

The Effects of Competition Policy on the Petroleum Products Markets in Russia

As part of the trend, the spread of evidence-based economic policy (Voloshinskaya, Komarov, 2015; Galliamova, 2021; Baron, 2018; Haskins, 2018; Orr, 2018), an assessment of the effects of its various directions, including antitrust policy (Baker, 2006; Wright, 2012 ; Wright, 2013; Kwoka, Jarsulic, 2017; Auer et al., 2018; Katsoulacos et al., 2021; Avdasheva, Korneeva, 2016; Stavniychuk, 2020), is becoming increasingly relevant. Most empirical studies assessing the effects of the antitrust policy are case studies, while more integrated assessments (at the level of the industry, country, or individual measures) are less common.

Research on the effects of antitrust policies is still relevant for several reasons. First, it is worth recalling the existence of a rather long intellectual tradition (in particular, in the Austrian school), which calls into question the expediency of antitrust policy in principle (Armentano, 1986). Secondly, if we nevertheless consider the antitrust policy as a whole to be expedient, this does not automatically mean the effectiveness of its directions or measures (Crandall, Winston, 2003; Davies, Ormosi, 2013).

One of the most important aspects of evaluating the effectiveness of antitrust policy is the issue of the adequacy of the penalties imposed to ensure deterrence (Polisky and Shavell, 1992). But no less important is the question of what to include in the amount of the “fine”: in addition to the amount of money that must be paid to the violator, there are also other forms of losses for the company if it becomes the object of an antitrust investigation. In particular, traded companies may incur costs due to the loss of their market value in response to the emergence of information about any action by the competition authorities against them (Jiménez et al., 2016; Armor et al., 2017; Günster, van Dijk, 2016; Aguzzoni et al., 2013).

In Russia in 2022, the assessment of the impact of antitrust policy on the value of company shares on the stock market may not seem the most relevant, however, in a broader context, the quantification of various antitrust effects falls into the aforementioned trend towards the spread of evidence-based economic policy in Russia and may contribute to finer tuning of the system sanctions for violating antitrust laws (Pavlova, 2022).

In this regard, the main research question is raised: do the actions of the antitrust authority create significant indirect costs for companies associated with the loss of market value?

Also, in recent years, the Russian antitrust policy has increased the emphasis on “preventive” response measures that are applied when only signs of a violation are revealed, but the fact of a violation has not yet been proven¹. These are warnings and cautions that tell the company

¹ Preventive measures in the form of issuing warnings and warnings were first included in Federal Law No. 135-FZ of July 26, 2006 “On Protection of Competition” at the end of 2011 (became effective in 2012), and then these tools

(warning) or its officer (caution) what the behavior is that contains signs of a violation, and what needs to be done to eliminate the violation.

In existing practice, companies have repeatedly complained that information about the presence of only signs of violations in their activities leads to losses in the value of their shares²³⁴⁵. However, the information policy of the FAS Russia⁶ contains the obligation of the antitrust authority to make public information, including the stages of its activities related to the identification of signs of violations.

In this regard, an additional research question is formulated: does the identification of signs of violation of antitrust laws have a significant impact on the value of the company, and how does it differ from the impact of establishing the fact of violation?

The first part of the empirical study is devoted to testing hypotheses about the impact of various measures of the Federal Antimonopoly Service of Russia on the market value of companies using the event study method. The second part of the work is devoted to studying the impact of the actions of the antitrust authority on the prices of petroleum products using the difference-in-differences method. The sample for analysis included events that happened to Russian oil companies in the period from 2012 to 2021.

Based on theoretical and empirical modeling, we have proved that before the fact of violation by the company is established, the statements of the antitrust service can affect its reputation through the issuance of warnings and initiation of cases, and then through the issuance of decisions and the issuance of instructions. This means that, firstly, companies, in addition to the sanctions provided for by law, also bear the burden of sanctions in the form of a loss of market value, and secondly, that such losses can occur for the company even when the very fact of the violation has not yet been proven and is being discussed still only the presence of signs of violation.

became more and more widespread. In 2016, this mechanism was extended to a wider range of violations. Since 2021, warnings and cautions have been actively applied by the Eurasian Economic Commission.

² FAS suspended the growth of the Russian stock market / Vesti Ekonomika / URL: <https://www.vesti.ru/doc.html?id=199158#>

³ FAS commented on the sharp letter from Transneft / Vedomosti / URL: <https://www.vedomosti.ru/business/articles/2017/04/28/688016-fas-prokomentirovala>

⁴ Severstal complained to the Prosecutor General's Office against the head of the FAS / The Bell / URL: https://thebell.io/severstal-pozhalovalas-v-genprokuraturu-na-glavu-fas-hGaUU?utm_source=telegram&utm_medium=social&utm_campaign=top-mendzher-severstali-poprosil-genpro&utm_content=58660819

⁵ A vivid illustration of this problem is the opinion expressed by Y. Kulik, Managing Partner of the consulting company Kulik & Partners Law.Economics: "... the border between informing about one's activities and forming public opinion on the cases under investigation has been erased. The reputation of entrepreneurs, whose business may not even be completed yet, is under the strongest pressure of the information activity of the FAS, in the publications of which one often finds, in our opinion, the emotional coloring of the facts of the behavior of companies, their owners and managers, which is inappropriate for public authority. It has become a real information "weapon" along with legal procedures" [Bulletin of antimonopoly statistics for 2019. Annual analytical report on the results of 2019. / Novikov V. / URL: http://antitrusteconomist.ru/research/show/bas_v2019].

⁶ Order of the Federal Antimonopoly Service of Russia No. 1069/15 dated November 10, 2015 (as amended on March 17, 2020) "On approval of the Regulations on the information policy of the Federal Antimonopoly Service and its territorial bodies"

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