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April 27, 2020

Utility Regulation and Competition Office
P.O. Box 10189
Grand Cayman KY1-1002
Cayman Islands

RE: FS 2020 – 1 – Consultation Proposed Fuels Market Definition

Question 1

What are your views on the segmentation of the functional levels of the relevant fuel markets into:

a) the importation of the relevant fuels?

Answer: I am in agreement with the currently classification as outlined in the draft report

b) the wholesale and bulk sale and marketing of the relevant fuel?

Answer: I am in agreement with the currently classification as outlined in the draft report

c) the retail sale and marketing of the relevant fuels?

Answer: I am in agreement with the currently classification as outlined in the draft report

Question 2:

What are your views on the proposition that upstream production activities and refining, need not be defined for the Cayman Islands on the basis that such activities do not take place on an appreciable commercial level and there is no realistic prospect of market activities taking place in the Cayman Islands in the foreseeable future?

Answer: I am in agreement with the currently classification as outlined in the draft report

Question 3:

What are your views on the different fuels considered under the product markets (Section 4) in the draft Market Definition Report?

Answer: I am in agreement with the currently classification as outlined in the draft report.

This would include the fuels currently in use and the potential future fuels with a realistic prospect of these fuel introduced into the fuel mix in the Cayman Islands in the foreseeable future?

Answer: I am in agreement with the currently classification as outlined in the draft report

Question 4:

What are your views on the proposed definition of gasoline plus gasoline-ethanol blends up to a "blend wall" of 10% ethanol as comprising one product market, and all gasoline-ethanol blends with more than 10% ethanol including pure ethanol as comprising a separate product market?

Answer: We do not agree that the fuel should be segment based on fuels with fuels -10% or 10%+ being separate product markets. In the future if the market dictates or based on demand those fuels would be the natural progression of the fuel market.

- a) Similarly, what are your views on the proposed definition of petroleum-derived diesel ("diesel") plus diesel-biodiesel blends up to 20% biodiesel as comprising one product market, and all diesel- biodiesel blends with more than 20% biodiesel including pure biodiesel as comprising a separate product market?

Answer: We do not agree that the fuels should be segmented based on fuels with petroleum-derived and diesel-biodiesel being separate product markets. In the future if the market dictates or based on demand those fuels would be the natural progression I the fuel market.

Question 5:

What are your views on the proposed definition of:

1. a) propane,
2. b) natural gas,
3. c) butanes, and
4. d) acetylene

as separate product markets?

Answer: I am in agreement with the currently classification as outlined in the draft report

Question 6:

a) What are your views on the proposed geographic market definition

that each of Grand Cayman, Cayman Brac, and Little Cayman is a separate geographic market for all of the fuels considered except for jet fuel and kerosene, and aviation gas?

Answer: I am in agreement with the currently classification as outlined in the draft report

b) What are your views on the proposed geographic market definition that a single Cayman Islands-wide geographic market is proposed for jet fuel and kerosene, and aviation gas?

Answer: I am in agreement with the currently classification as outlined in the draft report

Question 7:

a) What are your views on the proposed geographic market definition that Grand Cayman is a single geographic market for all road vehicle fuels and other fuels (except for jet fuel and kerosene) considered, rather than being further segmented into highly localized geographic markets according to the different Districts of Grand Cayman or other similar basis?

Answer: I am in agreement with the currently classification as outlined in the draft report

b) In your view, are the conditions and outcomes of competition in the different Districts of Grand Cayman broadly similar and connected to each other?

Answer: I am in agreement with the currently classification as outlined in the draft report

c) Are there Districts of Grand Cayman where fuels suppliers could increase their local prices without substantially losing customers to retail stations or suppliers in other parts of Grand Cayman?

Answer: No. I am in agreement with the currently classification as outlined in the draft report as the island is too small if the segmentation at the district level.

d) If yes to 7 c) please explain.

Answer: N/A



FS 2020 - 1 - Consultation Proposed Fuels Market Definition

Clean Gas Submissions

Introduction

Clean Gas agrees with the Office that there is a critical need for market definition and economic assessment, in order to establish clear market rules and guidelines, to ensure better regulation, competition assessment and orderly conduct in the fuel sector.

