

# **Regulatory Management and Reform**

## **Economic Growth & Structural Reform**

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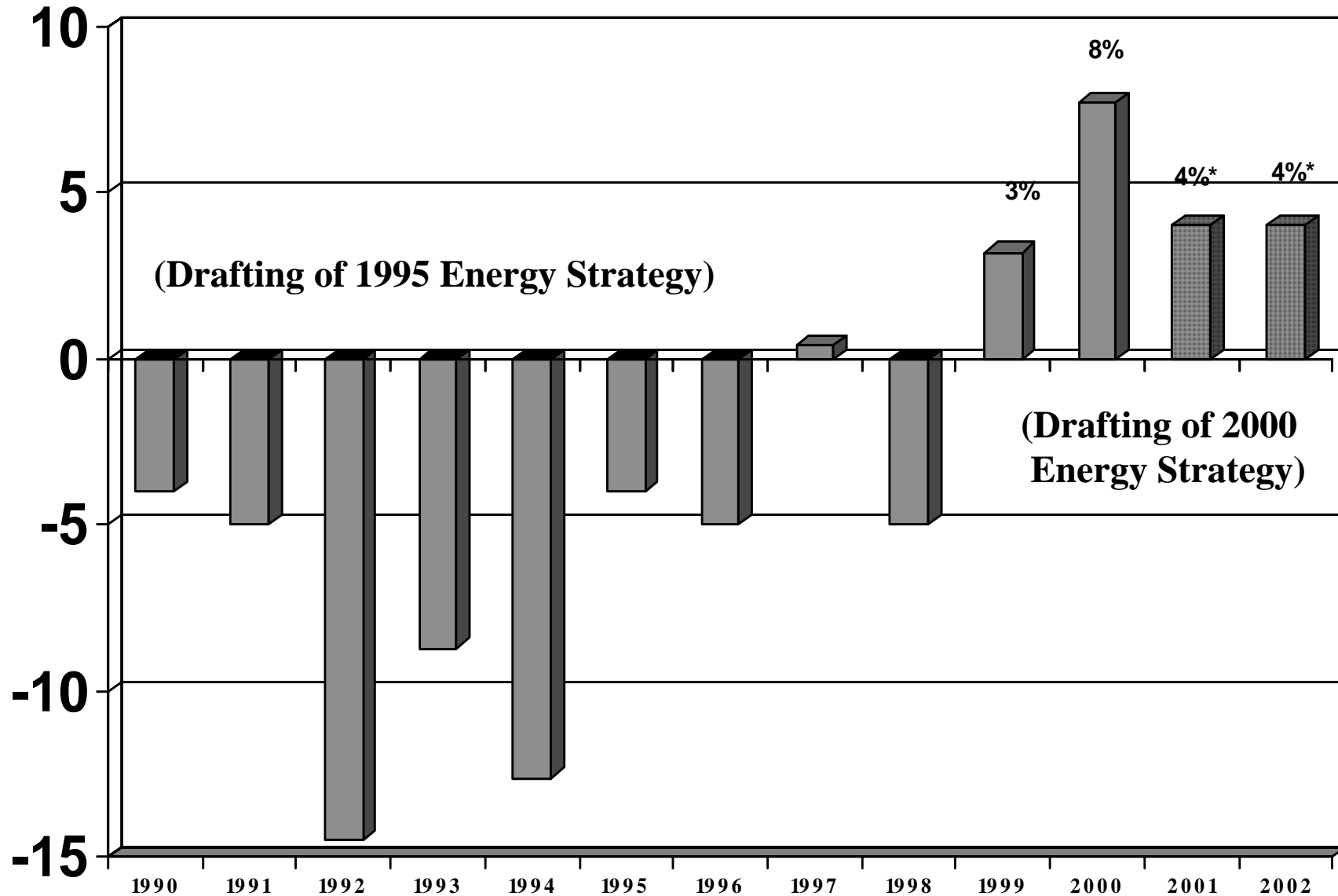


# IEA Survey of Russian Energy Policies

- **Timing matched Russian Energy Strategy to 2020**
- **IEA Survey provides:**
  - descriptions & statistics for all energy sectors
  - insight into energy security issues each sector faces
- **Focus is also on:**
  - General economic reform
  - Investment environment
  - Price reform & non-payments
  - Independence of regulatory bodies
  - Environment & regulatory streamlining
  - ⇒ **Energy efficiency**
  - ⇒ **Fuel mix**



