
Newfoundland & Labrador

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

2022-2023 Petroleum Products Pricing Review

Consultation Document

JANUARY 17, 2023

SUMMARY

This review of petroleum products pricing is being conducted at the direction of the Government of Newfoundland and Labrador to address the suitability of the pricing mechanism for benchmark prices and wholesale and retail mark-ups in this province. This review will proceed in three phases as follows:

Phase I – Background and issue identification

Phase II – Benchmarking and wholesale mark-ups

Phase III – Retail mark-ups and other issues

The Board is releasing this consultation document as a part of Phase I. This consultation document includes information with respect to fuel price regulation, the supply, storage and distribution of regulated petroleum products, how maximum fuel prices are established and the issues to be addressed in this review.

The expert engaged by the Board to assist in this review, Kalibrate Canada Inc., has also completed a report as part of Phase I. It is expected that Phase I will conclude with the release of an issues list by the Board in February 2023. Phase II and III are also underway and further public participation in these phases is expected to begin in mid-2023.

Fuel Price Regulation

Regulation of fuel prices was introduced in Newfoundland and Labrador in 2001 and became the responsibility of the Board in 2004. The Board regulates maximum wholesale and retail prices for gasoline and diesel motor fuels and furnace oil, stove oil and propane heating fuels. The legislation directs how the Board is to establish maximum prices for these fuels, including the data that is to be used, the components and the manner of calculation.

Fuel prices are regulated in five provinces in Canada: Newfoundland and Labrador, New Brunswick, Nova Scotia, Prince Edward Island and Quebec. The regulation of maximum prices of petroleum products is very similar throughout Atlantic Canada. Legislation in each province grants authority to an independent regulator to set maximum prices in accordance with a

statutory framework. This framework is similar throughout Atlantic Canada but regulators in the three other Atlantic provinces have more discretion in the calculation of maximum prices than the Board has in this province. While differences in the maximum price setting process result in differences in the maximum prices in the Atlantic provinces, over time maximum prices in Atlantic Canada tend to move in tandem and are reasonably comparable.

Supply Storage and Distribution of Regulated Petroleum Products

Regulated petroleum products are supplied to Newfoundland and Labrador primarily by marine tanker from markets in eastern Canada, the United States and, to a lesser extent, Europe. As a result, the method and costs of supply in this province are influenced by global factors, including refining capacity, marine shipping costs, clean fuel regulations and conflicts such as the war in Ukraine.

The supply, storage and distribution of regulated fuels within Newfoundland and Labrador varies by region and supplier. Supply on the Island is generally from primary marine terminals located in St. John's, Come By Chance and Corner Brook with secondary marine terminals, depots and bulk storage plants located in other areas. Depots and bulk storage plants are generally supplied by tractor trailer. Supply to Labrador is primarily by marine tanker, except that western Labrador is supplied primarily by train from Quebec. Within the province there are significant differences in the method of supply for individual wholesalers and retailers.

Methodology for Setting Maximum Prices

The Board establishes maximum fuel prices which reflect the components set out in the legislation, including benchmark prices, mark-ups, zone differentials and taxation. Benchmark prices are required to be calculated using the prescribed market data since the last price adjustment in the manner set out in legislation. The Board does not have the discretion to adjust the calculated benchmark prices as is done in some other provinces, though a blend of prescribed product prices may be included in benchmark prices to reflect seasonal changes in the product. Wholesale and retail mark-ups and zone differentials are added to the benchmark price to reflect the cost of supply for wholesalers and retailers based on the factors set out in the legislation.

Mark-ups and differentials are changed infrequently following a review by the Board, on its own motion, or on an application from a wholesaler or retailer. Taxes are included in maximum prices for motor fuels but not for heating fuels.

Maximum prices are adjusted weekly, except in Labrador where a seasonal suspension of adjustments is implemented for most zones in the spring and fall to reflect the timing of the delivery of product. Scheduled adjustments to maximum prices are made every Thursday to reflect the changes in the benchmark prices since the last price adjustment. In the absence of an extraordinary adjustment, benchmark prices are calculated based on a seven-day average of the data over the previous Wednesday to Tuesday, using Friday as a proxy for Saturday and Sunday. An extraordinary adjustment may be made outside of the regular Thursday adjustment where there has been a change of at least six cents per litre in a day or in the running average benchmark product price. Advance notice of maximum price adjustments is provided to wholesalers and retailers to allow the timely implementation of maximum price changes but there is no advance public notice.

Considerations and Issues

While fuel price regulation in Newfoundland and Labrador can offer benefits with respect to pricing stability, predictability and transparency, based on the analysis conducted thus far in this review, there is no sustained pricing advantage in regulated jurisdictions compared to unregulated jurisdictions. Prices in the province are in the range of prices in other jurisdictions with heating fuel prices at the lower end of the range and motor fuel prices at the higher end of the range. There have been challenges in the regulation of petroleum products pricing in this province and the Board has implemented changes over the years to address issues as they arise. The Board has identified a number of issues to be addressed in this review related to maximum pricing, including extraordinary adjustments, benchmark price data sources and calculation, seasonal blending, mark-ups and zone differentials, the seasonal suspension of adjustments and notice of adjustments. Stakeholders are invited to provide comments on these issues and to suggest additional matters to be addressed.

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1.0 BACKGROUND

1.1 The Board

The Newfoundland and Labrador Board of Commissioners of Public Utilities (the “Board”) has responsibility for setting the maximum prices which may be charged by wholesalers and retailers in this province for regulated petroleum products pursuant to the **Petroleum Products Act** (the “Act”) and the **Petroleum Products Regulations** (the “Regulations”).¹ Aside from this the Board has no responsibility with respect to the regulation of the petroleum products industry in the province. The Board does not set minimum prices and wholesalers and retailers are permitted to sell regulated fuels at less than the maximum regulated price at any time.² The Board does not regulate the price which is paid by wholesalers to purchase regulated petroleum products. The Board does not have authority with respect to the handling, storage and sale of products and cannot require a wholesaler or retailer to sell a product. More information about the Board and its other responsibilities can be found [here](#).

1.2 The Review

On June 7, 2022 the Minister of Digital Government and Service NL, the Honourable Sarah Stoodley, directed the Board, pursuant to subsection 8.1(3) of the **Act**, to review the following matters:

- i) the suitability of the pricing mechanism for benchmark prices; and
- ii) the maximum mark-up between the wholesale price to the retailer and the retail price to the consumer for all regulated fuels (both of which comprise the total allowed mark-up).

The Minister also directed, pursuant to subsection 8.1(5) of the **Act**, that the Board hold a hearing as part of the review to enable direct public input from residents throughout Newfoundland and Labrador, through in-person, written and electronic correspondence. The direction from the Minister can be found in **Exhibit 1**.

¹ [SNL 2001 c. P-10.1](#) and [NLR 79/01](#).

² The Board can set minimum mark-ups but not minimum prices.

The Board's work plan for the completion of this review involves three phases as follows:

- i) Phase I – Background and issue identification;
- ii) Phase II – Benchmarking and wholesale mark-ups; and
- iii) Phase III – Retail mark-ups and other issues.

The review will be a consultative process with stakeholder input throughout. The information gathered in the review will be posted regularly on the Board's website. The Board's work plan can be found [here](#).

The Board has engaged a fuel market pricing consultant, Kalibrate Canada Inc. ("Kalibrate"), to assist in the review.³ Kalibrate will complete three reports, one in each phase of the review, which will be filed with the Board and released publicly. More information about Kalibrate can be found [here](#).

1.3 Consultation Document

This consultation document provides information relating to the regulation of maximum petroleum products prices in the province and sets out the issues to be addressed in the review. It is intended to allow stakeholders to provide informed commentary and feedback on these issues and any other issues of concern. The input received in response to this Phase I consultation document will be used by the Board to establish the list of issues to be addressed and to provide a framework for the remainder of the review. There will be an additional opportunity for stakeholders to provide input on the issues in both Phase II and Phase III.

This consultation document is structured to provide an overview of fuel price regulation, the supply, storage and distribution of regulated petroleum products, how maximum prices are calculated and the processes for maximum price adjustments, a comparison of fuel price regulation throughout Atlantic Canada and the considerations and issues that have been identified by the Board.

³ Kalibrate has considerable industry and project experience in the downstream petroleum industry and has significant data and analytics resources of direct relevance to the review.

1.4 Status of Ongoing Work

Kalibrate has completed its Phase I report setting out information with respect to the supply and regulation of petroleum products in this province and other jurisdictions (“Kalibrate’s Phase I Report”). This report includes detailed information comparing regulation and prices in this province to other provinces. Kalibrate’s Phase I Report can be found [here](#).

This consultation document provides information with respect to the regulatory framework in this province and the issues and challenges associated with this framework. As part of Phase I interested persons may provide commentary and input with respect to the issues. Phase I is expected to conclude in February 2023 when the Board will issue a comprehensive list of issues to be addressed in this review.

Phase II and Phase III are also underway and will be ongoing for a number of months while the necessary information is gathered and analyzed.

It is expected that Kalibrate will complete its Phase II report with respect to benchmarks and wholesale mark-ups/differentials in the spring of 2023. A process will then be established for stakeholders to provide commentary and input, both in writing and in person, in relation to benchmarks and wholesale mark-ups/differentials. This is expected to be concluded in the fall of 2023, after which the Board will issue a Phase II report. The Board may at the same time implement changes with respect to the benchmarks and wholesale mark-ups/differentials based on information gathered.

Kalibrate’s Phase III report with respect to retail mark-ups and the remaining issues is expected in the fall of 2023. Thereafter the Board will establish a process for stakeholders to provide commentary and input both in writing and in person. Upon completion of this process, which is expected in the winter of 2024, the Board will issue a Phase III report and may implement changes with respect to the retail mark-ups and the remaining issues based on information gathered in the review.

2.0 FUEL PRICE REGULATION

2.1 Fuel Price Regulation in Canada

In Canada the authority for petroleum product price regulation rests with provincial governments. Five provinces do not regulate petroleum products pricing and, as a result, prices charged to retailers and consumers are set by industry, not by government entities. In Atlantic Canada the provincial governments have granted authority for the regulation of maximum prices of petroleum products to the following provincial regulatory boards: New Brunswick Energy and Utilities Board (NBEUB); Nova Scotia Utilities and Review Board (NSUARB); and Island Regulatory and Appeals Commission (IRAC). The authority of the regulators is governed by provincial legislation as described in **Figure 1**.⁴

Figure 1
Regulatory Authority

NL	<ul style="list-style-type: none"> The Board sets the maximum wholesale and retail prices that a wholesaler and a retailer may charge for heating fuels and motor fuels, including different grades, derivatives or components of them, and determines the maximum mark-up between the wholesale prices to the retailers and the retail price to the consumer of regulated petroleum products.
NB	<ul style="list-style-type: none"> The NBEUB sets the maximum prices for motor fuels and heating fuels each week. The Petroleum Products Pricing Act authorizes the NBEUB to make adjustments to the maximum wholesale and retail margins, the maximum delivery costs, and the maximum charge that motor fuel retailers can charge for full service.
NS	<ul style="list-style-type: none"> The NSUARB prescribes the prices for petroleum products sold in the province. It also has the jurisdiction to conduct investigations and hearings respecting the boundaries of the zones across the province, fixed wholesale prices, maximum retail prices and minimum and maximum retail mark-ups. The NSUARB also has authority to make interim orders in emergency situations that threaten the security of the petroleum supply.
PEI	<ul style="list-style-type: none"> The IRAC ensures a just and reasonable price for heating fuel and motor fuel to consumers and licensees within the province. This means that IRAC must ensure that Prince Edward Island consumers pay a fair price for petroleum products while wholesale suppliers make a reasonable rate of return.

⁴ NL: [Act & Regulations, New Brunswick Petroleum Products Pricing Act, SNB c.P-8.05](#), and [Reg. 2006-41](#); Nova Scotia [Petroleum Products Pricing Act, SNS 2005, c.11](#) and [Petroleum Products Pricing Regulations, NS Reg. 192/2018](#); and [Prince Edward Island Petroleum Products Act, RSPEI Chap. 5.1](#) and [Petroleum Products Act Regulations](#).

2.2 Fuel Price Regulation in Newfoundland and Labrador

Regulation of the maximum price of petroleum products in Newfoundland and Labrador began in the fall of 2001 with the enactment of the **Act** and the **Regulations**. Initially maximum prices were regulated by the Petroleum Products Pricing Commission but in 2004 this responsibility was transferred to the Board. At the time, Government renewed its commitment to establishing a process that would foster pricing stability, predictability and transparency for petroleum products pricing in the province.

The Board is responsible for setting the maximum wholesale and retail prices for motor fuels and heating fuels in the province in accordance with the **Act** and **Regulations**. The price charged to wholesalers by suppliers, commonly referred to as the “rack” price, is not regulated by the Board.⁵ Price regulated petroleum products include gasoline and on-road diesel motor fuels, furnace oil and stove oil heating fuels, and propane heating fuel used primarily for space heating purposes.⁶ Motor fuels used for aviation and marine purposes are exempt from the **Act**.⁷

There have been a number of changes in petroleum products pricing regulation since the Board began regulating in 2004. The significant changes are as follows:

- In 2005 the Board continued the comprehensive review of the existing pricing model which was started by the Petroleum Products Pricing Commission. When this review concluded in 2006 a number of changes were made, including moving from monthly to bi-weekly price adjustments and pricing zone and differential changes to reflect updated storage and distribution costs.
- In 2009 the Board reviewed the policy of suspending pricing adjustments for the winter months in certain pricing zones in Labrador and, as a result, the winter suspension of maximum price adjustments was discontinued for Zone 11.

⁵ Section 2(2) of the **Act** stipulates that transactions which are not wholesaler to retailer transactions are not regulated.

⁶ Sales of propane not used for space heating, i.e. barbeque fuel, are not subject to maximum price regulation.

⁷ Sales of motor fuel for marine purposes are not exempt where the fuel is purchased from a retailer who sells that type of fuel for other purposes.

- In 2010 changes to the pricing model included moving to a weekly maximum price adjustment schedule and implementation of a winter blend for diesel motor fuel.
- In 2012-2015 a two-part review of the mark-ups was completed with changes approved in 2013 for the retail mark-ups for heating fuels and in 2015 for the wholesale mark-ups for heating fuels and the total allowed mark-ups for motor fuels. The zone differentials were also reviewed but no changes were made on the basis that there was insufficient storage, distribution and cost information.
- In 2015 legislative changes were made as a result of the discontinuation of certain of the designated Platts US MarketScan product price assessments.
- In 2015 other changes to the pricing model included a revision to the product blend used in the determination of the Labrador diesel motor fuel benchmark price, a minor change to the boundary of Zones 1 and 2, and an update to the zone differential for Sub-zone 7a.
- In 2016 the Board established maximum prices for propane in Labrador pricing zones and some isolated zones on the Island where propane was not previously priced.
- In 2019 the Board reviewed the retail portion of the total allowed mark-ups for heating fuels resulting in adjustments to these mark-ups.
- In 2019, following the discontinuation of the Bloomberg Oil Buyer's Guide, the **Regulations** were amended to allow for the use of the Oil Price Information Service as the data source for the benchmark price for propane heating fuel.
- In 2020, following a review by the Board, the wholesale and retail mark-ups for motor fuels were increased.
- In 2020, following the transition of the North Atlantic Refinery into standby mode and an application from NARL Marketing Limited Partnership, the wholesale mark-ups on the Island for gasoline and diesel motor fuels and furnace oil and stove oil heating fuels were increased.

- In 2020, the Board undertook the 2020 Labrador Petroleum Products Pricing Review which resulted in pricing changes for the Labrador region as well as the extension of the suspension of price adjustments to other zones and the implementation of a suspension for the summer.

More information about the history of the regulation of maximum prices for petroleum products in the province can be found [here](#).

3.0 SUPPLY STORAGE AND DISTRIBUTION OF PETROLEUM PRODUCTS

3.1 World Markets

The world market for petroleum products begins with the production of crude oil. Based on information available from the U.S. Energy Information Administration, about 100 countries produce crude oil worldwide. As of 2021 the top crude oil producing countries were the United States, Russia, Saudi Arabia, Canada and Iraq.⁸ The crude oil produced by these countries is supplied to refineries for conversion into refined petroleum products, including gasoline, diesel, furnace oil and stove oil.

As the Atlantic provinces are in close proximity to the United States and Europe and can be supplied from these regions, local markets in this region are tightly linked to global supply and demand. Seven refineries are primarily responsible for supply in Atlantic Canada.⁹

3.2 Newfoundland and Labrador Supply

Fuel is imported into Newfoundland and Labrador primarily by marine tanker from markets in eastern Canada, eastern United States and, less often, Europe. As a result supply, and ultimately prices for regulated petroleum products locally, are influenced by the following factors:¹⁰

- *Refining Capacity* – Changes in supply and demand and prices in the eastern United States have an immediate impact on the supply in Newfoundland and Labrador. Over the period 2020 to 2022 there was a reduction in refinery capacity due to the shutdown and

⁸ Source: [U.S. Energy Information Administration](#).

