

# Choosing innovation to build the future

Conversation between Paolo Scaroni, Eni CEO, and Ernest Moniz, MIT's Energy Initiative Director



**Paolo Scaroni:**

The crisis we are experiencing has overturned many established notions that had so far underpinned our economic model. The effect is like seeing mighty idols tumbling one by one: doubts are arising in people's minds about things they had never doubted before, and this could cause a breach in the confidence that holds the whole system together.

Today like never before, companies play a crucial role and have a great social responsibility. People should feel that the workplace they go to every day is their safe haven: companies should offer a strong, shared set of values and a key to interpret what is happening in the world, they should prove that they are determined to pursue a clear course, and that everyone can have a role in this objective. In other words, the organization must offer safety and confidence to people as we go through the storm – most importantly, confidence in the fact that the decisions that are being made will allow us to navigate past the crisis and to direct the change.

On the other hand, a crisis of this magnitude might perhaps "clear the fog" and redefine priorities. Those, like Eni, who have operated in a fair and responsible manner will come out strengthened. Over time we have built a strong social memory, and our stakeholders are unlikely to perceive any discrepancies between our set of values on the one hand, and our conduct on the other. This is the essence of a solid reputation. Now as never before, we need to strengthen our relations within the Company in order to maintain and enhance the confidence we have earned.



**Ernest Moniz:**

The global economy is clearly facing immense challenges, and this spills over to how we work together to face the world's urgent energy and Sustainability challenge – forward – looking energy companies, research and educational institutions, governments all working together. Eni has transitioned from Oil & Gas multinational to integrated energy

Company through a clear vision of the future, and its many relationships and alliances are integral to this strategic development. I view and value the partnership between Eni and MIT as a very good example of this.

Being an integrated energy Company, engaged in the search for the energy sources of the future together with other major industry operators, is the strength on which Eni relies to be a credible player for all our stakeholders.

A key aspect of innovation is cooperation with oil and gas producing

Countries. Our Company has a competitive advantage because of the legacy left by Enrico Mattei, who first believed and invested in relations with the producer Countries. We have identified opportunities for new models of cooperation, and we are building on those models.

We have already entered into agreements based on the awareness that a producer Country "chooses" Eni because the Company can offer proven and tangible benefits as regards the creation of opportunities for social and economic development for the entire nation.

This provides stability to our investments, because it allows us to establish long-term relationships.

We now need to go one step further: strategic agreements are necessary with producer Countries who are able to guarantee a fair share of risks and profitability. The oil industry needs cooperation, in the interest of a price stability that is beneficial to producers, and even more to consumers – who need steady supply just as much as producers need steady demand.

Focusing on the development of all Countries – industrialized and developing, energy producers and consumers – is vitally important. As the world experiences extremely difficult times, we cannot opt out of recognizing the needs and investing in the growth potential of all regions. Providing energy and growing Sustainability is a virtuous cycle that is beneficial to everyone. Development and fairness will also support enhanced security, which is another necessity for global Sustainability.

Undoubtedly, companies play a vital role in this respect. We need to state this forcefully at all times, even at times like the present when no organization, whether public or private, seems to deserve the complete trust of the citizens. Large organizations like Eni are called on to promote innovation in the entire system, not just in the areas of technology and research. Our new models of cooperation with the producer Countries are based on the strategic need to favour their development. This also means promoting human rights, protecting the environment and engaging in common efforts to weather major changes wherever we operate.

Protecting the environment calls for strong and coherent action to mitigate the risks of climate change. Our understanding of the regional impacts of climate change is still in the early stages, but areas thought to be at very high risk include polar regions, the Middle East, and Africa. This can have profound implications for energy supply, major societal dislocations, and consequent environmental, economic, and security consequences worldwide. Innovation in technology, policy, and business models are all called for, and both Eni and MIT are tackling these with determination – including through our strategic partnership.

Protecting the environment calls for strong and coherent action. Renewable sources are one of the ways to build a less

carbon-intensive world, where oil has a smaller role than it has today. Very likely, we will see a sharp discontinuity in the way of producing energy, and for this we must be prepared.

