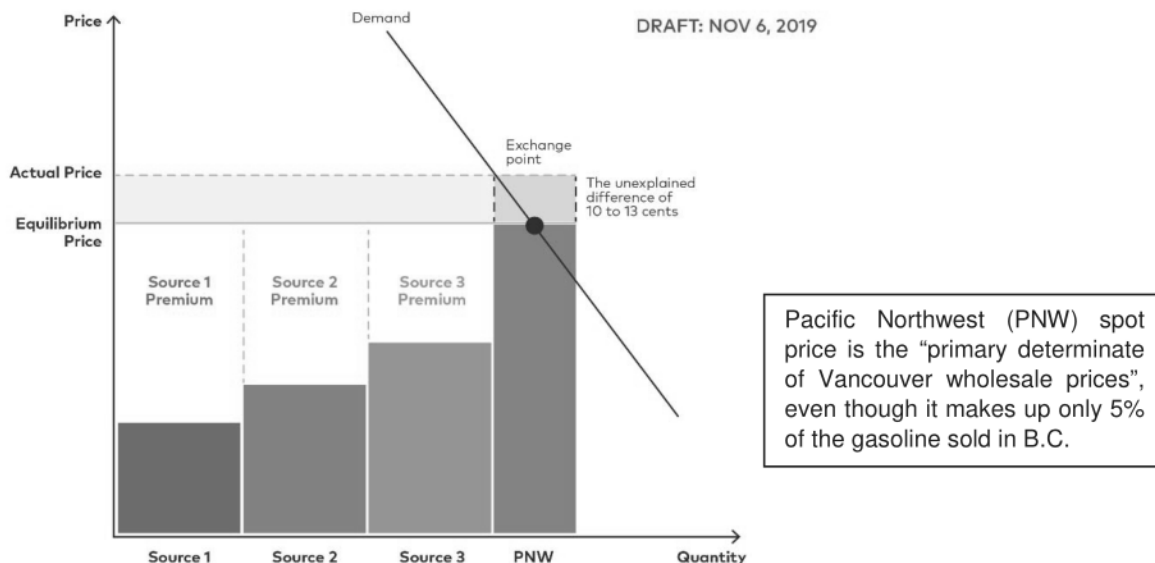


## BCUC SUPPLEMENTARY REPORT

### Background:

- In its supplementary report on gasoline and diesel prices, the B.C. Utilities Commission reconfirmed that there's as much as 13 cents per liter in costs unexplained by any factor within the wholesale gasoline market.
- While industry representatives tried to convince the Commission to lower the unexplained difference to as low as 6 cents, the Commission found "there's no concrete evidence to definitively adjust the unexplained 13 cents" but the Commission did add a range to its estimate: from 10 to 13 cents per litre.
- The 13-cent premium results in almost \$490 million of costs to British Columbians.
- The Commission also highlighted its finding that 95% of the total gasoline in B.C. receive significant price markups, this is in addition to the 13 cents.
- These additional markups are due to the practice of oil companies setting their wholesale prices based upon the most expensive product in the market (referred to as the 'marginal barrel') in this case, the Pacific Northwest spot price, which only makes up 5% of the gasoline sold in B.C.



- The report says, "Thus, the market price for gasoline is being set by the cost to acquire approximately 3-5 percent of the total gasoline required in B.C. This phenomenon has been labelled "the tail wagging the dog.""
- The Commission said it would require more time and information to estimate the total gross margin paid by B.C. motorists, but every 1 cent of additional premium in prices represents \$37 million paid annually by B.C. motorists.

- Additionally, the Commission reiterated its finding that the concentration of the wholesale gasoline market is considered an oligopoly but with the control of distribution the market has the characteristics of a natural monopoly.
- The Commission reconfirmed that the retail margins are also higher than the rest of Canada and rejected the industry's argument that the value of land was a direct driver of gasoline prices.

**Key Message:**

- People feel like they're being ripped off when they fill up at the gas station. And again the BC Utilities Commission has said they are right.
- The BCUC confirmed that as much as 13 cents per litre cannot be explained by normal market forces, resulting in British Columbians spending approximately \$490 million a year more on gas.
- The Commission also found that the vast majority of gasoline is significantly marked up – that's in addition to the unexplained 13-cent premium.
- We will review both of these reports in depth as we explore measures to address the issues raised by the Commission.
- It's clear that drivers in B.C. deserve some transparency and fairness when it comes to the price of gas, and I'm committed to that.
- This report once again confirms that the market is stacked against regular people and shows the need to pull back the curtain as to how these prices are set.

