

Kyoto and/or Lisbon

by Carlo Stagnaro

KEY FINDINGS

- The Lisbon Strategy committed the European Union to becoming the most competitive economy in the world by 2010
- The Lisbon Agenda focuses on environmental issues and particularly on climate change, to be addressed by the implementation of the Kyoto Protocol
- The reappraisal of the Lisbon strategy has emphasized job-creation and economic growth, putting aside for the time being its environmental goals
- The reduction of GHG emissions can be favoured by the new technologies
- The implementation of coercive measures aimed at cutting emissions entails huge costs, making moot any competitiveness-enhancing efforts
- The poor competitiveness of the Italian economy might be further worsened by the implementation of the Kyoto Protocol
- Kyoto and Lisbon are mutually exclusive: if development can engender environmentally sustainable technologies, governmental interventions can only harm both the economy and the environment

Carlo Stagnaro is Director, Department of Market Ecology of Istituto Bruno Leoni and Senior Fellow of International Council for Capital Formation

Since February 16th, 2005 the Kyoto Protocol is officially in force. On January 1st, Europe had adopted an emission quota trading scheme to allow both the more virtuous countries to build on their energy efficiency, and the remaining countries to draw near the goals envisaged by the Protocol itself.

1. Introduction: Kyoto and Lisbon

Since February 16th, 2005 the Kyoto Protocol is officially in force. On January 1st, Europe had adopted an emission quota trading scheme to allow both the more virtuous countries to build on their energy efficiency, and the remaining countries to draw near the goals envisaged by the Protocol itself.

The European Union (EU) has long been a staunch fighter in the war on global warming. The Russian decision to ratify the Kyoto Protocol, which triggered its actual enactment, has itself been made as a result of the pressures from Brussels. The former President of the European Commission, Romano Prodi, has never made a secret that Moscow could get Europe's green light for the accession to the World Trade Organization only on condition of it ratifying Kyoto.

Unfortunately, as much as Europe may trumpet its global warming reduction strategies, reality is more complex. As a statement of the European Environment Agency itself reads: "only four countries are on track to comply with

the national targets that all pre-2004 member states have accepted under an agreement to ensure that the EU as a whole fulfils its Kyoto commitment."¹

True, this apparently bleak picture is somewhat made more encouraging by the fact that, after two straight years of growth, in 2002 European emissions fell of 0.5% compared to the previous year. But, adds the EEA, "reasons for the decrease include warmer weather in most EU countries which reduced the use of carbon dioxide-producing fossil fuels to heat homes and offices. Slower economic growth in manufacturing industries, which also lowered fossil fuel use, a continuing shift from coal to gas and specific measures to reduce greenhouse gas emissions were the other main reasons."

Thus the message is that, on the one hand global warming (assuming that it is the cause of a particularly hot summer) is to a degree the solution to the problem itself, since rising temperatures lead to a lesser energy consump-

¹ European Environment Agency, "EU15 greenhouse gas emissions decline after two years of increases", July 15th, 2004, <http://org.eea.eu.int/documents/new-sreleases/tec2-2004-en>

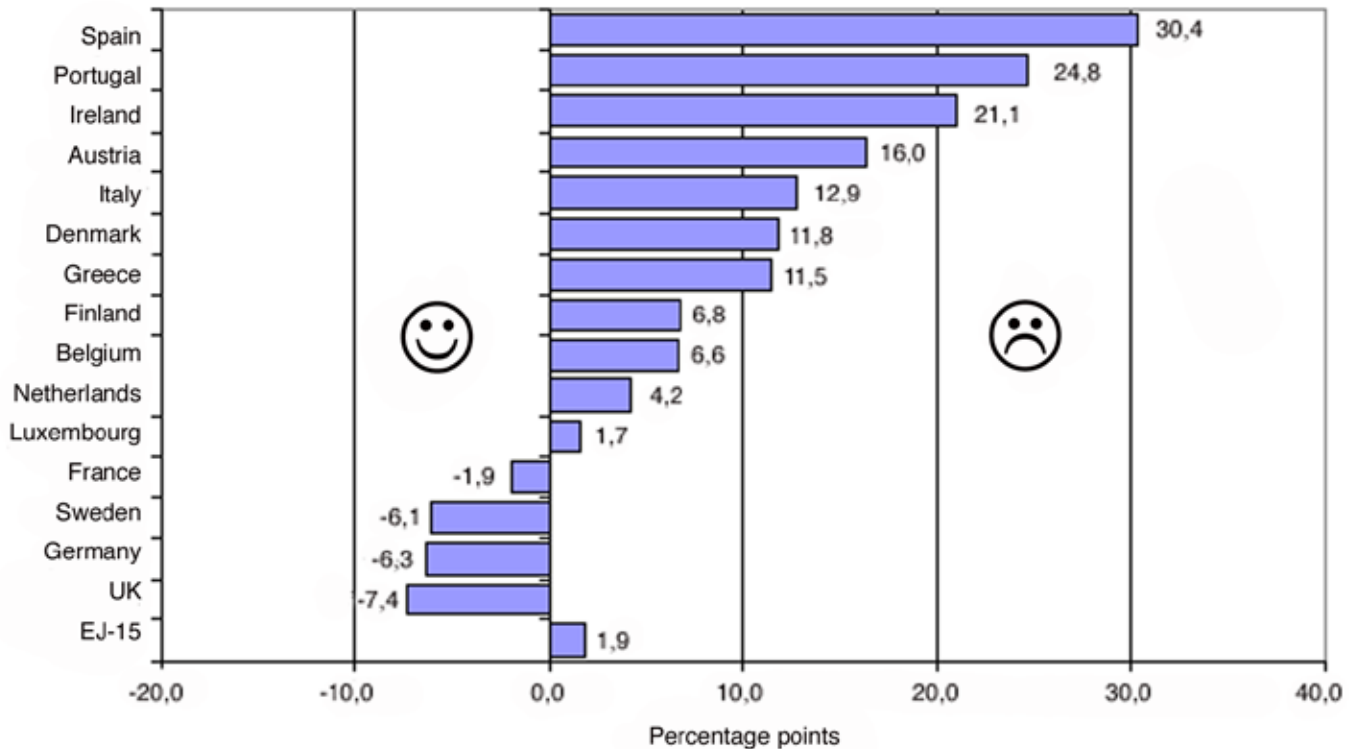


Figure 1 – “Distance to Target” of European countries as required by the commitments under Kyoto. Source: EEA (2004)

tion. On the other hand, the fact that a bad economic performance of the Old Continent helped to lessen the impact on the global climate is cold comfort. Figure 1 shows the current standing of European countries in relation to their commitments to cut greenhouse gases, commitments made even more stringent by the coming into force of the Kyoto Protocol and by the enactment of an European emission trading scheme.

