

Multinational companies in the European electricity and gas sector: An overview

Presentation at a conference:
“EPSU European Energy Conference”
International Trade Union House, Brussels,
March 1, 2007

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Outline

- The 'Seven Brothers' and other national/regional companies: size and scope
- EDF, E.ON, RWE, Iberdrola/SP, Vattenfall, ENEL, Electrabel/GDF
- Corporate priorities
- Consequences for stakeholders of an oligopoly
- How to control the companies

The Seven Brothers	Turnover 2005 €bn (% annual increase)
E.ON + Endesa	56.4 (+21) + 18.2 (33) = 74.6
EDF*	58.9 (+15)
RWE	41.8 (-1)
Iberdrola + SP	11.7 (+35) + 8.2 (19) = 19.9
Electrabel + Distrigaz + GDF	12.2 (+6.8) + 3.8 (+29) + 27.6 (+21) = 43.6
ENEL	34.1 (+10)
Vattenfall	16.1 (+18)

Other regional and national companies	Turnover 2005 €bn (% annual increase)
Centrica*	20.2 (+18)
Scottish & Southern*	15.2 (+37)
Essent/Nuon	6.3 (+6) + 5.0 (+4) = 11.3
EDP	9.2 (+36)
Union Fenosa	6.1 (+37)
Fortum	4.5 (+16)
CEZ	4.5 (+22)
Verbund	2.9 (+35)
DONG	2.5 (+30)
EVN	2.1 (+29)
Statkraft*	2.0 (+8)

	UK	Germ	France	Italy	B'lux	Nordic	Iberia	E Europe
E.ON+ Endesa	Sig	Home	Limited	Sig	Sig	Sig	Home	Sig
EDF	Sig	Sig	Home	Sig				Limited
RWE	Sig	Home						Sig
Iberdrola+ SP	Home						Home	
Electrabel+ Distrigaz+ GDF		Limited	Home	Sig	Home			Sig
ENEL				Home			Limited	Sig
Vattenfall		Home?				Home		Sig

EDF

- Dominant in France, strong in UK, significant in Germany and Italy, limited in E Europe
- But failed to enter Nordic and Iberian markets and ventures outside Europe generally expensive failures
- Can/should it try to retain its networks?
- Can it strengthen its position in gas?
- How far will privatisation go and what will its impact be?

E.ON/Endesa

- If take-over completed, most comprehensive market coverage in Europe
- Home markets in Germany and Spain, very strong in UK, significant in E Europe, Italy, Nordic region, Benelux and a basis in France
- Very strong in gas (Ruhrgas)
- Can/should it try to retain its networks?

Electrabel/GDF/Distrigaz

- Home markets in Belgium and France, good positions in Italy, Benelux, E Europe
- What assets will it have to sell to satisfy competition authorities (market share in electricity in Belgium, gas in France, Distrigaz, networks)?
- How will it replace these assets?
- Will the water and waste business be sold?
- How quickly and effectively can the constituent parts be integrated

RWE and Vattenfall

RWE

- Home market Germany, strong in gas, strong in UK and E Europe, but little elsewhere
- Losing ground against its competitors
- How will it replace the assets it has sold (Thames Water) and may sell (networks)?

Vattenfall

- Strong in Nordic market and Germany, limited in gas
- Do public ownership and limited resources restrict its opportunities?

Iberdrola/SP and ENEL

Iberdrola/Scottish Power

- Strong home positions in UK and Iberia, few networks to unbundle
- No connection between markets, any synergies?

ENEL

- Large financial resources
- But, no strong positions outside Italy in the major markets
- Efforts in Spain & France have yielded little
- Unstable corporate policies

Corporate priorities

- Presence in the major regional markets
- Developing contiguous markets
- Strong positions in electricity and gas
- Can significant positions be developed from small acquisitions? Are 'toe-holds' in markets useful?
- With so much money potentially available to the Seven Brothers, how to avoid overpaying for prime assets?
- Is there corporate value in retaining networks?

Consequences for stakeholders

The Commission believes it knows how to deal with oligopolies. Is it deluding itself?

Positive features of an oligopoly:

- Easier to put pressure on large companies to be good employers, fulfil training needs, carry out R&D and behave ethically

Negative features:

- No need for collusion to know that tough competition is not in their interests
- New entry will be implausible
- Public ownership, especially local, will wither away
- No accountability

How to control the companies

- The Seven Brothers pose a democratic problem due to their size, resources and influence. New ways of democratic control should be explored
- The rights of workers and the trade unions to information and consultation must be increased
- Strengthened powers for European Works Councils are needed
- Improved stakeholder processes and serious Corporate Social Responsibility and Corporate Governance programmes are needed
- To prevent regulatory 'capture', regulatory bodies need to be democratised and given resources to allow for scrutiny of corporate strategies