



Prince Edward Island

Legislative Assembly

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Prince Edward Island Regulatory Appeals Commission
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We are writing on behalf of the Office of the Third Party in response to the Island Regulatory and Appeals Commission's review of the pricing model and margins for petroleum products including the Clean Fuel Regulations (CFR).

Regulators in other Atlantic provinces have made changes to their gasoline and diesel prices in response to the Clean Fuel Regulations and their anticipated compliance costs; these price increases have ranged from 4 cents to 8 cents.

Suppliers have a number of ways to comply with the Clean Fuel Regulations, including emission reduction projects, producing, importing or purchasing ethanol and biodiesel, or purchasing credits. The cost of compliance will vary based on what pathway fuel suppliers take to meet their obligations under the Clean Fuel Regulations.

To date, we have not seen any justification for a significant increase in the cost of fuel for Islanders. It is not yet clear how regional fuel suppliers intend to comply with the Clean Fuel Regulations, and Environment and Climate Change Canada has also expressed concerns that CFR compliance costs are being overstated.¹ Additionally, the federal Minister of Environment notes in his correspondence to the Commission that refinery margins have increased significantly in recent years.²³

In determining what costs might be incorporated into the Commission's weekly pricing model, the Commission is exercising its authority under the *Petroleum Products Act*. As this Act states:

¹ See Exhibit P-2(b) ECCC Analysis of Third-Party Analyses – May 31, 2023.
<https://irac.pe.ca/wp-content/uploads/Exhibit-P-2b-ECCC-feedback-for-Atlantic-Provinces-May-26-2023.pdf>

² See Exhibit P-1: Comments from Honourable Steven Guilbeault, P.C., M.P. - May 25, 2023.
<https://irac.pe.ca/wp-content/uploads/Exhibit-P-1-SIGNED-LETTER-PEI-Public-Utilities-MIN-299385.pdf>

³ Also see Exhibit C-1 Gardner Pinfold Consultants Inc. Report – Petroleum Products Benchmark and Margin Review (May 2023), at pages 9-10.
<https://irac.pe.ca/wp-content/uploads/Exhibit-C-1a-PEI-margin-review-report-2023-final.pdf>

*The purpose of this Act is to regulate the distribution and sale of petroleum products within the Province of Prince Edward Island for use within the province, and the type, location, and operation of facilities and equipment associated therewith, and **to ensure at all times a just and reasonable price** for heating fuel and motor fuel to consumers and licensees within the province. (emphasis added)*

In our view, for a price increase to be just and reasonable for consumers, there must be a clear rationale that justifies the price increase. To date, there has been little clarity on how oil companies will choose to comply with the Clean Fuel Regulations. We share Minister Guilbeault's concern that, if a price is set based on the most expensive compliance option, Islanders may end up paying more than what's necessary to ensure compliance, with excess revenues being pocketed by the refinery and suppliers.⁴

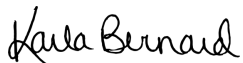
Until we have a justification for a price increase, there should be no increase related to the Clean Fuel Regulations, especially in light of the fact that the anticipated annual emission reduction requirements under the Clean Fuel Regulations are low in 2023, particularly for Prince Edward Island.

However, if the Commission does decide to apply a CFR-related price increase to gasoline and diesel, we urge the Commission to review this price increase periodically (i.e. every 6 months) to ensure that the CFR-related price increase is appropriate based on market and carbon credit conditions. This was a recommendation of the consultant in the New Brunswick Energy and Utilities Board's hearing to set the cost of a carbon adjustor in response to the Clean Fuel Regulations, which was accepted by the Board in their decision dated June 13, 2023.⁵

Thank you for your consideration and we wish you the best in your deliberations.



Peter Bevan-Baker, MLA
New Haven - Rocky Point



Karla Bernard, MLA
Charlottetown - Victoria Park

⁴ Exhibit P-1: Comments from Honourable Steven Guilbeault, P.C., M.P. - May 25, 2023.
<https://irac.pe.ca/wp-content/uploads/Exhibit-P-1-SIGNED-LETTER-PEI-Public-Utilities-MIN-299385.pdf>

⁵ See New Brunswick Energy and Utilities Board decision in Matter no. 549, dated June 13, 2023, at paras 35-36 and 39-40.