**QA**

*How will a fuel transparency bill have any impact on the price of gas?*

- People want to know what's causing these record high gas prices and the massive spikes we saw in the spring.
- Throughout this review by the BCUC, access to information proved to be a major hurdle.
- Some have suggested that shedding some light on things just could have a moderating effect on prices.
- Transparency alone won't guarantee a reduction in gas prices, but with a common set of facts, we can evaluate policy measures more effectively and the impact they would have on the lives of people.

*Is there any way government can lower gas prices without adjusting fuel taxes?*

- When Mr. Wilkinson proposed that kind of cut in April, UBC Business Professor, Werner Antweiler said his plan would do “absolutely nothing” for consumers but “would boost the profits of the oil companies.”
- These longstanding measures are in place to support investments in transit – cutting them would reduce funding for these investments while doing nothing to bring down prices.

*Why did you exclude consideration of gas taxes from the review?*

- The amount of taxes on fuel is public information. They don’t account for massive swings in prices.
- What wasn’t known – and still isn’t entirely as the BCUC found – is what is driving price increases.

*Will you reconsider support for TMX given the need to replace the marginal barrel from the Pacific Northwest?*

- I’ve been adamant about the need to defend the coast of British Columbia and all those who depend on its well being for their livelihoods.
- The proposed expansion is about increasing export of raw, unrefined bitumen – not supplying people of BC with gasoline. The company told the NEB as much.
- In fact, the Chief Economist for the NEB said that the expansion has the potential to even increase gas prices.
- Before the Federal Election I raised the need to increase the amount of refined fuel traveling through the existing pipeline into the lower mainland with the Prime Minister.
- Now that the election is over, I look forward to continuing that conversation.

*But the owner of the pipeline doesn’t decide what goes through it...*

- The federal government isn’t just the owner of the pipeline, it is also in charge of the NEB and can set the rules around how pipeline space is granted.
- We believe there are options to help British Columbians – we raised this with the Prime Minister who agreed to look into it and I intend to continue that conversation.

*Parkland has announced it will be shutting down its refinery for 8 weeks in the new year. What will the government do to prevent this from raises gas prices even more?*

- That is scheduled maintenance required in the regulation operations of such a facility.
- BCUC found that British Columbians are paying a substantial premium that cannot be explained by the normal operations of the industry, such as maintenance.

## Key Messages:

- **It's incredibly frustrating to watch the price of gas shoot up for no reason and people are tired of feeling like they're being ripped off whenever they fill up their vehicles.**
- **This bill sends a message to oil and gas companies: the days of setting your prices in secrecy have come to an end.**
- **If there's a reason for charging British Columbians a 13-cent premium – prove it.**
- The Fuel Price Transparency Act will allow the B.C. Utilities Commission to collect information on refined fuel imports and exports, fuel volumes at refineries and terminals, as well as wholesale and retail prices.
- This information, once aggregated and sensitive data removed, will be available to the public as well as consumer and watchdog groups.
- Through its investigation, the BCUC found that there's a 10-13 cent per litre premium being charged to drivers that industry refused to explain. This results in British Columbians paying an extra \$490 million every year.
- After taking \$700,000 in political donations from major oil and gas companies, the Opposition continues to defend their friends in the oil industry and oppose any attempt to get to the bottom of record high gas prices.
- We looked at other west coast jurisdictions with similar geographic challenges and we found that states like Washington and California already have similar legislation in place.
- Some argue that transparency has a positive and moderating effect on prices, although we recognize transparency alone won't guarantee a reduction in prices.
- This legislation will force companies to justify the 13-cent premium they have refused to explain, and if they cannot, pressure them to re-evaluate those additional costs to the consumer.
- Additionally, it will produce a common set of facts moving forward enabling government to evaluate other policy measures and their affect on gas prices.
- It's time to pull back the curtain get some answers for British Columbians for how the price of gas is set.