

UPEI Unveils Distorted Competition in the European Oil Market

While gas and electricity are being scrutinised closely on behalf of their market functioning, mineral oil seems to have become the EU's stepchild in competition matters. This is the outcome of a recent colloquium in Vienna arranged by UPEI, the advocate of independent small and medium oil companies in Europe.

Also in the oil market liberalisation still is far from being established. But while everyone complains about barriers to entry and limited consumer choice in the gas and electricity market independent oil companies are left out of leading discussions.

The independent small and medium oil enterprises in Europe are the important counterweight to the dwindling number of increasingly large internationally operating oil companies that focus on global perspectives. Therefore it is in the interest of competition conditions in Europe that UPEI and its members point out the existence of severe market malfunctioning in the oil sector.

Among others these examples give light to the current status: Especially in the new market economies dominant players are given undue competition advantage. In Croatia, import quality has to meet Euro IV standards while the local champion continues to market inferior products. In Hungary, bio components may only be added in refineries and not in commercial tank installations. In the same way runs legislation that blending for exports can only be done in refineries.

Due to the recent price explosion small and medium oil companies in all EU Member States face the need for tripled credit lines. Considering the relatively small equity base of independents this development creates a particular hardship for our members.

Nearly all Member States give preferential treatment to gas vis à vis oil although this is no longer warranted for neither ecological nor security of supply reasons. This is especially discriminating for independents as most of them deal in the oil sector only while major competitors cover all sectors.

In the eyes of UPEI there are compelling reasons why the market position of independents warrants special attention: Their manifold market and supply structure increases the security of supply equation by providing more options. In addition, independents secure diverse and challenging employment opportunities in the regions. Most of all, the existence of a healthy independent market sector is to the benefit of the customers as it stands for functioning competition.

The UPEI memorandum "The Oil Market in the European Union: Competition in the Internal Market – The Perspective of Independents / SMEs" can be ordered at info@upei.org.

Contact:
Bernd Schnittler
UPEI
c/o AFM+E
Grosse Theaterstrasse 1
D-20354 Hamburg
Phone: ++49 40 34 08 58
Fax: ++49 40 34 42 00
info@upei.org

30 January 2006