Abstract. The establishment of the IEM has challenged the longstanding European politics of energy security. Especially in the gas sector, the traditional institutional structure, mainly based on a combination of national politics and bilateral energy diplomacy with the ‘national champion’ being responsible for securing the supply of each country independently, is currently under a process of transformation that could lead to a pattern of more Europeanized energy policy or to a period of uncertainty and vulnerability of MS security of supply. Taking the Italian gas sector as an example, the paper examines the emerging MS national and foreign politics in the new EU security of gas supply architecture. In particular, the paper aims at analysing the new patterns of energy security by contrasting, in comparative historical perspective, the ‘old’ Italian gas pipeline and infrastructure politics and energy diplomacy with the ‘new’ strategy exemplified by the government support for the Trans-Adriatic-Pipeline Project.

Key Words: Energy Security; EU Security of Gas Supply; Pipeline Politics; Energy Diplomacy; Italy
1. Introduction

The establishment of the Internal Energy Market (IEM) and the development of the EU external energy policy have challenged the longstanding Western European politics of energy security. Especially in the gas sector, the traditional institutional structure, mainly based on a combination of national politics and bilateral energy diplomacy with the ‘national champion’ being responsible for securing the supply of each country independently, is currently under a process of transformation. Against this background, an issue which has not attracted much attention so far concerns the impact of the abovementioned developments on the politics of energy security in the EU Member States. Many scholars have studied the institutional and legal dimensions of the EU external energy security, or the evolution of the EU approach to security of supply in respect to specific foreign countries or regions (see for example: Correlje and Van Der Linde 2006; Aalto 2007; Bilgin 2009; Youngs 2009; Umbach 2010; Padgett 2011; Ciambra 2012; Herranz-Surrales and Natorsky 2012). But less attention has been given to the transformation of the traditional energy security politics at national level, even though the evolution of the EU energy security is strongly interconnected to the transformation of energy security in the main EU Member States (Schmidt-Felzmann 2011).

Taking the Italian gas sector as an example, the article examines the emerging Member States domestic and foreign politics in the new EU security of gas supply architecture. In particular, the article aims at analysing the new patterns of energy security by contrasting, in comparative historical perspective, the ‘old’ Italian gas pipelines and infrastructures politics and energy diplomacy with the ‘new’ strategy exemplified by the government involvement in the development of the Southern Gas Corridor and the Trans Adriatic Pipeline (TAP). The Italian case is particularly interesting in European perspective since the country is the second largest gas market in Continental Europe, and for its peculiar geographical position it’s involved in three out of four of the main gas corridors promoted by the EU to improve its security of supply. The first section of the article presents the theoretical framework used to analyse the transformation of the energy security politics, which relies on the international political economy analysis of energy issues and which is informed by a historical institutional perspective on politics and public policy-making. The second section briefly illustrates the general patterns of transformation undergoing in the politics of gas market in Western Europe, the context in which the Italian case has to be placed. The third section presents the empirical analysis of the Italian case. Four main periods are highlighted: the formative

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1 Italy is involved in the North-South gas interconnections in Western Europe (NSI West Gas), the North-South gas interconnections in Central Eastern and South Eastern Europe (NSI East Gas), and in the Southern Gas Corridor (SGC) (see, Regulation No 347/2013 of the European Parliament and of the Council of 17 April 2013 on guidelines for trans-European energy infrastructure).
phase of the Italian gas security institutional structure, from the end of the 60s to the end of the 1980s; the liberalization phase, from the beginning of the 1990s to the beginning of the 2000s; the transition phase, during the 2000s, in which the traditional institutional structure begins to be transformed as a result of the construction of the IEM and EU energy policy; and the actual phase, about from the end of the 2010s, in which a new pattern of energy security politics is definitely emerging. Finally, the article concludes suggesting that the concept of ‘catalytic-state’ is the most appropriate to describe the role of national governments in the new EU security of gas supply architecture.

2. Politics, markets and energy security

Energy security has been a practical concern for almost a century and periodically has emerged as a prominent area of scholarly attention in political science and international relations, mainly in concomitance with the occurrence of oil prices shocks (Hughes and Lipsy 2013). Recently, the analysis of energy security has become more sophisticated, and different dimensions of the concept have been scrutinized (Winzer 2012; Dyer and Trombetta 2013). However, the challenge of securing sufficient supplies of oil or gas to meet national energy demand is still at the center of the energy security agenda of the governments of consumer countries. Two notable approach are used to analyze this issue (Cherp and Jewell 2011: 203-206). The first is the ‘geopolitical approach’, which takes as a starting point and guidance for the analysis of international energy interactions the State, its national interest and grand strategy (e.g. Peters 2004; Klare 2008). This school, originally inspired by the World Wars events, the oil crises of the 1970s and then extended to take into account the rise of Asian oil consumption and the new scramble for gas in Eurasian markets, is focused on the competitive nature of the global energy ‘great power game’ and it stresses the importance for state to extend some kind of political or military control over resources and/or their routes. The second school, inspired by neoliberalism, focuses on institutions and regimes of global energy governance as well as on private arrangements in international energy markets (e.g. Goldthau and Witte 2010; Lesage et al. 2010). This school tends to highlight the interdependence among consumers and producers countries, the cooperative dynamics which originates in the energy markets and the role of global and regional energy governance structures in preventing market failures and in facilitating the collaboration among all actors involved in the energy supply chains.

Both schools have been applied to analyze EU energy security policies (e.g. Correlje and Van Der Linde 2006; Finon and Locatelli 2008; Umbach 2010), which have been usually placed ‘between geopolitics and the market’ (Youngs 2007). However, their focus is manly on the external dimension of the EU energy security, thus they are less interested to – and less equipped for – the
analysis of the transformation of the politics of energy security at national level. Geopolitical and neoliberal approaches tend also to be based on a simplistic distinction between politics and economics: viewing them as discrete analytical areas, they fail to adequately explore the potential inter-relationships that are in fact crucial for understanding the dynamics of energy security (Keating et al. 2012: 3). This is particularly true as regards the role of the state in energy markets: whereas the geopolitical approach tends to assume that the state can manipulate without constraints energy markets and transactions (such as suggested by the idea of ‘energy weapon’) and that it is always in the midst of a ‘zero-sum’ competition with other states, the neoliberal approach tends to equate energy security with ‘free markets’, to assume positive economic interdependence among consumer and producers and to limit the government intervention to market failures corrections, thus criticizing as ‘political interference’ or ‘statism’ other strategies (ibidem).

To overcome these limitations, the article adopts an international political economy approach (IPE) informed by an historical institutional perspective. The importance to adopt an IPE viewpoint on energy issues has been recognized several years ago by Susan Strange, which considered energy a topic in need of ‘some analytical framework for relating the impact of states’ actions on the markets for various sources of energy, with the impact of these markets on the policies and actions, and indeed the economic development and national security of the states’ (Strange 1994: 195). In her historical analysis of the ‘oil business game’ Strange stressed the centrality of three key players: governments, companies and markets and characterized each period by a different situation in the complex triangular balance of state-market-company (Strange 1994: 190-203). Recently, Bressand (2013: 18-19) has spelled out the main building blocks of an IPE approach for a dynamic analysis of energy security: a) a description of the development of the energy markets, their logics and functioning; b) the study of the institutional structures and governance principles that preside over the functioning of energy markets; and c) the power structure that determines which actors are in the position to exercise control over production or transit of energy resources; d) the transactions over energy assets and energy products and services themselves across the whole value chain from upstream, to midstream and downstream (these transactions can happen in traditional commodities markets or they can also unfold in state to state relations). An IPE approach on energy security, not only take the interaction between market dynamics and states’ policies seriously, but by rejecting the methodological distinction between domestic and international levels recognized that a broad range of actors (sub-state, supra-state as well as non-state actors) should be included in the analysis (Keating et al. 2012).
Prima facie the adoption of an historical institutionalist perspective seems quite obvious in the study of energy security, especially in the gas sector\(^2\). Indeed, for their technological, economic and institutional fundamentals gas markets have a bias toward a strong path dependent pattern of evolution. Once a gas network, a pipeline, etc. has been built, sunk costs, scale economies, long-term commitments and interest groups politics are powerful forces able to trigger self-reinforcing processes. Understanding energy security policies and politics at time-1 is impossible without analyzing the choices made at time-0 and their effects: the main characteristic of the energy system each time under consideration by scholars, and which importantly constrain policy actors’ choices, are the result of decisions taken fifteen, twenty or more years before. However, adopting an historical institutionalist perspective means also to include in the analysis, along with the formal institutions and decision-making procedures, informal institutions (e.g. the traditional pattern of companies-government relations), and ideas, or ‘guiding principles’ (Sovacool and Sidortsov 2013), which frame energy security policy-making and which are influenced by past experiences. Finally, adopting and historical institutionalist perspective means recognizing that any analysis of energy security policies and politics should be strongly focused on specific contexts rather than on abstract and generic considerations, and that the complexity of energy security challenges should be first learned by deeply studying at national-level interaction between political, economic and natural (resources endowment and geographical collocation) elements (Cherp and Jewell 2011: 211)

