

# Road fuel

## Interim monitoring update

28 March 2024

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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 [Some numbers have been replaced by a range.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 and intended to legislate to deliver this, following consultation on these measures. 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 monitoring update sets out the CMA's observations on developments in the road fuel market in our interim monitoring role since we published our previous update report in November 2023. This report covers:
  - average pump prices, and their components including retail spread, between end-October 2023 and end-February 2024;
  - fuel margins for the supermarkets between end-August 2023 and end-December 2023; and
  - fuel margins for non-supermarkets between end-May 2023 and end-December 2023.
4. The average pump price and data, including retail spreads, 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 decreased since October 2023, this can be divided into two separate periods. From November to late-January prices were decreasing but have since been moving upwards since late-January. This appears to have been driven in part by changing crude oil prices and refining spreads, both of which are driven by global factors. Retail spreads were above the long-term average of 5-10ppl (pence per litre) with petrol

averaging 15.2ppl and diesel averaging 15.14ppl from November to February. This is higher than the average retail spread for the period end-May to end-October of 12.3ppl, for both petrol and diesel, noted in our previous update.

6. While the retail spread does increase and decrease in response to volatility in wholesale prices, we would expect these spreads to return to normal levels over time. While monthly spreads during the period covered in this update have dipped under the upper end of the long-term average, the overall averages have increased and are in excess of the 5-10ppl range. Given the short period of data used for these update reports, this might be indicative of a timing issue rather than a longer-term trend but if retail spreads were to remain at elevated levels for an extended period, this would be an indicative cause for concern about the intensity of retail competition in the sector.
7. Supermarket margins have increased since August 2023 on both a percentage and pence per litre basis. On a percentage basis, margins have increased by 2.6% from August 2023 to 8% in December 2023 peaking at 8.5% in November. When compared to the whole of 2023, margins on a ppl basis for October and November 2023 (11.3 and 11.1ppl) were relatively high with only January and May showing higher ppl figures.
8. Non-supermarket retail margins reveal a similar story to supermarket margins with the latest data for October to December showing a significant increase in margins. On both a percentage and ppl basis, both November and December's figures for non-supermarkets were higher than all previous months in 2023 with the exception of May.
9. Figures for previous years refer to financial years, meaning it is not a like-for-like comparison with a calendar year. However, supermarket fuel margins in 2023 year-to-date have been higher than any previous year since 2017 on a percentage basis. They are slightly below those of 2022 on a pence per litre basis, due to lower wholesale costs but are still higher than any other year since 2017. Non-supermarket margins on both a percentage and ppl basis exceed any other year since 2017.
10. This sustained increase in the level of fuel margins is concerning, and suggests that the finding of our market study that overall levels of competitive intensity have weakened in the road fuel retail market remains valid. This emphasises the importance of the government pressing ahead with implementing our recommendations as soon as possible, which will help drive greater competition in the market.
11. This work does not take into account the potential rising costs for retailers, though during our market study we found that these were not a driver of increases in average fuel margins. We anticipate going further in looking through short-term

trends to provide a fuller analysis of how things are developing overall in the market as part of the annual road fuel report that we expect to issue once we take on the permanent monitoring function with compulsory information gathering powers.

12. We believe our market study remedies, once implemented and bedded in, will help bring about the changes to the market we believe to be necessary. We welcome the government's recent consultation on the implementation of our road fuel remedies and hope to see the legislative footing in place as soon as possible.
13. We will also continue to monitor the market on the current basis without any compulsory information gathering powers while preparing for the permanent monitoring function. The CMA is committed to do all it can to help drivers as swiftly as possible, whilst waiting for the outcome of the government's consultation and subsequent legislation.

# 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 tools such as satnavs or map apps, through a dedicated fuel finder app, or a combination of both.
  - (b) Second, a new 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. The Secretary of State also 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 The Secretary of State has since confirmed the CMA will fulfil the permanent monitoring function, when the statutory footing is in place, and until then, the CMA will continue its interim monitoring function without compulsory information gathering powers.
- 1.4 On pricing data, the Secretary of State asked the CMA to create a temporary scheme, allowing retailers to make available their pricing data on a voluntary basis, by the end of August 2023. 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 14 retailers participating, covering around 40% of UK forecourts and 65% 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 been integrating this data stream into consumer-facing products and several national and local news outlets are hosting 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.
- 1.8 Therefore, we have welcomed the Department for Energy Security and Net Zero (DESNZ) [consultation](#)<sup>1</sup> on the implementation of our road fuel recommendations in January 2024. DESNZ proposals include creating an open data PumpWatch scheme using a third-party aggregator model to gather pricing data, from all PFSs in the UK, with PFSs being required to report pump price movements within 30 minutes. The report also highlights the need for a public authority enforcer to ensure compliance and asks respondents which public authority might be best placed.
- 1.9 The DESNZ consultation also considers the permanent monitoring function, with respondents asked to consider including the type of issues they would like the CMA to consider, frequency of reports and how the government and CMA can support businesses to comply with information requests.
- 1.10 The [CMA has responded to this consultation](#) and acknowledges the constructive engagement by DESNZ officials and Ministers in this market. The government's willingness to accept and act on our recommendations in this market study will help to ensure competition in the interests of drivers. However, this is predicated on putting the recommendations from the market study onto a statutory footing as soon as reasonably possible and ensuring appropriate funding to facilitate the effective exercise of those functions.
- 1.11 This is the second update report that the CMA has published carrying out its interim monitoring role. We will continue to publish around every four months until the permanent function is in place. The CMA is continuing to monitor fuel prices

