



COMISIÓN NACIONAL DE LOS
MERCADOS Y LA COMPETENCIA

**STUDY OF THE WHOLESALE
AUTOMOTIVE FUEL MARKET IN
SPAIN**

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Structure and functioning of the wholesale automotive fuel market in Spain

- ✓ There are 9 refineries in Spain producing automotive fuels: Repsol (59% of fuel capacity), Cepsa (33%) and BP (8%).
- ✓ The utilization of refining capacity in Spain is currently only 80%.

Why?

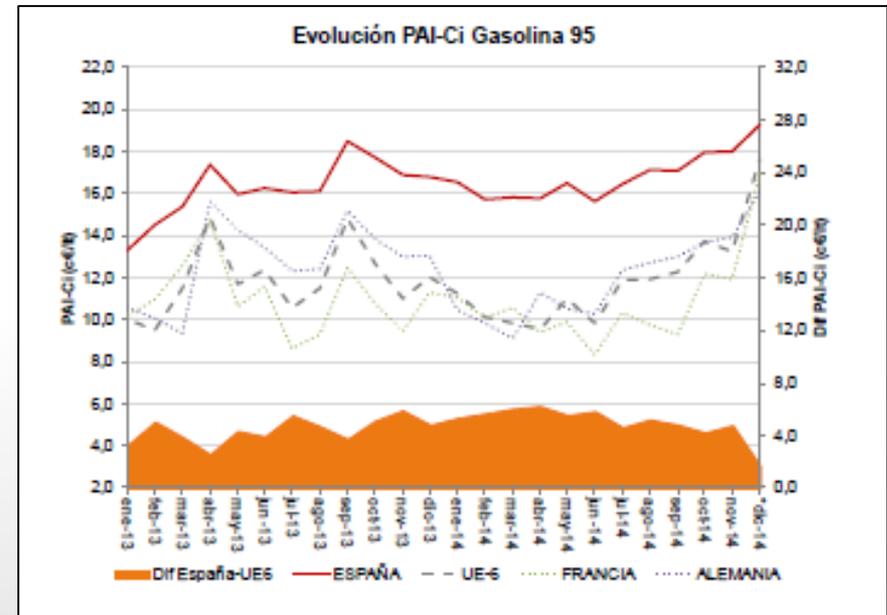
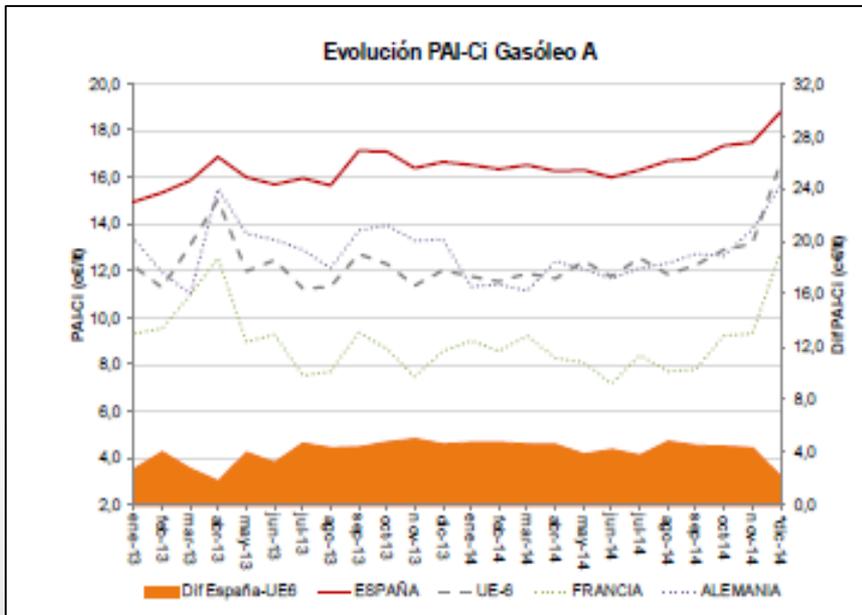
- ✓ Since 2008 there has been a significant decrease in demand for fuel in Spain
 - ✓ The increase in the demand for medium distillates (which include diesel) made refineries in Spain to adapt their output to the market product, expanding the total refining capacity.