3. The politics of gas market in Western Europe: from the two-level structure to the ‘end of civilization’

The gas market in Western Europe is of relative recent origin: it emerged on a significant scale only between the late 1960s and 1970s, after the large Dutch Groening gas field went into production and gas from Algeria, Norway and Soviet Union started to flow to Western countries in growing quantities (Radetzki 1999). Since this initial period the Western European gas market has developed on two separate levels\(^3\) (Stern 1990; Estrada et al. 1995). The national level, with the establishment of national or regional transport and wholesale monopolies, which developed the existing transport networks in co-ordination with the expansion of national production, and later contributed to the setting-up of the major gas importation infrastructures (along with the producers). The European level, characterized by a two sided oligopoly, balanced between the major producers and the major national companies. On this second level, the oligopoly of sellers consisted mainly of national

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\(^2\) On the basic features of the historical institutionalism, see Steinmo (2008).

\(^3\) With the exception of the United Kingdom which has long since differed from the Continental European market, and which it’s not considered in the article.
companies handling exports from countries outside the European Union (Sonatrach in Algeria, Gazprom in Russia, Statoil and the public export consortium, GFU, in Norway) and from The Netherlands (Gasuine) each of which had an export monopoly. Opposite to the oligopoly of producers was the oligopoly of purchasers, which includes the national gas companies of Continental Western Europe that are in a monopoly (or quasi-monopoly) position for wholesale supply in their country: Ruhrgas in Germany, GDF in France, ENI-Snam in Italy, Distrigaz in Belgium, OMV in Austria (later joined in the 1980s by the Spanish Enagas). A high level of direct (France and Italy) or indirect (Germany) state involvement in the national transportation system allows them to control the gas dependency relationship with foreign states as in Germany, France, Italy and Austria or the national resources management policy as in The Netherlands.

The relations between national producers and purchasers take the form of long term contracts, under Take or Pay (ToP) clause, that define a series of rights and obligations (Finon 2004: 186). These rights and obligations regiment the transactions of energy products over a long period of time, usually 25 years, but let price-risk and volume-risk to be shared between partners, thus allowing substantial investments to be made. The two-level market structure also allowed a balance of market power between producers and purchasers (Radetzki 1999: 19). On one hand, the strength of the national transmission companies was regarded by the importers governments as essential to ensure sufficient bargaining stamina for obtaining favorable import prices. On the other hand, the powerful position of the national transmission companies was usually regarded by the exporters as a guarantee that the purchase obligations under long-term contracts would be fulfilled.

The interactions between political, economic, and technological factors, along with the geographical distribution of gas resources, explain this two-level structuration of the Western European market. Among political factors a crucial role was played by the general idea that the State should have been strongly involved in the management of energy sector, and that market alone could not deliver the level of security of supply researched by the governments. Even if this guiding principle has been at work in many Western European countries since the end of World War II, and was reinforced by the oil shocks of the 1970s, its practical implementation was very country-specific, and it was embedded in the general institutional and ideational structure of state economic policy making (Kohl 1982). However, the politics of energy security offered some common patterns. The relationships between Western consumers and Western producers were mainly in the hands of gas companies with commercial considerations which channeled the decision-making process. The relationships between Western countries and non-Western producers were much more complex, with political and security concerns on the top of the agenda. As regards the relationships with Soviet Union political considerations, related to the détente in the context of the Cold War,
were crucial to setting up a strong interdependence in gas sector. For this goal the government of consumer Western countries provided a strong diplomatic, financial and political support to their companies, in many cases acting together to develop the huge infrastructural system needed to channel Soviet resources in European markets (Stern 1990). Political cooperation among Western countries was also important to defend the projects of gas companies against the US security concerns about the Western Europe-Soviet Union energy interdependence, that during the Reagan administration were very strong and took the form of economic sanctions (Demidova 2013). As regards, the relationships with North African countries the same government diplomatic and financial support to national companies, and also the same interaction among political goals (such as economic penetration in these regions), energy needs and commercial considerations were at work. But Western countries acted in respect to each other on a more competitive basis. Foreign policies related to North African countries were less constrained by the security structure of the Cold War than west-east relationships. Moreover, the geographical collocation of gas resources allowed single consumer countries to develop alone the infrastructure to meet supply and domestic demand, by crossing the Mediterranean Sea by pipeline or using LNG technology. Despite these differences the international politics of energy security was easily capture by the traditional ‘triangular diplomacy’ framework (Stopford and Strange 1991), since the most important energy agreements were the outcome of a government-to-government, government-to-company and company-to-company negotiations (Figure 1).

**Figure 1** The ‘triangular diplomacy’ framework (adapted from Stopford and Strange 1991).

In particular, governments were at the center of all key decisions in gas infrastructure projects, since they assured contracts, with state-baked financing, and they ‘create gas demand at national level to match the rigid structure of supply from abroad’ (Hayes and Victor 2006: 325). The model of ‘partner-state’, in which the governments have the direct (such as in Italy and France) or indirect (such as in Germany) control of national gas market, ad abroad are actively involved in supporting
the ‘national champions’ in the negotiations with producers’ governments and their national companies, is well suited to capture the basic dynamics of the period. This outcome was possible also because national gas markets in Western Europe were in their first stage of development, with important growth perspective, and because, after the oil shocks, gas – along with nuclear energy – was seen as an important mean to reduce dependence from Middle Eastern oil. Governments could also assure a rapid implementation of the infrastructure projects through the centralization of the decision-making processes. In the general ideological and political climate of the period opposition from local communities to such projects were minimal, and social movements and party politics were mainly concerned with nuclear programs.

This institutional structure, and the related politics of energy security, has begun to change since the end of the 1980s. Even if different technological and economic developments started to undermine this system, the most important attack came from the construction of the Internal Energy Market and its commitments to the new ‘market-paradigm’ of energy policy (Helm 2005). Gradually, due to the strong resistance of many EU MS and gas industries, which regarded the introduction of liberalization ‘as the equivalent of the end of civilization’ (Stern 1998: 91), the establishment of the IEM, along with the redesign of the EU competences in the area of energy policy and security of supply, challenged the institutional foundations of the previous structure. Indeed, the liberalization of gas market promoted by the gas directives of the 1990s and 2000s, with their additional focus on unbundling and Third-Party-Access (TPA), along with the European Commission energy diplomacy, have put under pressure the main building-blocks of the traditional institutional arrangements, and in particular: the monopolistic (or quasi-monopolistic) features of national gas markets, and their vertically integrated industrial structure; the practice of direct government intervention in the regulation of gas industries; the national bilateral energy diplomacy and foreign policy support for the ‘national champions’; the close linkage between the commercial interest of ‘national champions’ and the long term energy security strategy of the country; and the use of transactions in energy markets, in the form of ToP, to reinforce long term political and economic goals (e.g. détente with Soviet Union, and commercial penetration in the Third World).

