

**Subject:** FW: Horgan PMB on gas  
**Date:** Monday, April 8, 2019 at 9:22:51 AM Pacific Daylight Time  
**From:** Robinson, Jon PREM:EX  
**To:** Wright, Don J. PREM:EX  
**CC:** Kristianson, Eric PREM:EX  
**Attachments:** image001.gif

Hello,

PJH asked me to pull this up on Friday morning for his scrum. He mentioned the legislation in the same breath as asking Don to look into provincial options.

Also FYI, finance was looking into the idea of a s.13 pre-budget – there may be something there for consideration.

Let me know if I can provide any assistance on this.

Thanks,  
Jon.

.....

Below is Horgan's PMB on gas prices protection tabled back in 2007. Essentially it allows the Utilities Commission to regulate gas prices. This is similar to what other provinces like Quebec and the Atlantic Provinces do.

MR. JOHN HORGAN

## **BILL M 201 — 2007**

### **RETAIL PETROLEUM CONSUMER PROTECTION ACT, 2007**

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

#### **Explanatory Note**

This Bill amends the *Utilities Commission Act* by adding in sections 64.1, 72.1, 97.1, 98.1 106.1, 106.2, and subsections (4) and (5) of Section 125. These amendments allow for greater consumer protection by allowing the Commission to regulate retail petroleum products.

#### **1 The Utilities Commission Act, section 64.1 is amended as:**

**64 . 2** In this Part, "**sufficient notice**" means notice in the manner and form, within the period, with the content and by the person required by the commission

#### **2 The Act is amended by adding the following section:**

## **Regulation of the Price of Petroleum Products**

### **No price change except in accordance with regulations**

- 64 . 1** (1) No wholesaler or retailer shall change the price of gasoline, diesel oil, furnace oil or any other prescribed petroleum product except in accordance with the regulations.

### **Prescribed wholesale prices**

(2) Where a fixed wholesale price is prescribed for a petroleum product, no wholesaler shall charge a price for that petroleum product that is greater or less than that fixed wholesale price.

(3) Where a maximum or minimum wholesale price is prescribed for a petroleum product, no wholesaler shall charge a price for that petroleum product that is greater than that maximum wholesale price or less than that minimum wholesale price.

### **Maximum retail price**

(4) Where a maximum retail price is prescribed for a petroleum product, no retailer shall charge a price for that petroleum product that is greater than that maximum retail price.

### ***3 The Act is amended by adding the following section:***

### **Inquiries by Commission**

- 72 . 1** (1) Where reasonably necessary to ensure compliance with this Act or the regulations, the Commission may

- (a) at all reasonable times, enter the premises of a wholesaler or retailer to determine whether the price being charged for a petroleum product is in accordance with this Act and the regulations;
- (b) inquire into all matters relating to the sale of a petroleum product;
- (c) require the production of books, records or other documents relating to the sale of a petroleum product and may examine those books, records or other documents or remove them for the purpose of making copies of them.

(2) Every wholesaler or retailer shall keep the books, records or other documents referred to in clause (1)(c) for a period of at least seventy-two months unless the Commission otherwise determines.

(3) A wholesaler or retailer may produce the books, records or other documents referred to in clause (1)(c) for inspection in a place of business outside of the Province at the expense of that wholesaler or retailer, including reimbursement of

the Province for all reasonable expenses incurred in carrying out the inspection.

***4 The Act is amended by adding the following section:***

**Warrants and searches**

**97.1 (1) Where:**

- (a) the Commission believes, on reasonable grounds, that a person is contravening or has contravened this Act or the regulations; or
- (b) entry onto premises has been refused or denied,

the Commission may apply to a judge of the Provincial Court or a justice of the peace for a warrant under subsection (2).

(2) Where, on an application under subsection (1), a judge of the Provincial Court or a justice of the peace is, by information on oath, satisfied that there are reasonable grounds for believing that this Act or the regulations are being contravened, the judge or justice of the peace may issue a warrant authorizing the Commission to do the things referred to in Section 72.1.

(3) The owner or person in charge of the premises and every person found therein shall give the Commission all reasonable assistance to enable the Commission to carry out the Commission's duties and functions under this Section, and shall furnish the Commission with the information that the Commission may reasonably require.

(4) Notwithstanding subsection (1), the Commission may exercise the power of search without a warrant if the conditions for obtaining the warrant exist but, by reason of exigent circumstances, it is not practical to obtain a warrant.

(5) For the purpose of subsection (4), exigent circumstances include circumstances in which the delay necessary to obtain the warrant will result in the loss or destruction of evidence.

***5 The Act is amended by adding the following section:***

**Study by independent person**

**98.1 (1)** The commission shall appoint an independent person to undertake a study of the effects of establishing minimum and maximum profit margins for retailers and report to the Commission.

(2) The Minister of Energy, Mines and Petroleum Resources shall table the report of the independent person in the Assembly if the Assembly is then sitting or, if the Assembly is not then sitting, shall file the report with the Clerk of the Assembly.

***6 The Act is amended by adding the following sections:***

**Offences with regards to petroleum**

**Offence by wholesaler or controlled retailer and penalty**

**106.1** (1) Every wholesaler or controlled retailer who increases the price of a petroleum product contrary to Section 64.1(1) is guilty of an offence and is liable, on summary conviction, to a fine of not more than five hundred thousand dollars.

(2) Where an offence described in subsection (1) is committed by a person on more than one day or is continued for more than one day, each day on which the offence is committed or continued constitutes a separate offence.

**Offence and penalty**

**106.2** (1) Subject to Section 106.1, every person who contravenes a provision of this Act or the regulations is guilty of an offence and is liable, on summary conviction, to a fine of not more than five thousand dollars.

(2) Where an offence described in subsection (1) is committed by a person on more than one day or is continued for more than one day, each day on which the offence is committed or continued constitutes a separate offence.

***7 The Act is amended by adding the following:***

(4) Without limiting sub-section (1), the Lieutenant Governor in Council may make regulations as follows:

- (a) requiring notice of changes in the price of petroleum products and prescribing or respecting the form and manner of the notice, including the requirement to include justification for an increase in the price of a petroleum product;
- (b) respecting the frequency and timing of changes in the price of petroleum products;
- (c) prescribing
  - (i) a fixed wholesale price or a maximum and minimum wholesale price,
  - (ii) a maximum retail price,
  - (iii) minimum and maximum retail mark-ups,for petroleum products;
- (d) respecting fees to be charged to wholesalers to cover the costs of administering this Act and the regulations;
- (e) respecting inspections and investigations of wholesalers and retailers;

- (f) prescribing information that a wholesaler or a retailer is required to provide to the Commission;
- (g) establishing or designating a board to administer this Act and the regulations, or any part of this Act and the regulations, and determining the powers and duties of that board;
- (h) appointing a consumer advocate and determining the powers and duties of the advocate;
- (i) prescribing additional penalties for a contravention of this Act or the regulations including, notwithstanding any other enactment, the suspension or revocation of licences and permits;
- (j) exempting a petroleum product from the application of this Act or the regulations, or any part of the Act or the regulations;
- (k) delegating to any person or board any powers or duties under this Act or the regulations;
- (l) defining any word or expression used in this Act but not defined in this Act;
- (m) further defining any word or expression defined in this Act;
- (n) respecting any other matter the Lieutenant Governor in Council considers necessary or advisable to carry out effectively the intent and purpose of this Act.

(5) A regulation may apply to all wholesalers or retailers or to all petroleum products or to a class of wholesalers or retailers or to a class of petroleum products and there may be different regulations for different classes of such wholesalers or retailers or of such petroleum products.

### **Explanatory Notes**

This Bill amends the *Utilities Commission Act* by adding in sections 64.1, 72.1, 97.1, 98.1 106.1, 106.2, and subsections (4) and (5) of Section 125. These amendments allow for greater consumer protection by allowing the Commission to regulate retail petroleum products.

**Jon Robinson, Director of Policy**  
Office of the Premier | Government of BC  
501 Belleville St, Victoria, BC V8V 2L8 | 250-893-4538

**Subject:** 106504 BN DM OGD Gasoline Prices  
**Date:** Monday, April 15, 2019 at 6:48:41 PM Pacific Daylight Time  
**From:** Nikolejsin, Dave EMPR:EX  
**To:** Wright, Don J. PREM:EX  
**CC:** Zacharias, Mark ENV:EX, Kennedy, Christine PREM:EX  
**Attachments:** 106504 BN DM OGD Gasoline Prices.docx

Don, here is the analysis you requested.

## **MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

### **BRIEFING NOTE FOR INFORMATION**

**I PREPARED FOR:** Dave Nikolejsin, Deputy Minister of Energy Mines and Petroleum Resources

**II ISSUE:** Gasoline Prices

### **III BACKGROUND:**

British Columbia has a small supply of crude oil and little refining capacity for making gasoline in comparison to what is consumed by the Province. There are 15 refineries in Canada. Two refineries operate in British Columbia with 3.5 percent of Canada's refining capacity, which meets approximately 20 percent of the Province's gasoline needs. The remaining 80 percent of provincial gasoline demand is managed through importing gasoline supplies from refineries in Alberta and Washington State.

Gasoline prices are determined by market forces and influenced by a number of factors, such as Canada/U.S. exchange rate, pipeline outages, refinery outages, crude oil inventories, gasoline inventories, the cost of refining and processing crude oil, the cost of transporting gasoline to retail outlets and, federal and provincial taxes. There are also local factors such as access to refining crude, wholesale gasoline supplies, market size, market demand, competition and, retailing and distribution efficiencies.

The pipeline capacity in British Columbia for crude and refined petroleum products for the west coast has not increased substantially for decades while demand for gasoline on the west coast and Pacific Northwest continues to increase with population growth and increased transportation demand. Any disruption to the tight supply/demand network for transportation fuel such as ours on the west coast and Pacific Northwest has quick and sometimes significant drawn out impacts.

### **II DISCUSSION:**

Disproportionate gasoline price increases are occurring along the U.S. and Canadian West Coast. On April 15, 2019 the Houston Chronicle reported that the U.S. national gasoline average price was \$2.83/Gallon while California gasoline prices with ongoing refinery outages was firmly 40% higher at over \$4US/gallon.

<https://www.houstonchronicle.com/business/energy/article/Houston-gasoline-prices-steadily-rising-before-13768023.php>.

The U.S. West Coast has limited options for accessing crude and refined products. For example, one of California's traditional supplies of crude for refining was Alaska crude.

Alaska supply has been in decline since 1988. Alaska oil production has declined by 68% from 2 million barrels a day in 1988 to current production levels of 600,000 barrels per day <https://www.aoga.org/facts-and-figures>. California has had to increase their use of foreign refinery feedstock to meet its needs (Appendix IV).

Retail prices reported on the Gas Price Map on GasBuddy.com show the entire west coast of North America having the highest retail prices of gasoline (Appendix I). Texas a producing region in the U.S. is one of the cheapest states for gasoline compared to California. Similarly, Alberta has cheaper gasoline compared to British Columbia.

Restricted refining capacity due to maintenance and refinery outages along the West Coast in both California and Washington State is putting downward pressure on gasoline inventories and disproportionate upward pressure on wholesale gasoline prices on the West Coast (Appendix II).

s.13

#### **IV CONCLUSION:**

British Columbia and the U.S. West Coast have limited supply options for crude and refined product. The West Coast (Canada and the U.S.) relies heavily on the Trans Mountain Pipeline plus other sources for its light crude and refined product needs.

s.13

Any disruption to the tight supply/demand network for transportation fuels on the west coast and Pacific Northwest can have quick and sometimes significant drawn out market impacts. Sourcing of incremental supplies can come at an incremental cost due to less efficient transportation methods or exposure to a higher international market.

**DRAFTED BY:**

Duane Chapman  
Senior Regulatory Analyst

**APPROVED BY:**

Garth Thoroughgood, A/ADM

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Appendix I – Maps of North American retail gasoline prices.

Appendix II – Gasoline Inventories

Appendix II – Wholesale vs retail Gasoline prices

Appendix IV – California Refinery Oil Sources



## Appendix I

### Canada



Find Gas

Gas Tools

Plan Your Trip

### USA



Find Gas

Gas Tools

Plan Your Trip

Search Map by City, State or Zip



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Duane Chapman

## Appendix II

Copyright	PADD 5 Crude Oil Stocks

Copyright	PADD 5 Total Motor Gasoline Stocks

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## Annual Crude Oil Imports into California

Thousands of Barrels per Year

Sources: Energy Information Administration and the California Energy Commission.

