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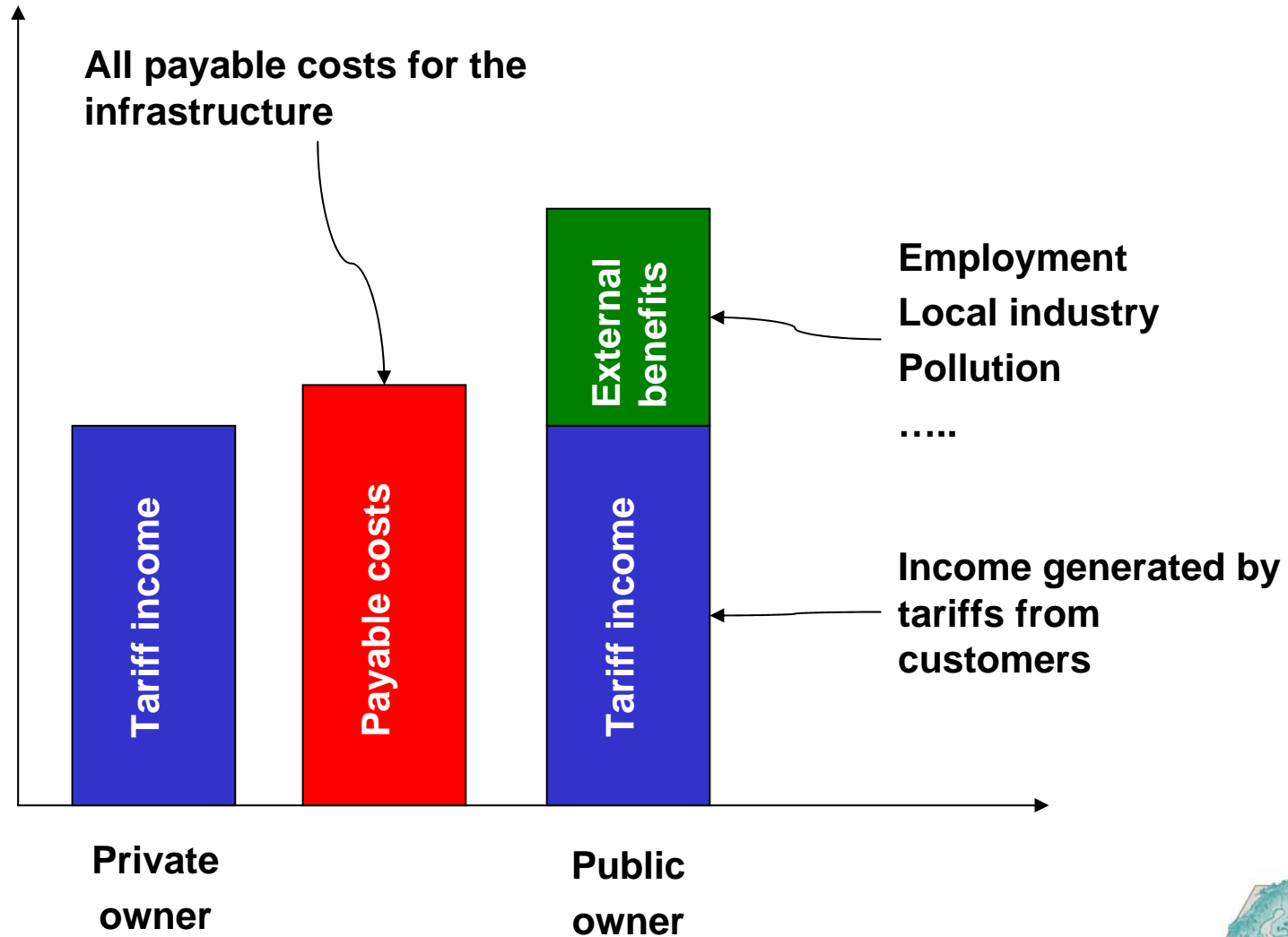
Xrgia AS

Infrastructures and Networks – Challenges for Nordic energy policy and regulation!

- Who should invest in infrastructure:
private or public investors?
- Who should decide:
politicians or market?

