

Cofece-033-2022

Cofece determined the lack of effective competition in the distribution of LP Gas to final users

- *The Board of the Commission determined that there are no effective competition conditions in 213 of 220 geographic markets defined for the distribution of liquefied petroleum gas (LP Gas).*
- *It shall correspond to the Energy Regulatory Commission to establish, if appropriate, the regulation of the considerations, prices or tariffs for the sale of this product to the public.*

Mexico City, October 13, 2022.- The Board of the Federal Economic Competition Commission (Cofece or Commission) determined¹ the absence of effective competition conditions in 213 of 220 relevant markets consisting of the distribution of LP Gas to final users, through distribution plants and autotanks with a regional geographical dimension.

This determination is essential because LP Gas is a basic consumer good that directly impacts consumers' purchasing power. In Mexico, it is the main fuel used by families and businesses for cooking, water heating and heating.

Derived from the analysis carried out by Cofece in file number DC-001-2021, among other considerations to reach this determination, the following stand out:

- The high degrees of economic concentration observed, where few economic interest groups have high shares the defined markets.
- The high gross profit margins nationwide obtained by distributors.
- The existence of significant economic and regulatory barriers to entry, as well as barriers to exit.

¹ On October 6 of this year, an extract of the "Relevant data of the resolution issued in case file number DC-001-2021 by the Board of the Federal Economic Competition Commission " was sent to the Federal Official Gazette for its respective publication.



- The participation of “commission agents”, especially in the Metropolitan Zone of the Valley of Mexico, whose conducts inhibit or hinder free market access for distributors in certain geographical zones.
- Little or no entry of new distributors, despite increases in profit margins.

In accordance with the regulatory framework in force, this resolution was notified to the economic agents that demonstrated interest in the procedure and —in accordance with Article 96, section X, of the Federal Economic Competition Law— to the Head of the Federal Executive Power, the Ministry of Energy and the Energy Regulatory Commission. The latter will be in charge of establishing, as the case may be, the regulation it deems pertinent.

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MORE COMPETITION FOR A STRONGER MEXICO

The Federal Economic Competition Commission safeguards competition and free market access.

Through its work, it seeks better conditions for consumers, that more services are supplied with higher quality and that there is a “level-playing-field” for companies

