

Review of **PETROLEUM PRODUCTS PRICING**

Newfoundland and Labrador

Board Labrador Consultation Document

October 1, 2024

EXECUTIVE SUMMARY

In accordance with the direction from the Minister of Service NL, the Board is conducting this Petroleum Products Pricing Review (“Review”) addressing the pricing mechanism and mark-ups. This Review follows the Board’s interim review of petroleum products pricing in Labrador concluded in 2021.

This Consultation Document summarizes available information and commentary and sets out the Board’s preliminary viewpoints on potential changes that may be considered. A similar **consultation document** was issued for the Island portion of the Province.

The Board is now seeking further information and commentary from industry and consumers with respect to the matters identified in this Consultation Document. The Board will consider all information and comments received before concluding this Review.

Marine Tanker-Supplied Areas

Seasonal Pricing

Seasonal pricing provides for adjustments to maximum prices based on the timing and costs of the supply to an area. Following the Labrador Review the Board extended the use of seasonal pricing in Labrador. The information and commentary provided to date in this Review does not support further changes at this time.

Zone Boundaries

Information and commentary provided recently indicates changes to the method and sources of supply in the marine tanker supplied areas which may support consideration of a single pricing zone for Zones 11a and 11b and a new separate pricing zone for the Town of Cartwright. No other zone boundary changes are indicated by the information provided to date.

Western Labrador and Churchill Falls

Benchmark Blending for Diesel and Stove Oil

Based on the information provided the product supplied as diesel motor fuel in Western Labrador changes throughout the year. As a result, the Board is considering implementing

seasonal blending for diesel motor fuel based on 100% Ultra Low Sulphur Kerosene for most of the year and 75% Ultra Low Sulphur Kerosene and 25% Ultra Low Sulphur Diesel for the warmer months. The information did not support changes for stove oil heating fuel.

Board Discretion

As maximum prices are currently based on New York Harbor pricing data and wholesaler costs in Western Labrador are more often based on Quebec rack pricing data, there have been times where maximum prices do not reflect wholesaler costs. The Board may recommend that Government consider a change to the regulations to provide the Board with more discretion to reflect product cost in calculating maximum prices for Western Labrador, similar to the discretion it has for the marine tanker supplied areas.

Benchmark Price Data Source

The Board uses data published by oil market reporting agencies for the purpose of establishing benchmark prices. The Board currently uses Platts US Marketscan for most petroleum products, but based on information provided a shift to Argus Media may better reflect industry pricing throughout the Province.

Average Benchmark Price Calculation

Using a five-day average, instead of a seven-day average, in benchmark price calculations in Western Labrador would bring consistency with the proposed approach for the Island and the approach in other Atlantic provinces.

Extraordinary Price Adjustment Criteria

No information was provided in this Review to support changes to the current extraordinary adjustment criteria. While there were some conflicting views expressed on the matter, the existing criteria may be considered a reasonable balance of pricing stability and cost recovery.

Weekly Adjustment Timing

A change in the timing of the price change from Thursday to Friday was generally supported by the industry and would bring consistency with that proposed for the Island and all other Atlantic provinces.

Mark-Ups and Zone Differentials

Gasoline, Diesel and Stove Oil

Information in this Review suggests that retailer costs in Labrador have increased in recent years. As retailer costs were not addressed in the Labrador Review, the Board may implement changes to the retail mark-ups to reflect these increased costs.

In terms of wholesale costs, new information was not provided by wholesalers during this Review to support additional changes to wholesale mark-ups and zone differentials beyond those implemented during the Labrador Review. The Board is considering changes to make the mark-ups the same as on the Island, but these changes would result in no overall increase at the wholesale level.

Propane

Propane supply costs were examined in a review conducted by the Board in 2020-2021 which resulted in significant changes to propane total allowed mark-ups for some Labrador zones. It is not clear that the information provided in this Review by Island propane suppliers, which suggests further cost increases since 2021, would be relevant to Labrador.

Other Pricing Matters

Pricing Different Grades of Gasoline

The information provided in relation to higher grades of gasoline indicates that the current 3 cents per litre and 6 cents per litre fixed adders for mid-grade and premium are insufficient. As these adders are prescribed by the regulations they must be reflected in maximum prices. The Board may recommend that Government consider changes to the regulations to provide for maximum prices which better reflect the cost of higher grades of gasoline.

Notification Processes

The Board's current process for notice to industry and media appears to allow for the effective operation of the pricing mechanism while providing adequate notice for implementation of maximum price changes. There does not appear to be strong support for changes to the notification process at this time.

Process for Future Reviews and Updates

The Board is considering introducing a regular, more frequent, schedule of mark-up and zone differential reviews. It is anticipated that routine information gathering and monitoring procedures for industry would be implemented to ensure that the Board has the necessary information.

Minimum Pricing

The Board currently establishes maximum prices only and does not establish minimum prices. Based on the information provided, minimum pricing may lead to higher prices for consumers, lead to confusion within the industry and may stifle competition based on price.

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1.0 - INTRODUCTION

1.1 - The Petroleum Products Pricing Review

The Petroleum Products Pricing Review (the “Review”) is being conducted by the Board in accordance with direction of the Minister of Digital Government and Service NL. The Board was directed to review:

- the suitability of the pricing mechanism for benchmark prices; and
- 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).

During this Review the Board and its consultants, Kalibrate Canada Inc. and R Cube Economics Consulting Inc. (“R Cube”), gathered information and commentary in relation to the identified issues. The Board is now seeking the views of stakeholders as to the potential changes which may be made based on the information provided to date. The Board will consider all stakeholder feedback when it makes its determinations at the conclusion of this Review. The available information and reports filed to date can be found **here**.

1.2 - Petroleum Products Pricing in Labrador

The Board’s role with respect to petroleum products pricing in the Province is to establish wholesale and retail maximum prices for regulated sales of 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 to be used, the pricing components and the manner of calculation. A detailed breakdown of the components of the Board’s maximum prices is set out in **Appendix A**.

Petroleum products pricing for Labrador reflects the fact that supply can occur by marine tanker, train or truck depending on the region. Central, Eastern, Southern and Northern areas of Labrador are supplied principally by marine tanker on a seasonal basis, primarily in the spring and fall. Western areas of Labrador are supplied by train and truck, typically weekly. More information with respect to the supply of regulated petroleum products in Labrador can be found in **Appendix B**.

1.3 - The Interim Labrador Petroleum Products Pricing Review

In 2020 the Board initiated a review with respect to petroleum products pricing in Labrador (the “Interim Labrador Review”). During the Interim Labrador Review, the Board received information and commentary from stakeholders including suppliers and consumers. A number of specific issues were addressed in the Interim Labrador Review and the changes implemented by the Board included:

- the introduction of seasonal adjustments to maximum prices in spring and fall for all pricing zones supplied primarily by marine tanker¹; and,
- increases to zone differentials to reflect increased costs for wholesalers.

A summary of the Interim Labrador Review, including the process followed, the issues addressed, and the changes made can be found in **Appendix C**.

1.4 - Consultation Document

This consultation document relates to petroleum products pricing for Labrador.² This document summarizes information and commentary which has been provided to date and sets out the Board’s preliminary views as to potential changes which may be made for Labrador. Stakeholders are invited to provide further feedback for the Board’s consideration before it makes its determinations. This document is organized as follows:

- **Section 2:** Marine tanker supplied areas³
- **Section 3:** Western Labrador and Churchill Falls⁴
- **Section 4:** Mark-ups and zone differentials for all regions of Labrador
- **Section 5:** Other pricing matters related to all regions of Labrador
- **Section 6:** Summary of potential changes

¹ Zones 10, 11, 11a, 11b, 12 and 14. Previously, maximum price adjustments were only suspended in Zones 11a and 14 during the winter months.

² The Board’s Consultation Document for the Island can be found on the Board’s website **here**.

³ Includes Zone 10: Labrador - The Straits to Red Bay, Zone 11: Labrador South - Lodge Bay/Cartwright, Zone 11a: Coastal Labrador South (Tanker Supplied), Zone 11b: Coastal Labrador South (Drum Delivery), Zone 12: Central Labrador and Zone 14: Coastal Labrador North.

⁴ Includes Zone 13: Western Labrador (including Labrador City and Wabush) and Zone 13a: Churchill Falls.

2.0 - MARINE TANKER SUPPLIED AREAS OF LABRADOR

Most communities in Labrador are supplied with petroleum products principally by marine tanker. Petroleum products delivered by marine tanker to storage facilities in Labrador are used to supply the following communities:⁵

- L'Anse au Clair, Forteau, L'Anse Amour, L'Anse au Loup, Capstan Island, West St. Modeste, Pinware, Red Bay (**Zone 10**);
- Lodge Bay, Mary's Harbour, St. Lewis, Port Hope Simpson, Charlottetown, Pinsent's Arm, Paradise River, Cartwright (**Zone 11**);
- Black Tickle (**Zone 11a**);
- Norman Bay, William's Harbour (**Zone 11b**);
- Happy Valley-Goose Bay, North West River, Mud Lake (**Zone 12**); and,
- Hopedale, Makkovik, Nain, Natuashish, Postville, and Rigolet (**Zone 14**).

2.1 - Seasonal Maximum Price Adjustments in Marine Tanker Supplied Areas

Maximum prices are adjusted seasonally in the marine tanker supplied areas of Labrador to reflect the timing of the delivery of product.^{6,7} Maximum prices are only adjusted when resupply occurs, normally in the spring and fall.⁸ The Board is seeking information and commentary on whether there should continue to be seasonal maximum price adjustments for the marine tanker supplied areas of Labrador.

2.1.1 - Interim Labrador Review

During the Interim Labrador Review, the Board examined seasonal pricing in Labrador. Historically, the Board's maximum price adjustments were suspended in Northern Labrador and one isolated subzone in Southern Labrador during winter⁹ and maximum prices in these areas were adjusted weekly during the spring and summer. Maximum prices in remaining marine tanker supplied zones were adjusted weekly year-round. Commentary provided by industry and the public was generally supportive of the introduction of seasonal maximum

⁵ There may also be other communities within these regions that are supplied by product from marine tanker-supplied storage facilities.

⁶ See Section 14(2.6) of the **Regulations**.

⁷ With the exception of propane heating fuel maximum prices, which are adjusted weekly.

⁸ Other changes to pricing, such as taxation levels, may be implemented as necessary outside of the resupply schedule.

⁹ Historically, maximum prices in Zones 11a and 14 were suspended with the first scheduled price adjustment in November each year and would return to the weekly price adjustment schedule upon resupply in June or July.

price adjustments in all Labrador pricing zones supplied by marine tanker. Most comments acknowledged that maximum price adjustments should not occur when there is no resupply of product and recognized that maximum prices should be based on the actual cost of the fuel. At the end of the Interim Labrador Review, the Board implemented seasonal adjustments for maximum prices in all marine tanker supplied zones in Labrador with prices adjusted upon resupply to reflect the cost of the fuel.

2.1.2 - Recent Information and Commentary

While industry and the public were generally supportive of seasonal pricing during the Interim Labrador Review, some stakeholders have at times expressed concerns as to the resulting maximum prices. For example, concerns have been raised where there are significant differences in maximum prices between adjacent zones, in particular between Zones 9 and 10 and also between Zones 11 and 12. In addition, concerns have been expressed as to significant changes in maximum prices upon resupply as a result of significant market shifts over the course of a season. Increases in maximum prices upon resupply have been a concern for consumers and decreases have been a concern for retailers who may not be able to recover the costs of existing inventory.

2.1.3 - Board Commentary

Maximum prices in marine tanker supplied areas of Labrador are adjusted seasonally upon resupply, usually in the spring and fall, based on information from suppliers as to the cost of the product. As a result, maximum prices in zones with seasonal pricing reflect the cost of the product being supplied to the zone for the season. While seasonal pricing can mean price differences between adjacent zones, these differences are based on the method and cost to supply which is different for each zone. In addition, seasonal shifts in maximum prices upon resupply are based on the cost of the new product which is supplied. If weekly pricing was adopted for the marine tanker supplied areas, maximum prices would be based on reported New York Harbor market data and maximum prices would fluctuate weekly during the season despite there being no change in the cost of the product. It is notable that the data demonstrates that, on average, consumers did not pay more for gasoline motor fuel over the period 2021 to 2023 as a result of seasonal pricing. In the circumstances the benefits of seasonal pricing in the marine tanker supplied areas would appear to outweigh the disadvantages. A comparison of seasonal pricing and weekly pricing for gasoline motor fuel over the period 2021 to 2023 can be found in **Appendix D**.