As a result, Europe experiences a strain between a grand environmental policy and a struggling economy: in 2003 economic growth just reached a mere 0.8%, while in the previous year it was barely 0.1%. (Eurostat) On a broader time perspective, between 1990 and 2002 economic growth in the EU was a meager 2.0%. (World Bank)

If we consider the ambitious economic goals Europe set for itself, the strain becomes even more intense. The Special Session of the Council of Europe held on March 23-24, 2000 in Lisbon, Portugal, clearly stated the target the EU committed itself to: to become by 2010 the “most competitive and dynamic knowledge-

based economy in the world, capable of sustainable economic growth with more and better jobs and greater social cohesion.” The aims approved in Lisbon explicitly confront the problem of global warming, even seeing it as an opportunity to promote the more technology-intensive industries. The road to competitiveness goes through environmental protection.

Lisbon

As affirmed by the Member State officials, the EU must enhance competitiveness. Some of the key factors to succeed are:

- The creation of new jobs and the introduction of more flexibility in the labor market
- An emphasis on research and development
- The strengthening of European industry
- The need to complete the single market process

As the mid term was approaching, the Lisbon Strategy was reviewed by an ad hoc Committee led by Holland’s Wim Kok, and then emphasized by the newly

appointed President of the European Commission José Manuel Barroso. On February 2, 2005 he released a 32-pages document titled *Working Together for Growth and Jobs. A New Start for the Lisbon Strategy*.² Barroso focuses on two faces of the Lisbon Strategy: economic growth and job creation.

It is a momentous turning point, investing environmental issues, too: "Making growth and jobs the immediate target goes hand in hand with promoting social or environmental objectives,"³ writes Barroso. In different words, environmental protection is no longer seen as a separate objective: it becomes only possible to the extent that the EU is capable of bridging the competitiveness gap that yawns between it and the competing, more dynamic economies. The environment is not valued less than the economy: rather, the underlying idea is that (1) environmental protection is not independent from economic growth, and (2) the former may be a consequence of the latter.

The "Copernican revolution" in the Lisbon Strategy is based on three points:

- "Europe's action needs more focus." The scarcity of resources precludes the possibility of pursuing every goal: it is necessary to set a hierarchy of priorities, particularly in differentiating primary aims (development and jobs) from "derivative" goals, namely those only achievable after having secured the former.
- "We have to mobilize support for change." The reforms envisaged in Lisbon cannot be mere matter of discussions in Brussels: they must turn into political issues at the national level. To this purpose, a honest assessment of costs and benefits is needed, as well as of the predictable long term consequences of the proposed policies.
- "We need to simplify and streamline Lisbon." When translating talk into action, it is crucially important to identify who is doing what, and provide for enough flexibility to account for any difference and local need.

² http://europa.eu.int/growthandjobs/pdf/COM2005_024_en.pdf.

³ José Manuel Barroso, *Working Together for Growth and Jobs*, p.4.

Once again, the creation of a genuinely single market plays a key role in the architecture of the Lisbon Strategy. The energy sector has been identified as basic.⁴ The road to more competitiveness goes through the elimination of state subsidies to companies and the removal of entry barriers into the market. That is to mean, it goes through economic freedom. In such a way the equation between environmental quality and economic growth is properly focused on and aimed in the right direction: "by getting more output from given inputs innovation leading to productivity growth can also make a significant contribution to ensuring that economic growth is increasingly environmentally sustainable. This is why eco-innovations need to be

Number of environmental laws adopted in the EU

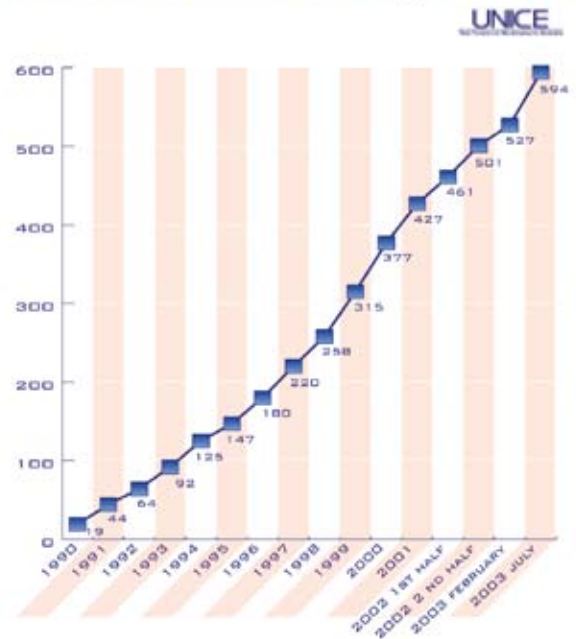


Figure 2 - Number of environmental laws adopted in the EO. Source: UNICE/Federchimica

strongly promoted, notably in transport and energy."⁵

Sadly, this appears to be a case of the right hand not knowing what the left one is doing. State interventionism can hardly create genuine wealth or progress. More typically, it only manages to be a mere act of redistribution. The one proper way to support environmental innovation is to avoid an excessively burdensome taxation and excessive regulation. It is to be

⁴ *Ibid.*, p.16.

⁵ *Ibid.*, p.23.

noted that these generic guidelines are pervaded by a subtle ambiguity: they cannot shamelessly contradict the stated need to reduce or, eventually, abolish state aid to businesses.

