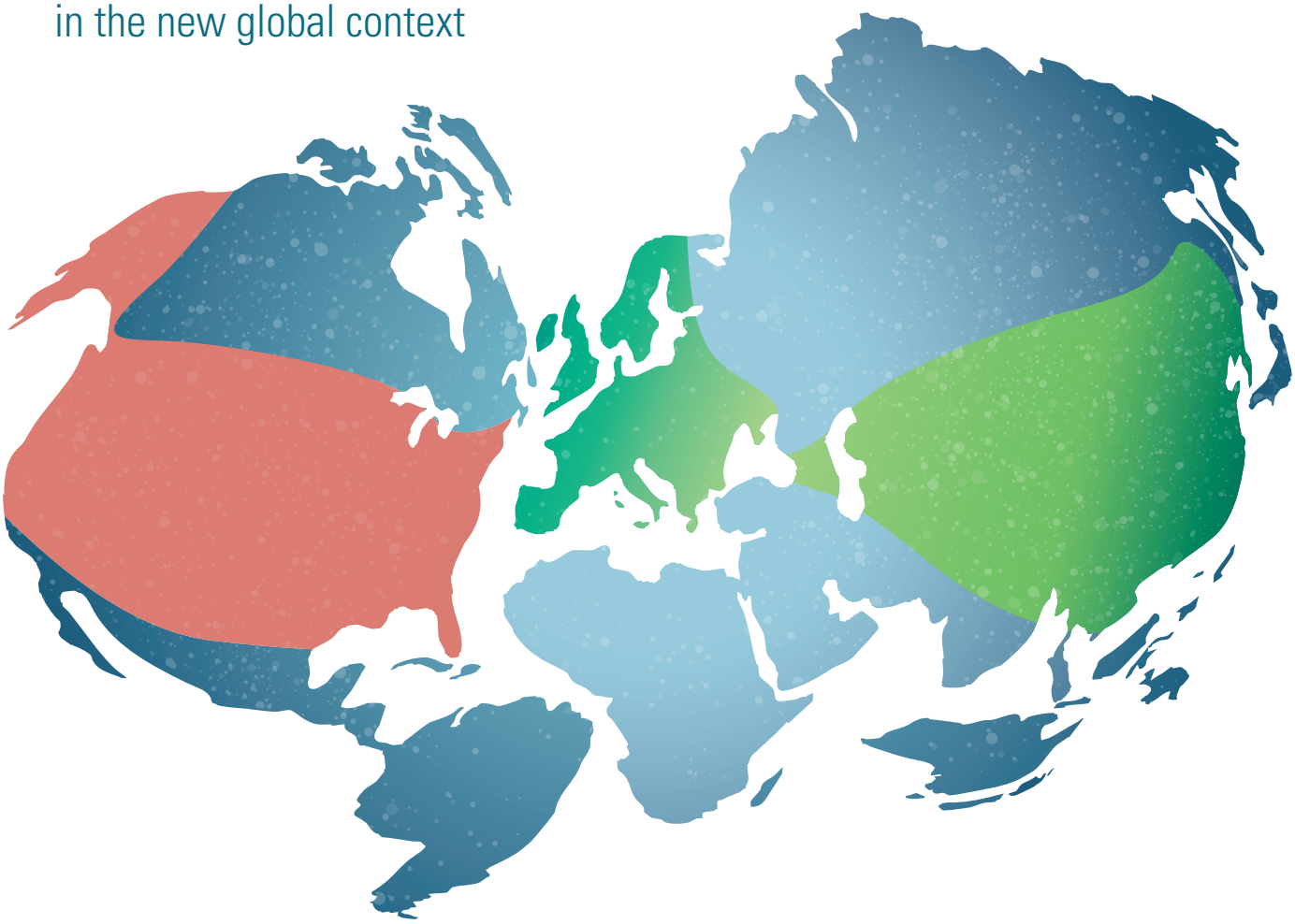
REPORT 2025
ON THE STATE OF THE GREEN ECONOMY
EXECUTIVE SUMMARY

Focus

The European green economy
in the new global context



STATI GENERALI della Green Economy

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Report on the **state** of the **green economy 2025**

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Focus The European green economy in the new global context

The 2025 Report on the State of the Green Economy proposes as its thematic Focus an analysis of the ecological transition in the European Union. **This transition is currently facing a difficult phase, with pressures to backtrack, while a radical initiative against climate and environmental measures is underway under the new Trump Presidency, and China is accelerating its massive expansion of green production.** Building on the approach consolidated over the years, this Report does not consider the European green economy merely as the sector of environmental goods and services, but comprehensively, as the economy of the future —decarbonized, circular, and nature-positive—capable of ensuring greater well-being and lasting development due to its sustainability.

