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Competition in Energy Markets – Note by Peru

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More documents related to this discussion can be found at www.oecd.org/competition/competition-in-energy-markets.htm

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Peru

Liquid fuels and LPG markets[1]

1. Introduction

1. Energy consumption is a critical element for the development of any economic activity. In Peru, transportation activities account for around 41% of energy total consumption, while mining and other industrial activities account for 27% of energy consumption. Commercial and residential use of energy accounts for around 25% (National Energy Balance 2018, MINEM). 64% of total energy consumption comes from hydrocarbons, that is, oil, its derivatives and natural gas liquids.

2. The main final products of the hydrocarbons industry are Diesel fuel (46% of fuel consumption), liquified petroleum gas (LPG) (24% of fuel consumption) and gasolines/gasohol (20% of fuel consumption). These products are relevant for transportation and industrial activities, and directly for the public that make use of them in their households. For example, LPG is the most important fuel used in households for the purpose of cooking (76% of households at the national level)[2].

3. Due to the importance of these products, it is essential that the markets for liquid fuels and LPG performs adequately. That is, the supply is guaranteed, the products meet the technical requirements, and the prices and quality are the result of an efficient and competitive process.

4. As in many other countries, the industry shows high levels of concentrations in the initial stages of the production/import, storage, and commercialization, as well as vertical integration relations between participants in different stages of the chain value.

5. Naturally, price evolution of liquid fuels and LPG is of particular interest due the direct and indirect implications in industries and households' expenditure (mainly transport cost that are passed through to final prices of a great variety of products). Also, prices are a key signal of how the market is evolving. In fact, prices provide information about how the markets are working and guide consumption, production, and investment decisions.

6. As in many countries, authorities in Peru have adopted different measures to face the context of high prices of energy products. First, the inclusion of products in the Fuel Derived from Petroleum Price Stabilization Fund (FEPC for its Spanish acronym). Second, the temporary exemption of the Selective Consumption Tax (ISC for its Spanish acronym). Additional measures include subsidies for vulnerable households to buy bottled LPG[3], and the funding of vehicle conversion to natural gas engines.

[1] Contribution of the INDECOPI.

[2] Calculation made by INDECOPI using the Household Nations Survey (HNS) 2021 conducted by the National Institute of Statistics and Informatic (INEI).

[3] In March 2022, the subsidy to help vulnerable families to access bottled LPG (10 kg) was increased in 25% (from S/.20 to S/25). Around 800 thousand vulnerable families access to the subsidy. For more information about the Energy Social Inclusion Fund (FISE, for its Spanish acronym) see: http://www.fise.gob.pe/index.html

7. In Peru, the regulation and supervision of liquid fuels and LPG markets are under the competence of the following institutions: The Ministry of Energy and Mines (MINEM for its Spanish acronym), The Supervisory Agency for Investment in Energy and Mining (OSINERGMIN for its Spanish acronym), the Institute for the Defense of Competition and the Protection of Intellectual Property (INDECOPI for its Spanish acronym), and the Agency for Environmental Assessment and Enforcement (OEFA for its Spanish acronym). MINEM elaborates, approves, proposes, and apply the government policy in the hydrocarbons sector. OSINERGMIN oversees the supervision and control of the legal and technical aspects of the activities in the hydrocarbons sector. INDECOPI is the competition authority, that, among other faculties, has the power to carry out market studies to identify possible opportunities for improvement related to the development of competition conditions in a given sector and issue recommendations[4]. Finally, OEFA is an entity attached to the Ministry of Environment (MINAM for its Spanish acronym) in charge of ensuring compliance with the environmental obligation of economic agents. OEFA has the power to assess, supervise, control, and punish environmental infractions.

8. INDECOPI, through the National Directorate for the Investigation and Promotion of Free Competition (DLC for its Spanish acronym), monitors continuously the markets for liquid fuels and LPG to detect any sign of a possible anticompetitive conduct. For this purpose, INDECOPI has an agreement to share relevant information with OSINERGMIN, the energy and mining supervisory agency. Additionally, INDECOPI and OSINERGMIN have joined efforts to supervise retail fuel stations around all the country.

9. Finally, INDECOPI, through DLC, has started the development of a market study on the commercialization of liquid fuels and LPG. The stages of the chain value involved in the market study are the production/import, storage, and wholesale commercialization. The main object of the market study is the evaluation of the competition conditions in the stages of the chain value mentioned. The activities of production/import, storage and wholesale commercialization are highly concentrated, and their relevance reflect on the weight that they have in the price for the final consumer (above 85% for liquid fuels and LPG). So, how well these markets perform has main incidence on the prices that are seen by the final consumer, as well as on the competition dynamics on the retail segment.

2. Recent evolution of demand for liquid fuels and LPG

10. Demand for liquid fuels and LPG has a main characteristic: it is a derived demand. It means, it generates from the demand for other final good and services (transportation, heating, cooking, lighting, etc.), or by productive processes in the case of firms that use these products as inputs. Then, demand for liquid fuels and LPG is related to the consumption of other goods, mainly durable goods (vehicles, homes, appliances, etc.)

