



4.2 Buildings, energy efficiency and renewable energy

Case study 1: Superbonus scheme (Italy)

Description of the policy instrument

Launched in July 2020, Italy's 'superbonus 110%' green renovation programme has formed part of the country's recovery from the COVID-19 pandemic. This ongoing, and recently extended,¹³⁷ scheme offers tax credits of up to 110 per cent on the cost of retrofitting and earthquake-proofing homes. The programme aims to target three key areas of concern: thermal insulation, heating system efficiency and seismic resilience. Building owners can transfer the tax deduction to the company that performs the renovation or recover their investment and an extra 10 per cent in the form of deductions over five years.¹³⁸

Key target groups for the scheme are condominiums, residential properties (as opposed to properties used for a business or profession), housing co-operatives, non-profit, social promotion and voluntary organisations, amateur sports associations and clubs.¹³⁹

Why did it work or not work?

✓ The superbonus public grant policy has largely been regarded as a successful intervention and has provided a strong stimulus that could also boost the take-up of other energy efficiency measures not covered by the grant.¹⁴⁰

By April 2022, more than 122,000 applications had been approved and EUR21 billion spent. The scheme has provided a boost to the construction sector and gross domestic product (GDP), creating at least 410,000 new jobs in the buildings sector and 224,000 jobs in related supplier sectors.¹⁴¹

One of the main success factors has undoubtedly been the fact that the scheme covers the entire cost of the interventions and requires no investment from the participating households. Essentially, people can receive more than the cost of the retrofit through subsidies. However, the scheme does require some upfront financing to cover the building contractors, which can be claimed back.

✗ Despite its many successes, the scheme has been criticised for long delays due to its popularity and for supply chain issues. Since its launch two years ago, there have been multiple changes to the rules and regulations, and issues with the credit transfer system through which people access the government funds to pay for the building work.¹⁴² A rapid increase in demand for energy efficiency retrofit services, driven by the availability of substantial financial support, pushed up their cost and the supply of adequately qualified and accredited contractors was not enough to satisfy demand in the short term. In response to the cost increases, caused by demand exceeding supply, the Italian government has applied price caps on raw materials.¹⁴³

Italy's tax collection agency had also uncovered fraud worth EUR950 million linked to the scheme and other home improvement incentives.¹⁴⁴ Another key criticism has been that the subsidies also allow for the installation of new gas boilers, enabling grant-receiving households to continue to use fossil fuels.¹⁴⁵

The fixed-term nature of the scheme, which will be gradually reduced in size before ending in 2025, has also attracted some criticism as it has affected installation companies' willingness to take on more staff to address the supply-demand imbalance.

Key learnings

A key learning from the Italian example is that renovation take-up rates can be directly and effectively incentivised by financial schemes that provide generous subsidies. However, the success of the superbonus scheme may have been enhanced by the relatively high share of home ownership in Italy (75 per cent, in 2020),¹⁴⁶ which means that a significant number of households are able to make decisions regarding their homes without a landlord's consent. The take-up rate could be radically different in countries where renting is more common.

Furthermore, when it comes to building renovation, the 'neighbourhood effect' can also have a strong impact on individual decision-making.

