

For Official Use**English text only****15 February 2021****PUBLIC GOVERNANCE DIRECTORATE
REGULATORY POLICY COMMITTEE****Summary Record for the NER webinar “Economic regulators one year into the COVID crisis: Changing sectors and priorities”**

20 January 2021, 12:30-14:15 CET

This document summarises discussions at the 4th webinar of the OECD Network of Economic Regulators on the impacts of COVID-19 on the work of economic regulators: “Economic regulators one year into the COVID crisis: Changing sectors and priorities”. Delegates are invited to contact the NER Secretariat with expressions of interest for co-hosting future webinars.

The Agenda is available in the Annex.

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Save the date !

The 16th meeting of the Network of Economic Regulators is expected to take place in a series of sessions in virtual format during the week of 12 April 2021. Further information will be shared with delegates shortly.

Introduction

1. The OECD Network of Economic Regulators (NER) organised its 4th webinar, “Economic regulators one year into the COVID crisis: Changing sectors and priorities” on 20 January 2021 to explore how the COVID-19 crisis has affected different network sectors and whether the crisis has impacted the priorities and objectives of economic regulators. Over 70 participants from 36 regulators across all network sectors joined the webinar, representing 21 countries.

2. The webinar builds upon existing work of the NER exploring the impacts of the COVID-19 crisis on the work of economic regulators. [Webinar 1](#) explored regulators’ responses to COVID-19 (April 2020), [webinar 2](#) discussed specific considerations for transport regulators (co-hosted with the Canadian Transportation Agency) (May), and [webinar 3](#) discussed the long-term considerations for regulators beyond the crisis (co-organised with the Water Industry Commission for Scotland) (June). In addition, the OECD published a [policy brief](#) (“When the going gets tough, the tough get going: how economic regulators bolster the resilience of network industries in response to the COVID-19 crisis”) building on these discussions in July 2020. These activities form part of the wider OECD effort to support countries as they tackle the health crisis and the economic and social ramifications of the pandemic.¹

3. The NER work in 2020 highlighted a number of areas where regulators adjusted their activities in reaction to the COVID-19 crisis, such as designing and implementing a suite of emergency measures and adapting regulatory approaches and governance arrangements. It also brought out a number of key questions to explore further in 2021, such as the longer-term effects of the crisis measures (including on the structure of the sectors), the legitimacy of decision-making in an emergency situation and changes to the status and goals of economic regulators. In the context of the prolonged sanitary crisis and its economic effects, the 4th webinar intended to start exploring these topics.

Sectors have shown different patterns of change as a consequence of COVID-19

4. Regulated sectors have been heavily affected by the consequences of the pandemic – restrictions imposed by governments (working from home where possible, closure of shops, limitations on national and international travel, etc.), behavioural changes in population or changes mandated by workplaces in order to reduce the spread of the virus. The webinar offered the opportunity to take stock of sectoral impacts one year into the crisis and to understand which expected and unexpected effects manifested.

5. The pandemic resulted in “winners” and “losers”, as the impact differed across sectors. For instance, the telecommunications and postal sectors saw an increase in traffic due to the crisis. In

¹ See the OECD webpage Tackling the Coronavirus (COVID-19) : Contributing to a global effort : <https://www.oecd.org/coronavirus/en/>

telecommunications, revenues shifted clearly between different services, influenced by home working – for instance, in France, there was a 45.3% increase in optic fibre subscriptions in the second half of 2020 compared to the same period in 2019. By contrast, the usage of mobile and roaming services has decreased significantly due to a decrease in international travel. Revenue streams have shifted for the market providers in consequence.

6. The increased practice of online shopping added more pressure on postal operators during the pandemic. The popularity of online shopping also affected the transport sector, as it led to an increase in the demand for cargo shipments.

7. On the other hand, the transport sector overall has been heavily affected by the slowdown of economic activity, as well as by restrictions on national and international movement. This led to a lower capacity for international cargo, as some cargo services are connected with passenger services. In Germany, the lower availability of capacity (such as the number of flights) led to a noticeable increase in prices and waiting times for international cargo. Moreover, cargo services faced practical restrictions on port entry and there were difficulties in arranging the change of crew for all modes of transport. Besides the service providers themselves, the pandemic had a detrimental effect on transport infrastructure services, with ports, airports and traffic controller bodies requesting financial help, or working with regulators on specific issues (such as the storage of stationary trains on tracks).

8. The reduction in economic activity also impacted the energy sector, with significant drops in demand and consumption especially noted in industrial areas.

Market structures and regulatory models remained resilient

9. Regulators highlighted that markets showed resilience, despite the shocks from the pandemic to the status quo. Markets responded in the expected way, where market mechanisms such as price changes could absorb changes in demand and supply. In some cases, market activities and capacity increased to meet an increasing demand, as was the case in the German and Finnish postal markets due to a surge in online shopping. This example and others suggest that the market model has proven its value.

