

## **Responsible energy - Paolo Scaroni interviewed by Angela Wilkinson\***

**Angela Wilkinson:** Why don't you start by giving me your view, and then I will step in when I've got a question. I am interested in trying to get to the man behind the messages in this report.

**Paolo Scaroni:** A few years ago I had the pleasure of meeting Sir Adrian Cadbury, who wrote a book about corporate governance in the early 1990's. In Sir Adrian's view, the broadest way of defining social responsibility is to say that the continued existence of companies is based on an implicit agreement between business and society. A company is licensed by society to provide goods and services, and generate profits, only if it delivers economic and social benefits for the wider community in which it operates.

The essence of the contract between society and business is that companies are bound not to pursue their immediate profit objectives at the expense of the longer-term interests of the community. I like this definition because it spells out that the community will only accept you as long as the benefits it receives from your presence are greater than any negative impact you may cause.

If you break this contract you will ultimately not be allowed to operate. This is certainly true at the local level, but it can also be true at a global level if what you do goes against the interests of society. What I found convincing about this concept is that it explains why corporate social responsibility, or Sustainability if you prefer, is not an option but a necessity.

**Angela Wilkinson:** So your notion of Sustainability is about this social contract between business and society, but also about respecting the longer term interests of social development and progress?

**Paolo Scaroni:** Absolutely. Social development and environmental protection are part of the long-term benefits that companies provide to the communities in which they operate. This explains why Sustainability is so important. On the other hand, this approach also benefits companies. All these activities, as well as being necessary, also contribute to the efficient management of an organization.

Another important aspect of value creation is the management of people. I have worked in companies for many years, and I have long thought that the real secret of management is to be able to integrate very different people within the same organization. A company in which everyone has the same cultural and social background is weak. Diversity is a great asset. And Eni is certainly a very diverse organization.

There is also a third area where Sustainability leads to value creation. When a company deals with governments - which oil companies frequently do, because in oil-producing countries our ultimate counterparty is the government - it has to have the wider interests of the country at heart: the environment, the fulfilment of the local population's needs, economic development and the involvement of local enterprises.

**Angela Wilkinson:** I'd like you to look back a little. Twenty years ago the oil sector was not thinking about corporate responsibility or Sustainability. It was very concerned about environmental management. Since then, its outlook has broadened. Why has it changed?

**Paolo Scaroni:** Let me try to explain my view. When developing countries are rich in oil, there is a tendency for the oil industry to suck in a disproportionate amount of the country's skilled people. So when local governments want to develop initiatives that fall outside the oil sector, they often turn to us simply because we are a big organized presence in that country. Nowadays, our contracts generally include some social activities. These can range from rice cultivation in Nigeria to the development of a vaccination programme in the Congo. Oil companies are asked to give something back to the community. And we are asked to manage these initiatives - which fall outside our normal business - because we have an organization which is able to do so.

**Angela Wilkinson:** Let's talk about the relationship within the energy sector between international companies and national companies. This relationship seems to be changing. What are the implications?

**Paolo Scaroni:** In this area, I see a cyclical effect. When the oil price goes up, the power of oil-producing countries and of their national energy companies goes up too. This also has implications on what oil producing countries require in terms of local development, local employment and investment in activities which lie outside our core business. Broadly speaking, their requirements increase. And this is where Sustainability becomes a competitive advantage.

Let me give you an example. In Africa, there is still a lot of gas flaring. Investing to capture and use associated gas to produce and sell electricity is the best thing one can do from the point of view of corporate social responsibility. It reduces gas flaring, which has negative impacts on the environment. Meanwhile, one also produces electricity. And electricity is life. When a community has access to electricity, everything changes. One can have telephones, computers, and industrial activities. It is very important. We have been developing this process, and have applied it in Nigeria, the Congo and Angola.

**Angela Wilkinson:** That's very clear. Let's turn to the global energy system. Climate change is going to be the world's big potential game-changer, according to the inter-governmental panel on climate change. It seems that, in the long term, we are committing ourselves to a set of unprecedented environmental conditions.

**Paolo Scaroni:** Regarding climate change, despite the ongoing debate we take the view that we should behave as though it were a conclusively proven phenomenon. What can we therefore do? We can reduce our CO2 emissions as much as possible. And, looking at the longer term, we need to invest in the only form of alternative energy which really has the potential to meet our planet's energy needs: solar power. We are convinced that the sun is the only viable longterm alternative to hydrocarbons.

On this front, we have signed an agreement with the Massachusetts Institute of Technology to develop research programmes on solar energy, and will invest \$50 million in the project. The objective is to replace silicon in the production of electricity, because silicon technology is 50 years old, expensive and very energy intensive. We believe that other materials, such as polymers, will provide the solution in future.

**Angela Wilkinson:** For me the role of business is to navigate and take on the challenges that society faces. What are the dilemmas and tensions you are facing?

**Paolo Scaroni:** Our sector faces a number of challenges. But our job is to overcome them with pragmatism and common sense. One example is the issue of gas supply security, which is widely debated in Europe. And no wonder. In Europe, two out of every three houses are heated using natural gas. Turning to electricity, 80% of the incremental capacity built in Europe over the last 15 years is gas-fired. Gas consumption continues to grow, while domestic production declines.

As a result, our gas imports will have to grow from the current 300 billion cubic meters a year to 600 billion cubic metres in 2020, and our continent will essentially depend on two suppliers - Russia and Algeria - which are not part of the EU. This increasing dependence on a product as essential as gas gives rise to recurrent concerns on our continent. We at Eni have to do everything we can to contribute to Europe's gas supply security.

**Angela Wilkinson:** The priorities on which Eni will focus its efforts in terms of Sustainability - how did you choose those?

**Paolo Scaroni:** The target I set was gaining admittance to Sustainability indices such as the FTSE4Good and the Dow Jones Sustainability Index. That ensured we had a clear objective. And if one works to meet these indices' criteria, that usually means one is moving in the right direction. The other thing which I did in Eni, and which I had also done in Enel and in Pilkington, was to make the Sustainability metrics an integral part of the company's reporting system. This means that we can monitor our performance at regular intervals, ensuring we are meeting the targets that we have set ourselves.

**Angela Wilkinson:** You have come from a major energy user, Pilkington's glassmaking business, to the energy-producing side. What's the main difference between the two?

**Paolo Scaroni:** In glass-making, energy is a crucial element of your overall costs - roughly the same as labour. That means that, in order to maximize efficiency, you have to minimize your energy consumption. But even looking at the issue from the point of view of those who produce energy, I still believe it is essential to tell our customers how to rationalize their energy consumption.

That's why we have launched a campaign to educate Italian families about energy efficiency. The campaign is called *Eni 30PERCENT* because it tells families how to reduce their expenses for energy consumption by 30%. By following our 24 simple

suggestions, the average Italian family can save €1,600 a year without significantly altering their lifestyle.

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