Clean Gas therefore welcomes the opportunity to make submissions in relation to the fuel market generally, and specifically the propane market, and considers itself to be extremely well placed to do so, as one of two propane providers in the liquified petroleum gas (LPG) propane market in the Cayman Islands.

It is noted that Clean Gas is currently in discussion with the Office regarding the Office's market investigation into the propane industry, and the Office has stressed the essential nature of the market definition and economic and regulatory assessment exercise, noting that it is essential to guide its work and efficiently regulate the sector. The Office has specifically noted that its propane market investigation would have been enhanced if it had the benefit of this exercise being achieved and basic market rules implemented.

On that basis, Clean Gas is extremely happy to see the process being commenced and – as already stressed to the Office by Clean Gas in other communication – would consider a timetable for the due implementation of market rules to be essential.

Clean Gas Submissions Summary

1. Clean Gas agrees with the Office's conclusion that propane is separately delineated from the other products and does not have any submissions to make on the other product delineations.
2. Clean Gas agrees with the delineation of Grand Cayman, Cayman Brac and Little Cayman for propane, and does not have any submissions to make on the other product delineations.
3. In terms of industry level, for propane (and arguably other fuels), Clean Gas submits that the appropriate segmentation should be:
 - a) Importation of the relevant propane;
 - b) Wholesale and bulk distribution of propane;
 - c) Retail sale – commercial (noting that this could be segmented further into industrial, heavy commercial and light commercial);
 - d) Retail sale – residential (normally 100lb, 200lb or 250 gallons);
 - e) Retail sale – consumer exchange or refill (normally under 30lb).



Clean Gas Responses to Consultation Questions

Question 1: What are your views on the segmentation of the functional levels of the relevant fuel markets into:

- a) the importation of the relevant fuels?
- b) the wholesale and bulk sale and marketing of the relevant fuel?
- c) the retail sale and marketing of the relevant fuels?

Clean Gas' primary concern with the current segmentation is that retail does not distinguish between residential and commercial sales.

Clean Gas submits as follows:

- It is extremely standard globally in market definition generally, but also in respect of propane specifically, to include an "end use industry" delineation, which separates residential and commercial sales, and this further delineation would be appropriate for the Cayman Islands propane market.
- The propane market for industry (in Cayman most likely to be represented by construction and potentially agriculture) has also been considered to be a separate market in some jurisdictions, but expects that industrial end users are considered by the Office to be covered by the "wholesale/bulk" market delineation and does not take any issue with that assessment.
- Equally the propane market for commercial use could usefully be divided further into commercial heavy and commercial light.
- Arguably the propane market could usefully be divided further into residential delivery (where the propane is delivered in higher quantities) and consumer exchange/refill (where the consumer picks up the propane themselves in smaller quantities).
- The below table illustrates how Clean Gas delineates its products internally, with some examples (to the extent of any assistance to the Office):

Industrial	Commercial heavy	Commercial light	Residential	Consumer exchange and refill
Distilleries	Hotels	Restaurants	Houses	Consumer appliances (BBQs, etc)
Roofing	Asphalt plants	Forklifts	Condos	
	Laundries			

- In the sale of propane, there is a significant difference between residential and commercial sales, particularly in terms of marketing, service provided, gallons delivered and pricing. These two end



user groups are treated as entirely separate product markets by Clean Gas and, Clean Gas believes, by its competitor, Home Gas. C3 would submit that the consumer exchange market is also treated very differently, in terms of point of sale, delivery, pricing and marketing.

- Residential customers would not be expected to switch to a commercial service in the face of a SSNIP (and vice versa).
- 4. Clean Gas believes the most appropriate delineation for propane (and arguably other fuels) industry level is therefore:
 - a. Importation of the relevant propane;
 - b. Wholesale and bulk distribution of propane;
 - c. Retail sale - commercial;
 - d. Retail sale – residential
 - e. Retail sale – consumer exchange/refill.