Spanish refineries are net exporter of petrol, covering more than 80% of domestic demand of diesel.

Pre-tax prices of petrol and diesel

- ✓ Spanish pre-tax prices are well above the European average.
- ✓ Gross distribution margins on fuels (pre-tax prices - Ci) are significantly higher in Spain than in the EU-6



Source: Monthly report on the supervision of fuel distribution at service stations (December 2014). Figures for December are for 1 to 15 December.

Factors limiting the degree of competition in the market:

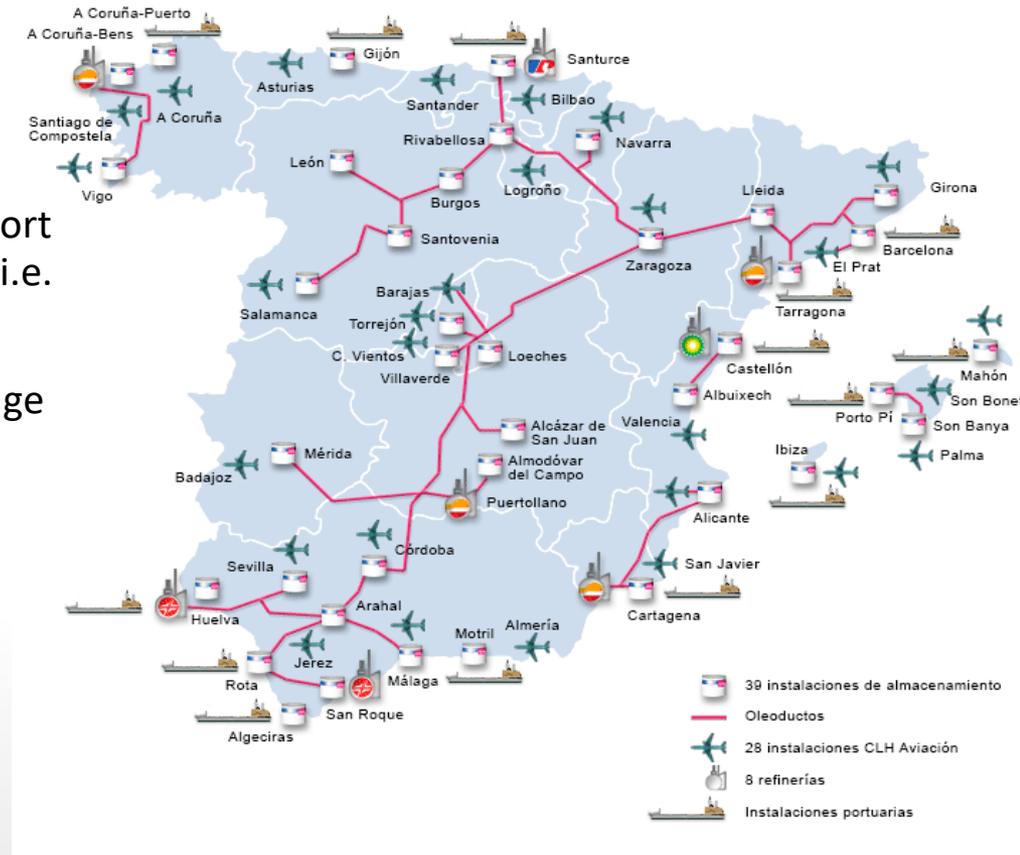
- ✓ In a competitive market, imports would decrease price differential and gross distribution margins down to European levels.
- ✓ In Spain imports do not discipline the market. Why?



1. There are no suitable import infrastructures and/or economically efficient.
2. Market power of operators with refining capacity and their vertical integration have hindered access to import market and the entry of new companies.