⁹ Kalibrate's Phase I Report, pages 5-6.

¹⁰ Kalibrate's Phase I Report, pages 5-11.

reconfiguration of the Come By Chance refinery as well as capacity reductions at other refineries in the eastern United States. While there was increasing output of petroleum products over the summer of 2022 and an increase in refining capacity in the United States this will serve only to replace capacity that has been shuttered in the past couple of years and is not expected to result in an increase of refined fuel supply for the continent.

- *Marine shipping costs* – Newfoundland and Labrador primarily receives regulated petroleum products via marine tanker and, as a result, supply in this province is tightly bound to marine shipping costs.
- *Clean Fuel Regulations* – Additional requirements placed on refiners and importers of petroleum products to satisfy the Federal Government **Clean Fuel Regulations** may lead to changes in the motor fuels supplied and the costs of these products.¹¹
- *War in Ukraine* – Demand plays a large role in the price of refined fuel and can be heavily influenced by global geopolitical events such as the war in Ukraine. Sanctions and bans such as those placed on Russian oil cause additional strain on existing product supplies in other regions such as Europe, the United States and Canada.

Within Newfoundland and Labrador the supply of regulated petroleum products is complex and diverse. On the Island the majority of regulated petroleum products are sourced from primary marine terminals located in St. John's, Come By Chance and Corner Brook. These primary marine terminals are large storage terminals supplied with refined products via marine tanker from other refineries or storage located elsewhere in Canada, the United States and sometimes Europe. Secondary marine terminals, as well as depots and bulk plants, are located in various other areas of the Island. Depots and bulk plants are generally supplied by tractor trailers from marine terminals and are often used as intermediate drop-off storage facilities.

In Labrador regulated petroleum products are generally sourced from primary marine terminals and secondary storage facilities located throughout the region. Where there is no marine storage,

¹¹ More information with respect to these regulations can be found on the Federal Government's website [here](#).

there may be other bulk plant storage facilities supplied by tanker truck. Product is transported throughout Labrador from marine terminals, depots or bulk plants to retailers and consumers in the regions by tanker truck. Western Labrador is primarily supplied by train from Quebec to a storage terminal in Labrador City. More information with respect to the supply and storage of regulated petroleum products in Labrador can be found [here](#).

Within the various regions of the province there are significant differences in the method of supply by individual wholesalers and retailers. Some wholesalers purchase product on a daily basis from primary marine terminals while other wholesalers maintain their own storage and receive supplies to this storage less frequently. Similarly some retailers receive daily supply while others are supplied every two or three weeks.

4.0 HOW MAXIMUM PRICES ARE ESTABLISHED IN NEWFOUNDLAND AND LABRADOR

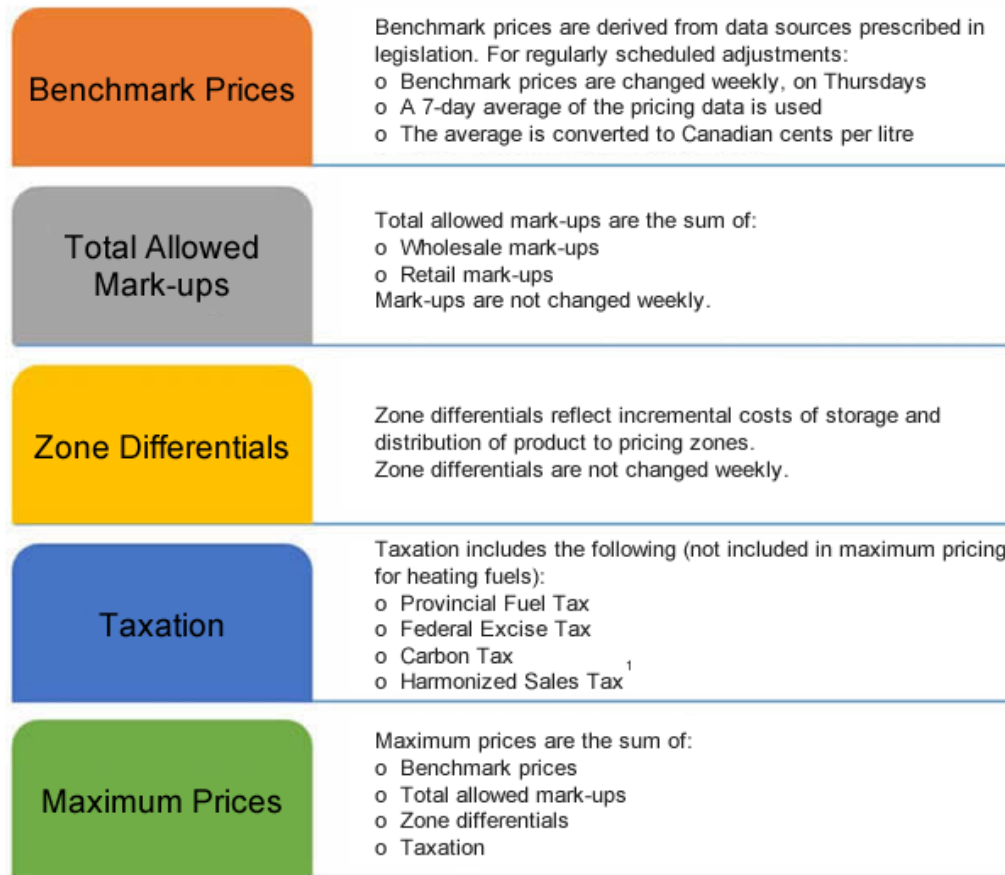
Maximum prices are calculated by the Board using the components and the processes established in the **Act** and the **Regulations**.

4.1 Pricing Components

The prescribed components of maximum prices include benchmark prices, mark-ups, zone differentials and applicable taxes.¹² These pricing components are described in **Figure 2**.

¹² Section 7 of the **Regulations**. There are currently no service costs reflected in any of the Board's established maximum prices.

Figure 2
Maximum Price Components



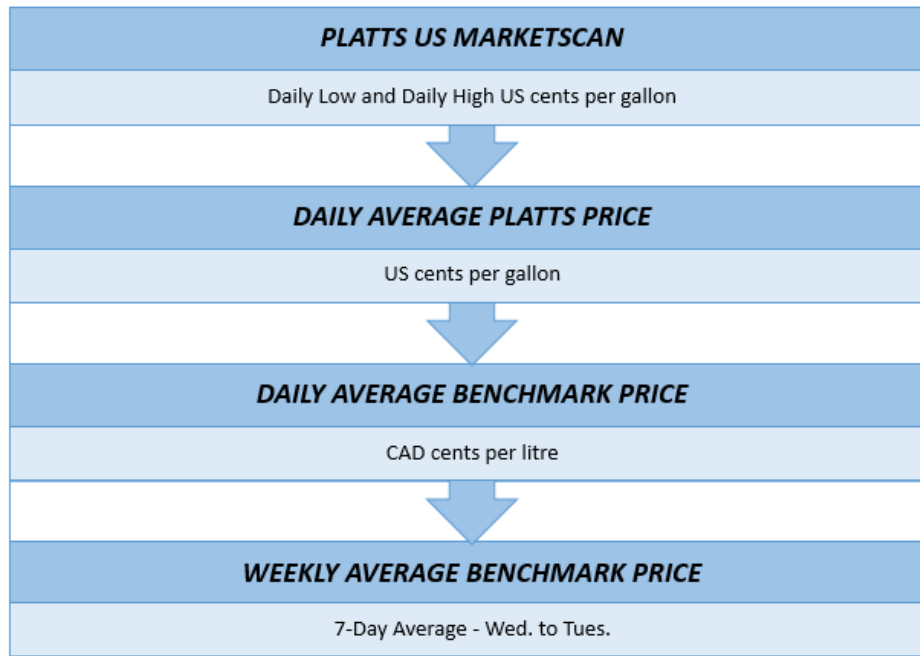
¹HST is applied at point of sale for heating fuels

4.1.1 Benchmark Prices

The benchmark prices included in maximum prices represents the cost of the product. Benchmark prices are adjusted regularly to reflect the most recent product cost data as prescribed in the **Regulations**.¹³ For regular weekly adjustments, benchmark prices are set by the Board based on the reported commodity market data over the period since the last adjustment. This process is depicted in **Figure 3**.

¹³ The prescribed data source is Platts US MarketScan for all products except propane which is based on Oil Price Information Service.

Figure 3
Average Benchmark Price Calculation for Weekly Adjustments
All Products Except Propane



4.1.2 Mark-Ups

Mark-ups are added to the benchmark price to account for the cost for wholesalers and retailers to get the product from its source location to consumers, including storage, distribution and administration costs. Unlike benchmark prices, the mark-ups are fixed amounts which do not change from week to week. The mark-ups vary depending on the type of regulated fuel and, in some cases, the zone in which the product is sold. The Board establishes a wholesale mark-up and a retail mark-up for each price regulated product.¹⁴

The wholesale mark-ups represent the average cost for wholesalers to supply products to retailers and include costs related to:

- i) marine freight;
- ii) operation of marine terminals; and
- iii) tractor trailer freight.

¹⁴ The Board is directed to establish a wholesale mark-up and a total-allowed mark-up. The retail mark-up is the difference between the two.

The current wholesale mark-ups for most zones are 15.65 cents per litre for gasoline, 14.07 cents per litre for diesel, 9.11 cents per litre for furnace oil and 12.11 cents per litre for stove oil.¹⁵ As these mark-ups represent average costs they may not reflect the actual cost of supply for any one wholesaler. The current wholesale mark-ups for all zones can be found in **Exhibit 2**.

The retail mark-ups represent the average cost for retailers to supply product to consumers and include costs related to:

- i) capital costs and depreciation;
- ii) fuel and vehicle operating costs;
- iii) insurance;
- iv) office, administrative and other costs;
- v) rent;
- vi) repairs and maintenance;
- vii) transaction fees;
- viii) utilities and communications; and
- ix) wages and salaries.

The current retail mark-ups for most zones are 10.28 cents per litre for gasoline, 14.03 cents per litre for diesel, 18.27 cents per litre for furnace oil and 20.28 cents per litre for stove oil. As these mark-ups represent average costs they may not reflect the actual cost of supply for any one retailer. The current retail mark-ups for all zones can be found in **Exhibit 2**.

4.1.3 Zones and Differentials

To reflect the various methods of supply, storage and delivery of regulated petroleum products to different regions of the province the Board has established pricing zones for purposes of establishing maximum prices.¹⁶ Zone maps can be found in **Exhibit 3**.

Zone differentials are added to benchmark prices in a zone to account for the additional costs of getting products from the supply points to a particular zone. Essentially, the zone differentials represent the average wholesale cost to supply a product to a particular pricing zone as

¹⁵ These mark-ups include the increases associated with the operational changes at the Come By Chance refinery approved in [Order No. P.P. 52\(2020\)](#).

¹⁶ Section 5 of the [Regulations](#).

compared to the average wholesale cost to supply the base zone.¹⁷ Differentials include costs related to:

- i) marine freight;
- ii) the operation of marine terminals and bulk storage facilities in the zone;
- iii) tank wagon or tanker truck delivery; and
- iv) the cost of filling, handling and delivering drums.

Other factors which may impact wholesale supply costs in a zone include the distance between communities and supply points, volumes of sales and climatic conditions. Generally the further away a zone is from the primary supply point the higher the cost of getting the product to the zone. The zone differentials reflect the average cost for wholesalers to supply products to the zone and, as a result, may not be representative of the actual cost of supply for any one wholesaler. The zone differentials are fixed amounts which do not change from week to week. The current zone differentials for motor fuels and heating fuels in the Province are provided in **Exhibit 4**.

4.1.4 Taxes

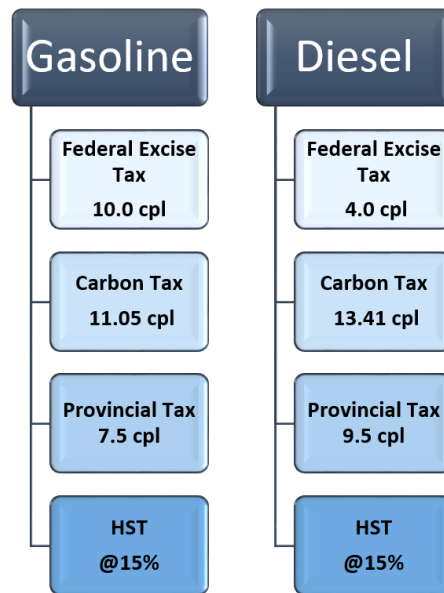
Maximum prices for motor fuels reflect both provincial and federal taxes, including the provincial fuel tax, federal excise tax, carbon tax and Harmonized Sales Tax (“HST”).¹⁸ In mid-2022 the provincial Government implemented a temporary reduction in the fuel tax.¹⁹ The current taxes in maximum prices for gasoline and diesel motor fuels are set out in **Figure 4**.

¹⁷ The base zone for gasoline and diesel motor fuels in the Board’s pricing model is Zone 1 – Avalon Peninsula. For furnace oil and stove oil heating fuels the base zone is Zone 1ANE – Avalon Peninsula Northeast. For propane heating fuel the base zone is Zone 2 – Burin Peninsula / Bonavista Peninsula.

¹⁸ The HST is applied after the other taxes are added.

¹⁹ On June 2, 2022 the provincial fuel tax was reduced to 7.5 cents per litre from 14.5 cents per litre for gasoline motor fuel and to 9.5 cents per litre from 16.5 cents per litre for diesel motor fuel. This change was made by the provincial government on a temporary basis to December 31, 2022 and was subsequently extended to March 31, 2023.

Figure 4
Current Taxation Rates



Maximum prices for heating fuels do not reflect any applicable taxation. In accordance with federal legislation, HST is applied to sales of heating fuels by retailers at time of delivery.

4.2 Maximum Price Adjustment Process

The Board's process for regulating maximum prices involves regular weekly price adjustments, extraordinary price adjustments, the seasonal suspension of price adjustments in certain regions, seasonal blending and notice to wholesalers and retailers.

4.2.1 Scheduled Adjustments

Maximum prices for all regulated products are adjusted on Thursday each week for most zones.²⁰ New maximum prices come into effect at 12:01 a.m. on Thursday to reflect the changes in the benchmark prices since the last adjustment. The benchmark price is the only component of maximum prices that changes each week with the regular adjustment.²¹ Mark-ups and differentials do not change weekly.

²⁰ The **Regulations** require that the Board adjust maximum prices at least monthly. Since 2010 the Board has adjusted maximum prices on a weekly basis.

²¹ The change in the benchmark price will also result in a change in the amount of the HST.

The regular weekly adjustment each Thursday is based on the market data over the previous seven-day period from Wednesday to Tuesday, with Friday's data serving as a proxy for Saturday and Sunday.²² For holidays the last working day before the holiday is used as a proxy. Because maximum price adjustments must be based on the data since the last adjustment, the Board does not have the authority to apply an adjustment to a benchmark price calculation to reflect market factors. In setting benchmark prices for mid-grade and premium-grade gasoline the **Regulations** direct the Board to add prescribed grade differentials to the regular gasoline benchmark price.²³ An example of the calculation of a benchmark price is provided in **Exhibit 5**.

4.2.2 Extraordinary Adjustments

The Board is permitted to make adjustments to maximum prices outside of the regular adjustment schedule where it is warranted.²⁴ While the legislation does not set out an interruption formula, the Board has established guidelines setting out the criteria and process used in determining whether there will be an extraordinary adjustment. The same process and criteria apply for increases and decreases. Market data is reviewed each day and, when there is a variance in the range of +/- 6.0 to 8.0 cents per litre in either the daily benchmark price or the running average benchmark price compared to the established benchmark price, the Board will consider whether an extraordinary adjustment is warranted. A variance of greater than +/- 8.0 cents per litre is more likely to lead to an extraordinary adjustment. Other factors may also be considered by the Board, such as data trends and the timing of other price adjustments. An example of the calculations for weekly and extraordinary adjustments is set out in **Exhibit 6**.

Until early 2022 extraordinary adjustments were uncommon.²⁵ Beginning in 2022 extraordinary adjustments became more frequent as a result of significant volatility in New York Harbor (and global) commodity market prices and the resulting changes in benchmark prices. While there

²² Less than seven days of data may be used if there was an extraordinary adjustment in the period.

²³ Section 14(2.1) of the **Regulations** sets out that 3 cents per litre is added for mid-grade and 6 cents per litre for premium grade.

²⁴ Section 14(1) of the [Regulations](#).

²⁵ Over the period 2005 to 2021 there were only three extraordinary adjustments. The 2005 and 2008 adjustments were associated with market volatility following a hurricane and the 2020 adjustment was associated with volatility related to the Covid-19 pandemic.

were frequent extraordinary adjustments, it is notable that the number of increases in 2022 was similar to the number of decreases. A graph of the extraordinary adjustments for gasoline and diesel motor fuel over the period March to December 2022 is set out in **Exhibit 7**.