Global scenarios: European Union, United States, and China between slowdowns and accelerations

Between the European Union and the United States there are similarities, but also major differences.

The United States is the world's largest oil producer, the largest gas exporter, and a heavy consumer of fossil fuels.

U.S. gas consumption grew from 678 billion cubic meters in 2010 to 940 billion cubic meters in 2023 (triple that of the EU, despite the latter having 111 million more inhabitants); oil consumption rose from 17 million barrels per day in 2010 to 18.2 million barrels per day in 2023 (double the EU's consumption). Trump's pro-fossil rollback, with his withdrawal from the Paris Climate Agreement, is backed by an energy and economic structure very different from that of Europe, which does not export but instead imports oil and gas at high cost.

The ecological transition in Europe rests on more solid foundations and could have lasting effects. Trump's reversal is radical but fragile and is unlikely to outlast his presidential term. Even in the United States, the economic and social impacts of the climate crisis are significant and growing. Tornadoes are becoming more frequent and intense, heatwaves are reaching more extremes, wildfires are more widespread and devastating, and floods (such as the recent one in Texas) are causing casualties and massive damage. Recent surveys show that a majority of American citizens demand stronger climate action, a demand that is likely to grow as the climate crisis worsens. The U.S. is a vast and complex country where Trump's pro-fossil policies carry weight, but where opposite trends are also at play.

In 2024, $300 billion were invested in low-emission technologies, twice as much as in 2020; photovoltaic module production tripled compared to 2020; and major U.S. companies are engaged in manufacturing solar cells, wind turbines, electrolyzers, heat pumps, and electric vehicles. Electricity generation from renewables is expanding rapidly, thanks to the abundance of high-quality renewable resources and well-established markets with low production costs, while fossil-fuel generation is expected to decline substantially. Could Trump's rollback overturn these trends? It cannot be ruled out entirely, but if it were to happen, it would entail high economic costs with negative repercussions, including at the electoral level.

Trump's climate disengagement is particularly fragile at the international level: on the one hand, it weakens U.S. global leadership in the face of a large majority of countries—hit hard by the climate crisis—that support reducing greenhouse gas emissions, though with different levels of ambition; on the other hand, in strategic sectors, the U.S. is losing economic and technological competition to China, which has become a world superpower in green technologies.

Although it's still the world's largest emitter of greenhouse gases, China accounts for over 40% of global installed capacity of wind and solar photovoltaics.

China produces more than half of the world's electric vehicles, and manufactures over 80% of solar photovoltaic modules and electric vehicle battery cells.

It is true that in 2025 coal-fired power plants still generate 43% of China's electricity; however, this share has fallen sharply from 70% in 2000, despite a massive increase in electricity consumption. At the same time, renewables have surged to 36% of electricity production, growing at a vertiginous pace.

China's acceleration in green production entails both risks and opportunities for Europe's ecological transition. The risks lie in strong competition from high-quality, low-cost products, backed by significant state subsidies and powerful industrial supply chains, which may jeopardize existing European firms and hinder the development of new industries in these sectors. The opportunities, however, come from the ability to use solar panels, batteries, and other products made in China of good quality and at affordable prices, thus benefiting European consumers and supporting the energy transition. **To limit risks and leverage opportunities in trade**

with China, the EU should both strengthen its industrial policy for the ecological transition by mobilizing greater public and private investment and pursuing mutually beneficial trade agreements on green technologies with China.

Europe, particularly exposed and vulnerable to the impacts of the climate crisis, has a strategic interest in contributing to global decarbonization. A Europe that continues to play its part in global decarbonization exerts a strong international push; a Europe that backtracks would decisively weaken international climate action.

