AN OVERVIEW OF MAIN ISSUES IN ENERGY MARKETS

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Importance of energy markets

Figure 6: OECD net electrical capacity by source

GW


Combustible fuels
Hydro
Solar
Nuclear
Wind
Other sources*

* includes geothermal, tide, wave, ocean, chemical heat and other non-specified (e.g. fuel cells) sources of electricity production.
Main trends in energy markets

• Energy Union 2030 targets require significant investments

• Regulatory environment conducive to investments is crucial

• OECD-wide market opening process and unbundling
  – 2001 Recommendation of the OECD Council concerning Structural Separation in Regulated Industries
OECD Product Market Indicator

Figure 10. Regulation of energy sectors

Index scale 0 to 6 from least to most restrictive

Panel A. OECD countries

- Electricity (2013)
- Gas (2013)
- Total energy (2008)
Need for competition policy

• Incumbents may have the ability and incentives to delay liberalisation

• Liberalisation is a process and needs to be accompanied by competition policy and enforcement to achieve optimal outcome

• Most common theories of harm:
  – Abuse of strategic underinvestment
  – Capacity access and hoarding / supply issues
  – Withholding of generation capacity
  – Long term/exclusive supply contracts
  – Failure to provide or late provision of technical information
  – Making access conditional on unrelated obligations