4.2.3 Seasonal Suspension of Adjustments

Adjustments to maximum prices are suspended on a seasonal basis in the Labrador zones primarily supplied by marine tanker. These zones are supplied on an infrequent basis and, as a result, maximum prices are adjusted when product is delivered, normally twice a year, to reflect the cost of the product. Historically the suspension of maximum price adjustments was implemented for the winter months only and was limited to Northern Labrador and isolated regions of Southern Labrador. Following the 2020 Labrador Petroleum Products Pricing Review the seasonal suspension of price adjustments was extended to most zones in Labrador and was also implemented for the summer months.²⁶ There is no suspension in Western Labrador as this area receives regular supply throughout the year by train from Quebec. More information about the seasonal suspension of maximum price adjustments in Labrador can be found [here](#).

As a result of the seasonal suspension, maximum prices are adjusted in the spring and fall in Zones 10, 11, 11a, 11b, 12 and 14. The spring suspension generally occurs in the May/June timeframe and the fall suspension generally occurs in the November/December timeframe. The actual date of the suspension of adjustments depends on the date(s) that product is delivered, which varies from year to year and from community to community. At times the suspended maximum prices are lower than they would have been if they were not suspended while at other times the suspended prices are higher than would be the case if they were not suspended. While these differences normally balance out over time there can be significant differences at any point in time. A comparison of suspended maximum prices with maximum prices assuming there was no suspension can be found in **Exhibit 8**.

²⁶ There is no suspension for propane heating fuel maximum prices as it is not supplied by marine tanker.

4.2.4 Seasonal Blending

In certain areas of the province the product supplied changes seasonally to meet cloud point requirements, improve pourability in colder temperatures and prevent thickening. To ensure that benchmark prices reflect the product supplied in these areas a blending methodology is used whereby more than one product price is reflected in the benchmark price for the fuel. For example, diesel motor fuel and furnace oil heating fuel on the Island reflect a blend of two reported commodity prices for the winter period.²⁷ This allows wholesalers and retailers to recover the cost of the product supplied and helps to ensure that consumers do not pay more than the cost. Blending normally commences with the first regularly scheduled price adjustment in October and is discontinued beginning with the first regularly scheduled price adjustment in April. Recently the blending percentage has been phased-in over a period of weeks in the fall and phased-out over a period of weeks in the spring. The benchmark data sources and blending methodology used by the Board can be found in **Exhibit 9**.

4.2.5 Notice of Adjustments

The Board provides notice of scheduled and extraordinary maximum price adjustments to wholesalers and retailers in the afternoon on the day prior to an adjustment. This notice is in accordance with legislative requirements and provides an opportunity for wholesalers and retailers to make the necessary changes to implement the new maximum prices.²⁸ Wholesalers and retailers are prohibited from disclosing the changes until the new prices come into effect.²⁹ Notice is also sent to the media on the evening before the adjustment takes effect, on condition that it is not released before the new prices become effective.³⁰

²⁷ Blending has also been implemented for diesel motor fuel in Zones 13 and 13a. Historically maximum prices for diesel in Labrador West were based on 75% Ultra Low Sulphur Kerosene and 25% Ultra Low Sulphur Diesel year round but in 2015 this was changed to 100% ULSK year round. More recently blending has been implemented at 75% ULSK and 25% ULSD for Winter 2022 for Zones 13 and 13a.

²⁸ Section 7(3) of the **Act**.

²⁹ Section 8 of the **Regulations**.

³⁰ The legislation does not provide for advance notice to the public.

4.3 Mark-up and Differential Adjustments

Mark-ups and differentials do not change from week to week. They are changed by order of the Board after a review conducted on the Board's motion or on the filing of an application from a wholesaler or retailer. While there is no established process or timeframe for the review of mark-ups or differentials, the factors to be considered by the Board when adjusting mark-ups and differentials are set out in the **Regulations**.³¹ These factors include whether an adjustment would be reasonable given changes, if any, to transportation costs, volumes of sales, storage costs, distribution costs, and inventory turnover rates since the mark-up was last established by the Board.

The mark-ups have been adjusted by the Board periodically over the years. In 2019 the Board initiated a review which resulted in changes to the wholesale mark-ups and the retail portion of the total allowed mark-ups. Interim increases in the wholesale mark-ups on the Island were also made in 2020 following the filing of an application for increases due to the changes in the method of supply as a result of the change in status of the refinery at Come By Chance.³² As part of its review of this application the Board received detailed cost, volumetric and supply information from suppliers which demonstrated incremental costs which were not reflected in the wholesale mark-ups. The Board determined that interim increases to the wholesale mark-ups were necessary to ensure the economic operation of multiple suppliers on the Island and continued supply to consumers. Interim increases of 5 cents per litre for gasoline and 4 cents per litre for diesel motor fuel, furnace oil and stove oil heating fuel were implemented. More information about changes to the mark-ups since 2008 can be found in **Exhibit 10**.

Changes to the zone differentials may also be ordered by the Board following a review, on the Board's motion or an application by a retailer or a wholesaler. When adjusting the zone differentials the Board considers whether there have been changes in transportation costs, volume of sales, storage costs, distribution costs and inventory turnover rates in the zone since the last adjustment. Apart from the changes to the differentials following the 2020 Labrador

³¹ See Section 14(3) of the [Regulations](#).

³² [Order No. P.P. 52\(2020\)](#).

Petroleum Pricing Review there has only been one other change to the differentials since 2008. More information about changes to the differentials can be found in **Exhibit 11**.

5.0 FUEL PRICE REGULATION IN ATLANTIC CANADA

The regulation of maximum prices of petroleum products was first introduced in Newfoundland and Labrador in 2001 and the other Atlantic provinces soon followed suit. While each Atlantic province has its own regulatory framework the approach to fuel price regulation is similar throughout the region as detailed in Kalibrate's Phase I Report and summarized in **Figure 5** below.

Figure 5
Regulatory Framework

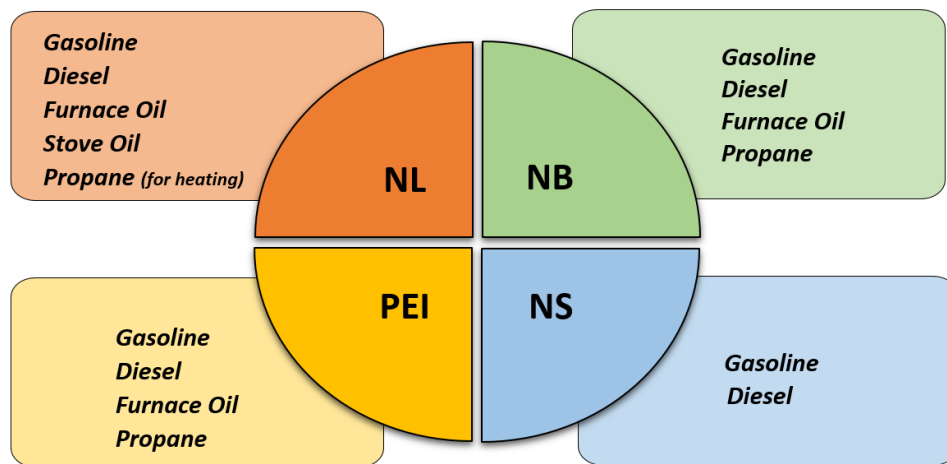
Component	NL	NB	NS	PEI
Frequency of Adjustments	Weekly	Weekly	Weekly	Weekly (Propane Bi-Weekly)
Day of Adjustments	Thursday	Friday	Friday	Friday
Number of Pricing Zones	26 (motor fuels) 29 (heating fuels)	1 (and Gran Manan)	6	1
Benchmark Data Source	Platts US Marketscan OPIS (Propane)	Discretionary	Platts US Marketscan	Charlottetown Rack Price
Average Benchmark Price	7 days	5 days	5 days	Prior Week
Forward Averaging	No	Market Adjustor	Yes	Yes
Adjustment for Product Blends	Seasonal blending for Diesel and Furnace Oil	Seasonal blending for Diesel and Furnace Oil	Mark-up added seasonally for Diesel	No
Extraordinary Adjustments and Criteria	Considered +/- 6 to 8 cpl change in daily or running average (all fuels)	Discretionary	Considered +/- 6 to 8 cpl change in average benchmark price over two days (gas & diesel)	Discretionary based on daily assessment of prices and impact

It is noted that, as a result, of legislative changes implemented in New Brunswick in December of 2022, the regulatory framework in New Brunswick is now more like Nova Scotia's and less like Newfoundland and Labrador's.³³ For example, in New Brunswick adjustments now happen on Fridays rather than Thursdays, there is provision for a carbon cost adjustor and a market adjustor and the regulator now has more discretion with respect to the benchmark data sources, extraordinary price adjustments and the price differential for premium gasoline. More information about regulation in the Atlantic provinces is set out in the following sections.

5.1 Regulated Products

Gasoline and diesel maximum prices are regulated in all Atlantic provinces and maximum prices for heating fuels are regulated in all Atlantic provinces except Nova Scotia as shown in **Figure 6**.

Figure 6
Regulated Petroleum Products



5.2 Pricing Components

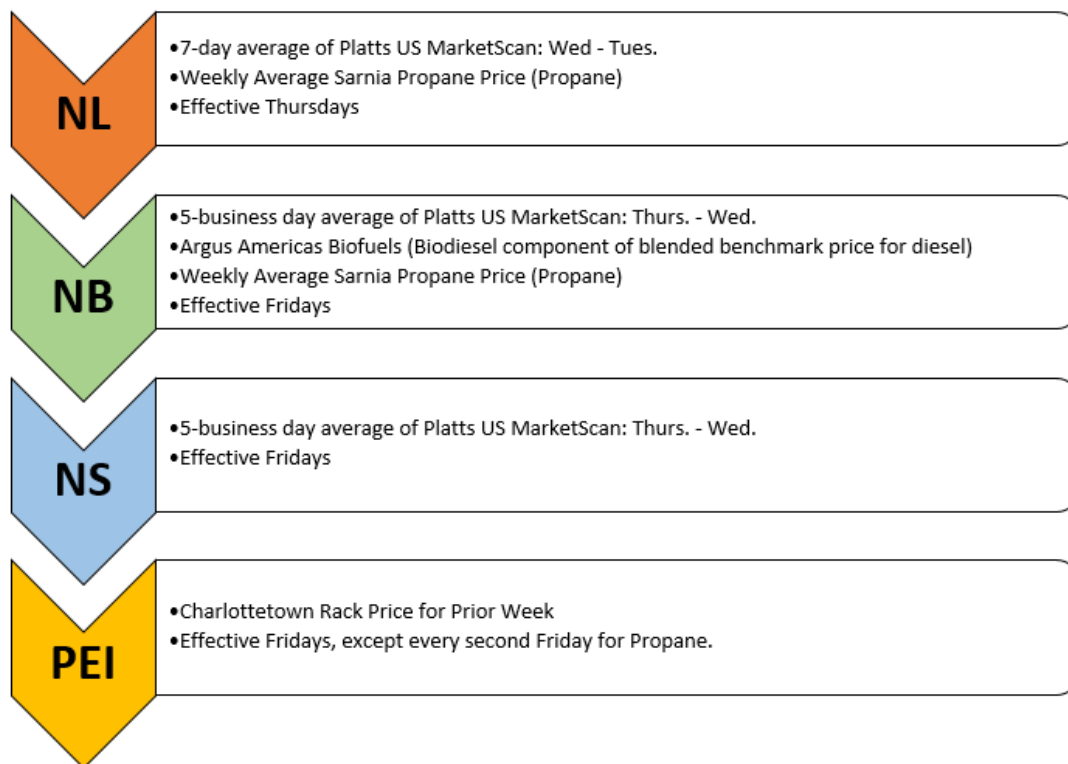
5.2.1 Benchmark Prices

Throughout Atlantic Canada maximum prices include a benchmark price that reflects the cost of the product. While benchmark prices are calculated in a similar manner throughout Atlantic Canada there are some differences with respect to the source and timing of data used and the method of calculation. The data source currently used to establish benchmark prices in

³³ More information about the New Brunswick legislative changes can be found [here](#).

Newfoundland and Labrador and Nova Scotia is Platts US MarketScan for all regulated fuels except propane. While this data source is also used in New Brunswick, the regulator now has discretion as to the source and method of calculating benchmark prices. In Prince Edward Island Charlottetown rack price data is used, with ongoing monitoring of the rack prices compared to NYMEX commodity market prices. A comparison of the calculation of benchmark prices in Atlantic Canada is set out in **Figure 7**.

Figure 7
Benchmark Price Calculation



5.2.2 Mark-Ups

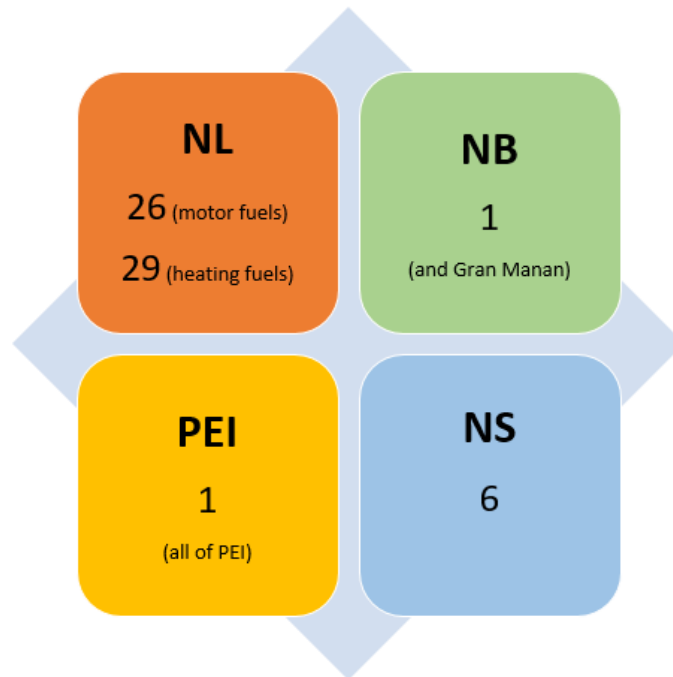
Wholesale and retail mark-ups are added to benchmark prices for each type of regulated petroleum product in all Atlantic provinces to reflect the costs of supply. In Newfoundland and Labrador and New Brunswick the regulator sets maximum mark-ups only whereas in Nova Scotia and Prince Edward Island the regulator also sets minimum retail mark-ups. The mark-ups in Newfoundland and Labrador are higher than in the other Atlantic provinces for all fuels except furnace oil. The current mark-ups in the Atlantic provinces are set out in **Exhibit 12**.

The manner in which mark-ups are adjusted is similar throughout Atlantic Canada. Generally adjustments are made after a review by the regulator on its own motion or as the result of an application by a wholesaler or retailer. The regulators have broad discretion as to the process to be followed and the information to be considered, though costs related to transportation, volume of sales, distribution and inventory turnover rates are a primary consideration. In addition the regulator in Nova Scotia may consider security of supply.

5.2.3 Zones and Differentials

As shown in **Figure 8** Newfoundland and Labrador has a large number of pricing zones compared to the other Atlantic provinces. This difference can be explained by the relative complexity of the supply chain in this province.

Figure 8
Pricing Zones



The zone differentials in Nova Scotia range from 0.5 cents per litre to 1.7 cents per litre, excluding tax. More information about the Nova Scotia pricing zones and differentials can be found in **Exhibit 13**.

5.2.4 Taxes

The provincial fuel taxes and carbon taxes included in motor fuel maximum prices are different throughout Atlantic Canada. Provincial taxes for motor fuels in Newfoundland and Labrador are currently much lower than in the other provinces as a result of the provincial government's decision to temporarily reduce the fuel tax.³⁴ Nova Scotia currently does not include carbon taxes in maximum prices and instead includes a cost of carbon allocation.³⁵ Recent legislative changes in New Brunswick provide for a carbon cost adjustor. The taxes on gasoline and diesel motor fuels in each Atlantic province are set out in **Exhibit 14**.

There are no provincial fuel taxes or carbon taxes on heating fuels in any Atlantic province. HST is not included in published maximum heating fuel prices in Newfoundland and Labrador but it is in the other Atlantic provinces.³⁶

5.3 Adjustment Process

The processes followed for maximum price adjustments for petroleum products are similar but not identical throughout Atlantic Canada.

5.3.1 Scheduled Adjustments

Maximum prices are adjusted weekly in all of the Atlantic provinces and prices become effective at 12:01 a.m. on the day of the adjustment.³⁷ The scheduled day for the adjustment is Thursday in Newfoundland and Labrador and Friday in Nova Scotia, Prince Edward Island and recently New Brunswick.³⁸ Prior to the recent legislative changes in New Brunswick adjustments in that province were also made on Thursdays.

In Nova Scotia and Prince Edward Island forward averaging methodologies may be used by the regulator in the calculation of benchmark prices to meet the goals of just and reasonable prices,

³⁴ See section 4.1.4.

³⁵ Nova Scotia's cap and trade regulations can be found [here](#).

³⁶ In Newfoundland and Labrador HST is applied at time of delivery. In Prince Edward Island 5% tax is included in furnace oil maximum prices.

³⁷ There is a suspension of maximum price adjustments in most zones in Labrador in the spring and in the fall. There is no such suspension in the other Atlantic provinces.

