



Notice of Submission

FS 2021 – 2 – Proposed Fuels Market Economic and Regulatory Assessment

18 June 2021

The Utility Regulation and Competition Office ('OfReg') has received a number of submissions on FS 2021 – 2 – Proposed Fuels Market Economic and Regulatory Assessment

The submission documents can be downloaded at www.ofreg.ky under the consultation tab. The draft final determination document will be published on OfReg's website on completion.

End.



(BY EMAIL)

May 14, 2021

Utility Regulation and Competition Office
consultations@ofreg.ky
85 North Sound Road
Alissta Towers, 3rd Floor
PO Box 10189
Grand Cayman KY1-1002
Cayman Islands

Attention: Chief Fuels Inspector & Director, Fuel Market, Mr. Duke Munroe

RE - Notice of Consultation FS 2021 – 2 – Consultation Cayman Islands Fuel Sector – Fuel Market Definition and Economic & Regulatory Assessment Study – Consultation on Proposed Fuel Market Assessment

Dear Mr. Munroe

We write in response to your letter dated April 16, 2021 requesting our input and answer to the 15 questions coming out of the Consultation of the Proposed Fuels Market Economic and Regulatory Assessment. Kindly see below Rubis Cayman Islands Limited answers to the set of 15 questions that OfReg has provided.

Question 1:

What are your views on the conclusions that:

World market prices of crude oil are a primary factor in determining the prices of refined products and changes in those prices, and that small markets such as the Cayman Islands as price takers in world market for refined products are thereby susceptible to the volatility of world market prices for crude oil.

Answer: Rubis view is that this is a reality and not only for the Cayman Islands, but worldwide. In addition to the above it is to note that due to the small size of the market in the Cayman Islands and extremely high cost of living, the operational costs of running the fuels logistics on island are also very high and cause an impact on the overall cost of fuel.

Question 2:

What are your views on the conclusions that:

a) Barriers to entry in the wholesale/bulk gasoline and diesel markets are relatively high and these market are highly concentrated and are not strongly competitive.

Answer: The barriers to entry are in reality low, as an example one of the existing wholesalers in the market introduced the concept over the last 5 years to import fuels via ISO containers while doing wholesale and retail sales of gasoline and diesel. On the competitiveness aspect, we disagree, as the market even with only 20+ service stations is attended by 3 different suppliers with different advantages and disadvantages which makes them unique.

RUBIS CAYMAN ISLANDS LIMITED

430 South Church Street, George Town, P.O. Box 10704, Grand Cayman KY1-1006, Cayman Islands, Tel: 1 345 949 2412

b) Rubis and SOL have significant market power in the wholesale/bulk markets for gasoline and diesel.

Answer: It is difficult to envision having multiple suppliers in a market for the size of the Cayman Islands with a population of only 65,000 people. Wholesalers have a vast responsibility in keeping the country supplied in a secure and reliable way to ensure the country does not run out of fuel and therefore requiring substantial investments. Having various suppliers and potentially some with low cost and unreliable supply chains will be detrimental to the country's supply reliability. In addition, Rubis has requirements for compulsory stock which require additional infrastructure and investments to ensure supply security and reliability.

Question 3:

What are your views on the conclusions that:

a) Barriers to entry in the retail markets for gasoline and diesel are moderately high but not as high as in the wholesale/bulk market levels.

Answer: This is due to the fact that 3 wholesale suppliers deliver fuels to the 20+ service stations in the retail market on island. This is common in other similarly small or even larger markets than the Cayman Islands.

b) The retail markets for gasoline and diesel on Grand Cayman are moderately concentrated and are not strongly competitive.

Answer: We disagree with this conclusion as the end customers always have had various choices to buy fuels from different service stations at different prices and locations. It is also to note that some of the customers' preferences can be linked to their expectations in terms of different specs of fuel, offerings at the convenience stores and different levels of quality of service that each service station is willing to deliver. The retailers operate independently and have complete freedom to set their own prices and participate in a free market.

c) The retail markets for gasoline and diesel on Cayman Brac and Little Cayman are highly concentrated, and are not strongly competitive.

