

# Preface

This report is a part of the Icelandic Competition Authority's (ICA) first market investigation. Market investigation involves an examination into whether any remedial action are needed to counteract circumstances or conduct that disrupts competition to the detriment of the public interests. This is done on the basis of authorisation in law adopted into the Competition Act in 2011 (item c of the first paragraph of Article 16 of the Competition Act No. 44/2005) and allows the ICA to take various measures to respond to circumstances or conduct that prevents limits or affects competition to the detriment of public interest.

The ICA began preparations for a framework for the use of this new authorisation in 2011. The framework is modelled on British competition enforcement and the ICA gathered information and had meetings with both the Office of Fair Trade and the Competition Commission (now the CMA). The ICA subsequently issued a discussion paper on the matter in February 2012. The paper contained draft guidelines on the application of this new provision. In addition, the paper contained preparatory work for the decision on what market would be the first to undergo market investigation. Views on the content of the discussion paper were requested.

On the basis of submitted views and the ICA's own examination, the decision to initiate a market investigation into the Icelandic fossil fuel market was made on 5 June 2013. Rules on the ICA's market investigations were published in conjunction thereto (No. 490/2013). In accordance with those rules, the ICA published an issue statement in 2013 detailing the planned arrangements and delineation of the investigation. At the same time, the Board of the ICA appointed a counselling team that was to have the role of providing professional assistance and consultancy as regards the market investigation. The counselling team consists of:

- Dr Daði Már Kristófersson, Dean of the University of Iceland's School of Social Sciences.
- Dr Porkell Helgason, mathematician and former Director General of Energy Affairs.

In addition to the professional assistance and consultancy of the counselling team, the ICA has enjoyed the assistance of the EU Commission and the UK competition authorities. The ICA, moreover, received advice from overseas experts in the preparation of the investigation in general, during the initiation of the investigation and during its later stages. All discussion and conclusions in the report, however, are the responsibility of the ICA.

During the course of the more than two years expended on the market investigation, the ICA has gathered detailed information on the market conditions of the fossil fuel market. In this context, mention may be made that the views of interested parties concerning the competition conditions in

the market together with operational information and views from operating companies have been gathered. In addition, two surveys were conducted, one among 1,097 consumers and the other among 863 companies that have been engaged in business relations with the fuel companies. Finally, mention may be made of the fact that the ICA has visited and had meetings with companies in the fossil fuel market, with the goal of familiarising itself with their operations and to gather views of the conditions in the market.

This report contains the preliminary findings of the ICA as to whether there exist circumstances or conduct in the Icelandic fossil fuel market that may have harmful effects on competition to the detriment of public interests. In addition, the report proposes possible improvements in the instances where circumstances or conduct are considered to be harmful to competition. As the report contains preliminary findings, all conclusions and results contained therein may be subject to changes.

The publication of this report is a part of the ICA's market investigation. The publication of the report, moreover, requests the submission of views and comments on the preliminary findings contained therein. Thus, the ICA requests the views of the companies engaged in the fossil fuel market, their customers and consumers. The reasoned views of these parties will ensure that the market investigation will have the desired results in examining whether there are circumstances or conduct in this important market that disrupt competition. If so, decisions will have to be made as to whether and what kind of remedies are needed to ensure active competition in the market, benefitting both consumers and the Icelandic economy as whole.

Once the views and comments have been submitted to the ICA, the Authority will hold an open meeting, in accordance with Article 8 of Rule No. 490/2013, where the report and the comments of interested parties and others will be discussed. The ICA will subsequently make a decision on further steps in the investigation as provided for in Article 9 of the said Rule No. 490/2013.

**The deadline to submit reasoned views and comments to the report is Friday, 19 February 2016.** The submitted comments and views will be published on the website of the Icelandic Competition Authority. As a result, it is important that those who send in their views and comments clearly state what information therein is subject to confidentiality in their opinion.

All further information on the investigation may be found on the website of the ICA.

The Icelandic Competition Authority

30 November 2015