

AEGPL Position on Regulation COM (2013) 641 on indices used as benchmarks in financial instruments and financial contracts

AEGPL, the European LPG Association, praises the European Commission's intentions to increase the robustness and transparency of benchmarks used for reference in financial instruments and contracts within the European Union.

AEGPL further concurs with the Commission that the hitherto unregulated nature of benchmarks has led to both the potential for manipulation and wider conflicts of interest in the formulation of benchmarks. However, although the LPG sector is widely supportive of measures aimed at increasing the transparency and robustness of benchmarks, we would like to highlight the following points of caution with regard to the Regulation:

- The Regulation covers all benchmarks ranging from those which determine interest rates to those for energy commodities. AEGPL strongly urges all decision-makers to consider the specificities, and in particular the volumes traded, of each market to be regulated when formulating specific measures for individual commodities. In low liquidity markets such as that of LPG, the additional administration that the Regulation necessitates could lead to a disproportionate cost on not just the benchmark administrator but also market participants who provide energy to the final consumer.
- The Regulation does not and cannot cover entities or parties operating outside the European Union. As LPG is a globally traded commodity, certain elements of the proposal are, in the view of the LPG sector, legally unenforceable. With regard to this point, we would like to draw attention in particular to Title II, Chapter 3, Article 9.2 "Code of Conduct", noting that:
 - (i) some contributors to benchmarks in the LPG sector are not within the European Union, and that consequently, the term "legally binding" may be inappropriate
 - (ii) the requirement for all contributors to sign such a code of conduct, though potentially a welcome and appropriate mechanism for ensuring integrity of benchmarks, may result in a lower number of market participants contributing to benchmarks in the sector, thus decreasing transparency. This point should be a key consideration should the precise requirements of any Code of Conduct be further defined in Delegated Acts.
- There is also a potential risk that some market participants may refuse to contribute to "EU approved" benchmarks that will be the ultimate outcome of the Regulation in its current form. This in turn could lead to a lack of information on the market causing opacity in the price discovery process, the costs of which would ultimately be borne to some extent by the consumer.



For further information, please contact Samuel Maubanc at samuel.maubanc@aegpl.be or David Appleton at david.appleton@aegpl.be

About AEGPL (The European LPG Association)

AEGPL is the sole representative of the LPG industry at European level, representing national LPG Associations as well as distributors and equipment manufacturers from across Europe. Our mission is to engage with EU decision-makers and the wider policy community in order to optimise the contribution that LPG - as a clean and immediately available energy source - can make to meeting Europe's energy and environmental challenge.