

# Competition in Portuguese fuel markets – some insights from a Hungarian / oil industry perspective

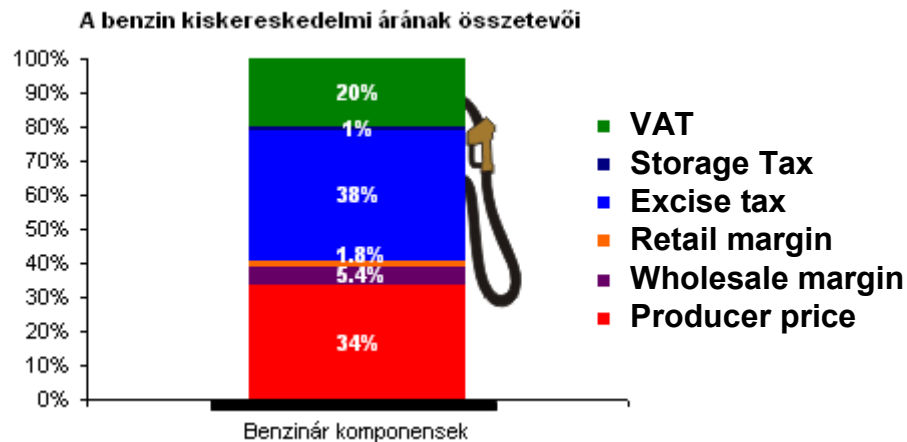
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November 5, 2009



