

# State involvement in energy markets:

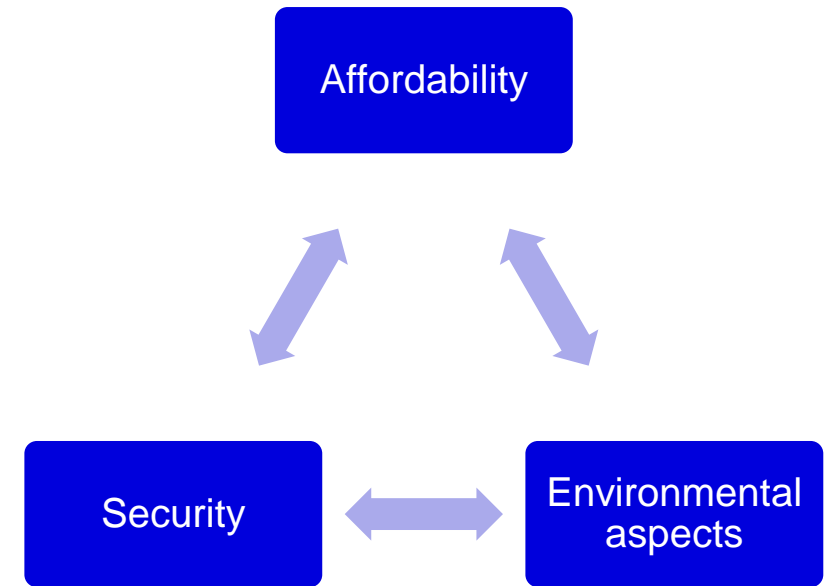
Where we are and where do we go from here?

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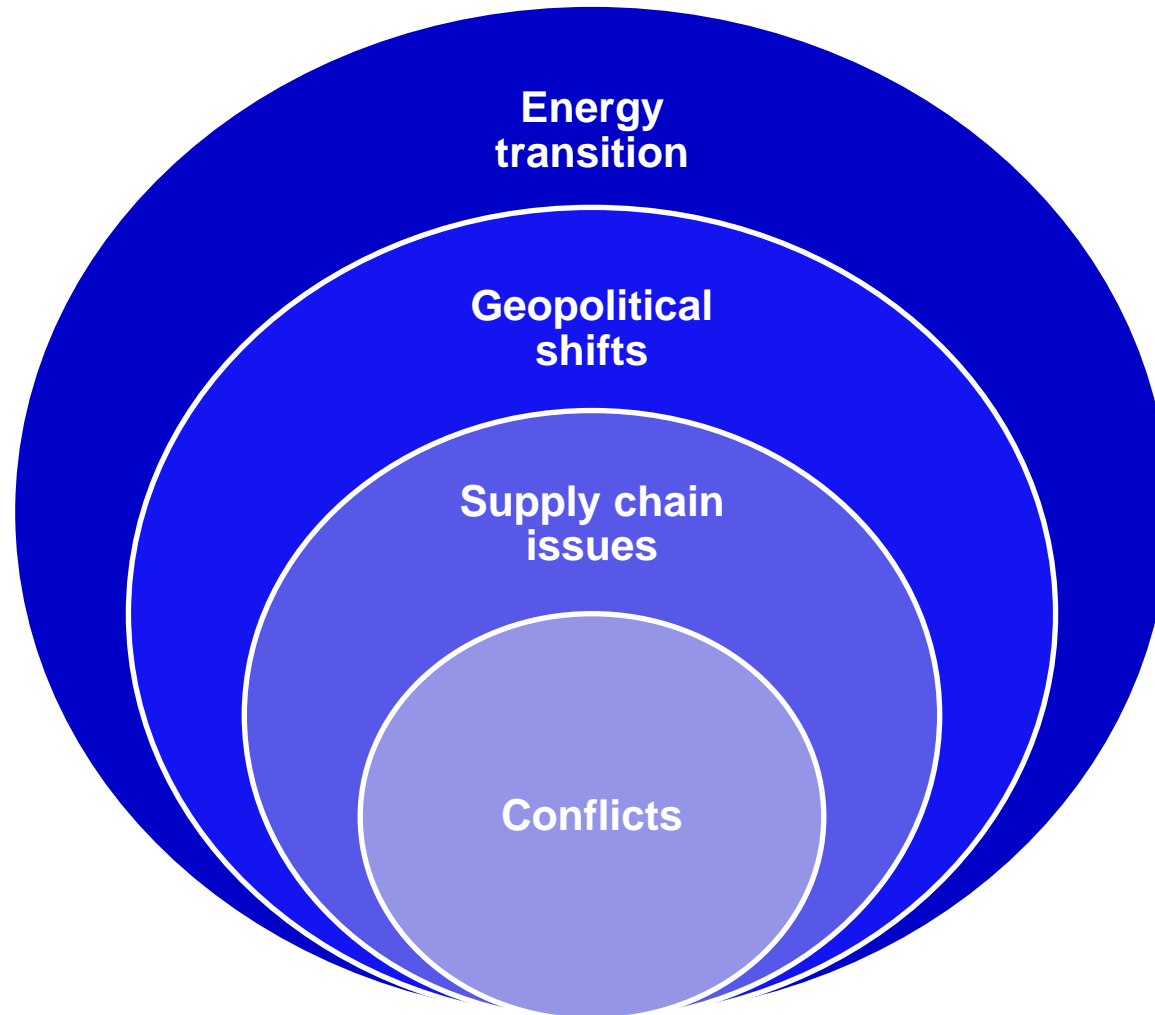
Masaryk University, Czech Republic