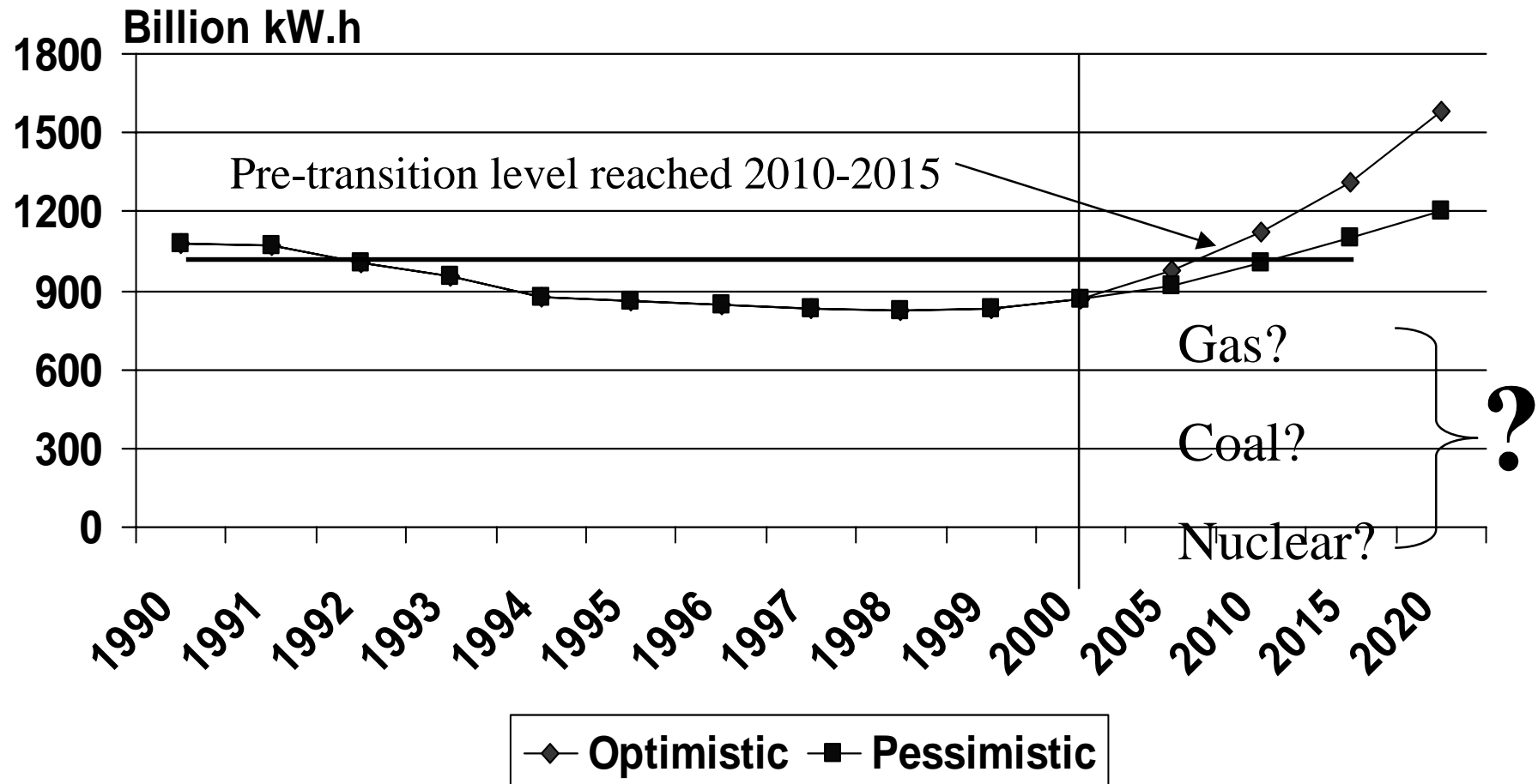
# GDP Growth: 1990-2000 (2002\*)