11/15/2017

California Energy Commission

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**Subject:** Fw: Pipeline Gas Price Relationship Note  
**Date:** Tuesday, April 16, 2019 at 7:41:10 AM Pacific Daylight Time  
**From:** Meggs, Geoff PREM:EX  
**To:** Wright, Don J. PREM:EX  
**Attachments:** GASOLINE PRICES IN BRITISH COLUMBIA\_nfr.docx FINAL.docx

fyi

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**From:** Reder, Mark <mark.reder@fhhighroad.com>  
**Sent:** Monday, April 15, 2019 8:15 PM  
**To:** Meggs, Geoff PREM:EX  
**Cc:** Rinne, Norm  
**Subject:** Pipeline Gas Price Relationship Note

Geoff:

Apologies for the delay. Please find attached a summary note on the relationship between Trans Mountain and gasoline prices in BC. I have copied Norm Rinne at Trans Mountain who has considerable knowledge of the commercial underpinnings of Trans Mountain and fuels markets. If BC officials are looking for additional information, Norm – depending on the specific query – should be able to help.

Please let us know if you would like additional background.

Regards,

Mark Reder

*Senior Vice President, Senior Partner and General Manager*

FleishmanHillard HighRoad | 777 Hornby St. | 16th Floor | Vancouver, British Columbia | V6Z 2T3

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E [mark.reder@FHhighroad.com](mailto:mark.reder@FHhighroad.com)

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## **GASOLINE PRICES, TRANS MOUNTAIN PIPELINE AND THE TRANS MOUNTAIN PIPELINE EXPANSION**

### **Summary**

Trans Mountain is an important component of the refined fuels products market in British Columbia (BC). On the supply side, it contributes to an efficient marketplace, but will not increase or decrease the price of gasoline. When constrained as the pipeline is now, price volatility is magnified. An expanded Trans Mountain will help mitigate this volatility. It will support full and efficient use of existing refining capacity in Western Canada and Washington State and reduce imports from other regions, including by rail, either as crude or refined products in both jurisdictions.

### **Background**

#### ***Gasoline price change and volatility is not new***

2014: In early 2014, Vancouver gas prices spiked from \$1.25 to above the \$1.50 threshold. By the end of the year, prices softened significantly to \$1.00.

2015: In early 2015, prices rose from \$1 to \$1.25. Prices in 2015 never got over \$1.50. By the end of the year, prices were back down to about a dollar.

2016: No spikes, just gradual growth from \$1 to \$1.25.

2017: Prices moved slowly from \$1.25 to almost \$1.50.

2018: In 2018, the gradual growth in pricing that had begun in 2016 set new highs above \$1.50; levels not seen since 2014. By the end of the year, prices settled down just above \$1.25 – slightly below where they were a year earlier and in the range of several years earlier.

#### ***Relationship between Trans Mountain expansion, price increases and volatility***

The price scenario presently in BC is explained by complex refined products markets where constrained pipeline capacity is one factor. An expanded Trans Mountain will be able to fully supply the crude and refined products market in BC. By doing so, one of the market variables – constrained pipeline capacity, will be removed from the complicated equation that determines the retail price of gasoline in BC. Gasoline prices on the West Coast of Canada and the USA are typically higher than other regions. Expansion of Trans Mountain will not change that. It will help mitigate some of the spikes that happen from time-to-time that are out-of-step with less constrained and more connected fuel markets in Canada and most of the USA.

#### ***Gasoline price factors***

Pump prices are a build-up of four components: the price of crude oil; the “gross refining margin” that the refiner adds to its crude purchase price to cover the manufacturing and then selling of wholesale gasoline; the “retail margin” that the marketer adds to the wholesale price to transport fuel and to operate the gas station; and taxes that are levied at the federal and provincial levels.

The upstream portion of pump prices is represented as elastic implying that it fluctuates, which it does continuously, in response to various crude markets around the world. While some feel that pump prices should rise and fall exactly with the price of crude, it is only one of several factors that influence pump prices.

Pump price trends are also a reflection of changes in the underlying wholesale (rack) price that retailers pay for gasoline which in turn, reflects changes in the underlying price of crude oil as well as the volatility of the refiner margin. This volatility is driven by several factors, including seasonality of demand, inventory levels, refinery utilization, and exchange rates.

In the first quarter of 2019, average pump prices across BC continued their historical trend of being among the highest in the country. Six of the top 10 highest priced cities including large and small markets were in BC. Vancouver was the highest priced major market in Canada.

The recent spike in gas prices in BC is not due to a sudden rise in fuel taxes. Taxes in BC in 2019 are only marginally higher than last year. Comparatively however, taxes in BC are about 10% higher than the national average and closer to taxation levels in most of the provinces east of Ontario. Taxes in Vancouver are about 12 cents higher than the rest of mainland BC and 6 cents higher than Vancouver Island.

### ***Competition***

Pump price volatility is a sign of a competitive marketplace. The West Coast market is volatile because it is competitive. It is also high-priced. Some of the higher price is taxes and some is from higher margins. The high price is magnified when supply disruptions occur either on the feedstock end (pipeline, rail, truck, tanker) and in the refineries when unplanned outages occur, or planned outages take longer than expected. In 2018, when the Suncor refinery shutdown in Edmonton lasted longer than expected, gasoline from China was imported to replenish inventories.

Does this mean industry should invest more in local refining? Likely not. Upfront permitting, government policy, cost and uncertain demand growth in local markets do not support it. In general, existing refineries have been and continue to be optimized and debottlenecked to run at a higher on-stream factor and at slightly higher rates. It's hard to imagine any new refining capacity being added in any of the West Coast jurisdictions.

### ***Relationship between gasoline and crude prices***

Gasoline prices follow crude prices. Closely, in fact. The slide below (source: Kent Group) shows crude price in dark blue and the other components that make up the retail price for gasoline. This price graph is only through 2016, but is representative of the relationship between crude prices and pump prices today. This data has a 'smoothing effect' as it includes all data across Canada. Essentially, the same tight correlation exists in the US as also shown below (source: EIA).

## Nominal Gasoline Prices

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U.S. average monthly gasoline and crude oil prices, 2008–2017

Copyright

### ***So why have gasoline prices increased in the last few months in BC?***

Very simply, because the price of crude has increased. The image below shows the benchmark WTI crude price increasing from the January lows to present. Prices everywhere in Canada and the US have increased recently. BC was higher than most jurisdictions to start with and some price volatility has contributed more to the spike with some refinery outages on the West Coast. There is nothing in the data to show that anything other than the same historic relationship between the components that make up gasoline prices is at work.



WTI Crude

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OilPrice.com

### ***How Trans Mountain works***

The Trans Mountain Pipeline transports crude oil, semi-refined and refined products in batches through the pipeline. Refined petroleum batches sourced from refineries in Edmonton are sent to either Kamloops or Burnaby products terminals where they are then distributed by truck within BC for local use. Crude oil is delivered by pipeline to Washington State to refineries for processing or to Trans Mountain's Burnaby Terminal to be delivered to the Parkland Refinery (formerly Chevron) or loaded onto tankers calling at Westridge Marine Terminal for export.

Counting only light vehicles (cars and trucks) the gasoline transported on Trans Mountain (either as refined in Alberta or refined in BC) is responsible for 150 vehicle fill-up's<sup>1</sup> per minute every hour of the day, every day in BC.

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<sup>1</sup> Fill up measured as an average of 50 litres.

**Subject:** Fwd: Gas prices

**Date:** Tuesday, April 16, 2019 at 4:35:43 PM Pacific Daylight Time

**From:** Nikolejsin, Dave EMPR:EX

**To:** Wright, Don J. PREM:EX

FYI. How much harder do you want me to push this. I don't think the effort is going to get us very much farther.

Dave Nikolejsin  
Deputy Minister  
Energy, Mines and Petroleum Resources

Begin forwarded message:

**From:** "Thoroughgood, Garth A EMPR:EX" <Garth.Thoroughgood@gov.bc.ca>

**Date:** April 16, 2019 at 6:28:13 PM EDT

**To:** "Nikolejsin, Dave EMPR:EX" <Dave.Nikolejsin@gov.bc.ca>

**Subject:** Gas prices

Dave,

I've had both Duane Chapman and Michael Rensing looking into ways we can explain this. It is challenging as there are numerous factors at play.

- Each jurisdiction has a local gasoline wholesale (rake rate) for resellers and wholesale customers. Rack rates change from one jurisdiction to another.
- Regardless of jurisdiction, crude oil prices are up and all North American jurisdictions have seen increased gasoline prices in 2019.
- Tax does play a part in the cost difference.
- Low Carbon Fuel Standard creates additional costs (likely marginal) to BC (feedstock transportation and blending costs)
- California is experiencing some refinery outages. Washington is not experiencing the same issues.
- A potential better way to track gas prices by jurisdiction is by tracking their rack rates. There seems to be a direct correlation between rack rates and actual gasoline prices for each jurisdiction.

To be able to make correct correlations/analysis we'll need to track rack rates and pump prices (trends) over time. Looking at a price at one point in time can not provide a clear picture.

Unfortunately the analysis of this issue is far more challenging that we would like. Is there any value in arranging a meeting with Parkland Refinery to have them go over what they experience with regards to wholesale prices/transportation etc?

Garth

---

**From:** Nikolejsin, Dave EMPR:EX

**Sent:** April 16, 2019 10:11 AM

**To:** Thoroughgood, Garth A EMPR:EX

**Subject:** Fwd: Scan From <Device Name>

I will call you.

Dave Nikolejsin  
Deputy Minister  
Energy, Mines and Petroleum Resources

Begin forwarded message:

**From:** "Wright, Don J. PREM:EX" <[Don.J.Wright@gov.bc.ca](mailto:Don.J.Wright@gov.bc.ca)>  
**Date:** April 16, 2019 at 9:30:43 AM PDT  
**To:** "Nikolejsin, Dave EMPR:EX" <[Dave.Nikolejsin@gov.bc.ca](mailto:Dave.Nikolejsin@gov.bc.ca)>  
**Subject:** FW: Scan From <Device Name>

Apologize for the chicken scratchings. This is US\$/gallon.

On 2019-04-16, 9:16 AM, "DJWRIGHT" <[Don.J.Wright@gov.bc.ca](mailto:Don.J.Wright@gov.bc.ca)> wrote:

**Subject:** Fwd: Parkland  
**Date:** Monday, April 29, 2019 at 7:18:19 PM Pacific Daylight Time  
**From:** Nikolejsin, Dave EMPR:EX  
**To:** Zacharias, Mark ENV:EX, Plecas, Bobbi IGRS:EX  
**CC:** Wright, Don J. PREM:EX  
**Attachments:** Proposal - Allocation Issues on the TMPL-v2.docx, ATT00001.htm

We should find a way to ask about this tomorrow as well.

Dave Nikolejsin  
Deputy Minister  
Energy, Mines and Petroleum Resources

Begin forwarded message:

**From:** "MacLaren, Les EMPR:EX" <[Les.MacLaren@gov.bc.ca](mailto:Les.MacLaren@gov.bc.ca)>  
**Date:** April 29, 2019 at 7:29:50 PM EDT  
**To:** "Nikolejsin, Dave EMPR:EX" <[Dave.Nikolejsin@gov.bc.ca](mailto:Dave.Nikolejsin@gov.bc.ca)>  
**Cc:** "Green, Dan L EMPR:EX" <[Dan.Green@gov.bc.ca](mailto:Dan.Green@gov.bc.ca)>, "Wieringa, Paul EMPR:EX" <[Paul.Wieringa@gov.bc.ca](mailto:Paul.Wieringa@gov.bc.ca)>  
**Subject:** FW: Parkland

Hi Dave:

Here is the material on pipeline allocations to Parkland Burnaby. I have sent Dave S a few follow up questions (how would the changes be implemented, and any trade implications of diverting supply). Base issue is still - now that TransMountain is a Canadian public resource it should give priority destination treatment to Canadian refineries as has been the case in the past.