Question 2: What are your views on the proposition that upstream production activities and refining, need not be defined for the Cayman Islands on the basis that such activities do not take place on an appreciable commercial level and there is no realistic prospect of market activities taking place in the Cayman Islands in the foreseeable future?

Clean Gas appreciates the Office's position on this question, and notes that its own concerns regarding upstream production activities relate to finding a way to ensure that specific quality standards are set for products that enter into the Cayman Islands. Clean Gas understands that quality control matters may be outside the scope of this consultation but notes that this should be an issue of significant importance for the Office and that quality control should be regulated.

Question 3: What are your views on the different fuels considered under the product markets (Section 4) in the draft Market Definition Report? This would include the fuels currently in use and the potential future fuels with a realistic prospect of these fuel introduced into the fuel mix in the Cayman Islands in the foreseeable future?

In terms of the definition of propane, Clean Gas would note that HD-5 Propane is 95% propane with 5% iso butanes, propylene's and other impurities. The HD-90 the Office refers to is a high-grade commercial propane that is used in the petrochemical industry. It does not have to be odorized and has a higher BTU content and costs a lot less, which is why it is used in manufacturing and industry. However, HD-90 is not accepted in the Cayman Islands. Clean Gas only uses HD-5.

In terms of a market definition exercise, Clean Gas takes no issue with the delineations suggested. However, it notes that from a marketing/advertising/quality perspective, there is a potential argument for breaking down further into sub-categories for potential grades of fuels. For example, there are different qualities of diesel within a single rating, such as a 40 cetane diesel, can have impurities like gasoline, heavy oils, and sulphur. This happens with all of the grades of heavy fuels and white fuels and there are no strict quality controls in place to ensure what is being advertised is what is received. Truth in advertising standards should be an imperative. This is an issue that should be closely monitored and regulated; however Clean Gas appreciates it may be out of scope for this consultation.

Question 4:

- a) What are your views on the proposed definition of gasoline plus gasoline-ethanol blends up to a "blend wall" of 10% ethanol as comprising one product market, and all gasoline-ethanol blends with more than 10% ethanol including pure ethanol as comprising a separate product market?

No comment

- b) Similarly, what are your views on the proposed definition of petroleum-derived diesel ("diesel") plus diesel-biodiesel blends up to 20% biodiesel as comprising one product market, and all dieselbiodiesel blends with more than 20% biodiesel including pure biodiesel as comprising a separate product market?

No comment

Question 5: What are your views on the proposed definition of:

- a) propane
- b) natural gas
- c) butanes
- d) acetylene

as separate product markets?

Clean Gas agrees with the Office that there should be separate product markets for these fuels.

Propane is a distinct product, used with specific equipment. Application of SSNIP would not therefore result in natural gas, acetylene or butane being substituted.

Clean Gas notes that butane has no useful market in Cayman and acetylene is an industrial gas only used in the industrial and medical sectors. Neither are substitutes for propane (or natural gas, or each other).

Question 6:

- a) What are your views on the proposed geographic market definition that each of Grand Cayman, Cayman Brac, and Little Cayman is a separate geographic market for all of the fuels considered except for jet fuel and kerosene, and aviation gas?

Clean Gas understands and agrees with the logic applied by the Office here and notes that, in relation to propane, the SSNIP test in respect of propane would not result in the Islands being considered as substitutes for one another due to different infrastructure and practical constraints.

That said, Clean Gas can also see the logic of having a consistent approach to geographical scope for all fuel products, and would certainly be grateful to see consistency in the fuel market generally across all Islands, in terms of regulation, oversight and management.

- b) What are your views on the proposed geographic market definition that a single Cayman Islands-wide geographic market is proposed for jet fuel and kerosene, and aviation gas?

Clean Gas has no concerns with that approach.



Question 7:

- a) What are your views on the proposed geographic market definition that Grand Cayman is a single geographic market for all road vehicle fuels and other fuels (except for jet fuel and kerosene) considered, rather than being further segmented into highly localized geographic markets according to the different Districts of Grand Cayman or other similar basis?

Clean Gas does not consider that it would be appropriate to further segment the market by district for propane. In respect of the wider fuel market, Clean Gas considers that it makes sense to have consistency of geographical scope to the extent possible.