Answer: The size of these specific markets is so small, that even the level of infrastructure to support these is over dimensioned and extremely costly. Having multiple suppliers in such markets will likely not work and one competitor will eliminate the other one. The demand in the sister Islands is so small that it is very difficult or almost impossible to justify additional service stations.

d) None of the retail stations on Grand Cayman has significant market power in the retail markets for gasoline and diesel.

Answer: No comments

e) Each of the retail stations on Cayman Brac and Little Cayman has significant market power in its retail markets for gasoline and diesel.

Answer: It is a reality due to the size and unique characteristics of these 2 markets.

Question 4:

What are your views on the conclusions that:

a) The barriers to entry to the markets for aviation fuels, namely jet fuel/ kerosene and avgas, are moderately high, and these markets are highly concentrated and are not strongly competitive.

Answer: The aviation fuels business is a very specialized and unique type of business that requires any participant to have very high operational and quality control standards, qualifications, financial capabilities and definitely regional and/or global reach. This is not unique to the Cayman Islands. Having airports with one, or two or three suppliers is something very normal in the industry and is also tied to the fact that concessions are given to the supplier by the relevant airport authorities. Investments in the aviation fuels business are very high and demanding

as well as the operational costs. In the specific case of the Cayman Islands there are requirements in terms of minimum stocks to ensure security of supply and for the country to have the ability to maintain supply under weather related events (hurricanes, storms, etc). In addition the airline industry requirements for insurance (3rd party and Refuelling Liability) come with additional high costs for the overall operation. The aviation fuels market of the Cayman Islands is in addition one of the smallest in the Caribbean and would not be able to fit multiple suppliers. Currently there are two suppliers which are very competitive in the local and regional market space. In addition, airlines in general flying into the Caribbean tend to take minimum uplifts of fuel due to price gaps between their major hubs (USA, Canada, UK) where fuel for obvious reasons is provided at a lower cost.

- b) Rubis and SOL have significant market power in the markets for jet fuel/kerosene, while Rubis has significant market power in the market for avgas.

Answer: Please see answer to questions 4.a) above. For the specifics of the Avgas, it is a product that worldwide is slowly disappearing, it has a high cost to produce, to deliver and to maintain as it has very specific and unique quality control and specs requirements. The market for this product in the Cayman Islands is minuscule, however it still could be supplied by a second supplier participating in the market who can always make the decision to participate in this segment in the market or not. The Avgas segment would not be able to survive without a Jet Fuel market and associated investments and operations.

Question 5:

What are your views on the conclusions that:

- a) The barriers to entry to the market for propane (LPG) are moderate for small scale market entry but substantially higher for larger scale market entry.

Answer: No comments

- b) The market for propane (LPG) is highly concentrated and modestly but not highly competitive.

Answer: No comments

- c) Home Gas has significant market power in the market for propane (LPG) but Clean Gas does not have significant market power in this market.

Answer: No comments

Question 6:

What are your views on the conclusions that:

- a) The market for acetylene is highly concentrated and not competitive.

Answer: No comments

- b) PMIG has significant market power in the market for acetylene.

Answer: No comments

Question 7:

What are your views on the conclusions that:

- a) Economies of scale in the fuel sector in the Cayman Islands are significant relative to the market size.

Answer: Suppliers with economies of scale and being capable to supply multiple countries throughout the region can and will always be better positioned to supply different markets in a reliable a cost effective way. It is important also to note that Rubis does not have an infrastructure that supplies only the retail business (service stations) but also commercial customers (CUC and CBPL) and 2 airports (GCM and CYB) and the overall market evaluation has to consider all these aspects and not focusing only on the retail business. However, having a better supply cost also requires to have substantial infrastructure onshore to make such supply reliable and efficient and this comes with very high investments and high working capital requirements to ensure security of reliable supply which is most important for the Cayman Islands.