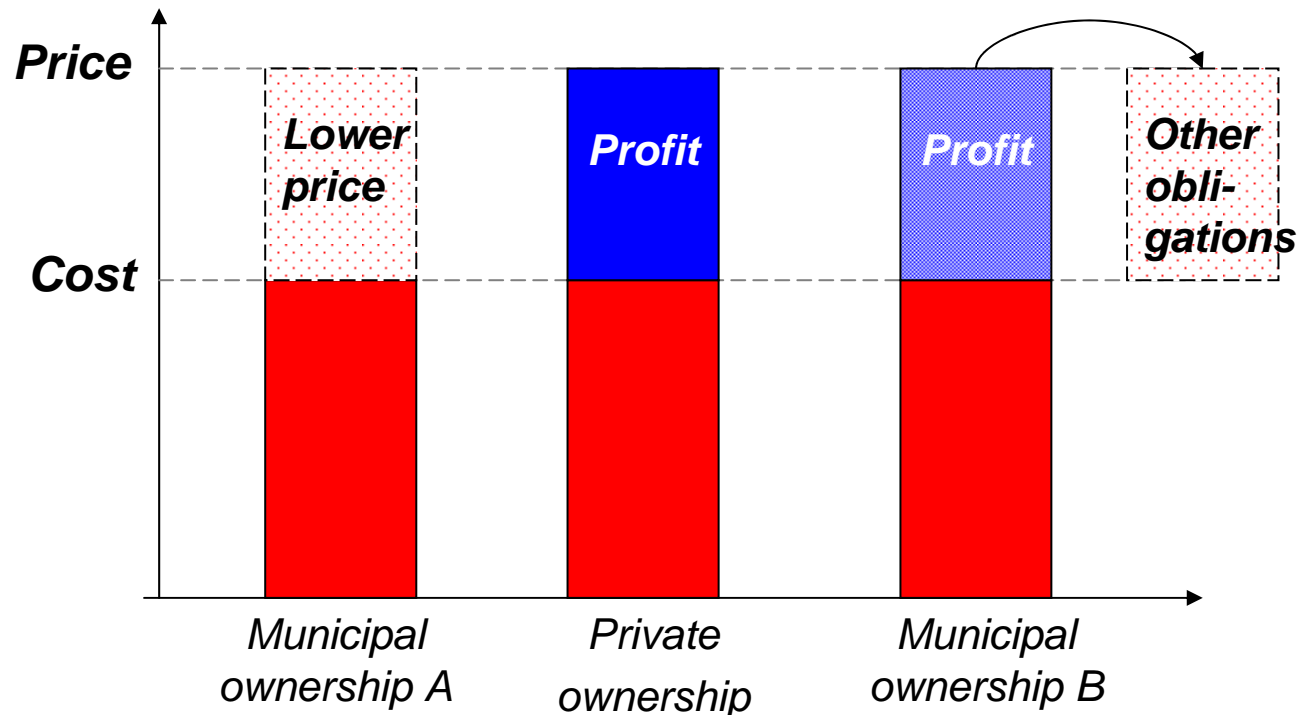


Profit maximizing or maximizing social surplus

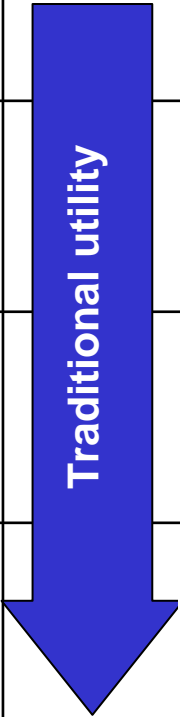
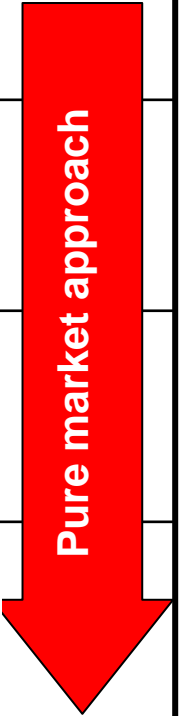


Regulated private ownership or municipal ownership?

1. Who delivers the cheapest and/or best quality?
2. Can municipal ownership deliver services at the same price while generating dividends for the municipality to finance its other obligations?



