Italy's off shore oil referendum: Another lost opportunity

4/23/2016

On 17 April, a referendum was held in Italy on rules governing off shore drilling licenses. As **Biagio Carrano** *and* **Irene Monasterolo** *write, this relatively niche issue nevertheless produced a full-blown political contest, involving heavy infighting inside the government coalition. They argue that these events illustrate the Italian government is still more concerned with protecting the interests of powerful industrial lobbies than it is with stimulating the economy and employment through investments in renewable energy.*

The referendum held in Italy on 17 April can be considered an interesting case study of how a tool of direct democracy on a specific matter can be deprived and twisted, paving the way to an increase in citizens' dissatisfaction. The question on the ballot paper was simple: to allow concessionaries of off shore drilling licenses up to 12 miles from the coast to exploit the oil and gas fields only until the end of concession or until exhaustion, as is the case now.

It is important to point out that Italy's oil and gas reserves are relatively small. The production of all the 79 active oil and gas off shore rigs represent less than 4% of national annual consumption and the royalties are among the lowest in the world, between 7 and 10%. The referendum itself fell well below the turnout threshold of 50%, with only just over 31% of voters choosing to take part. Aside from the nature of the question put to voters, there was also a distinct lack of information available. For instance, official data released by AgCom show that from 4-10 April all of the editions of the news produced by RaiUno, the main channel of the State-owned RAI, devoted only a little over 13 minutes to the subject.

In a top-down strategy to invite Italians not to vote, the Prime Minister, Matteo Renzi, the former President of the Republic, Giorgio Napolitano, and the majority of the ruling Democratic Party explicitly campaigned for abstention. After the results, the failure of the referendum was hailed by them as a political victory. But in a country ravaged by anti-party sentiment and populism, can this failure really be considered a success of the ruling coalition?

A lost opportunity

The supporters of the referendum have stated that aside from the specific question put to voters, the overall purpose was to overcome the country's dependence on fossil fuels and to push it towards a greener economy, opening up a public debate about which energetic and industrial policy the country wants to pursue. As it transpired, this debate never flourished in the weeks before the referendum, and Renzi counted on the failure of the vote to strengthen his position against opposition parties and critical voices inside his Democratic Party, mainly on the left of the party.

There are nevertheless at least two consequences that are important for the country moving forward. First, the referendum represented another lost opportunity for rethinking the government's energy policies. In 2014, Renzi campaigned on the notion of a "smart" and greener economy. But, following his rise to power after the sudden dismissal of Enrico Letta, Renzi's government increased subsidies to fossil fuels, which reached 13.2 billion euros in 2014, up from 12.8 billion euros in 2013.

At the same time, the government introduced a retroactive regulation on feed-in tariffs paid to renewable energy sources, revised the regulation on fiscal incentives for renewable energy production, and intervened on electricity prices, making it harder for households to connect to the grids and deliver the energy created with solar panels. These interventions increased uncertainty on the market. Italy is also lagging behind in terms of government incentives for renewable energy sources, which have stopped at a mere 11 billion euros. This is less than half than what is spent in Germany (23 billion), where renewable energy sources produce over 50% of electricity, according to the latest figures issued by the IMF and Greenpeace.

What does this mean in terms of sustainable and inclusive development in Italy? It means, first of all, damage to the job market. In 2015, 4,000 jobs were lost in the wind energy sector after the change in energy regulation. Findings by Greenpeace and Althesys suggest that investing in renewable energy sources would put the Italian economy on the move again after more than 20 years of recession, and estimate that such a policy could create 100,000 jobs. This is more than three times the workers employed by Fiat-Chrysler in Italy.

Cutting greenhouse gas emissions, and thus allowing the country to meet its emission targets as pledged at the COP21 conference in Paris, would also greatly help the environment. Instead, persisting uncertainty on rules and regulation, and the persisting influence of fossil fuels energy producers and the automotive sector in Italy in the political arena, could lead Italy further away from the rest of Europe, which is (slowly) moving toward a low carbon economy.

The financial crisis represented a missed opportunity for the EU as well as for Italy, where the solution of secure and well known austerity policies was preferred to the introduction of a green deal for Europe. Recently, green investments have been proposed as a way to meet the key challenge of macro-economic recovery, i.e., the lack of aggregate demand (as shown by Joseph Stiglitz), while others such as Mariana Mazzucato have called for the introduction of a green deal.

As has been noted by these authors, a green investment programme instead of austerity measures for the global economy could have stimulated growth and employment, thus addressing increasing inequality. Mazzucato's analysis shows that the transition toward a green economy requires a stream of innovation in the green sector, often directed by policy makers. Few countries in Europe are thus more in need of elaborating strategic choices to support green industries than Italy. The country's leadership should support the development of new companies operating in the field, enhancing sustainable economic growth.

The progressive detachment from politics of a significant portion of the Italian population represents the second significant problem illustrated by the referendum. A strong bottom-up movement which is able to push decision-makers to cope with these urgent questions is, for now, lacking. The latest developments have exposed a government more focused on the interests of traditional industries – fossil fuels as well as financial sectors – than it is on the need to reform institutions and policy governance, promote popular participation, and define a new model for sustainable development and global competitiveness.

Against this backdrop, the failed referendum on 17 April did not come as a surprise. It should however raise significant concerns about the increasing dissatisfaction of Italian citizens with the public goods, politics and nature of the Italian state.

Please read our comments policy before commenting.

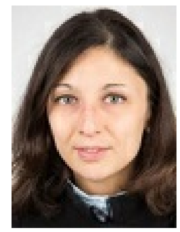
Note: This article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.

Shortened URL for this post: **http://bit.ly/1SoJNx5**

Biagio Carrano

Biagio Carrano is a consultant and lecturer specialised in transition economies and digitization. He is the founder and director of eastCOM Consulting, a Belgrade-based consultancy in business development for Small and Medium Enterprises operating in Balkan countries. Biagio is also the founder and editor-in-chief of Serbian Monitor and a lecturer at Il Sole 24 ORE Business School in Italy.

Irene Monasterolo – *Boston University*



Irene Monasterolo is an economist with experience in complex systems thinking applied to the analysis of coupled human-natural systems, with a focus on climate risk of impact on resource depletion, food security and political instability, green fiscal and monetary policies modelling and climate finance risk analysis, and the governance of evidence based sustainability policies. She has worked as a scientist in academia and as a consultant for the World Bank, European Investment Bank and Inter-American Development Bank. Currently, she is a post-doctoral associate at the Frederick S. Pardee Center for the Study of the Longer Range Future, Boston University, where she works at the development of a System Dynamics – Agent Based Model to simulate the role of green fiscal and monetary policies within the context of international trade and climate agreements (e.g., the TTIP agreement). Since October she coordinates the research area on Environment-Economics interaction of the European Association for Evolutionary Political Economy.

-