

Berlusconi in power policy rethink after latest crises

Italy
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in Ravenna and
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Italy is reviewing a ban on most offshore oil and gas development, passed only last year to the bafflement of the energy industry, in a move that shows how the government is struggling to formulate a coherent energy strategy.

Unforeseen events have shaken the energy sector of the eurozone's third-largest economy, which is dependent on imports and pays some of the highest electricity bills in Europe. First came BP's oil spill in the Gulf of Mexico last year. Then, just as war in Libya cut off at least a tenth of Italy's gas imports and a quarter of its oil, Japan's nuclear crisis has thrown into confusion government plans to build four atomic power stations.

Such events have prompted many other governments to reconsider their energy policies. But in Italy, according to industrialists, policy paralysis and incompetence have also played a role as the centre-right coalition government flounders amid corruption investigations, alleged sex scandals and internal feuding.

Last June, the cabinet stunned the business community by approving voluminous environmental legislation that included a short text banning oil operations within five miles of the Italian coast, and oil and gas activities within 12 miles of vaguely defined protected areas such as parks.

Businessmen have privately claimed that a Sicilian parliamentarian, more concerned about protecting the view from his villa, slipped the text into the decree amid the outcry over BP's deep-sea spill. Silvio Berlusconi, the prime minister, who was

preoccupied with other matters, failed to block it.

Industry representatives have fought in vain to get the decree repealed. One problem, they say, is saving face for Stefania Prestigiacomo, Italy's environment minister who is also a senator from Sicily, an electoral battleground for Mr Berlusconi's party.

"Not a postage-stamp-sized space is left offshore [for development]," Pietro Cavanna, representing the Assomineraria association of mineral producers, complained at a conference in Ravenna last week.

Producers say the law has frozen several billion euros in current and planned investments, including projects involving Italy's Edison energy company and Shell of the UK.

Senior industry ministry officials told the conference that Decree 128 would be revised, although Ms Prestigiacomo was more ambiguous.

Executives say such confusion is undermining the government's call for producers to make up for the halt in supplies from Libya by expanding Italy's domestic output of oil and gas, which last year accounted for only about 7 per cent and 10 per cent of national needs respectively.

Italy's nuclear revival plans are also in jeopardy.

Mr Berlusconi was elected in 2008 pledging to relaunch the nuclear industry, which was dismantled in 1987 after a referendum prompted by the Soviet Union's Chernobyl disaster. His snail-paced programme was close to announcing sites for four nuclear power stations when Japan's quake and tsunami struck this month.

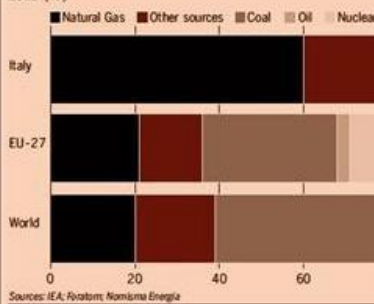
Ministers at first insisted Italy would push on regardless. But realising this was upsetting opinion ahead of a referendum on



Nuclear fallout: Roman protesters march at the weekend against plans to build atomic power stations. A one-year moratorium has been announced Reuters

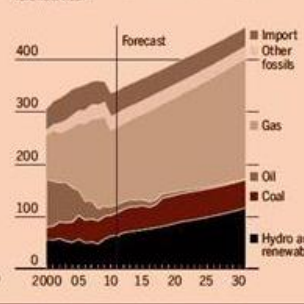
Finding the right energy mix

Electricity production 2010 (%)



Sources: IEA; Foratom; Nomisma Energia

Italian electricity consumption by source Terawatt hour



143 Nuclear reactors operating in the EU
2/3 EU's low-carbon electricity that comes from nuclear
93% Italy's oil that is imported
20% Lithuania's electricity imported from the EU

'Not a postage stamp-sized space is left offshore [for development]'

scrapping the nuclear programme - called by an opposition party - they retreated and announced a one-year moratorium.

Like many other EU governments, Rome is also preparing to cut subsidies for solar energy. This would appear to put coal in favour, despite protests from environmentalists that Italy would fail to meet targets to cut carbon emissions by 17 per cent by 2020.

Coal accounts for an average of 33 per cent of Europe's electricity generation but only 12 per cent in Italy, which relies on gas for about 60 per cent of its power output. Renewables provide 20 per cent, and oil 8 per cent.

Noting that Italians pay 30 per cent more than the European average for electricity, Andrea Ciavarino, president of the Assocarboni coal association, says coal is

cheaper and comes from more secure sources, mainly Indonesia and South Africa. He says six oil-fired power stations in Italy could be converted to coal within four years should Italy's nuclear plans be derailed.

Enel, the state-controlled utility whose nuclear plans are now in doubt, sees coal playing a bigger part in Italy's energy mix, coupled with new and expensive carbon-capture technology

to cut emissions. Work on converting Enel's Porto Tolle power plant from oil to coal is due to start this year. It is also seeking permission to convert its Rossano plant.

Changing the energy mix will take years, and Carlo Bollino, a professor at the LUISS university of Rome, says Italy will have to maintain good relations with exporters, including Libya. "Gas is there to stay," he said.