Today, renewable sources are affected by two basic limitations: one is related to costs, and the other to low energy density and power. Cost constraints can be partly compensated by policies aimed at encouraging the use of alternative energy, whereas technological limits require significant investments in research efforts. We must steer research in the right direction in order to resolve these issues, and this is what we are doing by investing in research on a source that has a very high potential, namely solar energy.

At the same time, we should not overlook the fact that another low-carbon energy source is available in the form of natural gas. Eni has a leading position in the European gas market and actively contributes to the security of supplies in Europe. We are going towards a progressive integration of the entire supply chain, and our credibility is based on solid ground: Eni has been the first Company in Europe to invest heavily in the gas business. This is one of Enrico Mattei's great legacies, and over time we have been able to achieve leadership also in pipeline management, while our ability to set up deals with the producer Countries allows us to have a wider range of supply sources than any other Company. The fact of being a truly integrated energy Company, i.e. of having developed our gas segment, gives us on the one hand a clear competitive advantage even at times of extreme oil price fluctuations like the present one, and on the other allows us to carry out a well-balanced transition towards renewable sources.

I am optimistic about development of advanced renewables through cutting-edge research and accelerating their deployment at large scale. A change in this direction is certainly needed, not only in technology. Innovation must integrate with new business models. For example, in supporting research on renewable sources I think Eni is going in the right direction. As regards natural gas, the least carbon intensive fossil fuel, we are convinced that it will be a critical and growing energy source as carbon dioxide emissions are more and more strongly constrained in the next several decades. Our relationship with Eni is an important strength. Business experience is an essential backdrop to good energy policy. And furthermore, I believe that large energy companies are essential for accelerating introduction of clean technologies at large scale – linking their capital, supply chains, and distribution networks with a sustainable vision.

I think this need for acceleration should be extended to the management of human resources, and particularly of the Company's talents. Young people who are capable and strong-willed must be allowed to find ways to develop and show their potential. This is why at Eni we try to create situations of discontinuity, career paths for people with an extremely high potential, even outside the ordinary development processes ensured by organizational mechanisms. People's age should not limit their authority. Valuing merit within diversity is key to promoting cultural innovation within the organization.

It is crucially important to recognize and encourage young talents, particularly of diverse education backgrounds, able to think "outside the box" to find new solutions.

At Universities, we should never forget that our first product is not research, but the students themselves who will shape the world of tomorrow. Some of them will work in the energy industry, in large companies like Eni. Others will be members of Governments or will join non-government organizations.

Many will be opinion leaders. If during their time at MIT they see companies working for the future in cooperation with their University, they will understand how energy enterprises offer important perspectives and operate for change. And our energy industry partners can build relationships with tomorrow's energy technologists, economists, and planners. Our confidence in the future rests with young people such as the graduate student Eni-MIT Energy Fellows.

I am convinced that there can be no innovation without an understanding of the value of diversity. I like to quote Lorenz and Lorsch, who back in the 70s argued that the secret of a Company's success is to promote close interaction between widely diverse people. My front line is composed of people who are very different from each other – who think and address problems along very different lines. I tend to mistrust companies that only hire people with the same basic training and require the same skills, just as I mistrust those where all diversity is suppressed in the name of a standardizing approach. I firmly believe that a diversity-centered corporate culture is challenging, and yet it is what we need to pursue, because a Company's innovation capability is driven by the pooling of different personalities, ideologies, skills, and geographic origins. Valuing diversity means having the cultural tools to do so. In order to work with Eni, each of our people must be thoroughly familiar with the history and culture of the areas where we operate. When I travel to a Country to sign a deal, I consider the knowledge of that Country's history and culture as a negotiating prerequisite. The relationships between Russia and the young eastern European nations, for example, cannot be understood and explained unless you are familiar with the past events that have marked these relationships. This is why culture, in the widest meaning of the word, is an essential aspect of our work, and perhaps the most important true source of innovation.