³⁸ In Prince Edward Island maximum prices for propane are adjusted by IRAC every second Friday.

price stability and security of supply.³⁹ Forward averaging allows the regulator to include an upward or downward adjustment in the calculation of benchmark prices to maintain the balance between industry margins and the amount consumers pay. The regulators in these provinces have the discretion as to whether forward averaging is used and the magnitude of the adjustment. While there is no forward averaging provision in New Brunswick recent legislative changes provide the regulator with the discretion to apply a market adjustor. In Newfoundland and Labrador the Board has no jurisdiction to apply adjustments in its calculation of benchmark prices, except in the case of the zones in Labrador with a suspension of maximum price adjustments.⁴⁰

As is the case in Newfoundland and Labrador the other Atlantic provinces set benchmark prices for mid-grade and premium-grade gasoline in accordance with the directions in the regulations, though recent legislative amendments in New Brunswick provide the regulator with discretion as to the adjustment for premium-grade fuels. While the adjustments are currently similar throughout the region there are differences in the amounts and allocations to the wholesale and retail mark-ups. The variances in maximum prices between regular, mid-grade and premium-grade gasoline across jurisdictions are set out in **Exhibit 15**.

5.3.2 Extraordinary Adjustments

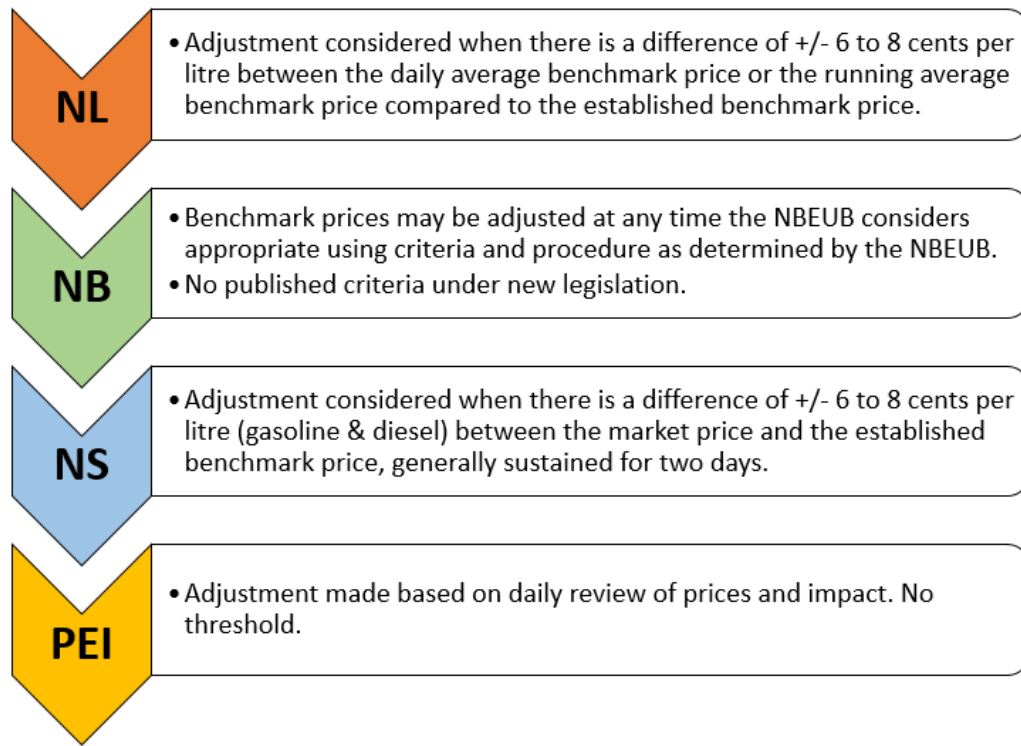
Maximum price adjustments outside the regular schedule may be made at the discretion of the regulator in all Atlantic provinces. The process for extraordinary adjustments in Newfoundland and Labrador is similar to the process in Nova Scotia. In New Brunswick recent legislative changes removed the prescribed criteria for extraordinary adjustments and provide the regulator with discretion.⁴¹ The process and criteria for extraordinary adjustments in the Atlantic provinces are set out in **Figure 9**.

³⁹ More information with respect to the NSUARB forward averaging methodology can be found [here](#).

⁴⁰ Section 14(2.6) of the **Regulations** permits the Board to adopt an alternative pricing methodology for zones with a suspension of maximum price adjustments where it would result in a benchmark price which is more reasonably reflective of the cost of the fuel.

⁴¹ Before the recent legislative amendments in New Brunswick the legislation required the regulator to make an extraordinary adjustment when there was a difference in the daily average market price from the prior day's daily average of +/- 6 cents per litre for gasoline and diesel and +/-5 cents per litre for furnace oil.

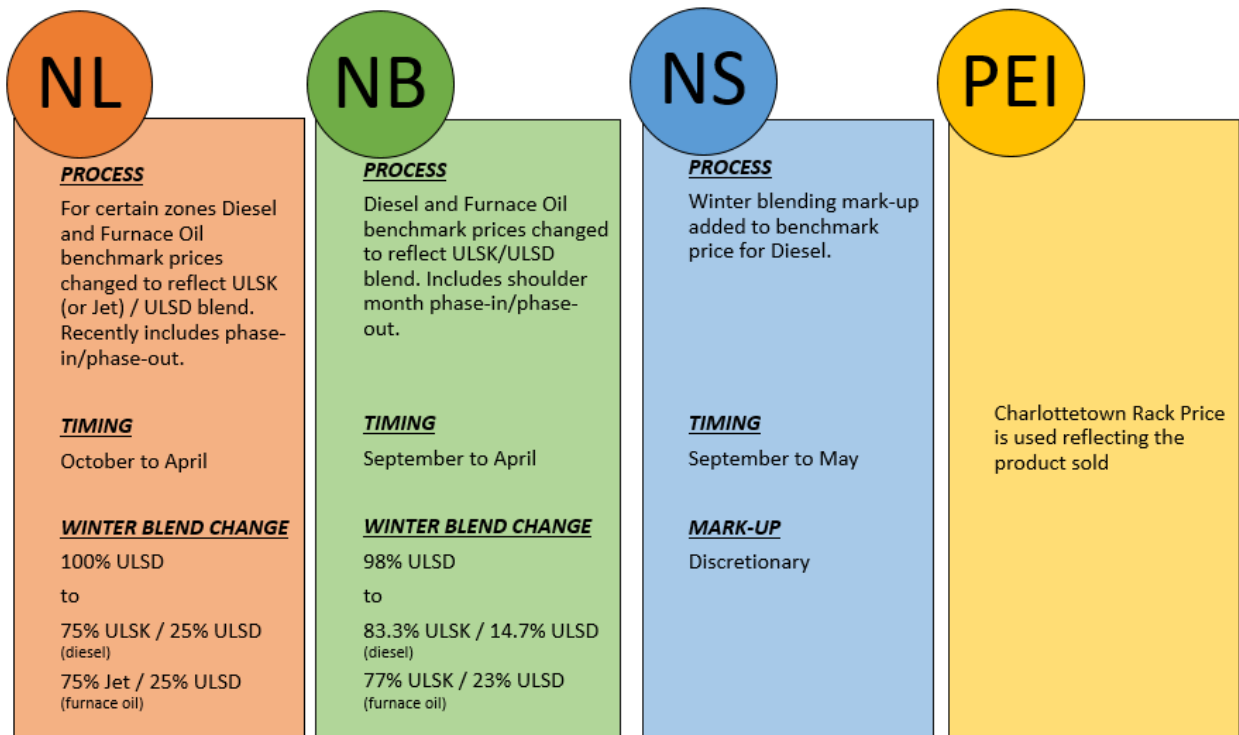
Figure 9
Extraordinary Price Adjustment Criteria



5.3.3 Seasonal Blending

During the winter season benchmark prices for certain products are adjusted to reflect changes in the products supply in colder temperatures in some areas. In Newfoundland and Labrador and New Brunswick benchmark prices are calculated using a blending of product prices to reflect changes in the products brought to market. In Nova Scotia seasonal product changes are reflected through the addition of a margin. In Prince Edward Island rack prices are used which reflect the cost of the product supplied. The approach to seasonal adjustments in each Atlantic province is outlined in **Figure 10**.

Figure 10
Seasonal Adjustments of Benchmarks



5.3.4 Notice of Adjustments

The approach to providing notice of maximum price adjustments is similar throughout Atlantic Canada. There is generally advance notice to wholesalers and retailers to allow the implementation of the price change and no advance notice to the public. Nova Scotia advises that there will be an extraordinary adjustment the day before the adjustment but does not provide the direction or the magnitude of the change.

5.4 Maximum Price Differences in Atlantic Canada

While fuel price regulation is very similar throughout Atlantic Canada differences in the timing and processes can result in different maximum prices in each province day-to-day or week-to-week. Despite these differences over the long term maximum prices in the Atlantic provinces are generally comparable and maximum price adjustments follow similar trends. Maximum prices for gasoline motor fuel in Atlantic Canada over the period 2019-2022 are shown in **Exhibit 16**.

6.0 CONSIDERATIONS AND ISSUES

6.1 Objective of Fuel Price Regulation

As already noted maximum price regulation of petroleum products in Newfoundland and Labrador is intended to establish a process that would foster pricing stability, predictability and transparency.

While both regulated and unregulated prices are subject to the volatility of commodity markets, fuel price regulation appears to offer potential benefits with respect to pricing stability. As discussed in Kalibrate's Phase I Report, some of the extreme lows and highs observed in unregulated markets appear to be avoided in regulated markets. Kalibrate found that price regulation resulted in an overall smoothing of price movements as compared to unregulated markets.⁴² This smoothing of price movements is likely the result of the benchmark pricing process in regulated regimes which involves the averaging of product prices over a period of time.

In terms of pricing predictability the established schedule for adjusting maximum prices in regulated markets results in routine price changes whereas in unregulated markets prices may change at any time in any amount. Maximum prices in Atlantic Canada are normally changed once a week based on market data and, in normal circumstances, extraordinary adjustments are very uncommon. While the unprecedented commodity market volatility in 2022 led to frequent extraordinary adjustments of maximum prices, there were only three extraordinary adjustments over the period 2005 to 2021. In contrast, in unregulated markets wholesalers and retailers control the timing and the amount of the price adjustments and, as a result, there may be multiple price changes a day or any day of the week without oversight as to timing or amount.

In terms of pricing transparency information about maximum prices is generally more available in price-regulated markets. In Newfoundland and Labrador the process for establishing maximum prices is set out in the legislation and is also clearly described on the Board's website. Regulated maximum prices, including the components of these prices, are published on the Board's website and the Board issues a media release for each adjustment. While the daily data used to calculate

⁴² Kalibrate's Phase I Report, pages 18-20.

the daily benchmarks cannot be released because the terms of the subscription service prohibit it, the average benchmark prices for both regular adjustments and extraordinary adjustments are released. The wholesale mark-ups, the zone differentials, the retail mark-ups and taxes reflected in current maximum prices are also posted on the Board's website. While the confidential cost data provided by individual suppliers in relation to the mark-ups and zone differentials is not released, the information compiled in the review of the mark-ups and/or differentials is available on the Board's website.⁴³

6.2 Price Impacts of Fuel Price Regulation

Prices for petroleum products, both regulated and unregulated, are largely influenced by fluctuations in commodity market prices and market data. As discussed in Kalibrate's Phase I Report prices in regulated and unregulated markets tend to move in unison and converge on similar changes over time. According to Kalibrate, over the period 2019-2022, the price movements for gasoline motor fuel in Newfoundland and Labrador followed those of Brent Crude, Reformulated Blendstock for Oxygenate Blending (RBOB), and New York Harbor.⁴⁴ Even in times of market volatility, gasoline prices in this province changed in a similar fashion to other regulated and unregulated markets in Canada. Based on its analysis Kalibrate concluded that there is no pricing advantage for either regulated or unregulated markets.⁴⁵

While prices for regulated petroleum products in Newfoundland and Labrador are comparable to the range of prices in other markets, regulated and unregulated, there is variability as to the relative level of prices for different products within this range. For example, heating fuel prices in Newfoundland and Labrador were at or below the Canadian average retail price over the period 2015 to 2022. In contrast, gasoline prices in this province were in the top quartile of prices in the period 2019 to 2020 and, following the interim increase in the mark-up associated with the change in the status of the Come By Chance refinery, gasoline prices moved to the top 10%.⁴⁶

⁴³ The 2005 Study of Storage and Distribution Costs for Petroleum Products Throughout NL, Grant Thornton's reports in the 2012-2013 and the 2019-2020 margin reviews and the 2020 Labrador Petroleum Products Pricing Review Consultation Paper.

⁴⁴ Kalibrate's Phase I Report, pages 21-27.

⁴⁵ Kalibrate's Phase I Report, page 20.

⁴⁶ Kalibrate's Phase I Report, pages 26-27.

Similarly diesel motor fuel prices in Newfoundland and Labrador are in the top 10% of the range of prices. According to Kalibrate the higher gasoline and diesel prices locally may be explained by the relative remoteness of the market, the difficulty of getting products to market, and the proximity between supply hubs and the market. Lower volumes can also contribute to higher overall costs. Kalibrate noted that the regulated markets are subject to relatively higher storage and transportation costs than the unregulated markets and would, even in an unregulated market, be expected to have higher prices.

6.3 Challenges in Fuel Price Regulation

While fuel price regulation can have benefits in terms of pricing predictability, stability and transparency there are also challenges. As compared to the rest of Atlantic Canada the supply, storage and distribution of petroleum products to and within Newfoundland and Labrador is quite complex. There are large distances from the refineries on the east coast of North America and vast areas to supply, many with low populations which can result in relatively low volumes of sales. The method of supply also varies significantly throughout the province. In particular the supply, storage and distribution of product to and within Labrador is different than it is for the Island. Even within each of these two distinct regions there are significant differences, particularly between urban and rural regions. This presents challenges in regulating maximum prices and has led to issues related to the recent commodity market volatility, benchmark prices, mark-ups and zone differentials and the unique circumstances in Labrador.

6.3.1 Commodity Market Volatility

One of the most pressing concerns recently has been the significant commodity market volatility experienced in 2022. As a result of this volatility, fluctuations in maximum fuel prices in this province and throughout Canada have been unprecedented, both in terms of the number and magnitude of price changes. In response to the shifts in commodity prices the Board and regulators in the other Atlantic provinces stepped in to make extraordinary adjustments outside of the regular adjustment schedule to ensure that suppliers had the opportunity to recover the cost of the product and that consumers did not pay more than the cost of the product supplied. Given these frequent, and often significant price changes, sometimes on a daily basis, concerns

have been expressed in relation to pricing predictability, stability and transparency and whether the same criteria and process is followed for extraordinary increases and decreases.

6.3.2 Benchmark Prices

Apart from the recent challenges associated with commodity market volatility there are ongoing challenges associated with ensuring that benchmark prices reflect the cost of the product sold in all regions. The Board does not regulate the price wholesalers pay to purchase product, often referred to as the “rack price”. This price is determined based on contract between the wholesaler and the supplier. As a result the product benchmark price set by the Board based on commodity market data may not reflect the price charged to the wholesaler. While the use of provincial rack prices, as is the case in Prince Edward Island, may provide for benchmark prices that more closely reflect the cost paid for the product supplied, these rack prices may be seen as being less independent and objective than the international reporting service used in the other Atlantic provinces.

Benchmark prices may also be different than the price charged to wholesalers due to timing of the data used by the Board in calculating benchmarks as compared to the timing of the purchase of the product. Benchmark prices are based on average market data over a period prior to the adjustment while wholesale purchase prices are generally based on market prices at or around the time of purchase. The averaging of commodity market prices over the period can mean that trends later in the pricing period may not be fully reflected in the maximum prices. In addition, where product is purchased infrequently by a wholesaler or retailer, benchmark prices based on recent market prices may not reflect the cost of product purchased many weeks earlier. Volatility in market prices can exacerbate the impact of these timing differences and can lead to more extraordinary adjustments.

6.3.3 Mark-ups and Zone Differentials

While the mark-ups and zone differentials are intended to reflect the cost of supply they may not reflect the actual supply costs for individual wholesalers and retailers. Mark-ups and differentials are established by the Board based on average supply, storage and distribution costs for all wholesalers and retailers. As a result there will be wholesalers and retailers whose costs are

lower than the average costs reflected in the mark-ups and differentials and there will be others whose costs will be higher.

The zone differentials are also intended to account for differences in the average cost of supply in the various regions of the province but this in itself can become an issue as it can result in significant differences in maximum prices between neighbouring zones and communities. These differences have raised concerns for some stakeholders, wholesalers, retailers and consumers. Wholesalers and retailers may have reduced sales if prices are lower in neighbouring zones and consumers may not understand the basis for differences in maximum prices in local areas.

6.3.4 Labrador

There have been particular challenges associated with the regulation of maximum prices in Labrador over the years, including issues related to the zone boundaries and differentials, the seasonal suspension of maximum price adjustments, the adjustment frequency, as well as benchmark prices and rack pricing.