2.2 - Zone Boundaries in Marine Tanker Supplied Areas

The marine tanker supplied areas of Labrador are divided into 6 pricing zones. The Board is seeking information and commentary on whether there should be changes to the boundaries of these zones. A current map and descriptions of the Labrador pricing zones can be found in **Appendix E**.

2.2.1 - Interim Labrador Review

During the Interim Labrador Review, the Board examined the supply dynamics in Labrador to assess whether there should be changes to the existing zone boundaries. At the time, issues related to the zone boundaries were raised by several stakeholders in the region. Information received from industry suggested that there had been little change to the supply dynamics to the area since the zones were first established and as such there were no changes made to the existing zone boundaries during the Interim Labrador Review.

2.2.2 - Recent Information and Commentary

The Board regularly receives commentary with respect to zoning and maximum price differences between pricing zones in and adjacent to the marine tanker supplied areas. In particular, improvements to the road from L'Anse Au Clair to Cartwright has sometimes been provided as rationale for lower maximum prices in Zones 10 and 11, or for combining Zones 10 and 11 into one pricing zone. Some commentary has suggested that consumers in Zones 10 and 11 are travelling to the Northern Peninsula and Goose Bay to purchase fuels because of the differences in maximum prices.

Information recently provided by industry suggests that there have been some changes to storage and supply dynamics for certain areas of the marine tanker supplied areas of Labrador. Based on this information it appears that:

- a gasoline storage facility in St. Lewis in Zone 11 may not be operating,
- the supply of gasoline to the Town of Cartwright is from Zone 12, and
- a retailer in the Town of Cartwright has stopped selling petroleum products.

2.2.3 - Board Commentary

The information recently provided to the Board indicates that there may have been some changes to storage and supply dynamics in the marine tanker supplied areas. As a result the

Board is considering making some changes to the zone boundaries in the marine tanker supplied areas of Labrador. In particular the Board is reviewing whether:

- Zones 11a and 11b should be combined,¹⁰
- Zones 10 and 11 should be combined; and,
- A new pricing zone should be created for the Town of Cartwright.

Based on recent information it appears that there are no longer any drum deliveries of regulated products to William's Harbour and Norman Bay, the communities in Zone 11b. In addition, there is only one retail location in Zone 11a in Black Tickle, with product delivered infrequently by truck on a ferry.¹¹ Based on this information, consideration may be given to combining Zones 11a and 11b, with maximum prices based on cost information for supply to Black Tickle. The impact on the zone differentials if Zones 11a and 11b are combined can be found in **Appendix F**.

In terms of Zones 10 and 11, there does not appear to have been a change in the storage and supply dynamics to the communities in these areas. Despite this, stakeholders continue to raise concerns in relation to differences in maximum prices between these two zones, often based on the road connection. Based on the information provided the road improvements do not appear to have materially impacted the supply and storage for this region. There continues to be two different wholesalers with different storage and supply dynamics. It is noted that the difference between the zone differentials in these two zones was reduced by the Board as part of the Interim Labrador Review based on the cost information gathered in that review. There has been no new information since which supports further changes.

The information provided with respect to the Town of Cartwright indicates that gasoline motor fuel is now exclusively delivered from Zone 12, rather than from St. Lewis and other storage facilities in Zones 10 and 11. Diesel motor fuel and stove oil continue to be sourced from a marine tanker supplied storage facility located in Cartwright, sometimes supplied from a storage facility in Zone 12. On this basis, consideration could be given to creating a separate pricing zone for the Town of Cartwright. This may require consideration of the implications for the supply dynamics in the area. While Cartwright is relatively distant from other communities in Zone 11, the change could have impacts for other communities in Zone 11. If a separate zone

¹⁰ Zones 11a and 11b are marine tanker-supplied and drum delivery-supplied isolated areas of southern Labrador.

¹¹ Currently two different retail maximum prices are established by the Board - one for Zone 11a and one specific to the retailer in Black Tickle.

is to be created it would be necessary to gather additional information to determine appropriate zone differentials for the Cartwright zone.

3.0 - WESTERN LABRADOR

Labrador City, Wabush and Churchill Falls (“Western Labrador”) are supplied with product delivered by train or truck from Quebec, generally on a weekly basis. This is different than the other areas of Labrador which are supplied seasonally by marine tanker. As a result, pricing in Western Labrador is more similar to the Island portion of the Province which also has weekly pricing.

3.1 - Diesel and Stove Oil in Western Labrador

The Board is seeking information and commentary on whether changes are appropriate to reflect the products supplied as diesel motor fuel and stove oil heating fuel in Western Labrador. In particular, the Board is reviewing the fuel products used, the blending percentages assigned, and a blend schedule with a fall and spring transition. Currently maximum prices reflect the following:

- Diesel motor fuel - 75% Ultra Low Sulphur Kerosene and 25% Ultra Low Sulphur Diesel, year-round.
- Stove oil heating fuel - 100% Ultra Low Sulphur Kerosene, year-round.

There have been a number of changes in recent years with respect to the products reflected in pricing these fuels. Information with respect to these changes can be found in **Appendix G**.

3.1.1 - Interim Labrador Review

At the time of the Interim Labrador Review, maximum prices for diesel motor fuel were based on 100% Ultra Low Sulphur Kerosene year-round.¹² The information provided in the Interim Labrador Review indicated that a primarily Ultra Low Sulphur Kerosene product¹³ is sold year-round, and a primarily Ultra Low Sulphur Diesel product¹⁴ is also made available seasonally during the May to September timeframe. At the conclusion of the Interim Labrador Review, the Board was not satisfied that the information supported a change and determined that

¹² Prior to October 1, 2015 diesel motor fuel prices reflected a blend of 75% Ultra Low Sulphur Kerosene and 25% Ultra Low Sulphur Diesel year-round.

¹³ ULSD Type A, commonly referred to as “low temperature diesel”.

¹⁴ ULSD Type B.

maximum prices for diesel motor fuel should continue to reflect 100% Ultra Low Sulphur Kerosene year-round.

In terms of stove oil heating fuel, maximum prices in Western Labrador were based on 100% Ultra Low Sulphur Diesel product year-round at the time of the Interim Labrador Review. The information provided in the Interim Labrador Review indicated that the product sold as stove oil heating fuel is an Ultra Low Sulphur Kerosene product¹⁵ year-round. As a result, the Board changed the product reflected in maximum prices for stove oil heating fuel in Western Labrador to 100% Ultra Low Sulphur Kerosene year-round.

As a result, at the conclusion of the Interim Labrador Review both diesel motor fuel and stove oil heating fuel were based on 100% Ultra Low Sulphur Kerosene year-round.

3.1.2 - Recent Information and Commentary

Following the Interim Labrador Review, over the period 2022 to 2023 a number of issues arose with respect to maximum prices for diesel motor fuel and stove oil heating fuel in Western Labrador. Increases in market volatility of Ultra Low Sulphur Kerosene product prices, and sporadic significant differences between the Board's benchmark prices from New York Harbor and wholesaler pricing models based on Quebec rack prices occurred, resulting in margin issues for suppliers and wholesalers of these products in the area. These issues were complicated by the fact that the specifications of the product being brought to market for diesel motor fuel changed throughout the year.¹⁶ Suppliers reported that at times special arrangements were necessary to ensure the continued supply of petroleum products to the region for retailers and consumers. In 2022 the Board made a number of changes with respect to the product reflected in diesel motor fuel maximum prices.¹⁷ Since that time diesel motor fuel prices have been based on a blend of 75% Ultra Low Sulphur Kerosene and 25% Ultra Low Sulphur Diesel data. The Board did not make any changes over this period for stove oil heating fuel.

¹⁵ ULSD Type A.

¹⁶ As discussed previously, two different products - ULSD Type A and ULSD Type B - can be sold as diesel motor fuel in Western Labrador. Each type of product is generally priced differently in the markets.

¹⁷ As a result of extreme market volatility over the period May to October 2022 product blending for diesel motor fuel prices was changed to reflect a blend of 45% ULSK and 55% ULSD, 100% ULSD and a transition back to 75% ULSK and 25% ULSD.

In this Review the Board has received more information from operators in the region in relation to the volumes of the products which are sold as diesel motor fuel throughout the year. This information confirms that for diesel motor fuel, Ultra Low Sulphur Kerosene product is sold year-round and Ultra Low Sulphur Diesel product is sold seasonally. No information or commentary was filed during this Review with respect to maximum prices for stove oil heating fuel.

3.1.3 - Board Commentary

Based on the available information, it may be reasonable to make changes to the current blending approach for diesel motor fuel to reflect the product brought to market throughout the year and the volumes of the product sold. The Board is considering adopting a blending methodology for diesel motor fuel where maximum prices are based on 100% Ultra Low Sulphur Kerosene for most of the year and transition to 75% Ultra Low Sulphur Kerosene and 25% Ultra Low Sulphur Diesel for the summer months, on a schedule similar to the Island diesel motor fuel product blending. The potential blending approach can be found in **Appendix H**.

Based on available information with respect to stove oil, the product brought to market does not appear to have changed since the Interim Labrador Review. As a result, there would appear to be no basis upon which to make a change to the current approach which reflects 100% Ultra Low Sulphur Kerosene year-round.

3.2 - Additional Discretion in the Calculation of Maximum Prices

The Board is seeking information and commentary on whether it should recommend legislative changes to Government to provide more discretion to the Board in how it calculates maximum prices in Western Labrador. While the Board has discretion with respect to the methodology for setting maximum prices in marine tanker supplied areas of Labrador, the Board has no discretion for other areas of the Province.¹⁸ As a result the Board is required to calculate maximum prices in Western Labrador in accordance with the specific requirements of the legislation similar to the Island portion of the Province. This has, at times, led to circumstances where maximum prices may not be reflective of the current cost of the product.

¹⁸ See Section 14(2.6) of the **Regulations**.

3.2.1 - Interim Labrador Review

The issue of additional discretion for the Board in the calculation of maximum prices was not raised in the Interim Labrador Review, though issues were raised as to significant differences between the Board's benchmark prices for Western Labrador and rack prices in Quebec. At the time, it was suggested that benchmark prices in Western Labrador should be based on rack prices in the region, rather than market prices in New York Harbor. At the end of the Interim Labrador Review the Board did not make any changes to the calculation of benchmark prices for Western Labrador and continued to use New York Harbor market data as required by legislation. The Board also noted that there are a number of potential issues with the use of rack prices including, but not limited to, the availability of rack pricing information.

3.2.2 - Recent Information and Commentary

R Cube did not address Western Labrador specifically but suggested that, in general, maximum price volatility would be lower if alternative pricing mechanisms, forward averaging adjustments or other market adjustors were incorporated into the Board's pricing model.¹⁹

While no commentary was provided by industry operators in Western Labrador, recent commentary provided by Island operators appears to be generally supportive of the Board having increased discretion with respect to pricing to allow it to respond to changing market dynamics.

3.2.3 - Board Commentary

The legislation does not currently allow the Board to adopt an alternative methodology in the calculation of maximum prices in Western Labrador as it does for the marine tanker supplied areas of Labrador. As a result, there are often significant differences between the benchmark prices based on New York Harbor market data and the cost of the product to suppliers which are based on rack prices in Quebec. An analysis of the difference between the benchmark prices and posted rack prices from Montreal shows significant variances, particularly for diesel. These variances place pressures on wholesaler margins in the region.²⁰ The analysis of the difference between New York Harbor pricing data and Montreal rack pricing data for 2019 to 2023 can be found in **Appendix I**.

¹⁹ R Cube Phase II Report, Page 39. More information on Nova Scotia's forward averaging can be found **here**.

²⁰ It is unlikely that the transition to Argus Media from Platts US MarketScan, as discussed in a later section, would address this issue.

Given the recent challenges in this region the Board may recommend to Government that additional discretion be provided to the Board in the calculation of maximum prices for Western Labrador.²¹ A less prescriptive benchmark price calculation mechanism, combined with the introduction of a market adjustor or forward averaging mechanism, may allow the Board to better reflect the product cost in maximum prices in Western Labrador and to more quickly react to changing market dynamics.

3.3 - Market Data Reporting Agency

Like the Island portion of the Province, the Board uses daily New York Harbor market data for the purpose of calculating maximum prices for Western Labrador.²² The Board is seeking information and commentary on whether Argus Media (“Argus”) should be used rather than Platts US MarketScan (“Platts”) for all areas of the province which have weekly adjustments of maximum prices, including Western Labrador.²³

3.3.1 - Interim Labrador Review

The Interim Labrador Review did not involve an assessment of the market reporting agency used in calculating maximum prices.

