THE POLITICAL-ECONOMY IMPLICATIONS OF THE TRANSITION FROM STATE-OWNED TO MIXED-OWNED ENTERPRISES: EVIDENCE FROM THE EUROPEAN GAS SECTOR

ROBERTO CARDINALE

Working Paper no. 10/2017
JULY 2017
The political-economy implications of the transition from state-owned to mixed-owned enterprises: evidence from the European gas sector

Roberto Cardinale
The Bartlett Faculty of the Built Environment
University College London
roberto.cardinale.14@ucl.ac.uk

ABSTRACT
This paper analyses how the transition from State-Owned Enterprises (SOEs) to Mixed-Owned Enterprises (MOEs) in the European gas sector affected the European states’ ability to pursue public policy objectives. More specifically, the analysis focuses on the extent to which public and private interests can be reconciled within MOEs’ strategy. The paper suggests that the rise of profitability as the central objective for MOEs has prevented states from pursuing some, though not all, of the policy objectives that they could pursue before the transition. For example, states can no more pursue large-scale plans of economic and technological development through MOEs, or ensure consumers’ price affordability irrespective of market fluctuations. However, states may still be able to positively contribute to energy security thanks to the major shares held in MOEs, for instance by vetoing divestment from import infrastructure. The analysis suggests the need for states to devise alternative ways to pursue their objectives in the framework of national and European energy policy.

KEYWORDS
State-owned enterprises, mixed-owned enterprises, partial privatisation, golden share, golden power, corporate governance, political economy of gas

JEL Classification
L95; L98; O13; O25; P16; P18; P43; Q48

1. INTRODUCTION

In the last decades, the European gas markets have undergone major changes brought about by the extension of the European Single Market policy to the energy sector. This policy was based on the logic of market liberalization, which held that consumers’ interests could be best served by forbidding national governments to protect State Owned Enterprises (SOEs) from competitive market pressures. It has had the effect of unbundling transmission networks from production (or import) and distribution phases, while at the same time fragmenting supply chains and encouraging cross-border mergers within the European Union (Florio, 2013). In this context, privatisation of former SOEs was expected to create the conditions for a more equal competition among old operators and new entries\(^1\) (Parker, 1999). More generally, privatisation was deemed necessary in the light of the European economies’ recent transition to an advanced stage of economic development, which entailed the need to reshape direct state intervention in the economy (Cardinale, 2013).

However, in key European countries, market opening has not been accompanied by full privatisation. In fact, privatisation has only been partial, and has generated hybrid arrangements in the ownership of former SOEs, bringing to the rise of Mixed-Owned Enterprises (MOEs)\(^2\). The coexistence of public and private shareholders within energy companies raises important questions, especially on how their respective interests can be reconciled within the company’s strategy.

This issue has not been addressed extensively in the literature, probably because privatisation and the rise of MOEs in Europe are still relatively recent. In fact, the literature on SOEs and MOEs has been dominated by the themes of performance and profitability, especially before and during the process of privatisation (De Alessi, 1980; Millward, 1982; Boardman and Vining, 1989; Shirley and Nellis, 1991; Laffont and Tirole, 1993; Donberger and Piggott 1994; Newbery, 1999; Dewenter and Malatesta, 2001; Meggison and Netter, 2001; Bortolotti and Siniscalco, 2004; Florio, 2004). Fewer contributions focus on the relevance of SOEs for economic policy (Toninelli, 2000; Florio, 2004; Chang, 2007; Victor et al., 2012; Christiansen, 2013; Florio, 2013) and even less so in the context of MOEs (Brophy Haney and Pollitt, 2013; Florio, 2013; Pollitt, 2015).

The aim of this paper is to shed light on MOEs’ role as a tool of economic policy. This is done by investigating the extent to which MOEs’ ownership structure, characterised by private management and the presence of private shareholders along with the public share, makes it possible for European governments to pursue objectives of public policy. More
specifically, this analysis sheds light on the extent to which the state is able to pursue economic objectives for improving the competitiveness of the national economic system, objectives of social nature that concern consumers’ welfare, and political objectives of strategic and commercial relevance.

The analysis builds on the assumption that private shareholders are profit-seekers whilst the state is mainly oriented by objectives of public policy. On the basis of this assumption, I argue that, despite the different levels of state influence in MOEs, which usually depend on the nature of shares held and the statutory regulation, the presence of private shareholders will most likely orient the management to prioritise profitability over public policy goals, or at best to pursue both. Alternatively, if public policy goals are pursued at the expense of profitability, private shareholders would lose the incentive to hold their shares. Therefore, mixed ownership implies that public policy objectives are pursuable only if reconciled with profitability\(^3\).