An European Commission paper, dated February 3, 2005 and titled "Lisbon Action Plan Incorporating EU Lisbon Programme and Recommendations for Actions

tion is by its very nature unforeseeable, and it cannot obediently follow the detailed timetable established by politicians. Moreover, the attention ought to be focused less on energy savings than on the reduction of pollution (above and beyond any implication for the global climate change). Any savings, obviously, originate from specific market incentives and do not need further political pressures - at least as far as the cost of saving is lower than the cost of consuming one unit more of energy.

In fact a document⁹ by UNICE, the association of European industry, clearly states that the European way to competitiveness must necessarily go through a simpler regulatory and fiscal regime and an attitude change towards new technologies. Only the two last pages of the paper are devoted to environmental issues, signaling that the notion that the environment can only be protected by a broader recourse to political instruments makes the industry uneasy. More specifically, an escalation in the number of environmental regulations is denounced (Figure 2), whose implementation is often confusing and always costly, in many cases with no visible benefit for the environment itself. Otherwise stated, regulation is inefficient, since it demands more resources than it can free.

As the European entrepreneurs do point out, "The volume of legislation is increasing without any genuine long-term strategic approach for making the best use of society's limited economic and technological resources."¹⁰ As specifically concerning climate change, it is remarked that "[an] unilateral EU approach could act against this challenge by encouraging increased manufacture of energy intensive products in these parts of the world. Therefore, the real challenge for the EU is to achieve full global participation in future climate change regimes, and to fully link the European Trading Scheme with Kyoto mechanisms for investment projects in developing countries that will reduce harmful emissions there ('Joint Implementation' - JI, and 'Clean Development Mechanism' - CDM)."¹¹ Figure 3 shows how today European emissions are making up just a small share (bound to become even smaller) of



Figure 3 - CO2 Global Emissions. Source: UNICE/European Commission

to Member States for Inclusion in Their National Lisbon Programmes"⁶ emphasizes the need to liberalize and promote the integration of the energy market as a first step toward an enhancement of European competitiveness.⁷ In this instance also, however, good intentions are in danger to be thwarted by the inability to clearly opt for the market: public aid plays a crucial role. Otherwise, it could be hardly seen any significant role in the promotion of the European economy for such technologies as "renewable" energy.⁸ Neither would the insistence on goals such as yearly energy savings of 1% make any sense: technological innova-

6 http://europa.eu.int/growthandjobs/pdf/SEC2005_192_en.pdf.

7 Ibid., p.4

8 Ibid., p.34-35.

9 <http://212.3.246.117/Common/GetFile.asp?ID=21800&logonname=guest&mfd=off>.

10 UNICE, *Lisbon Strategy Status 2004*, p.22.

11 Ibid., p.23

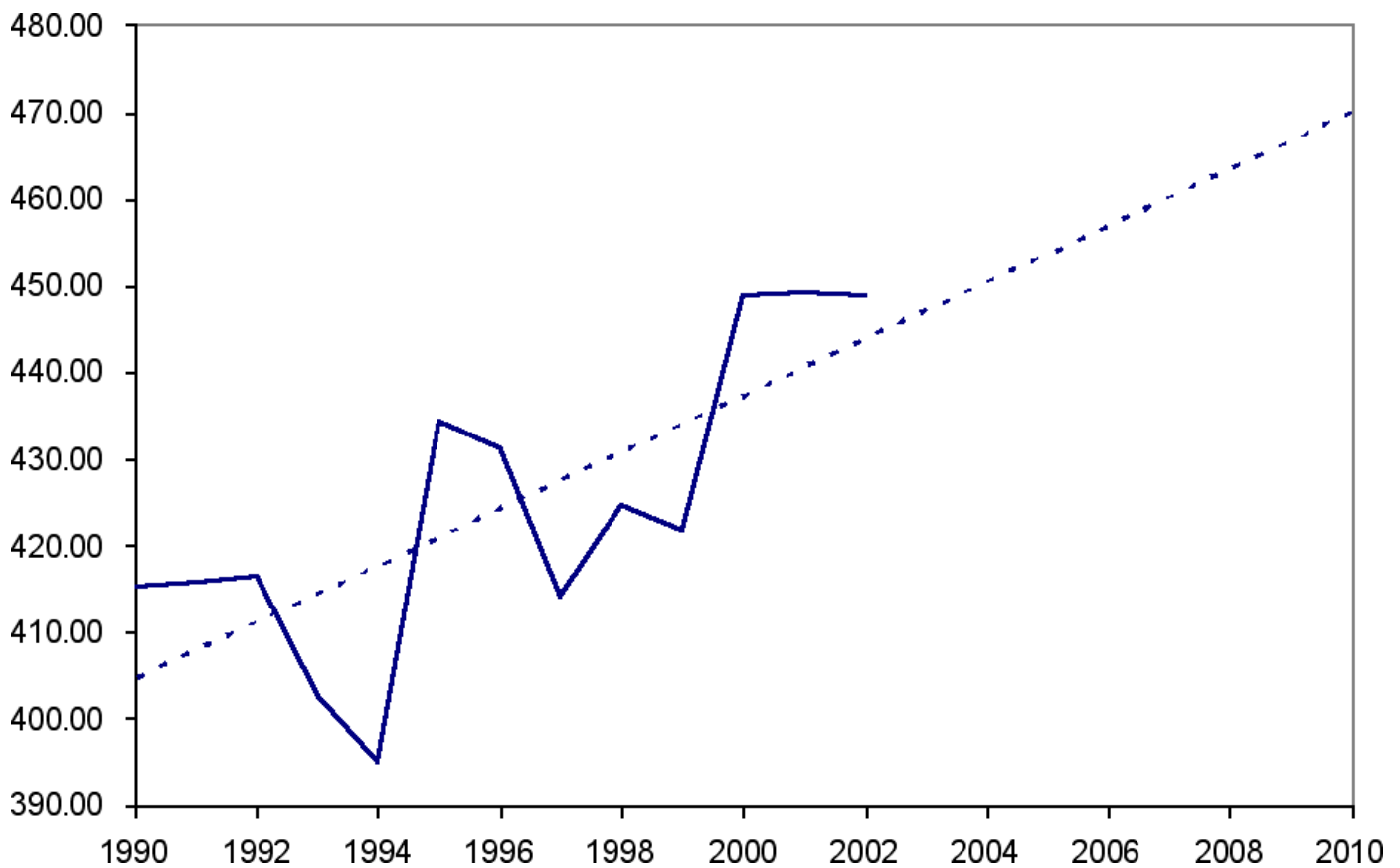


Figure 4. Italy's emissions (1990-2002) and projection to 2010. Source: Energy Information Administration - US Department of Energy

the global amount of emissions. Even conceding that the concerns for the future of our planet are justified (which is not a small concession), its conditions will not be improved by self-imposed caps.