- b) In your view, are the conditions and outcomes of competition in the different Districts of Grand Cayman broadly similar and connected to each other?

Clean Gas is not aware of any difference in competition related to district and notes that the needs and infrastructure of the districts are roughly consistent.

- c) Are there Districts of Grand Cayman where fuels suppliers could increase their local prices without substantially losing customers to retail stations or suppliers in other parts of Grand Cayman?

- d) If yes to 7 c) please explain.

Possibly for some fuels, though limited for most fuels by the size of the Island. It should be a matter for the supplier if they choose to take the risk of increasing local prices. The same can obviously not be said for reducing prices to predatory levels.

Question 8: Please provide your views on any other matters you consider relevant to this Consultation.

No comments

Sol Petroleum Cayman Limited, provides the following responses to the
Proposed Fuels Market Definition

Question 1:

What are your views on the segmentation of the functional levels of the relevant fuel markets into:

- a) the importation of the relevant fuels?
- b) the wholesale and bulk sale and marketing of the relevant fuel?
- c) the retail sale and marketing of the relevant fuels?

Sol Cayman Response:

It is our view that the segmentation of the relevant fuel market into the above-noted functional levels requires changes to the definitions set out in the Fuels Market Definition report. It is our view that the "importation of the relevant fuels" currently as described does not clearly contemplate the inclusion of transportation to the Cayman Islands. In our view, the definition of the "importation of relevant fuels" segment should include the original acquisition of refined fuel products outside of the Cayman market and transportation to the Cayman market ending when the fuel product "lands" in the Cayman market. This is because transportation of fuel from the refiner to the wholesaler is typically included in the cost of importation and is typically not included in the wholesale cost.

Segment (b), the wholesale and bulk sale and marketing of the relevant fuel, should not contemplate transportation to the Cayman Islands. Transportation of the fuels required to meet the majority needs of the Cayman Islands is provided by vessels that are not dedicated to the Cayman Islands. Further, market forces in the Cayman Islands have no influence on this market activity. Transportation is properly a part of segment (a) - the importation of the relevant fuels.

Participants in segment b) do and can pursue varied strategies. The creation of segments should not restrict participants from participating in any or all segments.

Question 2: *What are your views on the proposition that upstream production activities and refining, need not be defined for the Cayman Islands on the basis that such activities do not take place on an appreciable commercial level and there is no realistic prospect of market activities taking place in the Cayman Islands in the foreseeable future?*

Sol Cayman Response:

We agree with the statement, save for the fact that this is also true for the transportation of refined products to the Cayman Islands. There is little to no realistic prospect of Cayman Islands' market forces influencing the market for transportation of refined fuels to the Cayman Islands.

Question 3: *What are your views on the different fuels considered under the product markets (Section 4.3) in the draft Market Definition Report? This would include the fuels currently in use*

and the potential future fuels with a realistic prospect of these fuel introduced into the fuel mix in the Cayman Islands in the foreseeable future?

Sol Cayman Response:

Please see responses to Questions 4 and 5.

Question 4(a): What are your views on the proposed definition of gasoline plus gasoline-ethanol blends up to a "blend wall" of 10% ethanol as comprising one product market, and all gasoline-ethanol blends with more than 10% ethanol including pure ethanol as comprising a separate product market?

Sol Cayman Response:

We do not agree with the market delineation of gasoline-ethanol blends. We take the view that gasoline plus gasoline-ethanol blends are generally substitutes for one another and compete for the same consumer. Accordingly, all gasoline with no or any Ethanol blends should be considered part of the same product market

We do wish to highlight a few additional comments on E15 gasoline. E15 gasoline is marketed in the U.S. and the majority of vehicles produced at least in the last few years can use E15. A review of several automobile owner's manuals for new Ford vehicles currently being sold in the Cayman Islands contained the following language: "Do not use: ... [f]uel containing more than 15% ethanol or E85 fuel." Similar language was found in owner's manuals for model years as early as 2013. The 10% blend wall may not be appropriate and there is not enough evidence to suggest that gasoline with more than 10% ethanol should be a separate product market. Currently, this is not an issue because gasoline blends sold in the Cayman Islands do not contain more than 10% ethanol.