Based on these assumptions, this paper shows that the governance of MOEs makes it possible for European states to pursue only some of the traditional objectives of public policy they used to pursue previously in the context of full public ownership (namely through SOEs). However, European states are still able to pursue some other objectives thanks to the major shares held in MOEs. For instance, they are still able to positively influence energy deals for energy procurement through diplomatic action, as well as guarantee energy security by vetoing divestment from import infrastructure. The paper argues that the major economic, social and political implications of the gas sector ultimately explain why privatisation of former incumbents occurred only partially.

This paper suggests that privatisation of SOEs has caused effects beyond the microeconomic level. In fact, intervention in key governance aspects of former SOEs, which accounted for the whole national production and distribution of gas, has induced structural changes in the whole gas sector. Even more so, given the strategic nature of the gas sector, the paper shows that privatisation of SOEs has had systemic implications of economic, social and political nature. The sectoral and systemic implications of privatisation reinforce the idea that privatisation has represented a ‘Policy Framework Reform’ (PFR) rather than a mere ‘policy signal’ (Florio, this volume). In fact, whereas changes in policy signals might affect the governance of the energy sector only indirectly, for instance by influencing prices or quantities produced, PFRs imply changes at the legislative and regulatory level that directly
affect key governance factors of sectoral relevance, in this case the control and management of energy companies accounting for a remarkable share of the national gas market.

The paper is structured as follows. Section 2 reconstructs the traditional objectives of public policy pursued through full public ownership of SOEs before privatisation. Section 3 investigates the extent to which European governments can pursue the traditional objectives of public policy in the new framework of MOEs. Section 4 brings the paper to a close, reflecting on the need to consider innovative ways to pursue traditional objectives of economic and social nature when these are not pursuable in the framework of contemporary MOEs.

2. THE ECONOMIC, SOCIAL AND POLITICAL OBJECTIVES OF SOES

SOEs have proven to be able to address a wide range of public policy objectives, most notably ensuring adequate levels of economic development, and pursuing objectives of social nature such as consumers’ price affordability and geographical access (Chang, 1994; Florio, 2004; Millward, 2005; Christiansen, 2013). SOEs have also been used as a tool of foreign policy by states with the aim to achieve objectives of strategic and commercial relevance (Victor et al., 2012), for instance by ensuring energy security or strengthening economic and political cooperation with foreign countries. These objectives, which had economic, social and political nature, were effectively pursued by European SOEs involved in the gas sector, because of the increasingly strategic role played by gas in the European economies since the second half of the twentieth century.

With respect to the objectives related to the economic sphere, SOEs’ role has been pivotal in post-WWII for solving market failures connected with stagnation and underdevelopment of the gas industry (Cronshaw et al., 2008), which in turn hampered economic growth, which was a priority objective in early stages of development. Stagnation and underdevelopment derived primarily from the risk-aversion of private energy firms, which made them reluctant to engage in long-term investments for technological upgrade, but also from the lack of adequately developed financial markets able to support the nature and size of the investment needed. However, the rationale for the creation of SOEs lied mostly in the systemic importance of gas: since gas is a key input for both industrial and household consumers, the gas sector is highly interdependent with other sectors, and has major implications for production costs and technological upgrade.
The creation of SOEs in the gas sector, and particularly the financial and political backing provided by the state, was essential to take advantage of the strategic nature of gas (Victor, et al., 2006), especially in a context of technological backwardness and political-economic weakness. The public investments for the adaptation and development of new technologies aimed to create adequate industrial capabilities for the production and import of gas, which would make it possible not to rely on foreign importers. This has greatly contributed to the reduction of production costs and the spread of technological spillovers in the other interdependent sectors of the economy. The reduction of gas prices has improved the industrial competitiveness, by means of an increase in the industrial value added; consumers’ welfare has also risen.

Nevertheless, public ownership has proven to be effective for pursuing public policy objectives of social relevance also in a direct way, for instance by pursuing consumers’ price affordability (Florio, 2004; Brophy Haney and Pollitt, 2013) and geographical access (Chang, 2007). In terms of consumers’ price affordability, the public nature of the monopoly was conceived to avoid that a private monopolist or private oligopoly could benefit from the bargaining power towards consumers. In fact, a private monopolist, in absence of specific regulatory measures, would tend to produce lower levels of output with respect to the socially desirable level and raise prices. A public monopoly, instead, could afford to produce higher quantities and prioritise consumers’ price affordability over profitability. Geographical access represented a further objective of social relevance that justified public monopoly. The market failure in this case consisted in the fact that, in remote areas, marginal cost of gas supply is higher than the price that consumers are willing or able to pay, so that gas provision in those areas would not be profitable for private energy firms.

