

Is there a future for the European mega-utilities?

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Public ownership issues

- How low can public ownership go before it isn't public ownership?
- Is local public ownership qualitatively different to national public ownership?
- How important is national culture/style?
- What difference does liberalisation/competition make? What use is public ownership if companies driven by market forces?
- What difference does climate change make?
- Is there a future for the large international utilities?

Does part-privatisation make a difference?

Large West European utilities

- CEGB: 0% public. Broken up
- EDP: 0% public. Main owner Three Gorges (21%)
- ENEL: 26% public. Network unbundled and part broken up
- PPC: 51% public.
- Fortum: 56% public. Network unbundled
- EDF: 83% public. Part network unbundled
- Vattenfall: 100% public. Network unbundled

The Seven Brothers, 2003

1. EDF. Publicly owned till 2005, then 15% sold. Talk about split into nuclear & non-nuclear
2. E.ON. 2015, previously strong municipal ownership presence, split into E.ON (networks, retail and renewables) & Uniper (coal).
3. RWE. 2016, previously strong municipal ownership presence, split into RWE (large generation) & Innogy (networks, renewables, retail).
4. ENEL. 2009, took over ENDESA
5. Electrabel/Suez. 2009, merged with GDF to form ENGIE. Talk about splitting up
6. ENDESA. 2009, taken over by ENEL
7. Vattenfall. No capability/interest expanding outside

A history of failed policies

- 1997-2001. 'Enronitis'. If it is available buy it.
- 2002-05. Multi-utilities. Our customers like us so much they will want to buy everything from us. Telecoms/internet, cable TV, water
- 2005-09. European hubs. Dominate regional markets
- 2010-12. Big technologies. Nuclear & CCS
- 2015-. Split into good bank & bad bank

But up to about 2010 there seemed to be no pay-back for these errors

Why are they failing now?

- Climate change became top of the political agenda
- Large low-C technologies failed. Large complex technologies with heavy user demands are a major barrier to entry for companies wanting to compete against the 5 Brothers. But CCS & nuclear too expensive, economically risky and slow to build. Desertec too logistically complex
- New low-C technologies, like on-shore wind, PV, biomass, showing remarkable cost reductions
- Sold off monopoly networks. Stable profitable businesses. But regulatory pressure to unbundle, lack of commercial & technical synergy between networks & 'core' business, need to raise cash to reduce debt
- Nuclear decommissioning liabilities weighing heavily on EDF, RWE, E.ON, ENGIE
- Loss of market power in home markets. Regulators becoming impatient with *de facto* monopolies/duopolies/oligopolies. The cost of errors could no longer be passed on to captive consumers

Is there any hope?

- Are the 5 Brothers the new ITT/Kodak/IBMs?
- Good bank/bad bank split has logic, but are the companies nimble enough for retail competition, small-scale renewables?
- What is the logic of keeping networks other than stable profits?
- Is off-shore wind a life-line? Large-scale, large potential in some countries, capital intensive