- b) The fuel sector in the Cayman Islands in general is not highly competitive but competition is at least partly effective or workable.

Answer: Rubis disagrees, the market is very competitive. For the size of the market, available suppliers and number of service stations, the market is very competitive while also assuring the end customers to have quality of services and incentivizing the suppliers and retailers to invest in equipment and better facilities.

Question 8:

What are your views on the functioning of the fuel sector in the Cayman Islands in general, including:

- a) The effectiveness of competition and market outcomes in the fuel sector.

Answer: The overall competition exists and it is effective as it is. Customers have multiple choices and can decide on the various options available in country.

- b) The relevance and effectiveness (if any) of countervailing and buyer power in moderating any significant market power by sectoral providers.

Answer: No comments

- c) The extent to which (if any) sectoral providers may engage in collusive or other anti-competitive conduct.

Answer: Rubis would never engage in any type of collusive or anti-competitive conduct as this is a matter of how we operate in 41 countries and have an operating model that allows us to compete in any market we are present, and this includes the Cayman Islands. As a matter of fact, we have been asking the Government in the Cayman Islands for years to have the capacity to build our own berthing/mooring facilities to be able to better compete in the market by reducing our costs and while not depending on a competitor for the use of their own infrastructure.

- d) Any difficulties in detecting anti-competitive conduct by sectoral providers.

Answer: No comments

- e) Any other issues you consider to be relevant in evaluating the functioning of competition and market outcomes in the fuel sector.

Answer: No comments

Question 9:

What are your views on:

- a) The conclusion that increased clarity in the use of market share thresholds in determinations of significant market power may increase legal certainty and administrative tractability, for more accurate administrative determination.

Answer: Rubis does not believe that establishing certain thresholds to determine significant market power will not increase legal certainty and administrative tractability. In addition, a small market like the Cayman Islands any low or moderate volumes variation of fuel outputs can easily change a market share, and this can easily happen while competing in the market space and mostly in the commercial and aviation fuels businesses. Using market share as a threshold to make certain determinations is not the best approach.

- b) The ensuing recommendation that a market share of 40% or higher may result in a presumption of significant market power, which may be potentially rebutted by evidence that barriers to entry are low.

Answer: Establishing such threshold should not be conducive to specific determinations.

Question 10:

What are your views on:

- a) The conclusion that the Office's initiatives to increase price transparency in the fuel sector likely enhance the state of competition in the relevant markets.

Answer: With the current mechanism OfReg has in place by also publishing pricing to the overall public is enough from a pricing transparency perspective. The end customers always have various options and locations to choose from in the retail business (service stations)

- b) The corollary recommendation that the Office may further enhance price transparency by considering options for temporary price lock-in mechanisms at retail stations coupled with retail stations reporting their prices to the Office.

Answer: We do not think that price lock in mechanisms are the solution. Lock in prices has also the risk of diminishing the financial performance and returns of the high cost investments the service stations have and may also diminish their capacity to further improve their infrastructure (tanks, pipe, dispensers, convenience stores, etc.) . Rubis believes strongly in completely free market that allows for selection of quality and prices of a variety of products and services and following the supply and demand principles.

Question 11:

What are your views on:

- a) The conclusion that there may be critical importation and other infrastructure "bottlenecks" in the supply chain of the fuel sector that may have an adverse impact on the ability of competition to work effectively in downstream and other related markets.

Answer: There may be some importation related bottlenecks (sea berth and import pipeline), but these also come with the nature of the country's market size and capacity to build or not further capital intensive facilities in a market that is limited in demand and where financial returns can be seriously affected.

On the other side, one company has demonstrated to operate in a different model that offers some advantages, but also disadvantages in terms of security of supply and probably some safety and/or environmental concerns while managing a supply chain fully dedicated with ISO containers.