OfReg's consultants stated: "...a changing product market definition would require that a substantial proportion of vehicles in current use can use the higher-level ethanol blends without adverse consequences; as vehicles currently in use are expected to have remaining lives of many years, any change in this market definition would only likely occur on a time horizon of many years in the future, and would require evidence that a sufficient proportion of cars on the road can use the higher-level blends highly interchangeably." We note, however, that the above statements were not based on detailed information on the fleet of cars in the Cayman Islands or an empirical analysis of substitution patterns.

Question 4(b): Similarly, what are your views on the proposed definition of petroleum-derived diesel ("diesel") plus diesel-biodiesel blends up to 20% biodiesel as comprising one product market, and all diesel biodiesel blends with more than 20% biodiesel including pure biodiesel as comprising a separate product market?

Sol Cayman Response:

We take a similar view as to our response under Question 4(a).

Question 5: What are your views on the proposed definition of: a) propane, b) natural gas, c) butanes, and d) acetylene, as separate product markets?

Sol Cayman Response:

We will require more time to properly consider this question as some of the products are substitutes for each other.

Question 6 (a): What are your views on the proposed geographic market definition that each of Grand Cayman, Cayman Brac, and Little Cayman is a separate geographic market for all of the fuels considered except for jet fuel and kerosene, and aviation gas?

Sol Cayman Response:

We require additional time to properly consider this question.

Question 6 (b): What are your views on the proposed geographic market definition that a single Cayman Islands-wide geographic market is proposed for jet fuel and kerosene, and aviation gas?

Sol Cayman Response:

In principle, we agree to a single Cayman Islands wide geographic market that includes Grand Cayman, Cayman Brac and Little Cayman. However, because customers in this market have access to alternatives outside of the Cayman Islands, the definition may be too narrow.

Question 7 (a): What are your views on the proposed geographic market definition that Grand Cayman is a single geographic market for all road vehicle fuels and other fuels (except for jet fuel and kerosene) considered, rather than being further segmented into highly localized geographic markets according to the different Districts of Grand Cayman or other similar basis?

Sol Cayman Response:

We do not agree with the proposed geographic market definition that Grand Cayman is a single geographic market for all road vehicle fuels.

Grand Cayman currently has trade areas within which participants in segment (c) who are in close proximity behave more alike than clusters that are not in as close proximity. This suggests that submarkets may already exist.

From: Dow Travers <dow@refuel.ky>
Subject: Re: Consultation on Proposed Fuel Market Definition
Date: 2 June 2020 at 12:28:16 PM GMT-5
To: Consultations Group <consultations@ofreg.ky>

Hello OfReg,

This has been an unusually chaotic period with COVID and we apologize that this seems to have slipped through the cracks. Some summary responses are below if you would still like to incorporate them.

Question 1: What are your views on the segmentation of the functional levels of the relevant fuel markets into:

- a) the importation of the relevant fuels?
- b) the wholesale and bulk sale and marketing of the relevant fuel?
- c) the retail sale and marketing of the relevant fuels?

No particular comment.

Question 2: What are your views on the proposition that upstream production activities and refining, need not be defined for the Cayman Islands on the basis that such activities do not take place on an appreciable commercial level and there is no realistic prospect of market activities taking place in the Cayman Islands in the foreseeable future? This is certainly true today, but it is worth noting the Refuel's Vision is to make modern, renewable content fuel commonplace in Cayman while facilitating the introduction of locally manufactured renewables. No viable renewable is on the immediate horizon, but if and when a drop in technology becomes commercially viable and substitutable it's introduction will be considered.