\* Russian forecast 4% GDP Growth for 2001-2002



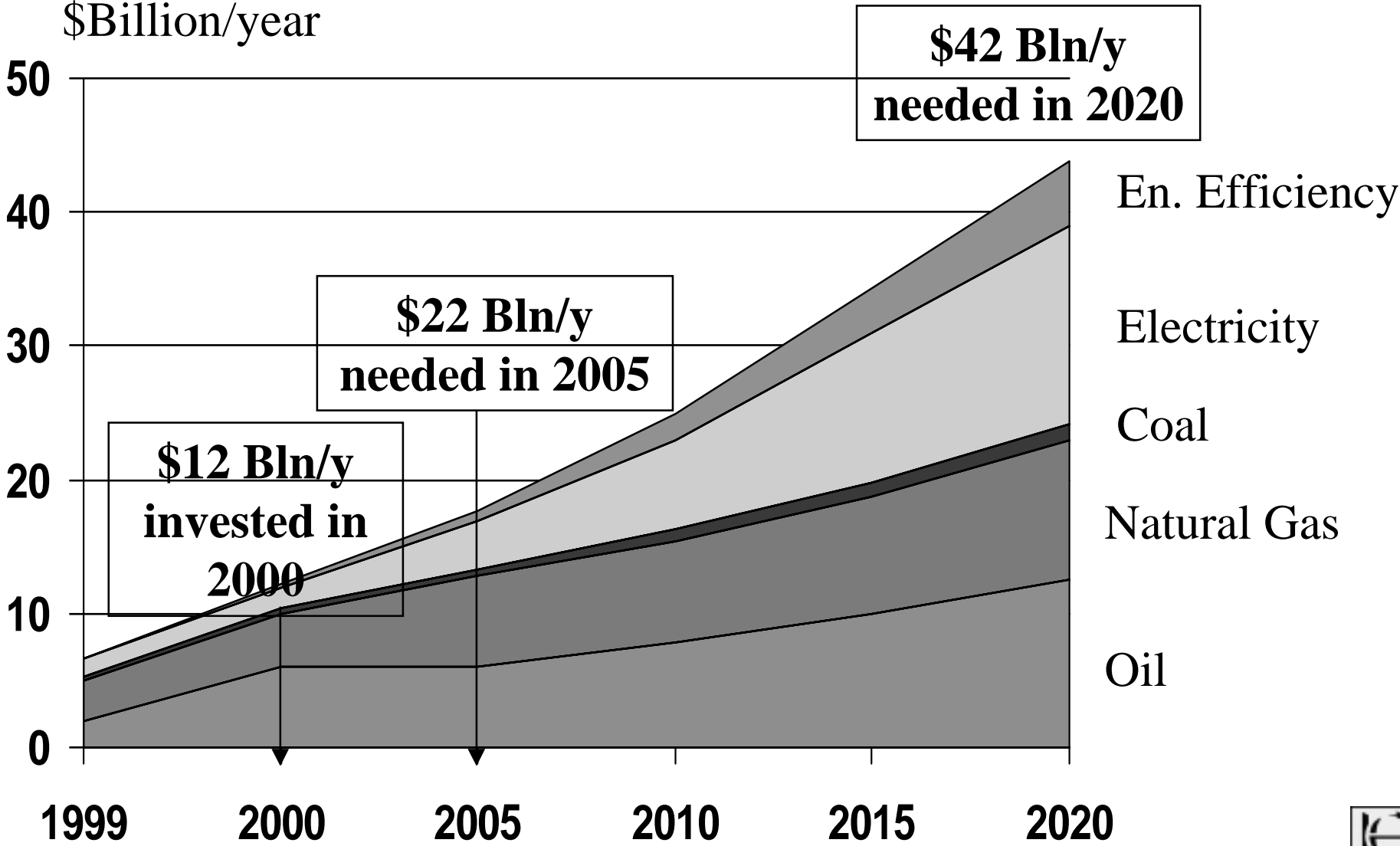
# Fuel Mix to Meet Increasing Electricity Demand



\* assuming energy efficiency potential is realized...