Ultimately, Europe has no interest in reversing course, undermining the results achieved and the investments made over many years of climate transition.

EU and decarbonization: achievements and targets

The EU's total net greenhouse gas emissions were reduced by 37% between 1990 and 2023.

The sector of large facilities and major emitters, regulated under the Emissions Trading Scheme (ETS), recorded a 47.6% reduction in emissions between 2005 and 2023, on track to meet the 62% reduction target by 2030. In contrast, sectors regulated nationally under the Effort Sharing Regulation (ESR) buildings, transport, waste management, agriculture, and small businesses—are lagging in 2022. Emissions were reduced by only 17% compared to 2005, against a European target of 40% by 2030. This delay can be recovered through the planned extension of the ETS, combined with continued measures on energy efficiency and renewable energy deployment.

Against the **European energy savings target** of 11.7% by 2030, compared to the baseline scenario projected in 2020, current Member State commitments would achieve only 5.8% savings by 2030.

Greater efforts will be required to save energy in buildings, **for heating and cooling, and in the transport sector, where energy consumption** in 2023 was still **14% higher than in 1990**. Road transport is a key issue: the increase in the number of vehicles and mileage driven, despite improved vehicle efficiency, has driven higher energy use, largely of diesel and gasoline. The share of renewable energy in transport was just 9.6% in 2022, far below the 29% target for 2030. Biogas and biomethane are progressing slowly. With a target of 35 billion cubic meters of biomethane by 2030, production in 2022 was only 4.2 billion cubic meters. Given limited availability, biofuels, green hydrogen, and synthetic fuels derived from green hydrogen should be prioritized for aviation, maritime shipping, and heavy road transport that cannot, or can only with great difficulty, be electrified.

To decarbonize passenger cars within a reasonable timeframe, it is essential to confirm the EU's choice of electric vehicles, despite the challenges. Against a target of around 3 million charging points by 2030, by mid-2024 only 730,000 charging points were available, about 60% of which are concentrated in just three Member States (Germany, France, and the Netherlands). Beyond charging infrastructure, the development of electric mobility in Europe requires a stronger industrial policy, particularly for batteries, a critical component where Europe continues to face delays and insufficient industrial capacity.

In 2025, electricity consumption in the EU is showing relative stability, with a slight increase compared to 2024. The expected sharp rise in electrification has not yet occurred but is anticipated with the expansion of electric mobility, the electrification of household energy uses, and growing demand from data centers.

In 2024, 47.4% of EU electricity generation came from renewables (in June 2025, renewables surpassed 50% of electricity production).

2024 marked a new record in solar power production with an annual increase of 54 TWh (+22% compared

to 2023), bringing total photovoltaic generation to 300 TWh. **Wind power has also steadily increased, from just 21 TWh in 2000 to 477 TWh in 2024**. The strong development of solar and wind power **represents a major economic opportunity in energy and climate transition.** These sources are widely available across European territory, allow for a reduction, and ultimately the elimination, of costly and risky gas imports for electricity generation, are already more cost-effective than gas, and can be deployed quickly with local labor. The intermittency of these two sources can be managed, as demonstrated in countries already using them extensively, by integrating solar and wind, investing in grids and storage systems, managing demand, and enhancing EU-wide grid integration. Increasing renewable electricity generation could reduce EU electricity production costs by 57% by 2030 compared to 2023 levels.

Greater circularity in the economy is one of the strategic pillars of the ecological transition of our time.

Resource consumption, driven by intense global population growth and globalization, has increased rapidly and extensively against the backdrop of limited availability. A circular economy that aims to preserve the value of products and resources for as long as possible, minimizing waste and the use of natural resources, is a necessary model to ensure well-being and development in a world of limited and scarce resources. Greater circularity can also enable cheaper goods and services. Higher resource efficiency and the use of secondary raw materials lower production costs for businesses. Circularity also supports climate mitigation, while **digitalization can become a key driver of the circular transition**. Developing a **regenerative bioeconomy as part of the transition to an ecological circular economy**, not only provides food and renewable resources, but also contributes to the mitigation and adaptation to the climate crisis and maintains and enhances soils' carbon storage capacity. Estimates suggest that resource efficiency and circular economy policies could also generate employment, particularly in sectors such as refurbishment, recycling, repair, and shared-use services.