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<sup>1</sup> DESNZ consultation "*Empowering drivers and boosting competition in the road fuel retail market*" which closed for responses on 12 March 2024



and retailer margins so the analysis that follows will carry on from certain elements of the market study.

1.12 The CMA does not have available compulsory information gathering powers to obtain the information and data which underlies these interim 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 we will have statutory powers to obtain information, we have been reliant on retailers providing this information voluntarily.

1.13 For these update reports, we issued requests for information to the following retailers:

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

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

- Applegreen- Petrogas
- Asda
- Bp

- Esso
- Euro Garages<sup>2</sup>
- Morrisons
- Moto Hospitality
- Motor Fuel Group
- Rontec
- Sainsburys
- Tesco
- Welcome Break

1.15 We are grateful to the 12 retailers who have responded to our voluntary request for information. Shell have also confirmed they will be providing information under this voluntary scheme from January 2024.

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<sup>2</sup> Following the completed purchase of the majority of Euro Garages PFSs in the UK on 31 October 2023, Asda have been providing information for the acquired sites from that date. This information has been provided separately to the existing Asda PFSs.

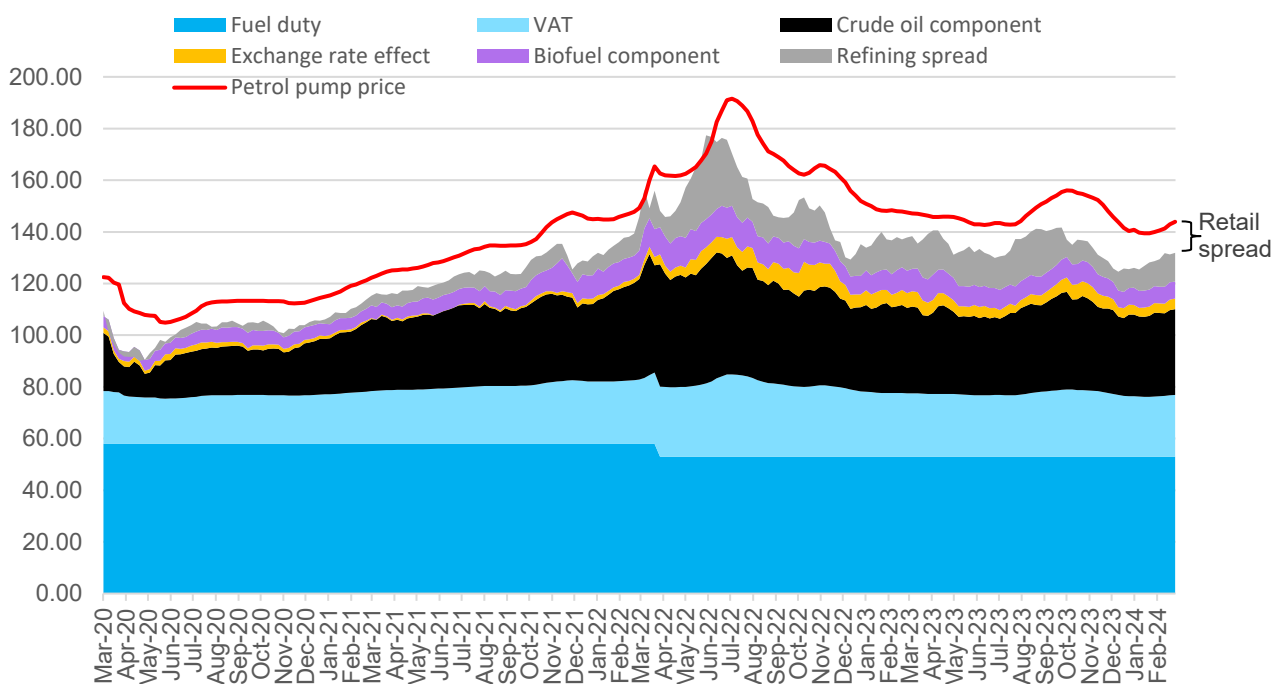
## 2. Developments in the road fuel market

2.1 This section sets out developments in the price of petrol and diesel since the publication of our previous interim update report in November, 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 make it up, for petrol and diesel respectively from March 2020 to February 2024.

