

Road fuel

Interim monitoring update

CMA189

9 November 2023



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The Competition and Markets Authority has excluded from this published version of the market study report information which it considers should be excluded having regard to the three considerations set out in section 244 of the Enterprise Act 2002 (specified information: considerations relevant to disclosure). The omissions are indicated by [X]. [Some numbers have been replaced by a range. These are shown in square brackets.] [Non-sensitive wording is also indicated in square brackets]

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Summary

1. In the final report of our road fuel market study, published on 3 July 2023, we set out our finding that we had seen a weakening of competitive intensity in the retail of petrol and diesel, meaning that drivers were paying more for road fuel. In response, we recommended that the government take two steps:
 - (a) Introduce a new statutory fuel-finder scheme to give drivers access to live, station-by-station fuel prices.
 - (b) Create a new statutory monitoring function to hold the industry to account.
2. In response, the then-Secretary of State for Energy Security and Net Zero confirmed that the government was accepting the recommendations, intended to legislate to deliver this, and was planning to consult on these measures in the autumn. In the interim, the Secretary of State requested that the CMA use its existing powers to create a voluntary price data-sharing scheme and monitor developments in the market, which we agreed to do. The voluntary price data-sharing scheme went live on 31 August 2023.
3. This update sets out what we have observed in our interim monitoring role, based on market data going beyond the periods we considered in our market study. This comprises:
 - average pump prices, and their components including retail spread, between end-May 2023 and end-October 2023;
 - fuel margins for the supermarkets between end-December 2022 and end-August 2023; and,
 - relative average pump prices between different types of retailer, and between each of the supermarkets, between end-May 2023 and end-September 2023.
4. The average pump price and data can be gathered with a fairly short delay and may be indicative of broad trends in the market, but the level of insight it gives us into overall competitive intensity is limited. Retailer fuel margins, by contrast, give us a much clearer indication of how competition is working in the market, but as these are based on information gathered from individual retailers, this data is subject to a greater lag.
5. Overall, while pump prices for both petrol and diesel have increased since May 2023, this can be divided into two separate periods. During June, July and August, this appears to have been driven primarily by increased crude oil prices and, in the case of diesel, refining spreads, both of which are driven by global factors. Retail spreads were around the long-term average for petrol, and below that level for

diesel. During September and October, however, we have seen significant increases in retail spread for both petrol and diesel. In both cases, the retail spread at end-October was significantly above the long-term average. While the retail spread does increase and decrease in response to volatility in wholesale prices, we would expect these spreads to begin returning to normal levels. If retail spreads were to remain at these levels for much longer, this would cause concern about the intensity of retail competition in the sector.

6. Supermarket fuel margins in 2023 year-to-date have been higher than previous years on a percentage basis, though they are slightly down on 2022 on a pence-per-litre (ppl) basis, due to lower wholesale costs. The 2023 figure was driven by particularly high fuel margins early in the year; from May, the average monthly fuel margin has fallen month-on-month, from 11.9ppl in May to 7.3ppl in August. However we note that even this August figure is higher than the annual average for years prior to 2021, and the data on increasing retail spreads in September and October suggests that supermarket fuel margins may have increased since August.
7. Supermarkets have retained a level of price discount to other types of retailers consistent with long-term trends between end-May and end-September. We have also seen fewer cases of non-supermarket retailers being cheaper than the supermarket average compared to late 2022 and early 2023 (though this is more common than prior to 2022). Within the group of supermarkets, the traditional price-leader, Asda, has more consistently been the cheapest supermarket provider, on average, across both types of fuel, from end-May to end-September.
8. Overall, the picture on recent developments in the market is mixed, with some concerning signs emerging in September and October. The reduced retail spread and falling supermarket fuel margins in the summer are positive, alongside the evidence suggesting stronger price leadership by the traditional price leaders - the supermarkets, in particular Asda. However, this should not be overstated. While lower than earlier in the year, even the August levels of supermarket fuel margins are above those seen prior to 2021, and the spreads data from September and October suggests that competitive intensity may have weakened again. We will consider how both spreads and margins develop in our next monitoring update.
9. More generally, we observed significant volatility in the market in our market study and we will need to continue to monitor the market to understand if the trends we note will continue. In particular, in our market study final report we found that following wholesale price peaks, there was evidence of feathering of prices (i.e. retail prices falling more slowly than the norm compared to wholesale prices), particularly in relation to diesel in the first part of 2023. Given the recent wholesale price increases, we will be watching carefully to see if there is any evidence of feathering practices emerging as wholesale prices stabilise or fall.

10. We will continue to monitor the market on the current basis without any compulsory information gathering powers until a permanent monitoring function is in place, or it is decided that an interim monitoring function is no longer needed. The CMA is committed to do all it can to help drivers as swiftly as possible, whilst waiting for the government's consultation and subsequent legislation. We intend to publish a monitoring report around every four months.

1. Background

- 1.1 On 3 July 2023 the CMA issued the final report of its [road fuel market study](#), which found that competition in the retail sector for petrol and diesel had weakened since 2019, meaning that drivers were now paying more for road fuel at any given level of wholesale prices. To address this issue, we made two recommendations to government:
- (a) First, a new statutory fuel finder scheme, which would give drivers access to live, station-by-station road fuel prices. This should help drivers find the cheapest fuel and drive down prices. The fuel finder open data scheme would 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.
 - (b) Second, a new statutory monitoring function to hold the industry to account. The fuel monitor would have formal powers to 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.
- 1.2 The Secretary of State for Energy Security and Net Zero responded on the same day confirming that the government was accepting both recommendations and intended to legislate, consulting on this in the Autumn. At the same time, the Secretary of State noted that getting legislation in place would take some time, so asked the CMA to follow up on these recommendations on a temporary basis, albeit without any compulsory information gathering powers.
- 1.3 On pricing data, he asked that the CMA create a temporary scheme, allowing retailers to make available their pricing data on a voluntary basis, by the end of August. Asking road fuel retailers to provide up-to-date price data, which will be available to third-party developers means that consumers will then be able to use apps and websites to find fuel prices in their area.
- 1.4 During July and August, the CMA worked with the largest fuel retailers and trade associations, representing a significant proportion of petrol and diesel sold in the UK, on a temporary data scheme, establishing the [technical specification](#) for participants.
- 1.5 This temporary pricing data scheme has been operational since 31 August 2023 and relies on the voluntary cooperation of road fuel retailers. Its purpose is to quickly deliver some of the benefits of open accessible pricing information to consumers whilst awaiting legislation. It provides more recent pricing data, in an

open and unencumbered manner, than was available. The CMA maintains a [list of the participants](#) in the temporary scheme but does not validate the data.