In the last five years, **resource productivity in the EU** has increased by over 37%, from €2.2/kg in 2020 to €3/kg in 2024. In the last year alone, it rose by more than 5%. According to Eurostat, **the circular material-use rate** measures the contribution of recycled materials to overall material consumption remained essentially unchanged in 2023 compared to 2019. Recycled materials covered only 11.8% of total EU material demand. The European picture highlights the need for change to continue advancing towards a circular economy. **Current policies in many Member States still privilege downstream measures** such as waste management, while eco-design, circular planning, and reuse face difficulties. Businesses receive limited regulatory guidance and scarce financial incentives to design long-lasting, repairable, and reusable products. **Consumers lack strong economic incentives to adopt circular consumption models instead of** having easier access to clear, standardized, and simple information on product durability, reparability, and recyclability. **Traditional linear models often remain more profitable, partly due to the slow development of secondary markets** for materials such as wood, plastics, textiles, and construction materials. Improving the competitiveness of the circular economy will require phasing out subsidies that undermine it, thus freeing up resources for circular, low-carbon investment.

The Global Risks Report 2025 of the World Economic Forum ranks biodiversity loss and ecosystem collapse as the second greatest perceived global risk over the next 10 years, after extreme weather events caused by the climate crisis, **even for the private sector such as companies, banks, and insurers, in Europe**.

Natural capital provides essential ecosystem services for well-being and development. A 2024 report by the European Environment Agency shows that only 15% of European habitats are classified as being in "good" condition, 4% in "poor" condition,

36% in "bad" condition, and as much as 45% require further analysis and are classified as "unknown".

Regarding species in Europe, only 27% are in good conservation status, and only 6% are showing an improving trend.

In 2022, 10.5% of EU farmland was managed organically (previously 5.6% in 2012), still far from the 25% target by 2030. The EU has achieved 26% of protected terrestrial areas and 12% of marine protected areas, aiming for 30% by 2030. Yet the overall index of common birds in Europe declined by 14% in 2022 compared to 1991, **with farmland birds down by 40%**. Since 2011–2012, pollinators have shown a significant and steady decline, measured by the populations of common butterflies in grassland habitats. **Forest connectivity**, an indicator of the development of ecological networks (essential for biodiversity), was 80.6% in the EU in 2021, down 0.8% from 2018.

Another important theme in the protection of natural resources and biodiversity is soil consumption. During the period of 2012-2018, soil consumption continued to rise by 2,696 km², about 450 km² per year, against a target of zero net land take by 2050. The share of the EU population affected by water scarcity, already high at 30% in 2000, rose to a worrying 41% in 2022. Even under the qualitative aspect, serious water quality challenges remain. Only 39.5% of EU surface waters are in good ecological status and only 26.8% in good chemical status.

For nearly every indicator considered, **the EU is not on track to meet its targets in protecting biodiversity**. The greatest challenges come from the climate crisis, which is generating significant impacts on biodiversity; from the high resource demands of a prevailing linear and wasteful growth model of economic growth, to the continued pressures from urbanization, and widespread industrial agriculture. In 2024, the EU adopted the Nature Restoration Law (Regulation 2024/1991), which aims to protect and restore European ecosystems. Despite encountering significant resistance, its implementation represents an important step in Europe's ecological transition.

Economic impacts of the climate crisis and required investments

The economic and social impacts of the climate and ecological crisis in Europe are already significant. Between 1980 and 2023, the costs of extreme weather- and climate-related events in the European Union amounted to €738 billion. Günther Thallinger, manager of Allianz SE, one of Europe's leading insurance and financial service companies, has warned: *"We are rapidly approaching temperature levels 1.5°C, 2°C, 3°C beyond which insurers will no longer be able to provide coverage for many of these risks: the premiums required exceed what individuals or businesses can pay. This is already happening… If insurance is no longer available, other financial services also become unavailable… Some argue that the State will step in where insurers withdraw. But this means that the State—meaning taxpayers—can afford it. That assumption is already breaking down."*

To sustain an effective ecological transition, Europe must substantially increase its investments and to empower, democratically, the large majority of citizens in favor of the transition, resisting growing pressure from eco-skeptics.