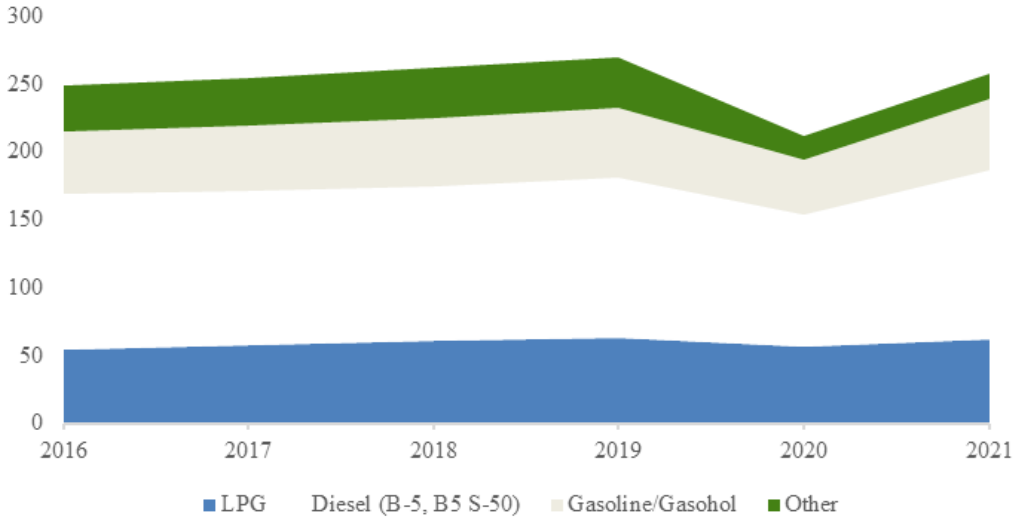
11. Energy demand can be understood as a process of decisions in three stages (Bhattacharyya, 2011): (i) decision over to buy or not an equipment that consumes energy, (ii) decision over the type of equipment and what source of energy to use (conditional on the existence of alternatives), and (iii) once the equipment is purchased, the decision of the

[4] The power to carry out market studies is based on the power of the Commission for the Defense of Free Competition (DLC-INDECOPI) to exhort or recommend to the authorities of the Public Administration on the implementation of measures that restore or promote free competition. The recommendations may include the elimination of barriers to entry, or the application of economic regulation where competition is not possible, among other measures. Article 14.2, subsection e) of Legislative Decree No. 1034 “law for the Repression of Anticompetitive Conduct”, modified by Legislative Decree No. 1205 (CLC, 2016).

intensity of the use of the equipment. This framework applies for households or firms' decisions. The decision to buy durables goods introduce a strong dependence of energy demand and affects the response of consumers to changes in fuel prices. So, in the short run, energy demand is less sensible to price variations (less elastic or inelastic); while in the long run energy demand is more sensible to price variations (more elastic)[5].

12. Figure 1 shows the evolution of quantities demanded of liquid fuels and LPG in Peru for the period 2016-2016 in thousand barrels per day (MBPD). The mains products are Diesel (B5, B5 S50), LPG and gasoline/gasohol. These three products represented around 93% of the total demand of liquid fuels and LPG in 2021. Additionally, a reduction of around 20% can be seen in 2020 as consequence of the transportation and other activities restrictions imposed in the context of the Covid-19 pandemic.

Figure 1. Evolution of quantities demanded of liquid fuels and LPG in MBPD (2016-2011)



Note: The category "Other" includes Turbo (A-1/JP5), residuals, asphalts, and other liquid fuels.
Source: Ministry of Energy and Mines
Elaboration: DLC-INDECOPI

13. Local markets are supplied through the production of refineries and fractionation plants, in addition to imports. Imports are significant in the case of Diesel (around 50% of consumption of Diesel comes from imports). In the case of LGP, the weight of imports has been increasing in recent years to reach 27% of the total LGP consumed in 2021.

14. The demand for liquid fuels and LGP has been recovering gradually as the result of the normalization of conditions for economic activities after the restrictions imposed in the context of the Covid-19 pandemic. An element that is going to play a role in the evolution of liquid fuels and LPG demand in the medium and long term is the speed of

[5] Dahl (1992) shows a survey of energy demand elasticities for developing countries. For the Peruvian case, Vasquez et al. (2017) estimate prices and income elasticities for several liquid fuels in Peru. Their estimates are statistically significant and show the expected sign. Also, they show that in most of the fuels evaluated, the short-run elasticities (price and income) are lower (in absolute value) than the long-run elasticities, reflecting more flexibility and alternatives for the consumers in the long-run compared to the short-run.

penetration of alternative sources of energy, especially for transportation activities: natural gas and electricity.

15. Metropolitan Lima and Callao already have a distribution network of natural gas, as well as other regions in the country as Ica, Piura, La Libertad, Ancash, Lambayeque, and Cajamarca. Metropolitan Lima and Callao surpasses a million connections at the residential level (the distribution started in 2004), while Ica attends more than 70 thousand residential connections (the distribution started in 2014). In Piura, the distribution network of natural started its operation in 2001 and is attending more than 7 thousand connections. Additionally, more than 173 thousand connections are served in the regions of La Libertad, Ancash, Cajamarca, and Lambayeque.

16. In the case of the use of natural gas for transportation, in July 2022, there were more than 367 thousand vehicles converted to natural gas. These vehicles are principally located in Metropolitan Lima and Callao (95%), other regions include: Ica, Piura, Lambayeque, La Libertad, Junín, Cusco, and Ancash. The context of higher liquid fuel prices, as well as incentives to promote the use of natural gas in vehicles (Ahorro GNV, for example[6]), has generated more dynamism in the rate of conversion of vehicles to natural gas[7]. Additionally, recently was approved a law project to reorient resources from the Energy Social Inclusion Fund (FISE) and the Hydrocarbon Energy Security System (SISE) to optimize the massification of residential and vehicular natural gas[8].

17. Additionally, even when the actual development is incipient in Peru, it is expected that electromobility will play, progressively, a bigger role in transportation activities in the future. Electric vehicles imports (including hybrids) have been increasing recently. In July 2022, 4,125 electric vehicles (pure, hybrids, pluggable and non-pluggable) were circulating in the country. To the date, there are 48 charge stations in the country (31 are accessible to the public).

