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Dear Minister:

We are pleased to advise that the Board has completed the Petroleum Products Pricing Review (“the Review”) for Labrador, as directed by the Minister of Digital Government and Service NL in June 2022. A final report with respect to the Island portion of the Province was released on January 27, 2025.

In completing the Review, the Board engaged consultants to gather and analyze cost information from the industry to assist in the evaluation of the benchmark pricing mechanism, the mark-ups and the zone differentials. The consultants’ work took longer than expected primarily due to challenges in obtaining industry cost information. Following receipt of the consultants’ reports, the Board conducted an extensive consultation process with industry, consumers and community groups which involved written and in-person presentations. This consultation process continued into early 2025 and included the release of three Board consultation documents setting out the issues and relevant information.

The attached report sets out the changes that will be implemented by the Board in the coming weeks as a result of the Labrador Review. These changes include zone boundary changes as well as increases in the gasoline, diesel and stove oil mark-ups and zone differentials, which will be phased-in over five weeks so that the impacts on maximum prices will be no higher than 1.0 cent per litre per week. The Board has also identified two potential changes to the Petroleum Products Regulations for the consideration of Government.

Respectfully submitted,

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Review of **PETROLEUM PRODUCTS** **PRICING IN LABRADOR**

Final Report

March 13, 2025

EXECUTIVE SUMMARY

The Petroleum Products Pricing Review (the “Review”) was conducted by the Board of Commissioners of Public Utilities (the “Board”) in accordance with the direction of the Minister of Digital Government and Service NL, pursuant to Section 8.1(3) of the **Petroleum Products Act**.

This report relates to petroleum products pricing for Labrador. A separate report addressing petroleum products pricing on the Island was issued on January 27, 2025.

Flowing from the Review, the Board will make a number of changes to petroleum products pricing in Labrador. The following summarizes the results of the Review for Labrador.

Labrador Price Setting Process

- For Marine Tanker Supplied Areas:
 - maximum prices will continue to be adjusted seasonally.
- For Western Labrador:
 - weekly maximum price adjustments will be on Friday rather than Thursday.
 - the market reporting agency will be Argus Media for gasoline, diesel and stove oil.
 - 5 days of market data will be used in the calculation of maximum prices.
 - Government may wish to consider whether there should be changes to the Regulations to give the Board additional discretion in the calculation of maximum prices.

Labrador Products and Blending

- For Marine Tanker Supplied Areas:
 - actual product acquisition costs will continue to be used to adjust maximum prices seasonally.

- For Western Labrador:
 - regular gasoline maximum prices will continue to reflect 100% unleaded 87 market data.
 - a new blend schedule will be implemented for diesel beginning in the fall of 2025.
 - stove oil maximum prices will continue to reflect 100% Ultra Low Sulphur Kerosene market data.
- For Mid-Grade and Premium Gasoline:
 - Government may wish to consider whether there should be changes to the Regulations to allow for market-based pricing for mid-grade and premium gasoline fuels.

Labrador Zone Boundaries

- Marine Tanker Supplied Areas:
 - Zone 11a: Coastal Labrador South, including Black Tickle, and Zone 11b: Coastal Labrador South, including William's Harbour and Norman's Bay, will be combined.
 - Zone 10: Labrador - The Straits to Red Bay will not be changed.
 - Zone 11c: A new zone will be created for the Town of Cartwright.
- For Western Labrador:
 - no changes will be made to the zone boundaries of Labrador West (Zone 13) and Churchill Falls (Zone 13a).

Labrador Mark-Ups and Zone Differentials

- Wholesale mark-ups will be increased in most Labrador zones to align with Island mark-ups.
- Zone differentials will be decreased to reflect the net impact of:
 - changes to offset the wholesale mark-up increases; and,
 - changes to reflect cost increases since the differentials were last adjusted.

- Retail mark-ups for gasoline, diesel and stove oil in Labrador will be increased to reflect increases in costs since the mark-ups were last adjusted.

To minimize the impact on weekly maximum prices, the changes to mark-ups and zone differentials for gasoline, diesel and stove oil will be phased in over a period of five weeks, with the wholesale mark-up and zone differential changes implemented in the first week and the retail mark-up increases implemented in the following four weeks so that the impact on maximum prices will be no greater than 1.0 cent per litre per week.

Labrador Propane Heating Fuel

- The combined total allowed mark-ups and zone differentials for propane in Labrador will be changed to reflect changes in the supply characteristics and costs to supply propane.

Future Reviews

- The Board will conduct annual reviews of the mark-ups and zone differentials beginning in 2026.

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1.0 - INTRODUCTION

1.1 - The Petroleum Products Pricing Review

The Petroleum Products Pricing Review (the “Review”) was conducted by the Board of Commissioners of Public Utilities (the “Board”) in accordance with the direction of the Minister of Digital Government and Service NL, pursuant to Section 8.1(3) of the **Petroleum Products Act**. The direction from the Minister can be found here: **Minister's Direction**.

1.2 - Review Process

The Board engaged Kalibrate Canada Inc. (“Kalibrate”), and subsequently R Cube Economic Consulting Inc. (“R Cube”), to assist in the completion of the Review. The following reports were issued:

- **Kalibrate Preliminary and Background Market Review**
- **R Cube Supply Dynamics, Benchmarking, Wholesale Mark-Ups**
- **R Cube Retail Mark-Ups and Other Items**
- **Board Consultation Document - Issue Identification**
- **Board Island Consultation Document**
- **Board Labrador Consultation Document**
- **Board Final Report - Island**

The Board advised industry and the public of the process and schedule of the Review as well as how to participate. The Board prepared a work plan and schedule, highlights documents, media releases and numerous notices.