In 2025, the Institute for Climate Economics published a report estimating that:

€842 billion in annual investment will be required to achieve Europe's 2030 climate goals.

This is nearly double the €498 billion invested in 2023 in climate measures. The report underlines that insufficient investment would delay climate action, with delays incurring high costs.

The proposal for the new Multiannual Financial Framework (MFF) for 2028–2034, presented by the European Commission President von der Leyen, entails a substantial reduction in EU

green investments. Three factors explain this: most additional funds will go to repaying loans contracted under NextGenerationEU; military expenditure will rise sharply; and EU financing of the green pillar of NextGenerationEU will end in 2026. The much-anticipated new European Competitiveness Fund under the MFF would have an allocation of just €409 billion, to be divided across four areas: clean transition and decarbonization; digital transition; health, biotechnology, agriculture, and bioeconomy; and defense and space (which alone would absorb €131 billion, or 32% of the Fund). The increase in the EU Horizon research program to €175 billion will not be sufficient to offset the modest size of the Competitiveness Fund.

Equally insufficient is the projected annual collection of €58.5 billion in new EU resources to finance the MFF. To strengthen this framework, it will be necessary to revive the advanced proposal, championed repeatedly by Mario Draghi, **to resort to common European debt through the issuance of Eurobonds,** as well as to examine the possibility of **introducing a global minimum tax and a digital tax**.

A Eurobarometer survey, published on 30 June 2025 and consistent with earlier findings, revealed that:

85% of European citizens consider climate change an important problem.

While 77% believe that the costs of climate damage far exceed the investments needed for the transition to net zero. Given such high levels of consensus, and the scientific communities near unanimity on the severity of the climate crisis, **why does this large majority fail to assert its position democratically, instead yielding to the climate-skeptic offensive underway in Europe?** An in-depth feature published in *The Guardian* on 22 April 2025 offered an explanation, drawing on multiple studies. Although most people support stronger climate action, **they remain a "silent majority" because they mistakenly perceive themselves to be in the minority.** This misperception stems from two main factors: psychological and cultural traits that make us heavily influenced by others' behavior, and the impact of distorted information.

"Carbon Majors," a platform managed by the global non-profit think tank InfluenceMap, which monitors large oil, gas, coal, and cement companies, has found that **nine out of ten are actively engaged in opposing climate policies, while five out of ten pursue increasingly obstructionist strategies**, mobilizing financial resources and spreading manipulated and misleading information.

The best way to communicate is to implement a fair and inclusive ecological transition, a demanding but necessary process.

This ecological transition must be carried out transparently and with broad participation, relying on effective monitoring and performance reviews, and making timely adjustments when needed. It is increasingly clear that advancing the ecological transition will require not only strong and specific measures, but also greater progress by the European Union in **overcoming national fragmentation which hampers operations and effectiveness, and in the democratic strengthening of European institutions and policies**. A successful ecological transition would, in turn, make the European Union economically and politically stronger.

Strategic themes on the green economy in Italy

Greenhouse gas emissions and the climate crisis

EMISSIONS AND THE CLIMATE CRISIS

Between 1990 and 2024, in 34 years, Italy's greenhouse gas emissions fell by 28%. **To meet the European burden-sharing target of –43% by 2030, emissions must be cut by another 15% in the remaining six years.**

In 2023, greenhouse gas emissions fell by 28 million

tonnes, but in 2024 the reduction was just over 7 million tonnes. Unless this setback is recovered, Italy will not be on track to reach the 2030 target.

Italy lies at the centre of the Mediterranean climate hot spot and is particularly exposed to the effects of global warming: average temperatures in our country are rising at about twice the global rate. According to ISPRA's latest data, **2024 was also Italy's hottest year on record**, with average temperatures 1.33°C above the 1991–2020 baseline, equivalent to more than +2.5°C compared to the 1960s average (and thus well above +3°C compared to the pre-industrial period).

Rising air and sea temperatures, which in summer reached record highs of over 30°C, are fuelling extreme weather events that are becoming increasingly frequent and severe. **In 2024, more than 3,600 extreme weather events were recorded**—including violent hailstorms, intense downpours of rain and concentrated in certain periods, powerful gusts of wind, and tornadoes—almost four times the number recorded in 2018. At the same time, prolonged periods of high temperatures and drought, along with declining snow reserves have been recorded.