# The same picture: How retail prices are built up

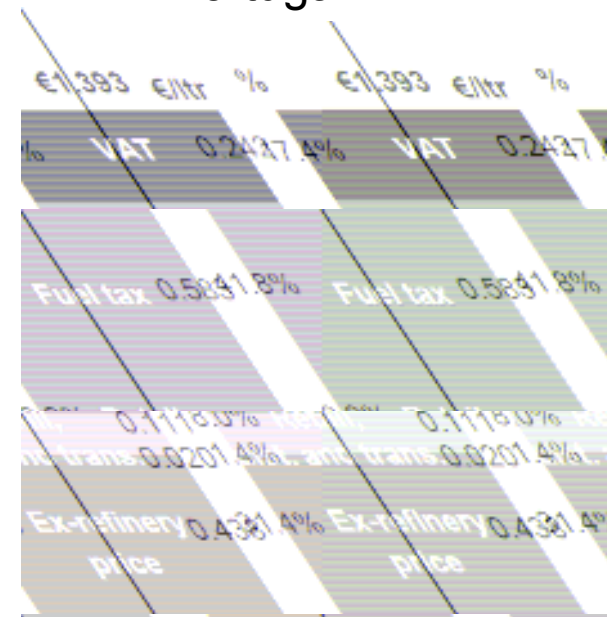
## Gasoline retail price breakdown

### Hungary



Source: portfolio.hu

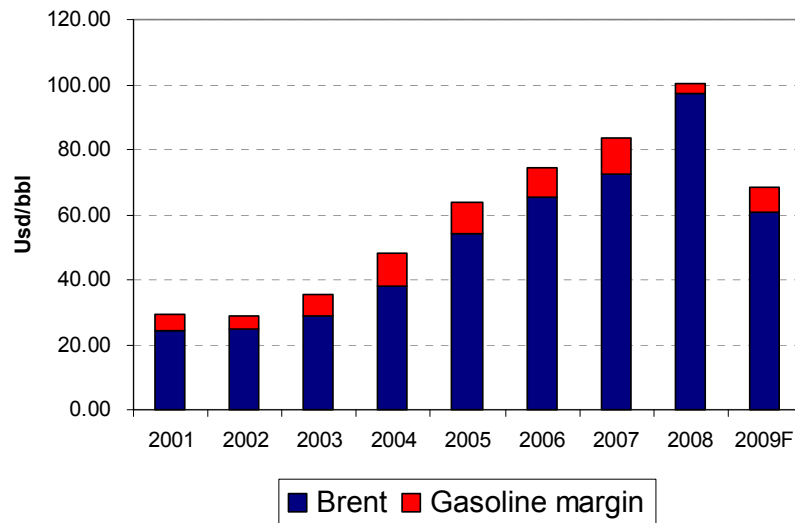
### Portugal



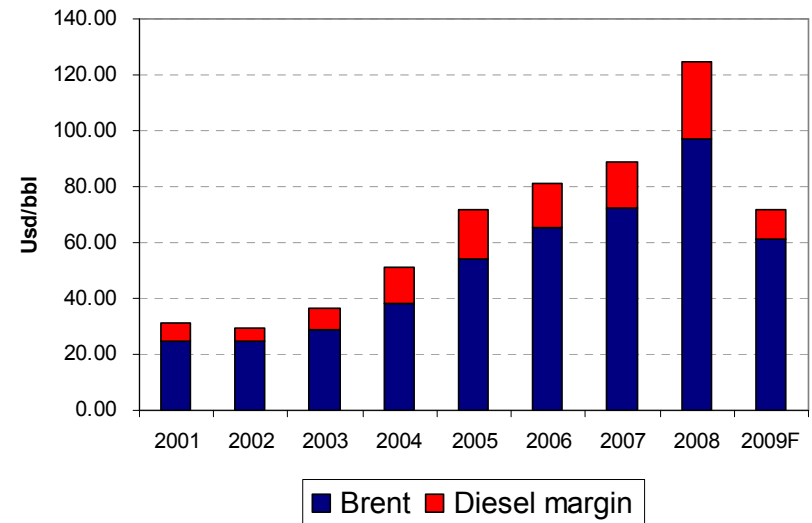
Source: Competition Authority

