

FUEL MARKET INVESTIGATION: TERMS OF REFERENCE

Introduction

Previous reports by the JCRA have shown that there is a widening difference between UK and Jersey retail prices for fuel products. As a consequence, the Minister has asked the JCRA to conduct a market review into the supply, distribution and sale of fuel products in and to Jersey.

Previous JCRA Market Reviews include:

- Marine Fuel Market Study 2014
- Aviation Fuel Market Study 2014
- Heating Oil Review 2012
- Road Fuel 2011

The aims of the market investigation are twofold:

- (1) To conduct a review of all stages of the supply chain, starting with the ex-refinery wholesale market, of fuel to Jersey and the supply chain in Jersey and identify whether there are reasonable grounds to suspect that a feature or a combination of features of market/s for the supply and acquisition of fuel for supply in Jersey are not acting in the best interests of consumers.
- (2) Depending on the results of the first stage, the JCRA will focus on areas of potential concern in more detail. This may provide recommendations on changes to legislation or government policy, or suggest customer behaviour that might promote the functioning of the market.

Stage 1: Diagnostic Assessment (3-6 months)

The JCRA will conduct a high level assessment of trends in gross margins at key stages in the supply chain of the fuel markets to and in Jersey – including road fuel, heating oil, and gas. Where gross margins demonstrate unexplained trends, providers will be requested to substantiate and explain the evidence found. This will inform whether there are reasonable grounds for to suspect that a feature or a combination of features of the market/s for the supply and acquisition of fuel in Jersey are failing to work in consumers' interests. The key stages examined will be:



The JCRA will conduct an assessment of:

- Whether there is prima facie evidence in gross margins and/or unexplained trends over the past three years to suggest competition is not working effectively in the fuel market. This will consider the separate fuel markets as well as the conduct of particular firms.
- Consider whether any specific aspects of the supply chain suggest further examination is justified and the appropriate means to carry out more detailed market assessment
- The review will also consider any possible structural issues and the conduct of customers

Step 1 will help to identify more detailed work required during the second stage and ensure that resources are utilised appropriately and targeted. It is not at this stage anticipated that formal information powers will be required. With full co-operation from the companies concerned, this work is likely to take approximately three months to complete but we suggest a 3-6 month time period is more realistic formally commencing in Q2 and concluding in Q3 of 2015.

Stage 2: Detailed Investigation

It is likely that the Stage 1 Review will identify areas for more detailed investigation by the JCRA. As a result of this more focussed work, the JCRA may provide recommendations on, for example, the implications of States contractual agreements, legislation or customer action that may better support competition and choice. Any breaches of the Law will be investigated appropriately.



The length of time and resources which may be required for this stage of the review are clearly dependent on the results of the first stage.