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Sarah Cardell
General Counsel
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Dear Sarah,

Urgent Review of the Market for Road Fuel

Thank you for the CMA's initial report on the market for road fuel, following my request for an urgent review. The Government is determined do everything possible to ensure that drivers are getting a fair deal for fuel, in the context of global circumstances leading to record high oil and gas prices. It is right that the UK ensures our markets do not exacerbate global trends and that prices fall when global prices do.

Healthy competition in the market is key to ensuring drivers get a fair deal for fuel across the UK. I am therefore grateful to the CMA for its rapid work over the past four weeks responding to my request, given the widespread concern about road fuel prices. The CMA's initial report provides an excellent overview of the market and clear analysis of the issues on which I requested advice. I note your findings that the rise in price has been largely driven by the rise in crude oil prices and in the increase in the refining spread (driven by, amongst other things, the war in Ukraine and the Covid 19 recovery); and that the initial evidence to date suggests that the fuel duty cut was reflected in retail prices.

I note with interest that the CMA considers the issues raised by its review – including a widening gap between the price of crude oil entering refineries and the wholesale price of petrol and diesel; as well as local price variation – warrant further investigation. I therefore welcome the decision to launch a full market study under the Enterprise Act 2002, as I requested in my letter of 11th June. While the CMA's work will be carried out independently, I reiterate that my department's resources will be fully available to support the CMA with this work.

I am grateful to the CMA for setting out certain options for action by Government, following its initial review. The Government will of course give careful consideration to these, as well as any further recommendations made as part of the CMA's market study. We are keen to work with you further as we develop our response to these.

We understand the difficulties the public are experiencing with the cost of living and have announced £37 billion of support this year alone to help families through it. This includes cutting fuel duty on petrol and diesel by 5p - the largest ever cut to all fuel duty rates, saving a typical family £100 and the average van driver £200. The typical employee will save over £330 a year through our National Insurance cut and people on Universal Credit will keep £1,000 extra through our cut to the taper rate. The 8 million most vulnerable British families are receiving at least £1,200 of direct payments this year with additional support for pensioners and those claiming disability benefits. However, the cost of road fuel remains a significant part of household and business expenditure. With this in mind, it is essential that competition works to keep prices down. The Government therefore fully supports the CMA in its further work on this important issue, and will await these findings.

Yours sincerely

RT HON KWASI KWARTENG MP
Secretary of State for Business, Energy & Industrial Strategy