



COMMENT & ANALYSIS

Wrong to assume private equity will be irresponsible utility owners

By Helen Davison

Published: July 12 2007 03:00 | Last updated: July 12 2007 03:00

From Ms Helen Davison.

Sir, While much of the European Union's proposed legislation on unbundling is to be welcomed, proposals aimed at deterring private equity undermine the EU's ongoing liberalisation agenda ("EU energy break-up backed", July 11).

It is all very well to aim not to replace one set of irresponsible utility owners with another. But it is wrong to assume that private equity firms will be any more irresponsible than public utility owners. It is the public owners of these assets that have proved themselves irresponsible by abjectly failing to invest in key assets under their control; hence the case for unbundling in the first place. Political point-scoring at the expense of private equity fails to recognise that it is in the interest of private owners to add value to the companies under their control.

Appropriately applied minimum investment requirements can be a key part of effective market regulation, but applying them for petty political reasons threatens to undermine the goal of liberalisation by exchanging one form of protectionism, against cross-border ownership, with another, against private equity.

Perhaps Europe should rethink

its prejudices about ownership of utilities and other natural monopolies.

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