In June 2024 the Board issued an **Island Consultation Document** which summarized the information gathered and outlined potential changes to petroleum products pricing on the Island. Consultation with industry as well as with consumers, community groups and their representatives occurred throughout the summer and fall of 2024. A **Final Report** with respect

to changes to petroleum products pricing on the Island was issued by the Board in January 2025.

In October 2024 the Board issued a **Labrador Consultation Document** which summarized the information gathered and outlined potential changes to petroleum products pricing in Labrador. Consultation occurred throughout the fall of 2024 and into 2025.

The Board received presentations and written comments from members of the general public, community groups, Members of the House of Assembly, Members of Parliament, and the industry throughout the Review. The Board appreciates the participation of everyone who took the time to provide their views and additional information to the Board. This information and feedback proved to be very valuable in this Review. The Board extends its thanks to all participants.

Documentation associated with this Review, including letters of comment from the industry and the general public, can be found on the Board's website [here](#).

1.3 - Report Structure

This report sets out the changes to petroleum products pricing for Labrador that will be implemented by the Board based on the information and commentary which has been provided. This report is organized as follows:

- **Section 2:** Labrador Price Setting Process
- **Section 3:** Labrador Products and Blending
- **Section 4:** Labrador Zone Boundaries
- **Section 5:** Labrador Mark-Ups and Zone Differentials
- **Section 6:** Labrador Propane Heating Fuel
- **Section 7:** Future Reviews
- **Section 8:** Summary

2.0 - LABRADOR PRICE SETTING PROCESS

2.1 - Marine Tanker Supplied Areas

Maximum prices are adjusted seasonally, typically in the spring and fall, in areas of Labrador supplied seasonally by marine tanker, which includes all areas of Labrador except Western Labrador and Churchill Falls.¹ The prices in these areas are set based on invoiced acquisition costs and volumes, and inventory information.

Industry commentary received during the Review suggested continued support for seasonal pricing. However, some industry participants argued that the Board's benchmark prices have, at times, not adequately reflected the actual acquisition costs at the wholesale level. It was also suggested that the date of implementation of seasonal pricing should be the same across all applicable Labrador pricing zones, regardless of the actual timing of resupply.

Concerns continue to be raised by members of the general public in areas of Labrador subject to seasonal pricing. These concerns relate primarily to understanding the differences in maximum prices between pricing zones.

Differences in maximum prices between zones can be attributed to the different acquisition, storage and transportation costs of the different suppliers operating in each region.² These costs can vary and can lead to differences in maximum prices among pricing zones.

When products are delivered by marine tanker supply in Labrador, invoice, volumetric, inventory and other relevant information is obtained directly from suppliers. The Board considers the acquisition costs, volumes delivered and current inventory levels in the calculation of maximum prices for the region following resupply. This approach ensures that

¹ This includes Zones 10, 11, 11a, 11b, 12 and 14.

² Sales of petroleum products from one supplier to another, or from a supplier to a wholesaler, are not subject to price regulation. These transactions, of a contractual nature, are beyond the Board's authority and can vary between suppliers and wholesalers operating in the region.

the cost of delivered product and the cost of stored product can be recovered. It also ensures that consumers and retailers do not pay more than necessary for this cost recovery.

Based on a review of historical pricing information, had maximum prices been based on New York Harbor weekly market prices instead of seasonal delivered product costs, there would have been several instances between 2020 and 2024 where wholesalers would have been unable to recover their acquisition costs and other instances where consumers would have been paying more than the product cost. It is also notable that over the period 2021-2023 maximum prices for certain Labrador pricing zones would have been much higher for consumers, on average, had the Board used New York Harbor market prices in its calculations.³ Based on the information provided in the Review changes to seasonal pricing in the marine tanker supplied areas are not supported.

There will be no changes to the current seasonal pricing methodology in Labrador pricing zones supplied by marine tanker.

2.2 - Western Labrador

Unlike areas of Labrador supplied by marine tanker, the Board's maximum prices for Labrador West, including Labrador City and Wabush, and Churchill Falls ("Western Labrador") are adjusted weekly, reflecting the frequent supply of petroleum products by train from Quebec.

The Board's price setting process for Western Labrador is generally consistent with the price setting process for the Island portion of the Province, which was discussed in detail in the Board's **Island Consultation Document**. Changes to the Board's price setting process on the Island were discussed in the Board's **Final Report** issued on January 27, 2025. These included changes to the effective day of price adjustments, the market reporting agency used and the average benchmark price calculations.

³ See Appendix D of the Board's **Labrador Consultation Document**.

Based on the information and commentary received by the Board from the industry and general public in Western Labrador during this Review, changes to the price setting process in Western Labrador consistent with those on the Island are appropriate. These changes are discussed below.

Effective Day of Price Adjustments

Consistent with the Island, maximum prices in Western Labrador are adjusted weekly on Thursdays. A majority of industry participants supported adjusting maximum prices on Fridays instead of Thursdays. No comments were received from the general public with respect to the effective day of price adjustments.

The effective day of weekly maximum price changes in Western Labrador will move from Thursday to Friday, consistent with the Island portion of the Province.

Market Reporting Agency

The Board currently uses daily market data published by Platts US Marketscan (“Platts”) in the calculation of maximum prices in Western Labrador and on the Island. The Board examined whether a change to Argus Media (“Argus”) was better reflective of industry pricing in Western Labrador and on the Island.⁴

The Board’s consultant suggested that wholesalers may use Argus instead of Platts as a basis for fuel transactions.⁵ Commentary and submissions received from industry were supportive of the transition from Platts to Argus. No commentary was received from the general public with respect to the potential transition to a new market reporting agency.

Based on the information provided, Argus-reported market data is more reflective of industry pricing practice.

⁴ In June 2023 the **Petroleum Products Regulations** were amended to allow the Board to use reports published by Argus Media for the purpose of establishing benchmark prices.

⁵ R Cube Phase II Report, Page 34.