**Figure 2.1: Petrol pump price with components, March 2020 – February 2024**

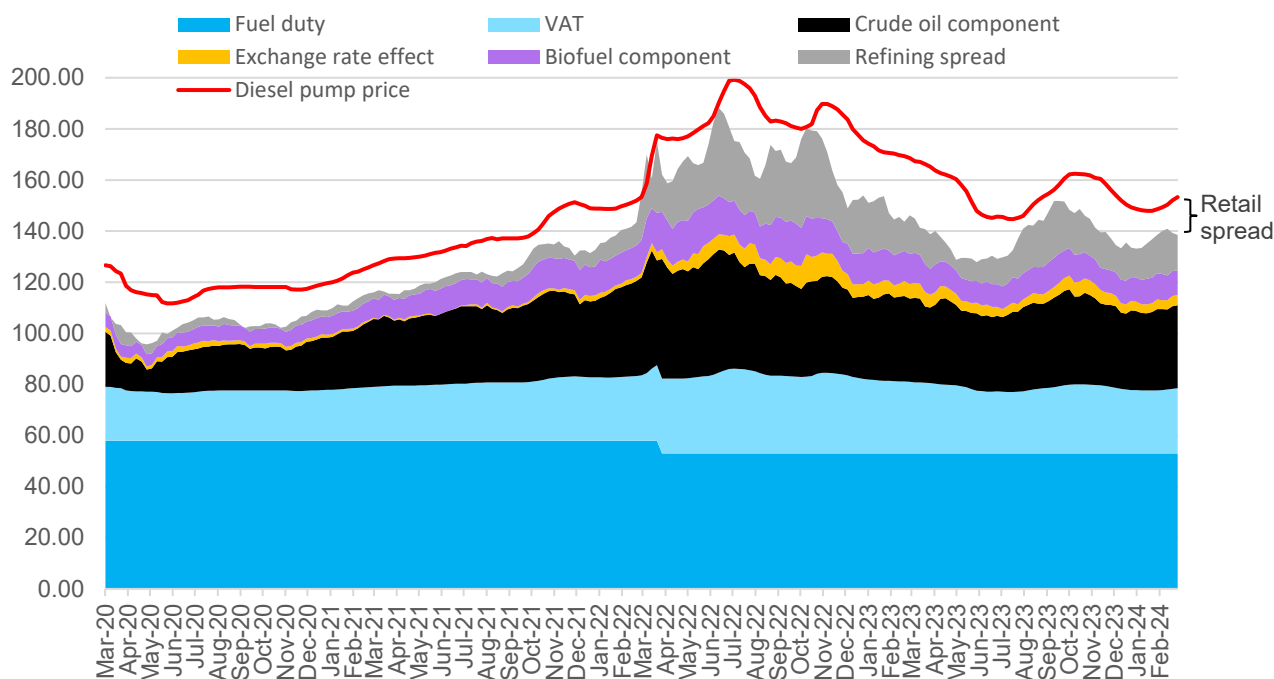


Source: CMA analysis of DESNZ,<sup>3</sup> Platts, Bloomberg and Bank of England data.

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

<sup>3</sup> 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 DESNZ cover [Weekly road fuel prices](#), which were previously supplied by BEIS.

**Figure 2.2: Diesel pump price with components, March 2020 – February 2024**



Source: CMA analysis of DESNZ, 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 Since end-October 2023, the pump price of petrol fell from 153.97ppl at the end of October and hit its lowest point in late January, at 139.39ppl. Since then, the pump price has been rising steadily with the latest (w/c 26th Feb) pump price for petrol being 144.73ppl. Part of this drop can be explained by the price of crude oil, which fell by around 5ppl between the end of October and late January. The retail spread for petrol hit a peak in the second week of November, at 21.27ppl. The spread then declined, dropping to its lowest point in the second week of February 2024, at 9.50ppl. Since then, the spread has risen, with the latest (w/c 26th Feb) number being 12.13ppl. Over November 2023 to February 2024, retail spread averaged 15.20ppl.