- 1.6 The temporary pricing data scheme now has 12 retailers participating, representing approximately 40% of UK forecourts and more than 60% of fuel sold. While we do not have a comprehensive list of third-party users of the data, we know that some major players, including petrolprices.com and the AA, have begun integrating this data stream into consumer-facing products and several national and local news outlets have hosted fuel price checkers based on this data on their websites.
- 1.7 The temporary pricing data scheme is limited, however, given that coverage is not comprehensive, and there will sometimes be a significant lag between the setting of forecourt prices and the prices displayed by the third-party comparator. While this scheme is a useful first step, it is important that there is a mandatory, permanent scheme in place as soon as possible, so drivers have access to real-time prices from all the fuel stations in the UK. Feedback we have received from the AA has indicated their users are already asking for wider coverage of pump price transparency.
- 1.8 On the interim monitoring role, this is the first update report that the CMA has published. Subsequent update reports will follow around every four months until the permanent function is in place. The CMA is continuing to monitor fuel prices and retailer margins so the analysis that follows will carry on from certain elements of the market study.
- 1.9 The CMA is not using any compulsory information gathering powers to obtain the information and data which underlies these update reports. The information used has been obtained from a combination of information that is commercially available and voluntary requests for information from retailers. Unlike the permanent monitoring function, where we anticipate the relevant body will have statutory powers to obtain information, we have been reliant on retailers providing this information voluntarily.
- 1.10 For these update reports, we issued requests for information to the following retailers:
 - Applegreen- Petrogas
 - Asda
 - Bp
 - Esso
 - Euro Garages Ltd

- Morrisons
- Motor Fuel Group
- Moto-Way
- Rontec
- Sainsburys
- Shell
- Tesco
- Welcome Break

1.11 The CMA has received information in response to our requests from the following retailers:

- Applegreen- Petrogas
- Asda
- Bp
- Esso
- Euro Garages Ltd
- Morrisons
- Motor Fuel Group
- Rontec
- Sainsburys
- Tesco
- Welcome Break

1.12 We are grateful to the 11 retailers who have responded to our voluntary request for information. Given that 2 retailers have decided not to respond, however, this has limited the analysis that we are able to do in this report. In particular, we have been unable to provide fuel margin analysis for the non-supermarkets, as we do not have a dataset that is comparable to what we were able to assemble during our market study, using our statutory information-gathering powers. In our view, this underscores the need for the permanent monitoring function to come with statutory information-gathering powers, to ensure that it is able to carry out all

analysis that it deems necessary to monitor the market. We are pleased that the government remains committed to putting this in place via legislation.

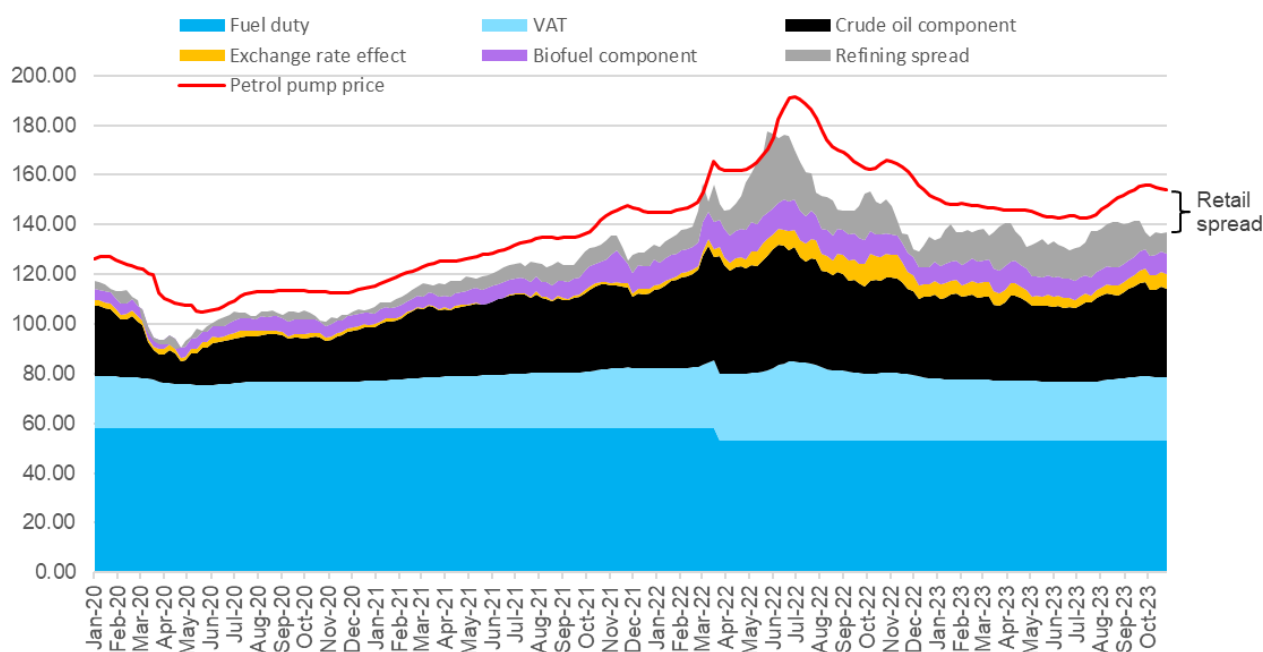
2. Developments in the road fuel market

2.1 This section sets out developments in the price of petrol and diesel since the publication of our market study final report in July, breaking this down into different components to show how these have contributed to overall price movements. It then goes on to consider how competition is operating within this market by looking at relative pricing in the market between supermarkets and other players, the relative price ranking between the supermarkets, and the level of fuel margin that has been earned by retailers.

Overall pricing

2.2 Figures 2.1 and 2.2 below show the pump price, alongside the components that contribute to that price, for petrol and diesel respectively, from January 2020 to October 2023.

Figure 2.1: Petrol pump price with components, January 2020 – October 2023



Source: CMA analysis of BEIS,¹ Platts, Bloomberg and Bank of England data.