The political role of SOEs was performed at both the internal and external spheres of state intervention. In the internal sphere, the economic objectives of growth and technological upgrade have proven to be essential for the pursuit of political and electoral purposes, for instance because they raised employment rates and income levels. The increase in the employment rates occurred not only indirectly, namely as a consequence of the systemic benefits of economic growth provided by SOEs, but also as the result of direct hiring from SOEs (Capobianco and Christiansen, 2011). The latter has, in some cases, occurred at the expense of profitability.

In terms of the objectives pursued in the external sphere of state intervention, also in view of long-term internal implications, energy security and political-economic cooperation
with foreign countries were among the most relevant and interrelated objectives. Both have been pursued through synergies between SOEs and the diplomatic bodies (Giacomello and Verbeek, 2011; Davis et al., 2015). In particular, energy security has benefited from the diplomatic platforms already set in the frameworks of political-economic cooperation with producing countries, but also from ad-hoc political support for specific deals of energy imports (Victor et al., 2006), or for the joint development of energy projects, i.e. production of gas fields, development of transnational infrastructure, and other relevant projects. In this context, SOEs have often acted as a government branch for foreign energy affairs, in charge for both the negotiations and the technical development of gas fields in joint ventures with the foreign counterparts.

In some cases, SOEs have even played a key role in opening new diplomatic and economic relations with foreign countries. SOEs’ effectiveness as a tool of foreign policy has made it possible for the state to pursue objectives related to both the economic and political spheres. Concerning the economic sphere, the stipulation of energy deals often provoked the mobilization of satellite activities, but also a chain reaction in other sectors, contributing positively to increase exports in a wide range of sectors. For what concerns the political sphere, energy cooperation often represented the starting point for exploring broader strategic alliances and increasing political influence on certain areas of the globe, for purposes related to national defence or energy security.

In conclusion, SOEs have proven to be suitable for the pursuit of multiple objectives of economic, social and political nature. In particular, the objectives related to the economic sphere have greatly benefited from the internalization of political support, because of the particular constraints deriving from the stage of development, as well as the economic and political implications of the gas sector. Furthermore, political objectives, e.g. energy security and political-economic cooperation with foreign countries, have also benefited from the growth of the gas industry and SOEs’ ability to penetrate foreign markets. Ultimately, the economic and political synergies have certainly influenced the social sphere, not only in terms of geographical access and price affordability for gas consumers, but more broadly for the indirect systemic benefits of economic development.

3. THE ECONOMIC, SOCIAL AND POLITICAL OBJECTIVES OF MOES

Starting from the 1980s and speeding up in the 1990s, European SOEs underwent an extensive process of privatization in a wide range of key sectors, including gas (Florio, 2013).
However, in several cases, the privatization of SOEs was not fully accomplished: states retained a major share, creating the conditions for the rise of the hybrid model that characterizes MOEs. On the basis of the OECD indicators of regulation in energy, transport and communications (ETCR), Table 1 shows the extent to which privatisation of the gas sector occurred in EU 15 countries (where in a range from 6 to 0, 6 indicates full public ownership whilst 0 indicates full private ownership).

*Table 1. ECTR reform indicators of gas sector privatisation in the EU 15, 1990 – 2013*

<table>
<thead>
<tr>
<th></th>
<th>1990</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Austria</td>
<td>4.53</td>
<td>2.76</td>
</tr>
<tr>
<td>Denmark</td>
<td>6</td>
<td>4.5</td>
</tr>
<tr>
<td>Finland</td>
<td>5.88</td>
<td>1.44</td>
</tr>
<tr>
<td>France</td>
<td>6</td>
<td>2.4</td>
</tr>
<tr>
<td>Germany</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Greece</td>
<td>6</td>
<td>3.88</td>
</tr>
<tr>
<td>Ireland</td>
<td>6</td>
<td>5.82</td>
</tr>
<tr>
<td>Italy</td>
<td>6</td>
<td>1.8</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>4.26</td>
<td>2.75</td>
</tr>
<tr>
<td>Netherlands</td>
<td>3.75</td>
<td>3.49</td>
</tr>
<tr>
<td>Portugal</td>
<td>-</td>
<td>0.48</td>
</tr>
<tr>
<td>Spain</td>
<td>6</td>
<td>0.08</td>
</tr>
<tr>
<td>Sweden</td>
<td>-</td>
<td>0</td>
</tr>
<tr>
<td>UK</td>
<td>6</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: own elaboration of OECD data