18. The international experience of electromobility show that, in addition to the private impulse, the participation of the government is essential. The vision and mission assumed by governments are key drivers in the early stages related to the development of electric vehicle charging infrastructure and the gradual adoption of electromobility (Gonzáles-Salas et al., 2021). MINEM has announced recently that a normative framework to promote electromobility and the lithium industry is under development.

3. On the production/import, storage and dispatch, and wholesale commercialization of liquid fuels and LPG

3.1. Production/import of liquid fuels and LPG

3.1.1. Production

19. Peru is a net importer of hydrocarbons (crude oil, LPG, propane, butane, HOGBS, gasoline, and others). Refineries process local and imported crude oil to get fuels.

[6] http://www.fise.gob.pe/ahorro-gnv.html

[7] The number of conversion of vehicles to natural gas facilities has increased to rose 200 in July 2022. Likewise, the number of retail stations that sell natural gas rose to 340 in July 2022. Before the start of the Covid-19 pandemic, the number of retail stations selling natural gas was 327.

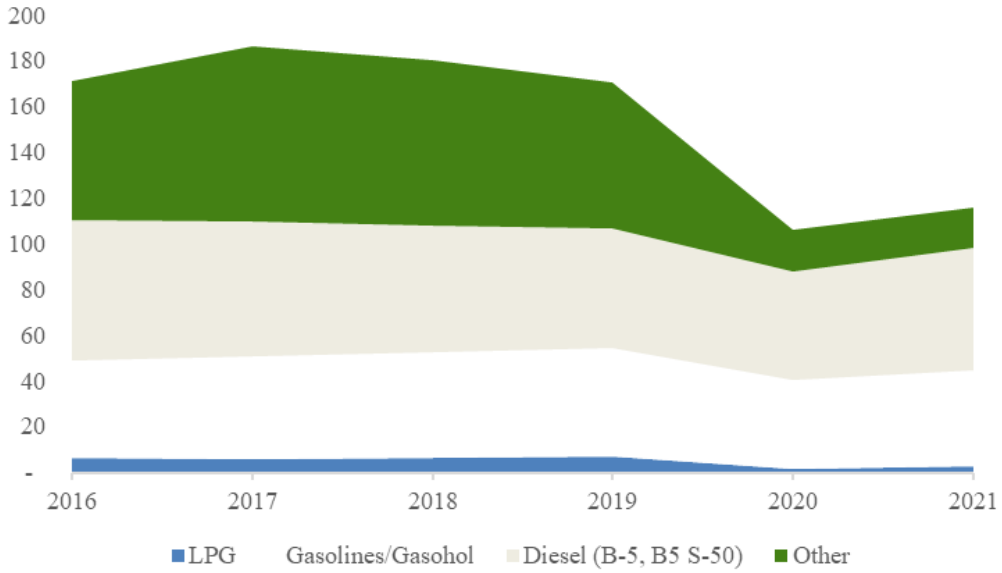
[8] Law project Nº 629-2021, approved on July 14th, 2022, by the Congress of the Republic.

Additionally, finished products are also imported as well as inputs that are used in the production of Diesel and gasoline.

20. Refineries production in 2021 was concentrated mainly in the production of Diesel (B5, B5 S50) (46% of total production in refineries), gasoline/gasohol 90 octane (20% of total production in refineries), while other gasolines/gasohol (84, 95, 97, and 98 octane) account for 16% of total production in refineries.

21. Liquid fuels production in Peru in done practically by two firms: Petróleos del Perú S.A (Petroperú) and Repsol S.A. Petroperú owns five refineries: Talara, Conchán, Iquitos, El Milagro and Pucallpa (own by Petroperú, but it was leased to Maple, which paralyzed its operation in January 2018). Repsol owns one refinery, La Pampilla. In 2021, Repsol concentrated 56.9% (66 MBPD of 116.1 MBPD) of finished products obtained in refineries; while Petroperú concentrated 43.1% (49.9 MBPD).[9] Figure 2 shows the evolution of production of liquid fuels and LPG in refineries.

Figure 2. Evolution of production of liquid fuels and LPG by refineries in MBPD (2016-2011)



Note: The category "Other" includes Turbo (A-1/JP5), residuals, asphalts, and other liquid fuels.
Source: Ministry of Energy and Mines
Elaboration: DLC-INDECOPI

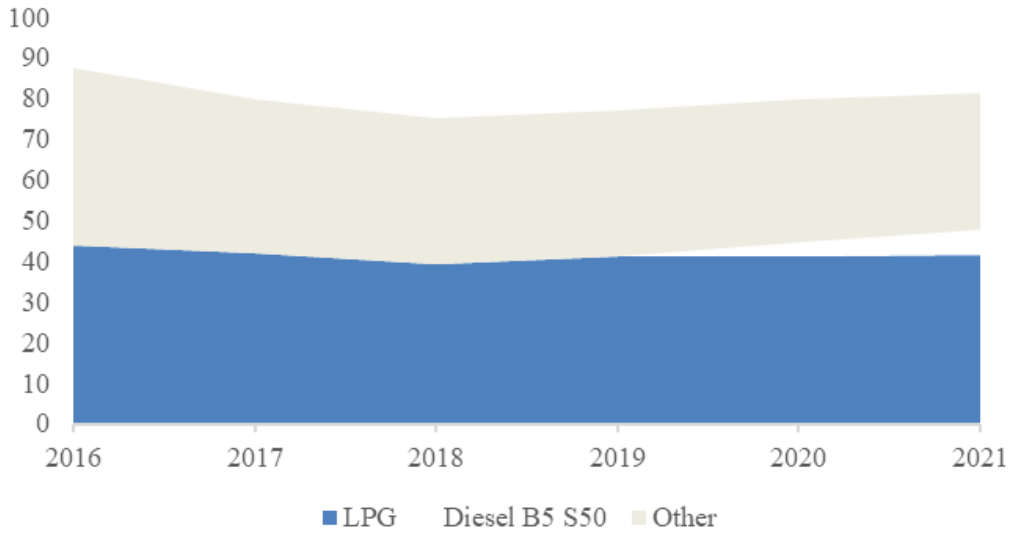
22. In terms of production capacity in refineries, Repsol concentrates 54% (117 MBPD of 214.8 MBPD). Petroperú concentrates 46% (97.8 MBPD) of production capacity. Petroperú is developing a project to improve and increase the production capacity of Talara refinery. This project is expected to increase production capacity from 65 MBPD to 95 MBPD.