# Where we are

- 1990s, 2000s, 2010s – market building & liberalization
  - inward focus
  - market functioning
- 2020s – crisis management, readjustment, de-liberalization?
  - polycrisis
  - change of paradigm?
- A constant tension on the market vs. state continuum

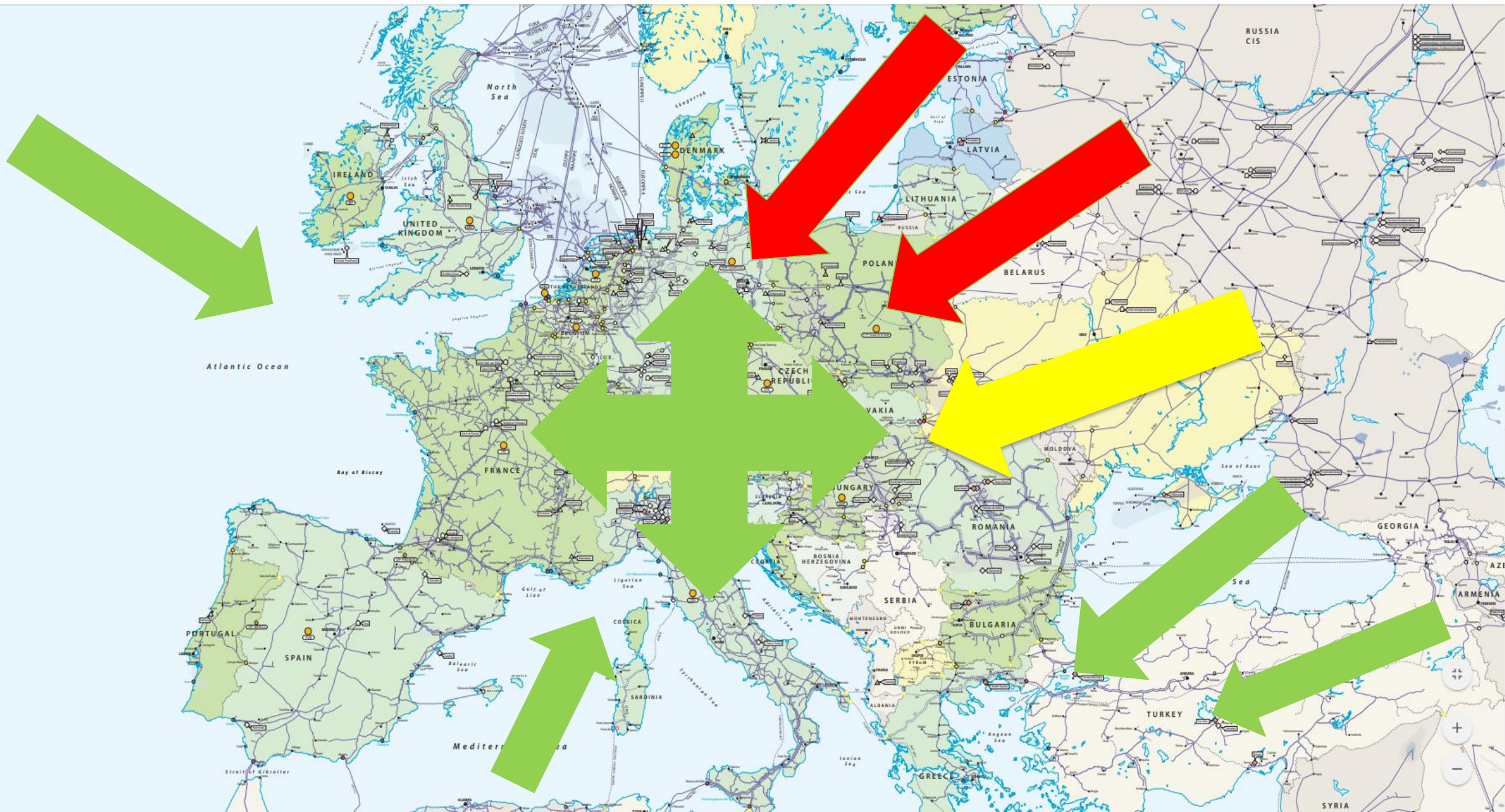


# Where we are: a poly-challenge



# Where we are

- The market worked well under standard conditions
  - Tools suitable for adjusting the internal workings
- Still, the market development was unbalanced
  - The hardware (infrastructure) and software (legislation) were not developed equally
  - Gas sector as the prime example
- External factors beyond the market's control
  - The market was built on an assumption that all participating actors are rational
  - Built on rationality and the demand-supply nexus (naturally favoring the cheapest offer), the market could not factor-in irrationality (geopolitical factors), and 'black swans'
- A change of supply patterns as a result of the EU's intentional policy and unexpected externalities

