

Dear OECD colleagues and Sara,

A very rich document, and my comments do not do it justice (in part because I have not really had the time to give it the detailed attention it merits). Here are some comments (some provocative) with the focus on achieving emissions reductions (i.e., part of the sustainability objective). So the prism used for my comments is admittedly very narrow for these purposes. I hope they are useful in some way.

1. Why the objective to maintain a global level playing field? Will that add to reducing emissions? Not necessarily. A committed SOE with significant government subsidies for low carbon can probably do wonders to reduce emissions (and let's not forget that governments already providing subsidies to private sector companies for low carbon in various ways, including Germany's very successful feed-in-tariffs scheme). So I don't have a problem with the global level playing field but we should acknowledge what it can do and can do less well. Your OECD study captures the issue well (in the title, if perhaps not totally in the findings): State-Owned Enterprise as Global Competitors: A challenge or an Opportunity? In our article, I and my co-authors raised the possibility that a dominant power SOE, if pointed in the right direction, could be a more effective tool to reduce emissions (Decarbonization in state-owned power companies: Lessons from a comparative analysis (April 2022))
2. Excellent to expand SOE definition to include minority but controlling share. I think the tricky issue to perhaps give more recognition to is the way a state can exercise, through informal ways, effective control over companies where it has a minority position (admittedly something that is more likely with autocratic regimes). And may be useful to recognize that some companies where gov has minority shares will move in and out of the SOE definition, depending on what is actually happening on the ground (Russia may be a good illustration of this).
3. What Elon Musk has done with Twitter arguably changes perhaps the definitive nature with which private sector treatment of commercial considerations is expressed.
4. Might be useful to add a concept of climate effectiveness or something, as a complement to the notion of a level playing field. [Yes, I realize ecosystem not quite ready yet, but something to bear in mind.]
5. P. 11: I don't think it is to maximize only long-term value, nor should it even necessarily be so. For example, resilience and recovery from climate events are shorter-term value propositions of importance to SOEs and their government shareholders. So I would remove that addition in para A (or include it only as an example but short-term value should also be recognized, especially in this world of damaging climate events).
6. I also think that paragraph A would benefit from greater amplification. It relates to the rationales that appear in the next paragraph. What are possible rationales? Perhaps can add things like economic benefits, social benefits, sustainability (admittedly, this is a weak suggestion on my part).
7. Page 12: on paragraph B, etc., I think it is probably important to recognize that in giving operational autonomy, important that the state has set out clearly what is its (sound/valid) objectives as a shareholder. Section II goes immediately into a process section, without recognizing enough the guidance role of the shareholder.
8. And now I jump to your new (and exciting) chapter on sustainability: great to see this in here!

9. In terms of objectives, an interesting point: contributes to SOEs sustainability and resilience and ensures long-term value creation. I note that you don't mention sustainability/etc. regarding the public good. I don't have a formulation but I wouldn't want an NOC to feel that their objective is simply to protect their fossil fuel market share, especially where a government has decided to pursue decarbonization. I think it goes beyond disclosure and transparency, which are process points. You get to this more in paragraph A. Can we somehow bring this into the chapeau? Governments can and should use their SOEs to advance the government's sustainability goals.

10. Para B, again, do note: whose sustainability?

11. Para D: an interesting question regarding level playing field. Should SOEs be subject to same requirements as private sector? Or, can't government actually reasonably require more in terms of business conduct, etc.? I don't have an answer, but I get to raise the question.

12. In terms of Annotations to Chapter 1 at p. 23, do you want to add more discussion on SOEs owned at subnational levels? Perhaps you have.

13. P. 23, again, I really would take out long-term value or at least don't make it exclusive to only long-term value. Also, as a practical matter, governments in democratic systems are often not there for that long in any event (e.g., in Mexico), and serving short and medium term value (likely reducing homelessness and poverty) are important.

14. P. 69, annotations to chapter 7: I guess my biggest comment (noted above) is to address situation where state uses SOE to advance state's sustainability objectives. So I would tweak it to add the fact that states may look to SOEs to advance their sustainability objectives (e.g., Mexico under President Calderon and Pina Nieto; we have a paper coming out on this topic which I can share with you informally, if of interest).

15. P 76: stakeholders: does this include foreign private sector actors? The example is about employees, but is that the only focus? Also, the addition seemed a little strange, possibly out of place? Are you thinking about coal miners being adversely affected by energy transition issues? Note that coal miners have been losing their jobs to automation in the US starting in the 1990s and likely to do so in China as well, even more than from climate policies. So, perhaps this discussion should go somewhere else, and not just tied to sustainability. If this is about just energy transition considerations, then perhaps should be made more explicit.

Regards,

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