Argus-reported market data will replace Platts-reported market data in the calculation of maximum prices in Western Labrador to better reflect industry pricing practice and to be consistent with the Island portion of the Province.

Average Price Calculations: Five Versus Seven Days

Benchmark prices for gasoline, diesel, and stove oil in Western Labrador are currently based on an average of 7 days of daily market data, with Friday data used as a proxy for Saturday and Sunday. The Board examined whether it was appropriate to use 5 days, rather than 7 days, in the average benchmark price calculation.

Industry in Western Labrador were generally supportive of a 5-day average benchmark price calculation. No comments were filed by the general public.

Use of a 5-day average, rather than a 7-day average, would reflect the weekday market data and would bring consistency with the Island portion of the Province.⁶

A 5-day average will be used in the calculation of benchmark prices in Western Labrador to better reflect product pricing and to be consistent with the Island portion of the Province.

Board Discretion

The Board assessed whether changes to the **Petroleum Products Regulations** should be considered by Government to provide more discretion to the Board in determining price adjustments.

The Board's consultant found that volatility in maximum prices would be lower if forward averaging adjustments were incorporated and recommended that the Board implement forward averaging adjustments weekly, similar to other regulated markets.⁷

⁶ Prior data points may continue to be used as proxies for statutory holidays where necessary.

⁷ R Cube Phase II Report, Page 39.

Industry participants in Western Labrador recommended that a market adjustor and/or a forward averaging mechanism that is calculated based on the price difference between Argus New York Harbor prices and actual rack prices should be implemented. No comments with respect to Board discretion were received from the general public.

Based on available information, wholesaler costs in Western Labrador are more often based on Quebec rack pricing data rather than New York Harbor pricing data. There can be, at times, significant differences in the prices reported at New York Harbor and the rack prices reported in Quebec. These differences can result in margin issues for suppliers and wholesalers in the area when benchmark prices are lower than Quebec rack prices. Suppliers have reported that special arrangements have been necessary to ensure the continued supply of petroleum products to Western Labrador for retailers and consumers. Similarly, there may be situations where the benchmark prices based on New York Harbor market data are higher than wholesaler acquisition costs. Additional Board discretion in the calculation of maximum prices in Western Labrador, similar to that currently in place for marine tanker supplied areas of Labrador, would allow the Board to address these issues.⁸

Government may wish to consider changes to the Regulations to allow the Board greater discretion and flexibility in the calculation of maximum prices in Western Labrador, similar to other areas of Labrador.

Other Price Setting Matters

Changes to other price setting matters related to the notification processes, the extraordinary adjustment criteria, and the introduction of minimum pricing were not supported based on information filed during the Review.

⁸ See Section 14(2.6) of the **Petroleum Products Regulations**.

3.0 - LABRADOR PRODUCTS AND BLENDING

The Board examined the products and product blends which are reflected in maximum prices for motor fuels and heating fuels in Labrador.

3.1 - Marine Tanker Supplied Areas

Since the Board uses actual product acquisition costs in the calculation of benchmark prices for gasoline, diesel and stove oil in marine tanker supplied areas of Labrador, a review of the products and blending was unnecessary for these regions.

3.2 - Western Labrador

Regular Gasoline

Currently, the Board uses Unleaded 87 market data in the calculation of regular gasoline maximum prices in Western Labrador. The Board assessed whether it should continue using Unleaded 87 gasoline market data in this calculation.

Some industry participants on the Island recommended that the Board align with New Brunswick and consider the role of ethanol in gasoline benchmarking going forward. Industry participants in Western Labrador did not suggest a change from Unleaded 87 in the calculation, but noted that if marine terminals on the Island begin carrying E10 gasoline⁹ in the future ethanol market prices should be considered.

No information was provided with respect to the gasoline motor fuel product brought by train into Western Labrador. As a result, it is not clear that there should be changes at this time with respect to the product reflected in gasoline motor fuel maximum prices for Western Labrador. The Board acknowledges that use of ethanol in the calculation of gasoline maximum prices is

⁹ E10 gasoline is a blend of gasoline and ethanol.

a developing matter and the Board will monitor the role of ethanol in gasoline fuels supplied to the Province going forward.

Regular gasoline maximum prices for Western Labrador will continue to reflect 100% Unleaded 87 market data.

Diesel

Currently, diesel motor fuel prices in Western Labrador are based on 75% Ultra Low Sulphur Kerosene and 25% Ultra Low Sulphur Diesel year-round. The Board reviewed whether there should be changes to this blending.

Information made available during the Review indicated that a 100% Ultra Low Sulphur Kerosene product is sold year-round as diesel motor fuel, and in the spring and summer another product blended with Ultra Low Sulphur Diesel is also sold.

Margin issues encountered by suppliers of diesel motor fuel as a result of significant differences between the Board's benchmark prices (based on New York Harbor market prices) and wholesaler pricing (based on Quebec rack pricing) suggest that a change in the blending approach for diesel motor fuel in Western Labrador may be necessary. As part of the consultation process, the Board presented an alternative blending schedule for diesel motor fuel in Western Labrador. Industry participants supported the proposed blending schedule. No commentary was received from the general public with respect to the matter.

Based on the information filed, the Board has determined that it is appropriate to use a new blending schedule to reflect the changes in the product brought to market as diesel motor fuel throughout the year.

A new blending schedule for diesel motor fuel which reflects the product sold throughout the year, as set out in [Appendix A](#), will be implemented in the Fall of 2025 for Western Labrador.

Stove Oil

Currently, stove oil heating fuel prices are based on 100% Ultra Low Sulphur Kerosene year-round. The Board reviewed whether there should be changes to this blending.

Based on information available to the Board, stove oil heating fuel sold in Western Labrador is an Ultra Low Sulphur Kerosene product year-round. No information was provided during this Review to demonstrate that an alternative blending methodology for stove oil is appropriate for this area of Labrador.