Les

---

**From:** David Schick <[David.Schick@parkland.ca](mailto:David.Schick@parkland.ca)>  
**Sent:** Monday, April 29, 2019 3:24 PM  
**To:** MacLaren, Les EMPR:EX <[Les.MacLaren@gov.bc.ca](mailto:Les.MacLaren@gov.bc.ca)>  
**Cc:** Christy J. Elliott <[Christy.Elliott@parkland.ca](mailto:Christy.Elliott@parkland.ca)>  
**Subject:** Parkland

Hello Les,

Further to our conversation on pipeline allocation for the Burnaby refinery, please find a  
s.21 that would secure the crude oil we need to support economic refinery utilization..

We appreciate your consideration of this proposal

Regards,

Dave

**David Schick** | Director, Policy and External Relations  
Parkland Fuel Corporation  
355 North Willingdon Ave, Burnaby,  
British Columbia, Canada  
V5C 1X4  
O – 604 257 4003 | F- 604 257 4093  
[david.schick@parkland.ca](mailto:david.schick@parkland.ca)

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Withheld pursuant to/removed as

s.21

**Subject:** Fwd: Previous Gasoline price reports online

**Date:** Thursday, May 2, 2019 at 8:33:34 PM Pacific Daylight Time

**From:** Nikolejsin, Dave EMPR:EX

**To:** Wright, Don J. PREM:EX

FYI. This is good history for you/Premier to know.

I read the jaccard report. It was done in 1996 when gas skyrocketed to 65 cents a liter.<sup>s.13</sup>  
s.13

As Garth notes below another idea for you to confided is a process like this Re today's "crisis". Or perhaps even ask Jaccard to just to an update on this report.

Dave Nikolejsin  
Deputy Minister  
Energy, Mines and Petroleum Resources

Begin forwarded message:

**From:** "Thoroughgood, Garth A EMPR:EX" <Garth.Thoroughgood@gov.bc.ca>

**Date:** May 2, 2019 at 8:15:47 PM PDT

**To:** "Nikolejsin, Dave EMPR:EX" <Dave.Nikolejsin@gov.bc.ca>

**Cc:** "MacLaren, Les EMPR:EX" <Les.MacLaren@gov.bc.ca>

**Subject:** Previous Gasoline price reports online

Dave, I've left a copy of these reports with Meghan M. The first report done by Mark Jaccard (when he was the Chair of the BCUC) provides a fairly good overview of the gasoline markets and makes some suggestions about actions that could be taken. This includes some minor statements about how the BCUC could play a part.

The second report appears to be one done by a "committee" headed by a MLA. It also provides a fairly good overview but does not go into as much detail as the first report.

Final 1996 report:

<http://www.llbc.leg.bc.ca/public/Pubdocs/bcdocs/265666/InquiryIntoGasolinePricing.pdf>

1999 Report: [http://www.llbc.leg.bc.ca/public/PubDocs/bcdocs/336362/gas\\_price\\_report.pdf](http://www.llbc.leg.bc.ca/public/PubDocs/bcdocs/336362/gas_price_report.pdf)

s.13

s.13

I think we are relatively challenged to provide the expertise required for the full current request. Michael Rensing in EAED has been the main lead on gasoline studies in the past with some minor assistance from Duane Chapman in our group.

**Subject:** FW: Navius Paper - Gasoline Prices

**Date:** Friday, May 3, 2019 at 10:27:40 AM Pacific Daylight Time

**From:** Nikolejsin, Dave EMPR:EX

**To:** Wright, Don J. PREM:EX

Have not read this one yet but wanted to get to you asap.

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**From:** Thoroughgood, Garth A EMPR:EX

**Sent:** May 3, 2019 8:21 AM

**To:** Nikolejsin, Dave EMPR:EX <Dave.Nikolejsin@gov.bc.ca>; MacLaren, Les EMPR:EX  
<Les.MacLaren@gov.bc.ca>

**Subject:** Navius Paper - Gasoline Prices

Dave and Les, looks like this paper was written last June. Has recommendations in it.

<https://www.naviusresearch.com/wp-content/uploads/2018/06/Refining-Margins-and-BC-Fuel-Policy-2018-06-11-final.pdf>

Big questions remain on how we could make the lower mainland/BC gasoline market more competitive.

s.13

**Garth Thoroughgood**

**A/Assistant Deputy Minister**

**Oil and Gas Division**

**Ministry of Energy, Mines and Petroleum Resources**

**(778)698-3665**



**Subject:** FW: Gas Prices  
**Date:** Saturday, May 4, 2019 at 11:10:59 AM Pacific Daylight Time  
**From:** Nikolejsin, Dave EMPR:EX  
**To:** Wright, Don J. PREM:EX, Kennedy, Christine PREM:EX  
**Attachments:** 2019 Gasoline Price Report.docx, IN for MMM - BCUC regulation of gas prices.docx

This is the email I meant to forward to you....

---

**From:** Nikolejsin, Dave EMPR:EX  
**Sent:** May 3, 2019 3:36 PM  
**To:** Mungall, Michelle EMPR:EX <Michelle.J.Mungall@gov.bc.ca>; Sanderson, Melissa EMPR:EX <Melissa.Sanderson@gov.bc.ca>  
**Cc:** MacLaren, Les EMPR:EX <Les.MacLaren@gov.bc.ca>; Thoroughgood, Garth A EMPR:EX <Garth.Thoroughgood@gov.bc.ca>; Cochrane, Marlene EMPR:EX <Marlene.Cochrane@gov.bc.ca>  
**Subject:** Gas Prices

Minister, per your request, please find attached the following:

- A current report from my staff that shares the current state of play and rationale
- A note on possible implications of BCUC getting into gas price regulations, and what the rest of Canada does in this space
- A historical note that we found from the last time (1996) government was in a panic re gas prices. Done by Marc Jaccard when he was head of BCUC and when gas prices were spiking all the way to 65cents a litre! The report is good and still relevant.
  - <http://www.llbc.leg.bc.ca/public/Pubdocs/bcdocs/265666/InquiryIntoGasolinePricing.pdf>
- And another Government report done in 1999 on this same topic:
  - [http://www.llbc.leg.bc.ca/public/PubDocs/bcdocs/336362/gas\\_price\\_report.pdf](http://www.llbc.leg.bc.ca/public/PubDocs/bcdocs/336362/gas_price_report.pdf)
- A recent report by Navius on this topic.
  - <https://www.naviusresearch.com/wp-content/uploads/2018/06/Refining-Margins-and-BC-Fuel-Policy-2018-06-11-final.pdf>

Let me know if/when you would like to meet to discuss, or any other next steps you'd like us to take.

**Dave Nikolejsin**

Deputy Minister  
Energy, Mines and Petroleum Resources

# Gasoline Prices – May 2019

## 1. Background

The recent increase in the price of gasoline to over \$1.70/litre in the Lower Mainland has turned public attention to the reasons behind that increase. The public discussion has been primarily about the high price of gasoline, but the press has often referenced the \$5 increase in the Carbon Tax which took place on April 1, 2019. However, the increase in the Carbon Tax translates into only a 1.11 cent/litre increase, and gasoline prices have been rising significantly since well before this change.

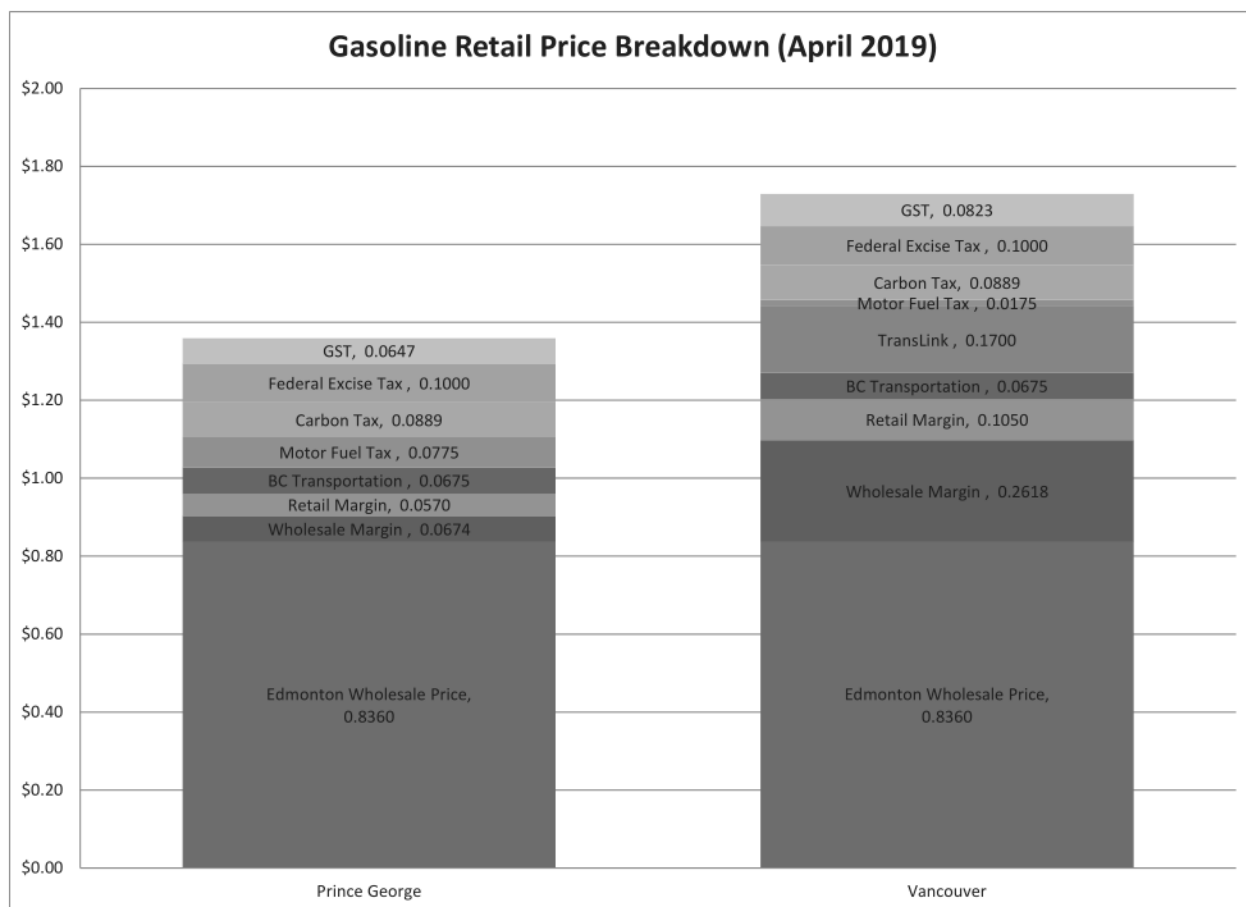
Gasoline prices are determined by market forces and influenced by a number of factors, such as exchange rates, the cost of refining, processing crude oil, the cost of transporting gasoline to retail outlets, and, federal and provincial taxes. There are also local factors such as access to wholesale gasoline supplies, market size, market demand, competition and, retailing and distribution efficiencies that can lead to situations where prices vary considerably.

### 1.1. Gasoline Retail Price Breakdown

It is instructive to compare Vancouver and Prince George pricing, as they are both cities in British Columbia, but appear to be subject to different market dynamics. In general, Prince George appears to behave similarly to Calgary and Edmonton, while the Vancouver market behaves significantly different. Kamloops is also referenced, as it appears to have characteristics of both markets, likely because it is logistically closer to Alberta than Vancouver, but a significant portion of its fuels are supplied through the Trans Mountain Pipeline.

The following chart illustrates the pricing components for Prince George and Vancouver for April 2019. It is interesting to note that the “Additional Wholesale Margin” is 26 cents/litre in Vancouver, but just under 7 cents/litre in Prince George.

The retail margin depends on a number of factors, including transportation costs from the wholesale rack and local operating costs for the retail outlet, for which public data is not available.



## 1.2. Sources of gasoline

British Columbia's gasoline came from a number of sources in 2018:

s.17

- Approximately 44% came from Alberta. This is shipped to Kamloops and Vancouver primarily via the TMP, and to the rest of the province via truck and rail.
- Approximately 7% (in 2016) is ethanol imported from a diversity of jurisdictions and shipped to British Columbia primarily by rail.
- About 1% is imported from California in summer to meet the Cleaner Gasoline Regulation requirements for low volatility in the Lower Fraser Valley.
- The remaining quantities are imported from various jurisdictions as needed. s.13

<sup>1</sup> The TMP is a multi-modal pipeline, meaning that it is capable of transporting a range of petroleum products, from diluted bitumen to refined products such as gasoline and diesel.