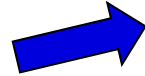




# Gas market changes

## Sources & potential

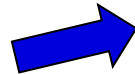
- Norway



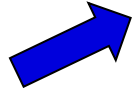
- US



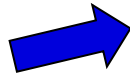
- North Africa



- Qatar



- Azerbaijan



- Russia



## Current state & future

- A more fragmented, but more secure import portfolio
- A more competitive global LNG landscape
- Demand in SE Asia as the key determinant
- A more volatile LNG price; a generally higher price level
- Fuel switching and demand destruction in the aftermath of the crisis
- An increase in demand followed by a plateau towards 2030 is expected

# Where we are

- In the crisis, the market worked, albeit not in the consumers' favor
  - High-cost, balancing sources (natural gas) push the price level high (a financial crisis, not a supply crisis)
  - Price hikes – politically sensitive
- Price hikes as politically undesirable phenomena
- State acquisitions
  - Gas storages
  - Net4Gas
  - GasNet
  - Uniper
  - Fuel retailers
  - ...
- **Strategic investments?**

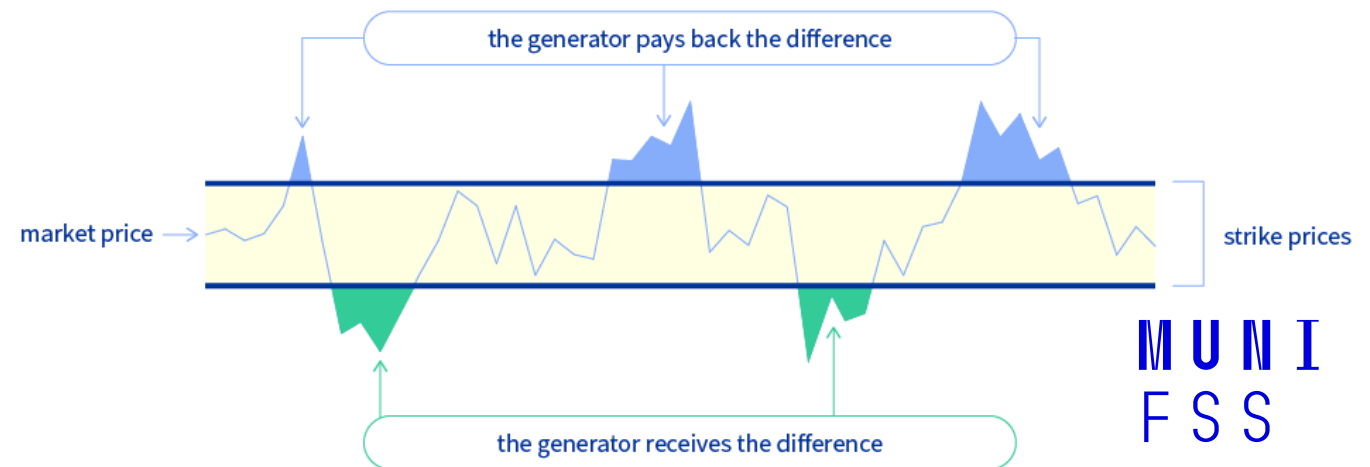
# Is the pendulum swinging back?

- Over-arching need for substantial investments in the energy sector
  - Sources, infrastructure
- What is strategic and what is not?
  - An alibi for state interventions?
- EU energy/electricity market reform
  - Long-term contracts
  - (Semi)fixed prices
- The price of energy security?
- Market unsuitability for strategic decisions (which are seriously needed going forward)
- The market cannot provide the needed signals for investments with a delayed ROI
  - A liberalized market is not the ultimate goal anymore, since it fails to provide basis for long-term investments, and investments with questionable ROI



# Electricity market reform

- To provide price stability (which could mean price increase) necessary for long-term planning
  - Capital intensive (base-load) sources (e.g., nuclear) require market predictability
  - The reform aims at allowing long-term contracts or price guarantees (e.g., contract for difference) in certain cases
  - Governmental support
- Future measures: capacity payments, power purchase agreements, ...
- Natural gas as a balancing source and a back-up
- Decoupling of electricity price from the natural gas price?
  - ‘The Iberian Exception’



# Thank you for your attention

- Looking forward to your questions and comments!
- Let's stay in touch!
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