23. LPG is produced locally and imported. Local production of LPG is mainly done by natural gas fractionation plants, while minor quantities are obtained in refineries. In 2021, 2.34 MBPD of LPG were produce by Repsol in La Pampilla refinery, while the LPG production in natural gas fractionation plants rose 41.54 MBPD.

[9] Ministry of Energy and Mines- General Directorate of Hydrocarbons.

24. LPG production by processing natural gas liquids was mainly done by Pluspetrol Peru Corporation S.A. (Pluspetrol), which concentrated 96% (40.11 MBPD) in 2021. The production plant of Pluspetrol, located in Pisco, processes natural gas liquids obtained from Camisea wells, which are separated from natural gas in Malvinas plant. From Malvinas plant, natural gas liquids are transported to Pisco plant by Transportadora de Gas del Perú S.A. (TGP). The remaining 4% of LGP production based on the processing of natural gas liquids corresponds to the companies Aguaytía, GMP, Savia-PGP and Unna Energía. Figure 3 shows the evolution of liquid fuels and LPG production obtained from processing natural gas liquids. In 2020 and 2021 there was also Diesel (B5 S50) production (3.35 MBPD and 6.29 MBPD, respectively) by natural gas liquids processing.

Figure 3. Evolution of liquid fuels and LPG production obtained by natural gas liquids processing in MBPD (2016-2011)

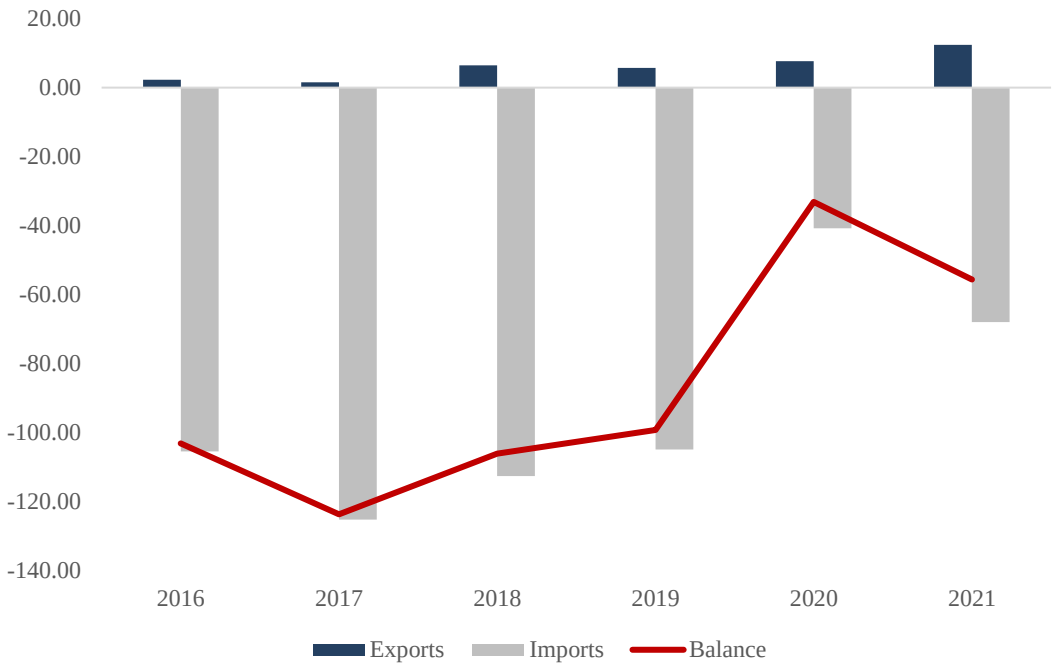


Note: The category "Other" includes intermediate products (natural gas condensates, distillates, etc.).
Source: Ministry of Energy and Mines
Elaboration: DLC-INDECOPI

3.1.2. Imports

25. As mentioned above, Peru is a net importer of hydrocarbons. Figure 4 shows the evolution of the trade balance of crude oil. Net imports reached a maximum of 124 MBPD in 2017, while 2020 shows the effects of the Covid-19 pandemic (net imports rose 33 MBPD). Net imports increased in 2021 and reached 55 MBPD.

Figure 4: Crude oil trade balance in MBPD (2016-2011)



Source: Ministry of Energy and Mines
Elaboration: DLC-INDECOPI

26. Imports also include finished products. In 2021, Diesel fuel concentrated 57.8% of total imports of finished products (39.51 MBPD of 68.33 MBPD), LPG imports (or its components propane and butane) accounted for 25% (17.08 MBPD), gasolines and Turbo Jet A1 rose 8.7% (5.94 MBPD) and 4.2% (2.88 MBPD), respectively. The remaining included industrial petroleum, oils, lubricating greases and solvents.

27. The main importer companies of finished products in 2021 were Valero (33.4%, mainly Diesel), Petroperú (21.1%, mainly Diesel and LPG), Mobil Petroleum (13.8%, Diesel and gasolines), Pluspetrol (12.1%, LPG), and Solgas (4.8%, LPG). Other importers of finished products concentrated the remaining 4.3% (LPG, lubricants, and solvents). Imports of intermediate products in 2021 (143 MBPD) were concentrated by the following companies: Petroperú (47.9%, mainly crude oil, Nafta and Diesel), Repsol (45%, crude oil and Diesel), and Pluspetrol (3.4%, Diesel). Other importers of intermediate products concentrated the remaining 3.7% (Diesel, lubricants).