Table 2 lists the main vertically integrated former SOEs currently operating and the public share held on them.
The rationales for privatization can be broadly identified in two main causes. One is connected with the EU-led change of policy paradigm and the objective to create a Single Market in which European energy companies compete (Parker, 1999). In this context, the profit-oriented nature of privatized companies and decreasing levels of political interference would have best suited the competitive market structure envisaged. Competition, instead, was expected to both increase the profitability of the most efficient energy companies\(^5\), and lower gas prices for consumers, enhancing the overall economic welfare (Brau et al., 2010). The other reason for privatization is connected to the competitiveness of the private energy industry and its ability to provide adequate levels of investments, which reflected the transition from an early to an advanced stage of development in Europe. Nevertheless, the two causes seem to be interconnected, since it is not unlikely that the change in the EU policy paradigm would have been also influenced by the transition to an advanced stage of development and the need to create more room for private initiative.

---

### Table 2. State shares held in the main vertically integrated European gas companies (EU 15)

<table>
<thead>
<tr>
<th>Public Share (%)</th>
<th>Country of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>British Petroleum</td>
<td>0</td>
</tr>
<tr>
<td>British Gas</td>
<td>0</td>
</tr>
<tr>
<td>Dong Energy</td>
<td>50.1</td>
</tr>
<tr>
<td>EDF</td>
<td>85.6</td>
</tr>
<tr>
<td>Engie</td>
<td>32.76</td>
</tr>
<tr>
<td>Total</td>
<td>0</td>
</tr>
<tr>
<td>Enel</td>
<td>23.6</td>
</tr>
<tr>
<td>Eni</td>
<td>30.1</td>
</tr>
<tr>
<td>Galp</td>
<td>7</td>
</tr>
<tr>
<td>Gasunie</td>
<td>100</td>
</tr>
<tr>
<td>Hellenic Petroleum</td>
<td>35.5</td>
</tr>
<tr>
<td>OMV</td>
<td>31.5</td>
</tr>
<tr>
<td>Gas Natural Fenosa</td>
<td>0</td>
</tr>
<tr>
<td>Repsol</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: own elaboration of Eurobarometer data
Despite that, the rationale for the state to retain major shares in national energy companies, and more specifically Golden Shares, has been justified by the major political, economic and social implications of the energy sector (Picot et al., 2015; Cardinale, 2015), and particularly gas, because of its increasing importance in the energy mix. However, the extent to which the state could pursue public policy objectives through MOEs has been limited to those that could be reconciled with profitability, an unavoidable priority in privately managed firms such as European MOEs.

Concerning the economic sphere, traditional objectives extensively pursued through SOEs, for instance economic and technological development, seem to have lost their priority nature in the new context of MOEs, at least to some extent. In fact, the existence of private shareholders, some of which characterised by a short-term investment perspective (e.g. private equity firms), certainly implies that short-term capital gains assume greater importance. Therefore, one might argue that the increasing emphasis on short-term profitability could penalise long-term strategies for innovation, and indirectly the economic competitiveness, given the relevance of gas as an input for the rest of the economy (see section 11.3 for a more detailed explanation).

However, this might not be the case if contemporary MOEs balance short-term with long-term investments in a way that reconciles profit and innovation. Even more so, a more balanced mix is justified by the characteristics of the new context in which European MOEs operate, namely an advanced stage of development. In fact, despite the systemic importance of the gas sector has not changed in the transition from SOEs to MOEs, the transition to an advanced stage of development has made it possible to partially shift the emphasis from long-term development to short-term profitability, due to the lower margins of development that characterise the current phase (Cardinale, 2013). In the context of early stages of development, instead, the long-term logic usually prevails over the short-term one, which explains the traditional emphasis of post-WWII SOEs on capital formation and technological upgrade at the expense of short-term profitability.

The transition to MOEs has also potential social implications, for instance in terms of consumers’ price affordability and geographical access. In these cases, the problem is directly connected with the private management characterising MOEs. The public shareholder, in fact, would face non-negligible opposition from private shareholders if it attempted to alleviate certain critical conditions for consumers through unprofitable corporate strategies, as happened in the context of SOEs. For instance, the private shareholders of MOEs would
not accept a cut of fuel price aimed at improving consumers’ price affordability, or economically unviable investments in gas infrastructure to supply remote areas and improve geographical access.