Note: The exchange rate effect is calculated relative to 7 June 2021, and it is negative in some periods

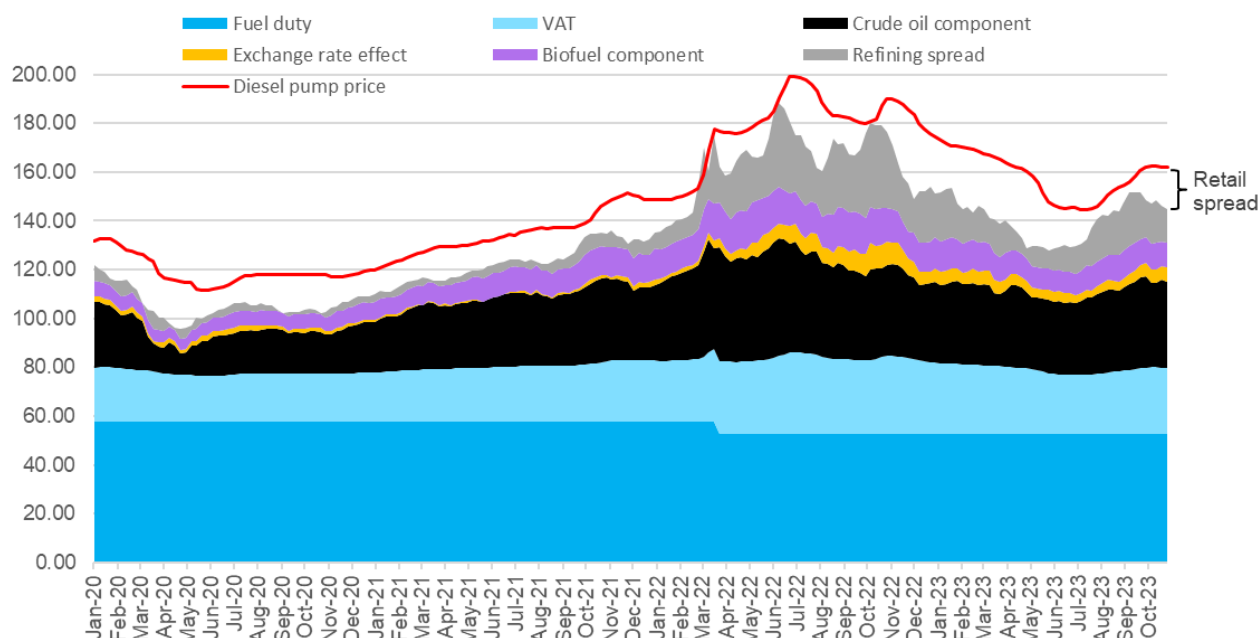
2.3 In our market study final report, we considered pump prices until the end of May 2023. Since then petrol prices have increased from 142.9ppl to 154.0ppl as of end October 2023.² This increase was driven in part by an increase in the price of crude oil, which has increased by around 7.4pp. As we typically see in times of

¹ BEIS existed until 2023 when it was split to form new departments, including the Department for Business and Trade (DBT), and the Department for Energy Security and Net Zero (DESNZ). References in the report to data supplied by BEIS cover data subsequently supplied by DESNZ when BEIS ceased to exist.

² DESNZ, [Weekly road fuel prices - GOV.UK \(www.gov.uk\)](https://www.gov.uk/government/statistics/weekly-road-fuel-prices).

increasing wholesale prices, the retail spread initially fell, falling to a low of 5.8ppl in July 2023. However, this then began to increase significantly. By the end of October, this had reached 17.8ppl, well above the average level of 5-10ppl that we saw in the market between 2015-2019. Over the period end-May to end-October retail spread averaged 12.3 ppl.

Figure 2.2: Diesel pump price with components, January 2020 – October 2023



Source: CMA analysis of BEIS, Platts, Bloomberg and Bank of England data.

Note: The exchange rate effect is calculated relative to 7 June 2021, and it is negative in some periods

- 2.4 For diesel, pump prices at the end of May stood at 147.9ppl and had increased to 161.8ppl by the end of October. The main drivers of this pump price increase were the increase in the price of crude, which went up by 7.4ppl over the period as well as a significant increase in the refining spread of 6.7ppl over the period. Over this period the retail spread first decreased, falling from 20.0ppl at the end of May to a low of 4.3ppl in September, before increasing again to reach 16.9ppl at the end of October – again, well above the 5-10ppl long-term average. Over the entire end-May to end-October period the diesel spread averaged 12.3 ppl.
- 2.5 Overall, while pump prices for both petrol and diesel have increased since May 2023, this can be divided into two separate periods. During June, July and August, this appears to have been driven primarily by increased crude oil prices and, in the case of diesel, refining spreads, both of which are driven by global factors. Retail spreads were around the long-term average for petrol, and below that level for diesel.
- 2.6 During September and October, however, we have seen significant increases in retail spread for both petrol and diesel. In both cases, the retail spread at end-October was significantly above the long-term average. While the retail spread

does increase and decrease in response to volatility in wholesale prices, we would expect these spreads to begin returning to normal levels. If retail spreads were to remain at these levels for much longer, this would cause concern about the intensity of retail competition in the sector.