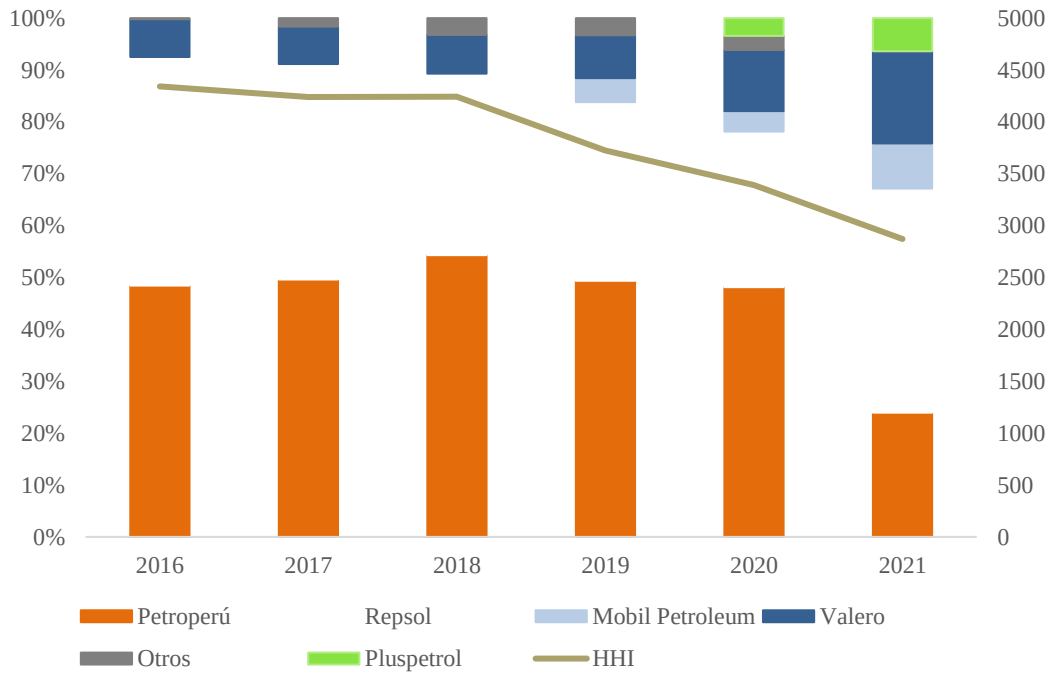
3.1.3. Concentration in production/import of liquid fuels and LPG

28. Figures 5, 7, 8, and 9 show the evolution of the shares in production/import of liquid fuels (Diesel and gasolines/gasohol) and LPG. Also, the evolution of the HHI is shown. Shares can be read in the left axis, while the HHI can be read in the right axis. The shares and HHI have been calculated using available information on production, net imports, and inventories variation by the companies participating in this stage of the chain value[10].

[10] The information is taken from the annual and monthly statistics publishes by the MINEM. In cases where there is no information on inventories by company, shares on a specific fuel are determined by proportional assignments of production and/or net imports.

29. Figure 5 shows that the main companies in this stage for Diesel fuel (B5, B5 S50) are Petroperú and Repsol. These companies accounted for more than 80% of production/import between 2016-2019. In 2020 and 2021, their joint share reduced to 78% and 67%, respectively; while importer companies as Valero and Mobil Petroleum increased their shares up to 18% and 9% in 2021, respectively. Even when HHI has been reducing during the period 2016-2021, it is still above 2,500 points.

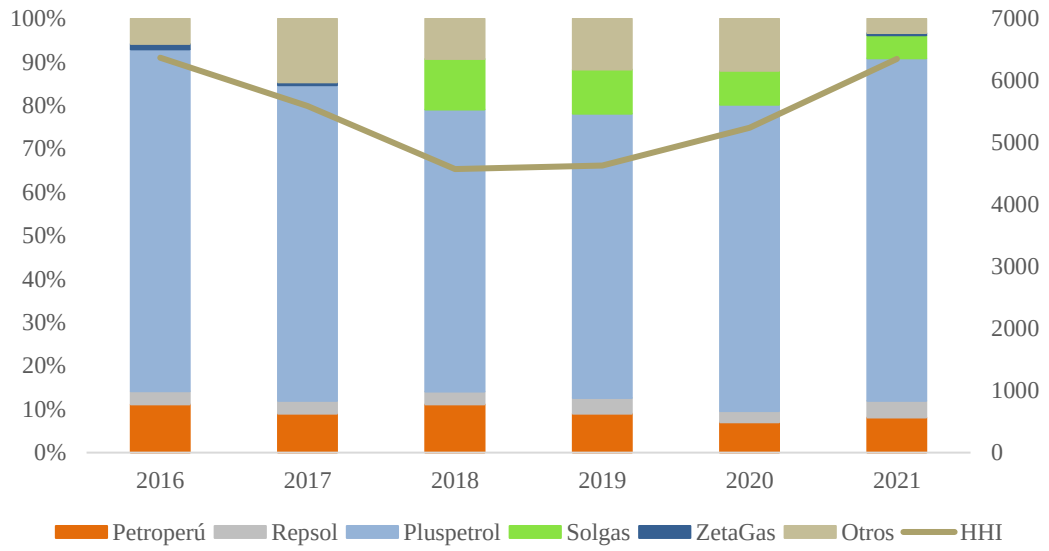
Figure 5: Evolution of shares on production/import and HHI: Diesel (B5, B5 S50)



Source: Ministry of Energy and Mines
Elaboration: DLC-INDECOPI

30. Figure 6 shows that the main producer/importer for LPG is Pluspetrol, with a share of 79% in 2021. Other producers/importers are Petroperú, Repsol and Solgas. The HHI, which far exceeds the threshold of 2,500 points, reflects the high level of concentration of LPG production/import.