Price differentials within Labrador as well as between Labrador and the Island have at times been a source of significant concerns from both suppliers and consumers. The zone boundaries and differentials were established when fuel price regulation was introduced based on the information available at the time as to the supply, storage and distribution of product in the region. The review of the zone boundaries and differentials in the 2020 Labrador Petroleum Products Pricing Review resulted in changes to the differentials but not the boundaries. Concerns continue to be expressed by stakeholders in relation to the zone boundaries and zone differentials in Labrador.

The seasonal suspension of maximum price adjustments in Labrador has also been an issue at times, particularly when there are large differences in maximum prices in suspended and unsuspended zones. This can result in large increases or decreases when the price adjustment suspension is lifted. Issues can also arise as to the timing of the suspension as timing of supply is not the same for all communities. This can result in differences in the cost of product between zones, communities and wholesalers, particularly when there is significant commodity market volatility. The suspension of maximum price adjustments was a significant issue in the 2020

Labrador Petroleum Products Pricing Review. Based on the information provided in that review the suspension of maximum price adjustments was extended to all zones in Labrador, except Western Labrador and Churchill Falls, and was also implemented for the summer months.⁴⁷ These changes were intended to result in benchmark prices that better reflect the cost of product throughout the year as well as more consistent pricing between zones in this region. Nevertheless concerns continue to be expressed in relation to the different maximum prices in the suspended zones and in relation to the differences in maximum prices between the suspended zones and neighbouring zones which are not suspended. More information about the 2020 Labrador Petroleum Products Pricing Review can be found [here](#).

6.4 Issues for Review

Over the years the Board has made a number of changes to its processes to address issues which have arisen from time to time. For example the Board increased the frequency of price adjustments from monthly to bi-weekly to weekly. These changes led to routine and predictable maximum price adjustments with infrequent extraordinary adjustments until the onset of the commodity market volatility in 2022. Wholesale and retail mark-ups have periodically been reviewed by the Board and were most recently changed in 2020 as a result of the change in the status of the Come By Chance refinery. The 2020 Labrador Petroleum Products Pricing Review resulted in a number of changes, including the extension of the seasonal suspension of price adjustments and changes to the zone differentials.

Despite these changes, issues and concerns continue to arise from time to time in relation to petroleum products pricing regulation. These issues have been exacerbated by the recent commodity market volatility. As a result consideration should be given to further changes to the Board's processes and to the legislative framework which has not been changed substantively since enacted.

⁴⁷ Maximum price adjustments in Zones 10, 11, 11a, 11b, 12 and 14 are suspended on a seasonal basis for all regulated petroleum products with the exception of propane heating fuel. There is no suspension in Zones 13 and 13a as these zones receive regular supply primarily by train from Quebec.

A number of potential issues have been identified for consideration in this review as discussed below. Additional matters may be added based on the feedback provided in Phase I.

i) Benchmark Data Sources - Platts US MarketScan is the reporting service required by legislation to be used in calculating benchmark prices for all regulated fuels, except propane.⁴⁸ The same reporting service is used in Nova Scotia and New Brunswick though recent legislative changes in New Brunswick provide the regulator with more discretion with respect to the data sources used.⁴⁹ The data used from this reporting service represents New York Harbor prices for petroleum products which may not always be reflective of the cost for all products supplied in this province. In addition, because this reporting service is purchased through a subscription service, the data cannot be made publicly available. It may be appropriate to consider whether there may be other more suitable data sources for the calculation of benchmark prices in this province.

ii) Mid-grade and premium-grade gasoline - The legislation sets out that the benchmark prices to be used for mid-grade and premium-grade gasoline are to be 3 cents per litre and 6 cents per litre above the benchmark price for regular gasoline. A similar approach is taken in Nova Scotia and New Brunswick, though allocations to the mark-ups are somewhat different and recent legislative changes in New Brunswick provide discretion to the regulator with respect to the adjustment for premium-grade gasoline. Issues have arisen with respect to the grade adjustments in this province and it may be appropriate to consider the approach for pricing mid-grade and premium-grade gasoline.

iii) Seasonal Blending - During the winter season the benchmark prices for diesel motor fuel and furnace oil heating fuel on the Island and in Western Labrador are based on a blend of product benchmark prices. Similar blending is required by the regulations in New Brunswick while in Nova Scotia the regulator adds additional margin to reflect winter diesel. There is no blending in Prince Edward Island where benchmark prices are based on provincial rack prices for the product supplied. It may be appropriate to confirm the suitability of the product benchmark prices in the

⁴⁸ A weekly average Sarnia Ontario price published by OPIS is used for propane used for space heating.

⁴⁹ In Prince Edward Island Charlottetown rack price data is used, with ongoing monitoring of the rack prices compared to NYMEX commodity market prices.

blend, the blend percentages, the timing of changes, and the phase-in and phase-out of the blend.

iv) Benchmark Price Calculation - The legislation requires that the Board calculate benchmark prices using the average of the market data since the last adjustment. Currently the benchmark price for a regular adjustment is calculated based on seven days of data, using Friday data as a proxy for Saturday and Sunday.⁵⁰ The Board is not permitted to reflect forward averaging in its calculations or to make other adjustments to the method of calculation except in zones with a suspension of maximum price adjustments. In Nova Scotia five days of data are used and forward averaging may be applied. As a result of recent legislative changes in New Brunswick the benchmark prices are now calculated using five rather than seven days of data and the regulator can apply a market adjustor. It may be appropriate to consider changes to the calculation of benchmark prices to provide for more consistency throughout Atlantic Canada.

v) Wholesale and Retail Mark-ups - Mark-ups are based on the average costs of supply and, as a result, may not be representative of the actual cost of supply for any one wholesaler or retailer. The mark-ups in this province are influenced by the long distance from supply hubs and low volumes and inventory turnover rates. The motor fuel mark-ups are relatively high compared to those in the rest of Atlantic Canada and the recent interim increases to the wholesale mark-ups on the Island to reflect an increase in the cost of supply associated with the change in status of the refinery at Come By Chance contributed further to this difference.⁵¹ It may be appropriate to review the method and costs of supply to and within this province to confirm whether there should be changes to the mark-ups to reasonably reflect the cost of supply.

vi) Minimum Mark-ups - The Board has authority to establish minimum mark-ups but currently does not do so. There are minimum retail mark-ups in Nova Scotia and Prince Edward Island but not in New Brunswick. It may be appropriate to consider whether minimum mark-ups should be established in this province.

⁵⁰ If there was an extraordinary adjustment in the period the data since that adjustment is used in calculating the weekly benchmark price.

⁵¹ The wholesale mark-ups for zones on the Island were increased on an interim basis by 5 cents per litre for gasoline motor fuel and 4 cents per litre for diesel motor fuel and furnace oil and stove oil heating fuels.

vii) Zone Boundaries and Differentials - Zone boundaries were established in this province based on the historical supply, storage and distribution information available when fuel price regulation was introduced. The pricing zones were established to reflect the different costs of supplying products to and within the province as a result of factors such as fuel consumption levels, proximity to supply points, shipping conditions, and required infrastructure. Zone differentials are added to benchmark prices to ensure that maximum prices reflect these additional costs of supply. The province is currently divided into 26 zones for motor fuel pricing and 29 zones for heating fuel pricing, as compared to six zones in Nova Scotia and two in New Brunswick. Like mark-ups the differentials are based on average costs and, as a result, may not reflect the actual cost of supply for every wholesaler in a zone. Reducing the number of zones would result in the averaging of costs over larger areas which may contribute to higher prices for some areas and may not provide for the recovery of the costs of supply in other areas. It may be appropriate to review the existing zone boundaries and differentials to ensure they reasonably reflect the cost of supply.

viii) Process for Changes to the Mark-ups and Differentials - The process followed for adjustments to mark-ups in this province is similar to the process in the other Atlantic provinces. This process has resulted in infrequent adjustments in the mark-ups and differentials, usually at the request of a wholesaler or retailer. It may be appropriate to consider whether more routine and perhaps simplified processes should be implemented for mark-up and differential adjustments.

ix) Weekly Adjustments - Scheduled adjustments occur weekly in all Atlantic provinces. These adjustments are effective on Thursdays in Newfoundland and Labrador and Fridays in Nova Scotia, Prince Edward Island and New Brunswick. Consideration may be given to moving scheduled adjustments to Fridays in this province as well.

x) Extraordinary Adjustments - Regulators throughout Atlantic Canada have the authority to implement extraordinary adjustments in the event of significant changes in commodity prices. These adjustments can mitigate situations where wholesalers are not able to recover the cost of the product or where consumers may otherwise be required to pay more than the cost of the product supplied. The established criteria for extraordinary adjustments in this province are

similar to those in Nova Scotia.⁵² While extraordinary adjustments have been made infrequently over the years, they were frequent in 2022 as a result of significant commodity market volatility. It may be appropriate to consider whether there should be changes with respect to the current extraordinary price adjustment process and criteria.

xi) Seasonal Suspension of Adjustments - Maximum price adjustments are suspended in the spring and fall each year for most zones in Labrador. While this is intended to provide for maximum prices which more closely match the cost of the product supplied, it can result in significant differences in maximum prices in neighbouring zones and communities. In addition, when the suspension is ultimately lifted, there may be large increases or decreases in maximum prices. It may be appropriate to consider whether there should be changes to the seasonal suspension of maximum price adjustments in Labrador.

xii) Notice of Adjustments - As required by legislation the Board provides advance notice of maximum price adjustments to wholesalers and retailers to allow sufficient time for the implementation of price changes.⁵³ There is no advance notice of price adjustments to the public in any of the Atlantic provinces as advance notice has the potential to influence purchase behaviour in a manner that could lead to potential supply disruptions.⁵⁴ It may be appropriate to consider whether there should be changes to the existing process for notification of maximum price adjustments to industry, the media and the general public.

⁵² Prince Edward Island does not have published criteria for extraordinary adjustments and New Brunswick has not yet published the criteria which will be used following the recent legislative changes.

⁵³ The legislation prohibits wholesalers and retailers from releasing this information.

⁵⁴ In Nova Scotia notice is provided that there will be an extraordinary adjustment the following day, though the direction or amount of the change is not indicated.

DIRECTION FROM THE GOVERNMENT OF NEWFOUNDLAND AND LABRADOR



Government of Newfoundland and Labrador
Digital Government and Service NL
Office of the Minister

June 7, 2022

DOC-2022-00937

Darlene Whalen, P. Eng., FEC
Chair and Chief Executive Officer
Board of Commissioners of Public Utilities
Email: dwhalen@pub.nl.ca

Dear Darlene Whalen:

Bill 52, an Act to Amend the Petroleum Products Act (Bill 52), was approved by the House of Assembly and received Royal Assent on June 1, 2022. Bill 52 can be found at the following link:

<https://www.assembly.nl.ca/HouseBusiness/Bills/ga50session1/bill2252.htm>.

This Bill has two main objectives. First, the Bill increases transparency in the fuel pricing process, as the Board of Commissioners of Public Utilities (PUB) is now legislatively required to make various information available as prescribed within the Petroleum Products Regulations (the Regulations), which are included in the Newfoundland and Labrador Gazette at the following link:

<https://www.gov.nl.ca/dgsnl/files/NLG20220603.pdf>.

The information to be made public includes the:

- maximum wholesale and retail prices;
- minimum and maximum mark-up between the wholesale and retail price; and
- procedure for determining adjustments to the petroleum product base wholesale and retail price.

I understand that the PUB has recently upgraded its website to make information more clearly accessible to the public, including providing information about price setting and the timing of price adjustments. This is consistent with the expectations from the amendments and will help increase awareness of fuel pricing in this province, which is critical to ensuring a fully transparent process.

The second objective for Bill 52 is to expand the areas for which the Minister may request the PUB to conduct a review beyond the benchmark price to include all components of fuel pricing for which the PUB is responsible. In addition, Bill 52



authorizes the Minister to direct the PUB to hold a hearing where the Minister requests such a review.

Pursuant to Subsection 8.1(3) of the **Petroleum Products Act** (the **Act**), I am requesting that the PUB review each of the following:

- the suitability of the pricing mechanism for benchmark prices; and
- the maximum markup between the wholesale price to the retailer and the retail price to the consumer for all regulated fuels (both of which comprise the total allowed markup).

Pursuant to Subsection 8.1(5) of the **Act**, I am also directing the PUB to hold a hearing as part of this review to enable direct public input into the review. The hearing should provide an opportunity for input from residents throughout Newfoundland and Labrador, through both in-person and written and electronic correspondence.

I look forward to receiving an update on the plan to initiate the requested review and hearing, including an estimate as to the time that I might expect to receive recommendations from the PUB on the matters reviewed. Should you require clarification or have any questions, please contact my Deputy Minister, Sean Dutton, at sdutton@gov.nl.ca or by phone at 729-4752.

Sincerely,

A handwritten signature in cursive script that reads "Sarah Stoodley".