3.3.2 - Recent Information and Commentary

R Cube did not comment on the market reporting agency which should be used for pricing for Western Labrador but noted that many of the wholesalers in Nova Scotia operate in Newfoundland and Labrador and the majority of wholesalers in Nova Scotia use Argus prices.²⁴

Industry in Western Labrador did not provide information or commentary in this Review as to the market reporting agency or whether Argus is the primary source used for trading petroleum products.

²¹ The Board is also considering seeking increased discretion in the calculation of maximum prices for the Island portion of the Province as discussed in the **Island Consultation Document**, Pages 24 to 25.

²² Propane heating fuel is based on a Sarnia weekly average propane price published by the Oil Price Information Service (OPIS), similar to the Island portion of the Province.

²³ In June 2023 the **Regulations** were amended to allow the Board to use reports published by Argus in addition to a specified Platts report for gasoline, diesel, furnace oil and stove oil, and a specified OPIS report for propane.

²⁴ R Cube Phase II Report, Pages 34 and 51.

3.3.3 - Board Commentary

Little information was provided as to the market reporting agency that should be used in setting maximum prices in Western Labrador. The Board is considering shifting to Argus for the Island, and to be consistent may make this change for all areas of the Province that have weekly pricing, including Western Labrador.²⁵ Based on the available information this would generally better reflect industry pricing and would provide consistency in the market data used to set maximum prices throughout the Province. It would also be consistent with New Brunswick and Nova Scotia which both recently switched to using Argus. The Argus product options that may be used by the Board can be found in **Appendix J**.

3.4 - Average Price Calculation - Five Days versus Seven Days

The Board is seeking information and commentary on whether the number of days used in the weekly calculation of average benchmark prices should be five rather than seven. The Board currently uses an average of seven days of reported market data in the calculation of benchmark prices for all areas of the Province that have weekly pricing, including Western Labrador.²⁶

3.4.1 - Information and Commentary on Current Approach

Limited commentary was provided by R Cube with respect to the number of days used in the calculation of average benchmark prices.²⁷ No specific commentary was received from operators in Western Labrador and opinions from Island industry operators were mixed.

3.4.2 - Board Commentary

Moving to a five-day weekday average in the calculation of average benchmark prices would bring consistency with the approach being considered for the Island portion of the Province as well as the approach in other Atlantic provinces.²⁸ In addition, it would avoid potential concerns with additional weighting being given to the Friday data point, which can be an issue where there is market volatility.

²⁵ Island Consultation Document, Pages 2 to 4.

²⁶ For regular weekly maximum price adjustments, the benchmark price is an average of reported pricing data over the previous seven days, with Friday price data being used for Saturday and Sunday. When adjustments to benchmark prices occur outside of the regular schedule, average benchmark prices can be based on fewer days.

²⁷ R Cube found that premium gasoline benchmark prices should be based on a 5-day average of market data. See R Cube Phase III Report, Page 48.

²⁸ See the Board's **Island Consultation Document**, Page 10.

3.5 - Extraordinary Adjustment Criteria

During extraordinary market volatility, the Board may at times intervene to adjust maximum prices. The Board is seeking information and commentary on whether there should be changes to the criteria and guidelines it uses to determine whether to implement these extraordinary price adjustments.²⁹ For areas of the Province with weekly price adjustments the Board reviews market pricing data each day and when there is a variance of ± 6 cents per litre between the running average benchmark price and the established benchmark price, the Board considers an extraordinary adjustment. The Board may also consider other factors such as data trends and the timing of recent and upcoming price adjustments.

3.5.1 - Information and Commentary on Current Approach

R Cube did not comment on the Board's extraordinary adjustment criteria. No commentary was received from wholesalers and retailers in Western Labrador with respect to the Board's extraordinary adjustment criteria. The Board notes that industry participants on the Island appear to be generally supportive of the current approach, though some participants suggested that the current criteria are too high and another suggested that frequent extraordinary adjustments may damage the industry's reputation. The Board has also received negative feedback from the public in relation to frequent extraordinary adjustments.

3.5.2 - Board Commentary

Based on the information gathered to date it would appear that there is not strong support for changes to the criteria for extraordinary adjustments at this time. There appears to be conflicting views as to whether the threshold should be increased or decreased depending on the stakeholder's preferences in relation to the frequency of extraordinary adjustments. On this basis the existing criteria may be considered a reasonable balance of pricing stability and cost recovery. While there were frequent extraordinary adjustments during the period of extreme market volatility, this volatility has now subsided and there have been no extraordinary adjustments in Western Labrador since October 2023. It is notable that the extraordinary adjustment criteria are consistent with that used in Nova Scotia and that there was a similar level of extraordinary adjustments in Nova Scotia, New Brunswick and Prince Edward Island

²⁹ Section 14(1) of the **Regulations** permits the Board to make benchmark price adjustments outside of the regular adjustment schedule where it is warranted.

during the market volatility. Graphs of the extraordinary price adjustments in 2022-2024 can be found in **Appendix K**.

3.6 - Weekly Adjustment Timing

The Board is seeking information and commentary on whether the weekly adjustment of maximum prices should be moved from Thursday to Friday for all areas of the Province, including Western Labrador.

3.6.1 - Information and Commentary on Current Approach

R Cube recommended that the Board change the timing of its weekly adjustment to Fridays and noted that the majority of industry participants on the Island were supportive of alignment with other Atlantic Canadian jurisdictions which also adjust maximum prices on Fridays.³⁰ No specific commentary was received from operators in Western Labrador with respect to the day of the week that the Board adjusts maximum prices.

3.6.2 - Board Commentary

Based on the information gathered to date the Board is considering moving weekly adjustments to Friday. This change was generally supported by the industry and would bring consistency with the approach being considered for the Island portion of the Province and with other Atlantic provinces.³¹

4.0 - MARK-UPS AND ZONE DIFFERENTIALS

4.1 - Gasoline, Diesel and Stove Oil

The Board is seeking information and commentary on whether there should be changes to the existing wholesale mark-ups, zone differentials and retail mark-ups. The costs for a wholesaler to supply product to a zone, including delivery, storage and other costs are reflected in the wholesale mark-ups and zone differentials reflected in maximum prices. The wholesale mark-ups reflect the cost of supply to the base zone in the Province and the zone differentials reflect the additional costs associated with supplying the product to the zone. The costs for retailers to supply products, including capital costs and depreciation, fuel and vehicle operating, insurance, office, administrative, rent, repairs and maintenance, transaction fees, utilities and

³⁰ R Cube Phase III Report, Page 28.

³¹ See the Board's **Island Consultation Document**, Page 22.

communications and wages and salaries are reflected in the retail mark-up included in maximum prices. The current wholesale mark-ups, zone differentials and retail mark-ups for each Labrador pricing zone are set out in **Appendix L**.

4.1.1 - Interim Labrador Review

During the Interim Labrador Review the Board obtained information with respect to wholesaler supply costs in Labrador over the period 2017-2020. Retailer cost information was not reviewed. The wholesaler cost information showed that there had been increases in the costs to supply most zones which were not reflected in maximum prices. As a result, the Board made changes to the zone differentials for all zones in Labrador to reflect the changes in wholesaler costs. The Board made no changes to the wholesale or retail mark-ups. The changes to the zone differentials can be found in **Appendix M**.

4.1.2 - Recent Information and Commentary

R Cube's study of wholesaler and retailer costs in the Province indicated that operating costs had increased over the period 2018/2019 to 2022. R Cube did not receive information with respect to wholesaler supply costs in Labrador. Based on the information provided R Cube estimated that wholesaler costs increased by 1.7136 cents per litre over the period studied for all products in the base zone. In discussing the wholesale mark-ups R Cube commented that the increases in wholesaler operating costs would also be experienced by wholesalers in Labrador given the proximity and similar nature of operations.³² R Cube also noted that there were significant increases in the cost to supply products to the other zones on the Island portion of the Province and recommended a 49% increase in the zone differentials for gasoline and diesel.³³ R Cube did not address whether these increases would apply for heating fuels and for Labrador.

In terms of retailer costs, R Cube concluded operating costs had increased by 3.057 cents per litre for gasoline and diesel over the period 2019-2022 and by 2.660 cents per litre for stove oil over the period 2018-2022. These findings were based on retail data from approximately 150 retail locations throughout the Province, representing 90% of the zones, including Labrador.³⁴

³² R Cube Phase II Report, Page 28.

³³ R Cube Phase II Report, Page 44.

³⁴ R Cube Phase III Report, Pages 11 to 16.

While the Board has received some commentary from industry in Labrador which suggests that the current wholesale and retail mark-ups are not reflective of current costs there has been little information provided to support changes in addition to those made as a part of the Interim Labrador Review.

4.1.3 - Board Commentary

Retailer costs were not reviewed by the Board as a part of the Interim Labrador Review. R Cube found that retailer costs had increased by 3.057 cents per litre for gasoline and diesel over the period 2019-2022 and by 2.660 cents per litre for stove oil over the period 2018-2022. This was based on information from retailers across the Province, including Labrador. Given that the retail mark-ups were not addressed in the Interim Labrador Review, these increases would not be reflected in the current retail mark-ups in Labrador.³⁵ The Board notes that if the estimated retailer cost increases are reflected in the retail mark-up it would result in an approximate 30% and 22% increase in the retail mark-ups for gasoline and diesel, respectively. This would cause a significant increase in maximum prices for consumers and would make the retail mark-ups in the Province much higher than in the rest of Atlantic Canada. As a result, the Board may consider not implementing the full indicated increase in retail mark-ups at this time. More information with respect to the estimated increased retail costs can be found in **Appendix N**.

In terms of wholesaler costs, these were recently assessed as part of the Interim Labrador Review and changes were made to the zone differentials to reflect the indicated increases. There was no additional information provided by Labrador wholesalers in this Review. It is noted that the time period for R Cube's wholesaler costs analysis overlaps with the study period in the Interim Labrador Review. As a result, some of the wholesaler cost increases found by R Cube may have already been captured in the zone differential changes made by the Board in the Interim Labrador Review.³⁶ Based on this, it is not clear that there should now be additional changes for wholesalers beyond those made during the Interim Labrador Review. While industry has commented that wholesaler costs have increased, there is insufficient information for the Board to conclude that there should be increases to the wholesale mark-ups or zone differentials in Labrador at this time. The Board welcomes additional information and

³⁵ The current retail mark-ups for gasoline and diesel were approved in 2020 and the retail mark-ups for heating fuels were approved in 2019.

³⁶ The Interim Labrador Review study period was 2017 to 2020 and the wholesale portion of R Cube's study was 2019 to 2022. Both the Interim Labrador Review and R Cube's study addressed overall wholesaler costs.

commentary in relation to this matter before making its final determinations at the conclusion of this Review.

While the information does not support changes to the overall cost recovery for wholesalers, the Board is considering making changes to bring consistency in the mark-ups throughout the Province. Currently there are mark-ups in Labrador which are different than those established for the other zones in the Province. Mark-ups are intended to represent the basic cost of supply in the base zone, with the additional costs of supply to other areas reflected in the zone differentials. To make the mark-ups consistent, there would be a reallocation of the wholesale mark-ups and zone differentials for some zones, with no change in the total amount of the mark-ups and zone differentials reflected in maximum prices.³⁷ There would also be a reallocation between wholesale and retail mark-ups for stove oil in several zones. A table showing the potential changes which would be made to realign the mark-ups can be found in **Appendix O**.

The following changes are being considered to the mark-ups and zone differentials for Labrador:

- For retailers:
 - Increases in the retail mark-ups to reflect cost increases.
 - Increases to the retail mark-ups for stove oil heating fuel in Zones 11a and 14 to make them consistent with the Island.
- For wholesalers:
 - No increase to the total of the wholesale mark-up and the zone differentials based on the lack of information supporting increases in addition to the changes made in the Interim Labrador Review.
 - Changes to the allocation of wholesale mark-ups and zone differentials so that the mark-ups would be the same as the rest of the Province and the zone differentials would offset the mark-up changes.
 - Reductions to the wholesale mark-ups for stove oil heating fuel in Zones 11a and 14 to make them consistent with the Island.

These changes would result in the mark-ups and zone differentials outlined in the table below.

³⁷ The changes to the mark-ups would be offset by changes to the other mark-ups and/or zone differentials.