# Oil price/quoted product prices determined globally / in wide region

### Brent plus Rotterdam gasoline margin

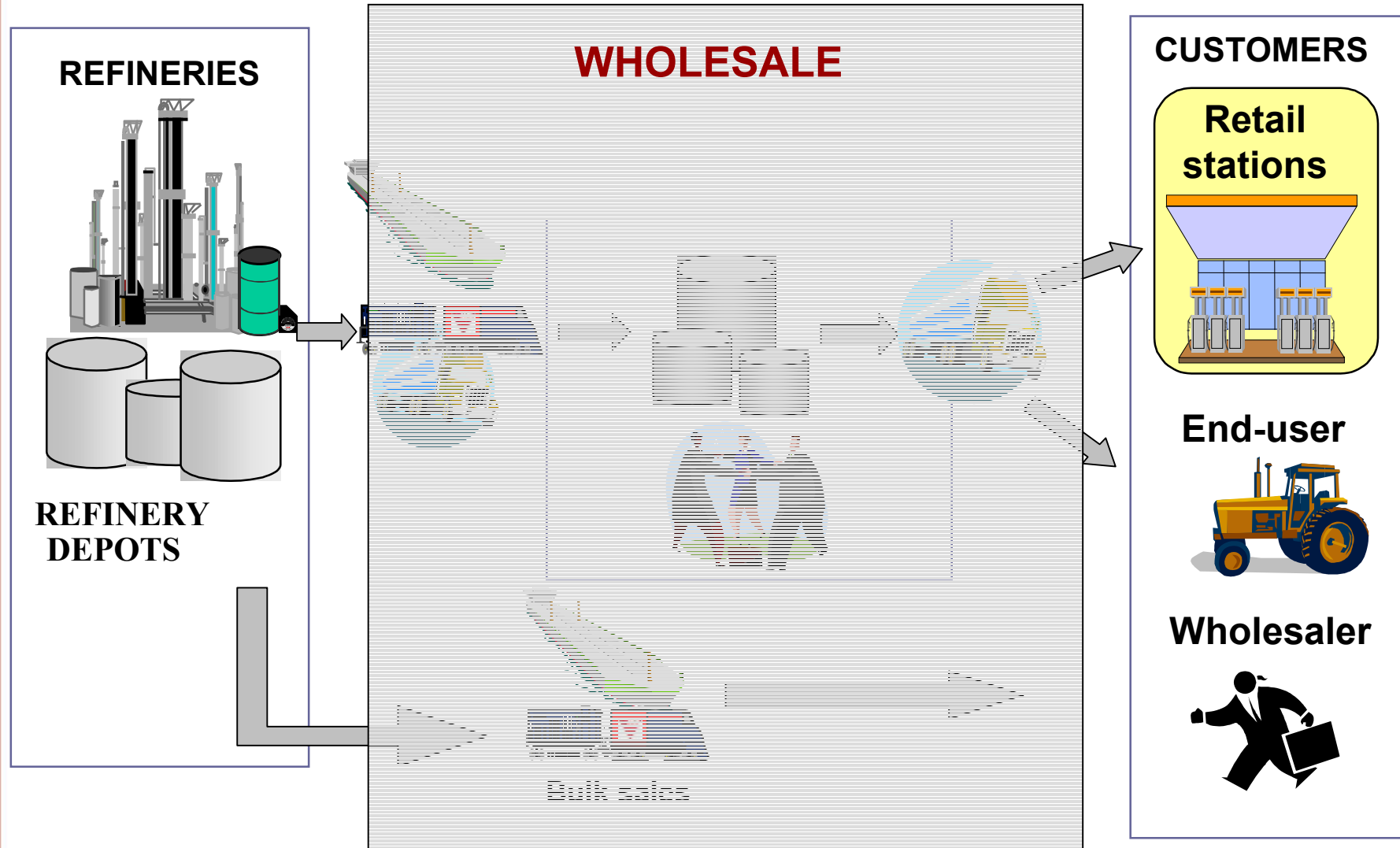


### Brent plus Rotterdam diesel margin

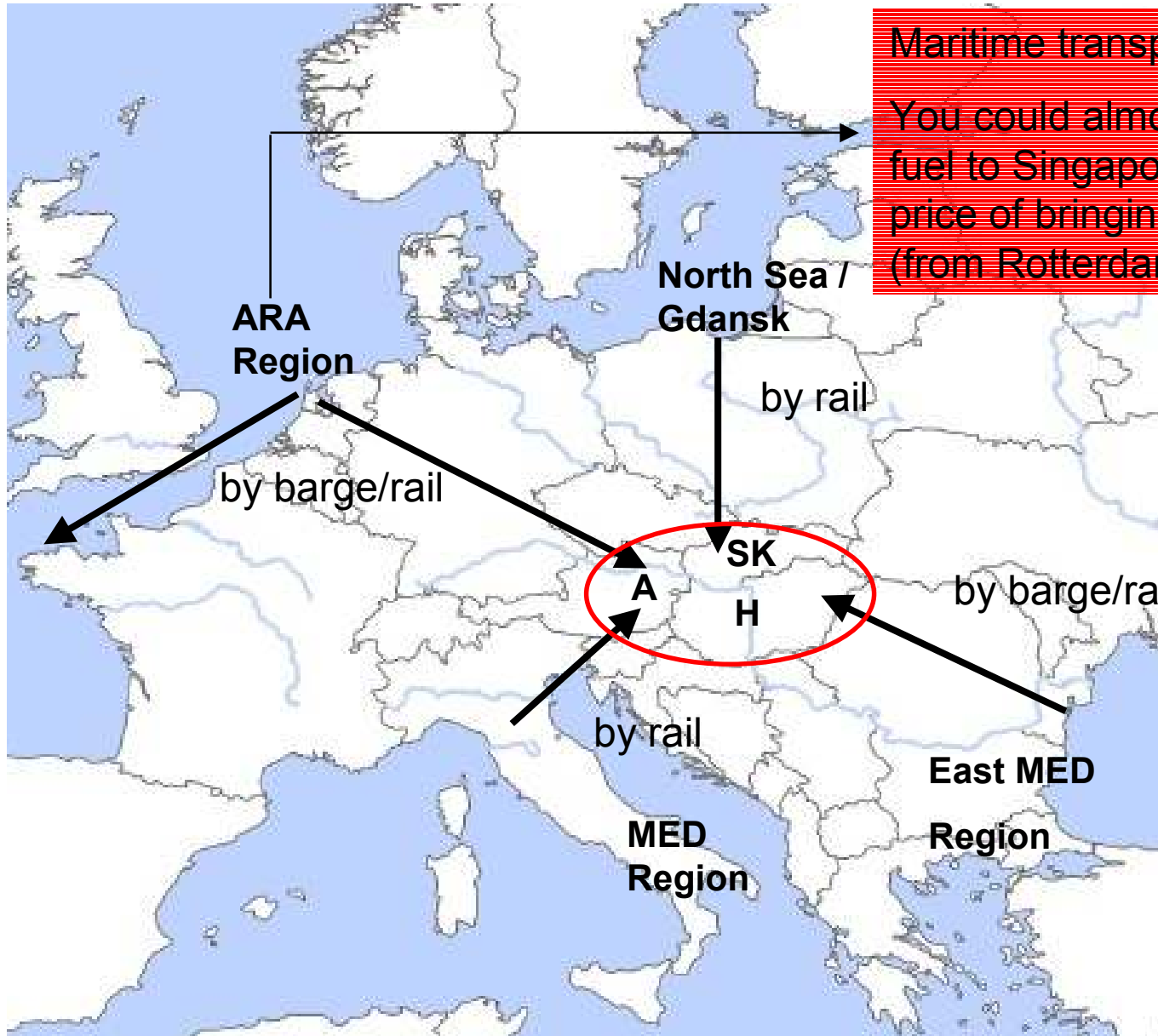


Source: CERA