## Sources of Gasoline consumed in British Columbia – 2017

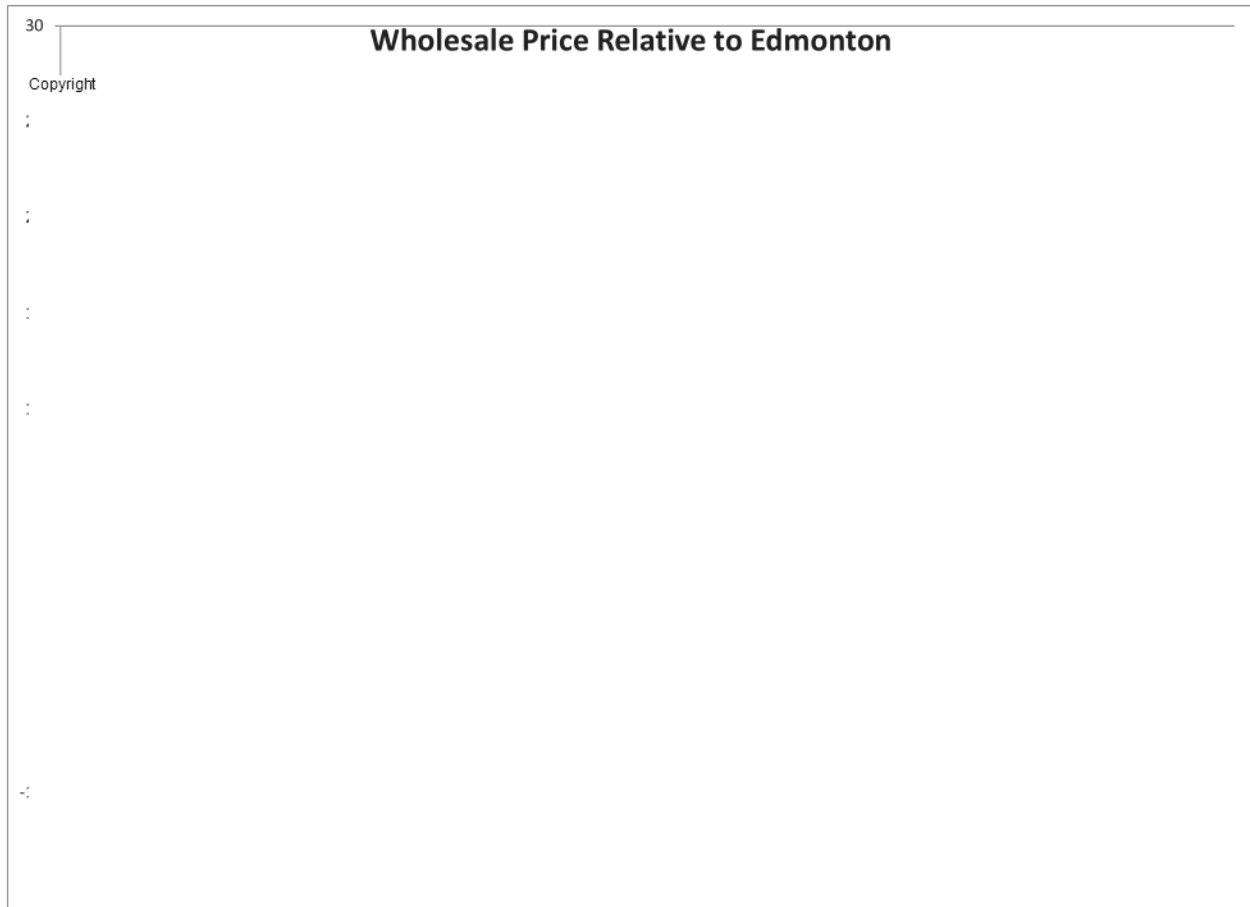
Copyright



Alberta crude prices have historically been lower than global markets due to a restricted capacity for shipping crude oil to refineries. This leads to lower costs for fuels produced in Alberta and British Columbia. However, when access to this low-cost source is limited, higher-cost fuels are imported via the Port of Vancouver to meet local needs. Imported fuels are more expensive, so local supplies are able to demand a higher price to prevent the fuels from being exported to more lucrative markets.

### 1.3. Wholesale Margins

The chart below shows the difference in wholesale pricing of Regular grade gasoline between Edmonton and a number of product destinations: Calgary, Prince George, Kamloops and Vancouver. Historically, these prices have been two to three cents more than Edmonton, which can be attributed to the transportation cost for moving that fuel from Edmonton to the market destination. The exception has always been Vancouver, which tends to be more volatile, so that while the average difference is similar to other markets, the variability is significantly greater.



Beginning roughly in 2015, this pattern changes for Kamloops and Vancouver wholesale prices. In April 2019, the wholesale price for Regular gasoline exceeds Edmonton by an average of 20 cents/litre in Vancouver, 12.5 cents/litre in Kamloops. This means that the producers of regular unleaded are realizing significant extra margin for fuel sold in the Vancouver and Kamloops markets.

Retail markets are affected by many factors beyond the scope of this analysis. However, comparing Vancouver retail margins to the margins in Calgary, Edmonton, Prince George and Kamloops leads to two observations:

1. The retail margin in Vancouver is significantly less volatile than in the other markets. This is opposite to the situation in the wholesale market.
2. The retail margin in Vancouver was similar to the other markets until roughly 2014, when it began to rise above the others. In 2017 this margin rose to about 12 cents/litre and is trying to ease downward to 10 cents as of April 2019. Other markets are trying to ease in 2019 in the average range of 1 to 4 cents/litre.

---

## 2. Factors that affect Vancouver wholesale fuel prices

### 2.1.1. Refinery shutdowns

When refineries that supply Vancouver prepare for shutdowns, the industry prepares by stockpiling fuel in Vancouver in advance of the shutdown, but this capacity is limited. The response to shortfalls is to import fuels, which currently come at a higher cost.

### 2.1.2. Limited pipeline capacity

The supply of refined products from Alberta is limited by a number of factors. One of those factors is the ability to ship fuel by pipeline. TMP data<sup>2</sup> shows that the pipeline is fully utilized, and that crude oil shipments are a large volume compared to refined products. In 2018 deliveries of total crude was up, while refined products were down. With pipeline capacity fully utilized, this implies that refined product shipments have been decreasing to make room for the increased crude oil shipments.

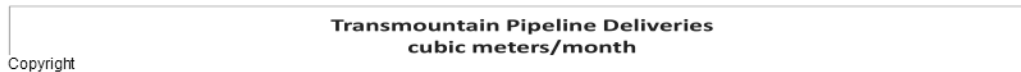
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<sup>2</sup> Trans Mountain data source: <https://www.neb-one.gc.ca/nrg/ntgrtd/trnsprttn/2016/grp1cmpns/lnldqds/trns-mntn-ppln-ulg-trns-mntn-ppln-eng.html>



According to Statistics Canada pipeline data, crude oil exports to U.S. refineries as well as crude oil deliveries to the British Columbia refinery have been trending up since 2006<sup>3</sup>. This implies that refined products such as gasoline are most likely getting squeezed out.

A change to allocation rules of TMP to allow more refined products may appear to be a solution but that assumes TMP shippers will need to reduce their crude pipeline nominating capacity. It also assumes that refined product is available at the Alberta inlet end of TMP. The last reported data from the Alberta Energy regulator showed refineries running at 101% capacity in 2017<sup>4</sup>.

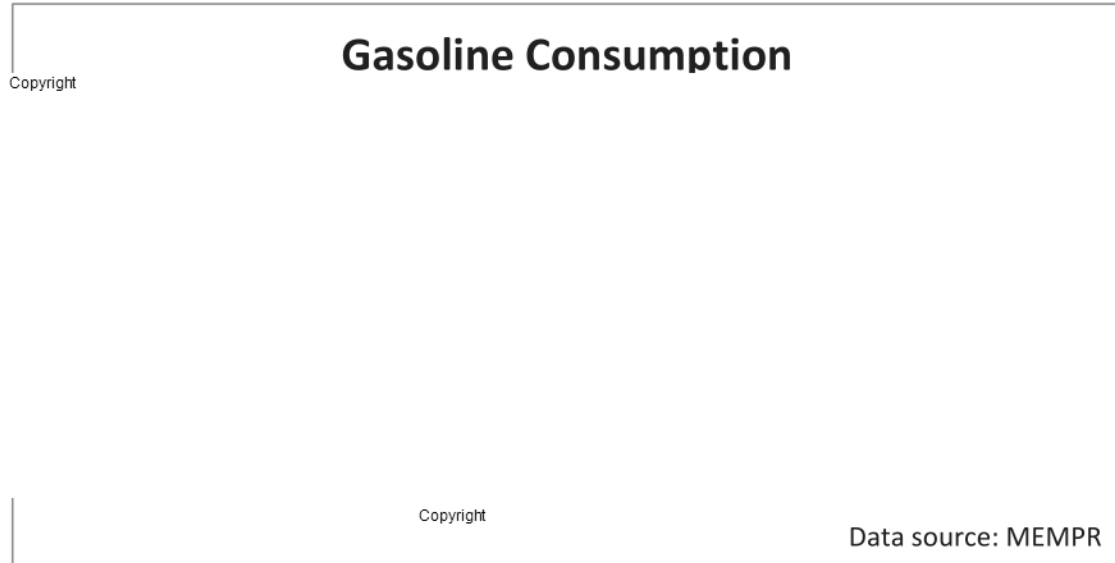


<sup>3</sup> Stats Canada <http://www5.statcan.gc.ca/cansim/a26?lang=eng&id=1330006> and <http://www5.statcan.gc.ca/cansim/a26?lang=eng&retrLang=eng&id=1330003&&pattern=&stByVal=1&p1=1&p2=-1&tabMode=dataTable&csid=>

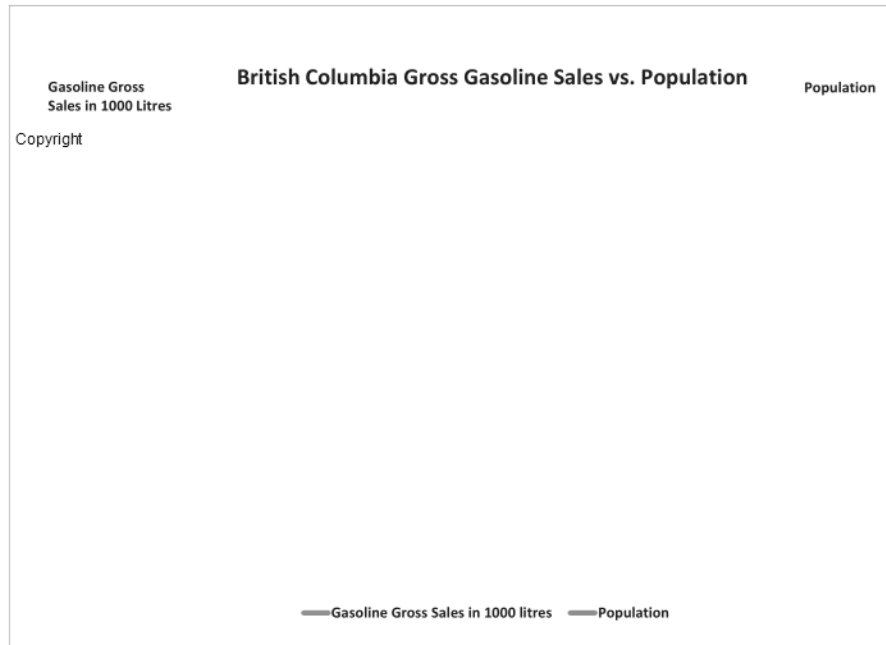
<sup>4</sup> <https://www.aer.ca/providing-information/data-and-reports/statistical-reports/plants-and-facilities>

### 2.1.3. Increasing demand

Demand for gasoline has increased slightly in Alberta and Saskatchewan, while demand in British Columbia has increased significantly, by 11% from 2012 to 2018 (1% from 2010 to 2018).