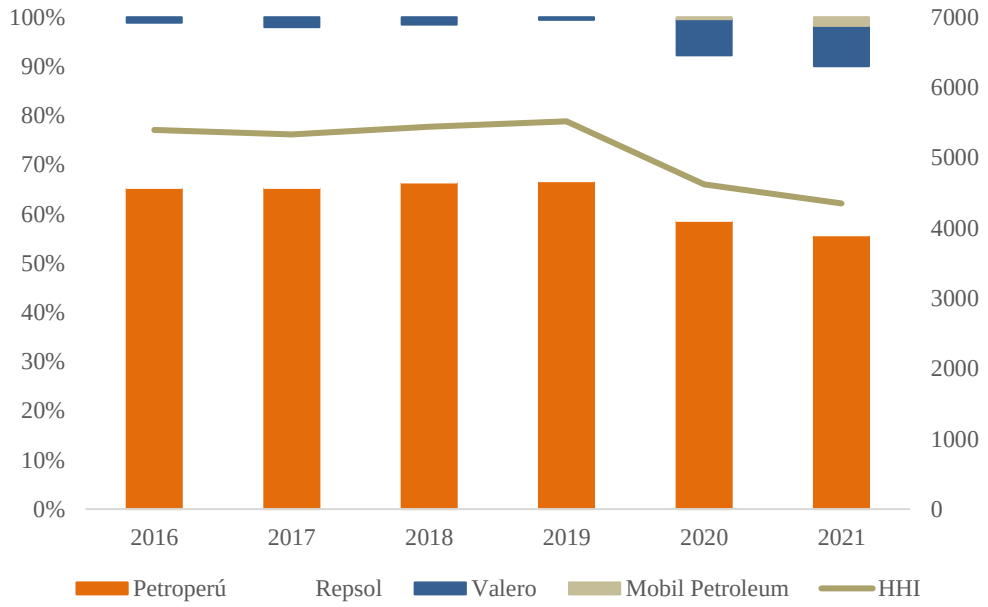
Figure 6: Evolution of shares on production/import and HHI: LPG



Source: Ministry of Energy and Mines
Elaboration: DLC-INDECOPI

31. For gasolines/gasohol, Figure 7 shows that the main producers/importers are Petroperú and Repsol. Their joint share is above 90% in the period 2016-2020. In 2021, Petroperú and Repsol accounted for 90%, while importers like Valero and Mobil Petroleum reached shares of 8% and 2%, respectively. As in previous cases, production/import of this product is highly concentrated.

Figure 7: Evolution of shares on production/import and HHI: Gasolines/Gasohol



Source: Ministry of Energy and Mines
Elaboration: DLC-INDECOPI

3.2. Storage and dispatch

32. Storage and dispatch activities are made by the so-called storage plants. A storage plant is a facility where reception, storage, transfer, mixing, addition of additives and dispatch of fuels and other hydrocarbon products are carried out. For the development of these activities, these plants have specialized equipment such as tanks, pipelines, and pumping equipment. In Peru they are also called sales plants or storage terminals.

33. Thus, a wholesale distributor acquires local and/or imported fuels and other products derived from hydrocarbons, for which it needs to store them in storage plants and then sell them to direct consumers or other agents who carry out commercialization activities in the industry[11]. The wholesale distributor can operate the storage plant. Likewise, companies dedicated to refining and/or fractionation have their own storage plants and perform functions of wholesale distributors, that is, they are vertically integrated.

34. Currently, there are 36 storage plants of liquid fuels in Peru (includes 8 storage plants in airports), with a total capacity of 8,444 MBLS. The company Terminales del Perú concentrates 33.39% of the total storage capacity of liquid fuels (it operates 5 storage plants of Petroperú property through a contract that ends in 2034). Petroperú concentrates 29.92% of storage capacity of liquid fuels in 19 storage plants around the country. Other mayor players are Valero, with a share of 11.46% of liquid fuels storage capacity; and Pluspetrol with a share of 7.46%. These shares reflect how the operation of storage plants is distributed. However, as mentioned, wholesalers contract storage capacity that allows them to develop their activities.

35. Total storage capacity of LPG ascends to 12,367 thousand gallons distributed in 8 LPG storage plants. Solgas share of storage capacity of LPG is 35.6%; while Zeta Gas Andino has a share of 23.07%. Terminales del Perú concentrates 18.8% of LPG storage capacity. Other companies, like PGP, Aguaytía Energy del Perú, GMP, Pluspetrol and Petroperú also operates LPG storage plants (with a joint share of 22.79%). Again, the shares reported only reflects how the operation of LPG storage plants is distributed, and LPG wholesalers contract storage capacity to carry out their activities.

3.2.1. Wholesale commercialization

36. Wholesalers of liquid fuels and LPG can sell to other wholesalers or retailers. When selling to retailers, products are transported from the storage plants to their distribution to retail stations or LPG sales establishments. There are 23 liquid fuels wholesalers in Peru with 160 establishments dedicated to this activity.

37. There are wholesalers that are vertically integrated with refining/import and storage activities. Wholesalers not vertically integrated can acquire liquid fuels by local suppliers or through imports. Also, they need access to storage facilities, via contracts, in case they don't operate any storage plant. Transportation of the products by a fleet of vehicles is also part of the activity.

38. Regarding the concentration of liquid fuels wholesales, preliminary results, using information shared by OSINERGMIN, show important levels of concentration. These calculations only consider the sales conducted by wholesalers to direct consumers, retail fuel stations, and other retailers.