Between Kyoto and Lisbon

The language of the Lisbon Strategy features wide ambiguities. At least initially, it purports to treat environmental policies as a booster for competitiveness, but the characteristically European approach to environmental policies ("command and control") and, more specifically, to climate policies ("targets and timetables") hardly fits in the effort to increase the dynamism of an economy and to promote its growth. It is true, for instance, that innovation is a key factor of competitiveness, but this only applies when innovation happens in response to a market demand or, in other words, when it aims to satisfy real needs. If, in contrast, innovation follows the lead of public incentives (namely, subsidies or ad hoc tax breaks) the risk exists that it is oriented by a political agenda and it

aims to satisfy less the needs of consumers than the preferences of pressure groups. To wit, obviously everybody wishes to have a "clean," energy-saving technology, but the sum of environmental benefits and energy savings must be lower than the cost, otherwise nobody would be willing to actually use it. In fact, the real effectiveness of such measures is disputable.

The effort to regulating emissions, on the other hand, threatens to clash with the effort to liberalize the energy market. "Liberalization" does not merely mean an opening of the market to actors different from a public monopoly. It also entails leaving producers free to look for different answers to the demand for energy. Progress and innovation cannot happen when some courses are precluded, and other are hindered, by exclusively political decisions. Competition in energy production implies the option of exploiting different sources, making use of the available resources and know how to provide a better service. In case the providers of "alternative" energy sources are advantaged by subsidies and legal privileges, while the providers

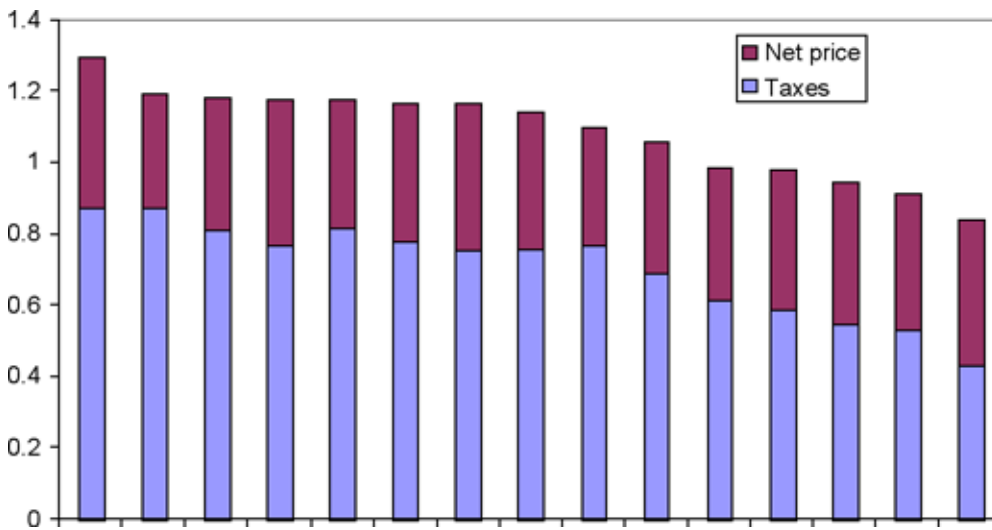


Figure 5. Average price of a liter (0.26 US gallons) of green gasoline in European countries. Source: Unione Petrolifera

of fossil fuels are compelled to run their plants at a reduced output to cut emissions, or to pay fines due to excess emission, a fair competition can hardly be achieved. Nuclear energy is outright banned in Italy, and elsewhere is subjected to such a degree of red tape that the commission lead time of a nuclear plant becomes so protracted, and the outcome of the authorization process so uncertain, that very few or no company is willing to invest in this area (ironically, the one energy source currently able to produce abundant energy, at a relatively affordable price, and with no greenhouse gas emissions).

Under this respect, too, European climate policies do not seem to advance the competitiveness of the Old Continent. Their inclusion in the Lisbon Strategy, therefore, seems ideological and self-contradictory.

A case study: Italy

According to figures from the U.S. Department of Energy, Italian emissions of CO₂ increased by 8% between 1990 and 2002. (Figure 4). Taking into account other greenhouse gases, according to the European Environment Agency the country's emissions in millions of metric

tons of carbon equivalent, grew from 508.0 in 1990 to 553.8 in 2002 (+9%). By 2008-2012 Italy has the obligation to reduce emissions by 6.5% below the reference year level, equivalent to 487.1. The effective reduction to achieve is thus 66.7 million tons of carbon equivalent, that is 12% of 2002 emissions.

