University of Amsterdam
Amsterdam School of Economics

OECD Competition Open Day 2021, 24 February 2021

Panel I - Environmental Sustainability and Competition

Prof. dr. Maarten Pieter Schinkel

‘Green Antitrust’: N.B. Incentives matter

•Competition and sustainability can be in conflict – basic Public Economics

•Idea: restricting competition to stimulate sustainability initiatives
- Exempting sustainability agreements under Article 101(3) TFEU
- ‘Green efficiencies’-defence for mergers
- Exclusion of a polluting rival

•However: companies should *not* be expected to invest more in sustainability in collaboration than in competition
- Schinkel & Spiegel (*IJIO* 2017); Aghion et al. (*NBER* 2020)

'Green Antitrust' risks to be counter-productive

- Risk 1: *Cartel green-washing* – minimal green for maximum price increase
  - CA would need to constantly monitor a green collaboration
  - Prohibitively large information requirements CA – all and full preferences

- Risk 2: Green antitrust providing *excuse for continued government failure*
  - Public policy seems easily superior (vertical) – regulation, taxes, subsidies
  - Allows government to rely on collaborative self-regulation

Adding ‘out-of-market-efficiencies’…

… or: externalities; less-than-full compensation; ‘Citizens’ welfare standard’

- Introduces redistribution of wealth: from consumers to non-consumers; poor to rich
- Hugely increases information requirements CA – everyone’s preferences
- *Reduces* level of sustainability required to compensate for a given price increase
- Weakens bargaining position CA for green
- Consumer welfare standard serving total welfare – proposed agreements
  - Lyons (2002); Armstrong & Vickers (*Econometrica*, 2010)

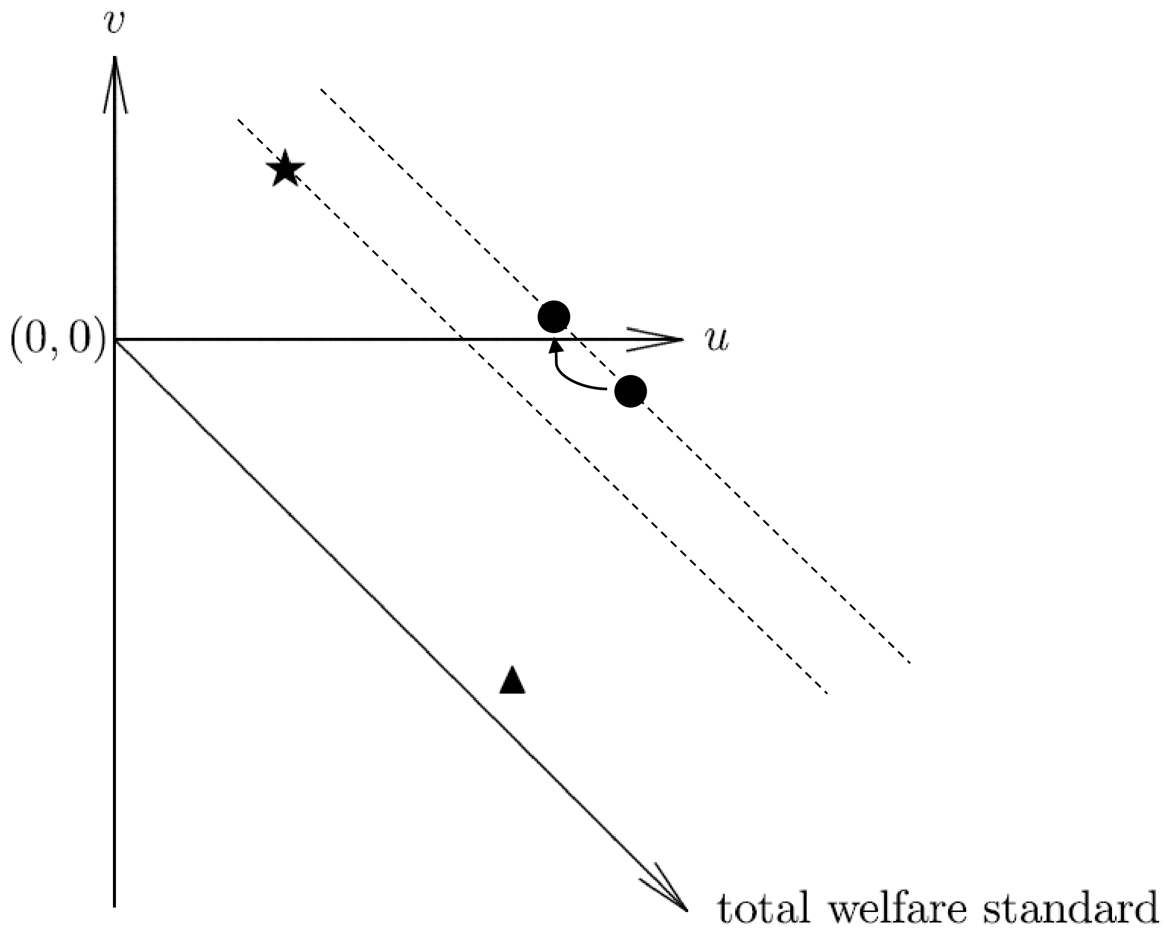

FIGURE 1.—The impact of welfare standard on chosen mergers.