

The Rt Hon Jeremy Hunt MP
Chancellor of the Exchequer
HM Treasury
London SW1A 2HQ

From: Sarah Cardell
Chief Executive

3 July 2023

Dear Chancellor,

The CMA has today published the final report in its Road Fuel Market Study. Following the government's request for the CMA to conduct an initial urgent review of the road fuel market, we have examined the market in greater detail. We have enhanced our evidence base and analysis using our statutory information gathering powers which were not available as part of that urgent review. We have concluded that competition is not working well, with a weakening of competition in retail since 2019.

Our findings show that:

- From 2019-22, average annual supermarket fuel margins have increased by 6 pence per litre (PPL).
- Increased margins on diesel across all retailers have cost drivers an extra 13 PPL from January 2023 to the end of May 2023.
- With greater price transparency and shopping around as effectively as possible, the driver of a typical family car could save up to £4.50 a tank within a 5-minute drive.
- Motorway service stations are charging around 20 PPL more for petrol and 15 PPL more for diesel compared to other fuel stations.

Supermarkets are generally the cheapest places to buy fuel, with Asda typically the cheapest supermarket. This has anchored prices in the past. However, we found that in 2022 Asda and Morrisons each, separately, made a decision to target higher margins on fuel. Other retailers, including Sainsbury's and Tesco, did not respond in the way you would expect in a competitive market and instead raised their fuel prices in line with these changes. Taken together this indicates that competition has weakened and reinforces the need for action.

Diesel prices have been slow to drop in 2023, partially down to Asda 'feathering' its prices (reducing pump prices more slowly as wholesale prices fell) and other firms not responding competitively to that. As a result, the CMA estimates that drivers have paid 13 PPL more for diesel from January 2023 to the end of May 2023 than if margins had been at their historic average.

Local factors also contribute to how much drivers pay at the pump. The CMA study shows that there are significant price differences in local areas, and that the difference between the highest and lowest prices in local areas has increased as average fuel prices have risen. Lower prices are typically associated with having a supermarket retailer nearby. There are some areas where there are no generally lower-priced fuel retailers i.e. supermarkets, and where retailers are likely to have higher costs, for example in more sparsely populated or remote areas, and so these areas are likely to have higher fuel prices.

Our recommendations

We are making two recommendations to the UK government to make this market work better for drivers. Our recommendations will require legislation to be fully effective.

Our first recommendation, a new fuel finder scheme, would give drivers access to live, station-by-station fuel prices. This should help people find the cheapest fuel and drive down prices. The fuel finder open data scheme will need statutory backing to require fuel retailers to provide up-to-date pricing data and make it available to drivers in an open and accessible format that can be easily used by third party apps such as satnavs or map apps, through a dedicated fuel finder app, or a combination of both.

Our second recommendation is a new monitoring body to hold the industry to account. The fuel monitor would monitor prices and margins on an ongoing basis and recommend further action if competition continues to weaken in the market. As the UK transitions to net-zero the demand for petrol and diesel will reduce. The fuel monitor will help the monitoring body and the governments of the UK understand the impact of this on vulnerable consumers that remain dependent on petrol and diesel for longer, as well as those living in areas with limited choice of fuel stations or which are not well served by electric vehicle infrastructure.

The fuel monitor will ensure ongoing scrutiny of retail prices for petrol and diesel. We have observed significant drops in the price of fuel shortly after our previous publications. For example, following the interim update issued by the CMA in May 2023, the average price of road fuel fell in large parts of the UK.

The CMA stands ready to continue to work with governments across the UK to address the problems we have identified to make this market deliver better outcomes for people, businesses and the UK economy as a whole.

Best regards

Sarah Cardell
Chief Executive