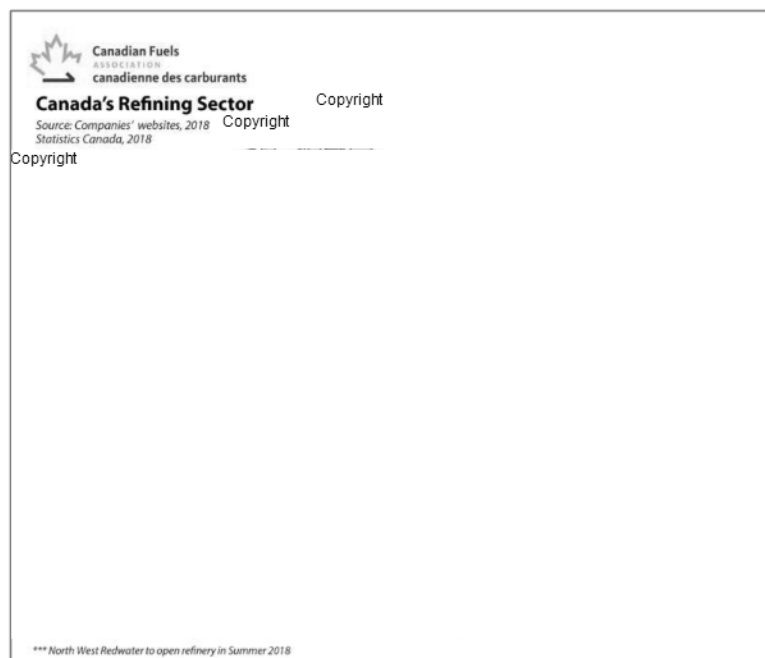




## 2.1.4. Limited production capacity

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The following illustration from the Canadian Fuels Association shows that six refineries serve Western Canada, with the newest Redwater refinery starting to produce diesel fuel. British Columbia has 3.6% of Canada's refining capacity and 11% of western Canada's refining capacity.



### 2.1.5. Competing markets

The supply of fuel for the west coast of Canada and the U.S. has been tight relative to other parts of the continent. Refineries on the west coast have had issues since 2016, and there has been an increase in U.S. exports of gasoline to Mexico.

According to the International Energy Agency, 2016 was a tumultuous year for North American refiners, interrupting their five-year trend of throughput growth. The drop in throughput came largely from the deteriorating state in Mexican refining as multibillion dollar investments in Mexico that were announced at the end of 2015 were effectively put on hold until private companies take on the upgrade projects. In 2017, total finished motor gasoline exports increased by 15% over 2016 (749,000 barrels per day). A significant portion of those increases have been exports to Mexico, and reductions in Mexico's utilization of their petroleum refineries have created a widening gap between its domestic supply and demand, and imports of gasoline from the U.S. now make up more than half of Mexico's gasoline consumption.



The disconnection between west coast markets in Canada seems to have a similar disconnection along the US West Coast. Data from the U.S. Energy Information Administration and Kent Marketing shows that the west coast experiences a spread in prices between the producing state of Texas and producing region of Edmonton for Canada.



**2.1.6. Canadian dollar**

Petroleum prices are indexed to U.S. markets, and when the Canadian dollar is valued below the U.S. dollar, fuel prices can be expected to rise. As the Canadian/U.S. exchange rate charted below shows, this has likely had an impact since about 2015, when the currency market shifted from roughly equivalent dollar values to a 30% premium for the Canadian dollar beginning in 2016.

### 2.1.7. Alternative energy use

The British Columbia low carbon fuel requirements and the Clean Energy Vehicle Program may have an impact on wholesale pricing, but this should apply equally for Prince George and Vancouver, as these are province-wide initiatives.

There are additional costs associated with compliance to the low carbon fuel requirements, but at the same time, the addition of biofuels to the gasoline supply, and the increasing use of electric and natural gas vehicles will help ease demand for oil products, and could help with some moderation of prices. The net effect is difficult to estimate, but is not expected to have a significant impact on cost at the current clean energy vehicle use, or for the carbon intensity targets.

## 3. Factors that affect retail margins

There are local factors that significantly affect retail margins, such as access to wholesale gasoline supplies, market size, market demand, competition and, retailing and distribution efficiencies.

Under the Canadian Constitution, the provinces have the authority to regulate retail gasoline prices. In Canada, gasoline prices are regulated in Prince Edward Island, Quebec, Nova Scotia and New Brunswick.

- Quebec has a price floor regulation, which protects vulnerable retailers from predatory competition.
- New Brunswick, Prince Edward Island, and Newfoundland and Labrador have price ceiling regulations, which protect consumers on small markets from unreasonably high fuel prices.
- Nova Scotia's regulations encompass both a floor and ceiling.

No provinces west of Quebec regulate the price of fuels.

Evidence does not suggest that consumers in regulated markets face lower gasoline prices than consumers in non-regulated markets.

The Federal Government, through the Competition Bureau, is responsible for investigating anti-competitive activities such as price fixing, and ensuring consumers have access to fair prices. Under the *Competition Act*, price fixing and other anti-competitive activities are illegal in Canada.

## **4. Conclusions**

Vancouver gasoline prices are unusually high, and appear to be exhibiting a number of unprecedented behaviours. It is not clear what is causing these behaviours, but there is no obvious sign that there are non-competitive or unfair businesses practices leading to the higher margins. A similar behaviour in the US west coast seems to point to some growing supply constraints in a region with an expanding population and demand.

### **Quick fixes to explore:**

s.13

### **Medium term to long term**

s.13

## MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES

### BRIEFING NOTE FOR INFORMATION

**I PREPARED FOR:** Honourable Michelle Mungall, Minister of Energy, Mines and Petroleum Resources

**II ISSUE:** Potential for British Columbia Utilities Commission (BCUC) Regulation of Gas Prices

### **III BACKGROUND:**

The Canadian Constitution provides the authority to provinces to regulate gas prices. Prince Edward Island, Newfoundland and Labrador, Nova Scotia, New Brunswick and Quebec are the only jurisdictions in Canada that regulate prices in some way.

#### **Quebec**

Every three years, the Regie de l'énergie Quebec (Quebec's public utility commission) determines the minimum retail margin for gasoline and diesel that is required to cover a retailer's operating costs. The minimum price is calculated based on the wholesale price, plus the transportation costs, applicable taxes and the retail margin.

#### **Nova Scotia**

The Nova Scotia Utility and Review Board (NSUARB) has been regulating gasoline and diesel prices since 2009. Under the authority of the *Petroleum Products Pricing Act* and the Petroleum Products Pricing Regulation, NSUARB sets the minimum and maximum prices for various zones in the province. Prices change every week or as required to adjust for market developments.

#### **New Brunswick**

Gasoline and diesel prices have been regulated in New Brunswick since 2006 under the *Petroleum Products Pricing Act*. The New Brunswick Energy and Utilities Board sets a maximum price based on a benchmark price to which are added wholesaler and retailer margins as well as all applicable taxes and distribution costs. Prices are adjusted every week or as required in the event of dramatic changes to the benchmark prices.

#### **Newfoundland and Labrador**

Fuel prices in Newfoundland and Labrador are regulated by the Board of Commissioners of Public Utilities in accordance with the *Petroleum Products Act*. Maximum retail prices are set for gasoline, diesel and furnace oil. Retailers may price at or below the listed prices, but may not exceed them. Prices are set every week or as required to adjust for market developments.

## Prince Edward Island

The Island Regulatory and Appeals Commission is responsible for regulating the prices of gasoline, diesel, stove oil, furnace oil and most propane products sold within the province of Prince Edward Island. A minimum and maximum price range is set for retail gasoline and diesel products whereas maximum prices are set for furnace oil, stove oil and propane. The Commission decides when and how often prices may change. Commission authorized price changes are currently scheduled for the 1st and 15th of each month.

## IV DISCUSSION:

The BCUC currently has no authority to regulate either wholesale or retail gasoline prices. Although the BCUC does exercise oversight of all public utilities within the province, the *Utilities Commission Act* (UCA) specifically excludes persons engaged in the petroleum industry from the definition of “public utility.” Petroleum industry is defined to include a variety of business activities, including the whole or retail distribution or sale of petroleum products.

If the BCUC were to be tasked with the regulation of gasoline prices, legislative changes would be required. Following the approach taken in the Maritime provinces, subject-specific legislation could be put in place to allow for regulation of gas prices by the BCUC. Alternatively, amendments could be made to the UCA. For example, in 2007, while in opposition, Premier Horgan introduced a private member’s bill entitled the *Retail Petroleum Consumer Protection Act*. That Act would have amended the UCA to give Cabinet the authority to prescribe wholesale and retail prices for petroleum products, while giving the BCUC the authority to enforce compliance.

Development of the regulatory scheme and any necessary legislative and regulatory changes would take a significant amount of time and staff resources. Questions that would need to be considered include:

- What is the objective of the regulatory scheme? Other Canadian provinces have designed their regulatory schemes to ensure the viability of smaller gasoline retailers (by prescribing minimum gas prices) or to minimize price volatility. It is not clear that gasoline price regulation results in lower average costs for consumers.
- Which products will be regulated? Some provinces regulate a range of petroleum products, including home heating oil.
- How will prices be regulated? Some provinces set minimum and/or maximum wholesale or retail prices, while others set retail or wholesale margins. Some set difference prices for different zones of the province.
- How frequently would prices be reviewed? Most other jurisdictions review prices on a weekly basis.
- How would this new regulatory scheme be funded? Generally, the BCUC funds its activities through levies on the regulated public utilities.

If government wishes to investigate the potential for BCUC regulation of gas prices further, a number of options are available. The BCUC could be asked to conduct an inquiry into the matter under section 5 of the UCA, or the Inquiry Act, similar to the 1996 BC Gasoline Pricing Inquiry. Alternatively, similar to the 1999 Report on Gasoline Prices in British Columbia, the Attorney General, as minister with responsibility for consumer issues, appointed a committee of MLAs to review gasoline prices in the province. This would be a time consuming and labour intensive process. Another option is for the Ministry to lead an engagement process through EngageBC, where interested individuals and organizations could provide written submissions, with the results provided in a summary report to government. This latter approach could be completed relatively quickly (6 to 8 weeks) using existing staff resources.

## **V CONCLUSION:**

In some other Canadian jurisdictions, public utility commissions are responsible for the regulation of gas prices. At this time, the BCUC has no authority to regulate gas prices. If government wishes to task the BCUC with the regulation of gas prices, legislative changes would be required.

Preliminary research into the regulatory schemes in other Provinces reveals a variety of approaches. Further research and consultation would be required in order to determine whether such a scheme would be advisable in British Columbia. EMPR could be directed to immediately initiate a web-based engagement process, through EngageBC, to gather public and stakeholder views to inform this work.

**DRAFTED BY:**

**APPROVED BY:**



**Subject:** RE: Memorandum - TMX-gas-alberta

**Date:** Sunday, May 5, 2019 at 2:01:37 PM Pacific Daylight Time

**From:** Nikolejsin, Dave EMPR:EX

**To:** Wright, Don J. PREM:EX

My only comments are:

s.13

If this is a good idea we need to begin asap.

---

**From:** Wright, Don J. PREM:EX

**Sent:** May 5, 2019 1:43 PM

**To:** Nikolejsin, Dave EMPR:EX <Dave.Nikolejsin@gov.bc.ca>; Kennedy, Christine PREM:EX  
<Christine.Kennedy@gov.bc.ca>

**Subject:** FW: Memorandum - TMX-gas-alberta

As discussed.

---

**From:** Geoff Meggs <Geoff.Meggs@gov.bc.ca>

**Date:** Wednesday, May 1, 2019 at 12:59 PM

**To:** "Wright, Don J. PREM:EX" <Don.J.Wright@gov.bc.ca>

**Cc:** Bob Dewar <Bob.Dewar@gov.bc.ca>, Evan Lloyd <Evan.Lloyd@gov.bc.ca>, Sage Aaron  
<Sage.Aaron@gov.bc.ca>, Amber Hockin <Amber.Hockin@gov.bc.ca>

**Subject:** Memorandum - TMX-gas-alberta

Do, as discussed. It would be valuable to have MAG assessment on timing and other aspects of Saskatchewan and Ontario challenges, which will impact pace of discussions. Early support of Canada by the Ontario court would strengthen Canada's hand considerably.

Geoff

Page 44 of 59 to/à Page 54 of 59

Withheld pursuant to/removed as

s.12 ; s.13

**Shortt, Amanda PREM:EX**

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**From:** Nikolejsin, Dave EMPR:EX  
**Sent:** May 3, 2019 3:18 PM  
**To:** Wright, Don J. PREM:EX  
**Cc:** Kennedy, Christine PREM:EX  
**Subject:** FW: Kent Marketing - Report requests

The beginnings of what could be in a TOR for a formal report on the gas prices issues. Let me know what you are thinking or if you would like to discuss over the weekend.