SARAH STOODLEY, MHA
District of Mount Scio
Minister

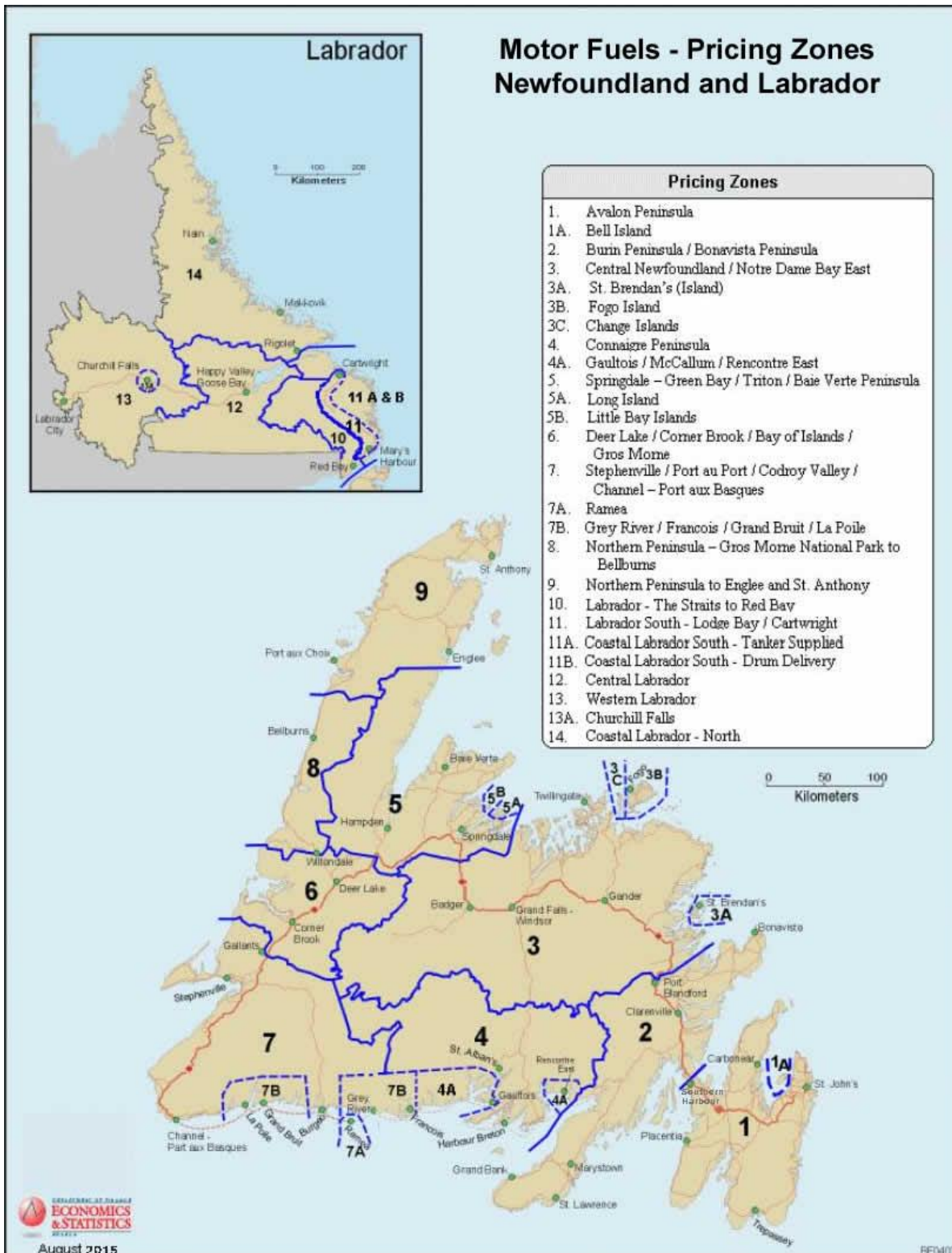
CURRENT MARK-UPS

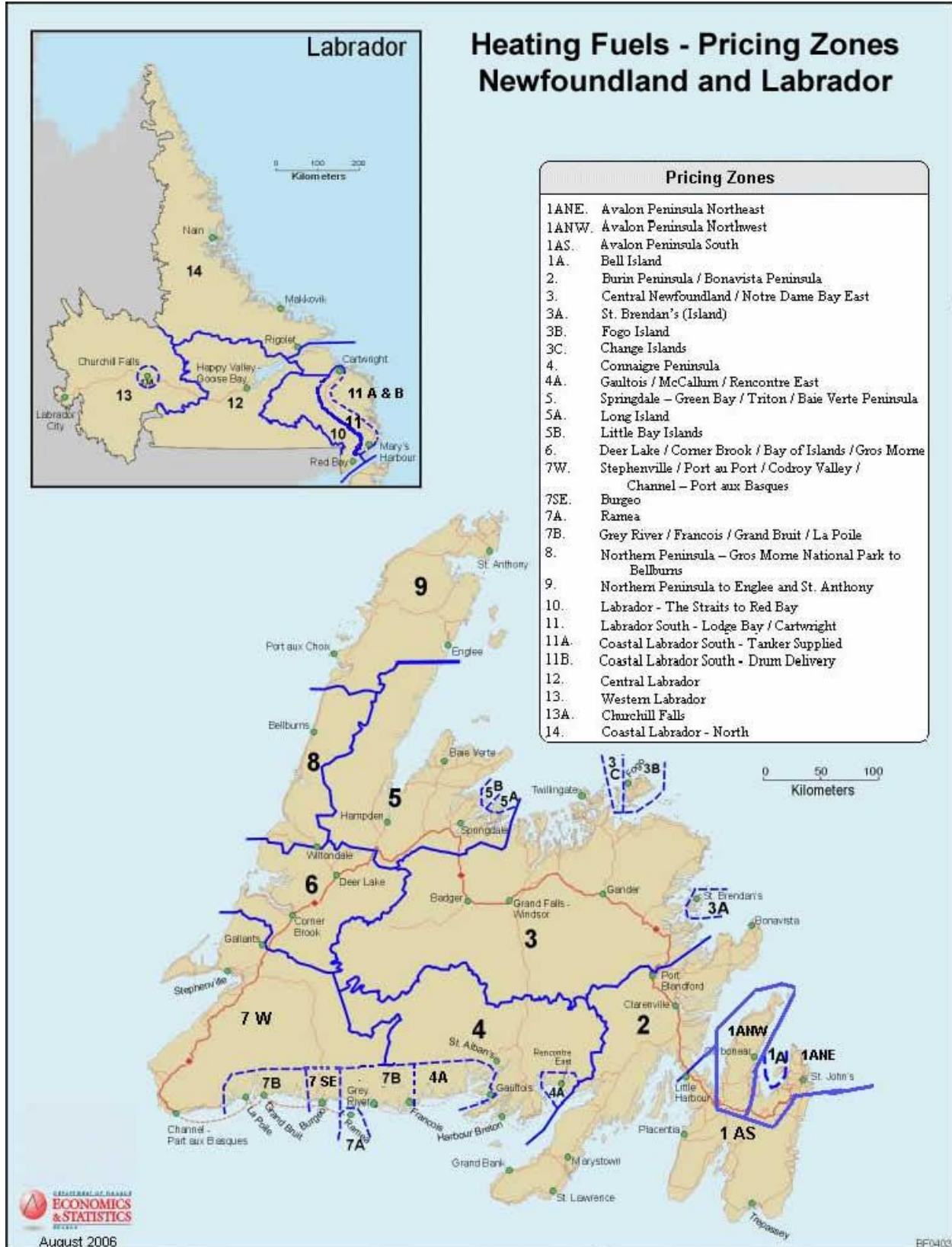
Product	Applicable Zones	Wholesale Mark-up (cpl)	Retail Mark-up (cpl)	Total Allowed Mark-up (cpl)
Regular Gasoline	Most Zones	15.65	10.28	25.93
	Zones 4a and 7b	15.65	12.67	28.32
	Zones 10, 11, 12, 13 and 13a	10.65	10.28	20.93
	Zones 11a, 11b and 14	10.65	12.67	23.32
Diesel	Most Zones	14.07	14.03	28.10
	Zones 10, 11, 11a, 11b, 12, 13, 13a and 14	10.07	14.03	24.10
Furnace Oil ¹	Most Zones	9.11	18.27	27.38
	Zones 4a and 7b	11.11	16.27	27.38
Stove Oil	Most Zones	12.11	20.28	32.39
	Zones 4a and 7b	15.61	16.78	32.39
	Zones 10, 11, 12, 13 and 13a	8.11	20.28	28.39
	Zones 11a, 11b and 14	15.49	12.90	28.39
Propane ²	Most Zones			63.09
	Zones 1ANE, 1ANW, 1AS, 1a and 2			71.59
	Zones 3, 3a, 3b and 3c			68.09
	Zones 12, 13 and 13a			51.09

¹ Island zones only as the Board does not establish maximum prices for furnace oil heating fuel in Labrador.

² The total allowed mark-up for propane is not broken down into wholesale and retail portions.

ZONE MAPS





CURRENT PRICING ZONE DIFFERENTIALS
MOTOR FUELS (cents per litre)

Zone		Type of Product	
		Gasoline	Diesel
1	Avalon Peninsula	0.00	0.00
1a	Bell Island	0.48	0.48
2	Burin Peninsula / Bonavista Peninsula	1.61	1.61
3	Central Newfoundland / Notre Dame Bay East	2.18	2.18
3a	St. Brendan's (Island)	5.88	5.88
3b	Fogo Island	6.32	6.32
3c	Change Islands	9.60	9.60
4	Connaigre Peninsula	5.12	5.12
4a	Gaultois / McCallum / Rencontre East	8.09	8.09
5	Springdale - Green Bay / Triton / Baie Verte Peninsula	3.42	3.42
5a	Long Island	6.97	6.97
5b	Little Bay Islands		
6	Deer Lake / Corner Brook / Bay of Islands / Gros Morne	0.62	0.62
7	Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques / Burgeo	1.39	1.39
7a	Ramea	10.79	3.68
7b	Grey River / François / Grand Bruit / La Poile	12.06	9.60
8	Northern Peninsula - Gros Morne National Park to Bellburns	1.55	1.55
9	Northern Peninsula to Englee and St. Anthony	3.28	3.28
10	Labrador - The Straits to Red Bay	18.20	15.59
11	Labrador South - Lodge Bay / Cartwright	21.55	20.33
11a	Coastal Labrador South - Tanker Supplied	27.81	27.31
11b	Coastal Labrador South - Drum Delivery	32.99	33.29
12	Central Labrador	7.23	6.98
13	Western Labrador	10.73	9.73
13a	Churchill Falls	12.91	11.91
14	Coastal Labrador North	27.81	27.31

**CURRENT PRICING ZONE DIFFERENTIALS
HEATING FUELS (cents per litre)**

Zone		Type of Product		
		Furnace Oil	Stove Oil	Propane
1ANE	Avalon Peninsula Northeast	0.00	0.00	2.00
1ANW	Avalon Peninsula Northwest	3.00	3.00	2.00
1AS	Avalon Peninsula South	4.30	4.30	2.00
1a	Bell Island	1.30	1.30	3.0
2	Burin Peninsula / Bonavista Peninsula	4.30	4.30	0.0
3	Central Newfoundland / Notre Dame Bay East	4.0	4.0	2.90
3a	St. Brendan's (Island)	7.0	7.0	5.0
3b	Fogo Island	6.50	6.50	4.50
3c	Change Islands	8.40	8.40	6.40
4	Connaigre Peninsula	7.20	7.20	3.70
4a	Gaultois / McCallum / Rencontre East	17.30	17.30	15.30
5	Springdale - Green Bay / Triton / Baie Verte Peninsula	4.50	4.50	3.50
5a	Long Island	5.00	5.00	3.00
5b	Little Bay Islands			
6	Deer Lake / Corner Brook / Bay of Islands / Gros Morne	0.90	0.90	4.60
7W	Stephenville / Port au Port / Codroy Valley / Channel-Port aux Basques	4.30	4.30	5.90
7SE	Burgeo	6.80	6.80	5.90
7a	Ramea	10.40	10.40	8.40
7b	Grey River / François / Grand Bruit / La Poile	16.50	16.50	14.50
8	Northern Peninsula - Gros Morne National Park to Bellburns	1.90	1.90	5.70
9	Northern Peninsula to Englee and St. Anthony	6.50	6.50	7.70
10	Labrador - The Straits to Red Bay		18.50	6.50
11	Labrador South - Lodge Bay / Cartwright		19.20	15.20
11a	Coastal Labrador South - Tanker Supplied		25.40	23.40
11b	Coastal Labrador South - Drum Delivery		37.20	33.20
12	Central Labrador		4.20	1.20
13	Western Labrador		5.20	3.20
13a	Churchill Falls		7.30	5.30
14	Coastal Labrador North		25.40	23.40

EXAMPLE OF BENCHMARK PRICE CALCULATION¹

Platts Day of Data	Platts US MarketScan Data			Conversion			Averaging
	Platts Daily Low (US cents/ US Gallon)	Platts Daily High (US cents/ US Gallon)	Daily Average (US cents/ US Gallon)	US Gallons to Litres (divide by 3.78541) (US cents per litre)	Bank of Canada Exchange Rate	Platts Daily Average Converted to (CAD cents per litre)	Running Average (CAD cents per litre)
Wednesday	289.75	289.85	289.8	76.56	1.2512	95.79	95.79
Thursday	296.45	296.55	296.5	78.33	1.272	99.63	97.71
Friday ²	294.25	294.35	294.3	77.75	1.2545	97.53	97.65
Saturday	294.25	294.35	294.3	77.75	1.2545	97.53	97.62
Sunday	294.25	294.35	294.3	77.75	1.2545	97.53	97.60
Monday	290.65	290.75	290.7	76.79	1.2617	96.89	97.48
Tuesday	299.15	299.25	299.2	79.04	1.2624	99.78	97.81
Average Benchmark Price							97.81

¹ Based on hypothetical data.

² Friday data is used as a proxy for Saturday and Sunday as there is no reported Platts US MarketScan data for those days.

EXAMPLE OF WEEKLY AND EXTRAORDINARY ADJUSTMENTS CALCULATION¹

Platts Day of Data	Platts US Market Scan Data			Conversion			Price Adjustment Data		
	A	B	C ¹	D ²	E	F ³	G	H	I
	Daily Low (US cents/ Gallon)	Daily High (US cents/ Gallon)	Daily Average (US cents/ US Gallon)	US Gallons to Litres (US cents per litre)	Bank of Canada Exchange Rate	Platts Daily Average Converted to CAD cents per Litre	Running Average (CAD cents per litre)	Difference between Running Average Benchmark Price and Established Benchmark Price	Type of Price Adjustment
Established Benchmark Price							94.89		Reg. Weekly
Wednesday	289.75	289.85	289.8	76.56	1.2512	95.79	95.79	+0.90	Reg. Weekly
Thursday	296.45	296.55	296.5	78.33	1.272	99.63	97.71	+2.82	
Friday	294.25	294.35	294.3	77.75	1.2545	97.54	97.65	+2.76	
Saturday*	294.25	294.35	294.3	77.75	1.2545	97.54	97.63	+2.74	
Sunday*	294.25	294.35	294.3	77.75	1.2545	97.54	97.61	+2.72	
Monday	290.65	290.75	290.7	76.79	1.2617	96.89	97.49	+2.60	
Tuesday	299.15	299.25	299.2	79.04	1.2624	99.78	97.82	+2.93	
Wednesday	320.35	320.45	320.4	84.64	1.2902	109.20	109.20	+11.38	Extraordinary
Thursday	310.45	310.55	310.5	82.03	1.2895	105.78	105.78	-3.42	Extraordinary
Friday	290.25	290.35	290.3	76.69	1.2912	99.02	102.40	-6.80	
Saturday*	290.25	290.35	290.3	76.69	1.2912	99.02	101.27	-7.93	
Sunday*	290.25	290.35	290.3	76.69	1.2912	99.02	100.71	-8.49	
Monday	293.45	293.55	293.5	77.53	1.2868	99.77	99.77	-0.94	Reg. Weekly
Tuesday	298.65	298.75	298.7	78.91	1.2895	101.75	100.76	+0.05	

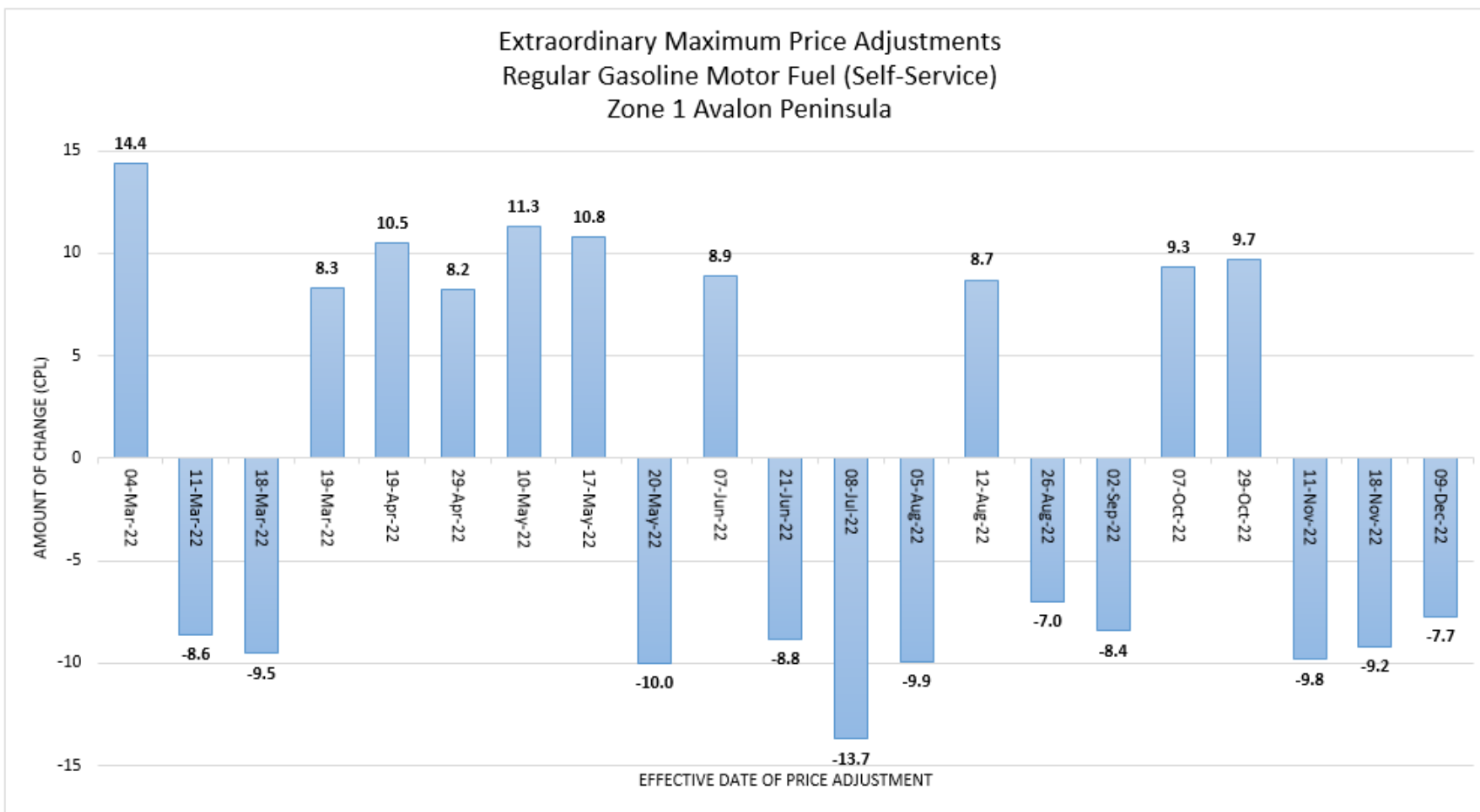
¹ Based on hypothetical data.