2.4 The pump price of diesel has also fallen since the last update, from 161.76ppl at the end of October, down to its lowest point of 147.93ppl in the third week of January. Part of this can be attributed to the drop in the price of crude, which fell around 5ppl between the end of October 2023 and mid-January 2024. Since then, the pump price has been rising steadily, where the latest (w/c 26th Feb) pump price for diesel was 154.53ppl. The retail spread for diesel hit a peak in the second week of November, at 20.86ppl. The spread then declined, dropping to its lowest point in the first week of February 2024, at 9.30ppl. Since then, the retail spread for diesel has risen, with the latest (w/c 26th Feb) being 14.72ppl. Over November 2023 to February 2024, retail spread averaged 15.14ppl.

- 2.5 Overall, while pump prices for both petrol and diesel have decreased since end-October 2023, this can be divided into two distinct periods. During November, December and late-January prices were decreasing but have been moving upwards since late-January and February. As we have previously noted, we consistently observe a lag between wholesale and retail prices with the price movements being driven in part by changing crude oil prices and refining spreads, both of which are driven by global factors. Average retail spreads in this period are higher than the average retail spreads for the period end-May to end-October of 12.3 ppl, for both petrol and diesel.
- 2.6 While the retail spread does increase and decrease in response to volatility in wholesale prices, we would expect these spreads to be returning to normal levels over time. While retail spreads for some months during the period covered in this update have dipped under the upper end of the long-term average, the overall averages have increased and are in excess of the 5-10ppl range.

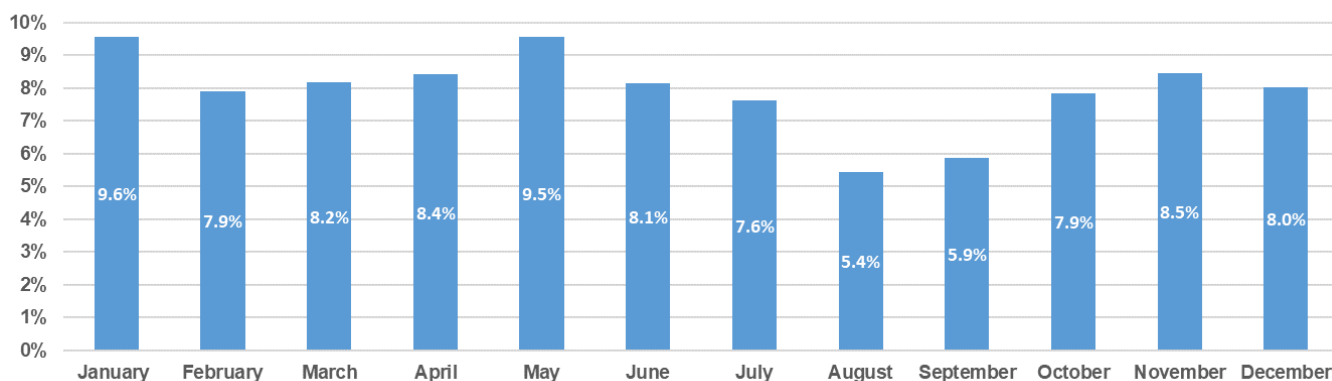
## **Fuel margin analysis**

### ***Supermarket margin analysis***

- 2.7 An important indicator of the extent of competition in a market, and whether it is strengthening or weakening, is the level of profit margin earned by firms. Figure 2.3: Figures 2.3 and 2.4 below show the monthly fuel margins on a percentage and pence per litre basis respectively for supermarkets. The CMA's previous update report, published in November 2023, showed these margins to August 2023 due to the lag in producing the management accounts on which they rely. In this report we have updated these graphs to show the margins from September to December 2023.
- 2.8 These graphs show that supermarket margins have increased considerably since August 2023 on both a percentage and pence per litre basis. On a percentage basis they have increased by 2.6% from August 2023 to 8% in December 2023 with November 2023 percentage margins being even higher at 8.5%, an increase of 3.1% from August 2023. On a pence per litre basis, margins have increased by 4.2ppl and 3.2ppl in November and December 2023 respectively, from August 2023.
- 2.9 When compared to the whole of 2023 margins on a ppl basis for October and November 2023 (11.3 and 11.1ppl) were relatively high with only January and May showing higher ppl figures. On a ppl basis margins dropped slightly in December with the ppl margin of 10.1ppl being exceeded every month from January 2023 to May 2023 although ppl margins in June to September were lower. On a percentage basis October 2023 margins appear lower due to the relatively higher

