

# ACTIVITIES IN THE OIL AND NATURAL GAS INDUSTRIES

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the Rule received from the public since July, 2010.<sup>3</sup> Complaints that evidence a serious possibility of a Rule violation are referred to the FTC litigation units that specialize in maintaining competition in energy industries. Complaints that concern activity in futures markets are shared with the Commodity Futures Trading Commission (through the FTC's working relationship with that agency), to ensure that consumers are protected against fraud and deception in whatever form they take.<sup>4</sup>

### Law Enforcement Activities

The Commission's work in the oil and natural gas sector also involves the analysis of mergers and acquisitions. Since July 1, 2010, the Commission has received premerger filings under the Hart-Scott-Rodino Act for 45 proposed transactions in these industries. The agency reviewed each of these premerger filings, and also monitored the industry for nonreportable transactions that might raise antitrust concerns.

For transactions that raised significant competition issues, the Commission investigated further. During the relevant period, the Commission investigated more than a dozen transactions involving petroleum or natural gas, including acquisitions involving crude oil and natural gas exploration, production, and transportation; refined petroleum product pipelines and terminals; refined products wholesaling retail gasoline and diesel fuel sales; liquefied petroleum gas (propane); natural gas storage facilities and pipelines; and natural gas liquids processing plants, fractionation plants, pipelines, and wholesaling.

For example, the Commission issued a final consent order stemming from Pilot Travel Centers's acquisition of Flying J Inc.'s travel center business. To solve the Commission's concern that the acquisition would have lessened competition in the over-the-road sale of diesel fuel to longhaul trucking fleets, Pilot agreed to sell 26 travel centers to Love's Travel Stops and Country Stores, allowing Love's to compete for longhaul customers who the Commission alleged otherwise would have been harmed by Pilot's acquisition of Flying J.<sup>5</sup>

The Commission also modified a consent order issued in 2001 against El Paso Energy Corporation and The Coastal Corporation. The original order, stemming from El Paso's acquisition of Coastal's ANR Pipeline in the Gulf of Mexico, required El Paso to divest the

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<sup>3</sup> The "Guide to Complying with Petroleum Market Manipulation Regulations" that the Commission issued in November 2009 (<http://www.ftc.gov/os/2009/11/091113mmrguide.pdf>) provides addresses – including an email address – to which the public may send complaints of possible Rule violations.

<sup>4</sup> As described in more detail below, FTC litigators and economists also continue to monitor prices and other activity in petroleum markets.

<sup>5</sup> See <http://www.ftc.gov/opa/2010/11/flyingj.shtm> for the FTC's press release announcing the final order.



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A further FTC activity in this sector arises from Section 750 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, Pub. L. No. 111-203. The Chairman is participating in an interagency task force headed by the Commodity Futures Trading Commission to conduct a study on the oversight of existing and prospective markets for the trading of allowances to emit carbon dioxide associated with the production and consumption of energy. The goal is to ensure an efficient, secure, and transparent carbon market, including oversight of spot markets and derivative markets. The task force has published a Federal Register notice calling for comment from the public and interested parties<sup>14</sup> and is working on a report expected to be released early in 2011.

### FTC Personnel Involved in Oil and Gas Activities

During the second half of 2010, personnel from many parts of the Commission continued their involvement in the agency's activities in the oil and natural gas industries. The Commission's Associate General Counsel for Energy engaged in virtually all aspects of the agency's work in these industries. Personnel from the Mergers II division of the Bureau of Competition (which is devoted primarily to petroleum and natural gas issues) and from a number of other Bureau divisions have been involved in addressing oil and natural gas issues as well.<sup>12</sup> In addition to the Bureau of Competition, one division of the Commission's Bureau of Economics also bore major responsibility for conducting competition analysis of pricing and

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deeply into key competition and consumer issues in the energy sector and sharing its expertise with Congress and the public. See e.g., FEDERAL TRADE COMMISSION, REPORT ON SPRING/SUMMER 2006 NATIONWIDE GASOLINE PRICE INCREASES (2007), available at <http://www.ftc.gov/reports/aspric06/P040101Gas06incsa.pdf>; FEDERAL TRADE COMMISSION, REPORT ON GASOLINE PRICE MANIPULATION AND POST-KATRINA GASOLINE PRICE INCREASES (2006), available at <http://www.ftc.gov/reports/060518PublicGasolinePricesInvestigationReportFinal.pdf>; FEDERAL TRADE COMMISSION, GASOLINE PRICE CHANGES: THE DYNAMIC OF SUPPLY, DEMAND, AND COMPETITION (2005), available at <http://www.ftc.gov/reports/aspric05/050705gaspricespt.pdf>; FEDERAL TRADE COMMISSION, BUREAU OF ECONOMICS, THE PETROLEUM INDUSTRY: MERGERS, STRUCTURAL CHANGE, AND ANTITRUST ENFORCEMENT (2004), available at <http://www.ftc.gov/os/2004/08/040813mergrsinpetolberpt.pdf>

<sup>11</sup> 75 Fed. Reg 72816 (Nov. 26, 2010).

<sup>12</sup> Additional Bureau of Competition offices whose staff have participated in oil and gas matters during the second half of 2010 include the Office of the Director, the Division of Anticompetitive Practices, the Division of Compliance, the Office of Policy and Coordination, the Division of Operations, and the Office of Premerger Notification.

other competitive issues in the petroleum and natural gas industries.<sup>13</sup> Staff from the Commission's Office of the General Counsel, the Bureau of Consumer Protection, the Office of Congressional Relations, the Commissioners' offices, and other FTC organizations also contributed to oil and natural gas matters during the second half of 2010.

### Conclusion

The Commission has maintained its sensitive antitrust and consumer protection scrutiny of the energy sector during the second half of 2010. In view of the fundamental importance of oil, natural gas, and other energy resources to the overall vitality of the United States and world economy, we expect that FTC review and oversight of the oil and natural gas industries will remain a centerpiece of our work for years to come.

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<sup>13</sup> The Bureau of Economics Office of Accounting and Financial Analysis also devoted time during the relevant period to matters in the petroleum and natural gas industries.