However, as the traditional structure was the basis for common pattern of political interactions in the realm of security of gas supply, allowing at the same time some degree of differentiation among Western European countries, so the emerging structure promotes different types of interactions that can be truly appreciated by analyzing its effect at national level. In the

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4 The concept of ‘partner-state’ is derived by Andersen (1993). This notion is different from the idea of ‘associational-state’ used by Randall (2005) to describe the relationship between US governments and international oil companies, since in the latter case the government offers its foreign and diplomatic support to the companies, but their ownership and financing is in private hands, whereas in the framework of the ‘partner-state’ the ownership of energy companies is entirely or partially public and the financing for their main projects, such as pipelines, is backed by the state.
next section, the empirical findings related to the transformation of the Italian gas sector and energy security politics are presented. Then, we will draw some general dynamics arising in the new EU gas market institutional structure. In particular, it will be demonstrated that the effect of the IEM reform should not be frame as just a shift from state to market, but as a more complex transformation of the role of the state: from a ‘partner-state’ to a ‘catalytic-state’. According to the market-oriented approach, the state is essentially a ‘provider of market institutions that create the context for private firms to take risks and reap rewards from investment in costly gas infrastructure projects’ (Hayes and Victor 2006: 322). The idea of ‘catalytic-state’ places a stronger emphasis on the active role of governments in a liberalized gas market structure, than the more passive posture implied by the market-approach.

4. From Transmed to TAP: ‘old’ and ‘new’ politics of energy security in the Italian gas sector

4.1. The traditional Italian pipeline politics and energy diplomacy

The origins of the Italian security of gas supply institutional architecture trace back to 1953, when all state companies operating in the oil field were put under the authority of a new state holding: ENI, Ente Nazionale Idrocarburi. Enrico Mattei, the former President of the main state oil company AGIP (Azienda Generale Italiana Petroli), and a prominent political figure in post war Italy, became the first President of the new company and obtained for ENI a fresh financing from the government and the exclusive rights to exploration and production in the Po Valley in the North of Italy (Toninelli 2008). This original conditions set the stage for the subsequent development of the Italian gas market and energy policy. The large gas reservoirs in the Po Valley allowed the creation of new pipeline facilities to meet the growing demand of the major factories in northern Italy, and this choice determined a virtuous circle of growth: ‘the Italian firms expanded enormously in the 1950s and the 1960s, high profit from natural gas sales were plowed back into exploration, production, the expansion of pipelines, and the acquisition of new customers’ (Pozzi 2003: 17). Later, ENI would obtain at national level a monopoly position over gas imports, transport, and sales, although this rights were never completely established by regulation. Externally, Mattei’s ENI, using the large freedom of action granted by its institutive law, and coherently with its statutory goals of ‘promoting and enforcing initiatives in the national interests in the field of hydrocarbons and natural gas’ (Law no. 136 of the 10th February 1953), started to expand abroad to secure foreign oil supplies competing in the international energy markets with the oil majors.

During this period the goal of the Italian governments shifted from energy ‘independence’ which had been Mussolini’s objective to energy ‘autonomy’, which meant supporting the expansion
of ENI activities abroad (Toninelli 2008). However, ENI was able to develop also its own ‘parallel diplomacy’ rested on some important pillars: the sympathy for national independent movements in Third World countries; the support for international détente with the Soviet Union; and the support for Italy’s political and industrial penetration in the Third World (Coticchia, Giacomello and Sartori 2011: 180). This strategy allowed the company to develop special relationships with many countries were the traditional oil majors weren’t able to penetrate, such as Soviet Union, Algeria, and Libya, and this relationships were later used to establish important agreements in the gas sector.

After Mattei’s sudden death, in 1962, the Italian energy institutional landscape changed due to the nationalization of the electricity sector – with the creation of another state-owned company, ENEL (Ente Nazionale Energia Elettrica) – which signaled the willingness of the government to reinforce the guidance over energy policy (also ENI had to cede its electricity generations and distribution activities to ENEL). However, ENI and gas remained at the core of national energy policy. By the end of the 1960s Italy was the largest gas producers and consumers in Western Europe: gas met over 10 percent of the country’s total primary energy demand while other European countries such as Germany, Spain, France and the United Kingdom had only nascent gas industries (Hayes 2006). At the same time, it soon became apparent that Italy’s domestic resources would not have been sufficient to meet the country’s energy needs, and that external supply was needed to meet the growing national gas consumption (Figure 2).

**Figure 2** Italian natural gas domestic production and consumption (in Bcm).

![Graph showing Italian natural gas domestic production and consumption](image)

Sources: author’s calculations from BP statistics (www.bp.com/statisticalreview).

At the beginning of the 1970s ENI started to secure gas imports for the growing national market by signing long-term ToP contracts and building the necessary infrastructures. First, in 1971, relying on its previous positive relationships in the oil sector, ENI began to import minor quantities of gas from Libya through shipments into a LNG regasification facilities at Panigaglia near Genova. Then, in 1974, larger gas quantities arrived in Italy through pipeline from the Netherlands (Trans-
European pipeline, Tenp, and Transitgas) and the Soviet Union (TAG, Trans Austria Gasleitung pipeline). Finally, seeking to diversify its gas imports and building on the historically positive relations with Algeria and its National Oil Company, Sonatrach, at the end of the 1970s ENI opened negotiations on the construction of the first Mediterranean sub-sea pipeline (Transmed, Trans Mediterranean Pipeline) which come into operation in 1983. During this period, the history of the commercial agreements with producers countries overlaps with the history of the development of the ENI’s role on the domestic energy market (Verda 2011). In the 1960s ENI was strengthening its monopoly on the Italian gas market, yet oppositions still existed. Some important local companies (the ‘municipalizzate’) contested its exclusive position in the area of supply and, in 1967, proposed the creation of a consortium to supply gas from Soviet Union without the involvement of ENI. However, the company, with the support of the government, was able to stop this project and to consolidate its role as the sole operator for securing the Italian external supply. This choice was motivated by the idea that the ENI’s monopoly would have had important political and economic advantages for the country. From a commercial point of view, the possibility for ENI to exchange some goods – produced by companies controlled by ENI – was important in the agreement with non-European foreign producers (such as in the case of Soviet Union). The domestic role of ENI, which allowed the company to expand its volumes in the energy market, was also an important assurance for external suppliers, and reinforced the bargaining position of the company vis-à-vis the governments of producer countries and their companies. Although some short term conflicts over specific issues could arise between government and ENI’s managers, the long term interests of the company largely overlap with those of the country. Finally, ENI due to its status as state-owned company was able to realize the strategic gas infrastructure without problems related to authorization processes. Also because the monopolistic structure of the gas sector was paralleled by the centralization of the decision-making processes in the hands of the national government. Additionally, the political and cultural climate of the period was generally sympathetic with infrastructure development, which was regarded as a symptom of the country’s modernization, a process in which ENI was considered a key player, whereas environmental concerns became an important factor in energy policy-making only in the 1980s in relations to the Italian nuclear program.

As regards the pipelines, whereas for the agreements with the Netherlands the interactions among operators were basically driven by commercial considerations, for the agreements with the Soviet Union and Algeria, along with the precedent in the oil sector and the commercial considerations, politics has been very important. Indeed, the cooperation with Soviet Union would not have been possible without the support of the Italian government, which consistently with its
foreign policy strategy of ‘Neo-atlantismo’, sustained ENI’s projects and defended them against the pressures coming from the Western allies and the United States (Coticchia, Giacomello and Sartori 2011). For the realization of the Transmed the government agreed to pay a ‘political price’ for Algerian gas in order to support its foreign policy strategy – promoting stability and economic interdependence in the Mediterranean Sea – and its internal goals related to the ‘Gasification of the Mezzogiorno’, since this pipeline was intended to bring the gas to the underserved South of Italy (Hayes 2006).