Analysis of import infrastructure

- ✓ Ports: there are enough import port infrastructures with capacity for large vessels (i.e. > 30.000tn)
- ✓ Storage capacity: There is availability of storage in import depots, though most of it in hands of CLH.
- ✓ Pipelines: CLH pipeline network covers more than 4.000 km.



There are no technical restrictions to imports. Spanish import infrastructures are appropriate, but are they efficient?

Logistic infrastructures costs

- ✓ The cost of transporting fuel may appreciably reduce substitutability between coastal facilities and those located inland.

Port of origin (reception by tanker vessel)	Prices of unloading and transport to storage from port of origin*	Least costly alternative port	Most costly alternative port
Port of Rota	4.64	11.53 (Huelva)	15.07 (Bilbao)
Port of Huelva	4.64	11.53 (Rota)	14.74 (Bilbao)
Port of Coruña	4.64	13.48 (Bilbao)	15.73 (Barcelona)
Port of Gijón**	4.64	13.68 (Bilbao)	16.84 (Barcelona)
Port of Bilbao	4.64	13.55 (Coruña)	16.07 (Barcelona)
Port of Barcelona	3.86	7.52 (Tarragona)	15.26 (Bilbao)
Port of Tarragona	4.64	8.29 (Barcelona)	15.47 (Bilbao)
Port of Castellón	4.64	11.6 (Tarragona)	15.84 (Bilbao)
Port of Cartagena	4.64	12.68 (Castellón)	15.39 (Bilbao)
Port of Motril**	4.64	12.45 (Cartagena)	15.21 (Bilbao)

> 200%
increase of
costs

Market configuration in which import infrastructure is of a regional or local nature

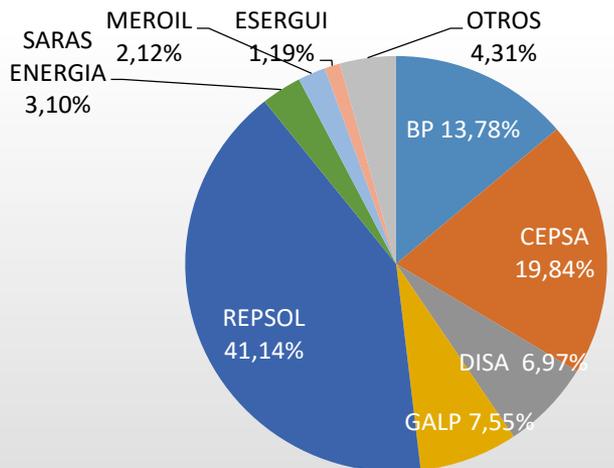
Vertical Integration

- ✓ The fuel wholesale market is highly concentrated and vertically integrated.
- ✓ The 3 refiners together or Repsol individually have market power at all business stages.

Market shares in refinery market and retail market

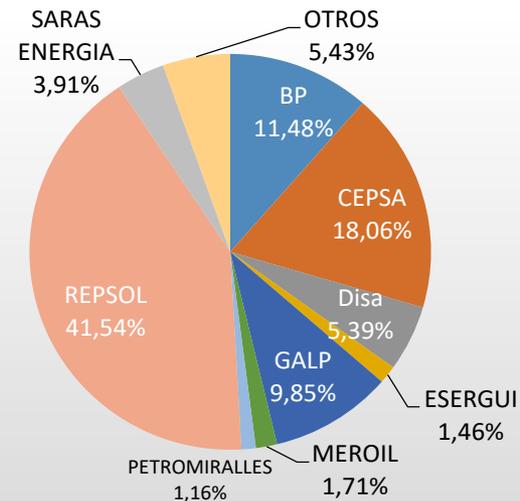
Operator	Refinery Market	Retail Market
Repsol	[50-60]%	[30-40]%
Cepsa	[30-40]%	[10-20]%
BP	[0-10]%	[0-10]%

Wholesale operators – Sales of 95 octane petrol through service stations in Spain (in tons)



Operators with refining capacity: 74% of market

Wholesale Operators – Sales of Diesel A through service stations in Spain (in tons)