---

**From:** Thoroughgood, Garth A EMPR:EX  
**Sent:** May 3, 2019 2:53 PM  
**To:** Nikolejsin, Dave EMPR:EX  
**Subject:** Kent Marketing - Report requests

s.13

**Garth Thoroughgood**  
**A/Assistant Deputy Minister**  
**Oil and Gas Division**



**Shortt, Amanda PREM:EX**

---

**From:** Wright, Don J. PREM:EX  
**Sent:** May 4, 2019 3:16 PM  
**To:** Meggs, Geoff PREM:EX  
**Subject:** My suggestions  
**Attachments:** Red-lined letter.docx

Geoff,

I have redlined changes and explained/ask questions in a few footnotes. Hope it helps.

Don

Dear Prime Minister:

As you are no doubt aware, retail gasoline prices in British Columbia, particularly in Metro Vancouver and on Vancouver Island, are the highest in North America. Since January, retail prices have soared 40[check] 30 cents a litre to over \$1.70. This exceeds the previous record, set last fall, that was triggered by the impact of a natural gas pipeline rupture on refinery operations. No such external event has triggered the latest increases. In recent weeks, many motorists have observed overnight changes of 10 cents and 20 cents a litre. They are demanding answers, and relief.

s.13;s.16

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s.13;s.16

My government will be taking steps to investigate this shift in margins to ensure British Columbians have all the facts about the current spike in gas prices. But I believe more can be done.

I am writing to you to ask for Canada's assistance to ensure the operation of the TMX pipeline, now owned by a federal crown corporation, supports the best possible prices for BC motorists. I believe Canada should take note of the current price pressures facing BC drivers and take whatever steps possible, including your own investigation of price increases, to bring relief to drivers.

Yours truly

s.13;s.16

Formatted: English (United States)

## Loubert, Leslie M PREM:EX

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**From:** Rochon, Jake PREM:EX  
**Sent:** May 7, 2019 4:26 PM  
**To:** Meggs, Geoff PREM:EX; Aaron, Sage PREM:EX; Holmwood, Jen PREM:EX; Smith, George PREM:EX; Nash, Amber PREM:EX; Howlett, Tim GCPE:EX; Hockin, Amber PREM:EX; Dewar, Bob PREM:EX  
**Subject:** FW: Office of the Premier - Gasoline Prices in British Columbia  
**Attachments:** 2019-05-07-Premier-GasolinePricesBC-Resp.pdf

Hi all! Please find the attached letter. They have confirmed their interest in going forward. Cheers.

---

**From:** Commission Secretary BCUC:EX  
**Sent:** May 7, 2019 3:26 PM  
**To:** OfficeofthePremier, Office PREM:EX <[Premier@gov.bc.ca](mailto:Premier@gov.bc.ca)>  
**Subject:** Office of the Premier - Gasoline Prices in British Columbia

Dear Premier Horgan,

Please see attached correspondence in response to your letter dated May 7, 2019, regarding gasoline prices in British Columbia.

Regards,

**Ange-Christelle Irakarama**  
Administrative Assistant, Regulatory Services

**British Columbia Utilities Commission**  
**P:** 604.660.4741 **BC Toll Free:** 1.800.663.1385 **F:** 604.660.1102  
**bcuc.com**

*The information being sent is intended only for the person or organization to which it is addressed. If you receive this e-mail in error, please delete the material and contact the sender.*





**bcuc**  
British Columbia  
Utilities Commission

**David Morton**  
Chair and CEO

David.Morton@bcuc.com  
**bcuc.com**

Suite 410, 900 Howe Street  
Vancouver, BC Canada V6Z 2N3  
**P:** 604.660.4700  
**TF:** 1.800.663.1385  
**F:** 604.660.1102

May 7, 2019

Sent via email/mail

The Honourable John Horgan, M.L.A.  
Premier of British Columbia  
Office of the Premier  
PO Box 9041 Stn Prov Govt  
Victoria BC V8W 9E1  
premier@gov.bc.ca

**Re: Office of the Premier – Gasoline Prices in British Columbia**

Dear Premier Horgan:

Thank you for your May 7, 2019 letter regarding the British Columbia Utilities Commission (BCUC)'s interest in evaluating the factors impacting gasoline prices in British Columbia. I acknowledge our receipt of your letter and thank you for your confidence in the BCUC to conduct this important work.

I confirm our interest in conducting a fair, transparent and inclusive process to identify the factors impacting the price of gasoline in our Province.

We are looking forward to working closely with you and your office to establish a timeframe for this work as well as appropriate Terms of Reference.

Sincerely,

David Morton  
Chair and Chief Executive Officer

/aci

## Loubert, Leslie M PREM:EX

---

**From:** Farmer, Susan PREM:EX  
**Sent:** May 6, 2019 4:48 PM  
**To:** Meggs, Geoff PREM:EX  
**Cc:** Holmwood, Jen PREM:EX; Dewar, Bob PREM:EX; Hockin, Amber PREM:EX  
**Subject:** RE: is the letter fine to send?  
**Attachments:** 2019-05-06 Prime Minister Justin Trudeau - gas prices.docx

Re-attaching the most recent version from earlier today, so that it's handy.

---

**From:** Meggs, Geoff PREM:EX  
**Sent:** May 6, 2019 4:45 PM  
**To:** Farmer, Susan PREM:EX <[Susan.Farmer@gov.bc.ca](mailto:Susan.Farmer@gov.bc.ca)>  
**Cc:** Holmwood, Jen PREM:EX <[Jen.Holmwood@gov.bc.ca](mailto:Jen.Holmwood@gov.bc.ca)>; Dewar, Bob PREM:EX <[Bob.Dewar@gov.bc.ca](mailto:Bob.Dewar@gov.bc.ca)>; Hockin, Amber PREM:EX <[Amber.Hockin@gov.bc.ca](mailto:Amber.Hockin@gov.bc.ca)>  
**Subject:** RE: is the letter fine to send?

Bob have you checked it over? Amber?

### GEOFF MEGGS

Chief of Staff, Premier's Office  
West Annex, Parliament Buildings  
Victoria, BC, V8V 1K7  
250 387-1715

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**From:** Farmer, Susan PREM:EX  
**Sent:** May 6, 2019 4:26 PM  
**To:** Meggs, Geoff PREM:EX <[Geoff.Meggs@gov.bc.ca](mailto:Geoff.Meggs@gov.bc.ca)>  
**Cc:** Holmwood, Jen PREM:EX <[Jen.Holmwood@gov.bc.ca](mailto:Jen.Holmwood@gov.bc.ca)>; Dewar, Bob PREM:EX <[Bob.Dewar@gov.bc.ca](mailto:Bob.Dewar@gov.bc.ca)>  
**Subject:** RE: is the letter fine to send?

Hi – just checking in – are there still plans for this to potentially be sent tonight or are we looking at dealing with it in the morning?

Thanks.

---

**From:** Meggs, Geoff PREM:EX  
**Sent:** May 6, 2019 11:05 AM  
**To:** Farmer, Susan PREM:EX <[Susan.Farmer@gov.bc.ca](mailto:Susan.Farmer@gov.bc.ca)>  
**Cc:** Holmwood, Jen PREM:EX <[Jen.Holmwood@gov.bc.ca](mailto:Jen.Holmwood@gov.bc.ca)>; Dewar, Bob PREM:EX <[Bob.Dewar@gov.bc.ca](mailto:Bob.Dewar@gov.bc.ca)>  
**Subject:** Re: is the letter fine to send?

We're holding for Bob to review - he'll follow up

G

Sent from my iPhone

On May 6, 2019, at 10:47 AM, Farmer, Susan PREM:EX <[Susan.Farmer@gov.bc.ca](mailto:Susan.Farmer@gov.bc.ca)> wrote:

Hi – there was initially some mention of the letter possibly being released – just wondering if there’s timing around when it should be sent (planning to have it go via email with hardcopy to follow...)

**Susan Farmer**

Managing Director | Correspondence Branch | Office of the Premier

P: 250-387-3570 E: [susan.farmer@gov.bc.ca](mailto:susan.farmer@gov.bc.ca)

Page 05 of 45 to/à Page 06 of 45

Withheld pursuant to/removed as

s.13 ; s.16

## Loubert, Leslie M PREM:EX

---

**From:** Howlett, Tim GCPE:EX  
**Sent:** May 6, 2019 9:49 AM  
**To:** Holmwood, Jen PREM:EX; Meggs, Geoff PREM:EX  
**Cc:** Farmer, Susan PREM:EX; Aaron, Sage PREM:EX; Nash, Amber PREM:EX  
**Subject:** RE: My suggestions  
**Attachments:** 2019-05-06 Prime Minister Justin Trudeau - gas prices EDITS.docx

Some minor but important edits in attached to clarify "Trans Mountain" vs "TMX" (which is the expansion) and address concerns raised by Parkland last week.

---

**From:** Holmwood, Jen PREM:EX  
**Sent:** Monday, May 6, 2019 9:46 AM  
**To:** Meggs, Geoff PREM:EX <Geoff.Meggs@gov.bc.ca>  
**Cc:** Farmer, Susan PREM:EX <Susan.Farmer@gov.bc.ca>; Aaron, Sage PREM:EX <Sage.Aaron@gov.bc.ca>; Nash, Amber PREM:EX <Amber.Nash@gov.bc.ca>; Howlett, Tim GCPE:EX <Tim.Howlett@gov.bc.ca>  
**Subject:** Re: My suggestions

Geoff- Tim noticed a couple things that need to be changed in this letter and is making some small edits now.

Jen Holmwood  
Deputy Communications Director  
Office of the Premier | Government of BC  
250-818-4881

On May 6, 2019, at 9:42 AM, Meggs, Geoff PREM:EX <[Geoff.Meggs@gov.bc.ca](mailto:Geoff.Meggs@gov.bc.ca)> wrote:

Debbie Wade is brining you signed copy.

g

**GEOFF MEGGS**

Chief of Staff, Premier's Office  
West Annex, Parliament Buildings  
Victoria, BC, V8V 1K7  
250 387-1715

---

**From:** Farmer, Susan PREM:EX  
**Sent:** May 6, 2019 9:15 AM  
**To:** Meggs, Geoff PREM:EX <[Geoff.Meggs@gov.bc.ca](mailto:Geoff.Meggs@gov.bc.ca)>; Holmwood, Jen PREM:EX <[Jen.Holmwood@gov.bc.ca](mailto:Jen.Holmwood@gov.bc.ca)>  
**Cc:** Aaron, Sage PREM:EX <[Sage.Aaron@gov.bc.ca](mailto:Sage.Aaron@gov.bc.ca)>; Nash, Amber PREM:EX <[Amber.Nash@gov.bc.ca](mailto:Amber.Nash@gov.bc.ca)>  
**Subject:** RE: My suggestions

Hi – Gary just got back from dropping it off in the WA – he let me know that he left it w/Don as Debbie wasn't at her desk.

---

**From:** Meggs, Geoff PREM:EX  
**Sent:** May 4, 2019 8:43 PM  
**To:** Holmwood, Jen PREM:EX <Jen.Holmwood@gov.bc.ca>  
**Cc:** Aaron, Sage PREM:EX <Sage.Aaron@gov.bc.ca>; Nash, Amber PREM:EX <Amber.Nash@gov.bc.ca>; Farmer, Susan PREM:EX <Susan.Farmer@gov.bc.ca>  
**Subject:** Fw: My suggestions

Jen, the Premier would like this formatted first thing Monday for probable release that day, depending on call with PMJT. Incorporate the changes proposed by don and please provide a second draft for final approval on Monday, thanks.

Geoff

---

**From:** Meggs, Geoff PREM:EX  
**Sent:** Saturday, May 04, 2019 3:40 PM  
**To:** s.17  
**Cc:** Wright, Don J. PREM:EX; Hockin, Amber PREM:EX  
**Subject:** Fw: My suggestions

Premier, a draft by me corrected by Don. On the right track? If so, we can get it formatted first thing Monday. Do you want to release it after delivery?

Geoff

---

**From:** Wright, Don J. PREM:EX  
**Sent:** Saturday, May 04, 2019 3:16 PM  
**To:** Meggs, Geoff PREM:EX  
**Subject:** My suggestions

Geoff,

I have redlined changes and explained/ask questions in a few footnotes. Hope it helps.