After the first oil shock the commitment of ENI to support the polices of diversification of supply through the internationalization of gas activities were reinforced and formalized with the government formulation, in 1975, of its first Energy Plan (Piano Energetico Nazionale, PEN). Even if the PEN, which was updated in 1977 and in 1981, insisted on the development of an important nuclear power program, natural gas has become the ‘Italian way’ to the (partial) substitution of oil (De Paoli 1996). Indeed, the government incapacity to implement the ambitious nuclear program formulated in the 1970s (the nuclear program was definitively abandoned in 1987 as a result of three referenda held after the Chernobyl disaster) along with the ENI managerial ability and some choices of energy policy in favor of gas (such as lower taxes than competitive products) paved the way for the peculiar subsequent gas-centered Italian energy mix, especially in the electricity sector (Figure 3), and for the country very high level of import dependency (Figure 4).

Figure 3: Electricity production from natural gas (% of total), Largest Western European Countries (1980-2010)

Figure 4: Energy imports, net (% of energy use), Largest Western European Countries (1980-2010)


4.2. The 1990s: between liberalization and ‘business as usual’

The transformation of the Italian security of gas supply institutional structure started at the beginning of the 1990s, before the basic decisions on the IEM were implemented. In 1992, in a context of public finance crisis, the government decided to transform the state-owned energy
companies, ENI and ENEL, into joint stock company setting the stage for a limited privatization of the Italian energy sector. During the subsequent years ENI and ENEL have been progressively privatized, with state ownership reduced to about 30% in 2012. Then, in 1995, the government established an independent regulatory agency, ‘Autorità per l’Energia Elettrica e il Gas’ (AEGG), setting the stage for the liberalization of electricity and gas markets. Finally, in 2000, to implement the 98/30/EC gas directive, the government adopted the so-called ‘Letta Decree’ (Legislative Decree 164/2000) which opened up the gas market to competition, limited the ENI’s market share, and set the basis for Third-Party-Access to the network. This process has to be placed in a more general trend of Italian state disengagement from many economic sectors (telecommunications, banking, etc.) and in a midst of the transformation of its structure from an interventionist to a regulatory state (La Spina and Majone 2000). Also in the energy sector, the idea that government should have directly managed supply and demand was dismissed. The last Energy Plan (PEN) dates back to the 1988 and only in 2013 the government issued a new comprehensive and forward-looking Policy document on energy policy approving the National Energy Strategy (Strategia energetica nazionale, SEN). However, as regards the pattern of security of gas supply it’s possible to trace a strong continuity with the previous experience. Indeed, during the 1990s energy security politics has been basically conducted in the traditional framework of triangular diplomacy. In particular, as in the past, the most important player in the development of infrastructure gas projects has been ENI, supported by the diplomatic and political efforts of the government.

At national level there were important possibility to expand gas consumption, especially in the electricity sector, as a result of the abandonment of nuclear power in 1987, the development of combined cycle technology and the phasing out of fuel oil power plants (Honoré 2013). Competition was still underdeveloped, thus the main issue for the incumbent was to turn abroad to ensure an adequate supply for the domestic market. This strategy was also coherent with the commercial necessity for ENI to expand abroad in anticipation of the reduced margins in the national competitive market under construction (Luciani and Mazzanti 2006). But this strategy was also consistent with the traditional expectations of the government, which delegated to ENI the country’s security of gas supply.

As in the past, ENI relied on its previous relationship to develop new pipeline projects, and turned to look for a gas agreement with Libya, a country in which the Italian company is present in the oil sector since the 1959, and which has been a supplier for the Italian gas market, via LNG, from the beginning of the 1970s to the beginning of the 1980s, when the Ghaddafy regime support for international terrorism forced Italy to suspend the Libyan supplies. On this basis ENI started a negotiation with the Libyan government and its energy arm NOC, National Oil Corporations, at the
beginning of the 1990s, with the aim to construct a subsea pipeline (the ‘Green Stream’) from Libya to Sicily, in the South of Italy. However, in 1992-3, following the Lockerbie incident, Libya became the target of UN multilateral sanctions, which reinforced the unilateral sanctions applied by the US since 1986. The UN sanctions confirmed the international isolation of the Ghaddafy regime and its blacklisting as a ‘rogue state’, putting at risk the entire project. Without formally violating the sanctions, Italy due to its colonial legacy, geographical proximity and its oil and commercial interest has continued to maintain important relationships with Libyan government. In this context, a preliminary agreement between ENI and NOC was reached in 1996, but the practical implementation of the project was very complicated, since the UN and US sanctions were still in place. In the same year, the Italian government of Romano Prodi decided to intensify the dialogue with Libya in order to reintegrate it into the international community (Coralluzzo 2008: 120-122). In April 1999, Ghaddafy, partly thanks to the mediation of Italian government, decided to hand the two suspect Lockerbie terrorists, and in exchange there was an immediate suspension of the UN sanctions. With the Libyan reintegration in the international community, the construction of the pipeline project was accelerated and as in the past the Italian energy security and foreign policy in the Mediterranean Sea mutually reinforced.

Libyan and Italian governments actively supported the project, while the operative details and its practical implementation was handled by NOC and ENI, which established a joint company to realize and manage the pipeline system which come into operations in 2004, completing the actual Italian import pipeline infrastructure system (Table 1).

Table 1 Italian import pipeline infrastructures (1974-2012)

<table>
<thead>
<tr>
<th>Pipeline (year)</th>
<th>Origin of gas</th>
<th>Transit countries</th>
<th>Entry point</th>
<th>Capacity (bcm/y)</th>
<th>% of total Italian gas import* (average 2005-2012)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Temp/Transitgas (1974)</td>
<td>Netherlands/ Norway (from 2001)</td>
<td>Germany/France/ Switzerland</td>
<td>Passo Gries (Piedmont)</td>
<td>21.5</td>
<td>18.4%</td>
</tr>
<tr>
<td>TAG (1974)</td>
<td>Russia</td>
<td>Ukraine/Slovakia/ Austria</td>
<td>Tarvisio (Friuli)</td>
<td>39.7</td>
<td>32.4%</td>
</tr>
<tr>
<td>Transmed (1983)</td>
<td>Algeria</td>
<td>Tunisia/Mediterranean Sea</td>
<td>Mazara del Vallo (Sicily)</td>
<td>36.1</td>
<td>31.9%</td>
</tr>
<tr>
<td>Greenstream (2004)</td>
<td>Libya</td>
<td>Mediterranean Sea</td>
<td>Gela (Sicily)</td>
<td>11.5</td>
<td>10.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td></td>
<td><strong>108.8</strong></td>
<td><strong>92.8%</strong></td>
</tr>
</tbody>
</table>

Note: Italian gas import infrastructure system includes two LNG terminals: Panigalia (1971) with 3.3 bcm/y capacity and Rovigo (2009) with 8.4 bcm/y capacity (gas arrives from Libya, Algeria, Qatar, Egypt, and other countries). TAG and Trasmed have been upgraded during the years to meet the growing domestic demand (in particular Transmed capacity has been doubled in 1994 and then additionally increased in 2009). (*) Sources: author’s calculation from Italian Ministry for Economic Development statistics (http://dgerm.sviluppoeconomico.gov.it/dgerm/).