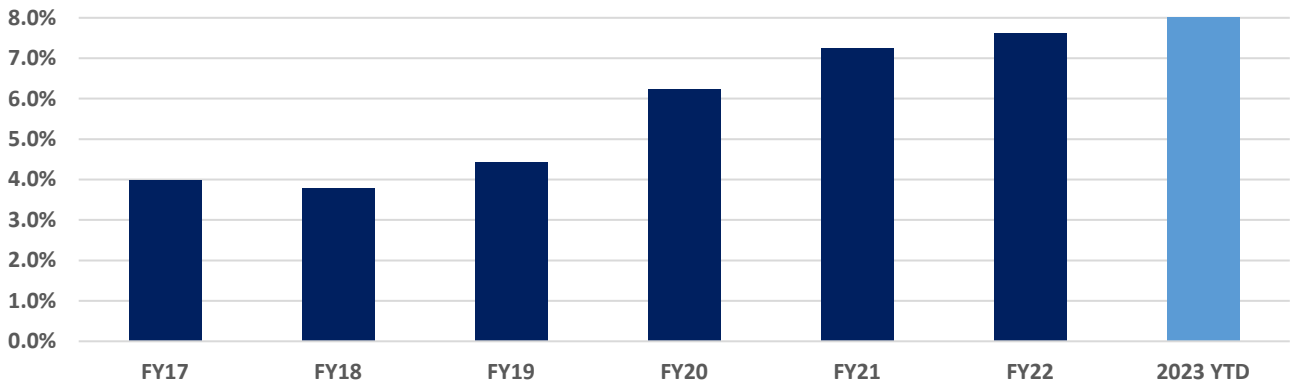
Fuel Margin Analysis

- 2.7 While spread analysis can give us a quick overview of trends in the sector, it is a less effective indicator of competitive intensity than individual firm margins, which show us the difference between the price paid for fuel and the price at which the fuel is sold by particular retailers. In our market study we noted a clear trend of increasing retailer fuel margins from 2019 onwards, up until the end of 2022; we have now extended this analysis into 2023.
- 2.8 As noted in section 1, above, while we received responses to our voluntary requests from all the four major supermarkets that sell road fuel in the UK, we did not receive responses from all of the non-supermarket retailers who had previously provided data on profit margins in the Road Fuel Market Study. Therefore, it has not been possible to compare the fuel margins we observed in the Road Fuel Market Study for non-supermarket retailers to their more recent fuel margins.
- 2.9 We have however provided analysis and trends for supermarket retailers' fuel margins. As explained in the market study, in producing this analysis we have relied on the supermarkets' own management accounts. As the management accounts are finalised sometime after the end of the month to which they relate, at this point we only have the management accounts data to August 2023 for all four supermarkets. We have therefore set out below:
- I. A comparison of average supermarket fuel margins for the calendar year 2023 (up to August 2023) to average supermarket margins based on the financial years covering 2017 to 2022 as set out in the Road Fuel Market Study. We have shown this on both a percentage and pence per litre (ppl) basis (Figure 2.3: and Figure 2.4:)
 - II. The monthly average supermarket fuel margins for 2023 up to August on both a percentage and ppl basis (Figure 2.5: and Figure 2.6:).
- 2.10 These show that:
- I. The 2023 year to date figure of 8.1% is higher than the preceding years (the highest of which was 7.6% in 2022) on a percentage basis, driven by high margins in the first half of the year. On a ppl basis the 2023 year to date figure (10.33ppl) is slightly lower than the 2022 figure (10.86ppl) due to the

higher wholesale fuel prices in 2022, though it was still higher than any of the other years in the period from 2017 that we have considered.

- II. The monthly graphs show higher margins at the start of 2023 with a significant decrease in June, July and August after the publication of the CMA's update on the Market Study on 15 May 2023. On a percentage basis August margins are around 4 percentage points lower than May's (at 5.7% compared to 9.5% in May). On a ppl basis average fuel margins are around 4.5ppl lower (with an average of 11.9ppl in May compared to 7.3ppl in August). Nonetheless, the August ppl figures remain higher than those for any year prior to 2021.

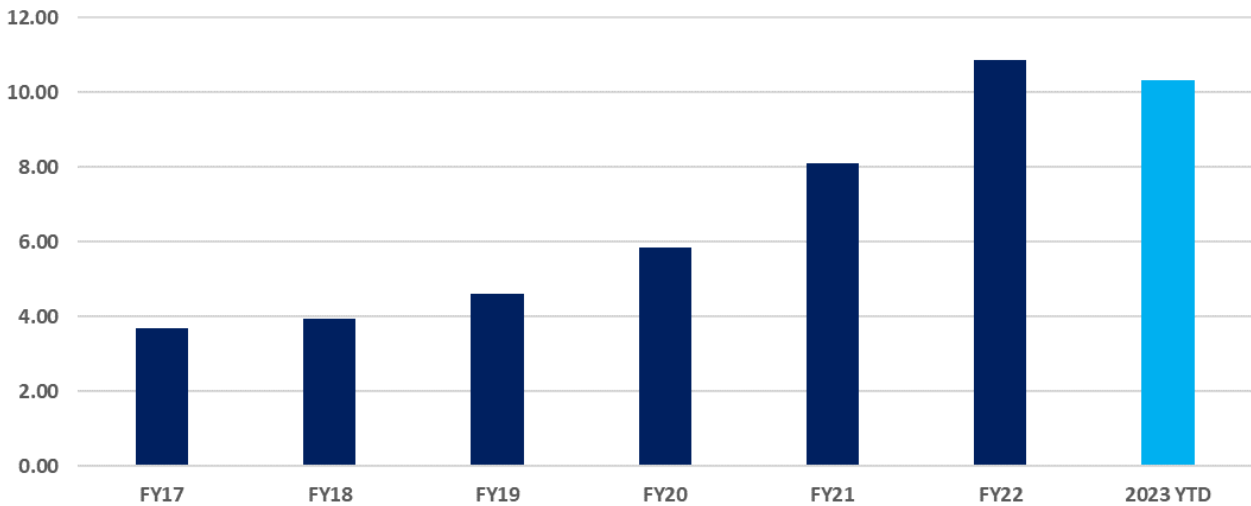
Figure 2.3: Average supermarket fuel margins (%), 2017-2022 and 2023 YTD³



Source: CMA analysis based on parties' submissions

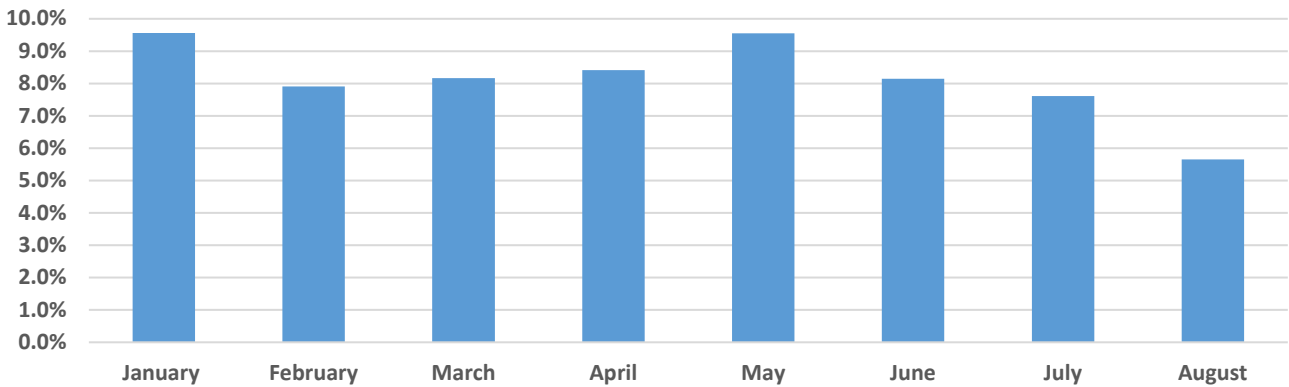
³ Figures displayed: FY17 4.0%, FY18 3.8%, FY19 4.4%, FY20 6.2%, FY21 7.3%, FY22 7.6%, 23 YTD 8.1%