[11] Among other requirements, any agent that is constituted as a wholesale distributor must have the authorization of the storage plant of its property (from OSINERGMIN), or the reception, storage, and dispatch contract with the respective operator of a storage plant.

39. For Diesel (B5, B5 S50), the 3 main wholesalers concentrated around 72% in 2021, while the 4 main wholesalers concentrated around 82% (Petroperú, Corporación Primax, and Repsol). The HHI was 1,925 points. For the case of gasolines/gasohol the 3 main wholesalers concentrated around 82% in 2021 (Petroperú, Corporación Primax, and Repsol)., while the 4 main wholesalers concentrated around 89%. The HHI calculated was 2649.

40. For the LPG, wholesalers include producers, importers, and companies that operates bottling plants. LPG wholesales include bulk LPG and bottled LPG.

41. Bulk LPG is destined mainly to transportation, industries, commerce, hospitals, schools, among others. Bulk LPG is distributed from LPG storage plants through vehicles for retailing in LPG retail stations and to direct consumers. Bottling plants operates like storage plants and wholesale establishments. In 2021, bottled LPG accounted for 55% of total sales of LPG.

42. There are 119 bottling plants owned by 76 firms in Peru. 5 firms concentrate, in 34 bottling plants, around 60% (2,054 out of 3,401 thousand gallons) of the total storage capacity. These firms are Solgas (23%), Lima Gas (20%), Llama Gas (7.1%), Corporación Primax (6.6%), and Zeta Gas Andino (3.6%). There exists vertical integration with LPG storage plants in the cases of Solgas and Zeta Gas Andino.

43. Like the cases of liquid fuels, here we present preliminary results regarding the concentration in LPG wholesales. For the calculations, we consider wholesales made by producer/importers and other wholesalers to: (i) direct consumers, (ii) LPG retail stations, (iv) LPG bottling plants, and (v) LPG distribution networks.

44. The 3 main LPG wholesalers concentrated 82% in 2021 (Pluspetrol, Solgas and Zeta Gas Andino); while the 4 main wholesalers concentrated 98%. The HHI was calculated in 2,925 points.

4. Recent prices evolution

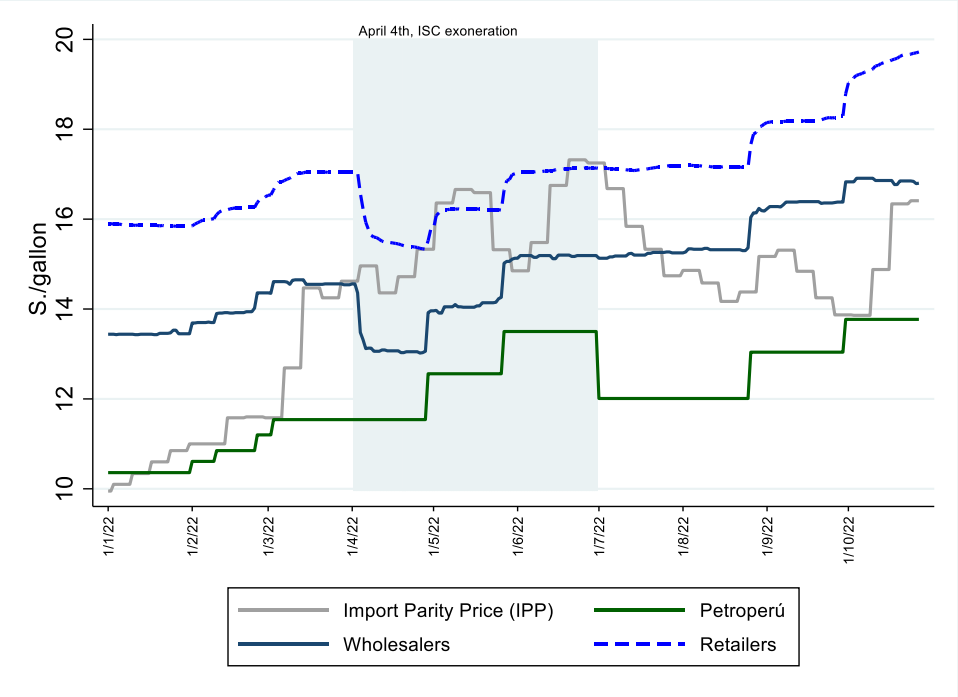
45. Figure 8 shows the recent evolution of prices at different stages of the chain value for Diesel B5 S50 UV (vehicle use). Import Parity Price (IPP), the price of one the main producers (Petroperú), the average wholesale price, and the average retail price are shown. Prices are shown in local currency per gallon. The average wholesale price is calculated for the regions of Lima and Callao, while the average retail price is calculated for Metropolitan Lima and Callao. It is important to mention that this product is under the FEPC since 2021. Additionally, the period of the ISC temporary exoneration in 2022 is highlighted (from April 4th to June 30th).

46. Similarly, Figure 9 shows the recent evolution of prices for gasohol 90 octanes (the most consumed gasoline/gasohol in Peru). It is important to mention that this product is not under the FEPC. However, this product was temporarily exonerated of the ISC tax.

47. Regarding LPG prices evolution, Figure 10 shows prices at different segments for the most consumed presentation of bottled LPG (10 kg). Then, the figure includes Import Parity Price (IPP), the price of the main LPG producer (Pluspetrol), the average price of bottling LPG plants located in the regions of Lima or Callao, and the average price for retail establishments calculated for Metropolitan Lima and Callao. This product was included in the FEPC in September 2021, and it was not part of the products that were temporarily exonerated of the ISC tax.

