

Monday October 22 2012

## View from the top

### Fulvio Conti Chief executive, Enel

As CEO of one of Europe's largest utilities and president of Eurelectric, the power generators' industry association, Fulvio Conti, 64, is at the centre of the debate over the EU's energy future. He spent most of his career in finance, starting out at Mobil, the oil company bought by Exxon, and served as chief financial officer of Italian National Railways and Telecom Italia. He joined Enel as chief financial officer in 1999, became chief executive in 2005, and built it through the acquisition of Endesa of Spain in 2007. Edited highlights of a video interview with FT.com appear below.

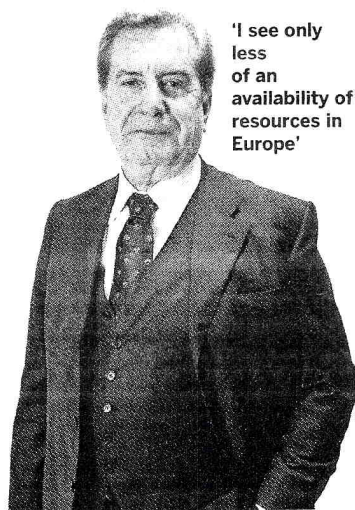
**The eurozone is in financial crisis and [Europe's] economy is in recession. What effect is that having on the energy business?**

It definitely has an impact... It slows down investment [because] there is excess capacity around. For instance, in Italy we have 40 per cent excess capacity. In Spain we have more or less the same... So there is a dramatic slowdown in investment, and the fact is that the industry, because of the many different legislation changes and regulation changes and new taxation, is becoming less investable than it used to be.

**What does "less investable" mean?**

Electricity in particular is one area where governments tend to intervene, [and] if you have no longer-term view on regulation and stability of market trends, obviously you're discouraged from making the hard investments [with] highly intensive capital requirements.

**'I see only less of an availability of resources in Europe'**



**The EU has ambitious targets that by 2020 it will improve energy efficiency by 20 per cent, cut greenhouse gas emissions by 20 per cent, and source 20 per cent of its energy from renewable sources. Are those targets still affordable?**

To some extent they are, but for the wrong reasons. Because of the recession... you tend to be closer to those targets than you used to be in the past. Therefore we will get there. We need to get there because those are mandatory requirements, and we have to abide by those directives, but this will be a combination of a lower economic trend - which is reducing the impact of our output - additional investments in renewables and new technologies to improve the efficiency of thermal generation.

**What about the potential for shale gas in Europe? You are a large consumer of gas. Do you think that shale gas in Europe could become a significant source of supply for you?**

Not in the short to medium term. I see only less of an availability of resources in Europe. Wherever there are signs of shale gas or territory available, you'll end up being in some of the most picturesque areas of France, Italy or Germany. Even in Poland, where there was a promising discovery, some of the oil majors that actually had made investments out there are abandoning it because they don't seem to be finding enough resources to make an economic case for the investment.

**So when you hear people say Europe should make more of a bet on gas, would that be a mistake?**

You need to have a more balanced approach, to have a diversified mix of sourcing countries and of commodities, and diversified technology, so that you will be hedging yourself against the vagaries of politics, against the vagaries of the fluctuation of the costs and pricing of those commodities.

Gas will continue to be a major factor, but for gas to be increasing you need more facilities. You need more regasification units, more pipelines. There are some, but there will not be enough to make gas the only commodity, so we are investing also in coal.

Ed Crooks

### VIDEO ON FT.COM

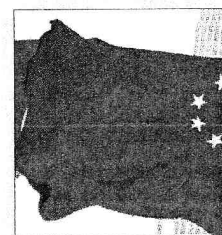
For the full interview with Fulvio Conti, go to [www.ft.com/vftt](http://www.ft.com/vftt)

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## Equity



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### McDonald's

Investors aren't lovin' it, but they aren't absolutely hating it either. In the third quarter, McDonald's served up its second consecutive set of disappointing results and warned of more pressure to come.

Net income dropped 3 per cent to \$1.5bn from the same period a year ago, while revenues slipped only marginally to \$7.15bn. That follows a 4 per cent year-on-year drop in net profit and flat revenues in the second quarter.

With more than two-thirds of its revenue coming from outside the US, McDonald's has been hit by the faltering global economy.

Meanwhile, competition is heating up at home as Burger King, Wendy's and Taco Bell, owned by YUM! Brands, are luring customers by rolling out some of the same strategies that have helped McDonald's to prosper. Burger King now serves chicken wraps alongside Triple Whoppers, and "premium blend coffee" is poured at some Wendy's outlets. And the cost of commodities is high.

With all of that to swallow, some indigestion from the McStellar stock performance of recent years is no surprise.

McDonald's shares topped \$100 in January, more than double their 2008 low. This year's rumblings have siphoned off 12 per cent, including Friday's 4 per cent decline.

At \$89, McDonald's trades at 17 times this year's earnings. That is below Starbucks (26 times) and YUM! (21 times), which have higher projected growth rates, but still no value meal.

McDonald's has some leeway, particularly in uncertain times, as it is viewed as big and stable. (Shares in younger and scrappier Chipotle Mexican Grill, for instance, fell 15 per cent on Friday on warnings of slowing traffic; they are down almost 30 per cent in 2012.) The world's largest restaurant chain also carries a dividend yield of more than 3 per cent.

But any more bad news and more McDonald's investors might just get hungry and start looking elsewhere to satisfy their appetite for stability.

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## SHARP

### Today's temperatures

Maximum for day °C

Abu Dhabi	Sun	36	Malta	Fair	24
Amsterdam	Fair	20	Manila	Sun	33
Ankara	Fair	22	Miami	Fair	29
Athens	Shower	23	Milan	Sun	21

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