Figure 2.4: Average supermarket fuel margins (ppl), 2017-2022 & 2023 YTD⁴



Source: CMA analysis based on parties' submissions

Figure 2.5: Average percentage supermarket fuel margins on a monthly basis from January 2023 to August 2023⁵

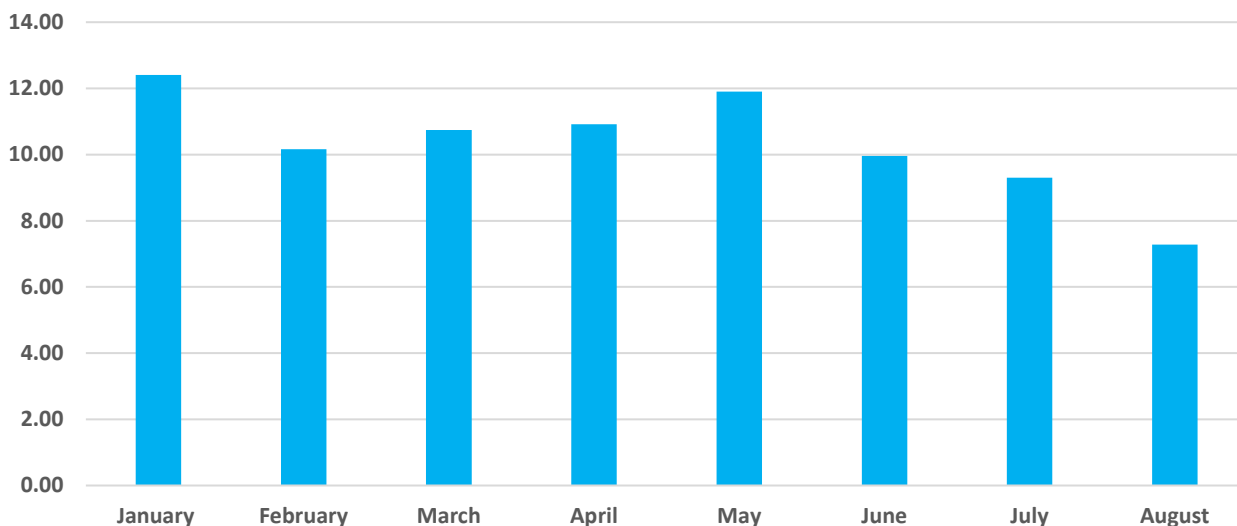


Source: CMA analysis based on parties' submissions

⁴ Figures displayed: FY17 3.69, FY18, 3.94, FY19 4.63, FY20 5.84, FY21 8.11, FY22 10.86, 23 YTD 10.33

⁵ Figures displayed: Jan 9.6%, Feb 7.9%, Mar 8.2%, Apr 8.4%, May 9.5%, Jun 8.1%, Jul 7.6%, Aug 5.7%

Figure 2.6: Average ppl Supermarket Fuel Margins on a monthly basis from January 2023 to August 2023⁶



Source: CMA analysis based on parties' submissions

2.11 While it is a positive sign to see supermarket fuel margins falling from May to August, there are reasons for caution. First, the lower fuel margins in this period are only partially offsetting notably high fuel margins from the beginning of the year. Second, even the level of fuel margins reached in August are still higher than in any year before 2021. Third, given the link we have observed between retail spreads and retailer fuel margins, the increase in retail spreads in September and October suggests that fuel margins may have also increased. We will report on fuel margins for these months and beyond in our next update.

Patterns of retail competition

2.12 In our market study we noted some significant changes in the pattern of retail competition in the UK road fuel market. In particular we noted that:

- (a) Supermarkets remained, on average, cheaper than other types of retailer, generally maintaining an average pricing gap of around 4-6ppl between supermarkets and other types of retailer since 2017.
- (b) Since January 2021, however, there have been several periods when significant numbers of non-supermarkets have been cheaper than the average supermarket price.

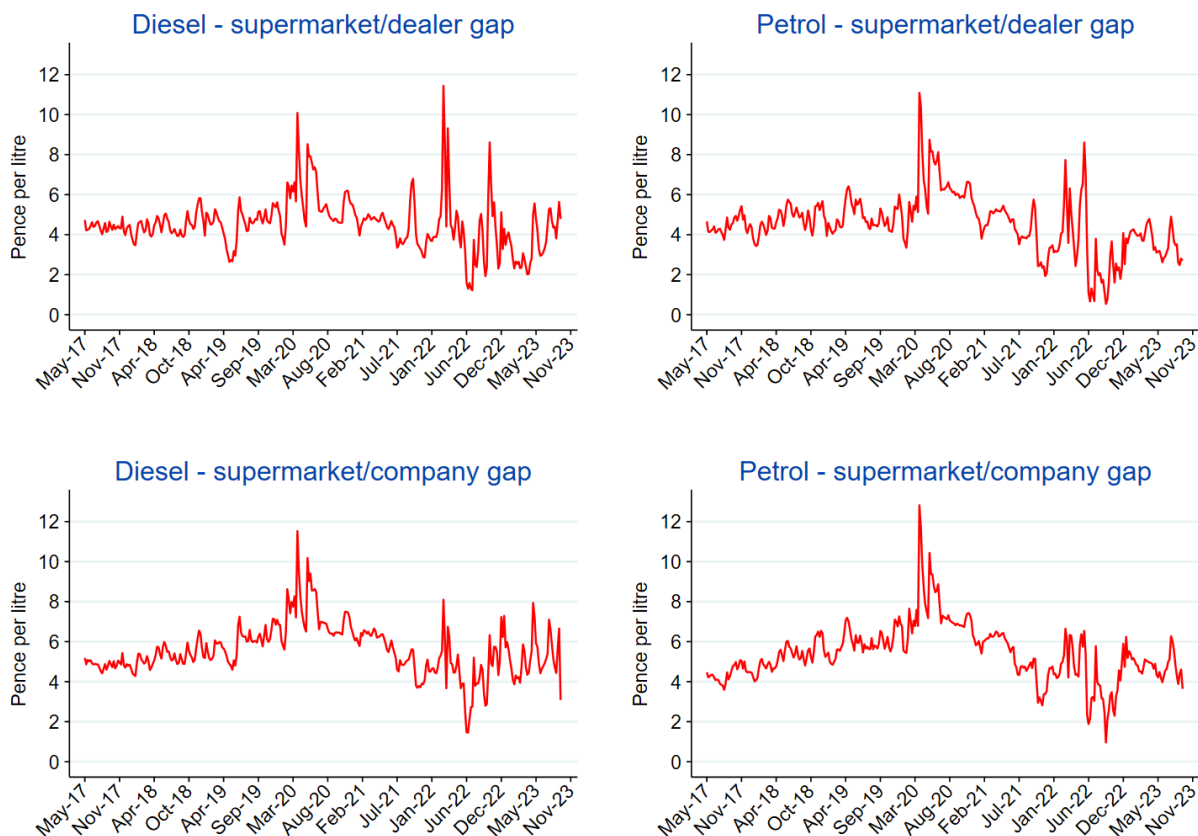
⁶ Figures displayed: Jan 12.40, Feb 10.16, Mar 10.74, pr 10.92, May 11.91, Jun 9.96, Ma 9.31, Aug 7.28