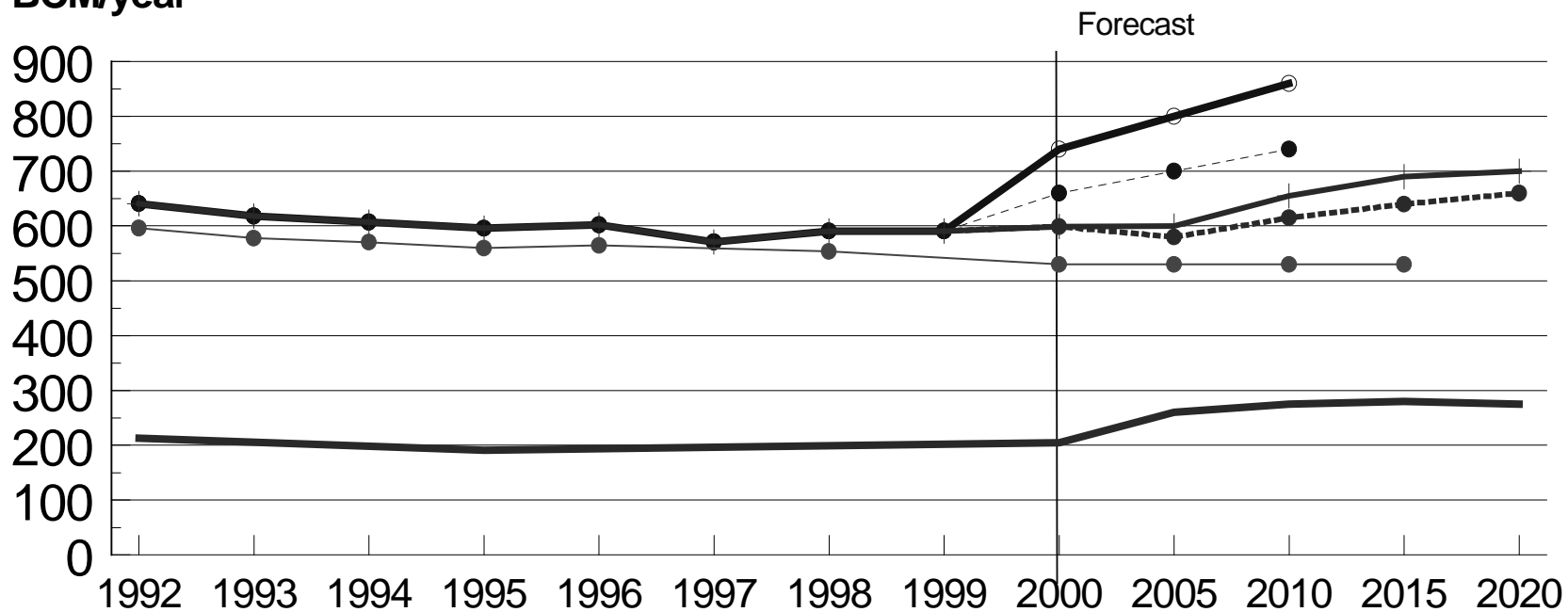
# Outlook of Energy Investment Needs





## Revised Russian Gas Production & Export Outlook Premised on Reform

BCM/year



New Forecast - Pessimistic

.....●.....

