

Research events



CEPR Conference on Applied Industrial Organization

Madrid. 13-15 June 2019

In June 2020, Natalia Fabra (University Carlos III), Volker Nocke (University of Mannheim), Ali Yurukoglu (Stanford) and Gregory Crawford (Zurich university) organized the CEPR Conference on Applied Industrial Organization in Madrid. **The Conference sought to contribute to the understanding of the breadth of topics analyzed within the field of Industrial Organization, including demand, productivity, competition in the short- and long-run, innovation, investment, and auctions**, to develop empirical protocols and tests of economic models, to promote the exchange and the dissemination of results at the forefront of research, and finally, to evaluate current competition and regulation policies. It covered the state of the art in both theoretical and empirical Industrial Organization.

The event included 16 lectures, and 7 young European researchers showed their PhD work (check the [program](#)). We summarize below the two presentations that focused on energy issues.

Ryan Kellogg (University of Chicago) presented his work “Royalties and Deadlines in Oil and Gas Leasing: Theory and Evidence” (joint with Evan Herrnstadt

and Eric Lewis). This paper seeks to estimate the impacts and explain the presence of two pervasive features of oil and gas lease contracts between mineral owners and extraction firms: the royalty and the primary term. The royalty is a percentage of hydrocarbon revenue that is paid to the mineral owner, and the primary term specifies the maximum number of years within which the firm must drill and produce from at least one well, lest it lose the lease. Using detailed data on lease contracts and the timing of drilling, Ryan and coauthors show empirically that primary term expiration dates have an economically significant impact on firms’ drilling decisions: a large share of wells are drilled just prior to expiration. They then develop a model to explain why primary terms and royalties can help maximize the mineral owner’s expected revenue from a lease, despite the distortions they generate. The royalty helps the mineral owner extract some of the information rents of the firm but also delays drilling; the primary term partially mitigates this moral hazard problem by encouraging earlier drilling. The paper examines how these contracts

affect drilling and the payouts to mineral owners and firms in the Haynesville Shale formation of Louisiana.

Isis Durrmeyer (Toulouse School of Economics) presented her study “Winners and Losers: The Distributional Effects of the French Feebate on the Automobile Market”. In this paper Isis quantifies the monetary and environmental gains and losses of an environmental purchase tax/subsidy (feebate) for new cars using a structural model of demand and supply that features a high level of heterogeneity in consumers’ preferences. She simulates the market equilibrium without the feebate to quantify its causal effects. The regulation favors middle-income individuals but has redistributive effects when combined with a proportional to income tax. It reduces average carbon emissions at the cost of extra emissions of local air pollutants. The emissions, however, increase the least where they are the highest, implying another type of redistribution •



Isis
Durrmeyer



Ryan
Kellogg

Energy Economics Workshop

Madrid. 28 January 2020

EnergyEcoLab organized a one-day workshop at Universidad Carlos III de Madrid together with researchers coming from the Toulouse School of Economics as well as other universities in Europe.

It featured presentations and discussions on electricity markets and environmental policy more broadly, combining applied theory and empirical approaches. Some of the titles of the papers that were presented include the following:

- ↘ **François Salanié** (TSE and INRA): “Tipping points, delays, and the control of catastrophes” (with Matti Liski).
- ↘ **Knut Einar Rosendahl** (Norwegian University of Life Sciences): “Two competing, incompatible networks:

The tradeoff between network effects and variety” (with G.L. Andreassen and Mads Greaker).

- ↘ **Imelda** (UC3M): “Market Power and Price Discrimination: Learning from Changes in Renewables Regulation” (with Natalia Fabra).
- ↘ **Mathias Reynaert** (TSE): “Vehicle Taxes’ Disparate Impact on Domestic Production: an Efficient Tool to Favor?”
- ↘ **Natalia Fabra** (UC3M): “Technology Neutral versus Technology-Specific Procurement” (with Juan Pablo Montero).
- ↘ **Estelle Cantillon** (ULB): “What is Price Discovery Achieving in the New Zealand Electricity Market?” (with Stefan Bergheimer and Mar Reguant).