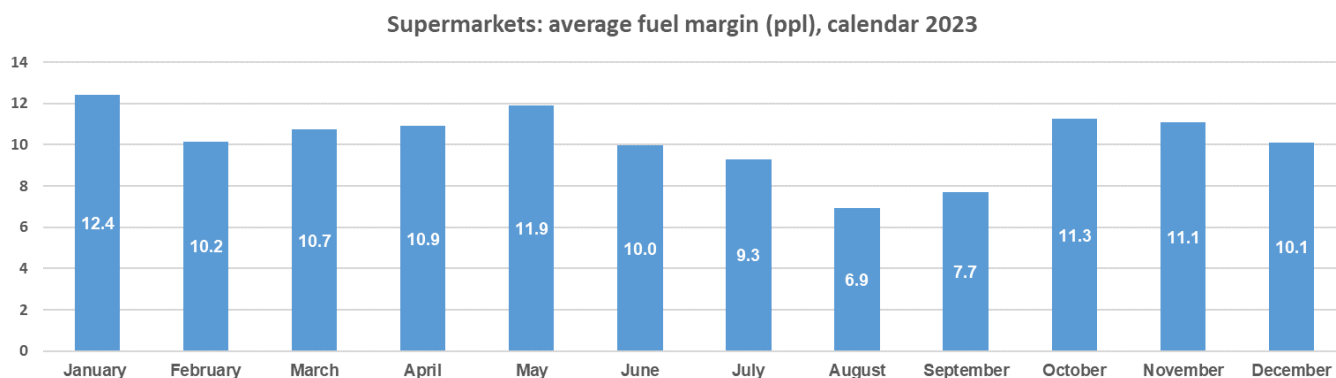
wholesale price in this month meaning that similar percentages equate to higher ppl margins.

**Figure 2.3: Monthly supermarket margins (%) January 2023 to December 2023**



Source: CMA analysis based on parties' submissions

**Figure 2.4: Monthly supermarket margins (ppl) January 2023 to December 2023**

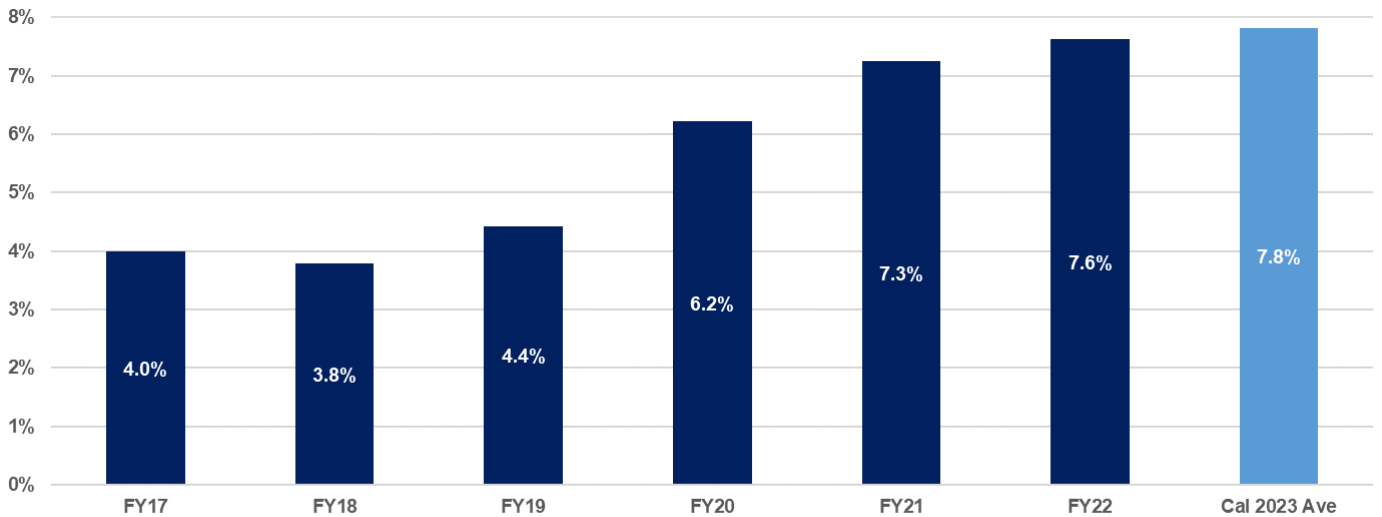


Source: CMA analysis based on parties' submissions

- 2.10 Figures 2.5 and 2.6 below show average supermarket margins on a percentage basis and ppl basis respectively for the financial years 2017-2022 and for the calendar year 2023<sup>4</sup>.
- 2.11 This shows that on a percentage basis calendar year 2023 margin is slightly higher (by 0.2% at 7.8%) than the average margin for the financial year 2022. On a ppl basis, it is lower at 10.2ppl compared to 10.9ppl, showing a slight decline of 0.7ppl. The reason percentage margins are higher whilst ppl margins are lower is due to the higher wholesale price in 2022 resulting in higher absolute ppl margins.

