Executive Summary

Since the abolition of the Spanish state monopoly in oil products in 1993, the Spanish-based refiners (Repsol, Cepsa and BP) have lost market share in the retail sector, while new operators have gained ground. However, a high horizontal and vertical concentration still persists today, which has fuelled a continuous discussion about the non-competitive market behavior of the oil companies.

This paper explores the competitive functioning of the Spanish retail automotive fuel market, and analyzes how prices and margins have evolved since the beginning of this century. We show that the data are consistent with some firms exercising market power during the recessive period of the Spanish economy (2008-2013), when demand for automotive fuels decreased by around 30%, while the gross margins per liter sold jumped above European levels. This allowed oil companies to maintain their profits in the retail sector during the crisis. In general terms, our paper shows how difficult it is to achieve dynamic and competitive energy markets, when restructuring processes of former monopolies pursue the maintenance of the *status quo* and the creation of "national champions", and the need to adopt a very competitive approach in the medium-long term to enhance competition. This requires new structural reforms, which are costly, and may increase litigation between firms and antitrust and energy regulatory authorities.

The main policy implication that we can learn from the Spanish oil industry case is that reform of energy industries must be addressed, from the very beginning, to create market structures and institutions that promote competition, if we want firms and costumers to share the benefits (productivity gains, cost reductions, etc.) derived from effective competition.