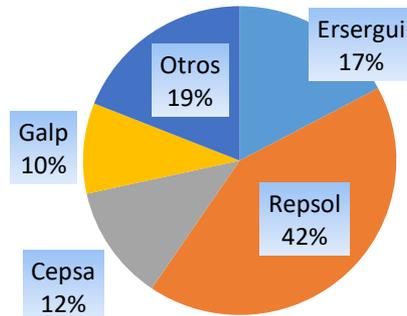


Operators with refining capacity: 71% del mercado

Impact of Vertical Integration on Prices

Analysis of the market structure in the province with the highest pre-tax prices (Guipúzcoa) to compare it with the province with the lowest pre-tax prices (Lleida) in 2014:

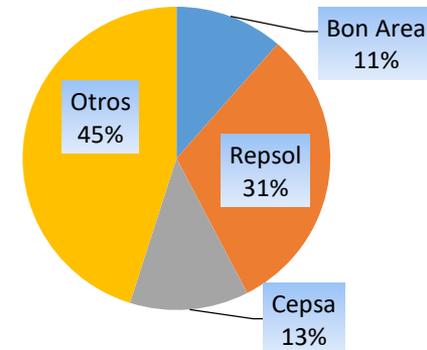
Market share in Guipúzcoa



Guipúzcoa:

- (i) Repsol is the dominant operator.
- (ii) The presence of independent retail operators is very limited (less than 20% of the market).
- (iii) The cost of port infrastructures are the highest in Spain.

Market share in Lleida



Lleida:

- (i) 56% of retail market are independent operators, no vertically integrated with refining activities.
- (ii) Catalonia is the autonomous region with the greatest concentration of independent logistics operators (i.e. not belonging to CLH network).
- (iii) The cost of port infrastructures are one of the lowest in Spain.



- ✓ **More vertically integrated markets with the largest presence of Repsol, Cepsa and BP in retail market face higher prices.**
- ✓ **Independent storage operators along with low port infrastructure costs create competition in retail market.**

Costs related with the obligation to maintain minimum security stocks I

- ✓ “*Internacional Energy Program Agreement*” and Directive 2009/119/EC of the Council regulate a minimum level of reserves of crude oil and/or petroleum products.
- ✓ In Spain, the obligation to maintain minimum security stocks lies with fuel wholesale operators.
- ✓ Of the overall obligation to hold minimum security stocks in Spain, CORES holds 42 days' worth and the remaining 50 days are held by the industry (industry stocks).



The costs of maintaining 50 days' worth are asymmetrical:

Operators with refining capacity:

- (i) Hold their stocks in their own facilities.
- (ii) Lower costs.

Wholesale operators not vertically integrated:

- (i) Use CORES services and logistic companies (CLH) to maintain their stocks.
- (ii) Higher costs.
- (iii) Storage contracts with CORES are 1/t (3 years) and no possibility of early termination.

Costs related with the obligation to maintain minimum security stocks II

- ✓ European Directive does not indicate the parties subject to the obligation, leaving it to the States to decide on the system.
- ✓ In the UK the cost of holding minimum security reserves is borne not by the wholesale operators but by the producers.



The Spanish system is less flexible and this may lead to higher costs for parties subject to the obligation to hold the reserves. A change in the model could generate more competition in the wholesale market in Spain.

Recommendations I

Foster competition in the logistic services of CLH:

- ✓ Tariffs for the use of CLH's transport network must be subject to prior authorisation by the CNMC and they must be cost orientated and they must be based on an objective, transparent and non-discriminatory methodology.
- ✓ CLH must promote the physical connection of Spain's pipeline networks with those of other countries.
- ✓ Increase transparency on the restrictions of unloading automotive fuels at its port facilities. CLH must justify the restrictions.
- ✓ Prohibit the presence of operators with refining capacity in Spain on the Board of Directors of CLH.
- ✓ Limit direct or indirect shareholdings in CLH by any natural or legal person involved in activities in the refining market in Spain to 4.99% of CLH's share capital.