- b) The ensuing recommendation that, in line with the practice in other jurisdictions, the Office consider options for a structured mandated access or “essential facilities” regime, under which an access seeker may gain access to certain critical infrastructure facilities, if those facilities are declared under a structured process to meet certain cumulative criteria (including that they cannot be economically or feasibly duplicated, and that access to them would promote competition in related markets).

Answer: Rubis disagrees with the suggestion of declaring essential facilities and potentially mandating open access to others to participate in the market. Any potential entrant into a market should have the ability and capacity to build its own infrastructure while also managing its own operations and liabilities or negotiate the required arrangements (throughput, handling, storage fees etc.) with the existing players. The Jackson Point area is not the only possible place to have such infrastructure. Grand Cayman has other locations where infrastructure could be built in the future. There are already 3 suppliers in country with the required infrastructure each to compete in the market place. Providing access to other 3rd parties to the existing infrastructure is a decision that each company should make independently and aligned with its own strategies and potential business improvements taking into consideration its own business interests and future vision.

Question 12:

What are your views on:

- a) The conclusion that the material disadvantages to regulated price control regimes outlined in the report outweigh the potential advantages.

Answer: We agree that price control is not a solution that benefits the end customer. In environments like those in many cases customers end up not having different choices and options and prices may end up being the same or very similar at different service stations.

- b) The ensuing recommendation that price control mechanisms is not the preferred option given the other effective regulatory option outlined in the findings.

Answer: Rubis agrees that price control mechanisms are not the preferred option, but for the Office to decide to go to other options it must always guarantee for the players in the market to have a levelled playing field in terms of rules and regulations to be published, clearly communicated and followed by everyone in order to ensure fair competition while also following and adhering to all required standards on Health, Safety and Environmental matters. Security and reliability of supply must also be considered as a key factor to potential entrants.

Question 13:

What are your views on:

- a) The conclusion that low or absent barriers to entry to a market generally enhances competitive outcomes in markets, and can do so even if there is no competitive entry, as long as there is a realistic threat of competitive entry.

Answer: This is not necessarily true, the Cayman Islands has demonstrated that there can be other competitors in the market, pricing in a different way their fuels and still the end customer has the choice and different options to buy from. Let's assume there are no barriers to enter the Cayman Islands market, the size of the market is still so small that potential entrants may be discouraged by not being able to find it attractive enough.

- b) The ensuing recommendation that the Office consider mechanisms to take into account barriers to entry and other factors influencing the level of competition when making decisions more generally.

Answer: Primary concern for the Office should be in line with Rubis comments on 12.b) above.

Question 14:

What are your views on measures to reduce the compliance burden on reporting stakeholders.

Answer: The compliance burden must be reduced and it is our perception that the amount of data being collected may probably not be fully used for what it is intended therefore reducing the efficiency and effectiveness of the Office. Each company has its own compliance guidelines when it comes to operating certain businesses and the fuels business is very technical and mostly very standardized globally. Probably having some clear guidelines on key matters that have to be complied with locally and which must be aligned with international standards should be the way to go.

Question 15:

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

Answer: There are some general areas we want to address:

- The level of investment to attend a market like the Cayman Islands is also very high in terms of cost and in some cases due to contractual compulsory stock requirements (CUC and CIAA) which add substantial investments and high working capital. The Cayman Islands are not unique in this regard as it happens in many other small markets worldwide.
- It is important and key for fair competition to prosper to have a levelled playing field in terms of safety and infrastructure requirements, operational standards, rules and regulations which need to be followed by any existing or potential new entrant.
- Once again consideration should be given to Rubis to be able to build its own importing facilities (berth/pipeline)
- Section 1.3: Even though this was out of scope of this consultation, on the cost side aspect of fuels, consideration should be given to review the existing duties and fees being imposed on fuels at the moment of importation.
- The report mentions in one section that the Jackson Point facilities are shared. This is not correct as these facilities are separately owned and operated by Rubis and Sol.