# Typical sales channel structure



# The main difference b/w Portugal and Hungary: being landlocked



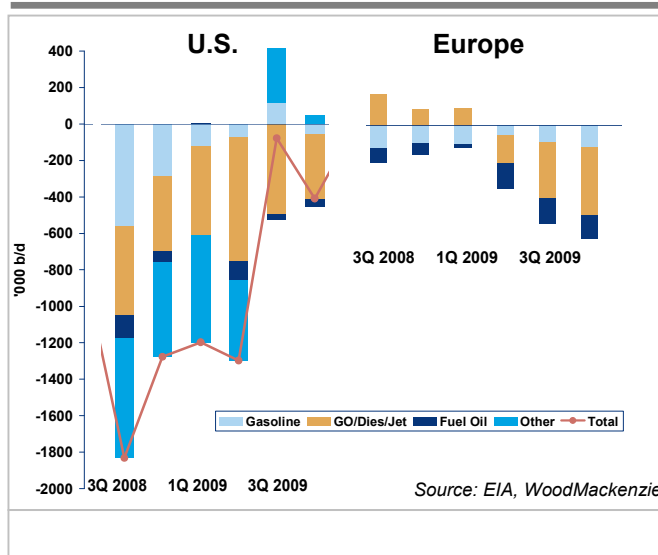
Maritime transport is way cheaper:  
You could almost transport the fuel to Singapore and back for the price of bringing it to Hungary (from Rotterdam)

