



A University-Business Learning Partnership

ENERGY INSTITUTE CO-ORGANIZES ENERGY SECTOR IN THE FSU AT OXFORD

The Energy Institute at the University of Houston's College of Business Administration collaborated with the Russian and East European Center at Oxford University's St. Antony's College to organize a two-day conference on the transition in Russia's energy sector. The event focused on the microeconomics of transition and more particularly on industrial structure, de-monopolization, corporate governance and financing.

The politics of oil industry in FSU countries was discussed first. **Sir Rodric Braithwaite** (Deutsche Morgan Grenfall Bank, former Ambassador to Russia) expressed certain optimism about the decline of "jungle capitalism" in Russia and eventual establishment of western-style capitalism in Russia. **Dr. Paul Goble** (publisher, RFE/RL, George Washington University) explained the differences between western understanding and FSU meaning of "public ownership" and "private ownership" concepts. State ownership of oil and gas resources is crucial for countries in the region in the power game they play. Russia's control of the pipeline system and its stance on the legal issues concerning the Caspian Sea must also be seen from the perspective of Russian control in the region according to Dr. Goble.

In the second session, **Dr. Paul Gregory** (Cullen Professor of Economics, University of Houston) provided details about corporate governance, privatization and capital accumulation in the Russian energy sector. Dr. Gregory supported privatization efforts of Russia and pointed out that Russia was learning tough but important lessons and that it would take time for establishment of market institutions. He also indicated that external ownership in Russian companies should increase the importance of corporate governance and should improve investment capabilities of these companies. **Dr. Sergei Chernavsky** (Academy of Science of the Russian Federation) discussed the consequences of price liberalization in oil and coal industries, and partial privatization of newly formed joint stock companies in oil and gas industries. In particular, he dealt with the emergence of natural monopolies, the impact on the human factor, the non-payment problem, poor transparency of financial operations, and cross subsidies across consumer groups as well as across regions.

The lunch keynote speaker, **Dr. Vladimir Tsapelik** (Acting Head, Anti-Monopoly Committee of the Russian Federation) talked about the financial industrial groups and their role in the Russian energy sector. After lunch, **Dr. Andrei V. Cherniavsky** (Deputy Director, Institute for Problems of Investment) discussed characteristics of Russian oil companies and provided a ranking of these companies based on the "quality" of performance. **Dr. Marina Dracheva** from Energy Intelligence Group evaluated the regulatory environment in the oil sector. The first day ended with the keynote address of **Dr. Andrei Konoplyanik** (EBRD-Moscow) who talked about the investment climate in the FSU.

The second day started with the review of overall status of the Russian economy and its relationship with the energy sector. The potential for economic growth and capital accumulation needed for improving the conditions of the

energy sector were discussed by **Dr. Evgeny Gavrilentov** (Deputy Director, Bureau of Economic Analysis, Russian Government) and **Jochen Wermuth** (Deutsche Bank, Moscow). The conference ended by a panel discussion of energy sector de-monopolization. **Dr. Michelle Michot Foss** (Director, Energy Institute, University of Houston College of Business Administration), **Dr. Robert Mabro** (Director, Oxford Institute for Energy Studies), **Clive Jones, C.B.E.** (Advisor, Energy Institute, University of Houston College of Business Administration) and Dr. Goble compared several country experiences with energy sector reform.

Closing thoughts were provide by one of Oxford's well known authorities, **Michael Kaser**, who pointed to the importance of considering interactions among all of the former Soviet republics, using debate on oil and gas export pipeline routes as an illustration.

The conference was co-organized by St. Antonys' **Dr. Carol Leonard** and Paul Gregory with sponsorship from **British Petroleum**.