

## **ENERGY INDEPENDENCE: PRINCIPLES FOR FAST-TRACKING INFRASTRUCTURE PROJECTS**

### **Background**

The geopolitical situation arising from Russia’s invasion of Ukraine has created a need to rapidly achieve energy independence and energy security. Yet traditional timetables for bringing new energy facilities on-line are measured in years, from feasibility studies, government licensing, contract negotiations, and project execution.

To address this, on Thursday 5 May 2022, a meeting was convened at the Florence Chamber of Commerce that brought together representatives of leading stakeholders in Italy involved in creating energy infrastructure: government, engineering & construction, equipment, project management, legal, and climate change.

The group identified a number of current impediments to:

- Uncertainty & delays in government permits
- Scarcity of raw material & skilled labor, and pricing volatility
- Contract models that discourage collaboration and rapid execution
- Project disputes that delay or halt project execution.

The following principles emerged from these discussions to encourage acceleration through improved collaboration between government and private industry, and the adoption of new models of contracting and project execution of projects, with the view to promoting their adoption more broadly.

### **Shared Principles for Accelerating Infrastructure Creation**

#### **Government: Reducing Delays Attributable to the Regulatory Framework**

- The “Genova model” (i.e., Ponte Morandi) is a demonstration that acceleration is possible in extraordinary circumstances in Italy, achieving success through:
  - Small number of key projects with experienced leaders who have been granted sufficient autonomy in decision-making;
  - Cross-industry collaboration for the supply of materials through a consortium special purpose vehicle (SPV).
- Accelerating government authorizations for new projects across Italy will require: (a) consistency across Italy; (b) simplification; (c) shortened timeframes for government decisions (e.g., for the issuance of the *intesa regionale* and of the environmental authorizations).
- The private sector – industry – must be open to candid dialogue with the government.

- Engagement of communities should occur through transparent and timely communication on the potential impacts of new projects and cooperation with local representatives and stakeholders.
- Italy's Economic Exclusive Zone (EEZ) could offer areas where rapid timelines could be implemented. Italy should establish an EEZ to include the production of energy from water and winds, with a clear legal framework. This could include, where appropriate, joint exploitation zones with other States of the Mediterranean Basin.

**Private Industry: encouraging speed through contracting & project execution practices**

In order for industry to move more quickly, a “cultural” shift must occur, with movement away from pure risk and price allocation, and towards risk-sharing and collaboration. A leading role in driving this change could be played by the government or publicly-controlled entities in charge of new projects.

- In the place of turnkey, fixed price contracts, more frequent adoption of risk-sharing models, for example contract clauses that provide for either a cost + fee model or index-anchoring (e.g., tying the cost of raw material metals to the London Metal Exchange) so that projects can move forward despite significant risks of fluctuation in material and labor costs.
- Adoption of dispute resolution mechanisms in energy infrastructure projects to reduce the risk of project interruptions, e.g., the appointment of an expert/adjudicator to issue temporary decisions or the establishment of an *ad hoc* “dispute review body” (DAB) or “contract management committee” to ensure projects remain on track. Examples of such bodies may be drawn from Italy's public works regime, e.g., *Consiglio Consultivo Tecnico*.
- Cooperation for the procurement of raw materials and labor.

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