Potential Mark-Up and Differential Changes All Labrador Zones						
Product	Zone	Wholesale Mark-Ups and Zone Differentials		Retail Mark-Up		Total Potential Net Change
		Current	Potential	Current	Potential	
Gasoline	10	28.85	28.85	10.28	12.86	+2.58
	11	32.20	32.20	10.28	12.86	+2.58
	11a	38.46	38.46	12.67	12.86	+0.19
	12	17.88	17.88	10.28	12.86	+2.58
	13	21.38	21.38	10.28	12.86	+2.58
	13a	23.56	23.56	10.28	12.86	+2.58
	14	38.46	38.46	12.67	12.86	+0.19
Diesel	10	25.66	25.66	14.03	16.75	+2.72
	11	30.40	30.40	14.03	16.75	+2.72
	11a	37.38	37.38	14.03	16.75	+2.72
	12	17.05	17.05	14.03	16.75	+2.72
	13	19.80	19.80	14.03	16.75	+2.72
	13a	21.98	21.98	14.03	16.75	+2.72
	14	37.38	37.38	14.03	16.75	+2.72
Stove Oil ³⁸	10	26.61	26.61	20.28	22.74	+2.46
	11	27.31	27.31	20.28	22.74	+2.46
	11a	40.89	33.51	12.90	22.74	+2.46
	12	12.31	12.31	20.28	22.74	+2.46
	13	13.31	13.31	20.28	22.74	+2.46
	13a	15.41	15.41	20.28	22.74	+2.46
	14	40.89	33.51	12.90	22.74	+2.46

³⁸ The potential wholesale mark-up for stove oil heating fuel is proposed to be the same as that proposed for furnace oil heating fuel on the Island portion of the province. The wholesale mark-up for stove oil heating fuel in Zones 11a and 14 has been historically assigned 55% of the total allowed mark-up for the product, with the remaining 45% assigned to retail. This allocation is also proposed to be changed for alignment with the Island.

4.2 - Propane

Sales of propane are subject to maximum price regulation only when the propane is delivered to a customer's residence and is used primarily for space heating. The Board is seeking information and commentary on whether there should be changes to the propane mark-ups and zone differentials. The current total allowed mark-ups and zone differentials for propane heating fuel in each Labrador pricing zone can be found in **Appendix P**.

4.2.1 - 2021 Propane Mark-Up Review

The supply costs for propane were examined in 2020 and 2021 following a series of applications and submissions of cost information from major suppliers of the product on the Island portion of the Province after the shut down of the refinery in Come By Chance. The information provided indicated that some propane imported to the Island portion of the Province is distributed to regions of Labrador. Based on the information filed the Board implemented a 12 cents per litre increase to propane total allowed mark-ups in Zones 10, 11, 11a, 11b and 14.³⁹ No changes were made at the time to total allowed mark-ups in Central Labrador or Western Labrador as the available information indicated that the shut down of the refinery did not impact the cost to supply propane to these areas.

4.2.2 - Information and Commentary

R Cube received information from propane suppliers on the Island portion of the Province with respect to changes in operating costs for the product. Based on this information, R Cube found that supply costs for propane heating fuel increased by approximately 18.5 cents per litre from 2019 to 2022.⁴⁰ R Cube did not specify whether the information provided included information with respect to propane supplied to Labrador.

The Board did not receive any additional information or commentary with respect to the supply of propane heating fuel to Labrador.

4.2.3 - Board Commentary

Propane sales are regulated if they are to residences to be used primarily for heating purposes. Information as to the volume of regulated sales of propane in Labrador was not provided in this Review. While R Cube found that costs increased for regulated propane sales on the Island,

³⁹ See **Order No. P.P. 19(2021)** and **Order No. P.P. 25(2021)** for more information on these changes.

⁴⁰ R Cube Phase III Report, Page 16.

it is not clear that these increases would apply for Labrador suppliers. The impact of implementing the estimated increased costs would be significant: approximately 6.5 cents per litre for Zones 10, 11, 11a, 11b, and 14 and 18.5 cents per litre in Zones 12, 13 and 13a.⁴¹ Increases of this magnitude would require supporting documentation from suppliers.

5.0 - OTHER PRICING MATTERS

5.1 - Pricing Different Grades of Gasoline

The Board is seeking information and commentary on whether there should be changes to benchmark prices for different grades of gasoline.⁴² As required by the **Regulations**, the Board's benchmark prices for mid-grade and premium gasoline are set at 3 cents per litre and 6 cents per litre higher than regular gasoline.⁴³

5.1.1 - Interim Labrador Review

During the Interim Labrador Review, concerns were expressed by operators with respect to the fixed adder between regular gasoline and premium gasoline. It was suggested that the difference may not sufficiently reflect the cost of the product sourced to Labrador West and Goose Bay. The Board did not make any changes to the benchmark pricing for the different grades of gasoline.

5.1.2 - Recent Information and Commentary

R Cube found that the legislated spread of 6 cents per litre between premium and regular gasoline benchmark prices does not reflect or accommodate market shifts and may pose a risk to the supply of premium gasoline but did not specifically address Labrador.⁴⁴ According to R Cube, the spread between premium gasoline and regular gasoline market prices in 2022 was approximately 16 cents per litre.⁴⁵

The Board did not receive any information or commentary from suppliers in Labrador in relation to the different grades of gasoline in this Review. Comments from operators on the

⁴¹ These changes reflect the fact that as a part of the 2020-2021 Propane Mark-Up Review the Board implemented changes for Zones 10, 11, 11a, 11b and 14 and no changes for Zones 12, 13, and 13a.

⁴² Information filed during the Interim Labrador Review indicated that, with the exception of Central and Western Labrador, most areas of Labrador do not have a supply of mid-grade and premium gasoline.

⁴³ Section 14(2.1) of the **Regulations**.

⁴⁴ R Cube Phase III Report, Page 40.

⁴⁵ R Cube Phase III Report, Page 39.

Island indicated that in recent years the market price spread between premium and regular gasoline has exceeded the legislated 6 cents per litre.⁴⁶ Island industry participants generally supported transition from a legislated spread to a market-based calculation for higher grades of gasoline.⁴⁷ Some information and comments provided by suppliers on the Island also raised concerns with respect to the product reflected in maximum prices for regular gasoline.⁴⁸

5.1.3 - Board Commentary

Based on the analysis conducted by R Cube and the information provided to the Board, the current 3 cents per litre and 6 cents per litre adders set out in the Regulations for higher grades of gasoline do not reflect the cost of the products. Given this, a change to mid-grade and premium gasoline benchmarking may be justified. The Board notes that New Brunswick and Nova Scotia each use Argus-reported market prices to calculate mid-grade⁴⁹ and premium gasoline prices. The Board does not currently have the authority to make such a change, though the Board may implement an alternate pricing methodology in marine tanker supplied areas.⁵⁰

For regular gasoline no information was provided in this Review to suggest that there should be changes to better reflect the product supplied in Labrador. Prices in the marine tanker supplied areas reflect the cost of the product supplied. For Western Labrador, the Board may wish to consider whether any changes that are made for Island suppliers would be applicable for the area.

5.2 - Price Adjustment Notification Process

The Board is seeking information and commentary on whether there should be changes to how notice is provided for maximum price adjustments. Notice of maximum price adjustments is provided to the industry the day before the adjustment at 2:00 p.m. and to the media at 8:00 p.m. Notice to the public is through the Board's website at midnight on the day that maximum prices become effective.

⁴⁶ Convenience Industry Council of Canada, Phase I Submission, Response 2; Imperial Oil, Phase I Submission, Response ii).

⁴⁷ It was suggested that there be a lower limit spread to ensure reasonable profitability for market participants.

⁴⁸ Some product sold as regular gasoline is conventional Unleaded 87 and some is a blend of CBOB ("Conventional Blendstock for Oxygenated Blending") and ethanol.

⁴⁹ Mid-grade is calculated as the mid-point between regular and premium.

⁵⁰ Section 14(2.6) of the **Regulations**.

5.2.1 - Information and Commentary on Current Approach

R Cube noted that the majority of retailers interviewed were comfortable with the Board's current process of notifications.⁵¹ Some industry members have, in the past, expressed concerns with the 2:00 p.m. notice timing, on the basis that it is too late to confirm receipt of the pricing information and to prepare an update to pricing systems. The Board has received commentary from the public which suggests that there should be advance notice of maximum price adjustments to consumers. The Board has received concerns from industry in relation to leaks of confidential maximum prices to the general public.

5.2.2 - Board Commentary

The current process for notice to industry and media has allowed for the effective operation of the pricing mechanism while providing adequate notice for implementation of maximum price changes. While the Board acknowledges and understands that consumers would prefer advance notice of price changes, such an approach may not be consistent with the intention of the Regulations and could influence consumer purchase behaviour and lead to cost recovery issues and supply concerns.⁵²

5.3 - Process for Future Updates to Mark-Ups and Differentials

The Board is seeking information and commentary on whether there should be more regular reviews of mark-ups and zone differentials.⁵³ Periodic reviews of the mark-ups have been conducted by the Board, but the zone differentials have been reviewed less frequently. Information with respect to the past reviews of mark-ups and zone differentials can be found in **Appendix Q**.

5.3.1 - Information and Commentary on Current Approach

R Cube recommended that the Board consider more frequent and regular reviews of mark-ups, preferably annually.⁵⁴

⁵¹ R Cube Phase III Report, Pages 28 to 29.

⁵² Section 8 of the **Regulations** stipulates that unless authorized by the Board a wholesaler or retailer shall not disclose to any other person a price established by the Board before the date on which the prices come into force.

⁵³ The mark-ups and zone differentials can be reviewed by the Board on its own motion, pursuant to the Minister's request or upon receipt of an application from a wholesaler or retailer. See Section 8.1 of the **Act**.

⁵⁴ R Cube Phase III Report, Page 27.

Based on commentary received, industry participants were generally supportive of more frequent reviews; however, concerns were expressed with the level of complexity of the cost and volumetric information. Several participants suggested that the complexity of the information requests prolongs the review processes and thus any adjustments implemented may not be reflective of current costs.

5.3.2 - Board Commentary

Based on the information gathered to date the Board is considering implementing more frequent, less complex, reviews of the mark-ups and zone differentials. Regularly-scheduled assessments of mark-ups and differentials, possibly annually, would allow the Board to address changes in costs in a timely manner. Routine assessments could utilize publicly available information such as CPI and changes in diesel fuel prices. A more detailed review process would be necessary at less frequent intervals to thoroughly assess the appropriateness of the existing mark-ups. It is anticipated that routine information gathering and monitoring procedures for industry would be implemented to ensure that the Board has the necessary information to conduct both annual and more comprehensive reviews. This would likely include annual requests for cost and volumetric information from industry.

5.4 - Minimum Pricing

The Board is seeking information and commentary on whether it should implement minimum pricing by adopting minimum mark-ups.⁵⁵ The Board currently only establishes a maximum price for regulated petroleum products. Wholesalers and retailers can charge less than the established maximum prices at any time.

5.4.1 - Information and Commentary on Current Approach

R Cube noted that the majority of retailers supported a switch to minimum and maximum price regulation. According to R Cube, while regulated minimum and maximum retail prices ensure the retailers' margin is relatively consistent over time, a move to minimum pricing might inhibit lower-cost retailers from operating in the province and could ultimately lead to higher prices for consumers.⁵⁶ Industry comments were generally supportive of minimum pricing, noting that it contributes to financial stability, continuity of supply, and a fair and competitive market

⁵⁵ **Act**, Section 4(1)(b).

⁵⁶ R Cube Phase III Report, Page 30.

environment. Limited commentary was received from the public with respect to minimum pricing; however, one comment was filed in support of minimum pricing.

5.4.2 - Board Commentary

Based on the information gathered to date minimum pricing may lead to higher prices for consumers, lead to confusion within the industry and may stifle competition based on price. On this basis, the Board is unlikely to implement a minimum pricing framework.

6.0 - SUMMARY

The changes being considered based on the information and commentary provided could impact maximum prices and pricing processes. The Board invites further information and commentary and will consider this input before concluding this Review.

