

Annual Conference

Industry concentration and the changing role of regulation

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Session I

Rethinking European regulation and bridging
the regulatory gap

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Rethinking European regulation and bridging the regulatory gap

- Once the European arena is populated by Europe-wide companies, which are the effects of regulation if it remains mostly national?
- Contrary to what happens in other sectors, there is little risk of competition among regulators: energy network services are cannot be easily re-localised abroad
- Other problems arise

Rethinking European regulation and bridging the regulatory gap

- A variety of national regulatory schemes
 - increases information and compliance costs
 - is an obstacle to the free movement of energy around Europe
 - may create a rent for local companies
- Transnational expansion will require the acquisition of local firms
 - which may just add to costs
 - and may be more easily affordable by very large companies (which can swap assets)
 - effect: an oligopoly is the natural result

Rethinking European regulation and bridging the regulatory gap

A paradox

- The burden of regulation increases
 - After the first decade of liberalisation plus regulation, there is a concrete risk of a reaction against “excessive” regulation
- And yet a regulatory gap develops
 - Transnational transactions cannot be easily regulated: an example is the treatment of cross-border trade and the tariff of transnational energy transport

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Which is a plausible response?

- To build stronger international institutions and reallocate 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?