Because of the features of its economy, the high energy taxes and therefore the high cost per unit of emissions reduction, and the refusal to nuclear energy generation, the economic impact of Kyoto for Italy is among the largest in Europe. Moreover, Italy's economy is currently hitting a rough patch and must

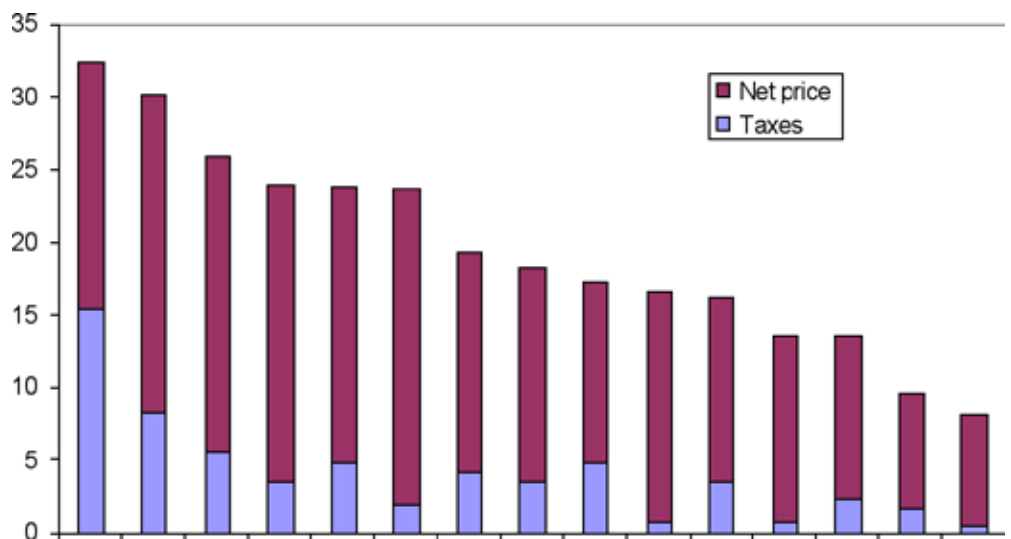


Figure 6. Average price of electricity for households (600 KWh) July 2003. Source: Autorità per l'energia elettrica e il gas

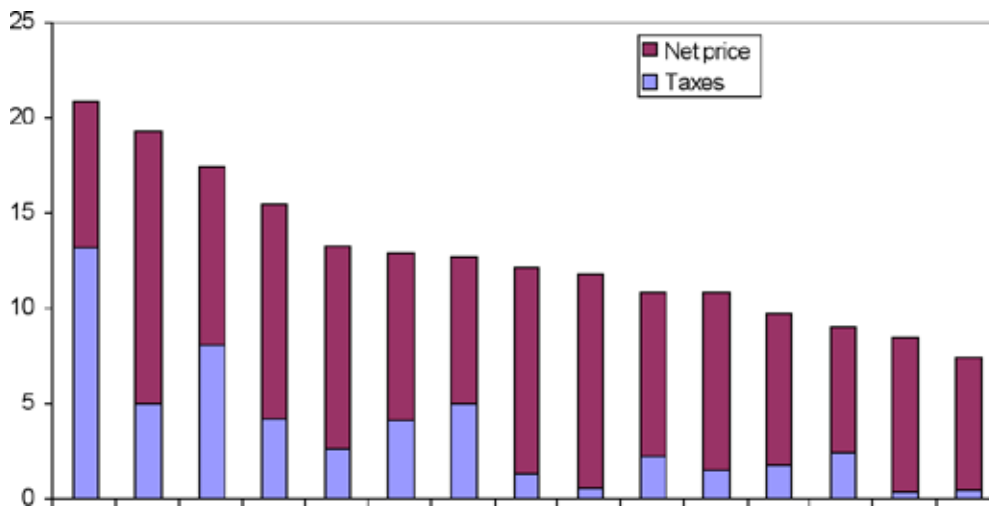


Figure 7. Average price of electricity for households (7500 KWh) July 2003.

Source: Autorità per l'energia elettrica e il gas

face the challenge of high unemployment levels and extremely rigid labor markets.

The action plan adopted by the Italian government to achieve its commitments under Kyoto identified two strategies: a number of programs and measures on economic grounds to achieve modest reduction of greenhouse gases emissions in several industries, and a massive purchase of emissions credits¹² (made possible by the recent European Directive on emissions trading).¹³ At the time of writing, the third draft of the national quota allocation plan has not yet been approved by the European Commission, which had deemed the previous two drafts to be inadequate and rejected them.

According to a study sponsored by the International Council for Capital Formation (ICCF), by 2010 Italy will

12 Ministero dell'Ambiente, "Piano nazionale di riduzione delle emissioni di gas serra", October 8th, 2002, http://www.minambiente.it/Sito/comunicati/2002/02_10_08_1.asp.

13 Directive 2003/87/CE, October 13th, 2003, http://europa.eu.int/eur-lex/pri/it/oj/dat/2003/l_275/l_27520031025it00320046.pdf.

need to spend for the purchase of credits a yearly sum ranging between 1.1 and 5.3 billions Euros, depending on the cost of the credits.¹⁴ The study is described by Dr. Margo M. Thorning in another chapter of this book. The required financial resources will necessarily be brought together by raising taxes, which will entail a higher cost for goods and services; in its turn this will impact both the real disposable income, and the readiness to consume. In the worst case, real GDP might shrink annually by 0.5% below the baseline, and employment might shrink by over

the baseline, and employment might shrink by over

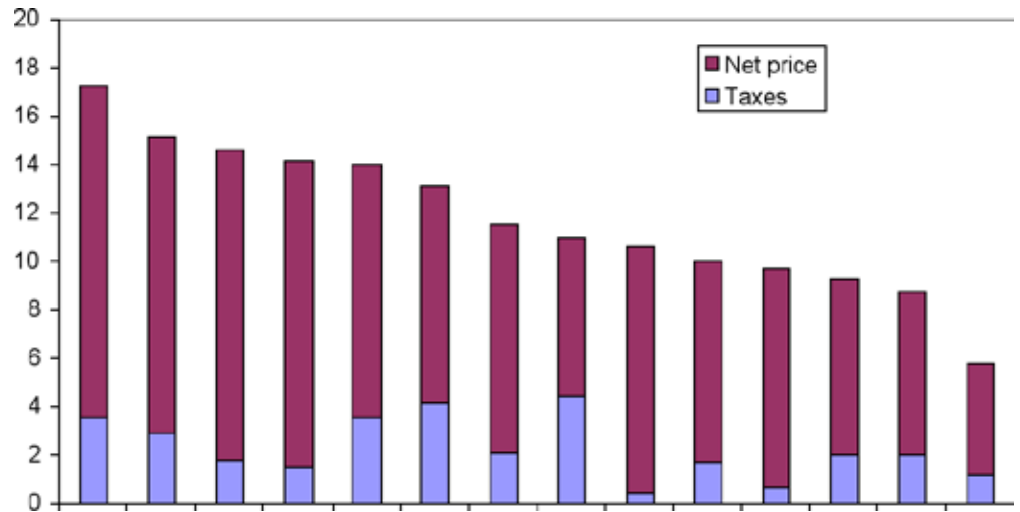


Figure 8. Average price of electricity for industrial concerns (50,000 KWh) July 2003. Note: figures for Ireland not available. Source: Autorità per l'energia elettrica e il gas