Question 3: What are your views on the different fuels considered under the product markets (Section 4) in the draft Market Definition Report? This would include the fuels currently in use and the potential future fuels with a realistic prospect of these fuel introduced into the fuel mix in the Cayman Islands in the foreseeable future? The list looks comprehensive. The list is comprehensive with existing fuels but we do not agree entirely with some of the descriptions particularly with reference to E10's suitability in Marine environments. All major outboard engine manufacturers approve the use of E10 today, and with proper preventative measures E10 absolutely is acceptable for everyday use. Mercury Marine has stated that "After the transition period from E0, E10 may actually be a superior marine fuel as it tends to keep low levels of water moving through the fuel system, Mercury, Honda, and Evinrude approve petrols up to 10% ethanol.

Question 4:

- a) What are your views on the proposed definition of gasoline plus gasoline-ethanol blends up to a "blend wall" of 10% ethanol as comprising one product market, and all gasoline-ethanol blends with more than 10% ethanol including pure ethanol as comprising a separate product market?

This is inline with our position, which is the one of USA, where E10 is "substantially similar" to E0 and approved for use in all gasoline engines interchangeably with E0, (which is all but unavailable now in the USA). However, if CIG would like to promote renewables E10 should be treated differently for importation, and the renewable content (10%) of the fuel should be subject to a different and lower duty than that of petroleum.

- b) Similarly, what are your views on the proposed definition of petroleum-derived diesel ("diesel") plus diesel-biodiesel blends up to 20% biodiesel as comprising one product market, and all diesel- biodiesel blends with more than 20% biodiesel including pure biodiesel as comprising a separate product market?

We have been trying with limited success to make the case to customers that the two products are interchangeable for years.

Question 5:

What are your views on the proposed definition of: n/a

- a) propane,
- b) natural gas,
- c) butanes, and
- d) acetylene

as separate product markets?

Question 6:

a) What are your views on the proposed geographic market definition that each of Grand Cayman, Cayman Brac, and Little Cayman is a separate geographic market for all of the fuels considered except for jet fuel and kerosene, and aviation gas? n/a

b) What are your views on the proposed geographic market definition that a single Cayman Islands-wide geographic market is proposed for jet fuel and kerosene, and aviation gas? n/a

Question 7:

a) What are your views on the proposed geographic market definition that Grand Cayman is a single geographic market for all road vehicle fuels and other fuels (except for jet fuel and kerosene) considered, rather than being further segmented into highly localized geographic markets according to the different Districts of Grand Cayman or other similar basis? Traffic is a factor that is not explicitly mentioned but is certainly an impediment to the customer travelling to certain locations.

b) In your view, are the conditions and outcomes of competition in the different Districts of Grand Cayman broadly similar and connected to each other?

c) Are there Districts of Grand Cayman where fuels suppliers could increase their local prices without substantially losing customers to retail stations or suppliers in other parts of Grand Cayman? Yes

d) If yes to 7 c) please explain. The criteria for a substantial price increase seems to be 5%. 5% of an average fuel cost of \$4 is 20c. Refuel has consistently had prices from 30c to 60c below the national average. Therefore there are districts of Grand Cayman where fuel suppliers could and do have increased prices and do not substantially lose their customers to retail stations in other parts of Grand Cayman.

Question 8:

Please provide your views on any other matters you consider relevant to this Consultation.

Kind regards,
Dow Travers
Dow Travers
CEO

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Fuel doesn't have to cost the earth

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The Utility Regulation and Competition Office
PO Box 2502, Grand Cayman KY1-1104

16th June 2020

Dear Sir,

Re: Ofreg FS 2020 – 1 Consultation – Proposed Fuel Market Definition

We appreciate OfReg's request for consultation and apologize in our late reply. I believe it is a positive sign for the Cayman Islands to have this level of cooperation between Regulator and Industry. The replies to your industry consultation from Home Gas for the Proposed Fuel Market Definition are in Red below.

Question 1:

What are your views on the segmentation of the functional levels of the relevant fuel markets into:

a) the importation of the relevant fuels?

Home Gas is not sure why the importation of the fuel affects the segmentation of the market. It would seem the market would be determined by the fuel type or fuel usage. How it arrives on the Island would seem irrelevant to this conversation except for making sure the method is safe, quality can be controlled, and the product can be accurately measured for import duty assessment.

b) the wholesale and bulk sale and marketing of the relevant fuel?

