

July 13, 2023

Re: Prince Edward Island Regulatory & Appeals Commission – Review of the Pricing Model and Margins for Petroleum Products including the *Clean Fuels Regulations*

Comments:

Canadian Fuels Association
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The Canadian Fuels Association (CFA) would like to thank the PEI Regulatory & Appeals Commission (IRAC) for the opportunity to submit its comments as evidence related to the Gardner Pinfold Consultants Inc. (GP) report as commissioned by IRAC.

The scope of the review and content of the GP report includes the appropriate benchmark price used to make weekly price adjustments, the wholesale and retail margins for petroleum products and incorporating costs associated with federal Clean Fuels Regulations (CFR) into the IRAC pricing model.

CFA has a specific interest in Recommendations 1, 5, 7 and 9. The Association also offers its industry related comments on the federal Clean Fuels Regulations.

CFA offers the following comments as evidence on the GP recommendations:

- 1) CFA specifically endorses GP Recommendation #1 to continue to use the Charlottetown rack price as the benchmark for making weekly price adjustments. In Recommendation #2, CFA endorses the consideration of adopting a blended benchmark based on a weighted average rack price set by each of the wholesalers.
- 2) CFA also endorses GP Recommendation #5 to maintain the existing 5.0 cents per litre (cpl) margin for secondary wholesalers, particularly as this closely approximates the weighted average cost data reviewed by Gardner Pinfold at page 19 of the report.
- 3) Regarding Recommendation #7, GP was asked to provide a recommendation on the furnace oil and commercial diesel margin split as currently there is no delineation between wholesale and retail margin. A change may not be necessary and could introduce a complication that does not exist. However, if IRAC should proceed with a change, CFA recommends IRAC complete further analysis since there is limited back-up information to support the chosen split of 3.0 cpl as the appropriate wholesale margin.
- 4) Regarding Recommendation # 9, CFA agrees that premium fuel pricing should use the rack as the base price for setting wholesale and retail prices. As midgrade does not have a wholesale rack price, this should be priced between regular and premium, using the formula of 50% of the regular price and 50% of the premium price.

Finally, as noted at page 13 of the report, Canada is implementing the Clean Fuel Regulations in 2023, and by using the rack price as the benchmark, this cost would be passed on to consumers through the

rack price as it would be in unregulated markets. CFA agrees with the GP comment that this approach simplifies the regulatory process for IRAC and product suppliers.

CFA remarks reflect the principle of fairness to both consumers and suppliers of vital transportation fuels. We acknowledge that IRAC has a responsibility to balance fairness between consumers, who face federal carbon costs with the intent of reducing GHGs, and suppliers of transportation fuels obligated to comply and incur additional costs resulting from the federal CFR.

CFA represents Canada's transportation fuels industry and employs more than 111,000 Canadians at 15 oil refineries, 75 fuel distribution terminals and 12,000 retail and commercial sites. CFA members contribute over \$9 billion to Canada's GDP annually.

Our Association enjoys a track record of over 30 years working productively with federal and provincial governments and are recognized by governments across Canada as the 'go-to' source of industry information and technical expertise. CFA supports the goal of moving toward a net zero environment and has published its views in [Driving to 2050](#).

Thank you for this opportunity to comment on the GP report. CFA is available to respond should there be any questions or information requests.