Source: Autorità per l'energia elettrica e il gas

50,000 units per year.¹⁵

The picture is made bleaker by the fact that Italian taxes on fossil fuels are already among the highest:

14 Mary H. Novak (ed), "L'impatto sull'economia Italiana dell'adozione del Protocollo di Kyoto e delle ulteriori riduzioni di emissioni di gas ad effetto serra previste dopo il 2012", International Council for Capital Formation, December 1st, 2003, <http://www.iccglobal.org/pdf/Economic-impact-italian.pdf>, p.10.

15 *Ibid.*, p.12-13

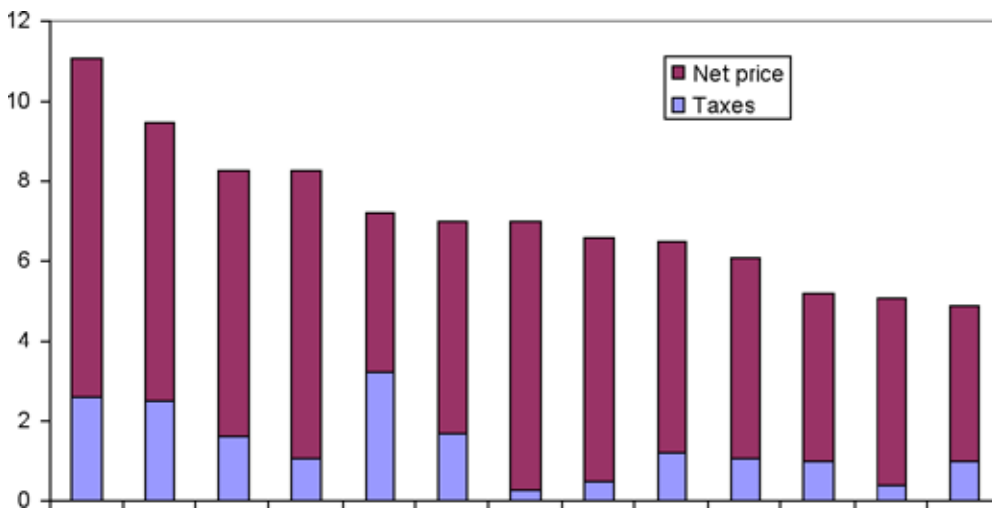


Figure 9. Average price of electricity for industrial concerns (10 GWh) July 2003. Note: figures for Denmark and the Netherlands not available. Source: Autorità per l'energia elettrica e il gas

the introduction of a further deterrent to the use of such fuels might 5, 6, 7, 8, and 9 show the average prices for gasoline and electricity paid by households and small and large industrial businesses in European Member States and in the United States.

As it can be observed, Italy provides a favorable environment for small energy users, but it becomes less attractive for large industrial concerns (as well as for large household users). Paradoxically, this might be simultaneously a cause and a consequence of what has been termed the "stunted development" of Italian industry. Since the backbone of the Italian economy is a framework of small- and medium-sized businesses, and since they carry a significant electoral weight, tariffs (at least in part influenced by political concerns) are fixed with a particular regard for them. To balance the accounts, the cost of electricity must be higher for some other users. This introduces on the one hand an incentive to stifle the growth of small- to medium-businesses, and on the other an incentive to relocate abroad (for Italian large corporations) or not to invest in Italy (for foreign businesses), particularly in case such companies are energy-intensive.

It is not by chance that Italy, historically highly taxed and strongly dependent from fossil fuels, finds itself to be unready to meet both its obligations under Kyoto and the challenge of Lisbon. In reason of its backwardness, a choice in one direction will bring the other out of reach. On the basis of 88 structural in-

dicators identified by the European Commission to gauge the alignment of a country with the Lisbon strategy, Italy is the Member State featuring, on the whole, the worst performance (Figure 10).

This situation is reflected in the disheartening 47th place achieved in the competitiveness classification made by the World Economic Forum (as opposed to the 41st place in 2003). As for economic freedom, the Heritage Foundation grants to Italy the 26th place, unchanged from the previous year. But if we focus on taxes, we observe

Italy's place to plunge to 133rd on 161. It is not by chance that in her speech to Bocconi University in Milan, then newly-appointed European Commissioner to competition Neelie Kroes criticized the artificial barriers to entry in the energy market.¹⁶

All these considerations drove Confindustria (the Italian general industry association) to identify a three-pronged problem:¹⁷

- "A growth problem that depends essentially on the low level of employment in our country, which requires urgent implementation of labour market reforms." Italian growth in 2003 was barely 0.3% and its unemployment level is 8.4%. The issue of unemployment is made worse by the fact that Italian long-term unemployed (that is, more that 12 months without a job) are 70% of the total number. As Antonio Martino, Italian Minister of Defense, wrote: "the most obvious outcome of 'solidarity' Italian-style is the creation of an army of individuals doomed to permanently depend on public charity, because the cost of the latter

16 "UE: energia, banche e trasporti nel mirino di Kroes", Agi, February 7th, 2005, <http://www.agi.it/news.pl?doc=200502071508-1116-RT1-CRO-0-NF20&page=0&id=agionline.europa>.

17 <http://212.3.246.117/Common/GetFile.asp?ID=17264&logonname=guest&mfd=off>.