There will be no changes to stove oil heating fuel blending for Western Labrador.

3.3 - Mid-Grade and Premium Gasoline

The Petroleum Products Regulations specify that mid-grade and premium gasoline maximum prices in the Province are to be calculated by adding 3 cents per litre and 6 cents per litre, respectively, to the regular gasoline benchmark price.¹⁰

The Board's consultant suggested that the legislated spread between premium and regular gasoline prices does not reflect market realities and may pose a threat to supply. It was recommended that premium and regular gasoline prices should be based on market data, subject to a minimum spread, with mid-grade set as the mid-point between the two.¹¹

Industry throughout the Province was supportive of a transition from the fixed adders in the Regulations to a market-based price to better reflect acquisition costs. No commentary was received from the general public in Western Labrador. Commentary from the general public on the Island was opposed to the transition, arguing that the change would result in higher maximum prices.

¹⁰ See Section 14(2.1) of the **Petroleum Products Regulations**.

¹¹ R Cube Phase III Report, Pages 38 to 42. No market reporting agencies report market data for mid-grade gasoline.

The Board notes that a change to a market-based assessment for mid-grade and premium gasoline would be more reflective of product costs based on the information provided in the Review. As the current pricing for mid-grade and premium gasoline is calculated based on the Regulations, Government may wish to review the Regulations to determine whether there should be changes.

Government may wish to consider changes to the Regulations to provide for the calculation of maximum prices for mid-grade and premium gasoline to better reflect the cost of the product.

4.0 - LABRADOR ZONE BOUNDARIES

4.1 - Marine Tanker Supplied Areas

Labrador areas supplied by marine tanker are currently divided into 6 pricing zones. The Board sought information and commentary on whether there should be changes to the zone boundaries, particularly for Zones 10 and 11.

The Board reviewed whether Zones 11a and 11b¹² should be combined, whether Zones 10 and 11 should be combined, and whether a new pricing zone should be created for the Town of Cartwright.

Industry viewpoints with respect to zone changes were mixed. Some industry members supported zone boundary changes while others argued that any change to the current zone boundaries would not have a positive outcome. It was suggested that breaking out smaller site-specific zones will lead to communities losing gas stations, and that the principle of zone creation is to allow for the spreading out of costs over larger geographic areas.

¹² Zones 11a and 11b are marine tanker-supplied and drum delivery-supplied isolated areas of southern Labrador.

Zones 11a and 11b

Based on recent information it appears that there are no longer any drum deliveries of regulated petroleum products to William's Harbour and Norman's Bay, the communities in Zone 11b. In addition, there is only one retail location in Zone 11a in Black Tickle, with product delivered infrequently by truck on a ferry. Industry in this region of Labrador had no objection to a single pricing zone for Zones 11a and 11b.

Zone 11a and Zone 11b will be combined into one pricing zone under the Zone 11a pricing structure.

Zones 10 and 11

Zone 10 includes the geographic region from L'Anse au Clair to Red Bay and Zone 11 includes Lodge Bay through to Cartwright and all communities in between that are connected by road. Historically, Zones 10 and 11 have been supplied with product sourced from marine terminals and bulk plants located in L'Anse au Loup, Charlottetown, Port Hope Simpson, St. Lewis, Cartwright and sometimes Central Labrador.¹³ There are multiple suppliers and wholesalers operating in Zones 10 and 11 and different modes of supply throughout the region.

During this Review members of the general public suggested there was an expectation that after being connected by road Zones 10 and 11 would be combined. However, information available to the Board has indicated that differences in the storage and transportation costs for Zones 10 and 11 continue to exist. Zone 10 is primarily sourced from L'Anse au Loup, whereas Zone 11 has multiple sources of supply.¹⁴ These differences support a pricing difference between these two regions of Labrador.

The Board notes that ownership of the marine terminal in L'Anse au Loup in Zone 10 changed in November 2024 and, for this past fall, petroleum products were not delivered by marine

¹³ Recent information indicates that the Charlottetown storage facility is used only when necessary and that the gasoline storage facility in St. Lewis is no longer operational.

¹⁴ L'Anse au Loup in Zone 10, storage facilities in Zone 11 and sometimes Zone 12: Central Labrador.

tanker directly to the facility. Petroleum products normally delivered by marine tanker to the L'Anse au Loup facility are temporarily being sourced by truck from facilities in Labrador and the Island.

To reflect the temporary method of supply in Zones 10 and 11, in December 2024 the Board approved new benchmark prices and zone differentials reflecting the cost of supply information filed by the industry. This has resulted in the same maximum prices in Zones 10 and 11 for gasoline and diesel motor fuels and stove oil heating fuel. The Board continues to monitor the supply sources and supply costs in this area and it is anticipated that the Board will reassess the benchmark prices and zone differentials in Zones 10 and 11 based upon the cost of resupply in the spring. Based on available information it is expected that, in the future, petroleum products will be delivered by marine tanker to L'Anse au Loup, with the facility to be used as one of the primary supply points of products into Zone 10 and parts of Zone 11.

Zones 10 and 11 will not be combined at this time.

Town of Cartwright as a New Pricing Zone

The Town of Cartwright is currently located within Zone 11. During the Review, the industry and the general public requested that the Board examine whether the Town of Cartwright should be established as a separate pricing zone given recent changes in the supply of products to the area.

The Board issued correspondence directly to retailers operating in Zones 10 and 11 seeking commentary on the possibility of establishing a separate pricing zone for Cartwright. While the majority of retailers provided no response, there was support for the change from one retailer. Members of the general public also suggested that similar supply dynamics exist for other towns in Labrador.