## What could help in identification in competition analysis: 'Exogenous shocks'

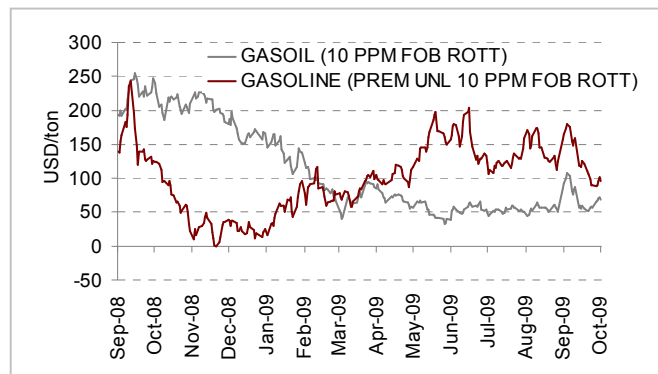
- Schwechat refinery fire analysis (MOL 2008):
  - OMV Austria refinery fire 2006:
    - MOL increased market share
    - Fringe supply hardly increased
- Csorba, Farkas, Koltay (2009): retail merger effects
- And what about: The effect of the crisis?

# The effect of the current crisis: serious demand shock

Quarterly demand changes by product



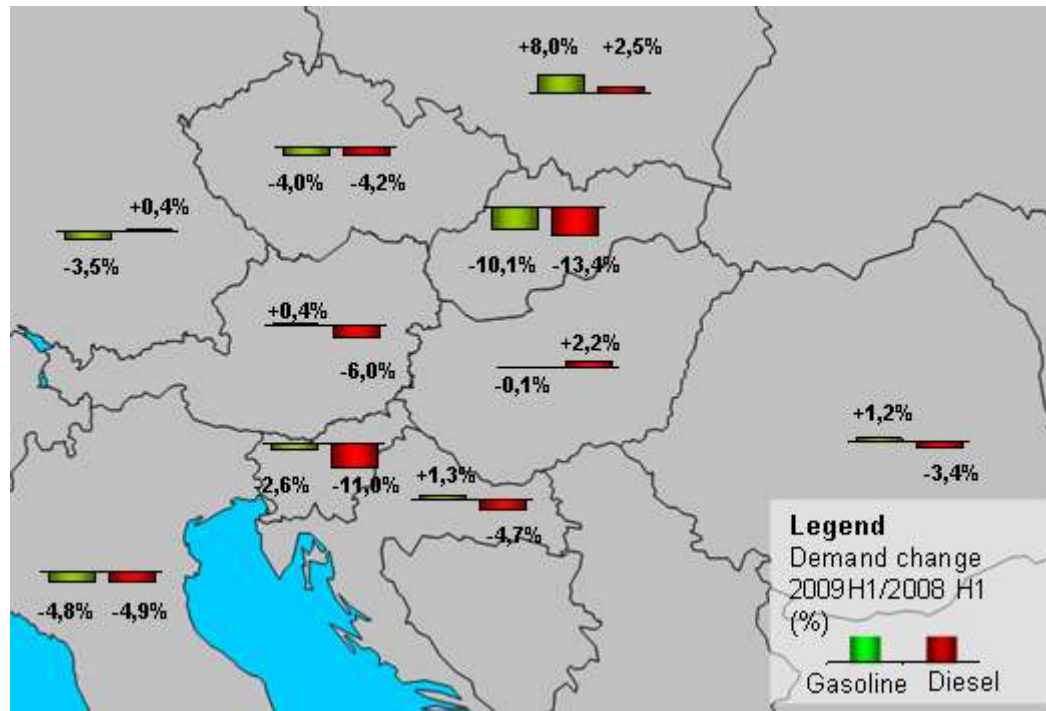
Crack spreads vs. Brent dtd



Strained crack spreads push less efficient simple and small refineries below economic limits

- Pre-crisis:
  - ‘regularity, stability of demand’
  - Producers close to their capacity limits
  - Continually increasing prices
- Post crisis
  - Massive negative demand shock
  - Producers well below capacity limits
  - Price collapse
- Competition effects?

