Questions from the CMA 1st Aug 2022

Questions for stakeholders

We are seeking input on the issues raised in this invitation to comment and the accompanying Market Study Notice. We welcome views from stakeholders of all kinds, especially those which are supported by evidence. These may cover potential problems in how the market is working for consumers, as well as measures we could take to address them within the UK road fuel market.

More specifically, we would welcome views on:

***(a)* What elements of road fuel refining should we focus on, and why?**

No comment on this, the PRA purchases fuel from fuel suppliers and does not have any input into refining economics.

***(b)* What elements of road fuel wholesaling should we focus on, and why?**

- Fuel supply agreements are unnecessarily complicated. It imposes an administrative burden and are extremely difficult to understand for non-native English speakers.
- Different pricing platforms that dictate pump prices; three-week, week, two day and daily lagged
- There needs to an industry standard recommend weekly Mon- Fri lagged average
- Several factors need to be explicitly explained:
    - Additional freight charges depending on supply point
    - Ambient temperature accounting
- Additional charges related to oil company charges for loading fuel at certain supply points.
- Why Platts, could retailers have a choice eg Argus
- Why can't we price like the US i.e., price under the rack?
- Some fuel suppliers' price of the Mid quote others High
- Fuel supply contracts too long – they should be 3 years with option to renew
- Abolish volume penalties[1] as its now impossible to predict with additional factors such as Covid, work from home and cost of fuel not accounted for
- Oil company issued fuel cards form part of the fuel supply agreement and are therefore mandated. So far all have resisted requests to improve the financial returns to the retailer.
- Renewable Transport Fuel Obligation (RTFO) not well understood by retailers or the public
- Biofuels charging 10% but could be delivering 5.5% ethanol
- Further explanations of the development fuel obligation (DFO)
- Duty deferral is available to fuel suppliers and supermarkets not independents
- Rural duty relief scheme should it be introduced more widely to close the gap between urban/rural sites
- Cost of accepting credit/ debit cards needs consistent application
- Site re-imaging[2]
- Mandated Vendor Managed Inventory
- Mandated card terminal Fuel suppliers can control what cards are accepted
- Wet stock management oil companies can see dealer information
- Deliveries not metered and vapour recovery is taken by the oil companies

***(c)* Do you agree with the three areas we have identified as our focus in road fuel retailing?**

[1] A volume penalty relates to a lift or pay. At the start of a fuel supply agreement there is an estimation of the annual volume. If this isn't achieved, then there is an additional financial penalty

[2] Site re-imaging relates to the changeover of brand i.e., changing from a Shell to and Esso with new canopy, pump branding, MID etc

Yes

***(d)* What potential future developments should we be aware of that may affect the demand for, or supply of, road fuel, for example the development of alternative sources of road fuel, and how, if at all, we should take these into account in our assessment.**

The issue of fuel resilience will be key going forward. Plans made by the Government (Downstream Oil Resilience Draft Bill) to ensure fuel resilience as we transition to Net Zero will have to be adapted to the reflect the current international situation. Several factors will need to be considered here:

- There is an average of 6,000 people per forecourt in the UK
- There is an average of 15,000 people per forecourt in the Southeast
- There is an average of 27,000 people per forecourt in London

The use of forecourts as scapegoats in the media by motoring organisations and some Government officials has set a dangerous precedent. Forecourts are being blamed and vilified for conditions outside their control. They are simply responding to market conditions and rising fixed costs (e.g electricity). This is on top the continued charge from Government to mandate electric vehicle charging points, presenting retailers with high costs and low (and uncertain) returns on investment.

Independent retailers comprise roughly 65% of total forecourts in the UK. Smaller operators being priced out of business would put an immense strain on the UK's fuel resilience capabilities, especially in rural areas where motorists have no alternatives.

There have been several factors that are applying pressure on the supply chain

- High rate of tax is disincentivising refiners to operate in the UK
- The cost of fuel is too high and motorists are avoiding purchasing it when possible The Government must follow the example of other European countries and subsidise it by a substantial amount through cutting fuel duty of VAT to avoid motorists being priced off the roads
- Road pricing for electric vehicles is not adequately defined. They are heavier and put more strain on roads than their internal combustion engine (ICE) counterparts. Their deployment is being mismanaged.

Responding to this consultation and next steps
36. Please email written submissions to RoadFuels@cma.gov.uk by 1 August 2022.