THE TRANSITION FROM THE NATIONAL TO THE EU MODEL OF ENERGY GOVERNANCE: RETHINKING ENERGY POLICY

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Overview

This paper explores how the (incomplete) transition to the EU model of energy governance, which began in the 1990s as an effect of the EU liberalization, has impacted the policy objectives that governments have traditionally pursued within the framework of the national model of energy governance (e.g. energy security, reduction of costs in energy procurement, economic development, consumers' price affordability), characterised by vertically integrated State-Owned monopolies. More specifically, the analysis focuses on the impact of three main innovations brought about the transition: i) the shift from a vertically integrated to a fragmented supply chain; ii) the transition from a monopolistic to a competitive market structure; iii) the full or partial privatization of State-Owned Enterprises (SOEs). These structural changes have relevant implications for the European governments' ability to pursue policy objectives that do not affect only the energy sector, but the broader political, economic and social context. The paper approaches the problem through a comparative case study of transnational energy infrastructure, and specifically of three undersea natural gas pipelines: "Greenstream", which connects Libyan gas reserves to the Italian gas network across the Mediterranean Sea; "Galsi", a planned but not yet realized pipeline that would connect Algeria to Italy; "Medgaz", which connects Algeria to Spain. The comparison between the cases offers a comprehensive perspective on how governments' objectives are pursued in the new context of energy governance brought about the (incomplete) transition. In particular, the projects reflect different levels on which the transition occurred from the viewpoint of supply chain, market structure and ownership, which in turn help to identify how each innovation affect the pursuit of specific policy objectives.

The paper is structured as follows. Section 2 review the process of the EU energy market liberalisation by focussing on three main aspects: supply chain, market structure and ownership of energy firms. In section 3, the analysis of Greenstream shows how the Italian government is able to pursue policy objectives through the vertically integrated/partially privatized former incumbent after the market opening. Section 4 shows how supply chain fragmentation and market opening has affected the Italian and French governments ability to pursue their policy objectives through their major shares in the energy companies involved in Galsi. In section 5, the analysis of Medgaz shows how the Spanish government is able to pursue policy objectives after the transition from a monopolistic to a competitive market structure, in a framework of private ownership and supply chain fragmentation. Section 6 concludes the paper and suggests directions for further research.

Methods

Comparative case study.

Results

The transition from the national to the EU model of energy governance makes it difficult for the government to pursue some of its traditional policy objectives, such as economic and technological development, industrial policy for fixed costs' minimization and overall investment coordination, affordability for consumers.

This is due to the fragmented energy supply chain, the competitive market structure and the profit-oriented nature of private shareholders which characterise fully or partially privatised energy companies.

However, the government is still able to positively influence energy deals for energy procurement through diplomatic action, as well as guarantee energy security by vetoing divestment from import infrastructure, especially when Golden Shares are held in Mixed-Owned Enterprises (MOEs).

Conclusions

The transition from the national to the European model of energy governance has implied changes in key aspects of the energy sector, namely supply chain, market structure and ownership of energy firms. These have changed the European governments' ability to achieve some of the policy objectives traditionally pursued in the context of the national model of energy governance. The shift from an integrated to a fragmented supply chain has increased the uncertainty over investments in energy infrastructure, potentially affecting energy security. The shift from a monopolistic to a competitive market structure has compromised the governments' ability to pursue industrial policy for fixed costs' minimization and overall investment coordination. The full or partial privatization of former SOEs has affected the governments' ability to pursue economic and technological development through SOEs, and to ensure consumers' affordability in case of market fluctuations, due to the profit-oriented nature of private shareholders. However, the government is still able to positively influence energy deals for energy procurement through diplomatic action, and guarantee energy security by vetoing divestment from import infrastructure, for instance when major shares (e.g. Golden Shares) are held in MOEs. In conclusion, the EU model of energy governance does not allow governments to pursue some of the relevant policy objectives through the energy companies, as it was done in the context of the national model. This suggests the need to reinterpret the government policy strategies, and to think alternative ways to pursue them in the framework of national and European plans of energy policy.