

# A Retrospective Evaluation of the GDF/Suez Merger: Effects on the Belgian Gas Hub

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Competition policy enforcement activity in the EU energy sectors has increased significantly over the last fifteen years, especially with regards to merger cases. In some of its decisions, the European Commission (EC) required merging parties to offer substantive remedies to, in principle, offset the anti-competitive effects of the merger (see e.g. Polemis, 2018).

In reality, though, some of these remedies may have gone further than that. Indeed, many commentators have argued that they may have been used to promote market liberalisation and in particular to achieve effective unbundling of network and supply activities.

This paper provides a quantitative ex-post analysis of one of the most important mergers in the EU energy sector in recent decades, the Gaz de France's (GDF) acquisition of Suez in 2006. We analyse whether the merger and the associated remedies imposed by the EC restored, or indeed improved, initial market outcomes.

We focus on the impact on the market for trading in Belgium's Zeebrugge (ZEE) hub, a key part of the European gas market and an important target of the remedies imposed by the EC. Indeed, prior to the merger, the ZEE hub had suffered from limited infrastructure access and liquidity issues. Part of the remedies, which included ownership unbundling, aimed to free up access to the hub. If effective, the remedies should allow for a higher liquidity through more entry, higher traded volumes, and lower prices in the hub.

We present a series of Difference-in-Difference (DiD) analyses, which compare the evolution of prices at the ZEE hub relative to different counterfactual hubs before and after the merger, suggesting that the remedies did more than successfully limit the merger's potential anti-competitive effects. Indeed, we find that not only did prices not increase, but they declined. We also provide evidence of the improvement of other outcomes at the ZEE hub in the post-merger period in terms of increased entry, trading volumes and investment.

Our analysis supports the view that the EC's merger policy actions may have been used as tools to improve market outcomes in EU energy markets. One cannot totally exclude that price declines are a consequence of some efficiency gains generated by the merger. However, this is unlikely, given that no potential efficiency gains at the hub were indicated by the merging parties. The estimated decline in prices, thus, suggests that ownership unbundling has generated better access to the hub. In this respect, the remedies seem to have done more than simply mitigate the potential anti-competitive effects of the merger.

Our results are also in line with the view that for merger transactions that fall within its jurisdiction, the EC can bypass Member States in applying EU merger policy in order to reduce the power of national champions. Indeed, through the application of merger remedies, the EC can ensure third-party access and unbundle vertically integrated companies. These remedies may at first

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sight seem like an overreach of limiting potential anti-competitive effects. However, the European Court of Justice pointed out in its judgment of ENI/EDP/GDP merger that there exists no legal problem to the EC pursuing liberalization of energy markets through its merger policy actions, as it is aimed at increasing competition.