On the other hand there are some specific areas we want to highlight regarding the report itself:

- Section 1.2 should in our view make emphasis on the importance of security and reliability of supply as important factors to be considered in a market study.
- Section 1.3 makes reference to "high profits". How is a high profit defined? It is high relative to what specific characteristic? This needs further clarification in our view.
- Section 4.2.1: Price of crude oil does not only have an incidence on prices of gasoline but also on Diesel and Jet Fuel.

Sincerely,



Andres Barthel
RUBIS Cayman Islands Limited
Managing Director

Mr Daniel Lee
 Manager – Consumer Affairs & Public Education
 The Utility Regulation and Competition Office
 PO Box 2502, Grand Cayman KY1-1104

21st May 2021

Dear Sir,

Re: Notice of Consultation FS 2021 - 2 - Proposed Fuels Market Economic & Regulatory Assessment

We thank you for compiling this information and look forward to the final product.

Before we answer the consultation question we performed some market research on various fuel products. Here are our assumptions on the various fuel/energy products in the Cayman Islands and their current annual sales. We derived much of the information from Internet searches and review of annual reports. It should also be noted that varying fuel types are compared by cost and volume per MMBtu. Below are the assumptions used, we would be curious is close we are to the actual numbers.

Description	Sold	Unit	Energy per Unit	Total Energy	% of Energy Market	% of Fuel Market
Electricity (est)	692,900,000	kWh	3,412 btu/kWh	2,364,272 MMBtu	20.0%	
Brac Power	22,440,000	kWh	3,412 btu/kWh	76,568 MMBtu	0.6%	
Total Electricity	715,340,000	kWh		2,440,840 MMBtu	20.7%	
Diesel	1,120,000	barrels	139,000 btu/gal	6,538,560 MMBtu	55.4%	69.8%
Jet	160,000	barrels	135,000 btu/gal	907,200 MMBtu	7.7%	9.7%
Gas	320,000	barrels	124,000 btu/gal	1,666,560 MMBtu	14.1%	17.8%
Total Petroleum	1,600,000	barrels		9,112,320 MMBtu	77.2%	97.3%
Propane	66,667	barrels	91,500 btu/gal	256,200 MMBtu	2.2%	2.7%
Total Fuels Market	1,666,667	barrels		9,368,520 MMBtu		
Total Energy Market				11,809,360 MMBtu		

Below are the Home Gas answers to the Consultation Questions in section D of FS2021–Consultation Proposed Fuels Market Economic and Regulatory Assessment:

- 1: All fuel products in North America will have some volatility in reaction to the index prices of BRENT and WTI crude oil. Unfortunately much of the pricing fluctuations are subject to market trading and do not always have rational business or supply explanations. Fortunately the Mont Belvieu Propane market in recent years has been a bit more level in regards to fluctuations.

The remote location and extremely small market size of the Cayman Islands creates significant challenges for receiving fuel. Therefore delivery fees are a significant portion of the cost of fuels for

Cayman and during market bottoms it can actually be more than the fuel cost itself.

2: Wholesale/Bulk Markets

- a) We believe the market relative to the size is adequately concentrated. The fuel companies have high capital expenses and are taking significant risks in regards to their margins. Most industries in the Cayman Islands would be very unhappy with the net income realized by fuel companies.
- b) Considering the market size, the influence of Rubis and Sol are expected.

3: Gasoline and Diesel

- a) All fuel companies have a significant capital investment required to make sure they are safely and efficiently storing and distributing fuel. The smaller the tank storage requirements the lower the upfront costs will be, therefore a retail location is significantly less expensive to build than a wholesale operation.
- b) We believe the market is fairly competitive considering the market size.
- c) The Sister Islands are tiny markets and nobody is making money operating in those locations at this time. The companies who operate in those markets have a huge risk for little to no profit.
- d) We do not think any single retail station controls the market in Grand Cayman.
- e) The tiny market size in Sister Islands cannot sustain competition.

4: Aviation Fuel

- a) There are significant costs and risks to the aviation fuel market with a limited customer base. In most markets there is always less competition in that fuel product.
- b) As the suppliers of the fuel with little logistical possibilities of competition, it makes sense that Rubis and Sol would control those markets.