Energy savings and efficiency

In 2024, Italy's primary energy consumption fell slightly (around –0.5% compared to 2023), while GDP grew modestly (+0.7%). Analysing medium- and long-term trends, **from 2005 to 2024, Italy reduced energy consumption per unit of GDP by 28%** (less than the EU average of –35%). The strong downward trend seen in 2022 (–6%) and 2023 (–3%) was not maintained in 2024, when the decrease was just around –1%.

ENERGY SAVINGS

In 2024, Italy's energy import dependence stood at around 72%. In the biennium 2023-2024, energy dependence fell by 7 percentage points. Final energy consumption in 2024 rose by about 1.5%, equivalent to +1.6 Mtoe, entirely due to increases in buildings (+0.9 Mtoe) and transport (+1.2 Mtoe). Industry was the only sector to reduce energy use in 2024, with a value of –0.5 Mtoe, reflecting, however, a drop in industrial output (–3.5%).

Renewable energy sources

In 2023, the share of final energy consumption met by renewable energy sources in Italy (total: thermal, transport and electricity) covered around 22.6 Mtoe or 19.6%. To reach the National Energy and Climate Plans (NECP) target of 39.4% by 2030, this share will need to double within seven years, requiring a tenfold acceleration.

In 2023, renewables supplied 10.6 Mtoe of **thermal energy**. About 22% of national heating and cooling needs are covered by renewable sources, well below the 2030 NECP target of 35.9%. Even today, renewable thermal energy consists of about 70% biomass, which has stagnated for years. Heat pumps for heating and cooling covered about 3 Mtoe in 2023, with steady growth. Geothermal and solar thermal remain marginal, between 1–2%.

RENEWABLES

In the **transport sector, renewables** accounted for just 10.3% of energy consumption in 2023, still far from the 34.2% NECP target for 2030.

In 2024, renewable electricity generation in Italy for the first time exceeded 130 TWh, almost matching fossil-based generation and accounting for 49% of total national electricity. This encouraging result signals a rebound after nearly a decade of stagnation. **The NECP target of around 70% renewable electricity by 2030 could be exceeded with the right policies**. In the past three years, the sector had finally started to recover: in 2024, 7.5 GW of new solar and wind capacity was installed. However, data for the first half of 2025 show a new slowdown of 17% in wind

and solar installations compared to the first half of the previous year.

The new slowdown is linked to the phase-out of the 110% "Superbonus," which had boosted residential solar PV, as well as delays in some Regions in designating suitable areas for new projects.

Circular economy

CIRCULAR ECONOMY

The transition to greater circularity is especially important for Italy, a strongly manufacturing-based economy with high material consumption. **In 2024, Italy recorded the highest material import dependence among major EU countries: 46.6%**, compared to 30.8% in France, 39.5% in Germany, and 39.8% in Spain.

Resource productivity in Italy—measured as GDP per kilogram of material consumed—**increased by 32% between 2020 and 2024**, from €3.6/kg to €4.7/kg, the best performance among major EU economies (Germany and Spain at €3.9/kg; France at €3.6/kg).

Italy also leads in **circular material use**, defined as the share of recycled materials used in the total demand of raw materials, in 2023, the circularity rate reached 20.8%, the highest among the large EU economies, ahead of France (17.6%), Germany (13.9%), and Spain (8.5%).

On the other hand, Italy performs the worst out of the principle European countries on **waste generation (excluding mineral waste) for unit of GDP**: in 2022, it produced 66 kg of waste per €1,000 of GDP, compared to 58 kg in Spain, 48 kg in Germany, and 42 kg in France.

Italy maintains, however, its leadership in recycling: in 2022, **86% of total waste** was recycled, ahead of Spain (55%), France (52%), and Germany (44%).

In 2023, Italy also recorded the highest packaging waste recycling rate among the major EU economies, **at 75.6%**, compared to the EU average of 67%, better than Germany (69.4%), France (67.8%), and Spain (65.4%) in 2022.

