

BUNDESWETTBEWERBSBEHÖRDE

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“PETROL AND FUEL MARKETS: AUSTRIAN EXPERIENCE”

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First Investigation 2004

- First investigations on road fuel have been carried out already in 2004 when the price development gave rise to public concerns about possible anticompetitive behaviour of the Austrian petrol industry
- Main issue investigated was the possibility of (tacit) collusion concerning consumer prices
- Analysis did however not show evidence that would have justified further investigations with at that time extremely scarce human resources, it was decided to keep an eye on the industry but not to further scrutinize the market at the moment

Investigations deepened in 2008

- In spring 2008 the number of complaints and public awareness were again rising together with oil prices

- BWB investigated since:
 - Platts notations for the setting of prices
 - the "rockets and feathers" issue
 - the competitive situation on regional retail markets
 - the long-term development of margins and the like

Platts

- The bidding process is transparent to all market participants having subscribed to the system.
- The price assessment process does not follow a pre-fixed set of inputs or parameters; qualitative judgment on the assessment on an individual day-to-day basis.
- In carrying out its price assessments Platts keeps some room for manoeuvre. It looks at a range of factors in addition to actual contracts, including bids, offers and developments in adjacent markets.
- The structure of traders concerning the proportion of vertically integrated companies (majors) versus other traders varies across the different product markets. Majors will mostly account for 40 to 60 % of all participants. Independent traders play a considerable role, financial institutions only a marginal but growing one.
- It is estimated that Platts covers between 5 and 9 % of the total consumption in the respective geographic markets, with the exception of the gasoline cargoes market where the coverage of Platts only accounts for some 2.6 %. However, Platts likely covers a substantially greater proportion of spot trades (as opposed to term contracts) in the markets in question.

Investigation into functioning of the road fuel market: Report 2011

- The single national **refinery** in Schwechat, having a production volume of around 50 % of domestic fuel demand, is of paramount domestic importance. Nevertheless, there exists a considerable number of foreign producers which are relevant for the Austrian market, too. An analysis of procurement quantities of major retailers for the domestic market showed that - while 73 % of liquid fuel comes from Schwechat or refineries close to the border - 21 % of liquid fuel is related to refineries further than 200 to 600 kilometers away, and 6 % is from locations even further than this. Related to output in these refineries, the combined production in the period from 2003 to 2008 increased by 16.9 % for diesel and by 9.3 % for gasoline while the domestic demand did not rise as much.
- The **wholesale** volumes of liquid fuel show a relatively stable pattern in the period 2003 to 2008. Around 25 % of diesel and 15 % of gasoline is sold by majors on a wholesale base while naturally the major part (50 % of diesel, 80 % of premium gasoline) was provided to own branded petrol stations.

Investigation into functioning of the road fuel market: Report 2011

- An analysis of the majors' **supply relations ex-refinery** showed that such relations exist only from the OMV (the Austrian major owning the refinery in Schwechat) to the other majors operating domestically (Shell, BP, Agip, Conoco Phillips). Supplies between majors for the domestic market or a system of swap contracts similar to the one exercised in Germany are not common. Interlocking between majors might however still be high due to deals between majors in neighboring countries.
- In the **retail sector**, an **oligopoly** on the regional petrol station markets formed by OMV, Shell, BP, Agip and Conoco Phillips is confirmed by the sector inquiry. Together these five biggest companies have a combined share of approximately 76 % of the annual fuel sales. With respect to the network of petrol stations, around 60 % of all domestic stations are operated by or under the brand of a major company.
- While the market concentration is considerably higher in Western parts of Austria than in Eastern parts this can only partly explain the observed phenomenon of the "West-East-decline" of fuel prices. Eg in Salzburg, positioned in the middle of Austria, fuel prices are clearly below the Austrian average since the market entry of a new discounter in 2009 although it shows the third highest concentration level. Likewise prices in Vienna are below average with a medium concentration of majors.

Investigation into functioning of the road fuel market: Report 2011

- Finally, **retail prices** were under investigation. Comparing prices at stations of the **Majors and independent stations**, price differentials are found to be heterogeneous between the nine Austrian provinces ("Bundesland").
- Furthermore, the analyses showed that differentials between Majors' and independent fuel stations increased over time for the period 2004 to 2010.
- An increase in differentials was also found for fuel prices at **motorway** petrol stations and off-motorway stations. An investigation on hypothetical **retail margins** (calculated as final consumer price minus Platts price) showed that margins on motorway petrol stations are higher and more volatile than on off-motorway stations. The estimated increase in retail margins on motorway stations is 1.5 Euro-cent p.a. for gasoline and 1.3 Euro-cent p.a. for diesel for the sample 2004 to 2010. An equivalent increase in margins for off-motorway stations can not be confirmed.

Asymmetric pricing: Do Austrian pump prices follow Platts notations in an asymmetric order?

- For a long time Austrian oil companies had argued that their pricing policy at the pump is closely linked to the variations of the Platts notations. On the other side there had always been considerable public concern that the pattern in following Platts notations could be asymmetric to the detriment of consumers: The well known rockets and feathers phenomenon in retail prices describes the tendency that downstream prices in the gasoline retail industry respond to increases in upstream prices more rapidly than downstream prices respond to decreases in upstream prices.
- For that purpose the relationship between pump and product prices for gasoline and diesel were analysed by the BWB in 2008 and 2010.
- The **results point to a change in pricing behavior**: The link of retail prices to Platts notations might have been weakened considerably. The investigation seems to indicate that asymmetries are disappearing. The reason for this change is unclear. It has to be left open if the BWB's investigations itself contributed to this behavioural change.

Evaluation of the Fuel Price Fixing Act 2012

- Act (BGBl. II. Nr. 186/20121) which prohibited a change in fuel prices (Diesel and Petrol) during the Corpus Christi weekend (from June 6th 11 a.m. till June 10th 12 p.m.) and two other weekends (June 28th 11a.m. till July 1st 12 p.m. and July 5th 11 a.m. till July 8th 12 p.m.) in which holidays in different regions in Austria have started
- Aim BWB investigation: to evaluate the effects of this act on pump prices for consumers in Austria
- Daily retail fuel prices and product prices (Platt's notations) were analyzed by an EGARCH-ARIMA Error Correction Model for the period January 2011 to August 2012
Exponential Generalized Autoregressive Conditional Heteroscedasticity -
Autoregressive Integrated Moving Average
- Forecasts were made for diesel and petrol prices for the time during the restricted weekends described above → a n attempt to quantify the effects of the price fixing was made by weighting the differences between the forecasts and actual prices by quantities consumed in these periods

Other initiatives

- **Monitoring** and Transparency: Newsletter and Data bank for road fuel prices

- **Oil information exchange platform:**
 - The Austrian BWB together with the Federal Antimonopoly Service of the Russian Federation initiated the creation of an oil information exchange platform in September 2012
 - Participation to the platform is open to all interested competition authorities. The platform is currently in the pilot phase; several authorities have started to put in information.

- **Cooperation** with Portugal and Germany

- **Cooperation** with Hungary

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Thank you very much for your attention!

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