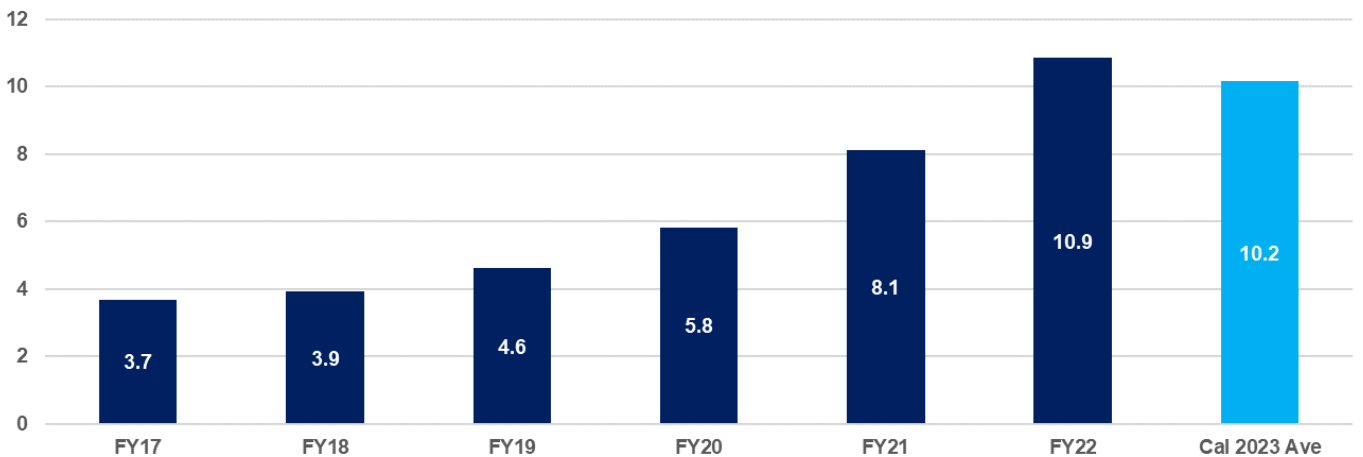
<sup>4</sup> Supermarket Financial Years vary with some ending on the 31<sup>st</sup> of December whilst others are on a rolling 52-week basis (i.e. 364 days) ending in February or March. As we do not yet have the data for January to March 2024 we are unable at present to present the 2023 information on a financial year basis.