6.1 - Potential Benchmarking and Other Changes

Based on the information provided to date, the Board is reviewing whether:

- Black Tickle (Zone 11a), William's Harbour and Norman's Bay (Zone 11b) should be combined.
- a pricing zone should be established for the Town of Cartwright.
- legislative changes should be recommended to Government in relation to the mid-grade and premium gasoline adders of 3 cents per litre and 6 cents per litre.
- the Board should make changes to the way maximum prices are calculated for higher grades of gasoline in the marine tanker supplied areas.
- a seasonal blending methodology should be adopted for diesel motor fuel in Western Labrador.
- legislative changes should be recommended to Government to give the Board more discretion in the calculation of maximum prices.
- Argus should replace Platts as the data reporting agency used in pricing.
- a five-day average should be used in the calculation of maximum prices.
- maximum prices should be adjusted on Friday instead of Thursday.
- there should be regular, more frequent reviews of mark-ups and zone differentials, with less frequent in-depth reviews.

6.2 - Potential Mark-Up and Zone Differential Changes

Based on the information provided to date changes may be made with respect to the mark-ups and zone differentials as outlined below:

- For retailers:
 - Increases in the retail mark-ups to reflect cost increases.
 - Increases to the retail mark-ups for stove oil heating fuel in Zones 11a and 14 to make them consistent with the Island.
- For wholesalers:
 - No increase to the total of the wholesale mark-up and the zone differentials based on the lack of information supporting increases in addition to the changes made in the Interim Labrador Review.
 - Changes to the allocation of wholesale mark-ups and zone differentials so that the mark-ups would be the same as the rest of the Province and the zone differentials would offset the mark-up changes.
 - Reductions to the wholesale mark-ups for stove oil heating fuel in Zones 11a and 14 to make them consistent with the Island.

The potential changes to the mark-ups and zone differentials are outlined in the table below.

Potential Mark-Up and Zone Differential Changes - Labrador cents per litre				
Type of Product	Pricing Zone	Mark-Ups and Zone Differentials		Potential Change to Mark-Ups and Differentials
		Current	Potential	
Gasoline	10 - Labrador: The Straits to Red Bay	39.13	41.71	+2.58
	11 - Labrador South: Lodge Bay / Cartwright	42.48	45.06	+2.58
	11a - Coastal Labrador South ⁵⁷	51.13	51.32	+0.19
	12 - Central Labrador	28.16	30.74	+2.58
	13 - Western Labrador	31.66	34.24	+2.58
	13a - Churchill Falls	33.84	36.42	+2.58
	14 - Coastal Labrador North	51.13	51.32	+0.19

⁵⁷ Zone 11b - Coastal Labrador South (Drum Delivery) to potentially be combined with Zone 11a.

Potential Mark-Up and Zone Differential Changes - Labrador cents per litre				
Type of Product	Pricing Zone	Mark-Ups and Zone Differentials		Potential Change to Mark-Ups and Differentials
		Current	Potential	
Diesel	10 - Labrador: The Straits to Red Bay	39.69	42.41	+2.72
	11 - Labrador South: Lodge Bay / Cartwright	44.43	47.15	+2.72
	11a - Coastal Labrador South ⁵⁸	51.41	54.13	+2.72
	12 - Central Labrador	31.08	33.80	+2.72
	13 - Western Labrador	33.83	36.55	+2.72
	13a - Churchill Falls	36.01	38.73	+2.72
	14 - Coastal Labrador North	51.41	54.13	+2.72
Stove Oil	10 - Labrador: The Straits to Red Bay	46.89	49.35	+2.46
	11 - Labrador South: Lodge Bay / Cartwright	47.59	50.05	+2.46
	11a - Coastal Labrador South ⁵⁸	53.79	56.25	+2.46
	12 - Central Labrador	32.59	35.05	+2.46
	13 - Western Labrador	33.59	36.05	+2.46
	13a - Churchill Falls	35.69	38.15	+2.46
	14 - Coastal Labrador North	53.79	56.25	+2.46

⁵⁸ Zone 11b - Coastal Labrador South (Drum Delivery) to potentially be combined with Zone 11a.

APPENDIX A - COMPONENTS OF MAXIMUM PRICES

A-1: Components of Maximum Prices

Pursuant to legislation, the Board's maximum prices are the sum of benchmark prices, the carbon price adjustment, total allowed mark-ups, zone differentials and applicable taxation. Each of these is depicted in the image below and described in detail on the pages that follow.

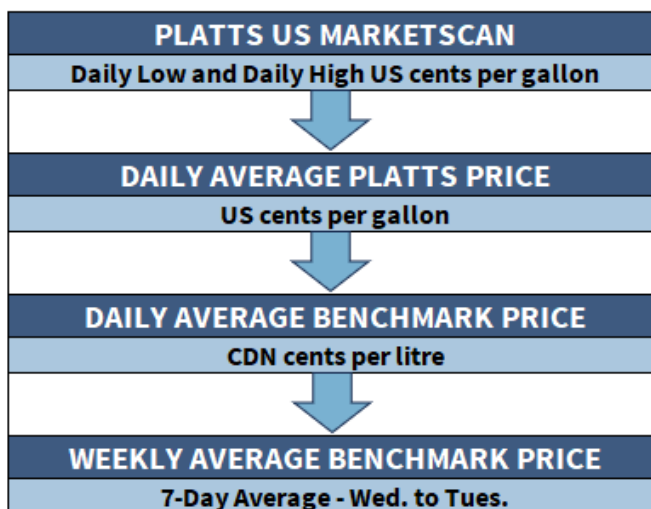
Benchmark Prices	Benchmark prices are derived from data sources prescribed in legislation and, for regularly scheduled adjustments: <ul style="list-style-type: none">o Benchmark prices are changed weekly, on Thursdayso A 7-day average of the pricing data is usedo The average is converted to Canadian cents per litre
Carbon Price Adjustment	The Carbon Price Adjustment reflects costs associated with the carbon intensity reduction compliance requirements under the federal Clean Fuel Regulations.
Total Allowed Mark-ups	The total allowed mark-up is the sum of: <ul style="list-style-type: none">o Wholesale mark-upo Retail mark-up Mark-ups are not changed weekly.
Zone Differentials	Zone differentials reflect incremental costs of storage and distribution of product to pricing zones. Zone differentials are not changed weekly.
Taxation	Taxation includes the following (not applicable to heating fuels): ¹ <ul style="list-style-type: none">o Provincial Fuel Taxo Federal Excise Taxo Carbon Taxo Harmonized Sales Tax
Maximum Prices	Maximum prices are the sum of: <ul style="list-style-type: none">o Benchmark priceo Carbon Price Adjustmento Total allowed mark-upo Zone differentialo Taxation

¹Applicable taxation is applied at point of sale for heating fuels.

A-1.1: Benchmark Prices

For most zones in the province, benchmark prices are required to be calculated using the prescribed market data since the last price adjustment, as set out in legislation. For some products the Board may use a blend⁵⁹ of prescribed product prices in its calculation of benchmark prices to reflect seasonal changes in products supplied. The Board does not have discretion in the calculation of benchmark prices, except for zones where there are seasonal maximum price adjustments in Labrador. For these zones, the Board establishes maximum prices seasonally, typically in spring and fall, based on the costs of, and aligned with the timing of, the product resupplied.

Weekly maximum prices are calculated based on a seven-day average of market data over the previous Wednesday to Tuesday, using Friday as a proxy for Saturday and Sunday. Extraordinary adjustments to benchmark prices outside of the Thursday weekly interval may also be considered by the Board when there are significant shifts in the market.⁶⁰ The general method of calculating benchmark prices is depicted below.



⁵⁹ A blend involves using multiple petroleum products to calculate a benchmark price to reflect seasonal changes to products brought to market. The Board currently applies a blending methodology for diesel motor fuel (75% Ultra Low Sulphur Kerosene/25% Ultra Low Sulphur Diesel) and furnace oil heating fuel (75% Jet / 25% Ultra Low Sulphur Diesel) during the winter months (October to April) on the Island portion of the province.

⁶⁰ The Board will consider implementation of extraordinary adjustments when the average benchmark price based on current market data compared to the established benchmark price for a regulated petroleum product is ± 6 cents per litre.

A-1.2: Carbon Price Adjustments

Carbon price adjustments are added to the benchmark prices for gasoline and diesel motor fuels to reflect costs associated with compliance requirements for importers, refiners and producers of petroleum products under the federal Clean Fuel Regulations. The federal Clean Fuel Regulations are not applicable to heating fuels at this time and therefore no carbon price adjustments are necessary.

A-1.3: Mark-Ups and Zone Differentials

Wholesale and retail mark-ups and zone differentials are also added to the benchmark price to reflect the cost of supply for wholesalers and retailers. Mark-ups and differentials are changed infrequently following a review by the Board.

A-1.4: Applicable Taxation

Applicable taxes are included in the Board's posted maximum prices for motor fuels but not for heating fuels. The levels of taxation applicable to regulated petroleum products are set by the respective provincial and federal government departments.

A-1.5: Maximum Price Adjustment Frequency and Notifications

The Board's maximum prices are currently adjusted weekly, except in areas of Labrador where there are seasonal adjustments of maximum prices normally in the spring and fall. Scheduled weekly adjustments to maximum prices are made every Thursday to reflect the changes in the benchmark prices since the last adjustment. Advance notice of maximum price adjustments is provided to wholesalers and retailers to allow the timely implementation of maximum price changes.

APPENDIX B - LABRADOR SUPPLY DYNAMICS

Most areas of Labrador are supplied primarily by marine tanker. Marine tankers deliver to marine storage terminals generally on a seasonal basis in the spring and fall. Where there is no marine storage, there may be a bulk storage facility supplied by tanker truck. The only region in Labrador not supplied by marine tanker is Western Labrador which is primarily supplied by train from Quebec.⁶¹

Two major suppliers import products into Labrador – Woodward’s Oil Limited (**Zones 11, 11a, 11b, 12 and 14**)⁶² and Harnois Energies Inc. (**Zones 10, 13 and 13a**). Fuels are also supplied by other wholesalers including William Normore Ltd. (**Zones 10 and 11**), Parkland (**Zones 10, 13 and 13a**), Sobeys Inc. (**Zone 13**), DND Petroleum (**Zone 13**) and Allard Distributing (**Zones 13 and 13a**).

A summary of the available information in relation to wholesaler supply locations, types of storage facilities and product stored within each Labrador pricing zone is set out below:

Wholesaler Supply and Storage			
Zone	Source of Supply ⁶³	Type of Facility	Type of Product(s) Stored
10	L’Anse-au-Loup	Marine Terminal	<ul style="list-style-type: none"> • Regular Gasoline (UNL 87) • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
			<ul style="list-style-type: none"> • Regular Gasoline (UNL 87) • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
11	Charlottetown ⁶⁴	Bulk Storage Facility	<ul style="list-style-type: none"> • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
	Port Hope Simpson	Marine Terminal	<ul style="list-style-type: none"> • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
	St. Lewis ⁶⁵		
	Cartwright	Marine Terminal	<ul style="list-style-type: none"> • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)
	Goose Bay	Marine Terminal	<ul style="list-style-type: none"> • Regular Gasoline (UNL 87) • Diesel Motor Fuel (ULSK) • Stove Oil Heating Fuel (ULSK)

⁶¹ Premium-grade gasoline is trucked to Zone 13 from Quebec and other products may be trucked into the zone when there are supply issues.

⁶² Woodward’s Oil Limited also supplies product to Harnois Energies Inc. in Zone 10.

⁶³ Methods of supply and source supply locations may sometimes change if circumstances warrant.

⁶⁴ More recent information indicates that products may only be stored on an as-needed basis in Charlottetown.

⁶⁵ More recent information indicates that the St. Lewis facility, which stored regular gasoline, may no longer be in operation.

Wholesaler Supply and Storage			
Zone	Source of Supply	Type of Facility	Type of Product(s) Stored
11a & 11b	No Storage ⁶⁶	n/a	n/a
12 ⁶⁷	Goose Bay	Marine Terminal	<ul style="list-style-type: none"> Regular Gasoline (UNL 87) Diesel Motor Fuel (ULSK) Stove Oil Heating Fuel (ULSK)
13 & 13a	Labrador City	Bulk Storage Facility	<ul style="list-style-type: none"> Regular Gasoline (UNL 87) Premium Gasoline (UNL 91) Diesel Motor Fuel Stove Oil Heating Fuel
14	Rigolet	Marine Terminal	<ul style="list-style-type: none"> Regular Gasoline (UNL 87) Diesel Motor Fuel (ULSK) Stove Oil Heating Fuel (ULSK)
	Makkovik	Marine Terminal	
	Postville	Marine Terminal	
	Hopedale	Marine Terminal	
	Nain	Marine Terminal	

A summary of available information with respect to retailers in the Labrador pricing zones is provided in the table below.