10. As the existing regulatory models continued to function, the crisis does not necessitate a *revolution* of regulation, rather an *evolution*. Regulators were able to adapt the parameters of existing regulatory models to reflect long-term changes, such as higher uncertainty in markets or changes in volumes. In other cases, network planning will need to shift to reflect changes in the market, such as different energy mixes or an increased demand for technologies such as fibre. As part of this evolution in the regulatory models, regulators will also need to assess if the goals and incentives that they set through their regulatory models and practices need adjustment.

Regulators had to adapt, but fundamental objectives remain relevant

11. In many jurisdictions, regulators saw a shift in their activities from oversight towards designing and/or implementing exceptional measures, making regulators more crucial to market operations. At the same time, the core activities of regulators have also remained critical to market functioning. In some countries, public investment increased in the regulated sectors. Participants stressed the need for regulators to prioritise efforts to ensure support measures are equitable and non-discriminatory, in order to maintain a level playing field. Indeed, the crisis reaffirmed the need for equitable and non-discriminatory decision-making to maintain a level playing field in the sectors.

12. Some regulators have adjusted co-operation with other public bodies and market actors, enhancing communication to keep up with rapid changes. For instance, governments turned to regulators for analysis and projections to assist in the formulation of emergency measures. Interactions with market actors were enhanced to gain an accurate understanding of developments. In the context of new demands and heightened communication, independent regulators relied on fundamental principles like predictability, credibility and transparency to guide their actions.

13. The destabilising effects of the pandemic have disturbed former equilibria. For example, the shocks from the crisis have resulted in a shift in the balance between stakeholders. In some cases, stakeholders perceived that the balance has shifted too far to the benefit of certain parties when countries introduced certain alleviation measures, which failed to garner widespread acceptance and resulted in criticism. Regulators had to assess how to rebalance different interests, and at the same time deal with the challenge of reaching out to stakeholders in a virtual context.

14. In this context, regulators have actively co-operated through international fora to exchange ideas and find common solutions. Regulators participated in regional sector-specific exchanges to ensure interoperability between networks in a changing context. However, cross-sectoral discussion, such as through the work of the NER, was also important. While sector impacts differed between different regulators, new challenges in terms of agile regulatory policy and impacts on their governance models are relevant for most agencies. In moving away from the crisis, regulators could develop common standards on how to return to regular operations. In this light, international co-operation can help to provide guidance on how to move from emergency measures towards measures that deal with long-term impacts.

Lessons and opportunities

15. The pandemic brought to the spotlight a stronger need for agility and flexibility in regulatory processes. During the crisis, regulators allowed more flexibility in the market and ensured business continuity by using more pragmatic approaches. Moving forward, regulators want to improve their adaptability further. The crisis showed a need to anticipate changes more (through horizon scanning), and to respond to developments more quickly. In a nutshell, regulators need to recognise the possibility of the unexpected.

16. Some regulators may have to improve the resilience of their funding model. Especially in cases where the regulator is funded through fees from the industry, a downturn in industry activity can also affect the financial revenues of the regulator.

17. In some cases, the crisis also brought the opportunity to accelerate sustainable and digital transitions. In Germany, a slowdown in economic activity resulted in a more sustainable energy mix. As renewables have a relatively low marginal cost compared to other sources, a decrease in overall energy demand positively affected their share in the energy mix, bringing the share of renewables to a level commensurate with climate goals.

18. Moreover, regulators saw an increase in the use of digital services in markets. In light of this, webinar participants also mentioned a need to think more about the sustainability of digital services in terms of their environmental footprint.

19. Regulators can use their experiences during the crisis to improve regulatory practices and approaches. In many cases, the urgency of the crisis led to a need to make decisions faster, and to introduce new digital tools. While these new regulatory processes were introduced because of the emergency, some of them may prove useful to improve the efficiency of regulatory processes under normal times as well. Regulators need to assess how they can use these experiences to spur innovation of regulatory practices after the pandemic.

Potential topics for future NER webinars

1. Agile regulation in light of the COVID-19 crisis: how can regulators improve flexibility and agility of regulatory frameworks to become more forward-looking and responsive?
2. Exit strategy: how do regulators plan to phase out emergency measures and return to normal operations of the regulator?
3. Changing parameters: how does the COVID-19 crisis affect the operations of the regulatory models in the long term (after the COVID-19 crisis)?