Italy could further improve its strong circularity performance by strengthening eco-design measures and developing the market for secondary raw materials. Companies should be given stronger incentives to design and manufacture long-lasting, repairable, and reusable products.

Sustainable mobility

MOBILITY

As of 31 December 2024, **Italy's car fleet exceeded 41.3 million vehicles**, up by about 425,000 compared to the previous year, pushing the motorization rate **above 700 cars per 1,000 inhabitants**. The fleet continues to grow while also ageing: the average vehicle age has reached 12.8 years. **Petrol and diesel cars still accounted for 82.5% of the total fleet in 2024** (42.7% petrol, 39.8% diesel), down by about 2.5% compared to 2023 and 11.5% compared to a decade ago. **Hybrids represent 6%** of the fleet, while **electric cars remain marginal** at 1.3%, about 520,000 vehicles in 2024. After a strong recovery in 2023, **new car registrations in 2024 slightly declined**, totalling around 1,558,000 (–0.5% year-on-year).

In 2024, registrations included 455,000 petrol cars (29.2% of the total, up 0.6% compared to 2023), and 13.8% diesel cars (down 3.6% compared to 2023). **Hybrids made up the largest share, with 623,000 units, or +10%, consolidating a 40% market share**. LPG cars rose 3% to 145,000 units (9.3% of the market) compared to 2023. Methane vehicles continued their decline, with just 1,200 registrations and a residual market share. **Electric vehicles**, both full electric models (BEVs) and plug-in models (PHEVs), **fell by 13% year-on-year** in Italy to 118,000 units, reducing their market share from 8.6% to 7.6%.

2024 was a particularly negative year for Italian car production, which collapsed to 283,090 units, falling -45.7% compared to 2023, the lowest since 1956. The contrast between more than 1.5 million new car registrations in Italy and fewer than 300,000 domestically produced cars should be sufficient to demonstrate the weakness of the narrative blaming the collapse of car production in Italy is due to the EU's decision to focus on electric vehicles, with the phase-out deadline set for 2035. The production crisis **stems instead from industrial policy shortcomings** and delays, which left Italy far behind international competitors that now dominate the domestic market. This lag affects not only traditional models, petrol and diesel, but also hybrids and risks marginalizing Italy further in the electric car market of the future.

Agri-food system

AGRIBUSINESS

After four years of recession, in 2024 the agriculture, forestry and fisheries sector showed positive signs: with an increase in both production volumes (+0.6%) and value added by 2%, although 2023 had been heavily impacted by extreme weather. The recovery was limited to central regions, while in others the negative trend continued. The northern regions were hit by heavy rainfall and hailstorms, and southern regions suffered prolonged drought. Overall, **the entire agri-food sector**—including food, beverages and tobacco—**recorded a 3% increase in value compared to 2023**.

In 2024, the value of Italy's agricultural output remained high at €75.4 billion, close to Germany's level and second only to France (€89.4 billion) in Europe. **Yet the sector is highly exposed to the climate crisis: between 1980 and 2023, extreme weather caused €135 billion in agricultural losses** in Italy, second only to Germany (€180 billion). These costs are expected to rise sharply due to more frequent and intense drought events.

It is therefore essential for agriculture to both cut greenhouse gas emissions and enhance resilience and adaptation to the climate crisis.

One of the key factors favoring these objectives is expanding organic farming. **In Italy, as of 31 December 2023, the total certified and in-conversion organic farmland covered 2.46 million hectares, 19.8% of utilised agricultural area**, an increase of 4.5% from 2022 and 86.5% over ten years. Italy is on track to meet the EU *Farm to Fork* target of 25% organic farming by 2030, potentially even by 2027. Restoring ecological value to degraded agro-ecosystems, promoting agroecology, and enhancing technological innovation to reduce resource use are necessary to preserve Italy's rural landscapes and support the high-quality production that is central to the identity of Italian agri-food.

Not by chance, **Italy also leads Europe in quality certifications: in 2023, it had 856 PDO, PGI and TSG** products (328 in food, 528 in wine), representing 26.8% of the European total.