5 In this period the Italian interest for Libya has been driven also by security concerns, mainly related to the control of external borders and immigration flows, and by other general commercial objectives of the government foreign economic policy (Coralluzzo 2008).
4.3. The 2000s: the transitional phase

In application of the ‘Letta Decree’, which anticipated the most important requirements of the Second energy package (Directive 2003/55 and Regulation 1775/2005), the Italian gas market has been completely liberalized since 2003. ENI was also forced to separate gas network from the gas import and distribution business, and it created Snam Rete Gas to which it transferred ownership and operation of the Italian national gas network. During the following years different measures have been additional enacted by the government to reduce the market power of the incumbent, such as antitrust ceiling, compulsory gas release programs and mandatory pipeline upgrades (Honoré 2013). Despite ENI maintained its central position in all the segments of the supply chain, especially on import infrastructures located outside Italy, other operators began to import gas into the Italian market (Table 2). In searching to avoid the control of ENI, the major importing companies proposed new pipelines to directly supply the national market.

Table 2 Imports of natural gas by major importing companies (2000-2011)

<table>
<thead>
<tr>
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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>ENI</td>
<td>87%</td>
<td>71.5%</td>
<td>62.4%</td>
<td>64.4%</td>
<td>49.9%</td>
<td>41.4%</td>
</tr>
<tr>
<td>ENEL</td>
<td>10%</td>
<td>13.6%</td>
<td>13.9%</td>
<td>12.7%</td>
<td>13%</td>
<td>13.6%</td>
</tr>
<tr>
<td>Edison</td>
<td>1.5%</td>
<td>7.5%</td>
<td>9.9%</td>
<td>8.1%</td>
<td>15.7%</td>
<td>17.3%</td>
</tr>
<tr>
<td>Others (&gt;15)</td>
<td>1.5%</td>
<td>7.4%</td>
<td>13.8%</td>
<td>14.8%</td>
<td>21.4%</td>
<td>27.7%</td>
</tr>
</tbody>
</table>

Sources: AEEG, Annual reports.

In this period, generally analysts, on the base of the important rise of gas consumption of the past decades, expected a continuous growth of the domestic market: in 2005 forecasting envisaged that in 2010 gas consumption should have exceed the 90 bcm, starting from the 86 bcm level of 2005 (the most optimistic forecasting expected for 2010 consumption over 96-100 bcm) (CDP 2013). Thus, it seemed to be convenient to invest in additional capacity even at the risk of supporting large costs for the development of additional pipelines.

The most active company has been Edison (since 2005 controlled by the French EDF and by some Italian Municipal companies involved in energy sector), which in joint venture with other national and international operators planned the construction of two new pipelines to connect Italy
with Algeria (Galsi) and with Greece (Igi-Poseidon). Both projects were quite ambitious, and from a commercial point of view relied on the same goal: to import gas in the Italian market without depending on ENI’s infrastructures. Both projects were included by the EU among the project of ‘European interest’ and received financial support from the EU institutions. Moreover, both projects received support from the Italian government, which sustained the company’s efforts in order to improve its traditional strategy of security of supply and to promote competition in the national market, according to the new market paradigm.

As regards the Galsi, the idea of the project dates back to 2003, when the Galsi company was established with the participation of the Algerian Sonatrach (36%), the German Wintershall (13.5%), the Italian Edison (18%), Enel (13.5%) and Hera (9%), and the Sardinian Region, through its financial company Sfirs (10%). The second step was realized in 2006, when Sonatrach signed some important long-term supply contracts with the Italian companies involved in the project. Finally, the 16th of November 2007, the Italian and Algerian government signed an intergovernmental agreement, recognizing the ‘strategic importance’ of the pipeline – both for ‘improving the Italian energy security of supply and to commercialize the Algerian gas’ – and committing themselves to accord all the necessary authorizations to the project. The first gas was expected to arrive in Sardinia by the end of 2014, and the authorization process, which involved the Regional and national government, was completed in 2012. Sardinian is the only Italian Region which is not served by natural gas, and the participation of the Regional government in the project was important to accelerate the authorizations processes and to overcome local opposition. Indeed, after the Italian Constitutional reform of 2001, which included ‘energy’ has a subject of competing legislation between central and regional government, regional and local administration have become more involved in the decision-making processes, and in a context of growing public opinion awareness about the environmental impact of energy infrastructures localization they can act as veto players against the implementation of the projects. Indeed, during the second part of the 2000s the institutional conflicts between the State and the Regions over energy issues have dramatically risen, along with local contestations by citizens, citizens committees, civil society organizations and local governments on large energy infrastructural projects (Figure 5). In 2009 a policy paper realized by a group of expert for the Ministry of Foreign Affairs recognized that authorization processes represented the major ‘risk factor’ for the energy security strategy of the country.

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6 In 2005 Edison has been acquired by Transalpina Energia a joint venture between EDF and Delmi (controlled by the local energy companies of Milan and Brescia), with additional participation of other Italian investors.
7 Accordo intergovernativo tra la Repubblica Italiana e la Repubblica democratica e popolare di Algeria relativo al gasdotto tra l’Algeria e l’Italia attraverso la Sardegna (Galsi), 16 November 2007.
Figure 5 Local contestations on large infrastructural projects: energy and others sectors (2005-2012).

Note: others sectors include transport infrastructures, waste sector and large industrial facilities. Energy projects include renewable and non-renewable energy facilities and plants (e.g. wind farms, LNG terminals, etc.). Sources: Nimby Forum Reports, various years (http://www.nimbyforum.it/).

As regards Igi-Poseidon, it is part of the Itgi (Interconnector Turkey-Greece-Italy), a pipeline system intended to supply Italian market – through the interconnectors Turkey-Greece (Itg), completed in 2007, and Greece-Italy (Igi-Poseidon) – with about 10 bcm/y gas from Azerbaijan, and in particular from the Shah Deniz II gas field. The project was proposed in 2005 by Edison and the Greek state-owned company Depa, and in the following years has been strongly promoted by the Italian and Greek governments. In 2005 Italy and Greece signed an Intergovernmental agreement, and in 2007 the Italian government signed a Memorandum of Understanding with the Azeri government to support the negotiations between Edison and the state-owned Azeri gas company Socar, involved in the development of the Shah Deniz II gas field. In the same year Igi-Poseidon obtained also the exemption from TPA for 25 years and for 100% of its capacity, whereas in 2013 the authorization process was concluded. Indeed, after the Arab uprising, the Libyan war and the continuing instability in this country, the prospect for a diversification of energy suppliers became even more attractive for the Italian government. However, Itgi was only one of the different pipeline systems competing for the Azeri gas and the development of the Southern Gas Corridor (Table 3). Other competitors were: the EU-backed Nabucco-West, which stemmed in 2011 from the original Nabucco project, actively supported by the European Commission diplomacy; the Trans-Adriatic-Pipeline (TAP), proposed in 2008 by a joint venture between the Swiss energy company EGL (now Axpo), and the Norwegian national company Statoil – Statoil is one of the companies (with 25.5% share) operating the Shan Deniz II consortium with British Petroleum (25.5%), Socar (10%), Total (10%), Lukoil (10%), Nioc (10%), and Tpao (9%) – and joined in 2010 by the German E.ON; and finally, the South East Europe Pipeline, Seep, proposed in 2011 by British Petroleum to
carry the Azeri gas passing through Bulgaria, Romania, Hungary and Croatia, and using mainly pipelines already existing. In particular TAP, which should have link Greece to Italy through a subsea pipeline after passing through the Albanian territory, was very similar to the Igi-Poseidon (as regards the transit routes and capacity), but it was not backed by the governments of Greece and Italy, and it was driven mainly by a commercial rationale (Sartori 2012).