5: Propane (LPG)

- a) Due to the storage requirements and hazardous nature of propane it has significant capital expenses to enter at any market size. Unlike other fuels it requires a significant investment in cylinders and tanks to store the fuel for customers. Almost all other fuels are stored in customer supplied storage. In small or large markets there are always less competitors willing to enter the LPG market. The entire Cayman propane market is tiny and would be considered a small single-location propane company in the US. A similar sized company in the US would have significantly less capital investment and storage requirements, the rule of thumb in the US is you can deliver 1.5-2 million gallons of propane per 30,000 gallons of storage. Home Gas has 18x and Clean Gas has 3x that amount of storage.
- b) At 2.7% of the fuel market in the Cayman Islands, the size of the propane market does not have enough value to sustain multiple competitors, unless margins were significant enough to cover the costs and risks involved with propane.
- c) Home Gas has been operating since 1957 and is the oldest energy company on the Island with Clean Gas entering the market in 2018. Home Gas has 64 years of infrastructure in the Cayman Islands that will take a lot of capital and time to equal.

6: Acetylene

- a) We do not have much experience except as a consumer in this market. But the market share must be insignificant and risk is high with this product.
- b) As the sole player they are taking all the risk and reward for the market.

7: Conclusions

- a) The economies of scale in the Cayman Islands are the most significant factors for the fuel sector. The remote location and bulk storage capacity play a major role with very limited ways of receiving fuel. Ocean going fuel vessels hold significant amounts of fuel and see little value in small markets like Grand Cayman. While ISO tanks offer a decent solution they have other risk and supply factors.
 - b) We do not agree with the statement, we believe the fuel market is highly competitive and the prices are extremely reasonable for the risk/reward.
- 8: Functioning of Fuel Sector
- a) Considering the small size of the market it is well run and has effective management and controls.
 - b) There is some market power for the larger buyers but there are base costs to fuels that must be calculated if you want to stay in business.
 - c) Fuel companies are always aware of their competitors pricing but strongly disagree any collusive or anti-competitive practices are taking place. From our experience the only issue we have seen is companies outside the fuel industry forcing consumers to choose a specific fuel supplier. Today's consumers have too much information at the fingertips for companies to easily take advantage of the captured market.
 - d) With today's rapid flow of information we do not believe it is easy to hide anti-competitive conduct.
 - e) Regulators and governments are always examining ways to reduce costs for consumers but that is not always the best solution. The fuel sector is very dependent upon the health of suppliers and lower margins too low will result in less competition and potentially a worse or more dangerous product.
- 9: Market Share
- a) The fuel market share needs to be compared as a whole and not just for each individual fuel.
 - b) This 40% share number is impossible to use for each fuel unless you are suggesting this for the entire fuel market as a whole. This would mean each fuel would have at least 3 companies in the market. Using the propane market it is ridiculous to think we could sustain 3 companies when it cannot even viably sustain 2 competitors at the current time.
- 10: Price Transparency
- a) An educated consumer will always reduce pricing abuses.
 - b) While Home Gas rarely adjust prices we do not feel this is fair to retail gas operations that are more susceptible to global market trends and may need to rapidly adjust for wholesale pricing fluctuations.
- 11: Supply Chain
- a) The fuel companies have taken considerable risk with massive infrastructure investment. How is it fair that a new player could enter the market and springboard off those past investments and experiences? This is completely unfair to the existing companies that are holding all the risk.
 - b) If the market was large enough to sustain more competition than it would not be an issue. If you force existing companies to give up their capital investment advantage and artificially increase competition it is extremely risky to the entire market.
- 12: Regulatory
- a) A free market and educated consumer will deliver the best product at the lowest price.

b) We agree that price controls are not the best option.

13:Barriers to Entry

- a) Competition and the possibility of new competition will reduce prices.
- b) There are many factors that need to consider beyond just pricing and barriers of entry. Existing companies have substantial investments in the Islands, employees with substantial experience, great safety records, and a strong understanding of the consumer needs.


