

Màiri McAllan MSP
Cabinet Secretary for Transport, Net Zero and Just
Transition
Scottish Government,
St Andrew's House
Regent Road
Edinburgh
EH1 3DG

From: Sarah Cardell
Chief Executive

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Dear Ms McAllan

CMA sets out plan to help drivers get more competitive fuel prices

Today we published the [final report in our Road Fuel Market Study](#). This work builds on our previous [urgent review into the market](#), published last year. Having now examined the market in greater detail and enhanced our evidence base and analysis using our statutory information gathering powers which were not available as part of the urgent review, we have concluded that competition in this market is not working well, with a weakening of competition in retail since 2019.

Our findings show that:

- From 2019-22, average annual supermarket 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. 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.

We have also found that 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 this. As a result, we estimate 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.

While we have found that, with the exception of Northern Ireland, differences in prices between the constituent parts of the UK are relatively small, local factors do contribute to how much drivers pay at the pump. As part of our market study, we undertook some local case studies including in Inverclyde, Highland Council area and Aberdeen City. We identified significant price differences within local areas, and that the difference between the highest and lowest prices in local areas has increased as average fuel prices have risen. Generally, lower prices are typically associated with having a supermarket retailer nearby. Where there are no supermarkets, in remote areas for example, fuel retailers are likely to have higher costs and prices are likely to be higher.

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 scheme – an 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 are not well served by an 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](#) we issued in May 2023, the average price of road fuel fell in large parts of the UK.

As we transition to net-zero, and the market changes, the case for ongoing monitoring will grow even stronger. These changes will happen over an uncertain

time-period; and are likely to be felt most by less well-off consumers and by those living in local areas where competition is already limited. The monitoring function will help give policymakers and regulators, when considering any interventions to manage this transition, the information they need to make timely and informed decisions.

It will now be for the UK government to decide whether and how it will take forward our recommendations but they will require legislation to be fully effective. Given the linkages between your net-zero ambitions, particularly the decarbonisation of the transport sector, and the 'fuel monitor' oversight body we are recommending, I would encourage you and your officials to continue to engage with the UK government as it considers its next steps.

In the meantime, the CMA stands ready to continue to work with you and the other 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.

Yours sincerely

Sarah Cardell
Chief Executive