Cross-ownership in a game of exit: the case of nuclear phase-out
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Abstract

Exit from a declining market increases the profits of the remaining firms, so all firms have incentives to free-ride on the other firms' exit decisions and delay their own exit. We show that cross-ownership changes this picture: the closure externalities are partly internalized, leading to exit of profitable plants and reversing the standard result that the exit order of firms follows their size order. We quantify these effects for the Nordic nuclear industry facing a downward trended demand due to subsidized entry of renewable power. Plants are closed well before their technical lifetimes and their price-cost mark-ups are positive at closure. We identify pivotal ownership arrangements that can lead to large losses in consumer welfare.

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