Don

Page 09 of 45 to/à Page 10 of 45

Withheld pursuant to/removed as

s.13 ; s.16

## Loubert, Leslie M PREM:EX

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**From:** Meggs, Geoff PREM:EX  
**Sent:** May 4, 2019 8:43 PM  
**To:** Holmwood, Jen PREM:EX  
**Cc:** Aaron, Sage PREM:EX; Nash, Amber PREM:EX; Farmer, Susan PREM:EX  
**Subject:** Fw: My suggestions  
**Attachments:** Red-lined letter.docx

Jen, the Premier would like this formatted first thing Monday for probable release that day, depending on call with PMJT. Incorporate the changes proposed by don and please provide a second draft for final approval on Monday, thanks.

Geoff

---

**From:** Meggs, Geoff PREM:EX  
**Sent:** Saturday, May 04, 2019 3:40 PM  
**To:** s.17  
**Cc:** Wright, Don J. PREM:EX; Hockin, Amber PREM:EX  
**Subject:** Fw: My suggestions

Premier, a draft by me corrected by Don. On the right track? If so, we can get it formatted first thing Monday. Do you want to release it after delivery?

Geoff

---

**From:** Wright, Don J. PREM:EX  
**Sent:** Saturday, May 04, 2019 3:16 PM  
**To:** Meggs, Geoff PREM:EX  
**Subject:** My suggestions

Geoff,

I have redlined changes and explained/ask questions in a few footnotes. Hope it helps.

Don



Page 12 of 45 to/à Page 17 of 45

Withheld pursuant to/removed as

s.13 ; s.16

**Loubert, Leslie M PREM:EX**

---

**From:** Wright, Don J. PREM:EX  
**Sent:** May 4, 2019 12:53 PM  
**To:** Meggs, Geoff PREM:EX  
**Cc:** s.17  
**Subject:** Re: Draft letter to Canada - pipeline

Geoff,

A few things that I think we need to change, but I won't be able to get them to you until later this afternoon.

Don

Sent from my iPhone

On May 4, 2019, at 11:35 AM, Meggs, Geoff PREM:EX <[Geoff.Meggs@gov.bc.ca](mailto:Geoff.Meggs@gov.bc.ca)> wrote:

Don, my draft bullets for a letter as requested by PJH

s.13;s.16

Yours truly

**Loubert, Leslie M PREM:EX**

---

**From:** Robinson, Jon PREM:EX  
**Sent:** May 2, 2019 5:04 PM  
**To:** Dewar, Bob PREM:EX; Meggs, Geoff PREM:EX; Hockin, Amber PREM:EX; Aaron, Sage PREM:EX  
**Subject:** letter  
**Attachments:** letter BCUC.docx

As discussed with Bob...

Please see the attached for your consideration. I worked on this with Melissa Sanderson.

**Jon Robinson, Director of Policy**  
Office of the Premier | Government of BC  
501 Belleville St, Victoria, BC V8V 2L8 | 250-893-4538

Page 21 of 45 to/à Page 22 of 45

Withheld pursuant to/removed as

s.13

## Loubert, Leslie M PREM:EX

---

**From:** Merran Smith <merran@cleanenergycanada.org>  
**Sent:** May 2, 2019 11:58 AM  
**To:** Meggs, Geoff PREM:EX  
**Cc:** Zacharias, Mark ENV:EX; Hewitt, Jeremy ENV:EX; Marcia Smith  
**Subject:** Re: thoughts re gas prices

Yes, they have a price tag, no question about that. But the pain at the pumps may also have a price tag.

Another idea:

s.13

Happy to discuss.  
Merran

\*\* PLEASE NOTE MY NEW PHONE NUMBER 250 858 5636 \*\*

--

Merran Smith  
Executive Director

@merransmith | cleanenergycanada.org <<http://cleanenergycanada.org/>>

For the week's top news and analysis, check out Clean Energy Review <<http://cleanenergycanada.org/clean-energy-review>>

On 5/2/19, 11:23 AM, "Meggs, Geoff PREM:EX" <Geoff.Meggs@gov.bc.ca> wrote:

Look forward to meeting - but these seem expensive.

Geoff

Sent from my iPhone

> On May 2, 2019, at 10:23 AM, Merran Smith <merran@cleanenergycanada.org> wrote:

>

> moment

## Loubert, Leslie M PREM:EX

---

**From:** Merran Smith <merran@cleanenergycanada.org>  
**Sent:** May 2, 2019 10:24 AM  
**To:** Zacharias, Mark ENV:EX; Hewitt, Jeremy ENV:EX; Meggs, Geoff PREM:EX  
**Cc:** Marcia Smith  
**Subject:** FW: thoughts re gas prices

Some great ideas from Matt Horne re: how to deal with the gas price challenge. I wanted to pass them along.

**Context:** This is more than a messaging challenge for the province. Rightly or wrongly, the high gas prices are being perceived as a new challenge, so I think govt needs to respond with new actions as a complement to communications.

**Solution:** Two part approach

s.13

Let me know what you think.<sup>s.13</sup>  
s.13

Happy to discuss further.

Merran

## Loubert, Leslie M PREM:EX

---

**From:** Meggs, Geoff PREM:EX  
**Sent:** May 1, 2019 1:00 PM  
**To:** Wright, Don J. PREM:EX  
**Cc:** Dewar, Bob PREM:EX; Lloyd, Evan GCPE:EX; Aaron, Sage PREM:EX; Hockin, Amber PREM:EX  
**Subject:** Memorandum - TMX-gas-alberta  
**Attachments:** Memorandum - TMX-gas-alberta.docx

s.14

Geoff



Page 26 of 45

Withheld pursuant to/removed as

s.13

Page 27 of 45

Withheld pursuant to/removed as

s.13 ; s.16



## Loubert, Leslie M PREM:EX

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**From:** Geary, Vanessa PREM:EX  
**Sent:** April 29, 2019 7:48 AM  
**To:** LP PREM Directors; Wright, Don J. PREM:EX; Howlett, Tim GCPE:EX  
**Subject:** Fwd: Report on gas prices

FYI - Marc Lee has done a report on gas prices - shows increase of 55 cents / L since 2016, 6 cents is increased tax, 18 cents is increase in margin for refiners, and most of rest is increased cost of crude. He has recommendations including cap on gas as is done in maritimes and regulating how much gas to be to kept in storage.

Link to report is here if you are interested:

<https://www.policynote.ca/over-a-barrel/>

## Loubert, Leslie M PREM:EX

---

**From:** Robinson, Jon PREM:EX  
**Sent:** April 16, 2019 7:48 AM  
**To:** Meggs, Geoff PREM:EX; Hockin, Amber PREM:EX; Aaron, Sage PREM:EX; Dewar, Bob PREM:EX  
**Subject:** Fwd: 106504 BN DM OGD Gasoline Prices  
**Attachments:** 106504 BN DM OGD Gasoline Prices.docx; ATT00001.htm

FYI.

Sent from my iPhone

Begin forwarded message:

**From:** "Sanderson, Melissa EMPR:EX" <[Melissa.Sanderson@gov.bc.ca](mailto:Melissa.Sanderson@gov.bc.ca)>  
**Date:** April 15, 2019 at 7:16:27 PM PDT  
**To:** "Robinson, Jon PREM:EX" <[Jon.Robinson@gov.bc.ca](mailto:Jon.Robinson@gov.bc.ca)>, "Farmer, Leila GCPE:EX" <[Leila.Farmer@gov.bc.ca](mailto:Leila.Farmer@gov.bc.ca)>  
**Subject:** Fwd: 106504 BN DM OGD Gasoline Prices

FYI

Sent from my iPhone

Begin forwarded message:

**From:** "Nikolejsin, Dave EMPR:EX" <[Dave.Nikolejsin@gov.bc.ca](mailto:Dave.Nikolejsin@gov.bc.ca)>  
**Date:** April 15, 2019 at 6:49:15 PM PDT  
**To:** "Sanderson, Melissa EMPR:EX" <[Melissa.Sanderson@gov.bc.ca](mailto:Melissa.Sanderson@gov.bc.ca)>, "Mungall, Michelle EMPR:EX" <[Michelle.J.Mungall@gov.bc.ca](mailto:Michelle.J.Mungall@gov.bc.ca)>  
**Cc:** "Haslam, David GCPE:EX" <[David.Haslam@gov.bc.ca](mailto:David.Haslam@gov.bc.ca)>  
**Subject:** 106504 BN DM OGD Gasoline Prices

Minister, as discussed...

## **MINISTRY OF ENERGY, MINES AND PETROLEUM RESOURCES**

### **BRIEFING NOTE FOR INFORMATION**

**I PREPARED FOR:** Dave Nikolejsin, Deputy Minister of Energy Mines and Petroleum Resources

**II ISSUE:** Gasoline Prices

#### **III BACKGROUND:**

British Columbia has a small supply of crude oil and little refining capacity for making gasoline in comparison to what is consumed by the Province. There are 15 refineries in Canada. Two refineries operate in British Columbia with 3.5 percent of Canada's refining capacity, which meets approximately 20 percent of the Province's gasoline needs. The remaining 80 percent of provincial gasoline demand is managed through importing gasoline supplies from refineries in Alberta and Washington State.

Gasoline prices are determined by market forces and influenced by a number of factors, such as Canada/U.S. exchange rate, pipeline outages, refinery outages, crude oil inventories, gasoline inventories, the cost of refining and processing crude oil, the cost of transporting gasoline to retail outlets and, federal and provincial taxes. There are also local factors such as access to refining crude, wholesale gasoline supplies, market size, market demand, competition and, retailing and distribution efficiencies.

The pipeline capacity in British Columbia for crude and refined petroleum products for the west coast has not increased substantially for decades while demand for gasoline on the west coast and Pacific Northwest continues to increase with population growth and increased transportation demand. Any disruption to the tight supply/demand network for transportation fuel such as ours on the west coast and Pacific Northwest has quick and sometimes significant drawn out impacts.

#### **II DISCUSSION:**

Disproportionate gasoline price increases are occurring along the U.S. and Canadian West Coast. On April 15, 2019 the Houston Chronicle reported that the U.S. national gasoline average price was \$2.83/Gallon while California gasoline prices with ongoing refinery outages was firmly 40% higher at over \$4US/gallon.

<https://www.houstonchronicle.com/business/energy/article/Houston-gasoline-prices-steadily-rising-before-13768023.php>.

The U.S. West Coast has limited options for accessing crude and refined products. For example, one of California's traditional supplies of crude for refining was Alaska crude.

Alaska supply has been in decline since 1988. Alaska oil production has declined by 68% from 2 million barrels a day in 1988 to current production levels of 600,000 barrels per day <https://www.aoga.org/facts-and-figures>. California has had to increase their use of foreign refinery feedstock to meet its needs (Appendix IV).

Retail prices reported on the Gas Price Map on GasBuddy.com show the entire west coast of North America having the highest retail prices of gasoline (Appendix I). Texas a producing region in the U.S. is one of the cheapest states for gasoline compared to California. Similarly, Alberta has cheaper gasoline compared to British Columbia.

Restricted refining capacity due to maintenance and refinery outages along the West Coast in both California and Washington State is putting downward pressure on gasoline inventories and disproportionate upward pressure on wholesale gasoline prices on the West Coast (Appendix II).

s.13

#### **IV CONCLUSION:**

British Columbia and the U.S. West Coast have limited supply options for crude and refined product. The West Coast (Canada and the U.S.) relies heavily on the Trans Mountain Pipeline plus other sources for its light crude and refined product needs.

s.13

Any disruption to the tight supply/demand network for transportation fuels on the west coast and Pacific Northwest can have quick and sometimes significant drawn out market impacts. Sourcing of incremental supplies can come at an incremental cost due to less efficient transportation methods or exposure to a higher international market.

**DRAFTED BY:**

Duane Chapman  
Senior Regulatory Analyst

**APPROVED BY:**

Garth Thoroughgood, A/ADM

✓

Appendix I – Maps of North American retail gasoline prices.

Appendix II – Gasoline Inventories

Appendix II – Wholesale vs retail Gasoline prices

Appendix IV – California Refinery Oil Sources

## Appendix I

### Canada



### USA



Duane Chapman



## Appendix II

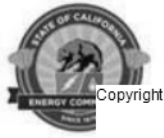
Copyright	PADD 5 Crude Oil Stocks
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Copyright	PADD 5 Total Motor Gasoline Stocks
-----------	------------------------------------

## Appendix III

### **Wholesale vs Retail for Regular Unleaded Vancouver (April 2017-March 2019)**

Copyright



## Annual Crude Oil Imports into California

Sources: Energy Information Administration and the California Energy Commission.

