

CENTRE FOR APPLIED BUSINESS RESEARCH IN

**C A B R E E**

ENERGY AND THE ENVIRONMENT



# *Triple E Policy Issues – What's a regulator to do?*

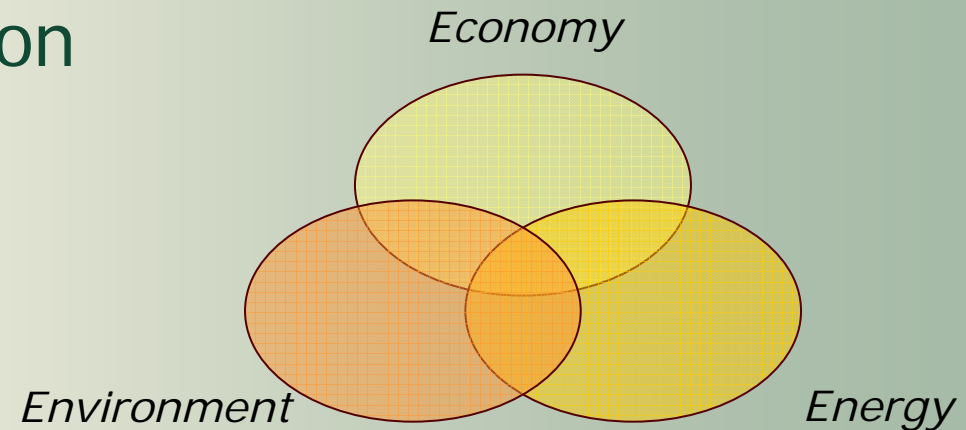
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- Where does regulation fit in?



- \$ is a simplistic metric
- What makes the question interesting, and challenging, is *transborder* effects and issues

- Which *borders*?
  - ◆ Political/Geographic



- ◆ Procedural



- ◆ Economic



## 1. Why is globalization an issue?

- Globalization leads to a fluidity of production and consumption ...
  - ◆ Everything global is local
  - ◆ Everything local is global

- Examples of significant global issues
  - ◆ Climate change
  - ◆ Food vs fuel
  
- How does globalization compare/contrast to regulatory actions? With regulation
  - ◆ Focus is local
  - ◆ Limited in scope

## 2. How are « local » issues becoming « global »?

- ◆ Technology and information
- ◆ « Democratization » of process

### ■ How does this impact regulation?

- The notion of public good has changed
- The notion of public participation has changed

- Today it often seems as if local (private) costs have a quasi-veto power over global (social) benefits
- The tradeoff of costs and benefits is much more difficult for global issues

3. Can we develop normative rules in order to « balance » energy, the environment and the economy?
- An economist would think of using costs...but which costs?
  - But this is not the only way to look at the problem(s)

- Energy market regulation: a mix of politics, economics, technology, etc.
  - ◆ Politicians don't necessarily understand markets
  - ◆ Economists don't necessarily understand politics
  - ◆ Consumers don't necessarily understand costs

- Dealing with energy, the environment or the economy, in isolation, is relatively easy
- Dealing with the *border issues*, is much more challenging?
  - ◆ Political/Geographic
  - ◆ Procedural
  - ◆ Economic

- What should regulators do?
  - ◆ Articulate the objectives and limits of regulatory action and how they are changing
  - ◆ Pro-actively challenge policy makers to keep pace with the changing landscape
  - ◆ Develop efficient tools/approaches for *border* issues
  - ◆ Engage stakeholders pro-actively