Robert Schuman Centre
for advanced studies

Florence School of Regulation

Annual Conference

Industry Concentration and the Changing Role of Regulation

Refectory, Badia Fiesolana
Florence, 8 May 2008

Programme

08:45 – 09:00	*Registration and welcome coffee*
09:00 – 09:10	**Welcome address** **Stefano Bartolini**, Director RSCAS
Session 1	***Rethinking European Regulation and Bridging the Regulatory Gap***
09:10 – 09:20	**Introduction** and Chair **Pippo Ranci**, Director FSR
09:20 – 09:40	Sir **John Mogg**, Chairman Gas and Electricity Markets Authority, President CEER
09:40 – 10:00	**Fernando Lasheras**, Director, Iberdrola
10:00 – 10:20	**Graeme Steele**, Europe & Energy Forecasting Manager, National Grid
10:20 – 10:50	General discussion
10:50 – 11:10	*Coffee break*
Session 2	***How Far will Concentration Go? Do Smaller Companies Have a Future?***
11:10 – 11:20	**Introduction** and Chair **Jacqueline Boucher**, Strategy Deputy General Manager, Electrabel
11:20 – 11:40	**Claude Crampes**, Professor of Economics, University Toulouse I
11:40 – 12:00	**Gunnar Lundberg**, Head of Regulatory Affairs, Vattenfall
12:00 - 12:20	**Walter Boltz**, Director, E-Control
12:20 – 13:00	General discussion
13:00 – 14:30	*Lunch*
Session 3	***Large Companies, Small States***
14:30 – 14:40	**Introduction** and Chair **Jorge Vasconcelos**, President NEWES
14:40 – 15:00	**Heinz Hilbrecht**, Director of Security of Supply and Energy Markets, EU Commission
15:00 – 15:20	**Mark Thatcher**, Reader in Public Administration and Policy, LSE
15:20 – 15:40	**Leonardo Bellodi**, Head of Institutional Affairs, ENI
15:40 – 16:20	General discussion and conclusions

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Council of European Energy Regulators

European University Institute

Session 1

Rethinking European regulation and bridging the regulatory gap

Once the new European arena is populated by Europe-wide actors, how effective regulation can be?

Which is a plausible response? To build stronger international institutions? To reallocating powers from the national to the European level? To increase cooperation among national institutions? To rely on self-regulation by companies subject to an antitrust monitoring? To develop negotiated regulation?

Session 2

How far will concentration go? Do smaller companies have a future?

The rationale for concentration is normally based on scale economies, not only in production but in facing the risks (of oil and gas exploration, of developing new technologies, of undertaking costly investment with returns spread over long periods of time).

The recent wave of mergers and acquisitions in the European utilities (energy, telecoms, transport) is basically related to the new opening of large markets induced by liberalisation. Companies starting from the position of an incumbent in a national market are active in establishing a strong position in other markets; newcomers see an extraordinary opportunity, especially in sectors like telecoms where technical change is faster. Even in energy, scale economies surface in the increasingly difficult task of securing gas supplies from outside Europe, in the rebirth of nuclear energy, in the research effort to develop renewables, in the advantage of being one company able to serve multinational customers in various countries.

Yet other reasons accompany the search of scale economies, like the managers' bias towards growth of their company pursued per se (i.e. not necessarily providing a higher profitability), a chain reaction (take over or you will be taken over), the rhetoric of the ranking of companies according to size, the competition among nations (pursuit of national champions).

Companies have a stronger incentive to grow and integrate where markets are less developed and less transparent (where a dominant position can provide greater advantages) and concentration makes development of the markets more difficult, so a vicious circle develops and opposes liberalisation.

Session 3

Large companies, small states

The lack of homogeneous regulation may be an obstacle to the development of companies, and particularly to the expansion of a company into a new market. This creates an additional incentive for a company to choose growth by acquisitions rather than by a competitive drive: the result is closer to a European oligopoly than to the competitive single market that was planned.

Companies suffer from the lack of homogeneous regulation and harmonised rules and consequently they are induced to pursue market power even more than they would otherwise.

Public policies including competition policy and regulation should not oppose the reorganisation of the industry on a European basis, but they should oppose the trend toward an accumulation of market power at the level of large regional markets or at the European level.

Yet they are still mostly set at a national level. European policies are stronger in the antitrust field (with exceptions) than in regulation.

Member state governments are keener on protecting their respective national champions than in pursuing a competitive environment for all.

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