² C = (A + B) / 2

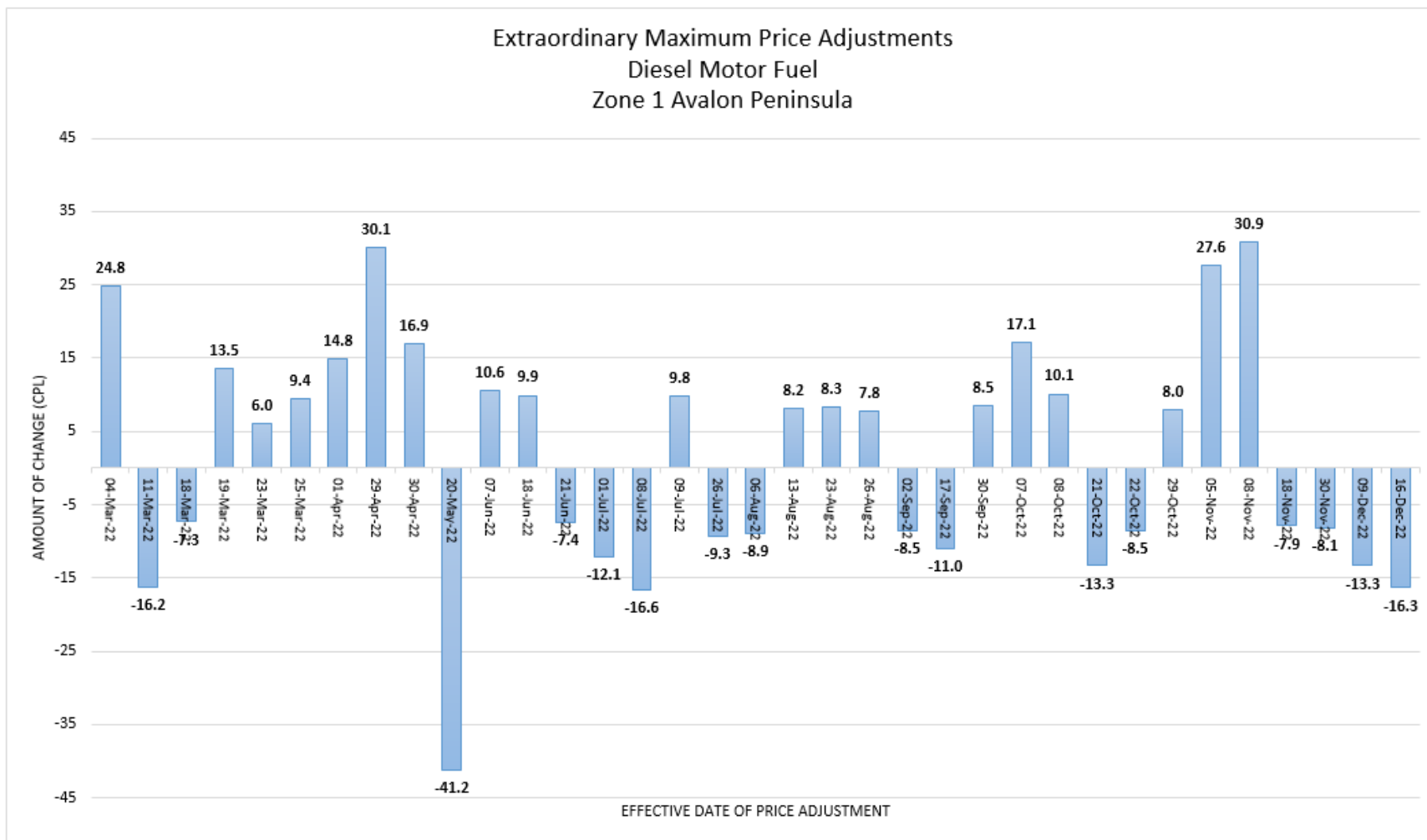
³ D = (C / 3.78541)

⁴ F = (D x E)

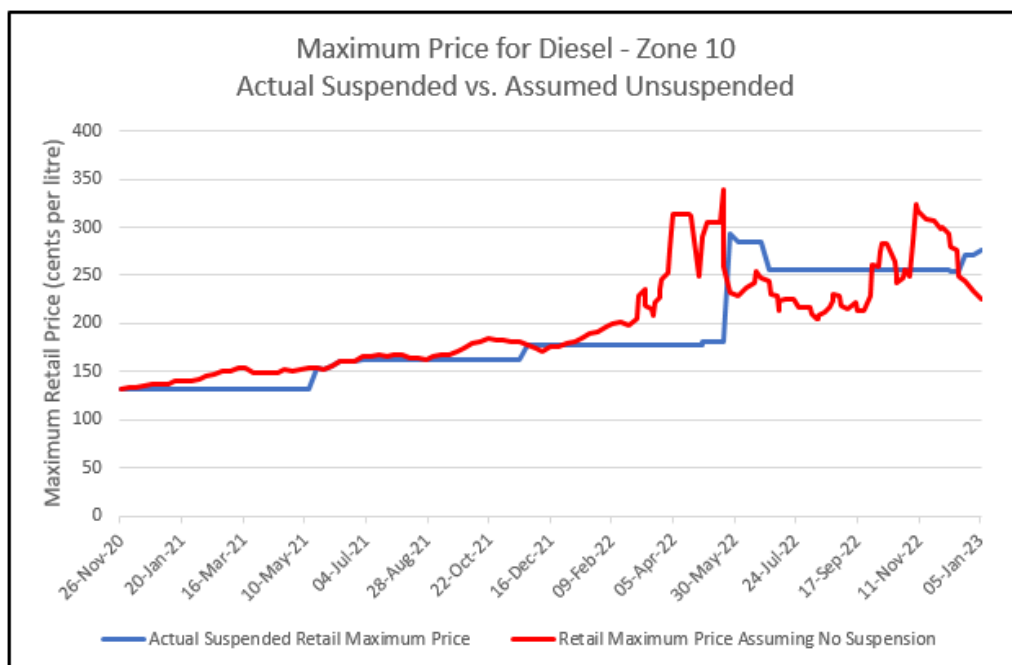
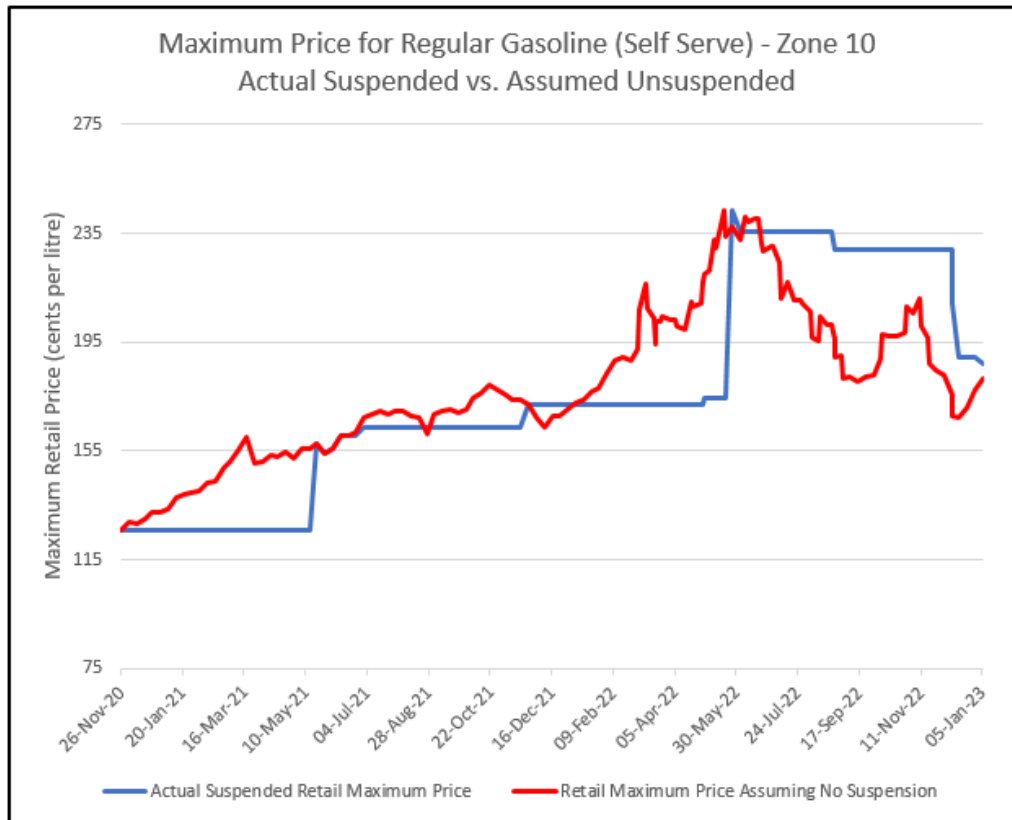
EXTRAORDINARY ADJUSTMENTS – 2022
GASOLINE

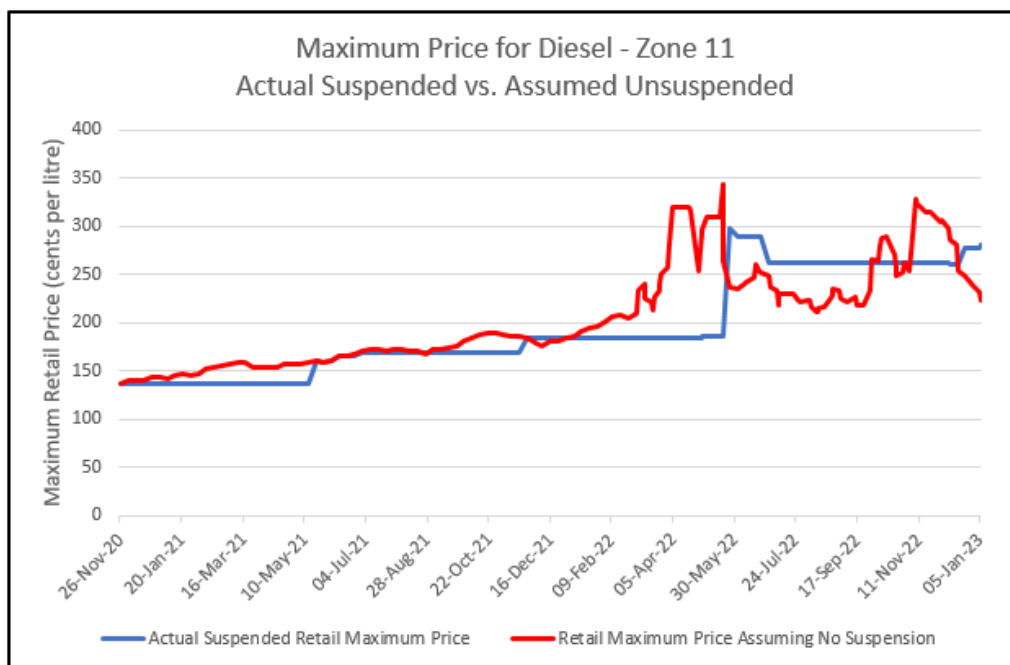
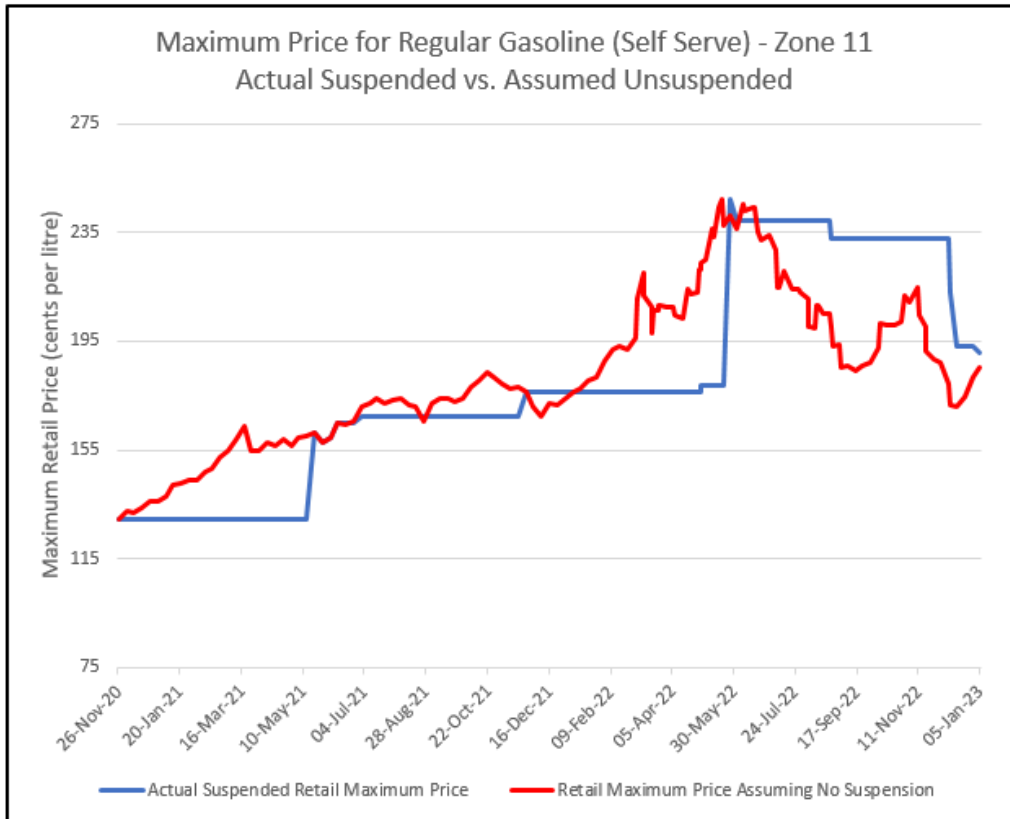


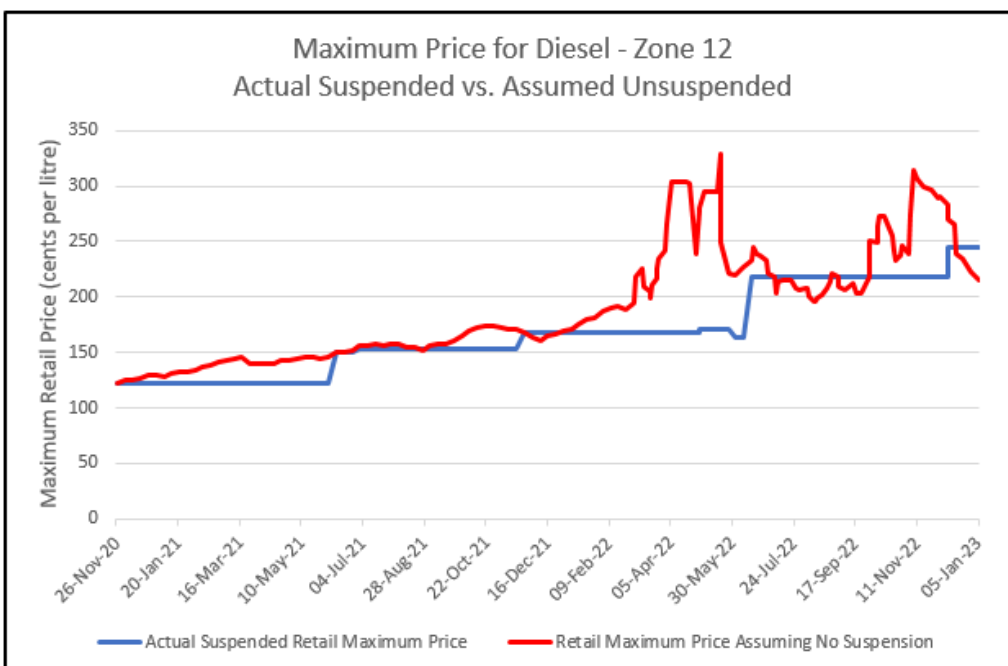
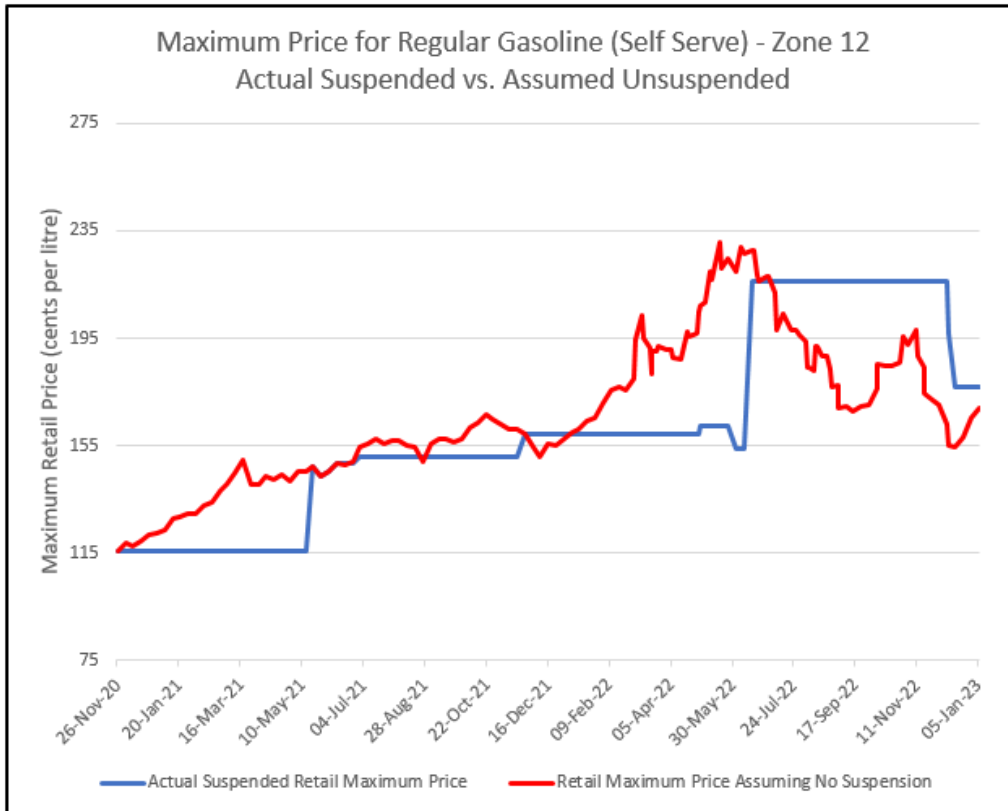
EXTRAORDINARY ADJUSTMENTS – 2022
DIESEL

