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Italy's Simplification Decree, ¹ which implements the provisions of Law 160/2019 (Article 1, paragraph 86),² specifies the main characteristics of the guarantees that can be issued under the Italy's Green New Deal. It also provides for the mechanisms for the issuance and execution of such guarantees, conferring a central role to SACE, Italy's credit agency.

The Decree and the aforementioned Law 160/2019 support the implementation of the EU Green Deal's sustainability agenda, and in particular, of Regulation (EU) 2020/852 of the European Parliament and of the Council dated 18 June 2020 on the establishment of a framework to facilitate sustainable investment.

As stated in the Communication from the Commission to the European Parliament, the European Economic and Social Committee and the Committee of the Regions of 11 December 2019, the European Green Deal represents "...a new growth strategy aimed at transforming the European Union into a fair and prosperous society, with a modern, resource efficient and competitive economy that will not generate net greenhouse gas emissions in 2050 and in which economic growth will be decoupled from resource use. It also aims to protect, conserve and enhance the EU's natural capital and to protect the health and well-being of its citizens from environmental risks and their consequences".

In this framework, Article 64 of the Decree introduces a simplified mechanism at the Italian level for the issue of guarantees by SACE with respect to finance transactions concerning:

1. Projects aimed at facilitating the transition towards a **clean and circular economy** and at integrating production cycles with low-emission technologies for the production of sustainable goods and services. **In this respect, inter alia, projects to be implemented in the renewable energy sector are certainly eligible, as well as any initiative regarding the improvement of energy efficiency;**
2. Projects aimed at speeding-up the transition to **sustainable and smart mobility**, with particular reference to projects aimed at fostering the advent of automated and connected multimodal mobility, suitable for reducing pollution and emissions, including through the development of intelligent traffic management systems.

In consideration of the provisions of the aforesaid article 64, the information made available by SACE and the MEF-SACE Agreement (on which more details will follow) and of an initial interpretation of the overall regulatory context, the following main aspects can be summarized:

- **Substantially all financial transactions will be reasonably eligible for SACE support (including transactions on a project finance/PPP basis, corporate finance, financial leasing, bond issues), regardless of seniority, commitments and duration.** This approach is similar to the one followed with reference to a different SACE product, the "Garanzia Italia" during 2020, which also featured a State counter-guarantee for numerous financial structures (i.e. bond issues, factoring, in addition to "traditional" financing) aimed at supporting Italian companies adversely affected by the COVID-19 pandemic;

- SACE will provide guarantees up to a limit of €2,500 million for the year 2020 and, for subsequent years, within the limits set forth in the annual budget law;
- The guarantees will be issued for the benefit of the lenders and in the interest of the borrower, as first demand, irrevocable and unconditional guarantees, **for a maximum amount of 80 percent of the total commitment.**
- The main procedural terms related to the guarantees are included under an agreement between the Ministry of Economy and Finance (MEF) and SACE³ and can be summarized as follows:
 - The modalities of the due diligence activities to be carried out by SACE on the initiatives proposed, with reference to the selection and assessment of the projects in terms of their compliance with the objectives set forth in the applicable regulations (i.e. the Decree);
 - The procedures for the issuance of guarantees, with a view to excluding that such guarantees and insurance coverage may give rise to unforeseen costs in terms of the net borrowing of public administrations;
 - The management of the phases following the payment of the indemnity, including the procedures for the exercise of rights against the debtor and the recovery activity;
 - The procedures for requesting the MEF to pay the indemnity and the procedures for enforcing the State counter guarantee on the commitments undertaken by SACE, as well as the remuneration of the guarantee itself. In this respect, the MEF SACE Agreement states that “the remuneration of the guarantee is determined in function of the risk profile taken into account, defined considering, among others, the following elements: the type of risk, the duration of the risk, the characteristics of the security package connected to the project (if any) and the contribution of the Project to the targets set forth under the Decree”.
 - Other operating procedures relevant to the assumption and management of the SACE’s commitments;
 - The procedures by which SACE reports periodically to the MEF on the results of the reporting which the financing parties are required to make to SACE, for the purpose of verifying that the conditions for the validity and effectiveness of the guarantee continue to apply.
- The MEF SACE Agreement has a duration of **10 years.**
- The CIPE, at its meeting of 29 September 2020, approved the guidelines for 2020 on the issue of such guarantees.
- The issuance by SACE of guarantees for an amount equal to or greater than €200 million is subject to the decision taken by decree of the MEF, after consulting the Minister of Economic Development and the Minister of the Environment and the Protection of Land and Sea, on the basis of the preliminary report submitted by SACE.
- On SACE's obligations deriving from the guarantees, **a State counter-guarantee is granted on first demand and without recourse, with operations registered by SACE under separate management.** The State counter-guarantee, by express legislative provision, is explicit, unconditional, irrevocable and extends to the re-payment of the principal, the payment of interest and any other ancillary charges, net of commissions received for the same guarantees. **In this respect, the mechanism set forth under the Decree will clearly have a strong impact on the credit risk evaluation to be carried out by the financial institutions in the light of the presence of SACE (and the Italian State) as main guarantor.**
- At the procedural level, although the general terms and conditions of the guarantees are not yet available, SACE

has specified that the eligibility of initiatives is assessed through due diligence on the basis, among other things, of a taxonomy defined by the European Union. In particular, the projects must produce a significant benefit to at least one of the following environmental objectives: mitigation of and adaptation to climate change; sustainable use and protection of water and marine resources; transition to a circular economy; prevention and reduction of pollution; and protection and restoration of biodiversity and ecosystems.

According to the available information to date, in the latter part of 2020, SACE has already met with numerous potential beneficiaries, with the cooperation of Enel Foundation and the F2i Sgr. There are already seven approved projects for a total value of €600 million (the first three finance transactions in the steel, construction and wind energy sectors were officially announced in recent weeks).

1 Law Decree 76/2020 converted with Law 120/2020

2 “The Minister for the Economy and Finance is authorized to intervene through the granting of one or more guarantees, also with reference to a collective portfolio of operations and up to a maximum amount of 80 percent, to support specific investment programs and operations, also in public-private partnership and also carried out with the intervention of universities and private research bodies, aimed at carrying out economically sustainable projects that have as their objective the “decarbonisation” of the economy, the circular economy, support for young and female entrepreneurs, the reduction in the use of plastics and the replacement of plastics with alternative materials, urban regeneration, sustainable tourism, the adaptation and mitigation of risks on the territory deriving from climate change and, in general, investment programs and projects of an innovative nature and with a high level of environmental sustainability and that take into account social impacts”

3 Approved by the CIPE (Economic Planning Inter-ministerial Committee) with resolution (no. 56/2020), published in the Official Gazette on 11 November and recently finalized.

Your Key Contacts



Giovanni Diotallevi

Partner, Rome

D +39 06 809 120 00

M +39 335 717 30 73

giovanni.diotallevi@dentons.com



Andrea De Luca Picione

Managing Counsel, Rome

D +39 06 809 120 00

M +39 346 13 15 891

andrea.delucapicione@dentons.com