For these reasons, adequate incentives must be negotiated and implemented at the regulatory level outside the frameworks of single corporate entities. In this context, state subsidies at least equal to losses might be necessary in order to prevent the opposition from MOEs’ private shareholders towards unprofitable investments aimed to provide a public service.

Concerning the political objectives pursuable through MOEs, the influence on the management still allows the states to pursue energy security and other political-economic objectives, especially those related to MOEs’ external sphere of action. The contribution to energy security might derive from both ad-hoc measures and long-term strategies. The ad-hoc measures have mostly emergency nature, and consist of the state’s possibility to exercise its veto for specific decisions taken by MOE’s management. For instance, the veto power could block strategies aimed at divesting from crucial assets for national energy security (Adolff, 2002; Grundmann and Moslein, 2004), such as transnational infrastructure for energy supply. Instead, companies characterised by full private ownership would be unlikely to attempt to reconcile profitability and energy security of the country of origin, unless specific (formal or informal) agreements between the state and the management are in place.

Along with the veto power, the state-appointed non-executive managers in the board of directors might advocate the adoption of investment strategies that reconcile energy security with profitability, for instance by investing in producing countries that are geographically closer and politically compatible to the country of origin. Therefore, the coexistence of public (e.g. energy security) and private (e.g. profitability) objectives in MOEs could ultimately induce the corporate management to adopt strategies leading to the achievement of both, which in some cases entail mutual synergies. For instance, the bargaining power provided by the state in the negotiations for long-term gas supplies, or the military protection against pirates provided throughout the commercial routes, would benefit energy security as well as private shareholders in terms of lower uncertainty over end market’s (national) supplies, thus over profits. In addition, the public shareholder could also benefit from private management if the latter adopts cost-effective strategies. In this case, energy security could be achieved more efficiently, for instance by maximizing the use of transnational pipelines for energy import, or managing energy storage more effectively.
Beside energy security, the state could orient MOEs’ commercial strategies towards projects and countries that provide systemic benefits in political-economic terms, once such strategies have proven to be profitable. In fact, as the state is able to monitor and even influence the strategies for energy security, the same mechanism might be applied to other objectives related to the external action which have been extensively carried out by SOEs before the partial privatisation. These are related mainly to the maintenance and penetration of strategic markets for the control of energy resources and transport routes, to create the basis for new political alliance with foreign counterparts or to strengthen the existing ones, and to launch or strengthen new initiatives of multi-sectoral trade. MOEs still have the potential to pursue these objectives despite the changes in the national and international contexts. In fact, as in the epoch of SOEs’ monopoly, they still own and operate a remarkable amount of assets for gas production and transportation overseas, whilst having accumulated a great amount of knowledge and trusted relations with the producing countries. Therefore, it is not surprising that many European states still benefit from their influence on MOEs to serve national interests.

However, after the European Commission declared the potential illegality of some uses of Golden Shares\(^7\), many states have decided to change their legal position in the MOEs by keeping only a ‘Golden Power’ (Bassan, 2014). The latter entails the possibility for the state to only veto corporate actions that represent an evident threat to energy security. However, the decreasing state influence over MOEs could make it difficult to pursue some of the long-term strategies for energy security, as well as the pursuit of the aforementioned political-economic objectives through MOEs. The European Member States’ ability to pursue these objectives will probably decrease further in the light of the forthcoming EU provisions for the oil & gas sector (European Commission, 2016), which envisage the EU Commission’s supervision and approval of each Intergovernmental Agreement stipulated by Member States with non-EU countries.

4. CONCLUSIONS

The transition from SOEs to MOEs in Europe’s gas sector was the result of extensive privatisations carried out over the last decades. The introduction of private management and private shareholders in former SOEs reflected the need to rethink suitable governance arrangements for the new competitive market structure brought about by the European Single
Market policy. It also reflected the need to reshape state intervention in the economy after the European economies’ transition to more advanced stages of development.

The introduction of private management and private shareholders in MOEs has implied the emergence of profitability as the primary objective for the corporate management. Nevertheless, the European states’ major shares held in the MOEs are a legacy of former European SOEs in their traditional function of economic policy tools. This legacy is justified by the strategic relevance of former SOEs, and the economic, social and political implications deriving from them.