Retailer Information		
Zone	Retailer Locations	Product(s) Sold
10	L'Anse-au-Clair	Gasoline
	Forteau	Gasoline and Diesel
	L'Anse-au-Loup	Gasoline and Diesel
	Pinware	Gasoline
	Red Bay	Gasoline and Diesel
11	Port Hope Simpson (2)	Gasoline and Diesel
	Charlottetown (2)	Gasoline and Diesel
	St. Lewis	Gasoline and Diesel
	Cartwright	Gasoline and Diesel
11a & 11b	Black Tickle	Gasoline
12	Sheshatshiu	Gasoline and Diesel
	North West River	Gasoline and Diesel
	Happy Valley-Goose Bay (3)	Gasoline and Diesel
13	Labrador City (4)	Gasoline and Diesel
13a	Churchill Falls	Gasoline and Diesel

⁶⁶ Based on the most recent information available, with the exception of delivery of products to one retail location in Black Tickle, sales of petroleum products to the area are unregulated sales.

⁶⁷ Premium gasoline is supplied to Zone 12 by truck from Western Labrador on occasion.

Retailer Information		
Zone	Retailer Locations	Product(s) Sold
14	Rigolet	Gasoline and Diesel
	Makkovik	Gasoline and Diesel
	Postville	Gasoline and Diesel
	Hopedale	Gasoline and Diesel
	Nain	Gasoline and Diesel

APPENDIX C - INTERIM LABRADOR REVIEW

In the spring of 2020, as a result of the global pandemic and the crash in the world price of oil, the maximum price of petroleum products in the Province fell dramatically over the course of several weeks. The dramatic drop in maximum prices caused serious issues for wholesalers, retailers and suppliers of petroleum products, particularly those located in Labrador. Applications were received from industry in Labrador requesting increases and the Board received significant commentary from community members and representatives expressing concerns with respect to maximum pricing in the region. Based on the significant input received as a result of the unprecedented circumstances in the spring of 2020 the Board determined that a review of the regulation of petroleum products prices in Labrador was appropriate (the “Interim Labrador Review”).

In May 2020 the Board asked stakeholders to provide feedback and information related to the issues and the options which should be considered as part of the Interim Labrador Review. The Board also contacted suppliers in early June 2020 seeking information relating to their experience and issues with supplying petroleum products in Labrador. Throughout the summer the Board continued to receive detailed and comprehensive information from suppliers relating to the methods of supply and associated costs.

In October 2020 the Board released a paper providing background and information related to the regulation of the maximum price of regulated petroleum products in Labrador. The consultation paper set out the issues that were identified to be addressed, the viewpoints and information received to date and the alternatives which were under consideration by the Board.

The issues considered by the Board in the Interim Labrador Review and the changes made are summarized below:

- Zone Boundaries:
 - No changes since the method and source supply locations had not changed.
- Zone Differentials:
 - interim increases to zone differentials in all Labrador pricing zones to reflect increased wholesaler supply costs based on filed information.

- Seasonal Adjustments to Maximum Prices:
 - the introduction of seasonal pricing in spring and fall for all pricing zones supplied primarily by marine tanker, including Zones 10, 11, 11a, 11b, 12 and 14.⁶⁸
- Benchmark Pricing and Rack Pricing:
 - a benchmark pricing change for stove oil heating fuel in all areas of Labrador from 100% Ultra Low Sulphur Diesel to 100% Ultra Low Sulphur Kerosene.

⁶⁸ Maximum price adjustments in Zones 11a and 14 were historically suspended during the winter months only.

APPENDIX D - SUSPENDED VS. UNSUSPENDED MAXIMUM PRICES

Average Difference in Maximum Prices Suspension vs No Suspension					
Product	Year	Zone 10	Zone 11	Zone 12	Zone 14
Gasoline	2021	(10.8)	(10.8)	(10.7)	(14.1)
	2022	2.6	2.6	(2.3)	(5.1)
	2023	5.7	5.7	(1.5)	(1.1)
	Overall (2021-2023)	0.01	0.03	(4.3)	(6.3)

Zone	Description
10	From the Quebec-Labrador border west of L'Anse-au-Clair to Red Bay, and all points on Route 510 therein.
11	All points on the south Labrador coast connected by road from Lodge Bay to Cartwright.
11a	All communities along the coast of Labrador South of the Hamilton Inlet which are not connected to the new Labrador Coast Highway and are currently serviced via marine tanker.
11b	All communities along the coast of Labrador South of the Hamilton Inlet which are not connected to the new Labrador Coast Highway and are not currently serviced via marine tanker
12	Central Labrador including Happy Valley-Goose Bay, Mud Lake, North West River and Sheshatshiu.
13	Western Labrador including Labrador City / Wabush.
13a	Churchill Falls
14	All Northern Labrador coastal communities including Rigolet and all those North of the Hamilton inlet to Nain which are currently serviced by marine tanker.

APPENDIX F - POTENTIAL IMPACT OF COMBINING ZONES 11A AND 11B

Potential Impact on Zone Differentials Combining Zones 11a and 11b Gasoline, Diesel and Stove Oil cents per litre				
Product	Zone*	Current Zone Differential	Potential Zone Differential	Change in Zone Differential
Gasoline	11a	27.81	27.81**	(0.00)
	11b to be combined	32.99		(5.18)
Diesel	11a	27.31	27.31**	(0.00)
	11b to be combined	33.29		(5.98)
Stove Oil	11a	25.40	25.40**	(0.00)
	11b to be combined	37.20		(11.8)

*Historically, Zone 11a included Black Tickle and Zone 11b included, at a minimum, Norman Bay and William's Harbour.

**This table demonstrates the alignment of zone differentials for Zone 11b with those for Zone 11a. The zone differentials for Zone 11a are currently under review and further changes are anticipated. Any such changes would apply to both zones.

APPENDIX G - HISTORICAL DIESEL AND STOVE OIL BLENDING: WESTERN LABRADOR

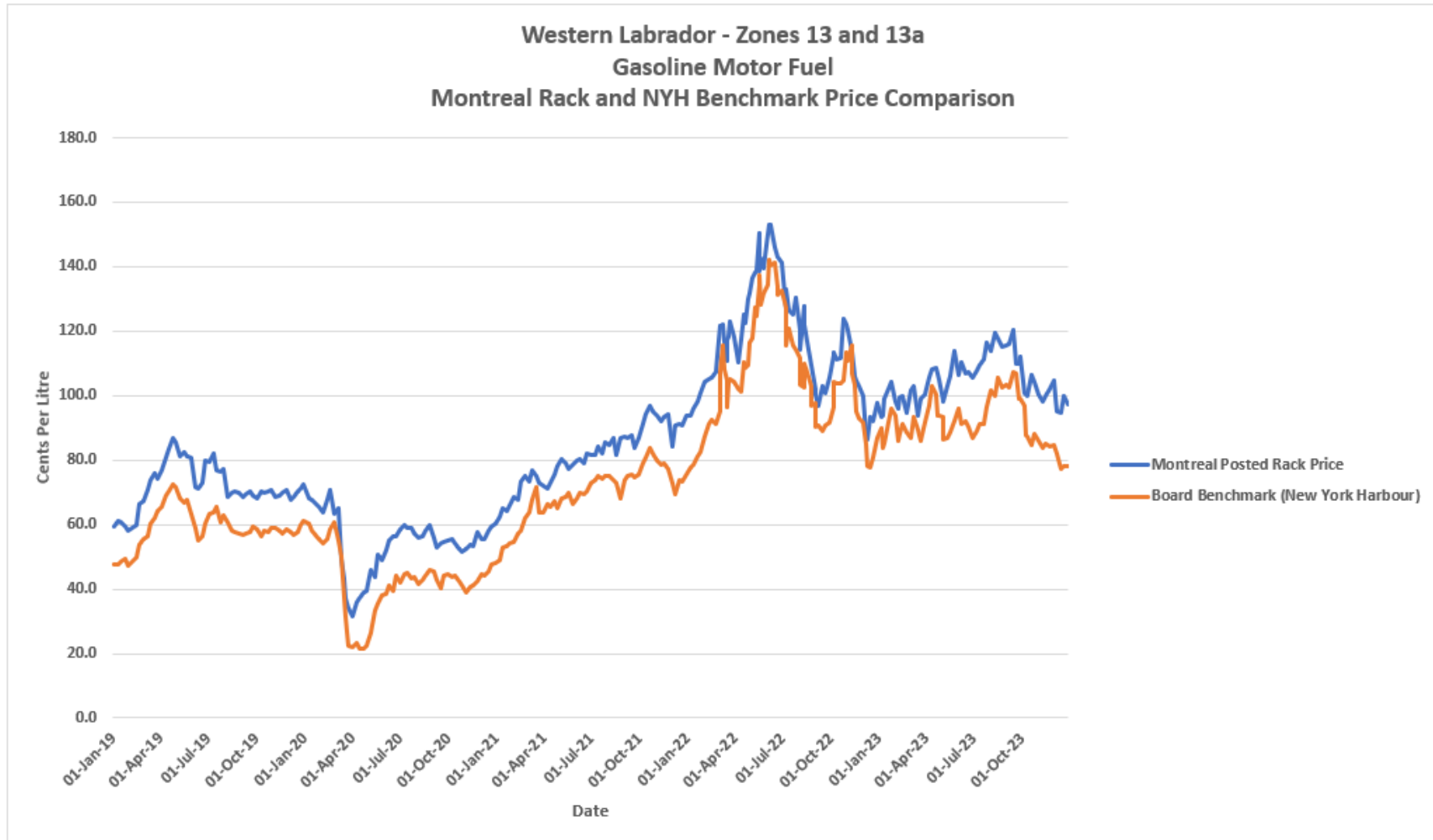
Diesel and Stove Oil Blending Methodology Western Labrador		
Type of Product	Effective Date	Blending Calculation
Diesel Motor Fuel	Up to September 30, 2015	75% ULSK / 25% ULSD
	October 1, 2015	100% ULSK
	May 19, 2022	45% ULSK / 55% ULSD
	June 2, 2022	100% ULSD
	October 6, 2022	25% ULSK / 75% ULSD
	October 13, 2022	50% ULSK / 50% ULSD
	October 20, 2022	75% ULSK / 25% ULSD
Stove Oil Heating Fuel	Up to November 25, 2020	100% ULSD
	November 26, 2020	100% ULSK