## The effect of the crisis in CEE. Quantities matter a lot: wide differences in demand changes (due to fuel tourism?)

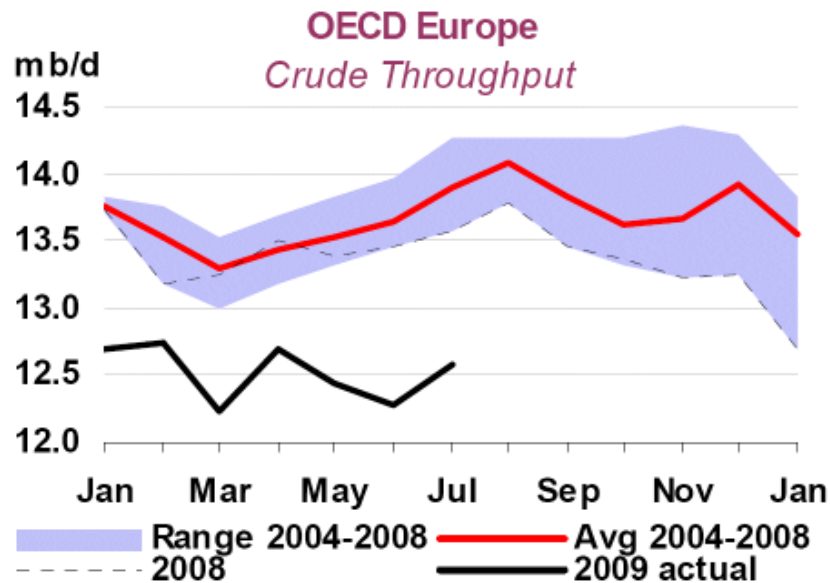


- ▶ Significant GDP decline was realized in the region with over 6% decline in Q1 2009 y-o-y in several countries
- ▶ However smaller decline in motor fuel demand in CEE region than expected (1-2% y-o-y)
- ▶ Significant differences by country
  - ▶ Transit countries: large diesel decline (Austria, Slovenia, Czech Republic)
  - ▶ Fuel tourism – weak local currency (Hungary, Poland)

Demand (H1/H1)	Gasoline	Diesel	Total
Hungary	-0.1%	2.2%	1.4%
Slovakia	-10.1%	-13.4%	-12.3%
Total CEE	1.5%	-2.1%	-1.1%

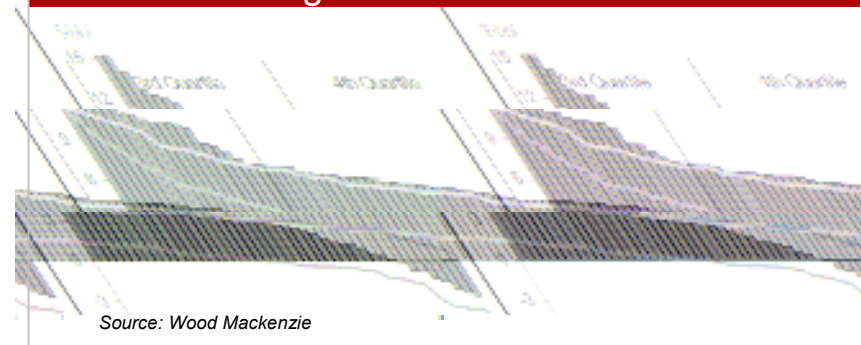


# European downstream: consolidation to come. CA's may get some work



Source: IEA OMR

## Net cash margins: end of merit order suffers



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**Total mulls dismantling of Dunkirk refinery-report**  
 Mon Oct 5, 2009 12:30pm BST

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**Total declines to comment**

- CGT union says no indication of Dunkirk plant dismantling.
- Total mulling selling refining assets due to poor demand.

PARIS, Oct 5 (Reuters) - Total's (TOTF.PA) 160,000 barrels-per-day Dunkirk refinery, which temporarily stopped in mid-September due to poor fuel demand, is likely to be dismantled, a French weekly said on Monday. Total declined to comment on the press report from the economic and political newsletter, La lettre de l'Expansion, which did not identify sources.