

Statement of the Federal Trade Commission¹
In the Matter of Par Petroleum Corporation and Mid Pac Petroleum, LLC
File No. 141-0171
March 18, 2015

The Commission has reason to believe the proposed acquisition of Koko'oha Investment Inc.'s wholly-owned subsidiary Mid Pac Petroleum, LLC by Par Petroleum Corporation is likely to

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² Par and Chevron can produce more gasoline (HIBOB and other gasoline blending components) than is consumed in Hawaii, rendering imports unnecessary. However, Aloha's ability to threaten credibly to import HIBOB constrains the prices charged by the local refiners and, ultimately, the price paid by Hawaii gasoline consumers. Aloha's ability to threaten to import at Barbers Point thus is key to negotiations with Par and Chevron.

The Commission's investigation uncovered evidence that Par's acquisition of Mid Pac's throughput and storage rights at Barbers Point would give Par the incentive and ability to reduce Aloha's capability to constrain prices through importing, thereby increasing the price Aloha pays for bulk supply. As an incumbent local refiner that seeks to supply Aloha, Par would have an incentive to use the Barbers Point rights strategically and differently than Mid Pac. By storing substantial amounts of gasoline for an extended period, Par could reduce the size of an import cargo that Aloha could receive at the terminal. This would force Aloha to spread substantial fixed freight costs over a smaller number of barrels of gasoline, which would significantly increase its cost-g(d)]Tr2Cdt. Tc 0Ta (i)-eg(d)berfltpTj [Tj rt th7.85 (ce)Tj 0ve

up Aloha's import capability at Barbers Point appear modest at best. At the same time, Par stands to benefit significantly, in its bulk supply and downstream businesses, from even a slight increase in bulk supply prices.

Moreover, even if the benefit to Par depends on Chevron following Par's strategy, evidence from the investigation suggests a substantial risk that Chevron would respond in that