14:Reporting from stakeholders is an important function of OfReg and critical to the safety of the residents of the Cayman Islands. The current methods for reporting are cumbersome and we would be glad to help work with OfReg to improve the reporting tools and maybe even they could be automated or at least greatly improved with a better use of Internet technology.

15:We do not understand the push to move introduce Natural Gas as another transitional fuel. Financially and logistically it does not make sense to the residents of the Cayman Islands to bear the substantial costs associated with this fuel. In the scale market of Cayman it does not make sense as a fuel source where it relies on much higher volumes to be economical. From our calculations based on the fuel markets futures of Henry Hub compared to Mont Belvieu the cost per MMBtu is 20-30% greater dependent upon the year. This does not even factor in the \$500 million plus investment that would be needed to utilize this fuel in Grand Cayman. Here are our calculations based on significant and accurate market research.

		2021	2022	2023	2024	2025	VARIABLES	
Henry Hub CME Futures	mmBTU	\$2.966	\$2.667	\$2.683	N/A	N/A	LPG BTUs per Gal	91,500.00
Mt Belvieu CME Futures	per Gal	\$0.780	\$0.647	\$0.563	\$0.550	0.4456	LPG Gals per mmBTU	10.93
							Shipping LPG per Gallon	\$0.35
Henry Hub CME Futures	mmBTU	\$3.041	\$2.579	\$2.588	N/A	N/A	Shipping LNG per mmBTU	\$11.00
Mt Belvieu CME Futures	mmBTU	\$8.525	\$7.070	\$6.148	\$6.011	\$4.870		
Add'l Transportation LNG	mmBTU	\$11.00	\$11.00	\$11.00	N/A	N/A		
Add'l Transportation LPG	mmBTU	\$3.83	\$3.83	\$3.83	\$3.83	\$3.83		
TOTAL LNG	mmBTU	\$14.041	\$13.579	\$13.588	N/A	N/A		
TOTAL LPG	mmBTU	\$12.350	\$10.895	\$9.973	\$9.836	\$8.695		
Cost Diff LPG/LNG	mmBTU	88.0%	80.2%	73.4%				

We thank you for taking the time to consider our consultation on this important fuel sector initiative. If you have any questions I can be reached any time at 326-7474 or email John@HomeGas.net.

Yours sincerely,



John Corallo
General Manager

From: [REDACTED]
Subject: Your analysis of the various fuels market is generally valid, but ...
Date: May 12, 2021 at 8:04 AM
To: consultations@ofrap.ly



In my opinion, this effort is not worth any additional effort on your part. I agree with your conclusions (see below) but would note the following:

- a) You treat ethanol blends as a separate market but you do not appear to recognize it as a true competitor, even an "intruder" into the overall gasoline/diesel markets, which as you say have limited competition;
- b) You do not give sufficient credit to your own role in publishing gasoline prices by station. (This could be contracted out for a very tiny price. In larger markets, each companies "sales reps" monitor each others' prices.)
- c) The tendency for retail prices to remain close to each other is not a virulently non-competetive phenomenon, but a natural one practiced by every retail store of every kind, even mom and pop stores.
- d) More money spent on this study would be a waste of your time, and ours in having to listen on radio to information easily accessed on the web;
- e) I'm so happy that MILK and BREAD prices are not monitored by your group (they were when I was a boy, but faded away quickly) and wish you would save a lot of money by leaving gasoline to natural competition ... most of it is consumed frivolously anyway.
- f) You should recognize the value in society to letting prices rise. It has been estimated that 35% of all Monday-to-Friday traffic is created by people who live within 3 miles of their workplace — just a nice walking distance if it wasn't for all the gas fumes.