1995 - Pessimistic

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1995 Optimistic

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New Forecast - Optimistic

-----+-----

Gazprom Production

-----●-----

New Export - Optimistic

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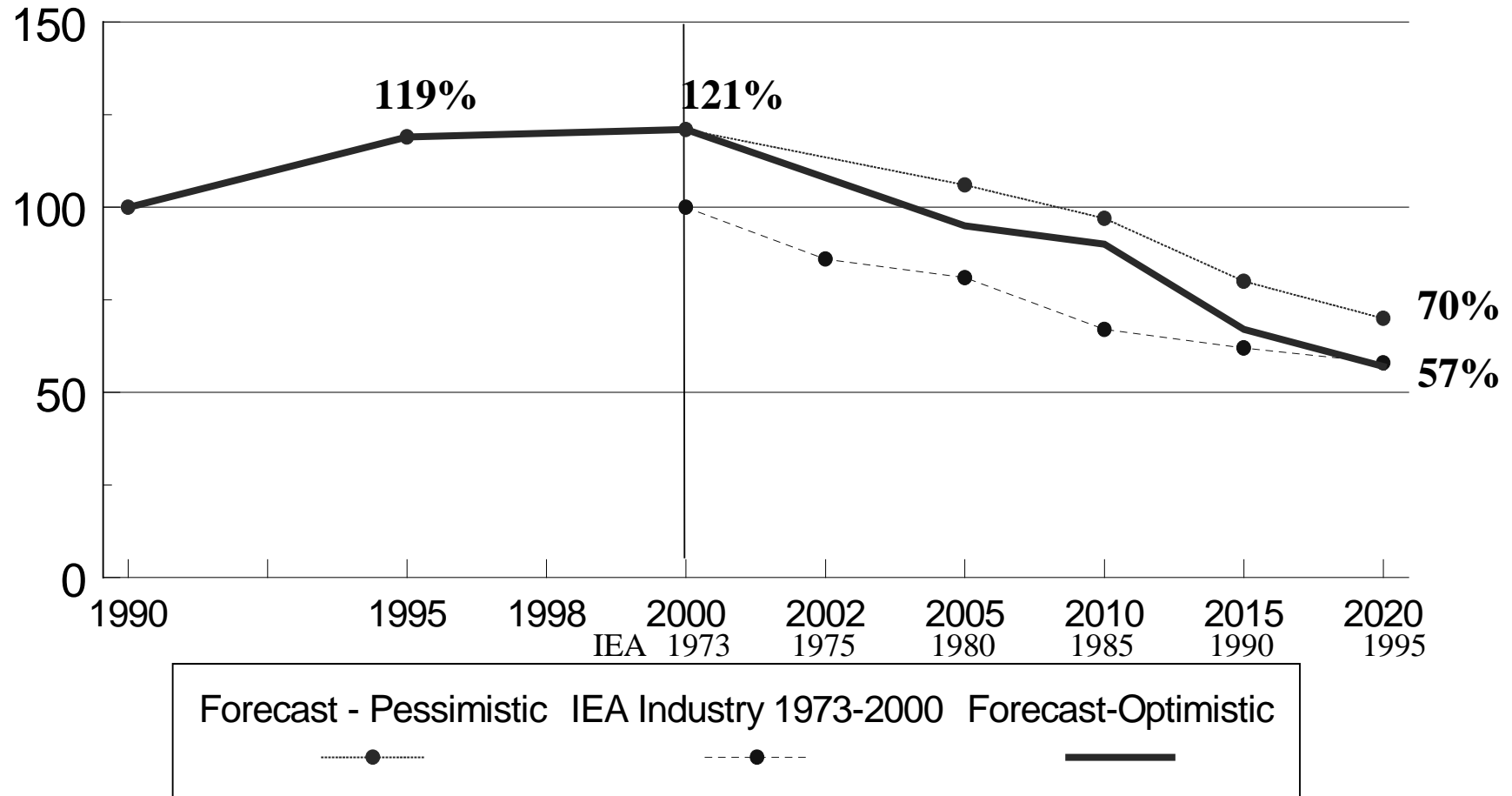
\* source: New Energy Policy of Russia, Mintopenergo, 1995 and 2000