Along the activism of the new entrants in Italian gas market, ENI as well continued to play an important role in energy security politics, by exploiting its traditional posture in upstream and midstream supply chain and its influence in the political domestic context. At domestic level, since the beginning of the 2000s, ENI constantly maintained that the growth of the Italian gas market, did not warrant new import projects, warning of an impending ‘gas bubble’9. On this basis, the company refused participation and lobbied against the Galsi and the Interconnector Greece-Italy (Luciani and Mazzanti 2006). Externally, ENI exploited its privileged relationship with Russia to sign, in 2007, an important agreement with Gazprom for the construction of the South Stream pipeline. This pipeline, which received impetus from the first Russian-Ukrainian gas dispute of 2006, was intended to export Russian gas to Eastern and Southern Europe bypassing Ukraine and passing through the Black Sea (with an offshore pipeline) to arrive in Bulgaria and then to other countries through an onshore route, which have had to be decided in a second moment. In this context, the strong support of both governments in the negotiation stage, signaled the important strategic consideration that Italy and Russia devoted to this project (Frappi and Varvelli 2010), which was intended to mirror the North Stream pipeline, directly connecting Russia and Germany.

In 2008 Gazprom asked to the previous Italian Prime Minister (ad previous President of the European Commission) Romano Prodi to became president of the South Stream AG consortium, but he declined the offer10. However, the support from the Italian government was additionally confirmed in May 2009, when the original programmed capacity of the South Stream (31 bcm/y) was upgraded to 63 bcm/y, after an agreement between the Italian prime Minister, Silvio Berlusconi, and Vladimir Putin. The upgrade of the project was a response to the second Russia-Ukraine gas crisis of January 2009, but it also witnessed the very important role attributed to South Stream in supplying not only the Italian market but the entire European one. Indeed, despite the European Commission approach to EU energy security was still focused on ‘Nabucco’ to reduce gas dependency from Moscow, between 2009 and 2010, the governments of Austria, Bulgaria and

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9 See the declarations of the ENI’s Ceo Vittorio Mincato, in ‘Mincato: troppa offerta di gas, il mercato è a rischio’, in Corriere della Sera, 27 March 2003.
10 See ‘Prodi alla guida del gasdotto South Stream’, in Corriere della Sera, 28 April 2008. The South Stream AG has been established in 2008 by Eni and Gazprom to develop the offshore section of the pipeline system under the Black Sea, whereas the onshore sections should have been developed through a cooperation between Gazprom and the gas network operators of the transit countries involved in the project.
Hungary signed bilateral transit agreements with Russia, and in 2011 the French energy company EDF and the German company Wintershall (already partner of Gazprom in the North Stream) joined the South Stream AG consortium with a 15% share each smoothing the way for the realization of the pipeline (Sartori 2012).

Table 3 Pipeline projects of Italian interest and Southern Corridor competitors for Azeri gas supply (2006-2012)

<table>
<thead>
<tr>
<th>Pipeline</th>
<th>Origin of gas/Capacity (bcm/y)</th>
<th>Transit countries</th>
<th>Shareholders/proponents</th>
<th>Italian companies involved&lt;sup&gt;(i)&lt;/sup&gt;</th>
<th>Italian government support</th>
<th>EU support&lt;sup&gt;(*)&lt;/sup&gt;</th>
</tr>
</thead>
<tbody>
<tr>
<td>Galsi</td>
<td>Algeria (8.8 bcm/y)</td>
<td>Subsea pipeline (Mediterranean Sea)</td>
<td>Sonatrac, Edison, Enel, Sfirsi, Hera</td>
<td>Yes</td>
<td>Yes</td>
<td>Generic</td>
</tr>
<tr>
<td>South Stream</td>
<td>Russia (63 bcm/y)</td>
<td>Black Sea (subsea pipeline), Bulgaria, plus: North route (Serbia, Hungary and Slovenia) or South route (Greece, Italy)</td>
<td>Gazprom, Eni, Edf, Wintershall</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Igi-Poseidon</td>
<td>Azerbaijan (10 bcm/y)</td>
<td>Greece, Italy</td>
<td>Edison, Depa</td>
<td>Yes</td>
<td>Yes</td>
<td>Generic</td>
</tr>
<tr>
<td>Competitors&lt;sup&gt;(i)&lt;/sup&gt;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tap</td>
<td>Azerbaijan (10-20 bcm/y)</td>
<td>Greece, Italy, Albania</td>
<td>Axpo, E-On, Statoil</td>
<td>No</td>
<td>No</td>
<td>Generic</td>
</tr>
<tr>
<td>Nabucco West</td>
<td>Azerbaijan (16 bcm/y)</td>
<td>Bulgaria, Romania, Hungary, Austria</td>
<td>OMW, Mol, Transgaz, Bulgargaz, Botas, Rwe (until 2013)</td>
<td>No</td>
<td>No</td>
<td>Specific</td>
</tr>
<tr>
<td>Seep</td>
<td>Azerbaijan (10 bcm/y)</td>
<td>Bulgaria, Romania, Hungary, Croatia</td>
<td>BP</td>
<td>No</td>
<td>No</td>
<td>No</td>
</tr>
</tbody>
</table>

Note: (i) ‘competitors’ = projects not supported by the Italian government during the period 2006-2012. (ii) ‘Italian companies’ = companies in which the State (ENI and ENEL) or local governments (Edison, Hera and Sfirsi) are shareholders during the period 2006-2012. (*) ‘Generic’ EU support = inclusion of the project as project of ‘European common interest’ plus EU financial support; ‘Specific’ EU support = inclusion of the project as project of ‘European common interest’, EU financial support, plus active diplomatic support from the European Commission.

4.4. The 2010s: the TAP and the new politics of pipeline

In the second part of the 2000s different developments began to undermine the companies and government strategies, and to definitely transform the pattern of energy security politics. First, after the 2008-09 global financial crisis it became clear that the evolution of Italian gas consumption would have not been that expected at the beginning of the 2000s (Figure 6). The Italian economic downturn, along with the increase of renewable electricity generation, resulted in a stagnant gas demand and, for the first time since the origins of the national gas market, the prospect of a ‘structural excess of supply’ was contemplated by analysts and regulators<sup>11</sup> (Scarpa 2012).

<sup>11</sup> The forecasts of the Ministry for Economic Development published in May 2007 suggested a consumption of 99 bcm in 2010 and 105-108 bcm in 2015. In 2009, the AEEN (2009) stated that ‘(...) most recent analyses are unanimously cautious on predicting demand growth given the current crisis’, and in 2012 expected consumption for 2015 decreased
The first victim of this new structural market environment was the Galsi pipeline, which was postponed in 2010 and in 2014 it’s still suspended (in May 2014 the Sardinia Region decided to leave the Galsi S.p.a.). However, this project had already lost political support when with the appointment of the Berlusconi government the energy axis of Italy had moved to Moscow, and when, in 2012, the French EDF finalized its acquisition of the exclusive control of Edison. At the beginning of the 2010s also the South Stream project has been modified. Initially two possible routes were hypothesized to serve from Bulgaria the Western European gas market: a North route through Serbia, Hungary and Slovenia to the North of Italy, and a South route through Greece to the South of Italy (near Lecce) bypassing the Adriatic Sea. But, in 2012, the South route was abandoned because it was no more ‘economically viable’ owing the actual perspective of gas consumption and the competition from the Southern Corridor\textsuperscript{12}.

The new context contributed also to an important shift in the Italian energy policy. Indeed, based on its traditional specialization in gas sector and on its favorable geographical position, Italian governments rationalized the new market conditions by proposing for the country the role of an ‘hub of gas’ for the EU market. This new policy objective has been spelled out by the center-left government of Romano Prodi, and then has been articulated in the ‘Strategia energetica nazionale’, SEN, formulated under the center-right government of Silvo Berlusconi and finalized by the Monti government in March 2013 (Interministerial Decree, 8\textsuperscript{th} March 2013). According to the SEN, Italy should became an ‘hub’ connecting the southern with the north European gas market, and this strategy should at the same time improve the security of supply and the liquidity of the Italian gas market, with important effect on gas prices (Sen 2013). However, most importantly, with the SEN to 80 bcm (CDP 2013). In 2012, Italy had a total import capacity of about 120 bcm, which was 62\% more than the level of gas consumption (about 75 bcm) (Honoré 2013).