11/15/2017

California Energy Commission

10

## Loubert, Leslie M PREM:EX

---

**From:** Meggs, Geoff PREM:EX  
**Sent:** April 16, 2019 7:41 AM  
**To:** Reder, Mark  
**Cc:** Rinne, Norm  
**Subject:** Re: Pipeline Gas Price Relationship Note

Thanks, Mark. No doubt I'll have more questions if the issue of "turning off the taps" becomes live again.

Geoff

---

**From:** Reder, Mark <mark.reder@fhhighroad.com>  
**Sent:** Monday, April 15, 2019 8:15 PM  
**To:** Meggs, Geoff PREM:EX  
**Cc:** Rinne, Norm  
**Subject:** Pipeline Gas Price Relationship Note

Geoff:

Apologies for the delay. Please find attached a summary note on the relationship between Trans Mountain and gasoline prices in BC. I have copied Norm Rinne at Trans Mountain who has considerable knowledge of the commercial underpinnings of Trans Mountain and fuels markets. If BC officials are looking for additional information, Norm – depending on the specific query – should be able to help.

Please let us know if you would like additional background.

Regards,

Mark Reder

*Senior Vice President, Senior Partner and General Manager*

FleishmanHillard HighRoad | 777 Hornby St. | 16th Floor | Vancouver, British Columbia | V6Z 2T3

O 604-688-2505 | M 604-318-4282 | F 604-688-2519

E [mark.reder@FHhighroad.com](mailto:mark.reder@FHhighroad.com)

---

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**From:** Robinson, Jon PREM:EX  
**Sent:** April 5, 2019 1:29 PM  
**To:** Howlett, Tim GCPE:EX; Aaron, Sage PREM:EX; Meggs, Geoff PREM:EX; Dewar, Bob PREM:EX  
**Subject:** Horgan PMB on gas

Hi all,

Sorry for delay on this – in meetings all morning.

Below is Horgan's PMB on gas prices protection tabled back in 2007. Essentially it allows the Utilities Commission to regulate gas prices. This is similar to what other provinces like Quebec and the Atlantic Provinces do.

**MR. JOHN HORGAN**

**BILL M 201 — 2007**  
**RETAIL PETROLEUM CONSUMER PROTECTION ACT, 2007**

HER MAJESTY, by and with the advice and consent of the Legislative Assembly of the Province of British Columbia, enacts as follows:

**Explanatory Note**

This Bill amends the *Utilities Commission Act* by adding in sections 64.1, 72.1, 97.1, 98.1 106.1, 106.2, and subsections (4) and (5) of Section 125. These amendments allow for greater consumer protection by allowing the Commission to regulate retail petroleum products.

**1 The Utilities Commission Act, section 64.1 is amended as:**

**64.2** In this Part, "**sufficient notice**" means notice in the manner and form, within the period, with the content and by the person required by the commission

**2 The Act is amended by adding the following section:**

## **Regulation of the Price of Petroleum Products**

### **No price change except in accordance with regulations**

- 64.1** (1) No wholesaler or retailer shall change the price of gasoline, diesel oil, furnace oil or any other prescribed petroleum product except in accordance with the regulations.

### **Prescribed wholesale prices**

- (2) Where a fixed wholesale price is prescribed for a petroleum product, no wholesaler shall charge a price for that petroleum product that is greater or less than that fixed wholesale price.
- (3) Where a maximum or minimum wholesale price is prescribed for a petroleum product, no wholesaler shall charge a price for that petroleum product that is greater than that maximum wholesale price or less than that minimum wholesale price.

### **Maximum retail price**

- (4) Where a maximum retail price is prescribed for a petroleum product, no retailer shall charge a price for that petroleum product that is greater than that maximum retail price.

## ***3 The Act is amended by adding the following section:***

### **Inquiries by Commission**

- 72.1** (1) Where reasonably necessary to ensure compliance with this Act or the regulations, the Commission may
- (a) at all reasonable times, enter the premises of a wholesaler or retailer to determine whether the price being charged for a petroleum product is in accordance with this Act and the regulations;
  - (b) inquire into all matters relating to the sale of a petroleum product;
  - (c) require the production of books, records or other documents relating to the sale of a petroleum product and may examine those books, records or other documents or remove them for the purpose of making copies of them.
- (2) Every wholesaler or retailer shall keep the books, records or other documents referred to in clause (1)(c) for a period of at least seventy-two months unless the Commission otherwise determines.
- (3) A wholesaler or retailer may produce the books, records or other documents referred to in clause (1)(c) for inspection in a place of business outside of the Province at the expense of that wholesaler or retailer, including reimbursement of the Province for all reasonable expenses incurred in carrying out the inspection.

***4 The Act is amended by adding the following section:***

**Warrants and searches**

**97.1** (1) Where:

- (a) the Commission believes, on reasonable grounds, that a person is contravening or has contravened this Act or the regulations; or
- (b) entry onto premises has been refused or denied,

the Commission may apply to a judge of the Provincial Court or a justice of the peace for a warrant under subsection (2).

(2) Where, on an application under subsection (1), a judge of the Provincial Court or a justice of the peace is, by information on oath, satisfied that there are reasonable grounds for believing that this Act or the regulations are being contravened, the judge or justice of the peace may issue a warrant authorizing the Commission to do the things referred to in Section 72.1.

(3) The owner or person in charge of the premises and every person found therein shall give the Commission all reasonable assistance to enable the Commission to carry out the Commission's duties and functions under this Section, and shall furnish the Commission with the information that the Commission may reasonably require.

(4) Notwithstanding subsection (1), the Commission may exercise the power of search without a warrant if the conditions for obtaining the warrant exist but, by reason of exigent circumstances, it is not practical to obtain a warrant.

(5) For the purpose of subsection (4), exigent circumstances include circumstances in which the delay necessary to obtain the warrant will result in the loss or destruction of evidence.

***5 The Act is amended by adding the following section:***

**Study by independent person**

**98.1** (1) The commission shall appoint an independent person to undertake a study of the effects of establishing minimum and maximum profit margins for retailers and report to the Commission.

(2) The Minister of Energy, Mines and Petroleum Resources shall table the report of the independent person in the Assembly if the Assembly is then sitting or, if the Assembly is not then sitting, shall file the report with the Clerk of the Assembly.

***6 The Act is amended by adding the following sections:***

## **Offences with regards to petroleum**

### **Offence by wholesaler or controlled retailer and penalty**

**106.1** (1) Every wholesaler or controlled retailer who increases the price of a petroleum product contrary to Section 64.1(1) is guilty of an offence and is liable, on summary conviction, to a fine of not more than five hundred thousand dollars.

(2) Where an offence described in subsection (1) is committed by a person on more than one day or is continued for more than one day, each day on which the offence is committed or continued constitutes a separate offence.

### **Offence and penalty**

**106.2** (1) Subject to Section 106.1, every person who contravenes a provision of this Act or the regulations is guilty of an offence and is liable, on summary conviction, to a fine of not more than five thousand dollars.

(2) Where an offence described in subsection (1) is committed by a person on more than one day or is continued for more than one day, each day on which the offence is committed or continued constitutes a separate offence.

### ***7 The Act is amended by adding the following:***

(4) Without limiting sub-section (1), the Lieutenant Governor in Council may make regulations as follows:

- (a) requiring notice of changes in the price of petroleum products and prescribing or respecting the form and manner of the notice, including the requirement to include justification for an increase in the price of a petroleum product;
- (b) respecting the frequency and timing of changes in the price of petroleum products;
- (c) prescribing
  - (i) a fixed wholesale price or a maximum and minimum wholesale price,
  - (ii) a maximum retail price,
  - (iii) minimum and maximum retail mark-ups,for petroleum products;
- (d) respecting fees to be charged to wholesalers to cover the costs of administering this Act and the regulations;
- (e) respecting inspections and investigations of wholesalers and retailers;



- (f) prescribing information that a wholesaler or a retailer is required to provide to the Commission;
- (g) establishing or designating a board to administer this Act and the regulations, or any part of this Act and the regulations, and determining the powers and duties of that board;
- (h) appointing a consumer advocate and determining the powers and duties of the advocate;
- (i) prescribing additional penalties for a contravention of this Act or the regulations including, notwithstanding any other enactment, the suspension or revocation of licences and permits;
- (j) exempting a petroleum product from the application of this Act or the regulations, or any part of the Act or the regulations;
- (k) delegating to any person or board any powers or duties under this Act or the regulations;
- (l) defining any word or expression used in this Act but not defined in this Act;
- (m) further defining any word or expression defined in this Act;
- (n) respecting any other matter the Lieutenant Governor in Council considers necessary or advisable to carry out effectively the intent and purpose of this Act.

(5) A regulation may apply to all wholesalers or retailers or to all petroleum products or to a class of wholesalers or retailers or to a class of petroleum products and there may be different regulations for different classes of such wholesalers or retailers or of such petroleum products.

### **Explanatory Notes**

This Bill amends the *Utilities Commission Act* by adding in sections 64.1, 72.1, 97.1, 98.1 106.1, 106.2, and subsections (4) and (5) of Section 125. These amendments allow for greater consumer protection by allowing the Commission to regulate retail petroleum products.

**Jon Robinson, Director of Policy**  
Office of the Premier | Government of BC  
501 Belleville St, Victoria, BC V8V 2L8 | 250-893-4538

## Loubert, Leslie M PREM:EX

---

**From:** Howlett, Tim GCPE:EX  
**Sent:** April 5, 2019 11:21 AM  
**To:** Meggs, Geoff PREM:EX; Holmwood, Jen PREM:EX; Hockin, Amber PREM:EX  
**Cc:** Aaron, Sage PREM:EX; Smith, George PREM:EX; Robinson, Jon PREM:EX  
**Subject:** Gas Prices - taxes lines

Following a huddle of folks here in Victoria, proposed QA on taking taxes off gas prices below to review with PJH.

*What about taking some of the taxes off like Wilkinson suggested?*

- Last year Wilkinson said we shouldn't change gas taxes because market forces are behind prices.
- This year he's decided to play politics.
- But his plan would just be a subsidy for oil companies as they would just raise prices even further.
- If we said we're capping prices at \$1.60 today, oil companies would just jump to \$1.70 tomorrow.
- Subsidizing oil company profits at the expense of public transit doesn't make sense.
- The fact is the situation is more complicated and driven by a lack of regional refining capacity and gouging by oil companies. That's what we need to look at.

Tim Howlett  
Issues Management  
250.208.4828

## Loubert, Leslie M PREM:EX

---

**From:** Howlett, Tim GCPE:EX  
**Sent:** April 5, 2019 10:22 AM  
**To:** Meggs, Geoff PREM:EX; Aaron, Sage PREM:EX; Holmwood, Jen PREM:EX; Smith, George PREM:EX; Robinson, Jon PREM:EX  
**Subject:** Gas Prices lines

On "relief"...

PJH is almost certainly going to get Q at media avail today for more details on what sort of relief government is considering. s.13

Wilkinson has said that govt should pick a price point like \$1.60 and then rebate taxes to keep it from rising above that point.

s.13

### Gas Prices

Background:

- Gas prices in Metro Vancouver are at an all time high, with a Coquitlam gas station charging \$1.67/L. Prices are expected to continue to rise into the weekend of April 6-7.
- BC has significantly higher refining and marketing margins than other regions of Canada which indicates higher profit margins.
- The Opposition has claimed rising gas prices are linked to the carbon tax and other tax policies, as well as government's position on the TransMountain Expansion project.
- They have suggested BC should increase its fuel supply, provide a break to people on the motor vehicle fuel tax and return to a revenue neutral carbon tax.
- Each \$5 increase to the Carbon Tax is equivalent to about 1 cent/litre on gas prices.
- The old government increased the carbon tax on gasoline from 0 to 6.67 cents and raised the Translink motor fuel tax from 9 to 17 cents - for a total of nearly 15 cents.

Message:

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- We're eliminating MSP fees and avoiding the old government's planned ICBC and BC Hydro rate hikes, while making historic investments in affordable housing and childcare.
  - We're also increasing the climate action credit for families - this year a family of 4 will receive up to \$400.
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What sort of relief are you considering?

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On Wilkinson...

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