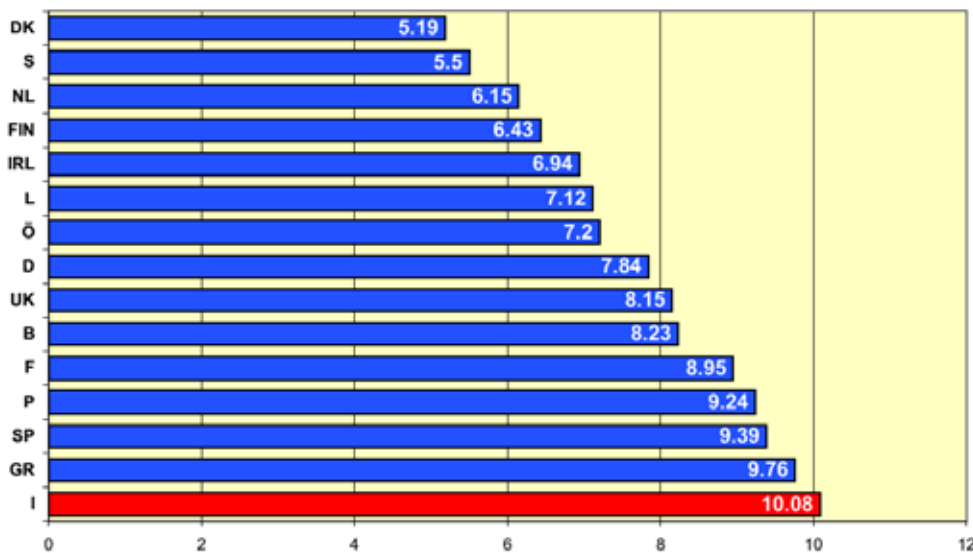


Figure 10. Summary of the 88 structural indicators of European competitiveness. Source: Eurostat 2003

translates into a severely reduced opportunity of a productive job.”¹⁸

- “A public debt problem that has now risen to become one of the worst in Europe and requires immediate action on pension spending.” The Italian public debt equals 206.2% of GDP, largely because of the unrestrained public spending policies adopted in the Eighties.
- “A problem of innovation and knowledge: we are the one of the weakest countries in the Union in this field. Specific action is required to support entrepreneurship and promote and disseminate technological knowledge.” As an example, the Italian drug industry features the lowest investment in research and development (4.52% of sales, as opposed to an European average of 12.23%). The same industry is burdened by a taxation level above 70%.¹⁹

The analysis of the Italian energy market by Confindustria is not reassuring: “Strong institutional barriers are still in place to prevent companies entering the market, and these barriers are exacerbated inter alia by an imprecise distribution of competences between

18 Antonio Martino, *Semplicemente liberale* (Macerata: Liberilibri, 2004), p.71.

19 See Paolo Pamini, “La tassazione predatoria del farmaco”, *IBL Briefing Paper* no.12, November 15th 2004, http://brunoleoni.servingfreedom.net/BP/IBL_BP_12_Sanita.pdf.

national and regional levels.”²⁰ Confindustria suggests four policies to make Kyoto compatible with Lisbon:

- “In the energy sector the setting up of a new combined cycle systems and new routes for the import of gas and electricity from abroad to encourage the entry of new operators, improving energy efficiency and creating the climate essential for reducing electricity and gas prices as part of the policy to liberalize the energy markets.” Liberalization encourages investment and development and, therefore, energy efficiency (which reflect into a

lower carbon intensity per unit of GDP).

- “Integrated area and environmental management to exploit renewable energies through the setting up and efficient management of integrated industrial processes with particular reference to the use of wind energy, waste management and biomass exploitation.” As already seen, renewable energy sources, albeit theoretically interesting, cannot present a valid short-term alternative to traditional sources in terms of price. Figure 11 shows how “renewables” account for a negligible share of Italian energy generation, with the sole significant exception of hydro-electric generation.
- “In the transport sector, carrying out infrastructural work to encourage the use of the sea and rail over roads and reduce pollution caused by wheeled transport.” Vehicle-caused pollution is naturally diminishing thanks to the turn-over of the circulating vehicles (the newest cars and lorries do consume and pollute less than older vehicles). Moreover, a significant share of wheeled transport-caused pollution is due to infrastructural shortages, causing millions vehicles to spend every day an inordinate amount of time idling in queues and logjams. As the entrepreneur Adriano Teso, member of the Board of

20 Confindustria, “Competitiveness and Growth. Italy’s delay in fulfilling the Lisbon targets,” p.13.

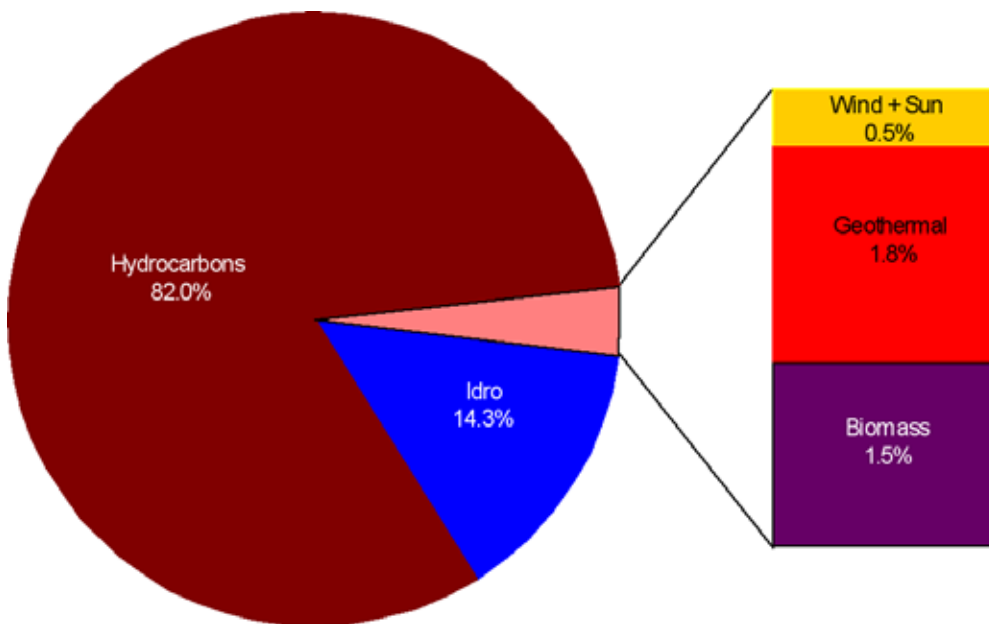


Figure 11. Electricity generation in Italy (2003). Source: GRTN

Trustees of Istituto Bruno Leoni, emphasized, a solution might be found in the introduction of market features in the road system, introducing new toll roads and “leaving to their operators the opportunity to apply flexible pricing. The use of a by-pass road or a highway cannot possibly be charged the same price at rush hour and when there is not a car in sight.” Only the emergence of a genuine price system can help to regulate traffic in the most efficient way. Queues, as Teso adds, are the most classic and obvious consequence of “road socialism.”²¹