\textsuperscript{12} See the statement of Leonid Chugunov, technical project managers of Gazprom (‘Gasdotto South Stream, dal progetto scompare la variante Bulgaria-Grecia-Italia’, in Il Sole 24 Ore, 8 November 2012).
the government established a distinction among the ‘strategic infrastructures’ for gas security of supply (i.e. new gas storage facilities and a limited number of LNG terminals for a capacity of 8-16 bcm/y) and all the other infrastructures (including the Galsi, the South Stream, and the TAP). For the first types of projects special financial measures and facilitated authorization procedures are provided, whereas all the other projects can accede to the exemption from the Third-Party-Access regime, but will not receive special public financial assistance, even if the government has to ‘facilitate’ their realization (Sen 2013). Thus, for the first time, with the SEN the energy security strategy of the Italian government has been formally divorced from ENI activities in pipelines development. Moreover, whereas the Legislative Decree no. 93 of 1 June 2011, which implemented the Third energy package (Directive 2009/73/EC), applied to the transmission system operator (Snam Rete Gas) the Independent Transmission Operator Model, the so called ‘Grow Italy Decree’ (Law 27/2012), enacted in March 2012 by the Monti government, required ENI to sell its entire 52% stake in the gas network operator Snam (in practice the new Italian government reviewed the previous model chosen for Snam Rete Gas in favor of the ownership unbundling regime). Snam Rete Gas received the status of independent TSO in October 2012 and as a result ENI became a more upstream-focused business, whereas Snam became the owner and developer of the Italian gas network. Though, in practice, government diplomatic support for ENI internationalization has never disappeared, and after the war has burst in East Ukraine in 2014 and the new government of Matteo Renzi has been appointed, the country reinforced its attempts to defend South Stream against the opposition of other EU Member States and the European Commission, asserting its importance for country’s energy security.\textsuperscript{13}

Yet a more interesting development affected the competing projects of the Southern Corridor. In theory, the pipelines with the initial larger chance of success were the EU-backed Nabucco-West and the Italian-Greek supported Itgi, but progressively the TAP became a real contender for the bidding organized by the Shah Deniz II consortium, and in 2013 it won the competition. Initially, the Italian government, along with the Greek counterpart, tried to defend its preferred solution even when, in 2012, the Igi-Poseidon was dropped out from the competition\textsuperscript{14}. However, after initial hesitation the government decisively began to support the TAP, and acting along with the Albanian and Greek governments, made significant diplomatic efforts to sustained this project, that resulted in few months (13\textsuperscript{th} February 2013) in a Memorandum of Understanding and a Trilateral

\textsuperscript{13} See ‘Renzi leads belated effort in support of South Stream’ (http://www.euractiv.com/sections/global-europe/renzi-leads-belated-effort-support-south-stream-302684). After a visit to Moscow in July 2014 the Italian Foreign Minister, Federica Mogherini declared that South Stream is ‘very important for the energy security of our country, as well as that of the entire European area’ but she stressed that the project should comply with EU law (‘Italian EU presidency backs South Stream’, in Euobserver, 10\textsuperscript{th} July 2014, http://euobserver.com/economic/124930).

\textsuperscript{14} See the joint press release by the Italian Minister of Economic Development and the Greek government, in Il Sole 24 Ore, 21 February 2012.
Intergovernmental Agreement, which established the intergovernmental framework for its implementation (Sartori 2014). Since then, the Italian government recurrently indicated TAP as a project of ‘strategic’ significance for the diversification of supply and for obtaining and important reduction in gas prices in domestic market\(^\text{15}\).

In the meanwhile additional steps have been realized, when all the TAP gas capacity was allocated with nine operators signing 25 years contracts to acquire from the Shah Deniz II consortium 10 bcm of gas a year (8 bcm have been acquired by seven companies operating on the Italian market), and when the exemption from Third Party Access was granted by the national and EU regulators for the entire initial pipeline export capacity for a period of 25 years. However, after the ratification by the Italian Parliament of the Trilateral Intergovernmental Agreement, the 5 December of 2013, the focus of public and private actors shifted towards the authorization process and regional and local politics. Indeed, whereas the Igi-Poseidon have already concluded, by 2013, its authorization process, mainly concerned with the Environmental Impact Assessment (‘Valutazione Impatto Ambientale’, VIA), the TAP was still without all the necessary permits. In particular, the TAP project has been previously contested by the Puglia Region: the Regional Committee on the Environmental Impact Assessment rejected the TAP proposal in 2012, questioning the environmental compatibility of the project in relations to its intended landing place in the Puglia mainland. After the selection of the TAP route by the Shah Deniz II consortium, and a new proposal from TAP (a point of arrival in the mainland was identified near ‘San Foca’, in the Municipality of Melendugno near Lecce), the protest at local level increased and opposition arrived also by the President of the Puglia Region. Some Municipalities affected by the project and different civil society organizations and citizens’ committees opposed the pipeline, prompting the national government to address the issue and to mediate between the company and local administrators\(^\text{16}\). In January 2014, for the second time the Puglia Regional Committee on the Environmental Impact Assessment reject the TAP proposal\(^\text{17}\). Even if the Regional government has only consultative power in the decision-making process, since the final decision relies in the hands of the national government and the Minister of the Environment, the second negative opinion of the Regional Committee, along with the opposition of local communities, supported also by some

\(^{15}\) For example, see the Press release of the Italian government (http://www.palazzochigi.it/Notizie/Palazzo%20Chigi/dettaglio.asp?id=72550). Indeed, according to Tap the gas from Azerbaijan is mainly intended to replace other gas already supplying the Italian market with cheaper sources (see the statements of the Tap representative during the public hearings at the Committee on Industry of Italian Senate, 30 July 2013, http://webtv.senato.it/4191?video_evento=332).

\(^{16}\) See the press accounts (www.leaseprima.it/cronaca/incontro-no-tap-forti-contestazioni-il-governo-subissato-difisci.html), and the official Report of Puglia Region, ‘Confronto pubblico tra comunità’ locali, governo nazionale e Trans-Adriatic Pipeline (www.partecipazione.regione.puglia.it)/.

\(^{17}\) See ‘Puglia, la Regione boccia per la seconda volta il gasdotto Tap’, in Il Sole 24 Ore, 14 January 2014.
political parties at national level, complicated the realization of the pipeline\textsuperscript{18}. In the meanwhile, pressures for the implementation of the project have arrived to the new Italian government of Matteo Renzi by the Azeri government and by the European Commission, whereas the TAP company has started a campaign at local level to ‘win friends’ by offering sponsorship to local events in the communities affected by the pipeline route\textsuperscript{19}. However, this promotional campaign has not appeased local protest, on the contrary has prompted a strong debate at local and national level\textsuperscript{20}.

5. The new politics of energy security: from the partner-state to the catalytic-state

During the 1990s, although in theory with the privatization the mission of the ENI changed so that the company is no longer charged with guaranteeing the security of national energy supplies, the basic pattern of energy security politics — which resulted in the realization of the Green Stream pipeline to import Libyan gas — still reflected the original practice of the ‘partner-state’. During the 2000s, with the enhancement of the IEM and the national measures to improve competition, the role of ENI in the domestic market has been progressively challenged. New operators, especially Edison, promoted the realization of two important pipeline projects, which would have improved their competitiveness and would have contributed to supply new gas to meet the expected expanding domestic consumption. Both projects received support from the government, which as in the past sustained the Italian companies effort to increase country’s import capacity and diversify gas suppliers and routes. Even if in this period the government support is not directed towards the incumbent, the Italian interests represented in Edison share capital (until 2012) facilitated the reproduction of the previous policy traditions: i.e. basically energy companies act as first movers and then the government rationalize and support the companies’ strategy. However, as in the past the government worked also close to ENI to develop the South Stream, enhancing its political and diplomatic relationship with Moscow, despite the concerns and complain of the EU (and US) which preferred the Nabucco to reduce European dependency from Russia.