**Figure 2.5: Average supermarket fuel margins (%), financial years 2017-2022 and calendar year 2023**



Source: CMA analysis based on parties' submissions

**Figure 2.6: Average supermarket fuel margins (ppl), financial years 2017-2022 and calendar year 2023**

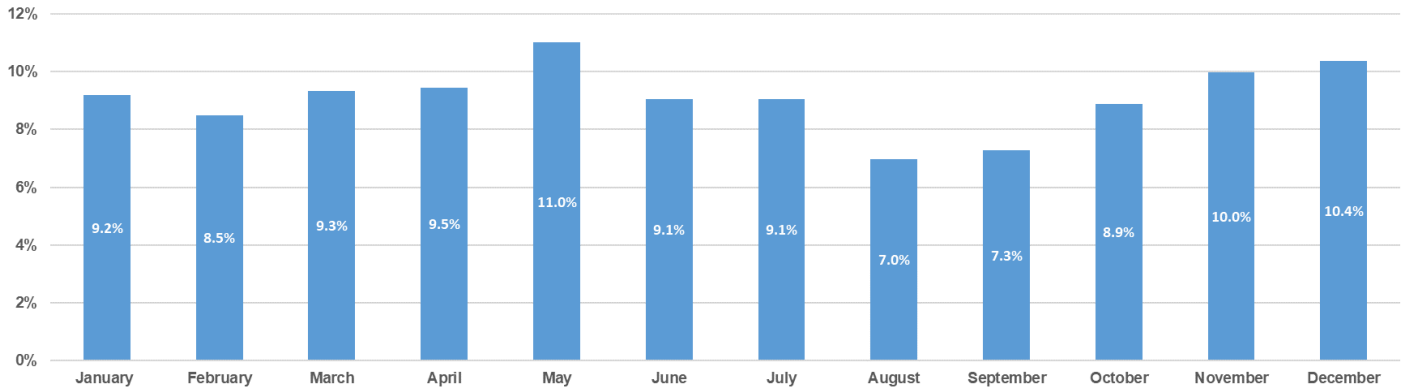


Source: CMA analysis based on parties' submissions

**Non-supermarket retailers' margin analysis**

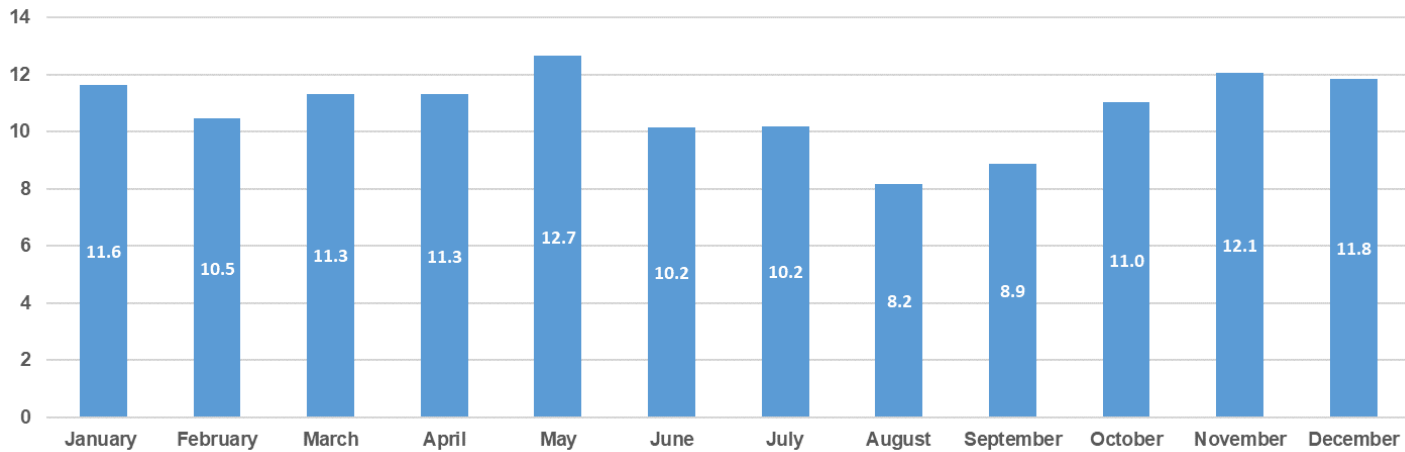
2.12 Figures 2.7 and 2.8 show the non-supermarket retailers' monthly fuel margins on a percentage and ppl basis respectively. This shows a similar story to supermarket margins with the latest data for October to December showing a significant increase in margins. On both a percentage and ppl basis, both November and December's figures were higher than all previous months in 2023 with the exception of May.

**Figure 2.7: Monthly non-supermarket retailer margins (%) January 2023 to December 2023**



Source: CMA analysis based on parties' submissions

**Figure 2.8: Monthly non-supermarket retailer margins (ppl) January 2023 to December 2023**

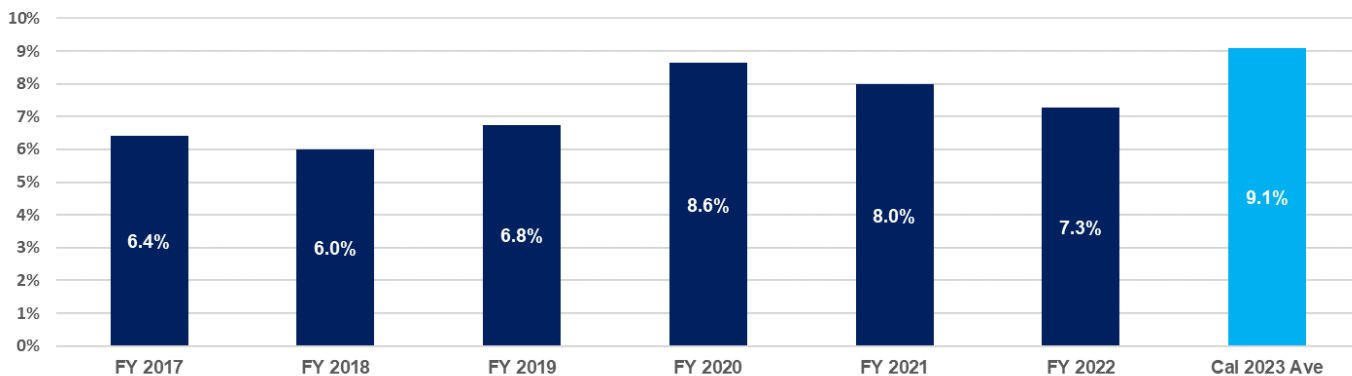


Source: CMA analysis based on parties' submissions

2.13 Figures 2.9 and 2.10 below show annual average non-supermarket margins from 2017 to 2023. These show that margins have continued to increase with margins for calendar year 2023, on both a percentage and ppl basis exceeding previous years' margins (based on financial years).