Decision models – strengths and faults

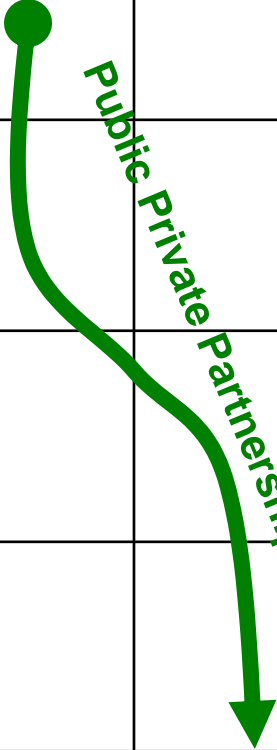
Decision	Problem/issue	
	Public owner	Private owner
Decision to invest in infrastructure		
Design / dimensioning of infrastructure		
Efficient construction of the infrastructure		
Efficient operation of the infrastructure		

Effektivitets-
problem

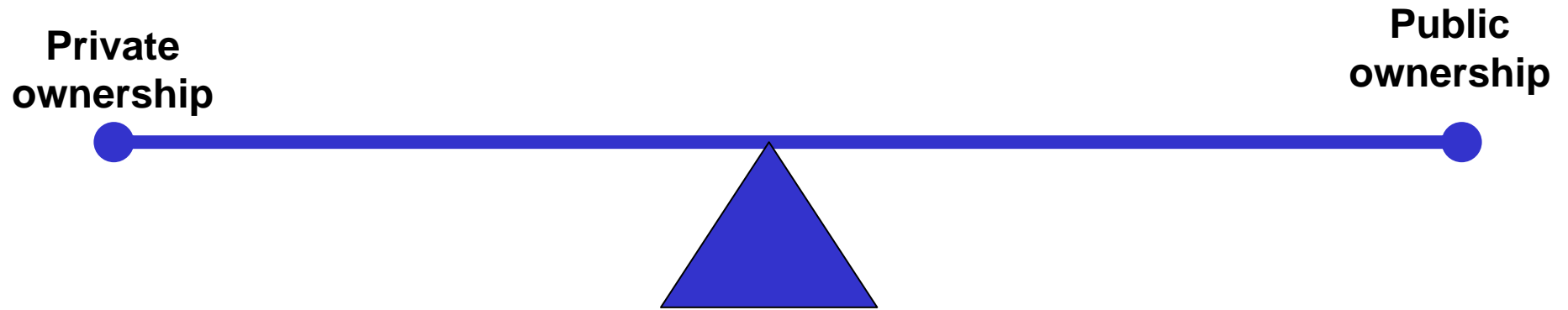


Beslutnings-
problem

Public Private Partnership



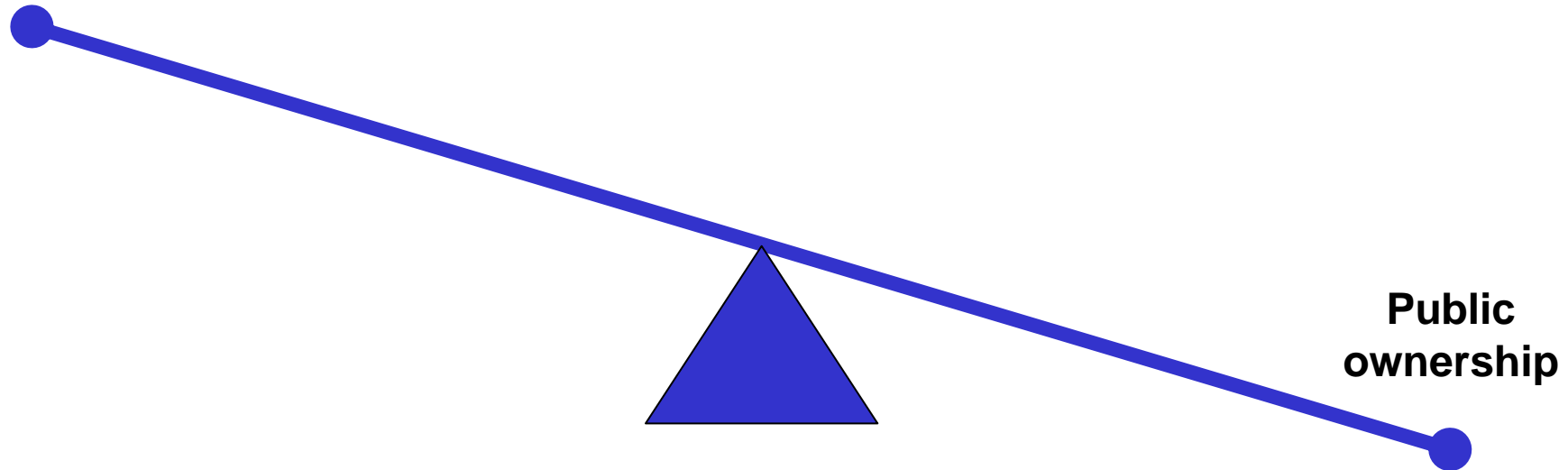
Market failure vs Government failure



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Market failure vs Government failure