We can see that being important to measure. For propane you may want to differentiate between bulk and cylinder fuel sales, which would make sense. To a lesser extent you can compare Commercial to Retail sales.

c) the retail sale and marketing of the relevant fuels?

A fuel like propane can be used for a number of end use applications. You may want to differentiate the sale of propane and other fuels by the final use of the fuel. Propane is a versatile fuel that can be used for heat, cooking, electrical production, pest control, and the operation of motor vehicles.

Question 2:

What are your views on the proposition that upstream production activities and refining, need not be defined for the Cayman Islands on the basis that such activities do not take place on an appreciable commercial level and there is no realistic prospect of market activities taking place in the Cayman Islands in the foreseeable future?

It is not impossible to think in the not too distant future you will begin to see local production of syngas, bio-fuels or even Hydrogen based products. Home Gas believes it will be important to regulate these products and ensure safety and quality. Some of these new products can easily be created at a small scale from a waste to bio-fuel process where the product is interchangeable with petroleum-based fuels.

It is important that all fuel activities are inspected and properly regulated to ensure the safety of the residents of the Cayman Islands. We have noticed there are plans for Natural Gas in Cayman which would mean a Regasification plant. This type of facility is extremely costly and has significant risk associated with the process. Like all other fuels on the Island those infrastructure costs should be placed upon the fuel company and not the people of Cayman.

Question 3:

What are your views on the different fuels considered under the product markets (Section 4) in the draft Market Definition Report? This would include the fuels currently in use and the potential future fuels with a realistic prospect of these fuel introduced into the fuel mix in the Cayman Islands in the foreseeable future?

It concerns Home Gas that the Cayman Islands Integrated Resource Plan for Energy through the year 2045 was created by a shell company for Siemens, who is a World leader in Natural Gas production and products.

We believe the list of fuels is fairly comprehensive. One fuel that should be considered for the list is Dimethyl Ether (DME) which is a promising syngas fuel that could be produced locally. We are not sure if you want to mention other fuels like Coal and Nuclear just to ensure they are prohibited from the Island in the future.

Question 4:

- a) What are your views on the proposed definition of gasoline plus gasoline-ethanol blends up to a "blend wall" of 10% ethanol as comprising one product market, and all gasoline-ethanol blends with more than 10% ethanol including pure ethanol as comprising a separate product market?

My experience with the use of ethanol based fuels is they cause a lot of engine issues especially if they sit around for any period of time due to breakdown of the organic matter. There is a significant difference in BTU content that is not always factored into environmental formulas. The new petroleum fuels have lower carbon and sulfur emissions over their predecessors and might actually be nearly as clean in the overall emissions per BTU without causing engine performance issues.

Home Gas feels the end-use of the product should define the market more than the actual product.

- b) Similarly, what are your views on the proposed definition of petroleum-derived diesel ("diesel") plus diesel-biodiesel blends up to 20% biodiesel as comprising one product market, and all diesel-biodiesel blends with more than 20% biodiesel including pure biodiesel as comprising a separate product market?

We believe the bio-diesel market has a promising future but feel it should be in the same market as regular diesel since it has the same end-use. Adjusting import duties based upon the true life-cycle carbon footprint of the fuel seems reasonable, but it should not be based solely on the burner tip emissions method that is often used to mask true emissions results.

Question 5:

What are your views on the proposed definition of:

- a) propane,

Only HD-5 LPG should be allowed to be imported into the Cayman Islands. Almost all propane products sold in the Cayman Islands will be based on North American propane standards which require a 90% propane mix. We should not allow lesser grades of propane like HD-10, industrial propane or the other lower grade mixtures found in Central and South America.

Over recent years propane is being used in medium scale electricity production that would be similar to the size requirements on the Cayman Islands. This is often used in smaller Islands like Cayman where Natural Gas importation is cost prohibitive and/or dangerous.

- b) natural gas,

We believe Natural Gas and Propane would basically be the same market since their end-usage is basically identical.

- c) butanes, and

We are not experience with this market segment in the Cayman Islands.

- d) Acetylene

We are not experience with this market segment in the Cayman Islands.

as separate product markets?