Based on information gathered during the Review, there is now only one retailer of motor fuels remaining in the Town of Cartwright, which is supplied with gasoline motor fuel exclusively

from Central Labrador. Diesel motor fuel and stove oil heating fuel are generally sourced from a marine tanker-supplied facility within the town. Based on the current supply dynamics for gasoline and diesel motor fuels and stove oil heating fuel to Cartwright, and considering the distance of the town relative to other communities, establishing a separate zone for Cartwright appears to be reasonable in the circumstances. The Board obtained information from industry in relation to the costs of supply and has developed new zone differentials to reflect the incremental costs to supply petroleum products to Cartwright. The Board notes that the circumstances in Cartwright are unique and establishing separate pricing zones for other towns based on their individual supply costs could raise market concerns considering the proximity of the towns in Zone 11.

The Town of Cartwright will be established as new pricing Zone 11c. The impact on current pricing is set out in [Appendix B](#).

A new map of Labrador pricing zones is set out in [Appendix C](#).

4.2 - Western Labrador

Western Labrador is divided into 2 pricing zones, one for Labrador West including Labrador City and Wabush (Zone 13), and the other for the Town of Churchill Falls (Zone 13a). No information or commentary was provided during this Review with respect to these zone boundaries and, based on available information, these zone boundaries appear to reasonably reflect the supply to each area.

No changes will be made to the boundaries of Zones 13 and 13a at this time.

5.0 - LABRADOR MARK-UPS AND ZONE DIFFERENTIALS

The wholesale mark-ups, zone differentials and retail mark-ups in Labrador were examined as part of this Review.

5.1 - Wholesale Mark-Ups and Zone Differentials

The wholesale mark-ups and zone differentials included in maximum prices reflect wholesaler delivery, storage and other costs. The Board assessed whether it is appropriate to make changes to the wholesale mark-ups and zone differentials in Labrador at this time.

During the Review, significant efforts were made to gather data on wholesaler supply costs. While no information was received by the Board's consultant from wholesalers in Labrador, the consultant commented that increases similar to those experienced by wholesalers on the Island would also be experienced in Labrador. The Board notes that some of the increases recommended by the consultant were likely captured in the zone differential changes implemented by the Board in 2020-2021 for the Labrador pricing zones.¹⁵

Industry commentary with respect to the changes to the wholesale mark-ups and zone differentials was mixed. Some industry members supported the changes while others provided additional commentary and information with respect to wholesaler supply costs for the Board's consideration. Industry members raised the following:

- there is no mechanism in the Board's pricing model that ensures wholesalers actually achieve the recoverable mark-up set by the Board.
- future carrying costs need to be taken into account in the calculation of the wholesale mark-ups for marine tanker supplied areas given the long holding periods of fuel inventories.

¹⁵ See the Board's [Labrador Consultation Document](#), Page 16.

Updated storage, delivery, and other cost information was subsequently provided by some wholesalers in Labrador. Based on the information provided, the Board accepts that there have been increases in the costs to supply products in Labrador since the wholesale mark-ups and zone differentials were last adjusted. The Board is satisfied that, based on this information, the current wholesale mark-ups should be increased to align with the Island portion of the Province.¹⁶ Also, the zone differentials should be decreased to reflect the net impact of:

- changes to offset the wholesale mark-up increases; and,
- changes to reflect cost increases since the differentials were last adjusted.

The net impact of the wholesale mark-up and zone differential changes is an increase of 0.5 cents per litre. The Board is aware of the impacts of increases in maximum prices on consumers and businesses; however, the information filed supports an increase in the combined wholesale mark-up and zone differentials to provide for the reasonable recovery of costs and to ensure continued supply of petroleum products to retailers and consumers.

Wholesale mark-ups for gasoline and diesel motor fuels and stove oil heating fuel in Labrador will be aligned with the wholesale mark-ups on the Island portion of the Province and the zone differentials will be adjusted, as set out in [Appendix D](#).

5.2 - Retail Mark-Ups

The retail mark-ups reflect the costs for retailers to supply products, including capital costs and depreciation, fuel and vehicle operating, insurance, office, administrative, rent, repairs and maintenance, transaction fees, utilities and communications, and wages and salaries. The Board assessed whether there should be changes to the retail mark-ups in Labrador. Unlike wholesaler costs, retailer costs were not within the scope of the prior Labrador review in 2020-

¹⁶ To align the stove oil heating fuel mark-ups in Zones 11a and 14 with those for other Labrador pricing zones wholesale mark-ups will decrease, but this is offset by an increase in the retail mark-up.

2021 and no adjustments were made to retail mark-ups at that time. As such, this Review examined retailer cost changes since 2018 and 2019.

The Board’s consultant received information from retailers in Labrador and on the Island and found that retailer operating costs in the Province had increased since they were last adjusted as summarized below:

Type of Cost	Type of Product(s)	Period	Change (cpl)
Operating	All Types of Gasoline, Diesel	2019-2022	Increase of 3.06
	Stove Oil	2018-2022	Increase of 2.66

Industry commentary from retailers in Labrador noted that increases to the retail mark-ups would aid struggling service stations in the region and noted that credit card fees often consume a large portion of the retail mark-up. In addition, annual retail costs up to 2024 were provided for some retail operations in Labrador for the Board’s consideration.

Industry commentary from Island retailers noted that the current retail mark-ups for motor fuels and heating fuels do not reflect increases in costs since the mark-ups were last adjusted, particularly increases in the minimum wage. For heating fuels in particular, industry commentary noted increased delivery costs and that electrification incentives are adding further pressures by way of volume decline. It was suggested that the changes to retail mark-ups should consider:

- that the potential increases to retail mark-ups do not cover minimum wage increases;
- a combination of CPI and minimum wage within the Board’s calculation of its 2023 adjustment, rather than just CPI; and
- a 2024 adjustment based on additional CPI and minimum wage metrics.

Letters of comment received from the general public expressed concerns with respect to the impact that higher fuel prices can have on family budgets, fuel costs, the cost of living, and the cost of goods and services.