Thank you,

[REDACTED]
[REDACTED]

"

17. The fuel sector is assessed as being generally highly concentrated and not highly competitive. However, the number of viable competitors is limited by economies of scale and the small market size, and in this context competition is at least partly "workable" and can potentially work to a satisfactory degree. Nevertheless, competition in the fuel sector is only partly effective and can be improved further by targeted policy interventions detailed in Section 6 of the draft Market Assessment Report."

From: [REDACTED]
Subject: FS 201-2 Consultation
Date: 23 April 2021 at 5:16 PM
To: consultations@ofreg.ky



Dear Sirs:

Your report does not acknowledge the possibility of anticompetitive horizontal behavior among dominant market oligopolists, such as horizontal price-fixing agreements or practices, agreed division of market shares, and refusal to deal with new entrants. The subject is not even mentioned in the report. Also not mentioned as a vertical influence is the subject of anticompetitive price maintenance agreements by wholesalers with retailers. These anticompetitive behaviors appear to be legal in the Cayman Islands, and you should consider whether the market participants are using such legal means to maximize their returns. The entire matter is just an exercise if you look at nothing but prices and market shares and ignore the question of the business relations between the market participants. Please keep my identity confidential in using this comment. If confidentiality will not be maintained, please discard the comment.

Sincerely,

[REDACTED]

Sent from my iPad

Thursday, May 20, 2021 at 9:51:09 AM Eastern Standard Time

Subject: RE: Notice of Consultation FS 2021 - 2 - Proposed Fuels Market Economic & Regulatory Assessment
Date: Tuesday, 18 May 2021 at 1:56:15 PM Eastern Standard Time
From: fuelsgroup@ofreg.ky on behalf of Dayne Brady
To: Fuels @ofreg.ky
CC: Duke Munroe
Attachments: image002.jpg, image003.png

Good afternoon Duke,

It was a good meeting earlier today and I look forward to more. On another note, as I mentioned, I had every intention of responding to the consultation request FS 2021-2, [REDACTED]. I know I am after the deadline for submitting my comments, but I would like to get on record as saying the I am an advocate of the potential mandated pipeline use discussion. Thus could potentially help us manage our first costs with shipping and potentially, even reduce our costs as long as the pipeline and bulk storage facility were accommodating with a fair price.

Have a great day.

Best Regards,



Dayne Brady
Operations Manager

P: 1.345.233.4427 C: 1.345.925.3962
E: DayneBrady@CleanGas.ky | W:CleanGas.ky

Superior Energy. The Smarter Choice.

From: Fuels @ofreg.ky <fuels@ofreg.ky>
Sent: Thursday, May 6, 2021 2:03 PM
Cc: daniel.lee@ofreg.ky; fuels@ofreg.ky
Subject: Re: Notice of Consultation FS 2021 - 2 - Proposed Fuels Market Economic & Regulatory Assessment

Dear Fuel Sector Participants,

This is a gentle reminder that the 'FS 2021 – 2 – Consultation on Proposed Fuel Market Economic & Regulatory Assessment' closes on 14 May 2021 at 5:00 p.m. Due to prior delays and the current set timelines to make a final determination and conclude this exercise, OfReg will not likely be in a position to extend this public consultation.

The relevant documents are attached and may also be accessed via the following weblink:

<https://www.ofreg.ky/consultations>

Please let us know if you require any clarification, which will allow you to provide your response, if any, within the given timeline.

Thank you once again for your continued cooperation.

Sincerely,

signature_509280673



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From: Daniel Lee <daniel.lee@ofreg.ky>
Date: Monday, 19 April 2021 at 12:31 PM
To:
Cc: Consultations Group <consultations@ofreg.ky>
Subject: Notice of Consultation FS 2021 - 2 -

Good afternoon

Please note that OfReg launched Consultation on Proposed Fuels Market Economic & Regulatory Assessment (FS 2021 - 2 -), for further information please see the below link. The closing date is 14 May 2021 and should you have any questions, please do not hesitate to contact me.

Regards
DL



Daniel Lee

Manager – Consumer Affairs & Public Education

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<https://www.ofreg.ky/consultations>