APPENDIX H - POTENTIAL DIESEL BENCHMARK BLENDING APPROACH: WESTERN LABRADOR

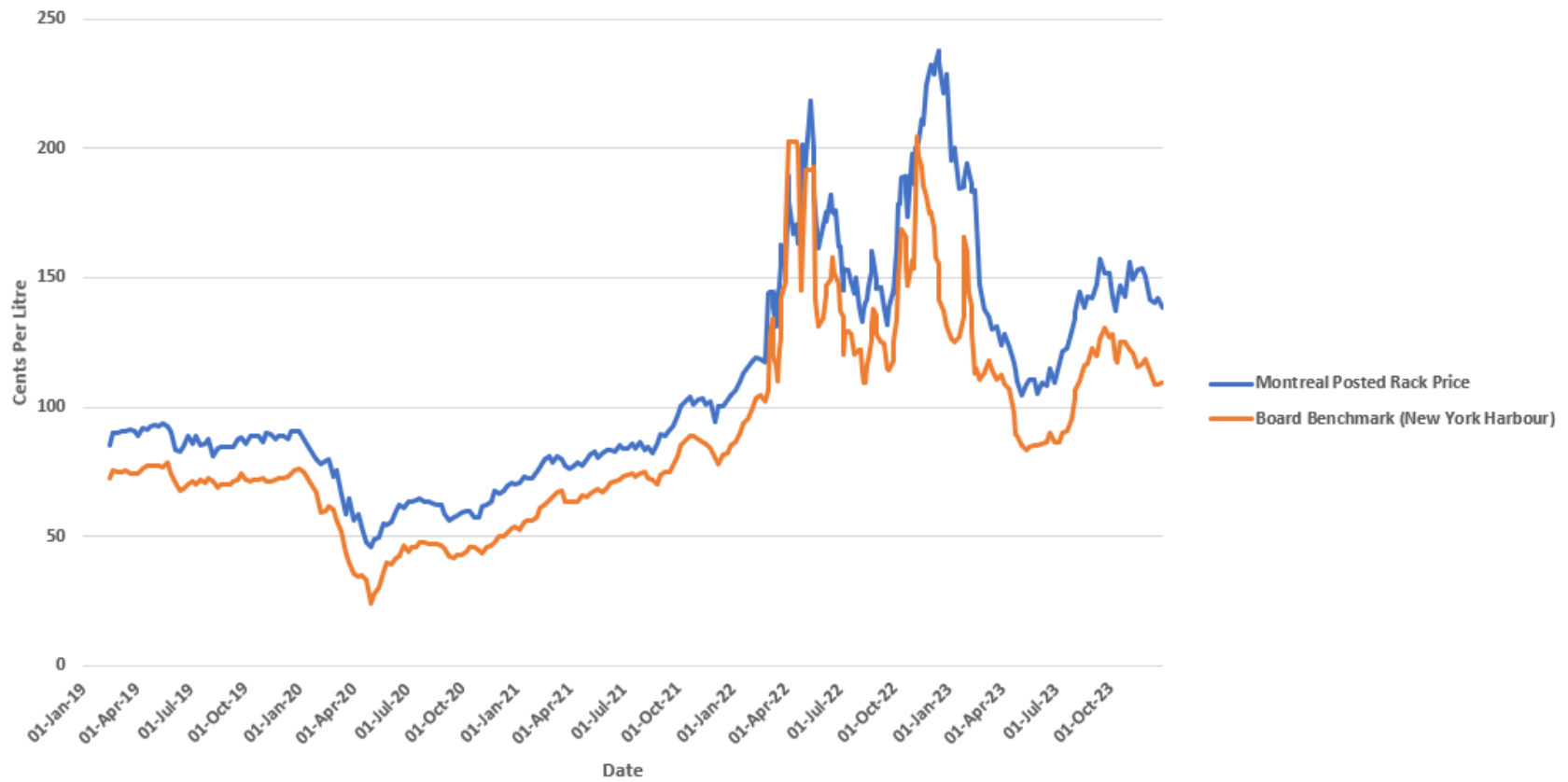
Potential Diesel Benchmark Blending Methodology Western Labrador Zones 13 and 13a*			
Season	Blending Period	Blending Percentage	
		ULSD	ULSK
Summer	April End to September End	25%	75%
Fall Blend Transition	October (1 st Weekly Adjustment)	20%	80%
	October (2 nd Weekly Adjustment)	10%	90%
	October (3 rd Weekly Adjustment)	-	100%
Winter	October End to March End	-	100%
Spring Blend Transition	April (1 st Weekly Adjustment)	10%	90%
	April (2 nd Weekly Adjustment)	20%	80%
	April (3 rd Weekly Adjustment)	25%	75%

*Includes, at a minimum, Labrador City, Wabush, and Churchill Falls.

APPENDIX I - BENCHMARK PRICE AND RACK COMPARISON



Western Labrador - Zones 13 and 13a
Diesel Motor Fuel
Montreal Rack and NYH Benchmark Price Comparison



APPENDIX J - ARGUS BENCHMARK OPTIONS: WESTERN LABRADOR

Argus Benchmark Options Western Labrador Zones 13 and 13a*		
Listing	Jurisdiction	Product Code
Regular Gasoline		
Gasoline 87 conv NYH cargo inc duty continuous	NB	PA0000905
Gasoline reg CBOB NYH barge fob prompt continuous ⁶⁹	NB & NS	PA0005168
Ethanol New York barge fob NYH month ⁷⁰	NB	PA0006829
Ethanol Chicago Argo in-tank transfer prompt ⁷¹	NS	PA0003256
Premium Gasoline		
Gasoline 93 conv NYH cargo inc duty continuous ⁷²	NB	PA0000946
Gasoline prem CBOB NYH barge fob prompt continuous ⁷³	NS	PA0005170
Diesel and Stove Oil		
Diesel ULSD NYH barge fob prompt	NB & NS	PA0004080
Kerosine ULSK NYH barge fob	NB	PA0004977

*Includes, at a minimum, Labrador City, Wabush, and Churchill Falls.

⁶⁹ If the Board determines that gasoline benchmark prices should be based in part on CBOB market data.

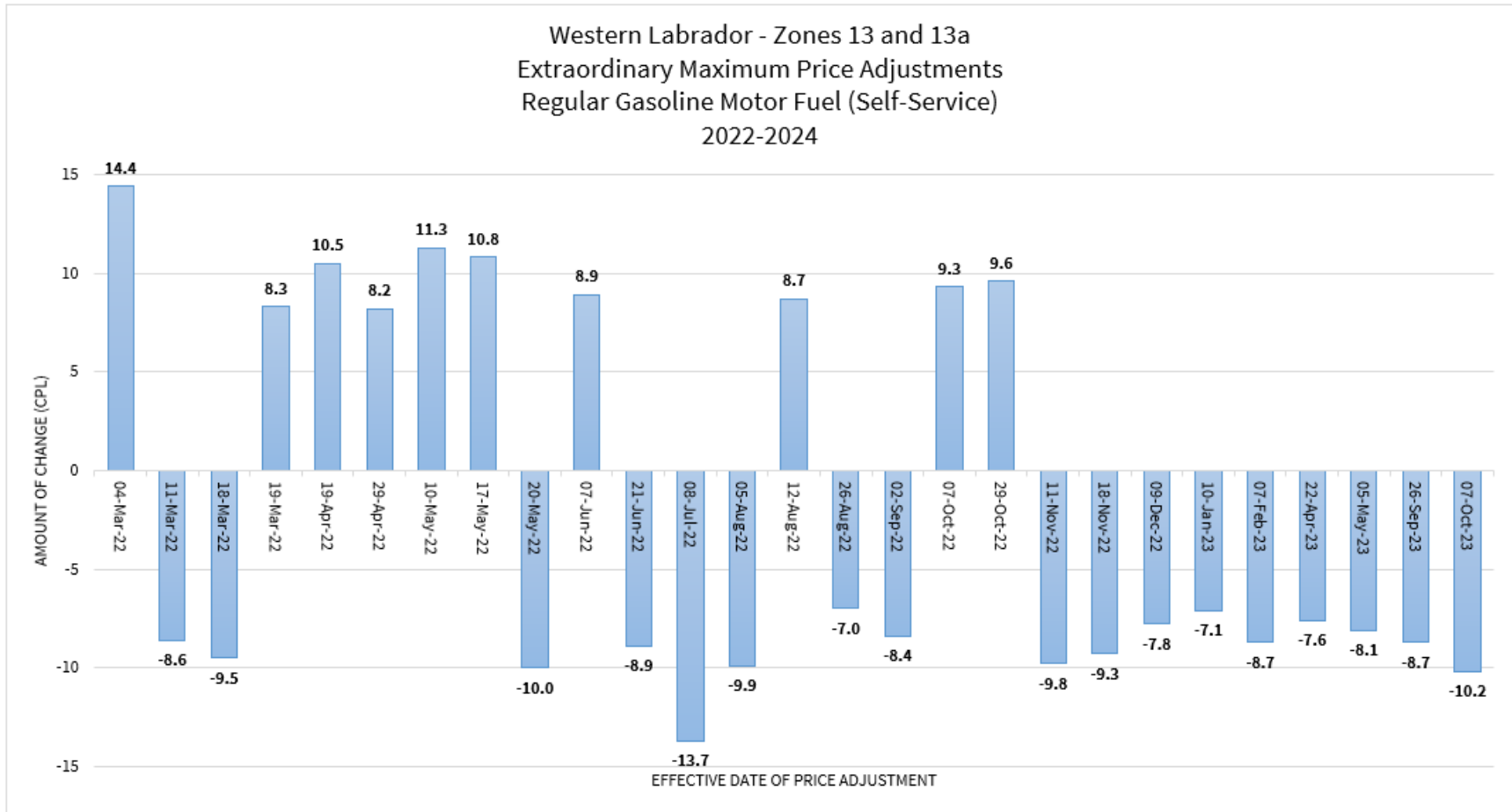
⁷⁰ If the Board determines that gasoline benchmark prices should be based in part on ethanol market data.

⁷¹ If the Board determines that gasoline benchmark prices should be based in part on ethanol market data.

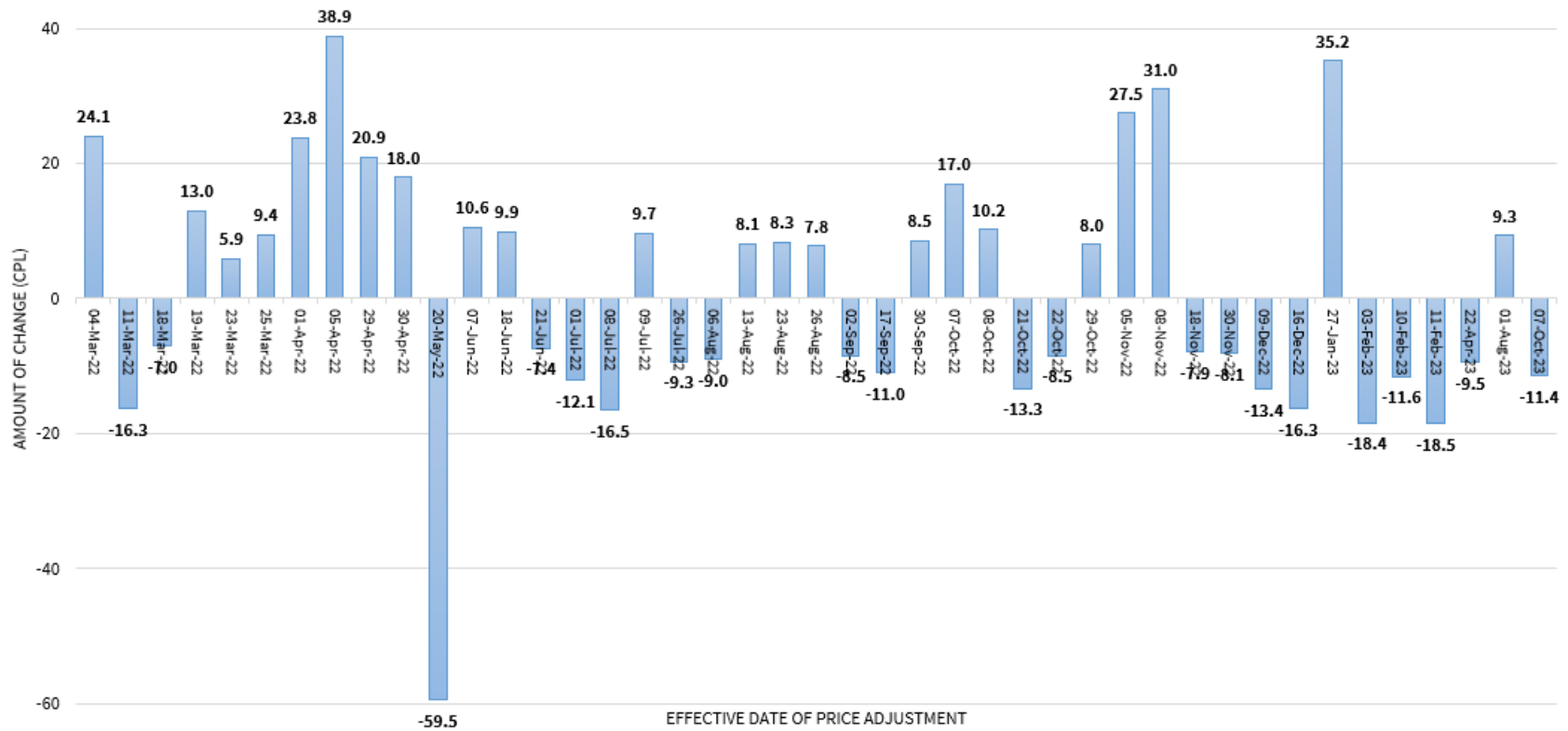
⁷² If amendments are made to legislation for the manner in which premium gasoline benchmark prices are calculated.

⁷³ If amendments are made to legislation for the manner in which premium gasoline benchmark prices are calculated.

