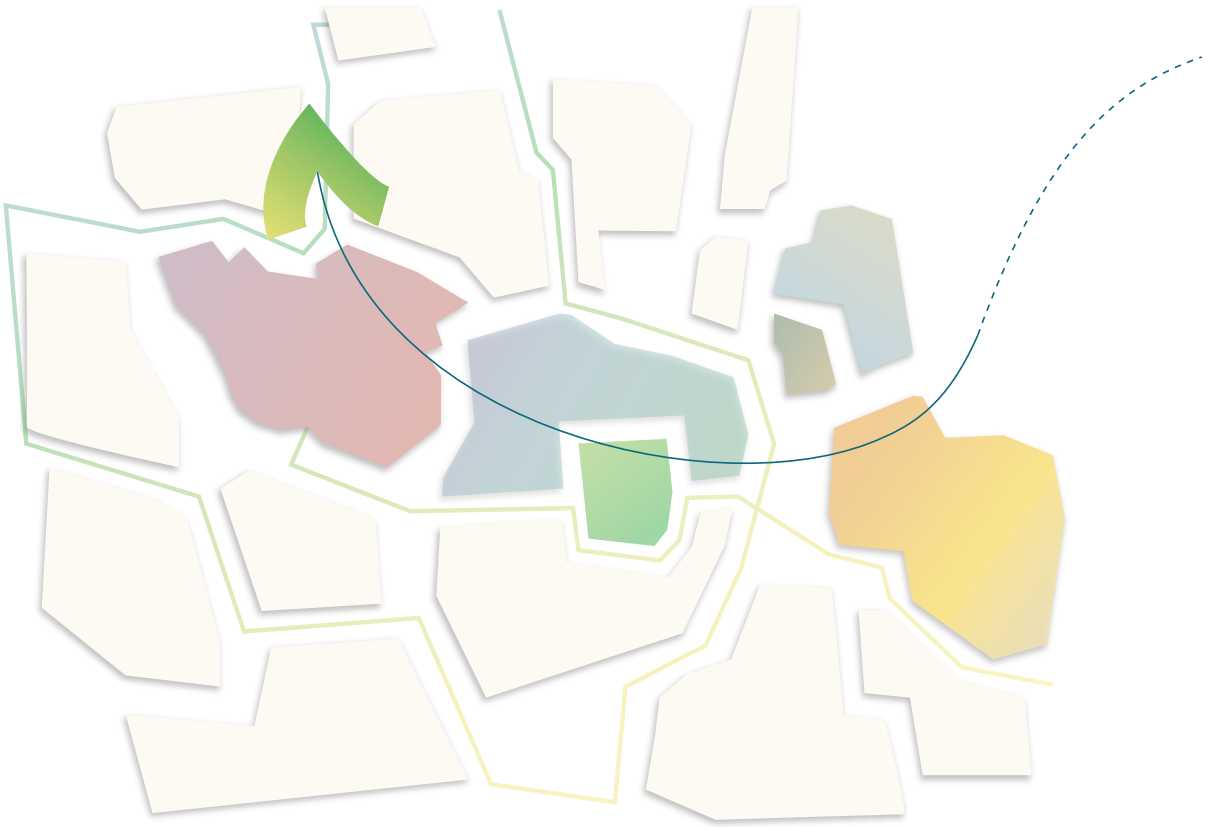
expansion of green areas (47%).

The first Report on good practices for the ecological transition of cities, presented in June 2026 by the Observatory for the Ecological Transition in Cities, established at the initiative of the Sustainable Development Foundation (Fondazione per lo sviluppo sostenibile), Green City Network, ENEA, ISPRA, the State Property Agency and Cassa Depositi e Prestiti, with the participation of more than 60 cities, an initial group of companies and business organizations, and experts from several universities, provides an updated overview of high quality initiatives implemented in many Italian cities .

Climate shelters are among the good practices that spread in Italian cities during the scorching summer brought by the climate crisis, and this adaptation measure is likely to expand further. Climate shelters are networks of accessible public spaces designed and equipped to provide cooling and protect the population, especially the most vulnerable, during prolonged periods of extreme urban heat.

Another relevant practice is the "sponge city". Cities generally have the largest areas of impermeable surfaces, which accumulate larger volumes of water during heavy rainfall and increase flood exposure. As the climate crisis intensifies short but exceptionally heavy rainfall in many areas and periods, urban risks increase. The "sponge-city" model is designed to absorb and manage intense rainwater through greater infiltration into permeable, de-sealed and preferably green surfaces. It also supports water storage in designated urban and peri-urban areas (basins, ponds and wetlands), so that water can be reused during periods of scarcity and can help mitigate urban heat-island effects.

A third good practice spreading in Italian cities is the "renewable energy community". According to data from the Energy Services Operator-GSE, as of 31 December 2025, 904 renewable energy communities were active in Italy for a total of 1,429 connected plants, 8,653 users and 94.96 MW of installed capacity. This remains far from the objectives established by the decree on self-consumption configurations for renewable-energy sharing (Cacer). Fifty-seven per cent of the communities were located in northern Italy (511 communities) with 62 MW installed and more than 5,600 users involved.



In today's critical geopolitical landscape, marked by prolonged wars that, alongside their heavy toll in human lives and widespread destruction, are fuelling economic hardship, fear and insecurity, climate denial and broader forms of environmental scepticism persist. Such attitudes underestimate the climate crisis and, more generally, both the scale of the green transition and the opportunities it offers. Yet we should be careful not to be distracted solely by the sound of a falling tree, failing the forest that is growing.

Powerful underlying forces are in fact emerging internationally, creating new momentum for the transition to a green economy. The 2026 edition of the Report on the State of the Green Economy provides an in-depth analysis of the international drivers behind this transition: towards the economy of the future, one that is decarbonised, circular and capable of regenerating natural capital.

These international drivers range from the growing and widespread awareness of the severity of the climate crisis to the urgent need to strengthen energy security by reducing dependence on oil and gas imports; from tensions surrounding the supply and prices of strategic raw materials to the rapid expansion of renewable energy; from the increasing uptake of electric vehicles to the mounting economic and social impacts of the depletion of natural capital; from renewed business interest and investment in the energy and circular transitions to the opportunities unlocked by advances in artificial intelligence.

Beyond the importance of each single factor, particular attention should be paid to the way they reinforce one another and to their combined impact.
As it does every year, the Report also provides an updated assessment of the state and trends of the key areas shaping Italy's green economy, comparing its performance with that of the leading European economies and the EU average.
The key areas examined are greenhouse gas emissions, energy conservation and efficiency, renewable energy, water resources, the circularity of the economy, sustainable and electric mobility, natural capital, the agri-food system and the ecological transition of cities.