Private
ownership



Public
ownership

Government Failure

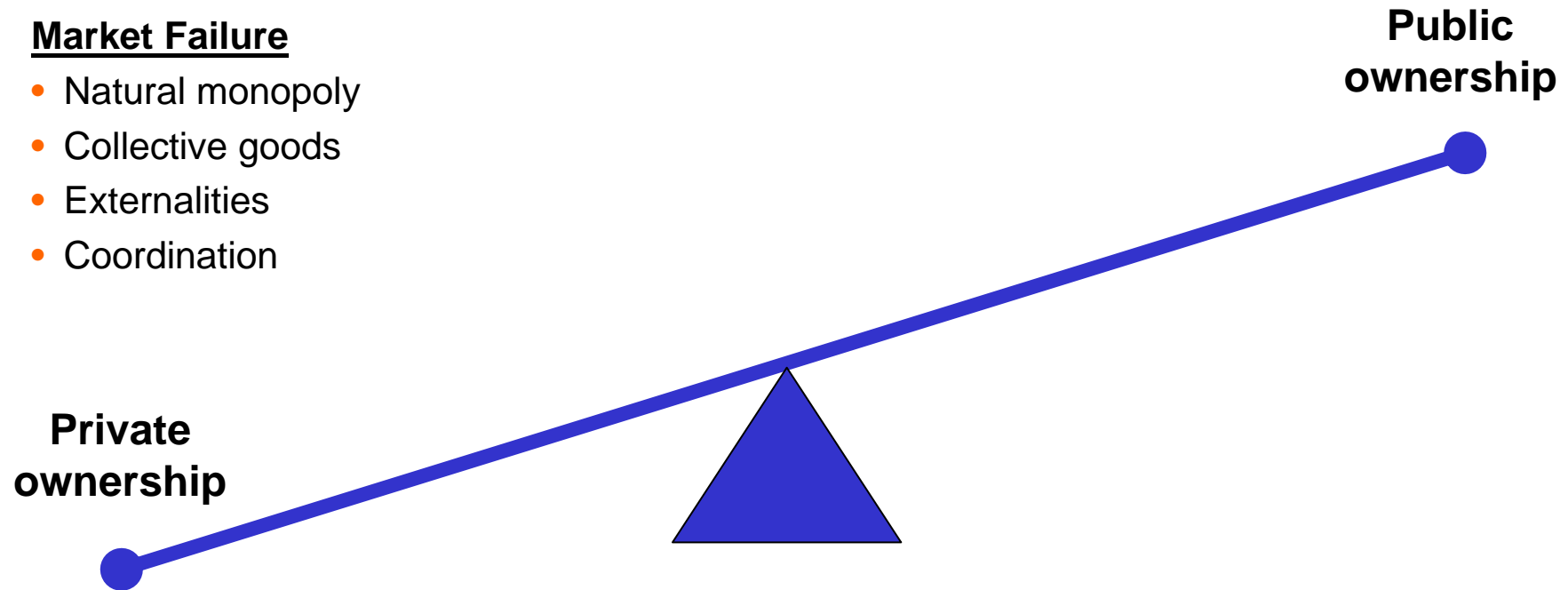
- Information failure
- Gold-plating
- Cost of Regulation
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Too much investment

Market failure vs Government failure

Market Failure

- Natural monopoly
- Collective goods
- Externalities
- Coordination



Too little investment

Market failure vs Government failure

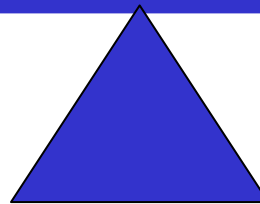
**Private
ownership**

**Public
ownership**



Policy Objectives

- Effective regulation, giving incentives for:
 - Optimal investments
 - Efficient utilisation
- Improved coordination



Policy Objectives

- Incentives for
 - Optimal investments
 - Efficient utilisation
- Improved information

Preliminary conclusions

- The owners' objectives matter
- Public government should take a more active role in future infrastructure investments
- Private owners provide continued focus on efficiency
- **New balance – no retreat to old ways**

