

INEOS Olefins & Polymers USA

FEDERAL TRADE
COMMISSION
PREMERGER NOTIFICATION
OFFICE

2006 DEC 27 PM 4:17

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December 20, 2006

Mr. Donald Clark
Federal Trade Commission
Office of the Secretary
600 Pennsylvania Ave., N.W.
Washington, D.C. 20580

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Dear Mr. Clark:

INEOS Olefins & Polymers USA, a division of INEOS USA LLC ("INEOS"), submits this public comment in response to the Application for Approval of Proposed Divestiture *In the Matter of Dan L. Duncan et al*, File No. 051-0108, filed with the Federal Trade Commission ("FTC") on November 17, 2006. INEOS submits this public comment to elicit assurance the proposed divestiture of certain pipelines and land in and around Mont Belvieu, Texas, is executed in a manner consistent with protecting INEOS's commercially reasonable access to TEPPCO NGL Pipelines P-93, P-64, and P-66 (collectively known as "the Hastings Pipeline").

INEOS owns and operates a chemical plant located two miles south of FM Road 2917 on FM Road 2004, approximately 25 miles southeast of Alvin, Brazoria County, Texas ("INEOS Chocolate Bayou Works"). INEOS Chocolate Bayou Works produces several billion pounds of olefins and polypropylene annually and employs over 450 workers.

Continued access to the Hastings Pipeline is critical to the operation of INEOS Chocolate Bayou Works. The Natural Gas Liquid ("NGL") feedstocks, propane and ethane, delivered via the Hastings Pipeline provide 33% of the inputs necessary for INEOS Chocolate Bayou Works to produce a variety of products, including most critically to the U.S. economy, ethylene. Discontinuance of INEOS Chocolate Bayou Works' commercially reasonable access to the NGLs supplied by the Hastings Pipeline, will significantly jeopardize INEOS's ability to provide product to the market. Without INEOS's ethylene production, downstream plastics markets and consumer goods markets are likely to experience significant price shocks.

The focus of the FTC's concerns in this matter has been competition in the salt dome storage market; thus, the FTC's divestiture order should have included *only* those assets specific to salt dome storage at Mont Belvieu. Accordingly, INEOS continues to question the propriety of including the Hastings Pipeline in the group of assets aggregated for divestiture in light of the fact the Hastings Pipeline is a throughput line which simply runs through the Baytown Terminal and which neither terminates at nor transports additional product from that facility, and particularly since INEOS Chocolate Bayou Works has been the sole, exclusive user of the Hastings Pipeline for more than 25 years.¹ As such, while the divestiture is intended to ensure competition in the salt dome storage market for NGLs at Mont Belvieu, the FTC must be vigilant concerning the unintended consequences of its actions; to wit, avoiding unqualified concentration of storage and logistics in a single NGL vendor, Louis Dreyfus Energy Services LP ("Louis Dreyfus").

¹INEOS would further question the propriety of the bid process for the Hastings Pipeline as INEOS was not allowed to bid on the assets until the second round of bidding, despite the fact INEOS Chocolate Bayou Works has been the sole, exclusive user of the Hastings Pipeline for more than 25 years.

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INEOS understands the FTC's motivation in ordering an asset divestiture to be restoration of competition to a given market or maintenance of *status quo* competition in a given market. With ownership of the NGL storage and transportation assets utilized by INEOS consolidated into Louis Dreyfus, restoration of competition and maintenance of the *status quo* can only mean ensuring INEOS Chocolate Bayou Works' commercially reasonable access to the Hastings Pipeline so as not to adversely affect INEOS and competition in the merchant ethylene market, downstream plastics markets, and, ultimately, prices of consumer goods. INEOS has received no assurances from the FTC whether the *status quo* will be maintained and more specifically, has received no assurance from the FTC whether Louis Dreyfus, as the recipient of the Hastings Pipeline, will be required to maintain commercially reasonable access to the line for INEOS Chocolate Bayou Works.

INEOS respectfully requests the FTC disclose and elaborate what actions it will require of Louis Dreyfus in order to ensure INEOS Chocolate Bayou Works will retain comparable commercially reasonable access to the Hastings Pipeline post-divestiture.

Sincerely,



GARY WALLACE
Vice President of Supply