Based on the information provided there have been significant increases to retailer costs since the mark-ups were last adjusted. The Board's consultant found that retailer costs had increased significantly up to 2022, and given recent inflation levels it is expected that costs have increased further. In addition, it is accepted that electrification is placing additional pressure on retailers, particularly for heating fuels. At the same time the Board is aware of the impacts of significant increases in fuel prices on consumers and businesses. Considering this, the Board has scrutinized the information provided before determining the increases in the retail mark-ups necessary to provide retailers with reasonable recovery of the cost of supplying product.¹⁷

The retail mark-ups for gasoline and diesel motor fuels and stove oil heating fuel in Labrador will be increased to reasonably reflect the cost increases experienced by retailers since the mark-ups were last changed, consistent with the increase approved for the Island portion of the Province. The changes to the retail mark-ups in Labrador are set out in [Appendix D](#).

5.3 - Implementation

The evidence demonstrates that there should be adjustments to the mark-ups and zone differentials to provide for the recovery of the cost of supplying product. At the same time, the Board acknowledges the impact on consumers and businesses of the combined increases. To minimize the weekly impacts the Board will phase-in the changes to mark-ups and zone differentials over a period of five weeks. The wholesale mark-up and zone differential changes will be implemented in the first week and the retail mark-up increases will be implemented

¹⁷ This will also include increases to align the gasoline motor fuel retail mark-ups in Zones 11a and 14 with those for the other Labrador pricing zones.

equally over the following four weeks. This will limit the weekly impact on consumers so that the increases are no higher than 1.0 cent per litre per week.

Changes to the mark-ups and zone differentials for marine tanker supplied areas and Western Labrador will be implemented over a five-week period so that the resulting increases are limited to no more than 1.0 cent per litre per week. The wholesale and zone differential changes will be implemented in the first week. The retail mark-up increases will be implemented equally over the following four weeks. The combined impact of the changes to wholesale mark-ups, zone differentials and retail mark-ups is set out in Appendix E.

6.0 - LABRADOR PROPANE HEATING FUEL

Sales of propane are subject to maximum price regulation only when the fuel is delivered to a customer's residence and used primarily for space heating. Regulated maximum prices do not apply to sales of propane used for other purposes, such as barbeques, water heating, cooking, refrigeration, or where the propane is dispensed into a refillable container at a central filling station.

In this Review the Board assessed whether it is appropriate to make changes to the total allowed mark-ups and zone differentials for propane heating fuel in Labrador.¹⁸ No information was filed supporting changes to the calculation of propane heating fuel benchmark prices.¹⁹

In 2020 the Come By Chance refinery, the primary source of propane for parts of Labrador and the Island, ceased operations. Suppliers were required to source propane from other areas, such as Ontario and Atlantic Canada.²⁰ The Board implemented changes to the propane total

¹⁸ Total allowed mark-ups and retail maximum prices are established for propane heating fuel. Wholesale mark-ups and wholesale maximum prices are not established.

¹⁹ Propane benchmark prices are based on a weekly average Sarnia, Ontario price published by the Oil Price Information Service.

²⁰ The refinery was subsequently renamed Braya Renewable Fuels and began refining biodiesel, rather than conventional products such as propane.

allowed mark-ups in Zones 10, 11, 11a, 11b and 14 to reflect changes in the costs of supply to Southern and Northern Labrador from the Island.²¹ No changes were implemented to the total allowed mark-ups in Central or Western Labrador at the time since propane is supplied to these areas from Quebec and was not impacted by the shutdown of the Come By Chance refinery.

The Board's consultant found that supply costs for propane heating fuel increased by approximately 18.5 cents per litre from 2019 to 2022; however, it was not specified whether this information was applicable to operators in Labrador.²²

During this Review, the Board rebased the propane pricing model on the Island portion of the province and implemented new total allowed mark-ups and zone differentials considering the new supply chain. For Labrador, available information suggests that there are two distinct supply chains for propane heating fuel. Propane supplied to Southern Labrador and nearby areas is sourced from the Island, whereas propane supplied to Western and Central Labrador is sourced from Quebec. The supply chain information supports establishing two separate total allowed mark-ups in Labrador to reflect the cost to supply propane heating fuel. For consistency with the methodology taken for the Island, it is also necessary to change the zone differentials, where appropriate, to reasonably reflect the incremental supply costs.

The impacts of the changes to propane heating fuel range from a decrease of 7.0 cents per litre to an increase of 6.8 cents per litre. Given the extensive nature of the changes to total allowed mark-ups and zone differentials for propane, it is not practical to phase-in the changes over a number of weeks.

The total allowed mark-ups and zone differentials for propane heating fuel in Labrador will be changed, as set out in [Appendix F](#), to better reflect the current cost of supply.

²¹ **Order No. P.P. 48(2020), Order No. P.P. 19(2021), and Order No. P.P. 25(2021).**

²² R Cube Phase III Report, Page 16.

7.0 - FUTURE REVIEWS

The Board sought commentary with respect to the frequency of reviews of mark-ups and zone differentials.

The consultant found that more frequent reviews help industry capture changing costs.²³

Industry participants were supportive of more frequent reviews of mark-ups and zone differentials and expressed an interest in participating in necessary data collection processes. Limited commentary was received from members of the public on this matter.

More frequent, less complex reviews better capture changing industry costs and would tend to result in more regular and less volatile price changes. As such, the Board will review mark-ups and zone differentials on an annual basis, starting in 2026.

Mark-ups and zone differentials will be reviewed annually, beginning in 2026, to provide for the orderly implementation of changes necessary to reasonably reflect the cost of supply.

8.0 - SUMMARY

In accordance with the direction of the Minister of Digital Government and Service NL, this Review examined the current benchmark pricing mechanism, mark-ups and zone differentials, as well as other pricing matters, associated with the Board's maximum pricing of regulated petroleum products.