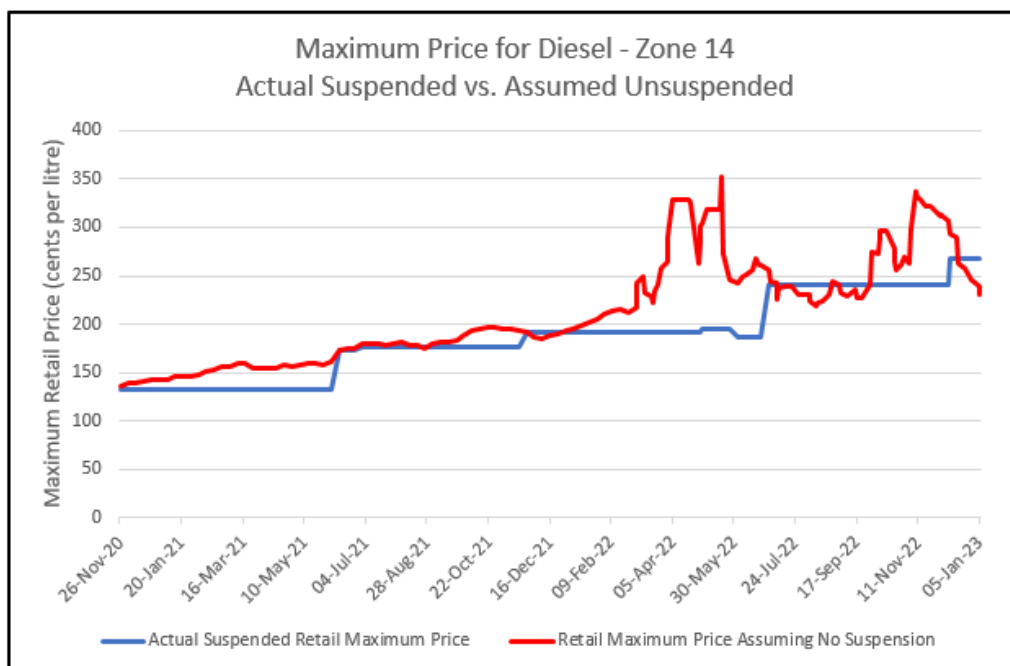
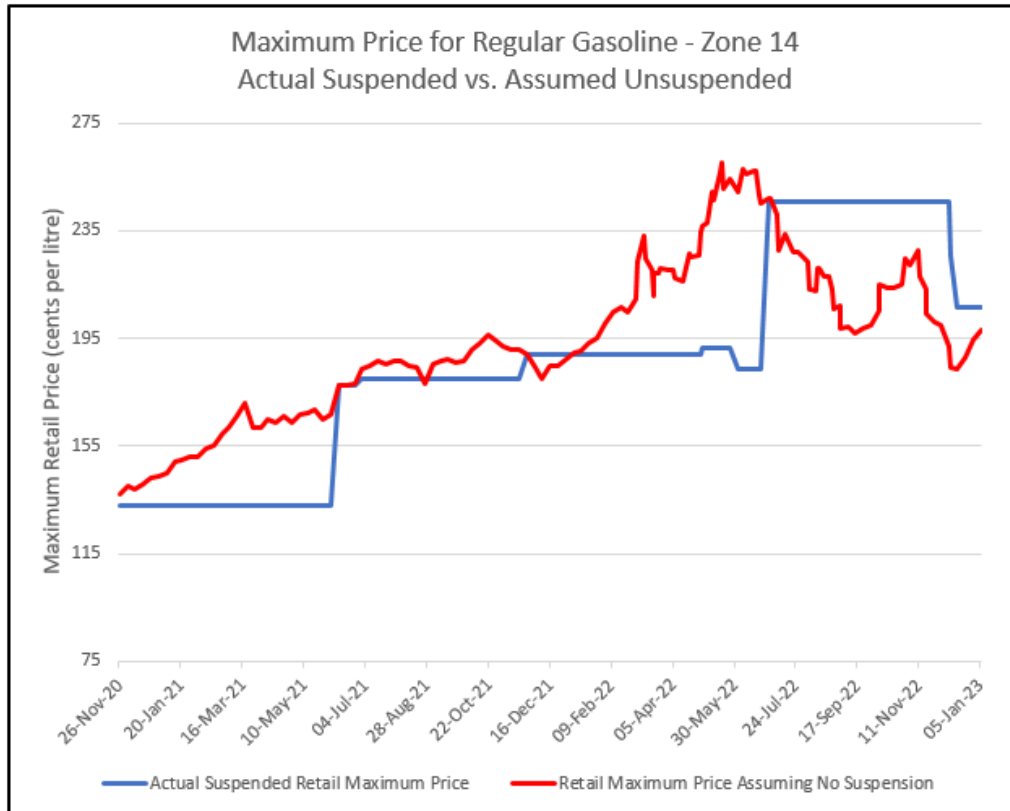


**COMPARISON OF SUSPENDED MAXIMUM PRICES WITH ASSUMED
UNSUSPENDED MAXIMUM PRICES**









BENCHMARK DATA SOURCES AND BLENDING METHODOLOGY

Product	Reporting Data Source	Product Price Assessment	Blend Methodology	
			Winter Blend	Spring Blend
Regular Gasoline	Platts US MarketScan	New York Harbor UNL 87 (Cargo)	100% UNL 87 Year Round	
Mid-Grade Gasoline	Platts US MarketScan	New York Harbor UNL 87 (Cargo)	100% UNL 87 Year Round	
Premium Gasoline	Platts US MarketScan	New York Harbor UNL 87 (Cargo)	100% UNL 87 Year Round	
Diesel Motor Fuel (Island)	Platts US MarketScan	New York Harbor ULSD (Barge) New York Harbor ULSK (Barge)	25% ULSD 75% ULSK	100% ULSD
Diesel Motor Fuel (Labrador, except Zones 13 and 13a ¹)	Platts US MarketScan	New York Harbor ULSK (Barge)	100% ULSK Year Round	
Furnace Oil Heating Fuel	Platts US MarketScan	New York Harbor ULSD (Barge) New York Harbor Jet (Barge)	25% ULSD 75% Jet	100% ULSD
Stove Oil Heating Fuel (Island)	Platts US MarketScan	New York Harbor ULSD (Barge)	100% ULSD Year Round	
Stove Oil Heating Fuel (Labrador)	Platts US MarketScan	New York Harbor ULSK (Barge)	100% ULSK Year Round	
Propane Heating Fuel	Oil Price Information Service	Sarnia Propane (Weekly Average)	Sarnia Propane Price Year Round	

¹ Zones 13 and 13a historically followed the blending approach in other Labrador pricing zones. Information obtained during the 2020 Labrador Petroleum Products Pricing Review suggests that there are two types of diesel sold as diesel motor fuel in the region depending on time of year. With the most recent winter and spring blend adjustments, the Board implemented similar blend calculations in Zones 13 and 13a as that on the Island portion of the province, pending further review and examination.

MARK-UP CHANGES 2008-2022

Summary of Changes to Mark-Ups 2008-2022									
Effective Date	Gasoline		Diesel		Furnace Oil		Stove Oil		Propane
	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail	Wholesale	Retail	Total Allowed
July 17, 2008		+1.25							
January 13, 2010 ¹						+1.00		+1.00	
May 16, 2013 ²						+1.96	+2.28 ³	+2.28 ⁴	+4.90
January 15, 2015 ⁵	+1.16	+2.48	+1.16	+2.48	+0.61		+0.61		
October 3, 2019 ⁶						+1.71		+1.90	+3.49
October 1, 2020 ⁷	+0.91	+1.55	+0.91	+1.55					
October 29, 2020 ⁸	+5.00		+4.00		+4.00		+4.00		
May 6, 2021 ⁹									+12.0 to +20.5
June 10, 2021 ¹⁰									+12.0

¹ See [Order No. P.P. 1\(2010\)](#).

² See [Order No. P.P. 20\(2013\)](#).

³ For Zones 11a, 11b and 14 only.

⁴ For all Zones with the exception of Zones 11a, 11b and 14.

⁵ See [Order No. P.P. 2\(2015\)](#).

⁶ See [Order No. P.P. 41\(2019\)](#).

⁷ See [Order No. P.P. 46\(2020\)](#).

⁸ See [Order No. P.P. 52\(2020\)](#).

⁹ See [Order No. P.P. 19\(2021\)](#).

¹⁰ Labrador Zones only. See [Order No. P.P. 25\(2021\)](#).

ZONE DIFFERENTIAL CHANGES 2008-2022

Summary of Changes to Zone Differentials 2008-2022					
Effective Date	Gasoline	Diesel	Furnace Oil	Stove Oil	Propane
March 11, 2015 ¹	+7.105				
November 26, 2020 ²	+3.0 to +8.0	+3.0 to +8.0		+8.0	
June 10, 2021 ³	+1.0 to +8.0	+1.0 to +9.0		+1.0 to +2.0	
July 29, 2021 ⁴	+6.0	+5.0			

¹ For gasoline motor fuel in Zone 7a only.

² Labrador zones only. See [Order No. P.P. 58\(2020\)](#) for specific changes by zone.

³ Labrador Zones only. See [Order No. P.P. 25\(2021\)](#).

⁴ For Zones 13 and 13a only. See [Order No. P.P. 33\(2021\)](#).

MARK-UPS IN ATLANTIC CANADA¹

Type of Product	Type of Mark-Up	Mark-Up (cents per litre)			
		NL ²	NB	NS	PEI
Reg. Gasoline (Self Serve)	Wholesale	15.65	6.51	9.65 ³	5.00
	Retail	10.28	8.46 ⁴	5.60 - 7.60	7.00 - 8.00
Diesel (Self Serve)	Wholesale	14.07	6.51	10.65 ⁵	5.00
	Retail	14.03	8.46 ⁶	5.80 - 7.80	7.00 - 8.00
Furnace Oil	Wholesale	9.11	5.50		21.5
	Retail	18.27	27.21 ⁷		
Stove Oil	Wholesale	12.11			
	Retail	20.28			
Propane	Wholesale	71.59	25.00		
	Retail		25.00		

¹ Base Zone.

² As of December 2022.

³ An additional 0.6 cents per litre is added for transportation.

⁴ An additional 3.75 cents per litre is added for delivery.

⁵ An additional 0.6 cents per litre is added for transportation.

⁶ An additional 3.75 cents per litre is added for delivery.

⁷ An additional 5.0 cents per litre is added for delivery.

NOVA SCOTIA ZONES AND DIFFERENTIALS

Pricing Zone	Description	Zone Differential (ex-HST) ¹ (cents per litre)	
		Gasoline	Diesel
1	Halifax County; Hants County; the southern portion of Colchester County, as divided by a straight line running from Clifton in Colchester County to the intersection of the county lines of Colchester, Pictou, Guysborough and Halifax Counties	N/A	N/A
2	Kings County; Lunenburg County; the eastern portion of Annapolis County, as divided by a straight line running northwest from the top section of the Queens-Lunenburg county line and extending to the Bay of Fundy	0.5	0.5
3	Queens County; Shelburne County; Yarmouth County; Digby County; the western portion of Annapolis County	0.9	0.9
4	Cumberland County	1.0	1.0
5	Guysborough County; Antigonish County; Pictou County; the northern portion of Colchester County; the Town of Port Hawkesbury in Inverness County; an area of land bounded by a straight line extending along the prolongation of the eastern boundary of the Town of Port Hawkesbury to the Trans-Canada Highway (Highway 105) and then southwesterly along the Trans-Canada Highway to the Strait of Canso	1.0	1.0
6	Cape Breton County; Victoria County; Richmond County; Inverness County, except the Town of Port Hawkesbury and an area of land bounded by a straight line extending along the prolongation of the eastern boundary of the Town of Port Hawkesbury to the Trans-Canada Highway (Highway 105) and then southwesterly along the Trans-Canada Highway to the Strait of Canso	1.7	1.7

¹ At November 25, 2022.

MOTOR FUEL TAXATION IN ATLANTIC CANADA

Type of Tax	Product	Taxation ¹ (cents per litre)			
		NL	NB	NS	PEI
Federal Excise Tax	Gasoline	10	10	10	10
	Diesel	4	4	4	4
Carbon Tax	Gasoline	11.05	11.05	<i>Cap & Trade</i>	11.05
	Diesel	13.41	13.41		13.41
Provincial Fuel Tax	Gasoline	7.50	10.87	15.50	8.47
	Diesel	9.50	15.45	15.40	14.15
HST	Gasoline & Diesel	15%	15%	15%	15%

¹As of December 2022.

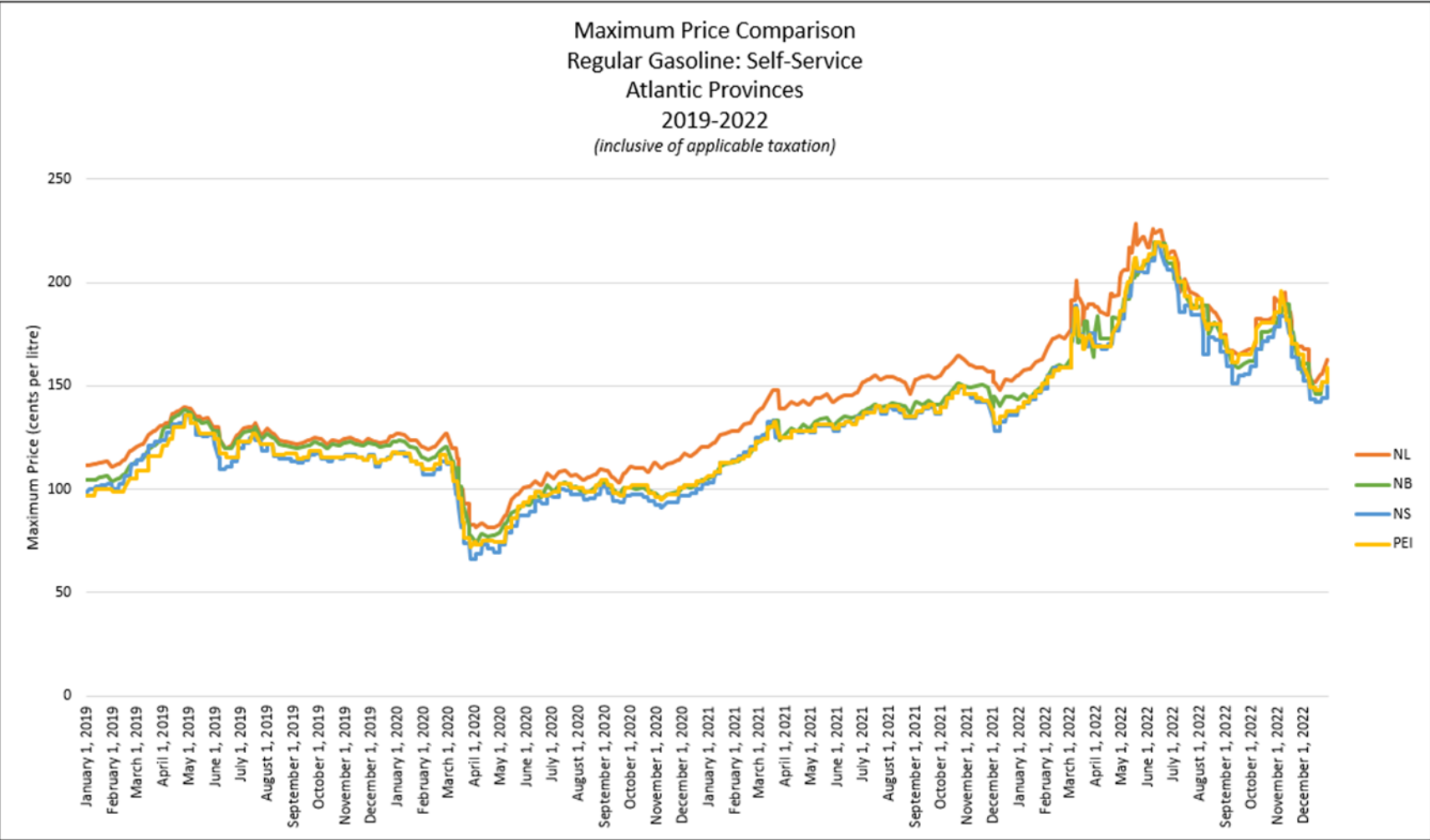
**MAXIMUM PRICES FOR MID-GRADE AND PREMIUM-GRADE GASOLINE
IN ATLANTIC CANADA ^{1, 2}**

Type of Maximum Price	Maximum Price Comparison	Maximum Price Difference (cents per litre)			
		NL	NB	NS	PEI
Wholesale	Mid-Grade versus Regular	1.85	3.45	3.00	3.50
	Premium-Grade versus Regular	3.70	6.90	6.00	6.90
Retail	Mid-Grade versus Regular	3.00	3.45	3.45	4.10
	Premium-Grade versus Regular	6.00	6.90	6.90	8.00

¹ Maximum prices as of December, 2022.

² Maximum price difference may vary +/- 0.1 cents per litre due to rounding.

MAXIMUM PRICES IN ATLANTIC CANADA 2019-2022



Newfoundland & Labrador
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