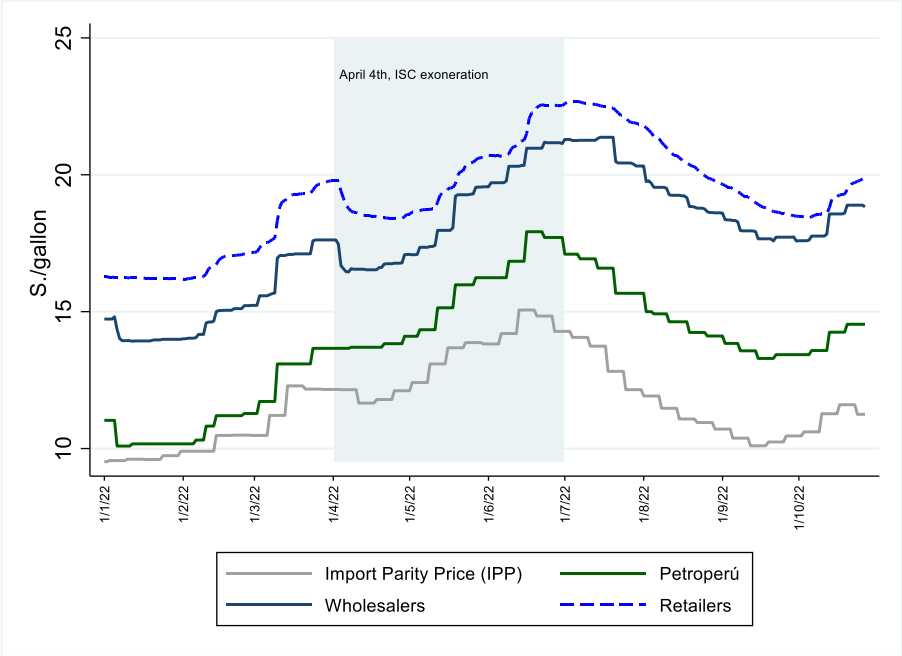
48. As can be seen, the weights of wholesale prices on final prices are important. For the case of Diesel B5 S50 is around 87%, while for gasohol 90 octanes is around 91%. For the case of bottled LPG, the weight of bottling plant prices on final prices or bottled LPG is around 86%.

Figure 8: Recent price evolution in different segments: Diesel B5 S50 UV



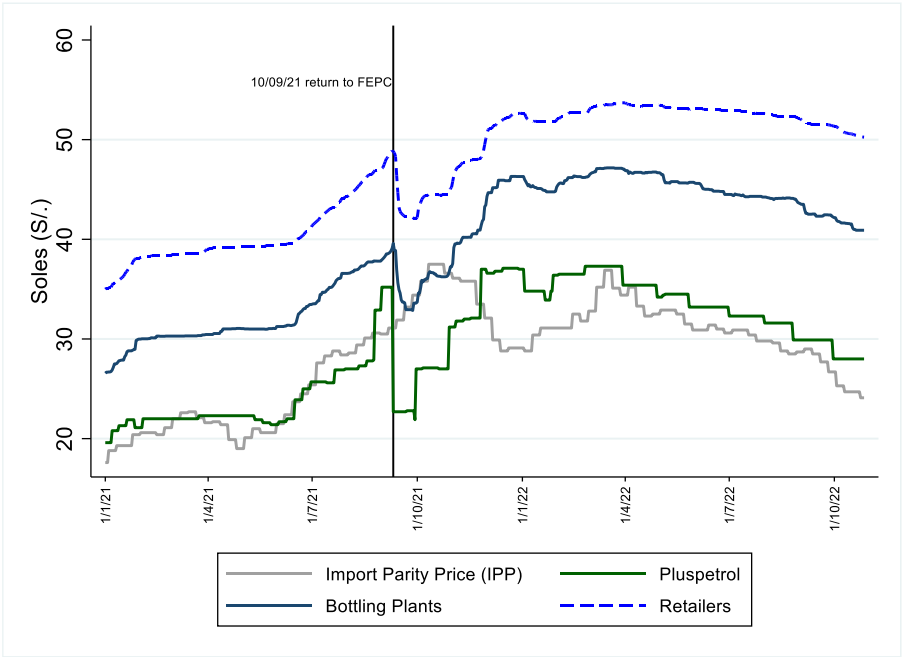
Note: Petroperú price does not include taxes.
Sources: OSINERGMIN, Petroperú
Elaboration: DLC-INDECOPI

Figure 9: Recent price evolution in different segments: Gasohol 90 octanes



Note: Petroperú price does not include taxes.
Sources: OSINERGMIN, Petroperú
Elaboration: DLC-INDECOPI

Figure 10: Recent price evolution in different segments: bottled LPG (10 kg)



Note: Pluspetrol price does not include taxes.
Source: OSINERGMIN
Elaboration: DLC-INDECOPI

5. Concluding remarks

49. Energy is crucial for any economic activity and welfare. Firms and families rely on how energy market performs. To have more competitive energy markets is a challenge that Peru is facing. The context of higher energy prices has motivated different public measures to mitigate the impact on firms and families. These measures are related to the inclusion of products in the Fuel derived from Petroleum Price Stabilization Fund (FEPC), and the temporary exoneration of taxes. Additional measures include subsidies for vulnerable families to bottled LPG, and the funding of vehicle conversion to natural gas engines.

50. Production/import, storage and dispatch, and wholesale activities are highly concentrated in Peru. Their relevance reflects on the weight they have in the price for the final consumer. How well these markets perform has a main incidence on final prices, the competition dynamics on the retail segment, and on welfare.

51. INDECOPI has started the development of market study for liquid fuels and LPG industries. The main object of the market study is the evaluation of the competition conditions and the identification of potential and existing factors that could limit competition in the stages of production/import, storage and dispatch, and wholesale commercialization. This effort complements other activities undertaken by INDECOPI as a competition agency, like monitoring markets to detect any sign of possible anticompetitive conduct.