APPENDIX K - EXTRAORDINARY PRICE ADJUSTMENTS: WESTERN LABRADOR



Western Labrador - Zones 13 and 13a
 Extraordinary Maximum Price Adjustments
 Diesel Motor Fuel
 2022-2024



APPENDIX L - CURRENT MARK-UPS AND DIFFERENTIALS

Current Mark-Ups and Zone Differentials Labrador cents per litre					
Product	Zone	Current Wholesale Mark-Up	Current Zone Differential	Current Retail Mark-Up	Total Mark-Up and Zone Differential
Gasoline	10	10.65	18.20	10.28	39.13
	11	10.65	21.55	10.28	42.48
	11a	10.65	27.81	12.67	51.13
	11b	10.65	32.99	12.67	56.31
	12	10.65	7.23	10.28	28.16
	13	10.65	10.73	10.28	31.66
	13a	10.65	12.91	10.28	33.84
	14	10.65	27.81	12.67	51.13
Diesel	10	10.07	15.59	14.03	39.69
	11	10.07	20.33	14.03	44.43
	11a	10.07	27.31	14.03	51.41
	11b	10.07	33.29	14.03	57.39
	12	10.07	6.98	14.03	31.08
	13	10.07	9.73	14.03	33.83
	13a	10.07	11.91	14.03	36.01
	14	10.07	27.31	14.03	51.41
Stove Oil	10	8.11	18.50	20.28	46.89
	11	8.11	19.20	20.28	47.59
	11a	15.49	25.40	12.90	53.79
	11b	15.49	37.20	12.90	65.59
	12	8.11	4.20	20.28	32.59
	13	8.11	5.20	20.28	33.59
	13a	8.11	7.30	20.28	35.69
	14	15.49	25.40	12.90	53.79

APPENDIX M - ZONE DIFFERENTIAL CHANGES: INTERIM LABRADOR REVIEW

Product	Pricing Zone	Interim Increases to Zone Differentials Labrador (cents per litre)		
		P.P 58(2020)	P.P 25(2021)	P.P 33(2021)
Gasoline	10	+8.0	+3.0	
	11	+4.0	+3.0	
	11a		+8.0	
	11b	+4.0	+3.0	
	12	+3.0	+1.0	
	13			+6.0
	13a			+6.0
	14		+8.0	
Diesel	10	+8.0	+2.0	
	11	+5.0	+2.0	
	11a		+9.0	
	11b	+5.0	+2.0	
	12	+3.0	+1.0	
	13			+5.0
	13a			+5.0
	14		+9.0	
Stove Oil	10	+8.0	+2.0	
	11		+2.0	
	11a			
	11b		+2.0	
	12		+1.0	
	13			
	13a			
	14			

APPENDIX N - CHANGES IN RETAILER COSTS

Estimated Changes in Retailer Costs 2018/2019-2023 Labrador cents per litre				
Type of Product	R Cube Adjustments	Board Adjustments		Total Estimated Change in Retailer Costs
	Change in Retailer Operating Costs (2018/2019-2022)	2023 Cost Adjustment	Additional Adjustment	
Gasoline	3.06	0.52	(1.0)	2.58
Diesel	3.06	0.66	(1.0)	2.72
Stove Oil	2.66	0.81	1.0	4.47 ⁷⁴
Discussion				
<p>Change in Retailer Operating Costs: Reflects retailer operating cost changes for the period 2018/2019 to 2022 based on R Cube’s analyses (Phase III Report, Page 16).</p> <p>2023 Cost Adjustment: Reflects a CPI adjustment for the 2023 year.</p> <p>Additional Adjustment: Reflects additional adjustments giving consideration to the magnitude of the changes, available information with respect to Canadian price comparisons, as well as mark-ups in other Atlantic Canadian jurisdictions.</p>				

⁷⁴ The Board proposes to align stove oil retail mark-ups in Labrador with the proposed furnace oil retail mark-ups on the Island, resulting in a potential increase to stove oil retail mark-ups of 2.46 cents per litre for most Labrador zones.

APPENDIX O - POTENTIAL CHANGES TO MARK-UPS AND ZONE DIFFERENTIALS (LAB.)

Type of Product	Zone	Wholesale Components ⁷⁵						Retail Components			Total Potential Net Change
		Mark-Up			Zone Differential			Mark-Up			
		Current	Potential Change ⁷⁶	Potential New	Current	Potential Offset ⁷⁷	Potential New	Current	Potential Change	Potential New	
Gasoline	10	10.65	+3.04	13.69	18.20	(3.04)	15.16	10.28	+2.58	12.86	+2.58
	11	10.65	+3.04	13.69	21.55	(3.04)	18.51	10.28	+2.58	12.86	+2.58
	11a	10.65	+3.04	13.69	27.81	(3.04)	24.77	12.67	+0.19	12.86	+0.19
	12	10.65	+3.04	13.69	7.23	(3.04)	4.19	10.28	+2.58	12.86	+2.58
	13	10.65	+3.04	13.69	10.73	(3.04)	7.69	10.28	+2.58	12.86	+2.58
	13a	10.65	+3.04	13.69	12.91	(3.04)	9.87	10.28	+2.58	12.86	+2.58
	14	10.65	+3.04	13.69	27.81	(3.04)	24.77	12.67	+0.19	12.86	+0.19
Diesel	10	10.07	+2.96	13.03	15.59	(2.96)	12.63	14.03	+2.72	16.75	+2.72
	11	10.07	+2.96	13.03	20.33	(2.96)	17.37	14.03	+2.72	16.75	+2.72
	11a	10.07	+2.96	13.03	27.31	(2.96)	24.35	14.03	+2.72	16.75	+2.72
	12	10.07	+2.96	13.03	6.98	(2.96)	4.02	14.03	+2.72	16.75	+2.72
	13	10.07	+2.96	13.03	9.73	(2.96)	6.77	14.03	+2.72	16.75	+2.72
	13a	10.07	+2.96	13.03	11.91	(2.96)	8.95	14.03	+2.72	16.75	+2.72
	14	10.07	+2.96	13.03	27.31	(2.96)	24.35	14.03	+2.72	16.75	+2.72
Stove Oil	10	8.11	+0.87	8.98	18.50	(0.87)	17.63	20.28	+2.46	22.74	+2.46
	11	8.11	+0.87	8.98	19.20	(0.87)	18.33	20.28	+2.46	22.74	+2.46
	11a	15.49	(6.51)	8.98	25.40	(0.87)	24.53	12.90	+9.84	22.74	+2.46
	12	8.11	+0.87	8.98	4.20	(0.87)	3.33	20.28	+2.46	22.74	+2.46
	13	8.11	+0.87	8.98	5.20	(0.87)	4.33	20.28	+2.46	22.74	+2.46
	13a	8.11	+0.87	8.98	7.30	(0.87)	6.43	20.28	+2.46	22.74	+2.46
	14	15.49	(6.51)	8.98	25.40	(0.87)	24.53	12.90	+9.84	22.74	+2.46

⁷⁵ Potential changes to the wholesale mark-ups and zone differentials result in a net-zero change for wholesalers.

⁷⁶ Potential changes to wholesale mark-ups in Labrador reflect potential changes to wholesale mark-ups for the Island portion of the Province.

⁷⁷ Includes reductions in the zone differentials to offset increases in the wholesale mark-ups.

APPENDIX P - CURRENT MARK-UPS AND ZONE DIFFERENTIALS: PROPANE

Current Propane Total Allowed Mark-Ups and Zone Differentials Labrador cents per litre			
Zone	Current Total Allowed Mark-Up	Current Zone Differential	Total Mark-Up and Zone Differential ⁷⁸
10	63.09	6.5	69.59
11	63.09	15.2	78.29
11a	63.09	23.4	86.49
11b	63.09	33.2	96.29
12	51.09	1.20	52.29
13	51.09	3.20	54.29
13a	51.09	5.30	56.39
14	63.09	23.4	86.49

⁷⁸ Since sales are only considered regulated when delivered to a customer's residence, the Board does not set wholesale maximum prices for propane. The Board does establish zone differentials, total allowed mark-ups and sets retail maximum prices for the product.

APPENDIX Q - HISTORY OF CHANGES TO MARK-UPS AND DIFFERENTIALS

History of Changes to Mark-Ups and Zone Differentials: 2008-2024										
Effective Date	Mark-Ups									Zone Differential
	Gasoline		Diesel		Furnace Oil		Stove Oil		Propane	All Products
	W/S	R/T	W/S	R/T	W/S	R/T	W/S	R/T	Total	
July 17, 2008		+1.25								
January 14, 2010 ⁷⁹						+1.00		+1.00		
May 16, 2013 ⁸⁰						+1.96		+2.28 ⁸¹	+4.90	
January 15, 2015 ⁸²	+1.16	+2.48	+1.16	+2.48	+0.61		+0.61			Reviewed, No Changes
March 11, 2015 ⁸³										Zone 7a (Gas): +7.1
October 3, 2019 ⁸⁴						+1.71		+1.90	+3.49	
October 1, 2020 ⁸⁵	+0.91	+1.55	+0.91	+1.55						
October 29, 2020 ⁸⁶	+5.00		+4.00		+4.00		+4.00			
November 26, 2020 ⁸⁷										+3.0 to +8.0
May 6, 2021 ⁸⁸									+12.0 to +20.5	
June 10, 2021 ⁸⁹									+12.0	+1.0 to +9.0
July 29, 2021 ⁹⁰										+5.0 to +6.0

⁷⁹ See **Order No. P.P. 1(2010)**.

⁸⁰ See **Order No. P.P. 20(2013)**.

⁸¹ For all Zones with the exception of Zones 11a, 11b and 14.

⁸² See **Order No. P.P. 2(2015)**.

⁸³ See **Order No. P.P. 11(2015)**.

⁸⁴ See **Order No. P.P. 41(2019)**.

⁸⁵ See **Order No. P.P. 46(2020)**.

⁸⁶ Changes made on an Interim basis, subject to a further review. See **Order No. P.P. 52(2020)**.

⁸⁷ Labrador zones only. See **Order No. P.P. 58(2020)** for details.

⁸⁸ Changes made on an Interim basis, subject to a further review. See **Order No. P.P. 19(2021)**.

⁸⁹ Labrador zones only. See **Order No. P.P. 25(2021)** for details.

⁹⁰ Labrador zones only. See **Order No. P.P. 33(2021)** for details.

GLOSSARY OF TERMS

Term	Definition
Benchmark	A point of reference against which things may be compared or assessed.
Benchmark Price	A price reference point representing a wholesaler's unregulated purchase price for a type of fuel.
CBOB	Denotes "Conventional Blendstock for Oxygenated Blending". US Standard gasoline, typically blended to make a finished on-road gasoline.
Consumer	A person who acquires a petroleum product for that person's use and not for the purpose of selling, exchanging or otherwise disposing of it to another person. It does not include a person who acquires a petroleum product under a contract between the person and a retailer or wholesaler at a price that the person and the retailer or wholesaler have previously agreed on.
Cost Recovery	The recouping of costs of any expense.
Criteria	A standard by which something may be decided.
Data Reporting Agency	A business that calculates and publishes current and historical fuel pricing data.
Extraordinary Price Adjustment	A price adjustment which occurs outside of the regular weekly time period, usually in response to market volatility.
Forward Averaging	A cent per litre amount included in the price of fuel at the time of a price adjustment to account for an historical difference between current and previous benchmark prices.
Market Adjustor	A monetary adjustment intended as a temporary economic remedy for a difference between the wholesale or retail maximum price for a type of fuel and the price a wholesaler or retailer must pay for that type of fuel.
Market Volatility	The frequency and magnitude of market price movements, up or down.
Maximum Price	The highest cents per litre price that can be charged for a type of fuel.
Minimum Pricing	The lowest cents per litre price that can be charged for a type of fuel.
NYH	Denotes "New York Harbor".
Rack Pricing	The price of a type of fuel at a terminal storage rack which the Board has no authority to regulate.
Regulated	Subject to price regulation under the Act .

Term	Definition
Retail Mark-Up	A cents per litre amount added to the benchmark price, the wholesale mark-up and the zone differential intended to reflect the operating costs of a retailer to supply a type of fuel to a consumer.
Retailer	A person who sells a petroleum product or keeps a petroleum product for sale directly to consumers.
Total Allowed Mark-Up	The sum of the wholesale mark-up and the retail mark-up.
ULSD	Denotes “Ultra Low Sulphur Diesel”
ULSK	Denotes “Ultra Low Sulphur Kerosene”.
Wholesale Mark-Up	A cents per litre amount added to a benchmark price intended to reflect the operating costs of a wholesaler to supply a type of fuel to a retailer. It becomes a flow-through in the calculation of retail maximum prices.
Wholesaler	A person, other than a retailer, who sells a petroleum product or keeps a petroleum product for sale.
Zone	A geographic area within the Province with boundaries as set by the Board.
Zone Differential	A cents per litre amount added to a benchmark price and a wholesale mark-up intended to reflect additional costs of transportation, storage and distribution of a type of fuel to and within a pricing zone. It becomes a flow-through in the calculation of retail maximum prices.