During the Review, the Board examined a number of issues in Labrador including the price setting process, products and blending, zone boundaries, and mark-ups. The following

²³ R Cube Phase III Report, Page 27.

summarizes the changes that will be made to petroleum products pricing in Labrador as a result of the Review:

Labrador Price Setting Process

- For Western Labrador:
 - weekly maximum price adjustments will be on Friday rather than Thursday.
 - the market reporting agency will be Argus Media for gasoline, diesel and stove oil.
 - 5 days of market data will be used in the calculation of maximum prices.

Labrador Products and Blending

- For Western Labrador:
 - a new blend schedule will be implemented for diesel beginning in the fall of 2025.

Labrador Zone Boundaries

- For Marine Tanker Supplied Areas:
 - Zone 11a: Coastal Labrador South, including Black Tickle, and Zone 11b: Coastal Labrador South, including William's Harbour and Norman's Bay, will be combined.
 - Zone 11c: A new pricing zone will be created for the Town of Cartwright.

Labrador Mark-Ups and Zone Differentials

- Wholesale mark-ups will be increased in most Labrador zones to align with Island mark-ups.
- Zone differentials will be decreased to reflect the net impact of:
 - changes to offset the wholesale mark-up increases; and,
 - changes to reflect cost increases since the differentials were last adjusted.

- Retail mark-ups for gasoline, diesel and stove oil in Labrador will be increased to reflect increases in costs since the mark-ups were last adjusted.

To minimize the impact on weekly maximum prices, the changes to mark-ups and zone differentials for gasoline, diesel and stove oil will be phased in over a period of five weeks, with the wholesale mark-up and zone differential changes implemented in the first week and the retail mark-up increases implemented in the following four weeks so that the impact on maximum prices will be no greater than 1.0 cent per litre per week.

Labrador Propane Heating Fuel

- The combined total allowed mark-ups and zone differentials for propane in Labrador will be changed to reflect changes in the supply characteristics and costs to supply propane.

Government Considerations

- Government may wish to consider whether there should be changes to the Regulations to give the Board additional discretion in the calculation of maximum prices.
- Government may wish to consider whether there should be changes to the Regulations to allow for market-based pricing for mid-grade and premium gasoline fuels.

Future Reviews

- The Board will conduct annual reviews of the mark-ups and zone differentials beginning in 2026.

APPENDIX A: NEW DIESEL BLEND SCHEDULE - WESTERN LABRADOR

Diesel Benchmark Blending Western Labrador Zones 13 and 13a To Be Effective Fall 2025			
Season	Blending Period	Blending Percentage	
		ULSD	ULSK
Summer	April End to September End ²⁴	25%	75%
Fall Blend Transition	October (1 st Weekly Adjustment)	20%	80%
	October (2 nd Weekly Adjustment)	10%	90%
	October (3 rd Weekly Adjustment)	-	100%
Winter	October End to March End ²⁴	-	100%
Spring Blend Transition	April (1 st Weekly Adjustment)	10%	90%
	April (2 nd Weekly Adjustment)	20%	80%
	April (3 rd Weekly Adjustment)	25%	75%

²⁴ Includes the fourth week of the respective month.

APPENDIX B: IMPACT ON PRICING - ZONE 11C: CARTWRIGHT

Town of Cartwright as New Pricing Zone Impact on Pricing (cents per litre)									
Type of Product	CURRENT				NEW				TOTAL IMPACT (Ex. HST)
	Benchmark Price ²⁵	Wholesale Mark-Up and Zone Differential ²⁶	Retail Mark-Up	Total	Benchmark Price ²⁷	Wholesale Mark-Up and Zone Differential ²⁸	Retail Mark-Up ²⁹	Total	
Gasoline	100.18	22.85	10.28	133.31	82.30	26.38	14.28	122.96	(10.35)
Diesel	103.62	25.66	14.03	143.31	87.90	28.75	18.03	134.68	(8.63)
Stove Oil	103.62	26.61	20.28	150.51	87.90	24.01	22.27	134.18	(16.33)

²⁵ Current benchmark price based on acquisition costs from supplier in Southern Labrador for most recent resupply in December 2024.

²⁶ Includes the current wholesale mark-up and zone differential for Zone 11.

²⁷ New benchmark price based on acquisition costs from supplier in Central Labrador for most recent resupply in December 2024.

²⁸ Includes the increase in the wholesale mark-up to reflect increased wholesaler costs since the mark-ups were last adjusted and a new zone differential that reflects the new incremental cost of supply for the Town of Cartwright.

²⁹ Reflects an increase in the retail mark-ups to reflect increased retailer costs since the mark-ups were last adjusted.