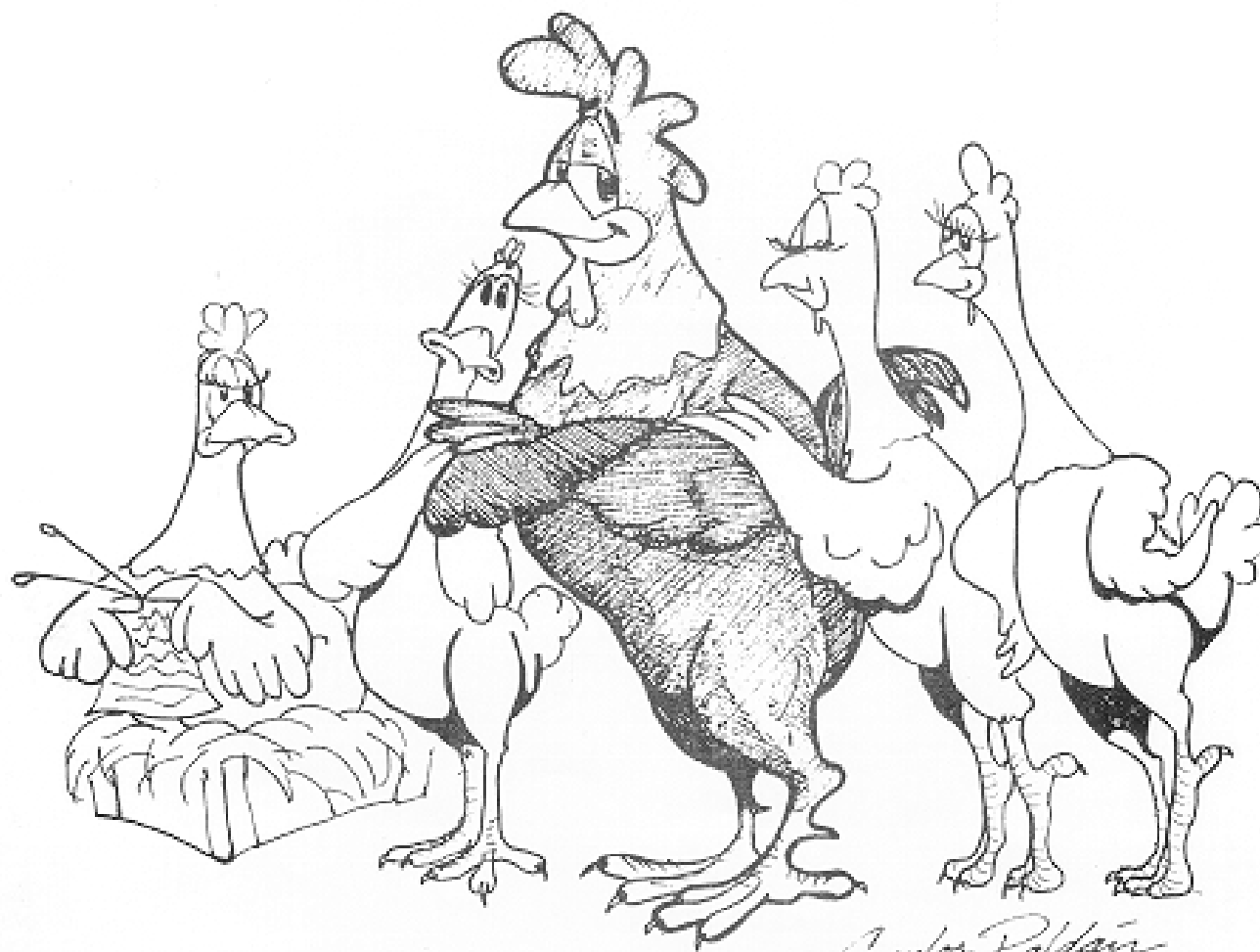
## Energy Efficiency: Energy Intensity of GDP Outlook

% chg in toe / \$ (Russian GDP / IEA Industry Sector)

Forecast



\* source: New Energy Strategy 2000, IEA



*Carlos Roldán  
Oct '96.*

natural monopoly





# **Regulating a monopoly is difficult**

- **Regulated parties have their own goals**
- **Regulated parties are better informed than government on key industry parameters**
- **Regulated parties have significant resources that can be used to influence government decisions**



# Natural Monopolies

- **Can capture the regulators**
  - (i.e. Influence regulatory decisions to their advantage)
- **Obtain “rents” from their informational advantages**
- **Distort competition**
- **Prevent entry and investment**



# How to avoid regulatory capture?

## How to reduce informational rents?

**Allocate powers among:**

	<b>Ministry</b>	<b>Regulatory Agency</b>	<b>Competition Authority</b>	<b>Judiciary</b>
<b>Specialised Knowledge</b>	<b>High</b>	<b>High</b>	<b>Low</b>	<b>Very Low</b>
<b>Likelihood of Capture</b>	<b>Depends (often high)</b>	<b>Depends</b>	<b>Low</b>	<b>Very Low</b>
<b>Speediness of decision making</b>	<b>High</b>	<b>High</b>	<b>Low</b>	<b>Very Low</b>



# Institutional Approaches of IEA Countries : Role of Ministries and Regulatory Agencies



# Future Restructuring of the Gas Sector

- “Management unbundling” to encourage further competition and non-discriminatory access to the transmission system.
  - **purchase limitations**
  - **market-share target limiting Mezhregiongaz**
  - **the creation of a “gas exchange” is envisaged in order to develop gas trading**
- The role of the regulatory authority...
- Security of supply