Land use and water management

NATURAL CAPITAL AND WATER RESOURCES

Between 2022 and 2023, net land takes amounted to 64.4 km², equivalent to around 17.6 hectares per day. Although lower than the previous figure (from 2021–2022 the net land consumption was 19.8 ha/day), it remains the third highest since 2012. Artificial land increases surface runoff, with a series of implications among which a reduced absorption capacity and a weakened ability to mitigate extreme climate impacts. The estimated annual losses of this specific ecosystem service, between 2006 and 2023, range from €7.6-8.9 billion per year. In 2023, soil consumption did not spare areas at risk of flooding. 439 hectares were urbanized in high flood-risk areas and 1,108 hectares

in medium-risk areas.

Italy also **faces major anomalies in water availability**, both temporal and geographic, linked to changing rainfall and temperature patterns. 2024 was a rainy year, with around 319 billion cubic metres of rainfall, +10% compared to the 30-year average. The overall outcome for 2024 encompasses profoundly different situations across the national territory. **Northern regions saw above-average rainfall**, leading to severe floods like those in Lombardy in May, Emilia Romagna in September–October. In Piemonte, Veneto and Liguria surpluses 40% above historical averages were recorded, compared to the medium- and long-term period (1951-2024).

By contrast, **all of southern Italy experienced severe rainfall deficits, reducing water availability in islands and all southern regions**. These patterns highlight the urgency of a more integrated water management approach in Italy, including adjustments in production processes and farming practices, halting riverbank urbanization, scaling up Nature-based Solutions to restore ecosystems, and improving territorial resilience.

Ecological transition in cities

GREEN AREAS **Many Italian cities are implementing ecological transition projects funded by the National Recovery and Resilience Plan (NRRP)**, including improving separate waste collection and building innovative waste facilities; expanding cycle paths and rapid mass transit systems; renewing bus fleets; promoting renewable energy communities; protecting and enhancing urban green spaces; upgrading water networks; improving energy efficiency in public housing; and urban regeneration projects. In 2026, when NRRP funds end, **new financing mechanisms will be needed to continue supporting urban ecological transition.**

Italian cities are highly exposed to the impacts of the climate crisis. In metropolitan areas during summer 2024, 90.6% of residents were exposed to average seasonal surface temperatures above 40°C, with a significant portion of this population (such as the elderly and children) are the most vulnerable to the effects of high temperatures. **Through participation in European initiatives, many cities are acting to mitigate climate** change with actions implemented towards improving energy efficiency in buildings, promoting sustainable and decarbonised mobility, expanding renewable energy generation, advancing circular economy measures to reduce resource use and emissions contributing also to reducing greenhouse gasses, and increasing urban tree planting and green spaces.

The Focus of the 2025 edition of the Report on the State of the Green Economy provides an assessment of the state and prospects of the European ecological transition within the new international scenario marked by President Trump's radical reversal on climate and environmental policies and China's robust development of green production and exports.

The updated overview of the pillars of the European ecological transition – decarbonization, circularity, and restoration of natural capital – highlights the positive results achieved, but also the delays and still open challenges.

From the analysis presented in this Focus, several significant findings emerge among the extensive data and updates. The ecological transition in Europe faces the risk of an undeclared reversal due to the reduction of European financing, including the discontinuation of funds mobilized through Next Generation EU. Against a backdrop of increasing requirements and rising military expenditures, there is a lack of adequate – and therefore substantial – mobilization of common European resources, as repeatedly urged by Mario Draghi among others. In the absence of such resources, measures for the ecological transition will be weakened.

As confirmed by all recent surveys, there exists in Europe a large majority of citizens in favor of the ecological transition: a majority that remains silent because it erroneously considers itself to be a minority, thereby leaving disproportionate space to eco-skeptical, radical, and minority positions.
Beyond recognizing the positive economic potential of the ecological transition, greater awareness of Europe's strategic interests is necessary. Being severely impacted by the climate crisis, dependent on costly imports of gas, oil, and critical and strategic raw materials, and with significant activities linked to ecosystem services provided by deteriorating natural capital, the ecological transition represents for Europe an unavoidable and vital challenge for the future of its economic and social model.

Finally, the Report contains an update on the state of the green economy in Italy, structured around the main strategic themes: greenhouse gas emissions and climate crisis, energy savings and efficiency, renewable sources, circular economy, sustainable mobility, agri-food system, land consumption, water resources, and the ecological transition in cities.

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