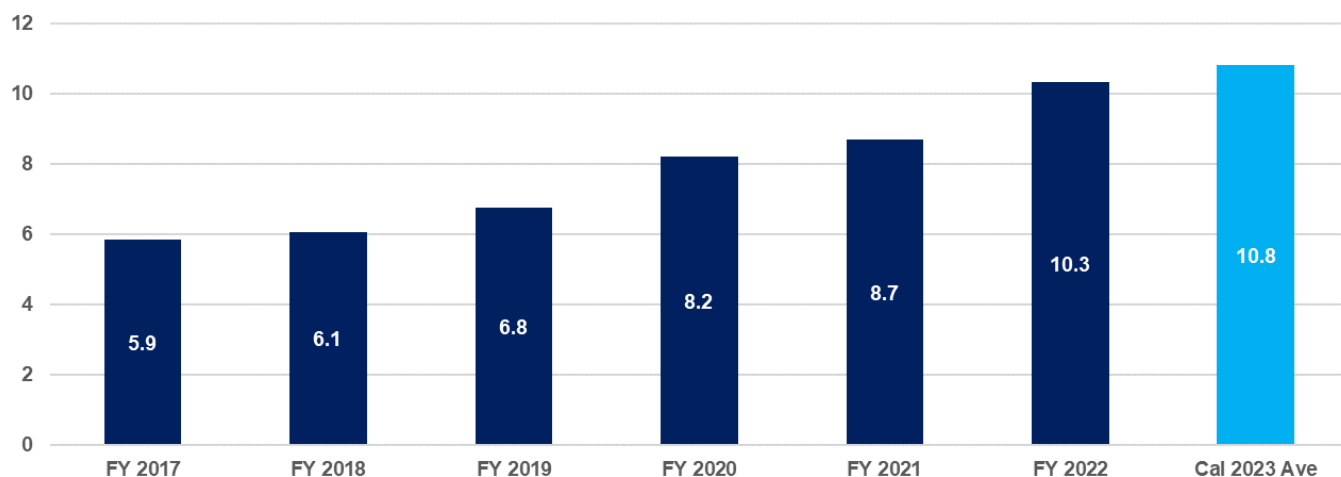


**Figure 2.9: Average non-supermarket retailer fuel margins (%), financial years 2017-2022 and calendar year 2023**



Source: CMA analysis based on parties' submissions

**Figure 2.10: Average non-supermarket fuel margins (ppl), financial years 2017-2022 and calendar year 2023**



Source: CMA analysis based on parties' submissions

## Overview of developments in the market

- 2.14 Pump prices for both petrol and diesel have decreased since October 2023, decreasing from November to late January before moving upwards since late January. This appears to have been driven in part by changing crude oil prices and refining spreads, both of which are driven by global factors. Retail spreads were above the long-term average of 5-10ppl with petrol averaging 15.2ppl and diesel averaging 15.15ppl from November to February.
- 2.15 Supermarket margins have increased significantly in the fourth quarter of 2023, with ppl margins being higher in only two other months of the year. Non-supermarket margins show a similar story and are higher than all but one other

month of 2023 on a % and ppl basis. In general terms, margins increased in the fourth quarter for supermarkets and for non-supermarkets.

- 2.16 Pump prices being lower than end-October are welcome but we are concerned by the increasing retail spreads and margins we have observed. This might indicate a decrease in competitive intensity and we will closely monitor how both spreads and margins develop in our next update report.
- 2.17 While we will look to provide a level of reasoning, and highlight any particular areas of concern, it would not be appropriate to look to provide a fuller analysis of trends based on short-term periods of data. We anticipate looking through short-term trends to provide an analysis of how things are developing overall in the market as part of the annual road fuel report.
- 2.18 We expect that once our market study remedies are implemented and bedded in, the open data (PumpWatch) and monitoring functions will help bring about the changes to the market we believe to be necessary.

### **3. Next steps**

- 3.1 The government consultation on the design of the permanent open data (PumpWatch) scheme and market monitoring function closed on 12 March 2024. We will work with government, following its consultation, to consider the responses that are relevant to the CMA as we establish a permanent monitoring function.
- 3.2 As noted in our first interim update report, the CMA intends to publish update monitoring reports around every four months until the permanent monitoring function is in place or an interim monitoring function is no longer needed.
- 3.3 We are grateful to stakeholders for their efforts and participation in the open data scheme and the retailers who have voluntarily provided information in response to our monitoring requests. The quality of the information we are able to provide under our interim monitoring function is dependent on the level of data we are able to obtain from retailers.
- 3.4 Finally, the voluntary open data scheme remains open and we encourage and welcome retailers who are not already participating to join. An up to date [list of participants](#) and [technical specification](#) of the scheme are available on our [Road fuel price data](#) scheme web pages where additional information on the interim road fuel schemes is also available.