Recommendations II

Limit the influence of CORES y reduce the cost of minimum security stocks:

- ✓ Make CORES contracts more flexible in terms of duration and early termination.
- ✓ CORES must revise the tariffs it applies for providing storage services for minimum security reserves in accordance with market prices.
- ✓ Limit the ability of operators with refining capacity in Spain to influence the governing bodies of CORES: introduce a rotation system of appointments and change the voting system. Alternatively a new entity could be created, totally independent from operators in the petroleum industry, to manage the minimum security stocks.
- ✓ The obligation to maintain minimum security stocks must fall to the operators with refining capacity and the importers of automotive fuels.
- ✓ Information provided to CORES by wholesale operators must be limited to that strictly necessary for calculating and supervising the minimum security reserves.

Recommendations III

Limit the influence of vertically integrated operators with refining capacity in the Spanish fuel market:

- ✓ Promote the independence of the wholesale activity by separating management, administrative and financial control, accounts, assets and budgets at the parent company level.
- ✓ Develop a regime of incompatibility for personnel employed by operators with refining capacity in Spain who work in management positions related with wholesale automotive fuel activities.
- ✓ A maximum period must be established for processing all the necessary permits for the construction of refining facilities.

PRESS RELEASE

CNMC ISSUES A REPORT ON THE SPANISH WHOLESALE MARKET FOR ROAD FUELS

The Spanish Competition and Markets Authority (CNMC) has released a report on the level of competition in the wholesale market for road fuels in Spain. The report proposes the adoption of regulatory measures to improve effective competition in the sector to the benefit of consumers and independent market operators.

Madrid, 4 of September of 2015. As announced in its Action Plan 2015, the National Commission on Competition and Markets (CNMC) has analyzed the wholesale market for road fuels. The analysis has revealed the persistence of numerous barriers to entry and expansion of new entrants in the wholesale market, which limits the effective competition on the market and results in high prices for consumers and independent operators.

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RECOMENDACIONES

MERCADO MAYORISTA DE CARBURANTES



RECOMENDACIÓN 1

Limitar a 4,99% la participación en CLH de cualquiera que realice actividades en el mercado de refinación en España

RECOMENDACIÓN 2

Prohibir la presencia de operadores con capacidad de refinación en España en el Consejo de Administración de CLH

RECOMENDACIÓN 3

Las tarifas por uso de la red de transporte de CLH deben estar sujetas a autorización previa por parte de la CNMC

RECOMENDACIÓN 4

Las tarifas de CLH deben fijarse sobre la base del coste de la prestación del servicio y de la mejora de eficiencia en el servicio de transporte

RECOMENDACIÓN 5

Las tarifas de CLH deben incluir bonificaciones por los volúmenes garantizados en los contratos de los mayoristas con CLH

RECOMENDACIÓN 6

Las tarifas de CLH deben comprender como mínimo los servicios logísticos básicos de recepción, almacenamiento, transporte y expedición



RECOMENDACIÓN 7

Establecer y publicar, previo análisis por la CNMC, una metodología objetiva, transparente y no discriminatoria para las tarifas de CLH

RECOMENDACIÓN 8

CLH debe desglosar en sus facturas los costes de sus servicios de almacenamiento, transporte por oleoducto y otras actividades necesarias

RECOMENDACIÓN 9

La logística de CLH de bombeo, retirada de producto, aditivación y otros servicios necesarios, deben tener tarifas orientadas a costes, supervisadas por CNMC

RECOMENDACIÓN 10

CLH debería justificar el cambio, retraso o cancelación del servicio logístico y, en su caso, asumir el coste de dicho cambio

RECOMENDACIÓN 11

CLH debería publicar y actualizar la información sobre la capacidad de transporte disponible en las terminales de almacenamiento y en los oleoductos

RECOMENDACIÓN 12

CLH debe proponer, cuando sea técnicamente posible, alternativas a las congestiones y detallar cuándo ampliará capacidad de almacenamiento para exceso de demanda

RECOMENDACIÓN 13

Cuando sea necesario más almacenamiento, la autoridad competente deberá facilitar la actuación de la iniciativa privada, asegurando disponibilidad de suelo