References

- a. OECD's policy brief on the resilience of regulated sectors during the COVID-19 crisis: [When the going gets tough, the tough get going](#)
- b. OECD's policy brief on international cooperation during the COVID crisis: [No policy maker is an island](#)
- c. OECD's policy brief on [The COVID-19 crisis and state ownership in the economy: Issues and policy considerations](#)
- d. Statement from the OECD Secretary-General: [Shaping government interventions for a faster and more resilient economic recovery](#)
- e. [Canada's Energy Future 2020](#)
- f. ARCEP: Electronic communications market in France (Q3 2020) [[Marché des communications électroniques en France \(T3 2020\)](#)]

Annex – Agenda

Background and description:

The effective functioning of network sectors ensured the delivery of essential services during the global COVID-19 emergency. Despite significant changes in demand and usage, and financial and operational stress on market actors, the continuity of operations attested to the resilience of markets and their governance models. Across the world, policy goals, regulatory requirements and the nature of government intervention evolved to support the economy and help businesses face the unprecedented challenges brought about by the pandemic. In OECD countries, arms-length economic regulators were key players in this effort, leading and taking part in a suite of short-term measures destined to ensure the continuity of services and relief efforts.²

One year after the World Health Organisation declared COVID-19 a public health emergency of international concern, this 4th webinar of the OECD Network of Economic Regulators (NER) will review if projected effects on markets and their structure have materialised and discuss impacts on sectors, short- and longer-term risks to competition and ways in which regulators affected sector developments and outcomes. The webinar will also discuss how the prolonged crisis and its policy environment affects the priorities and objectives of economic regulators.

The webinar will explore the following questions:

Effects of the COVID-19 crisis on network sectors

- **Market performance:** What have been the impacts of the COVID-19 crisis on the economic performance of business in the network sectors (e-communications, energy, water, transport)? What trends are anticipated? In many network sectors, emerging technologies and new business models has driven significant change; has COVID altered or disrupted these trends?
- **Market structure:** How have the level of competition and the economic position of companies in regulated sectors evolved? To what extent can these be attributed to the direct effects of the crisis or linked policy action?
- **Infrastructure investment:** How might long-term trends affect service provision and asset maintenance? How does the uncertainty related to the virus affect infrastructure investment going forward?

Effects on regulator priorities and objectives

- **Regulatory objectives:** How do the prolonged and profound effects of the COVID crisis affect the objectives of economic regulators? How does the crisis call into question assumptions upon which economic regulation was established? Will this prompt changes in mandates of regulatory authorities?
- **Phasing out of emergency approaches:** Policy goals and regulatory practices were adjusted practice in the face of the pandemic, such as allowing activities that would normally be considered “anti-competitive”, or implementing extraordinary consumer protection measures, and alleviating regulatory requirements on businesses. Are regulators playing a role in assessing the effectiveness of these adjustments and when relevant, phasing them out?

² OECD (2020), “When the going gets tough, the tough get going: How economic regulators bolster the resilience of network industries in response to the COVID-19 crisis,” OECD Policy responses to Coronavirus, 27 July 2020, <http://www.oecd.org/coronavirus/policy-responses/when-the-going-gets-tough-the-tough-get-going-how-economic-regulators-bolster-the-resilience-of-network-industries-in-response-to-the-covid-19-crisis-cd8915b1/>.

- **Relations with stakeholders:** How have changing stakeholder priorities affected regulators' priorities and objectives? Have changing priorities created new dynamics between regulators and their stakeholders?
- **Building back better:** Are government actors taking the opportunity to “build back better” with new objectives on climate change, etc.? How will economic regulators embed resilience into operations and regulation for future crises going forward?

This webinar is the fourth in a series of NER webinars:

Webinar 1 exploring regulators' responses to the COVID-19 crisis: <https://www.oecd.org/gov/regulatory-policy/1st-NER-webinar-covid19-summary-record.pdf>

Webinar 2 on specific considerations for transport regulators (co-hosted with the Canadian Transportation Agency): <https://www.oecd.org/gov/regulatory-policy/2nd-NER-webinar-covid19-summary-record.pdf>

Webinar 3 on the long-term considerations for regulators beyond the crisis (co-organised with the Water Industry Commission for Scotland): <https://www.oecd.org/gov/regulatory-policy/3rd-NER-webinar-covid19-summary-record.pdf>

Programme:

- I. Opening
- II. Part 1: How sectors have been affected by the crisis
- III. Part 2: How COVID has affected the priorities and objectives of economic regulators
- IV. Closing

Speakers include:

- Anne Yvrande-Billon, NER Chair, Director of Economics, Markets and Digital at the French Electronic Communications, Postal and Print media distribution authority (*Autorité de régulation des communications électroniques et des Postes*, Arcep)
- Jim Fox, Vice President, Regulatory Strategy & Coordination, Canada Energy Regulator (CER)
- Susanna Metsälampi, Head of Department, the Finnish transport and communications agency (Traficom)
- Annegret Groebel, Director of International Relations at the German Regulatory Authority for Electricity, Gas, Telecommunications, Post and Railway (Bundesnetzagentur, BNetzA)
- Nicola Zaccheo, President, Italian Transport Regulation Authority (Autorità di Regolazione dei Trasporti, ART)

After the planned interventions, the floor will open for other regulators to share their thoughts.