\textsuperscript{18} Among national political parties opposition to the TAP arrived by the ‘Movimento 5 Stelle’, ‘Sinistra Ecologia e Libertà’ and ‘Lega’, which voted against the ratification of the Trilateral Intergovernmental Agreement. The President of the Puglia Region, Nichi Vendola, is also the President of ‘Sinistra Ecologia e Libertà’.

\textsuperscript{19} See ‘Ue chiede a Italia di accelerare su Tap’ (ansa.it, 13 June 2014), and ‘Cos’è il gasdotto Tap, al centro dell’incontro Renzi-Aliyev’ (http://www.europaquotidiano.it/2014/07/13/trans-adriatic-pipeline/)

\textsuperscript{20} See the press accounts at http://www.repubblica.it/argomenti/gasdotto. The dialogue between Tap and local governments to locate the end point of the pipeline had already been initiated several years before (see the statements of the Tap representative during the public hearings at the Committee on Industry of Italian Senate, 30 July 2013, http://webtv.senato.it/4191?video_evento=332). At the end of July 2014 the final decision on the Environmental Impact Assessment procedure is still pending at the Italian Ministry of the Environment.
At the beginning of the 2010s, with the implementation of the Third energy package and the ownership unbundling of Snam from ENI, in theory the shift from the ‘partner-state’ to the ‘provider-state’ – i.e. a situation in which the state is essentially a ‘provider of market institutions that create the context for private firms to take risks and reap rewards from investment in costly gas infrastructure projects’ (Hayes and Victor 2006: 322, italics added) – should have been realized. However, as highlighted by the empirical findings the role of Italian governments have not diminished, even if in the new institutional context the traditional pattern of ‘triangular diplomacy’ and the concept of partner-state are no longer appropriate to describe the politics of energy security. According to Michael Lind a ‘catalytic-state is one that seeks its goals less by relying on its own resources than by acting as a dominant element in coalitions of other states, transnational institutions and private sector groups, while retaining its distinct identity and its own goals’ (Lind 1992: 3). This model can be usefully adapted to capture the new politics of security of supply. The government simply no longer has the traditional instruments to implement pipeline projects and depends on the indirect support of private companies. Additionally the government has to bargain internally with sub-government actors and local communities and externally with supranational ones (i.e. the EU). Thus, the new pattern of pipeline politics seems better captured by the framework of ‘hexagonal diplomacy’: government-to-government, company-to-company and government-to-company negotiations are still important but governments and companies are also involved in negotiations with local communities and the EU institutions (Figure 7).

**Figure 7** The ‘hexagonal diplomacy’ in energy security politics.

In this context, the government has to create coalitions of heterogeneous actors to achieve its preferred goals. Energy companies maintain their traditional role as first movers, but they do not act

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21 On the concept of catalytic state see also Weiss (2010).
as ‘national champions’, so the governments are prepared to support all those companies, regardless their ownership, which projects are consistent with national energy policy goals. However, governments have to move fast to ensure an attractive ‘package’ for these counterparts. These ‘packages’ are not confined to financial incentives, such as the exemptions from the Third-Party-Access, since governments have to facilitate the implementation of the projects acting both internally and externally. Finally, even if energy companies involvement in local politics for large infrastructural projects, such as pipelines, is not something new, the meaning of this participation is quite different in the new context. Indeed, in the past the ‘national champions’ were usually regarded as a branch of the state, committed to country’s modernization and development, whereas the actual private companies lack this default perception and have to devote more attention to build positive relationships with local communities.

The ‘hexagonal diplomacy’ seems well-suited to characterized the energy diplomacy of the ‘catalytic-state’. This model is different both from the traditional ‘partner-state’ and from the ‘provider-state’, expected by the market-approach, also as regards the relationships between governments and energy companies and the basic role of the state in energy markets (Table 4). In the ‘partner-state’ the relationships between government and energy companies are mutually supportive, i.e. government protects domestic market and supports ‘national champions’ internationalization with the aim to ensure its energy security. In theory, the ‘provider-state’ should be ‘neutral’, since its main function is to provide an appropriate legal and institutional framework for private companies activities. In the ‘catalytic-state’ the relationships are indirectly supportive: the government has lost its long-term strategic connection to a ‘national champion’, but it’s prepared to actively support different energy companies on ad hoc basis if their projects are consistent with its energy strategy; whereas the private energy companies are interested in supporting government strategies if they expect convenient financial returns, but also appropriate political and diplomatic support. Indeed, large infrastructural projects, such as pipelines, owing their huge financial burdens and risks cannot be developed without political and institutional commitments (Walker 2000). Basically the ‘partner-state’ contribution to the implementation of the projects was related to its capacity to create demand at national level, which along with the state-backed financing, constituted a sufficient guarantee for the operators. In the ‘provider-state’ it’s the government capacity and credibility as rule-maker and enforcer which provides the stability of the legal framework necessary to guarantee private operators and financing the projects. Also in the ‘catalytic-state’ rule-making and enforcing is important, and market design and regulation are the common policy instruments at domestic level – whereas the ‘partner-state’ relied on planning and public companies – but the government has to play a more active role in facilitating the
implementation of the projects engaging in political negotiation at local, international and EU level. Finally, whereas in the ‘provider-state’ energy diplomacy should be finalized at the *ex-ante* construction of the international and institutional legal framework, which should ensure that later operators can act according to market dynamics and economic incentives, both the ideal-type of ‘partner-state’ and ‘catalytic-state’ recognize that politics is inherently and continuously interconnected with energy market dynamics, even if in the latter the basic pattern of energy diplomacy is mirrored by the hexagonal rather than triangular diplomacy.

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6. Conclusion

With the construction of the IEM the balance in Western European security of gas supply institutional structure shifted from states to markets and companies. However, it does not mean that governments are losing their importance: even if their functions are changing today as in the past ‘pipes are 90% politics and 10% steel’ 22. The ‘partner-state’ model is no more well-suited to capture the role of consumer countries’ governments in gas sector, nor the interactions between the different actors involved in the implementation of pipelines. But the ideal-type of the ‘provider-state’, expected according to the market approach, seems equally poorly suited to describe the emerging politics of energy security in the EU Member States. As highlighted by the empirical findings, the hexagonal diplomacy is replacing the traditional triangular diplomacy, and the model of ‘catalytic-state’ is more useful to describe the actual patterns of interactions in energy markets. Of course, it’s too soon to assert that the ‘catalytic-state’ has substituted the ‘partner-state’, nor the empirical findings presented in the article justify easy generalization from the Southern Corridor and Italian energy security policies and politics to the entire Western Europe. However, since many

22Comment by a representative of the Trans-Adriatic-Pipeline consortium made at a seminar on ‘The development of the Southern Gas Corridor and the Italian energy interests’, organized by the Istituto Affari Internazionali (IAI) in cooperation with the Trans-Adriatic-Pipeline consortium, Rome, 24 June 2011 (cited in Sartori 2014:2).
developments behind the pattern of transformation underlined in the article – i.e. the effect of the Internal Energy Market, of the diffusion of the market-approach in energy policy-making and of the EU energy policy, the decentralization of decision-making processes and the public opinion attention for the environmental impact of large infrastructure localization – appear quite common in Western Europe it seems appropriate to except similar evolutions also in other countries. Though, as in the past for the partner-state model, the framework of catalytic-state and hexagonal diplomacy will be declined in different ways according to different national contexts and historical paths.

References


