



## Assessment of A2A's transition plan

### About A2A

A2A is an Italian power utility headquartered in Milan, which generates and distributes electricity. Under the leadership of CEO Renato Mazzoncini, the company reported revenues of €12.9 billion and an EBITDA<sup>1</sup> of €2.33 billion in 2024 – an 18% yearly increase in 2023. A2A is a significant emitter of greenhouse gases (GHG), with CO<sub>2</sub> emissions totaling 15.1 MtCO<sub>2</sub>eq and a carbon intensity of 258 gCO<sub>2</sub>/kWh in 2024. Despite a growing renewable energy portfolio (mostly from hydropower), gas remains the company's main energy source, with an installed capacity of 5.6 Gigawatt (GW) (equal to 60% of total capacity) and 1.7 GW of planned capacity. Installed capacity for renewables amounts to only 2.6 GW (equal to 28% of total capacity). The company has committed to net-zero emissions by 2040, although its transition strategy relies heavily on fossil gas, raising concerns about long-term sustainability.

### A2A's transition plan in a nutshell

A2A's transition plan focuses on phasing out coal by 2024, with some coal replaced by gas, and expanding renewable capacity while maintaining a strong reliance on fossil gas. Its 2030 target aims for a carbon intensity of 226 gCO<sub>2</sub>/kWh. The company intends to achieve this through increased renewable investments, hydrogen co-firing in gas plants, and gas in the electricity mix. Yet, there are concerns about hydrogen co-firing as a truly sustainable energy solution, given the current inefficiencies, high costs, and lack of scalability. The plan's credibility is weakened by the absence of a clear gas phase-out date and the reliance on fossil gas. In particular, by 2035, A2A plans to have 5.3 GW of gas fired installed capacity out of a total 10.9 GW. Similarly, by 2035, it expects to produce 6.2 TWh of electricity from fossil gas out of a total generation of 16.7 TWh. A2A's transition plan is not aligned with the 1.5°C pathway but instead follows a 2°C scenario, a trajectory that falls significantly short of what is needed to meet global climate goals.

### Quality of A2A's transition plan

#### 1. Emission reduction plan

A2A's emissions reduction plan targets a 65% reduction in scope 1 and 2 emissions by 2035 (vs. 2017), in alignment with SBTi 2°C scenario for scope 1 and 2. Regarding scope 3, by 2035 (vs 2017) A2A aims at a reduction of 65% upstream emissions for energy carriers, and a reduction of 26% emissions associated with sold gas (including biomethane) and 30% for supply chain

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<sup>1</sup> Earnings Before Interest, Taxes, Depreciation, and Amortization

emissions. Thus, A2A's pathway is not fully aligned with a science-based 1.5°C scenario as it relies on continued gas use without a defined exit strategy. A2A claims that reduction targets take into account all greenhouse gases. Regarding methane emissions, A2A aims to reduce leaks from gas networks by 40% by 2025 (vs 2019). The contribution of carbon capture and storage (CCS) is still in the evaluation stage. The company reports on incremental progress toward targets year by year.

## 2. Energy planning

### Fossil gas at the center of A2A's "decarbonization" strategy

A2A's coal phase-out in 2024 was a positive step, but its strategy leans heavily on gas, with a planned 1.7 GW of new capacity. The new 860 MW combined-cycle gas power plant in Monfalcone, which will replace the to-be-decommissioned coal plant, is expected to become operational in the second half of 2026. Despite the need for a transition away from fossil fuels, it was selected by the Italian TSO Terna in the 2024 capacity market auction and will receive public subsidies—directing taxpayer money towards continued fossil fuel dependency. Without any phase-out date set for gas, and the plan to continue to fire fossil gas at half of its existing plants (measured by capacity), A2A risks having stranded assets and failing to align with the European Union's decarbonization policies.

### A timid foray into renewables

A2A plans to scale its renewables, with solar and wind reaching 1.9 GW by 2030 (vs. 0.7 in 2024), on top of 2.0 GW of hydro, nearly all already in operation (some could be adapted with pumping schemes). In 2035, A2A plans to have 3.7 GW of solar and wind, for a total of 5.7 GW of renewables (with 2.0 GW of already existing or refurbished hydropower, 2.4 GW of solar, and 1.2 GW of wind). This represents a very low increase compared to other European power utilities.

## 3. Capex allocation

A2A's CAPEX for 2025-2027 is €5.2 billion, of which €1.7 billion is for maintenance and mandatory<sup>2</sup> €3.5 billion is allocated for development, of which A2A plans to allocate €0.95 billion to solar, wind and hydropower, and €0.2 billion to bioenergy. 21.7% (€0.33 billion) remains allocated to fossil fuel-based flexibility, indicating continued dependence on gas. It should be noted that A2A mixes fossil fuels and storage in the same CAPEX category ("Flexible") and that grids are included in the category "Customers" which makes an accurate assessment of the company's CAPEX plan impossible. The imbalance in CAPEX distribution in favor of fossil investments raises concerns about the credibility of the company's transition.

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<sup>2</sup> Mandatory Capital Expenditures means Capital Expenditures that are necessary, as reasonably determined by the Borrower, for the Borrower and its Subsidiaries and their respective assets and operations to remain in compliance with Governmental Requirements and applicable health, safety, and environmental standards, including [plugging and abandonment](#) expenditures.

#### **4. Climate planning: strategy and governance**

A2A has committed to publish a climate transition plan by the end of 2025. In the meantime, the company has been carrying out a climate risk assessment. So far A2A has not set targets to increase its share of revenues from activities (products and services) aligned with a climate transition plan.

The company has set up a committee which has been tasked with assisting the board to formulate sustainability targets and to identify the financial measures necessary to reach them. Specific decarbonization targets are approved by the CEO.

#### **5. Transparency**

A2A is yet to publish a full transition plan aligned with a 1.5°C scenario, detailing the emission reduction trajectory year-by-year and the contributions of offsetting and CCS. The company's strategy, reports and presentations to investors have a sufficient degree of transparency apart from some concerns regarding CAPEX, which mixes gas with flexibility investments, and which lacks a full breakdown by energy sources.

