



Research Program International Energy Markets

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Research area :

Global governance of Economic and energy issues,
EU energy policy

Conceptual framework :

- International political economy and theories of international regimes
- Institutional and neo-institutional economics
- Industrial economics
- International trade and development theories

The New Energy Paradigm

The world energy scene has changed dramatically since the beginning of the 2000s with the affirmation of two major constraints :

- the rise of environmental concerns,
- the rise of energy security issues.

The return of « petroleum nationalism » (Stevens 2008) together with the closing of territories to foreign investors, extreme volatility of crude, resurgence of geopolitical tensions and the economic crisis form the new economic and institutional environment in which energy policies must inscribe themselves.

These evolutions question the structure of energy markets (organisational models, regulation, institutions) centred on the paradigm of privatisation, competition and liberalisation in the context of economic globalisation. They invite us to reflect on the necessary institutional coherencies and/or complementarities (as developed in the neo-institutional analysis, Aoki, 2001) between this

paradigm and the new institutional environment and more generally on the governance of these constraints by the only mechanisms of the *rule of Law*. During the 1980s, the extension of market rules, norms and more generally of the rule of Law, within an international system dominated by multilateralism, constituted the principle mechanisms allowing to discipline the behaviour and the game of actors. Hence, together they formed the regulation of energy security (Correljé et Van der Linde, 2006). In particular, international investment treaties were conceived to serve as frameworks where the application of the *rule of Law* enabled to guarantee foreign investments. This legal environment was particularly relevant for the access to hydrocarbons resources, for international oil companies (Wälde, 2008) and for transit routes (Cf. Transit protocol included in the Energy charter, Konoplyanik, 2006). This paradigm is currently destabilised.

Three major research questions

In this context, three main questions appear crucially important and need to be studied

■ Access to hydrocarbon resources: definition of different « oil models »

The question of access to hydrocarbon resources has a lot of implications.

It is an important factor in determining the rhythm of investment in the development of new oil and gas fields. It is thus a central element of the international supply and demand balance.

The access to hydrocarbon resources concerns the relationship between National and International oil companies and more generally the relationships between Producer states and Consumer states.

It is in consequence a main aspect of the energy security in a liberalised environment (Cf. debates on the EU gas security, Glachant, Lévêque, Ranci, 2008).

More generally, this situation questions the opportunity of implementing or not an international regime of access to hydrocarbon resources (in the sense defined by International Oil Economics, Keohane, 1984 ; Hasenclever et al., 1996).

■ Some key issues are more precisely analysed:

- Is an « *international regime* » a way to manage the access to hydrocarbon resources?
- Analysis of the *institutional coherence* of oil contracts : property rights issue in the hydrocarbon sector

- Analysis of the *institutional coherence* between oil models and the institutional environment
- *Case study* : organisational evolution of the Russian oil sector

■ Some definitions

An “oil model” encompasses an organisational model (private, public property rights) and a system of access to hydrocarbon resources.

Neo-institutional theory and oil model. The “institutional arrangement” determines the economic incentives that govern (restrict) the behaviour of the actors in the hydrocarbon sector. Particular attention is given to relations of complementarity between the institutional environment and the choice of an appropriate governance structure.

■ Coherence and credibility of the three main domains of the EU Energy policy: Climate policy, Energy Security, Competition policy

The coherence and credibility of the three main domains of the EU Energy policy, competitiveness, energy security (security of supply) and climate policy are increasingly debated (Glachant, 2008). The question of the Energy security in the context of liberalised gas and electricity markets is an essential aspect of the debate.

Three major issues are more specifically analysed:

- The EU electricity market liberalisation
- Consequences of the liberalisation of the EU gas market on its relationship with gas suppliers
- The governance dilemma

A - The governance dilemma: social and economic development vs. fighting climate change

Global social and economic developments:

- Managing open economies
- Trade, technological and financial transfers
- Resource availability

In the energy domain, these developments are:

- Energy policy coordination
- Oil price stabilization
- Oil security

Tackling climate change:

- Trade, technological and financial transfers
- Managing global adaptation
- Moving towards a low-carbon economy

◆ *Towards a new international growth regime?*

B - Liberalisation of The EU Electricity markets

C - Liberalisation of the EU energy markets and the supplier relationship

The liberalisation is modifying the contractual relationships between energy producers and consumers. The question of whether or not to maintain long term contracts leads to:

- a debate between producers and consumers,
- a debate internal to the EU.

Although long term contracts share the « volume risk » and the « price risk » between the producer and the consumer, they are at the heart of the debate concerning the creation of a competitive and integrated gas market in the EU.

On one hand: DG competition since the early 2000's has repeatedly voiced strong concerns over the risks of anti-competitive effects of long term contracts:

They create obstacles to the diversification of gas suppliers.

On the other hand: The long term contracts facilitate investments and thus development of an adequate production capacity. Furthermore, long term contracts may prevent abuse of dominance on spot markets.

=> The strategic behaviour of firms on spot markets is a central research question.

The EU approach to manage gas supply security in a liberalised context is interrogated.

A - The EU policy preference: exporting « *acquis communautaire* »

The EU preference lies in the harmonisation of the EU legislation with legal systems of third states. This implies the application of EU norms and regulations within these third states. In other words,

the EU tries to expand the geographical coverage of « *acquis* » implementation in the energy sector using the EU Neighbourhood Policy framework.

B -The hydrocarbon producer preferences:

- National economic development concerns
- Stabilisation of hydrocarbon revenues
- Securing oil and gas exports
- Supplier strategy of downstream diversification

◆ *Case study: Russia-EU gas relationship*

■ Energy Producers – Energy Consumers. What type of relationships?

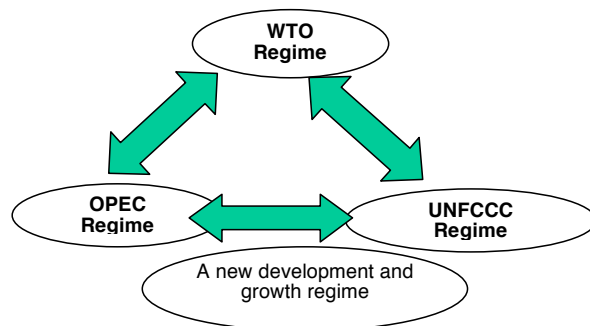
■ Contextual hypothesis:

- A carbon constrained world
- Socio-economic development and climate change are global issues. Need for a global, multilateral and effective cooperation
- Environmental institutions (UNFCCC, Kyoto Protocol) are developing a powerful framework in order to govern broader economic activities, including energy

■ A call to articulate:

- Trade and development regime (WTO)
- Climate change regime (UNFCCC, IPCC, KP)
- Energy institutions at national, regional and / or global level (OPEC, IEA)

Building convergence and synergies



■ Agenda Proposal

- *ad hoc* cooperation
- North / South and energy producers – consumers dialogues and forums at regional and multilateral level
- a system of governance
- an international regime

Main research questions

Is it possible to instrument the trade regime and the upstream liberalisation for the benefit of tackling climate change?

Every institution has its own founding rationale, which often restricts its ability to effectively interact with other institutions.

Therefore, how could we manage the interactions among institutions?



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