(c) We have seen a decline in the intensity with which Asda and Morrisons act as price leaders in the market, with each of them targeting higher ppl fuel margins since 2021.

2.13 We have extended the analysis from our market study to consider how these trends have developed.

2.14 Figure 2.7 below shows the average price gap between supermarkets and other types of retailer over time: oil-company owned and operated sites, and dealer owned and operated sites. Dealers typically operate under a franchise model whereby they tend to adopt the branding of their fuel supplier, such as Shell or BP.

Figure 2.7: Supermarket price gaps over time



Source: CMA analysis based on data from Experian Limited, ('Experian data')⁷

2.15 Our analysis shows that between the end of May and the end of September the price gap between supermarkets and other types of retailers has been generally

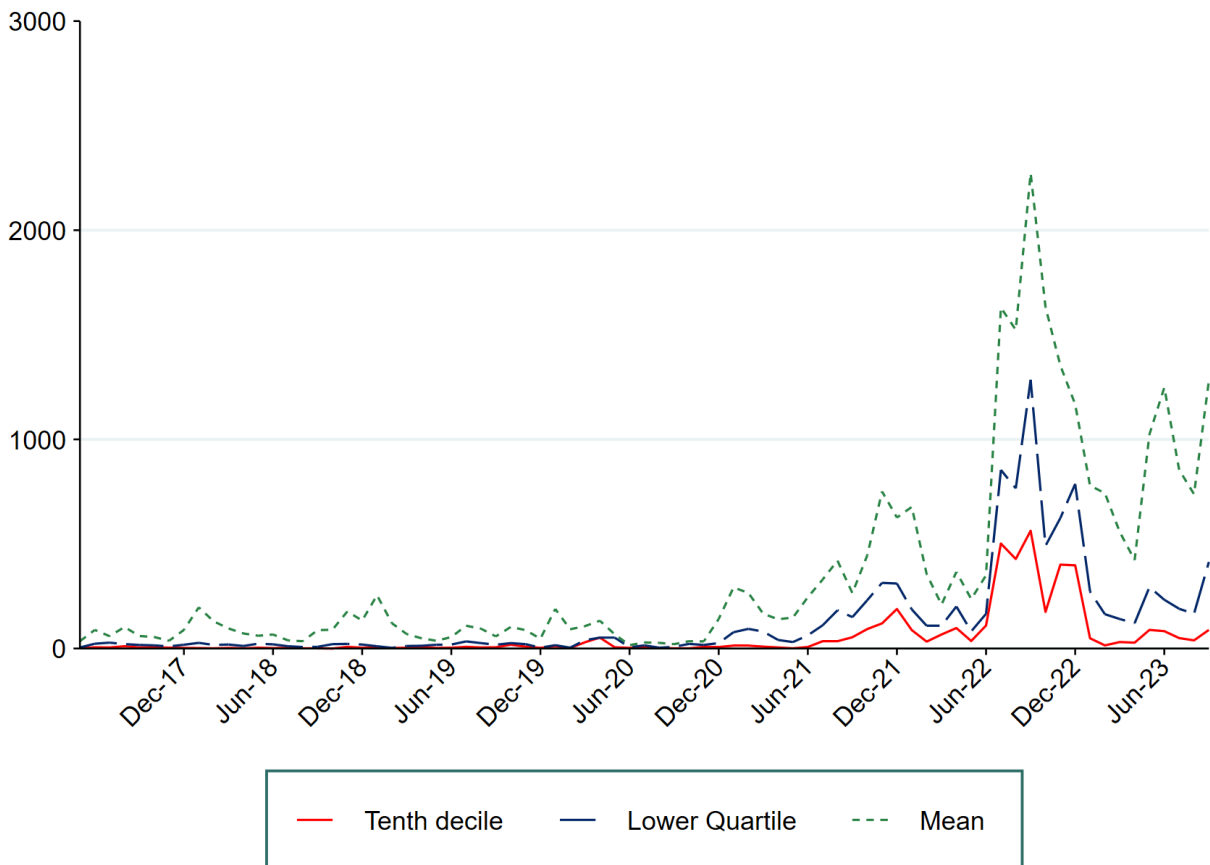
⁷ Experian data is based upon data which is provided by third parties, the accuracy and/or completeness of which it would not be possible and/or economically viable for Experian to guarantee. Experian does not accept liability for any inaccuracy, incompleteness or other error in the Experian data.

within the usual range of 4 to 6 ppl, with the exception of the supermarket-dealer gap on petrol which has dipped below this level towards the end of the period.

