



Department for
Business, Energy
& Industrial Strategy

Government Response to the CMA's Road Fuel Review

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1. Introduction

On 8 July, at the request of BEIS' Secretary of State, the Competition and Markets Authority (CMA) published its Road Fuel Review¹. The CMA has also initiated a formal market study into road fuel, which will examine some of the issues raised in its review in more detail². The study will be published by 7 July 2023, with initial findings due to be published this autumn.

We would like to thank the CMA for its Road Fuel Review which explores whether the road fuel market has adversely affected consumer interests. In doing so, it has considered the following:

- The health of competition in the market including “geographical factors and localised competition”;
- The extent to which competition has resulted in the fuel duty cut being passed on to consumers;
- The reasons for local variations in the price of road fuel; and
- Any further steps that the government or the CMA could take to strengthen competition, or to increase the transparency that consumers have over prices.

¹ <https://www.gov.uk/cma-cases/uk-fuel-retail-market-review>

² <https://www.gov.uk/cma-cases/road-fuel-market-study>

2. Summary of the Competition and Markets Authority's Findings

The review draws several conclusions:

- Overall, the market for the supply of retail fuel in the UK appears relatively competitive, but there are local variations in the price of road fuel, including pricing disparities between urban and rural areas.
- Overall, retailer spread (the difference between wholesale and retail fuel prices) is a relatively small component (around 10p per litre) of the pump price.
- To further improve retail fuel price transparency, an open data scheme for pump prices could strengthen retail competition and create new commercial opportunities for developers, although such measures are likely to have only a modest effect on prices.
- There is no evidence, nor is it clear from analysis that retailers in aggregate have profited from failing to pass on the 5p fuel duty cut.
- Whilst the commission did not ask the CMA to specifically consider competition in the “upstream” parts of the road fuel supply chain, the impact of the refining spread on the price of road fuels is significant. The CMA need to understand more about what is driving recent sharp increases, hence the decision to launch a market study into road fuel.

The CMA makes two recommendations on measures the government could consider to further improve retail fuel price transparency:

- An open data scheme, suggesting that the government could consider an “open data scheme” through which individual forecourt prices are collected and made freely available.
- Motorway pricing, stating that better information on motorways about pump prices, including those at nearby off-motorway petrol stations, could help consumers make better decisions about whether and where to buy.

Open Data Scheme

The review has found that there are currently a range of digital comparison tools which help consumers compare the price of fuel at their local Petrol Filling Stations (PFSs). These include the Consumer Council for Northern Ireland which provides a Fuel Price Checker, price comparison websites, such as Confused.com and GoCompare, and other specialised providers, such as petrolprices.com, which allow consumers to identify their nearest PFS and compare petrol and diesel prices in their local area. Some route navigation apps and physical satnavs incorporate pricing data when displaying PFSs close to a route. Many of these tools, and their providers, rely upon price data provided by Experian which supplies organisations with information and analysis on PFSs.

The CMA has concluded that accessing this data can be costly, and there are some limitations in the coverage of the dataset. It points to the value in developing more formalised and comprehensive schemes, which could provide commercial opportunities for innovative third-party apps and websites to offer consumers real-time comparisons of fuel prices. This, in turn, could encourage PFSs to compete more intensely to attract consumers that have greater visibility over prices in their local area.

The CMA points to international examples, such as Germany's Market Transparency Unit for Fuels which enables consumer access to current fuel prices through third party apps and websites, or the Austrian Energy Regulator, which makes prices available to consumers via a free internet tool as well as via an API (Application Programme Interface).

The review also flags that open data schemes already exist in other markets in the UK, helping consumers make more informed decisions – for example, Transport for London has provided free, real-time open data to developers since 2009.

Motorway Pricing

The CMA cites that while some consumers may be willing to pay more for the convenience of refuelling without leaving the motorway, it is important that consumers have access to the information they need to make good trade-offs between convenience and price.

The CMA points to a scheme of mandatory price posting of competing PFSs on large electronic signs introduced along the Italian highway system which contributed, at least in part, to lower petrol prices at those stations. However, a UK trial to display fuel prices from upcoming Motorway Service Areas (MSAs) along a stretch of the M5 was conducted by National Highways (previously 'Highways England') in 2016-17 and was not found to have increased price competition and price transparency.

The CMA suggests that one option could involve the installation of signs displaying fuel prices of alternative PFSs, including those just off the motorway. However, it notes that the government would have to weigh up any potential benefits against other important public policy considerations, such as its impact on local road traffic volumes.

The CMA also notes that National Highways recently gave Moto permission to display new digital price signs on motorways and that it will engage with DfT and National Highways to explore ways of improving fuel price transparency and competition on motorways, including the status and scope for progressing this initiative.

3. Response to the Competition and Markets Authority's Recommendations

Open Data Scheme

We agree that an open data scheme could have the potential to increase transparency around fuel prices, and be a pro consumer measure and we will commit to swift further work and analysis to assess the feasibility of this recommendation, including timescales for implementation and legislative vehicles, and whether any such scheme would be likely to have a notable impact on fuel price transparency. The government will gather evidence of successful implementation of similar schemes in other countries by consulting with the German Transparency Unit, which has adopted a model to improve consumers access to fuel price fluctuations, making it easier for them to identify the availability of cheaper fuel and the savings they could make in real time. We are also speaking with representatives of the Austrian Federal Competition Authority (AFCA) to understand how Austria's open data scheme for fuel operates in practice and its impact to date on consumer behaviour and fuel pricing.

Motorway Pricing

Whilst we acknowledge that provision of more information to motorway users about fuel prices could, in principle, be a tool to increase fuel price transparency, further work and analysis is needed to assess the merits of this recommendation and whether this would be likely to have a notable impact on fuel price transparency. Consideration will need to be given to a variety of factors including traffic, road safety, environmental, cost and legislative options.

Conclusion

We thank the CMA for its review and findings. We are pleased that the review has not uncovered any substantive issues with the retail road fuel market and its impact on consumers and we note that further, more detailed analysis including the wholesale and refining segments of the market is continuing as part of the market study. However, we recognise that there are some actions to be considered to provide further improvements for consumers. We will continue to work with the CMA and other relevant stakeholders to explore its recommendations in more detail, and will aim to conclude our assessment in Spring 2023 or earlier if possible, to align with the publication of their market study. We also look forward to the findings of the CMA's market study into road fuel and will carefully consider any recommendations made therein.

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