Question 6:

- a) What are your views on the proposed geographic market definition that each of Grand Cayman, Cayman Brac, and Little Cayman is a separate geographic market for all of the fuels considered except for jet fuel and kerosene, and aviation gas?

We agree with this assessment. It would be nice if there was a rebate on import duties for fuels sold in the Sister Islands to make those pricing more comparable to Grand Cayman.

- b) What are your views on the proposed geographic market definition that a single Cayman Islands-wide geographic market is proposed for jet fuel and kerosene, and aviation gas?

This seems like a rational approach.

Question 7:

- a) What are your views on the proposed geographic market definition that Grand Cayman is a single geographic market for all road vehicle fuels and other fuels (except for jet fuel and kerosene) considered, rather than being further segmented into highly localized geographic markets according to the different Districts of Grand Cayman or other similar basis?

Home Gas does agree with further geographic breakdown of the market in Grand Cayman, it would create more overhead that would drive up the price for everyone.

- b) In your view, are the conditions and outcomes of competition in the different Districts of Grand Cayman broadly similar and connected to each other?

Home Gas makes no differentiation between Districts in Grand Cayman.

- c) Are there Districts of Grand Cayman where fuels suppliers could increase their local prices without substantially losing customers to retail stations or suppliers in other parts of Grand Cayman?

This should be matter for each supplier to decide on their marketing strategies. Home Gas does not change prices per District nor have such plans at this time.

- d) If yes to 7 c) please explain.

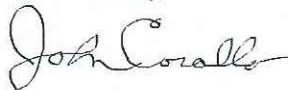
Question 8:

Please provide your views on any other matters you consider relevant to this Consultation.

Home Gas strongly believes we need protection for the fuel suppliers who own equipment on someone else's property as part of their fuel supply strategy. We need a national registry where we can register this equipment. It creates many potential legal issues for this issue not to be addressed.

In conclusion we wish to reiterate our desire to work closely with Ofreg to create a fuel market that is fair to all parties involved.

Yours sincerely,

A handwritten signature in black ink that reads "John Corallo".

John Corallo
General Manager

From: "De Breyne, Nicolas" <N.DeBreyne@rubis-caribbean.com>
Subject: Re: Consultation on Proposed Fuel Market Definition
Date: 8 June 2020 at 12:35:25 PM GMT-5
To: Consultations Group <consultations@ofreg.ky>
Cc: "Solomon, Joseph" <J.Solomon@rubis-caribbean.com>, "Kersey, Dustin R" <D.Kersey@rubis-caribbean.com>

Dear Mr Lee,

Thanks for reaching out to us regarding the proposed fuel market definition.

I confirm that RCIL doesn't have any specific comment about the document prepared by Dr. Derek Ritzman. We read it as the outcome of his professional opinion forged over the last six months, giving a universal description of the fuel grades uses, and a general description of the Cayman Islands fuels segments, which one would expect.

We remain fully cooperative and willing to provide any necessary input to Dr. Ritzman in the future. For the moment, we are concentrating on optimizing our daily operations and ensuring continuity of fuel supplies to the islands, under unprecedented challenges, substantial financial losses and with social responsibility towards our employees and local contractors.

We are looking forward to being offered the opportunity of commenting on the recommendations brought by Dr. Ritzman and your office regarding the forthcoming Economic & Regulatory Assessment.

Best Regards,

Nicolas de BREYNE
Managing Director

Rubis Cayman Islands Limited

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From: Consultations Group <consultations@ofreg.ky>
Date: Tuesday 2 June 2020 at 09:04
Subject: Consultation on Proposed Fuel Market Definition

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Good morning,

The consultation on the Proposed Fuel Market Definition closed on 11 May 2020, after a two weeks extension to the original deadline. This extension was to ensure key stakeholders had an opportunity to participate given the current situation. We observed there was no official response from your entity and we are seeking to understand the reason you did not respond.

Given the important role you play, and the fact that the consultation may have an impact on your participation in the sector going forward, it would be useful for you to indicate whether you had a 'no comment' to the consultation.

We thank you for your consideration and look forward to your response.

Regards

DL

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