2.16 Figures 2.8 and 2.9 show the number of non-supermarket (petrol filling station) PFS sites that are cheaper than:

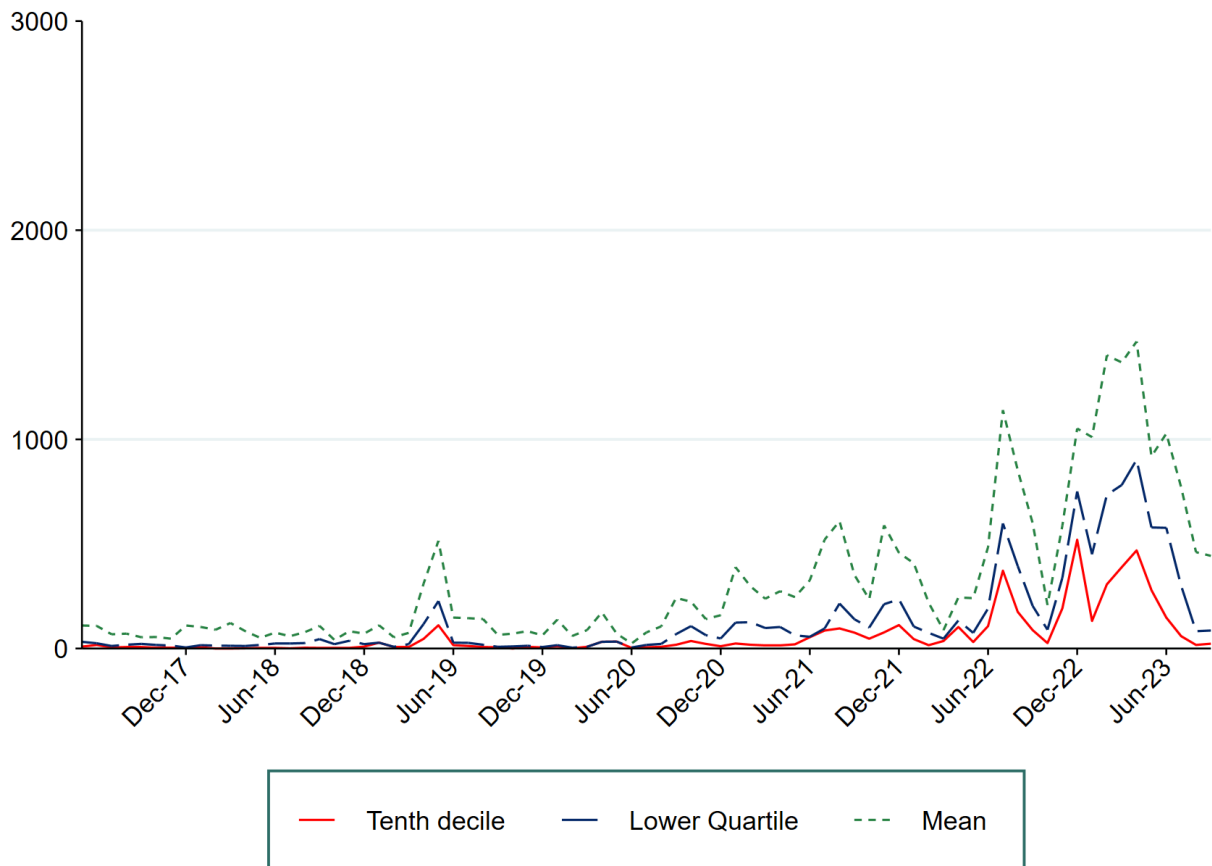
- (a) The average supermarket price,
- (b) The lower quartile supermarket price (the price below which only 25% of supermarket sites are priced),
- (c) the 10th decile supermarket price (the price below which only 10% of supermarket sites are priced).

Figure 2.8: Number of PFSs cheaper than supermarkets for petrol, monthly



Source: CMA analysis based on Experian, BEIS, Platts, Bloomberg and Bank of England data

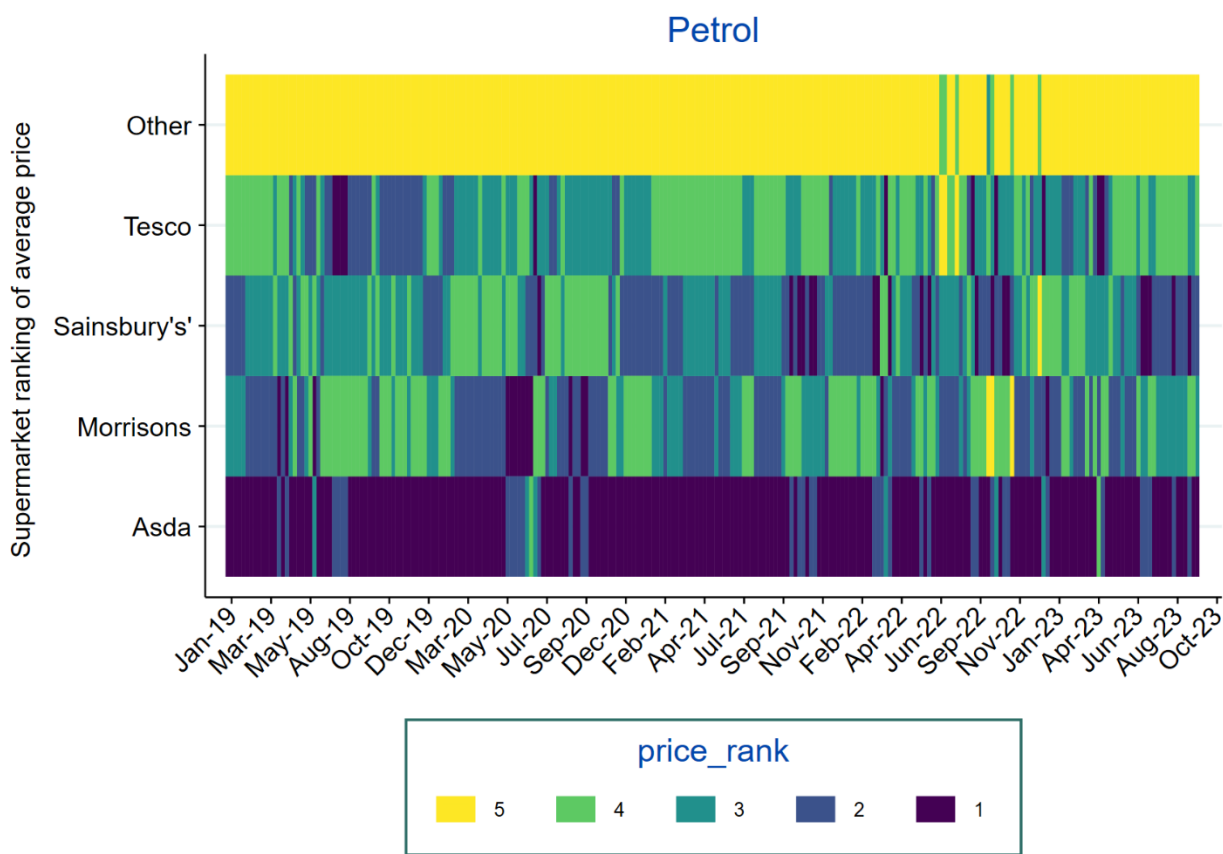
Figure 2.9: Number of PFSs cheaper than supermarkets for diesel, monthly



Source: CMA analysis based on Experian, BEIS, Platts, Bloomberg and Bank of England data

