

COFECE urges the Energy Regulatory Commission to respect the process established in the regulation in force to set price regulation for LP Gas

- *The involved authorities must guarantee due process in accordance with the regulatory framework in force, to avoid challenges that delay the objective of consumers having access to cheaper LP Gas and at better conditions*

Mexico City, July 28, 2021.- On several occasions the Federal Economic Competition Commission (COFECE) has expressed its concern for quality energies being offered at the best supply conditions and at competitive prices in Mexico. In this regard, it has used its powers to investigate possible anticompetitive conducts in the market for Liquefied Petroleum Gas (LP Gas) and has proposed multiple recommendations to promote vigorous competition in this market for the benefit of Mexican families.

As an integral part of this effort, on May 31 of this year, COFECE made public the initiation of an investigation to determine whether effective competition conditions exist or not in this market. Based on the corresponding determination issued pursuant the law in force, the Energy Regulatory Commission (CRE, per its initials in Spanish) could, as the case may be, fix maximum prices for the distribution of this product to final consumer.

For its part, today the Ministry of Energy (SENER, per its acronym in Spanish) published in the Federal Official Gazette the “Directriz de Emergencia para el bienestar del Consumidor de Gas Licuado de Petróleo” [“Emergency Directive for the welfare of the Liquefied Petroleum Gas Consumer”], in which it exhorts the CRE to establish a methodology to fix maximum prices for the final consumer of LP Gas, within a maximum period of three days, which would be valid for six months.

Said exhortation is contrary to the mechanism established in the Hydrocarbons Law (LH, per its initials in Spanish) to regulate LP Gas prices, which requires a resolution of lack of competition conditions by COFECE as a necessary and prior condition to a price regulation. Specifically, article 82 of the LH mentions that the prices of LP Gas retail activities will be determined in accordance with market conditions. For its part, article 77 of the Regulation of the Activities referred to in Title Third of the Hydrocarbons Law mentions that distribution not linked to Liquefied Petroleum gas pipelines will not be subject to price regulation, unless otherwise determined by COFECE.



The logic behind this mechanism is that only on those markets where there are no competition conditions should maximum prices be established. Otherwise, price regulation could have consequences contrary to those anticipated by the Directive, such as a shortage or scarcity of LP Gas.

Therefore, if it was necessary to regulate the price of LP Gas, this decision will depend on every involved authority to comply, in accordance with their powers, with the due process established in the regulation. That is, that COFECE concludes its investigation and determines whether effective competition conditions exist or not, and in case they do not exist, that the CRE triggers a regulation process in said market to establish maximum prices for the distribution of LP Gas to final consumers.

Achieving that the prices of LP gas are the lowest possible on a sustained way depends on the joint effort of the different authorities involved in accomplishing that this market operates with competition. As a part of this joint effort, all the involved authorities must guarantee the due process in accordance with the regulatory framework in force, and thus avoid challenges that delay the objective of consumers having access to cheaper LP Gas and at better conditions. Accordingly, COFECE urges the CRE to abide by the legal procedure provided in the LH and the Federal Economic Competition Law (LFCE, per its initials in Spanish) to, when appropriate, regulate LP Gas prices.

Read [Transition towards competed energy markets: LP Gas](#) (in Spanish)

Read the [extract of the initiation agreement](#) (in Spanish)

[COFECE initiates an investigation to determine the existence of competition conditions in the distribution of liquefied petroleum gas at the national level](#)

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The Federal Economic Competition Commission is responsible for ensuring competition and free market access. In this way, it contributes to consumer welfare and the efficient functioning of the markets. Through its work, COFECE seeks better conditions for consumers, greater output and better services and a “level playing field” for companies.