- “The use of Information and Communication technologies to make the logistical chain more streamlined and efficient, which will bring the benefit of lower environmental impact”

In its peculiarities, Italy clearly embodies all the contradictions between Kyoto and Lisbon, contradictions which burst out to sight as soon as the dubious environmental benefits of the implementation of the Kyoto Protocol are investigated. The effect of Kyoto – independently on what approach will prevail, either a cap on consumption or an effort to replace carbon-based technologies with “cleaner” ones - will be the same as that of an energy tax. This implies not only a temporary shock due to the gap between the current

21 Adriano Teso, “Lacci e laccioli del socialismo stradale”, Italia in movimento, 2005, pp.20-21, <http://brunoleoni.servingfreedom.net/Italia-in-movimento.pdf>.

price (or consumption) levels and the targets set for 2008-2012, but the long-term impact might be even heavier, because of the risk that implies the political decision to redirect an industry on the basis of non-economic considerations. “We will witness a shift of resources between industries—states Franco Debenedetti, Senator for the Democrats of the Left party—therefore the resources will be used even less productively (...) The goals of Lisbon will be achieved at a later date, if ever. In this case, too, there is no free lunch. Replacing an old washing machine with a more efficient one is not a self-

paying process: the higher energy costs that make the replacement a cost-effective proposition cannot possibly translate into revenue! A change in the fiscal environment, which entailed a lesser taxation of labor and a heavier taxation of energy, may be neutral for the public purse, but certainly not for the bottom line of a company.”²²

There is a risk, therefore, that the Lisbon Strategy will be smothered by the burden of regulations and targets politically significant, but not environmentally relevant and economically harmful. After all, if the liberalization of the Italian energy market is slow, other Member States are jealous of their sovereignty and do not intend to open their borders and create a genuinely integrated—that is, competitive—market.

“The Europe of Lisbon—denounces Renato Brunetta, Member of the European Parliament for Forza Italia—which sets ends but cannot find the means, is a study in hypocrisy.”²³ Similarly, the statements of the Italian Minister for the Environment Altero Matteoli in the occasion of the Tenth Conference of the Parties held

22 Franco Debenedetti, “Kyoto rincorre i giganti emergenti,” *Il Sole 24 Ore*, December 8th, 2004.

23 Renato Brunetta, “Il ritardo della politica nell’interpretare il mondo che cambia”, in Luigi Paganetto (ed.), *La questione energetica* (Roma: Donzelli Editore, 2004), p.79.

in Buenos Aires, in which he emphasized the need to imagine a genuinely global path for climate policies after 2012, reflect the need to reconcile the protection of the environment from actual hazards with the crisis of growth and competitiveness in Europe.²⁴

Another centre-left politician, the former Minister Enrico Letta, referring to the street protests occasioned by the commissioning of a number of coal plants, seems to be aware of the Italian predicament: "a country which renounces at the same time to coal and nuclear energy is sheer madness. It means a disproportionate energy bill."²⁵ It is to be stressed, however, that this statement is true in a general sense: nuclear energy and coal do not have particular virtues, nor the diversification of energy sources entail in the abstract some hidden benefit. The point is that the number and the variety of energy sources of a particular country at a given moment is in itself meaningless: the significant factor is rather the opportunity to wager on other sources in case the traditional ones prove to be unsuitable or too expensive. In other words, what makes the difference is the lack of barriers to entry. Italy (and Europe) must face the paradox of trying to reach Lisbon by way of Kyoto: a paradox caused by the fact that competitiveness requires a broadening of the market, while the climate treaty necessarily goes the other way around.

The wager of Lisbon might be a winning one, but a take-off needs first to dispel the misconceptions of Kyoto.

24 See Carlo Stagnaro, "The EU Is No Longer United," TechCentralStation, December 17th, 2004, <http://www.techcentralstation.be/121604F.html>.

25 Quoted in Luca Iezzi, "Né nucleare né carbone. Poi chi paga?", *Il Riformista*, February 11th, 2005.



OUR INSTITUTE

The mission of Istituto Bruno Leoni (IBL), named after the renowned Italian lawyer and philosopher, is to encourage public debate from a strictly classical liberal perspective. IBL strives to investigate, to promote and to spread the ideals of the free market, private property, individual liberty, and free trade. IBL publishes both scholarly and popular works, organizes seminars and meetings, publishes articles in the daily press both in Italy and abroad, as well as short studies and briefing papers. Its main purpose is to orient decision-making, inform the public and foster a new generation of intellectuals and scholars devoted to the cause of liberty.



OUR AIM

Our philosophy is known under a number of labels: "liberal," "individualist," "libertarian." Names do not matter. What really matters is instead our pledge to what Lord Acton called "the highest political end: individual liberty. In an age in which the enemies of freedom seem to regain strength, IBL aims to promote the spread of ideas on liberty through rigorous and accurate research, which at the same time can be accessible to a broader audience.



BRIEFING PAPERS

The Briefing Papers of Istituto Bruno Leoni aim to make available to the general public, and in particular to the media, an original and consistent perspective on current affairs and on the most compelling issues of the day. The Briefing Papers are published monthly and can be downloaded free of charge from our site www.brunoleoni.it.