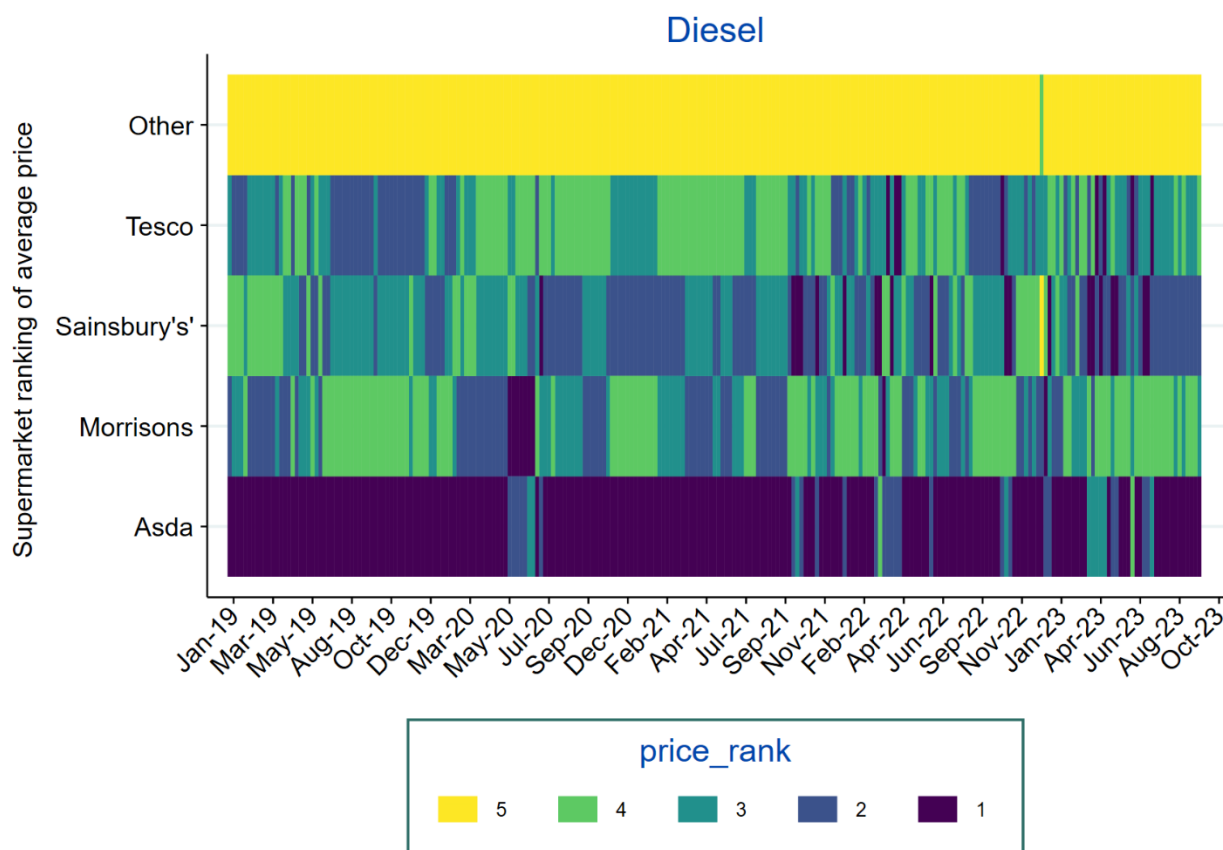
- 2.17 These charts show that for petrol, the number of non-supermarket sites that were cheaper than average supermarket prices initially fell, before rising again towards the end of September. While lower than the peak in late 2022, these numbers are significantly above the low levels observed before 2021. For diesel, the number of non-supermarkets that were cheaper than the supermarket average fell sharply following our final report, though remaining somewhat higher than the pre-2021 norm at the end of September.
- 2.18 Finally, we have also analysed the relative pricing between the different supermarkets. This is displayed in figures 2.10 and 2.11 below, which rank the supermarkets and the combination of all other PFS providers by average prices on for each week.

Figure 2.10: Price ranking heatmap Jan 2019-Sep 2023, petrol



Source: CMA analysis based on Experian data

Figure 2.11: Price ranking heatmap Jan 2019-Sep 2023, diesel



Source: CMA analysis based on Experian data

2.19 The above charts show that between the end of May and the end of September, Asda has most often been the cheapest provider on average for both petrol and diesel, and has done so more consistently than in the preceding 9 months. Sainsbury’s has generally been the second cheapest provider on average, occasionally occupying the cheapest slot (more so for petrol than diesel). Morrisons has generally been the third cheapest for petrol and the fourth cheapest for diesel over the most recent period, while the reverse has been true for Tesco. There have been no occasions over this period when the average price of “other” retailers has been cheaper than the average for any of the supermarkets, for either petrol or diesel.

Overview of developments in the market

2.20 Overall, the picture on recent developments in the market is mixed, with some concerning signs emerging in September and October. The reduced retail spread and falling supermarket fuel margins in the summer are positive, alongside the evidence suggesting stronger price leadership by the traditional price leaders – the supermarkets, in particular Asda. However, this should not be overstated. While lower than earlier in the year, even the August levels of supermarket fuel margins

are above those seen prior to 2021, and the spreads data from September and October suggests that competitive intensity may have weakened again. We will consider how both spreads and margins develop in our next monitoring update.

- 2.21 More generally, we observed significant volatility in the market in our market study and we will need to continue to monitor the market to understand if the trends we note will continue. In particular, we note that in our market study we found that following wholesale price peaks, there was evidence of feathering of prices (i.e. retail prices falling more slowly than the norm compared to wholesale prices), particularly on diesel in the first part of 2023. Given the recent wholesale price increases, we will be watching carefully to see if there is any evidence of feathering practices emerging as wholesale prices stabilise or fall.

3. Next steps

- 3.1 The [government has stated](#) that it will consult on the design of the permanent open data scheme and market monitoring function this autumn, with changes to the law needed to bring it in.
- 3.2 Until the permanent monitoring function is in place, or an interim monitoring function is no longer needed, the CMA intends to publish update monitoring reports around every four months.
- 3.3 Finally, we would like to thank stakeholders for their efforts and participation in the open data scheme and the retailers who have voluntarily provided information in response to our requests. We also encourage those retailers who have not provided this information to reconsider. The quality of the analysis we are able to provide under our interim monitoring function will continue to depend on the level of data we are able to obtain from retailers.