APPENDIX C: NEW ZONE MAP



APPENDIX D: NEW MARK-UPS AND ZONE DIFFERENTIALS

Type of Product	Zone	Wholesale Components						Retail Components			Total Change
		Mark-Up			Zone Differential			Mark-Up			
		Current	Change ³⁰	New	Current	Change ³¹	New	Current	Change	New	
Gasoline	10	10.65	+5.0	15.65	12.20	(4.5)	7.70	10.28	+4.0	14.28	+4.5
	11	10.65	+5.0	15.65	12.20	(4.5)	7.70	10.28	+4.0	14.28	+4.5
	11a	10.65	+5.0	15.65	27.81	(4.5)	23.31	12.67	+1.61	14.28	+2.11
	12	10.65	+5.0	15.65	7.23	(4.5)	2.73	10.28	+4.0	14.28	+4.5
	13	10.65	+5.0	15.65	10.73	(4.5)	6.23	10.28	+4.0	14.28	+4.5
	13a	10.65	+5.0	15.65	12.91	(4.5)	8.41	10.28	+4.0	14.28	+4.5
	14	10.65	+5.0	15.65	27.81	(4.5)	23.31	12.67	+1.61	14.28	+2.11
Diesel	10	10.07	+4.0	14.07	15.59	(3.5)	12.09	14.03	+4.0	18.03	+4.5
	11	10.07	+4.0	14.07	15.59	(3.5)	12.09	14.03	+4.0	18.03	+4.5
	11a	10.07	+4.0	14.07	27.31	(3.5)	23.81	14.03	+4.0	18.03	+4.5
	12	10.07	+4.0	14.07	6.98	(3.5)	3.48	14.03	+4.0	18.03	+4.5
	13	10.07	+4.0	14.07	9.73	(3.5)	6.23	14.03	+4.0	18.03	+4.5
	13a	10.07	+4.0	14.07	11.91	(3.5)	8.41	14.03	+4.0	18.03	+4.5
	14	10.07	+4.0	14.07	27.31	(3.5)	23.81	14.03	+4.0	18.03	+4.5
Stove Oil ³²	10	8.11	+1.0	9.11	18.50	(0.5)	18.00	20.28	+1.99	22.27	+2.49
	11	8.11	+1.0	9.11	18.50	(0.5)	18.00	20.28	+1.99	22.27	+2.49
	11a	15.49	(6.38)	9.11	25.40	(0.5)	24.90	12.90	+9.37	22.27	+2.49
	12	8.11	+1.0	9.11	4.20	(0.5)	3.70	20.28	+1.99	22.27	+2.49
	13	8.11	+1.0	9.11	5.20	(0.5)	4.70	20.28	+1.99	22.27	+2.49
	13a	8.11	+1.0	9.11	7.30	(0.5)	6.80	20.28	+1.99	22.27	+2.49
	14	15.49	(6.38)	9.11	25.40	(0.5)	24.90	12.90	+9.37	22.27	+2.49

³⁰ Changes to wholesale mark-ups in Labrador reflect alignment with the wholesale mark-ups for the Island portion of the Province.

³¹ The changes reflect changes to offset the increase in the wholesale mark-ups and an increase of 0.5 cpl to reflect increases in supply costs since the differentials were last adjusted.

³² Changes to stove oil mark-ups in Zones 11a and 14 include adjustments for alignment with other pricing zones.

APPENDIX E: SUMMARY OF CHANGES TO MARK-UPS AND DIFFERENTIALS

Mark-Up and Zone Differential Changes ³³ Gasoline Motor Fuel (cents per litre)					
Zone	Current Wholesale Mark-Up, Zone Differentials and Retail Mark-Up	Amount of Change			
		Wholesale Mark-Up	Zone Differential	Retail Mark-Up	Total Change
10	33.13	+5.0	(4.50)	+4.0	+4.5
11	33.13	+5.0	(4.50)	+4.0	+4.5
11a	51.13	+5.0	(4.50)	+1.61	+2.11
12	28.16	+5.0	(4.50)	+4.0	+4.5
13	31.66	+5.0	(4.50)	+4.0	+4.5
13a	33.84	+5.0	(4.50)	+4.0	+4.5
14	51.13	+5.0	(4.50)	+1.61	+2.11

³³ See Appendix B for Zone 11c: Cartwright changes.

APPENDIX E: SUMMARY OF CHANGES TO MARK-UPS AND DIFFERENTIALS

Mark-Up and Zone Differential Changes ³⁴ Diesel Motor Fuel (cents per litre)					
Zone	Current Wholesale Mark-Up, Zone Differentials and Retail Mark-Up	Amount of Change			
		Wholesale Mark-Up	Zone Differential	Retail Mark-Up	Total Change
10	39.69	+4.0	(3.50)	+4.0	+4.5
11	39.69	+4.0	(3.50)	+4.0	+4.5
11a	51.41	+4.0	(3.50)	+4.0	+4.5
12	31.08	+4.0	(3.50)	+4.0	+4.5
13	33.83	+4.0	(3.50)	+4.0	+4.5
13a	36.01	+4.0	(3.50)	+4.0	+4.5
14	51.41	+4.0	(3.50)	+4.0	+4.5

³⁴ See Appendix B for Zone 11c: Cartwright changes.

APPENDIX E: SUMMARY OF CHANGES TO MARK-UPS AND DIFFERENTIALS

Mark-Up and Zone Differential Changes ³⁵ Stove Oil Heating Fuel (cents per litre)					
Zone	Current Wholesale Mark-Up, Zone Differentials and Retail Mark-Up	Amount of Change			
		Wholesale Mark-Up	Zone Differential	Retail Mark-Up	Total Change
10	46.89	+1.0	(0.5)	+1.99	+2.49
11	46.89	+1.0	(0.5)	+1.99	+2.49
11a	53.79	(6.38)	(0.5)	+9.37	+2.49
12	32.59	+1.0	(0.5)	+1.99	+2.49
13	33.59	+1.0	(0.5)	+1.99	+2.49
13a	35.69	+1.0	(0.5)	+1.99	+2.49
14	53.79	(6.38)	(0.5)	+9.37	+2.49

³⁵ See Appendix B for Zone 11c: Cartwright changes.

APPENDIX F: PROPANE HEATING FUEL CHANGES

Mark-Up and Zone Differential Changes Propane Heating Fuel (cents per litre)					
Zone	Current Total Allowed Mark- Up and Zone Differential	Amount of Change			New Total Allowed Mark-Up and Zone Differential
		Total Allowed Mark-Up	Zone Differential	Total Change	
10	69.59	+6.51	(2.6)	+3.9	73.49
11	78.29	+6.51	(10.0)	(3.5)	74.79
11a	86.49	(7.0)	n/a	(7.0)	79.49
11c	78.29	+6.51	(8.1)	(1.6)	76.69
12	52.29	+5.00	+1.8	+6.8	59.09
13	54.29	+5.00	(3.2)	+1.8	56.09
13a	56.39	+5.00	(3.8)	+1.2	57.59
14	86.49	(7.0)	n/a	(7.0)	79.49

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