RECOMENDACIÓN 14

CLH debería justificar la imposibilidad de descargar en puerto, ofreciendo alternativa y determinando cuándo la descarga será posible

RECOMENDACIÓN 15

CLH debe promover la conexión física de las redes de oleoductos en España con otros países



RECOMENDACIÓN 16

Constituir una nueva entidad de gestión de las existencias mínimas de seguridad totalmente independiente de los operadores

RECOMENDACIÓN 17

Si no hubiese nueva entidad, limitar la influencia en CORES de los refinadores en España cambiando el sistema de voto en la Asamblea General

RECOMENDACIÓN 18

Si no hubiese nueva entidad, limitar la influencia en CORES de los refinadores en España con nuevo sistema de rotación en la Junta Directiva

RECOMENDACIÓN 19

Imponer la obligación de mantener las reservas mínimas de seguridad sobre los operadores con capacidad de refinación en España y los importadores de carburantes

RECOMENDACIÓN 20

Flexibilizar los contratos de CORES en términos de duración del contrato y su terminación anticipada

RECOMENDACIÓN 21

CORES debería remitir a la CNMC sus tarifas de servicios de almacenamiento de las reservas mínimas de seguridad para su revisión

RECOMENDACIÓN 22

CORES debería revisar las tarifas de su actividad logística y establecerlas de acuerdo a precios de mercado

RECOMENDACIÓN 23

Desarrollar y publicar una metodología para la fijación de las tarifas de CORES objetiva, transparente y no discriminatoria

RECOMENDACIÓN 24

Limitar la información dada a CORES por los mayoristas a la imprescindible para calcular y supervisar la reserva mínima de seguridad

RECOMENDACIÓN 25

La información estadística necesaria se debe facilitar por la autoridad independiente de supervisión y regulación

RECOMENDACIÓN 26

Promover la independencia de la actividad mayorista con la separación de la matriz de la gestión, el control administrativo y económico

RECOMENDACIÓN 27

Desarrollar un régimen de incompatibilidad entre el personal directivo en operadores con capacidad de refinación en España y la actividad mayorista de carburantes

RECOMENDACIÓN 28

Promover la separación jurídica y organizativa de operador mayoristas respecto a la matriz, constituyendo una filial independiente con personal directivo propio

RECOMENDACIÓN 29

Fijar un periodo máximo para tramitar todas las autorizaciones necesarias para construir y poner en funcionamiento una instalación de refinación

RECOMENDACIÓN 30

Dar usos alternativos a refinerías sin uso o con exceso de capacidad, como el almacenamiento, asegurando acceso a terceros mediante cláusulas FRAND



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RECOMENDACIONES

MERCADO MAYORISTA DE CARBURANTES

Repsol sale del accionariado de CLH y logra plusvalías de 300 millones

La petrolera vende su 10% al grupo inversor Ardian por 325 millones de euros

Cepsa vende su participación en CLH a Borealis Infrastructure

- Esta desinversión forma parte de su plan de optimización de activos
- El BBVA ha actuado como asesor financiero en la operación

Cepsa ha alcanzado un acuerdo con Borealis Infrastructure, inversor internacional en grandes infraestructuras, para la venta del 9,15% del capital que mantenía en la Compañía Logística de Hidrocarburos (CLH). La operación se ha cerrado esta mañana.

Esta operación, en la que BBVA ha ejercido de asesor financiero, forma parte del programa de optimización de Cepsa, a través de la venta selectiva de activos de la Compañía.

BP vende su participación del 5% en CLH

BP ha vendido a un inversor institucional francés el 5% del capital que mantenía en la Compañía Logística de Hidrocarburos (CLH), informó la compañía, que no precisó el importe de la operación ni la identidad del comprador.

La petrolera, que ha sido accionista de CLH desde hace más de 25 años, indicó que seguirá siendo uno de los principales clientes del gestor de la red de terminales de productos petrolíferos y oleoductos de España.



Gracias por su atención