In this paper, I have shown that the ownership structure of MOEs makes it possible to pursue some of the traditional objectives of public policy, especially those related to the external sphere of action, whilst some others are in principle not pursuable, because they would occur at the expense of profitability. For instance, energy security and political-economic cooperation with foreign countries are still pursuable through MOEs because they may be achieved along with profitability. In this case, public and private objectives could potentially benefit from mutual synergies.

Nevertheless, the state would not be able to pursue economic and social objectives directly related to the internal sphere of action, i.e. at the national level, for instance to undertake large-scale investments for industrial upgrade, as well as to ensure consumers’ price affordability and geographical access.

Large-scale investments were strategic to improve economic competitiveness in earlier stages of development, whilst they became relatively less necessary in the current stage, due to the lower margins of technical improvement and the lower levels of socially desirable investment required. Nonetheless, the gas sector has maintained its systemic relevance, still being an important input for all the sectors of the economy. This, in turn, implies that too much emphasis on short-term profitability might hamper the long-term competitiveness of the whole economy.

Objectives of social nature also seem to be difficult to pursue through MOEs. In fact, consumers’ price affordability and geographical access usually occur at the expense of energy firms’ profitability, and are therefore unlikely to be pursued in the context of profit-oriented MOEs.

In conclusion, the transition to MOEs in the gas sector can be explained by the attempt of some European states to adapt the governance of key energy players to a renovated context of market competition, whilst keeping a certain degree of control on them because of their
strategic role in relevant political-economic areas. Nevertheless, the introduction of private management and the competitive context in which MOEs operate make it difficult to pursue sensitive objectives of economic and social nature that were pursued before SOEs’ privatisation. This suggests the need to consider how to pursue such objectives not through MOEs, but by devising innovative governance mechanisms that take into account the new energy market context whilst balancing the interests of the main stakeholders, namely states, energy firms, and consumers.

Notes

1 The creation of the European Single Market was conceived in the aftermath of WWII, and it was based on the idea that increasing levels of economic interdependence among European states would have decreased the probability of future wars. Only in subsequent phases, once the threat of an intra-European war vanished, the emphasis shifted to objectives related to the economic sphere, such as allocative efficiency and market competition.

2 For the purpose of this paper, it is useful to refer to MOEs as companies in which the state holds a minority share that is nonetheless significant enough to have an influence on management strategy. This ownership structure is by far the most common in EU 15, as Table 11.1 shows. The governance of other companies will be left for future research. This paper refers to SOEs as the former, fully state-owned companies that were prevalent before the privatisation. Therefore, this paper’s definition of SOEs is not the same as the current OECD definition (Christiansen, 2011), which includes all the ownership structures in which the state holds more than 50 percent of the shares. This is necessary for the purpose of this research, because it makes it possible to analyse the effects of the transition from fully-owned to mixed-owned enterprises.

3 This assumption is widely accepted. However, the nature of private and public objectives is usually more complex than the simplified one assumed in this paper. As Florio (2004) notes, one could further disaggregate objectives pursued by the state because these often reflect the interests of different institutional apparatuses. The same logic might be applied to the multiple nature of the interests representing the private shareholders.

4 In addition to the gas sector, SOEs have prevailed in other key sectors of the economy, as well as in other energy industries, most notably nuclear, oil and electricity (Millward, 2005). Although the main reason for the creation of SOEs in key sectors was to stimulate economic growth, public ownership also aimed to overcome critical conditions determined by external events such as economic crises (for instance oil crisis of the 1970s).

5 The idea that market competition would represent the only, or at least the main, determinant for energy firms’ success or failure has not so far proved correct, at least in some areas. For instance, it is not yet clear if renewable energy can compete with traditional energy sources without large-scale public incentives (see Alberici et al., 2014).

6 The Golden Share is a set of “special rights that have been attached to a [public] share” (Adolff, 2002, para. 8; see also Grundmann and Moslein, 2004). This, in many cases, has granted the control of the company, even if the latter is usually not contemplated in the context of minority shares such as those held by European states in contemporary MOEs. However, even in absence of the Golden Share, a minority public share ranging between 20 percent to 50 percent, which occur in most of contemporary European MOEs, also grants a considerable degree of influence on the management, especially when this is considerably greater comparing to the shares held by the other shareholders.

7 According to the European Commission, the Golden Share makes it possible for the state to veto major external investments in the company for reasons other than the explicit threats to vital interests such as energy security; for instance, to maintain the leadership in strategic markets. This behaviour would breach the provisions of the EU Treaty on the free movement of capitals (Grundmann and Moslein, 2004; European Commission, 2012).
REFERENCES


