

European Commission
DG Competition

Our Ref:
ACM/JM

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Date:
25 Apr 06

Dear Sirs

**EUROPEAN COMMISSION COMPETITION DG – COMMENTS ON ENERGY
SECTOR INQUIRY DRAFT PRELIMINARY REPORT**

INEOS Chlor welcomes the initial findings of the Commission as announced in the Draft Preliminary Report published on 9th March 2006 and we are pleased to have the opportunity to further contribute to the inquiry process.

We acknowledge that the Commission has now identified serious failings of many of the main North West European markets and their failure to adequately reform and liberalise. This is very much in line with our experience purchasing significant volumes of energy (gas and electricity) in various European countries.

We recognise the robust response from the Commission and the apparent willingness to take appropriate and absolutely necessary actions to ensure that there is substantive progress towards full and consistent market liberalisation across the whole of Europe.

However, we must note our concerns about the likely time it will take to make progress that will actually start to deliver real change. For example, we note recent reports of legislative changes in Holland that will not deliver “unbundling” until at least the end of 2008.

We have highlighted for some two years, the inability of buyers in the UK to secure competitive energy in “forward” markets. In the winter just ended, we have been unable to secure competitive energy in the spot market as gas imports could not be secured through the UK/Belgian interconnector despite the UK having the highest gas prices in the world.

The UK's dependency on imports is set to increase further and so the situation will continue to deteriorate without real progress. To this end, we would urge the Commission to ensure that very prompt and targeted action is taken now on the most significant areas of concern and where clear and unambiguous breaches have taken place.

The distortions created by the interaction of the UK and Continental markets continues to grow and this will continue to have a negative impact in more than just the UK. The need for action is becoming ever more pressing.

Yours faithfully

A handwritten signature in black ink, appearing to read 'A C Mackenzie', with a stylized flourish at the end.

A C MACKENZIE

Gas/Water Purchasing Manager