

NOVA SCOTIA UTILITY AND REVIEW BOARD**IN THE MATTER OF THE PETROLEUM PRODUCTS PRICING REGULATIONS**

- and -

IN THE MATTER OF AN APPLICATION by the Minister requesting that the Board undertake an investigation under s. 24(2)(c) of the *Petroleum Products Pricing Regulations* about the sufficiency of the current wholesale margin for self-service and full-service gasoline and diesel

BEFORE:  Roland A. Deveau, Q.C., Vice Chair

INTERIM ORDER

WHEREAS the Minister of Service Nova Scotia and Internal Services filed a letter with the Nova Scotia Utility and Review Board dated December 22, 2020, making an application under s. 24(2)(c) of the *Petroleum Products Pricing Regulations* to request that the Board undertake an investigation about the sufficiency of current wholesale margin for self-service and full-service gasoline;

AND WHEREAS the Minister advised that industry has recently expressed concerns that the current wholesale margin is not enough to guarantee security of supply in the current challenging COVID-19 global environment;

AND WHEREAS in s. 24A(1) of the *Regulations*, an “emergency situation” means a situation that in the Board’s opinion threatens the security of the petroleum supply, including any of the following:

- (a) a disruption to the supply of a petroleum product resulting from an increase in the rack rate charged to wholesalers and wholesaler-retailers that leads wholesalers and wholesaler-retailers to not sell a petroleum product because they are not receiving a sufficient wholesale margin;
- (b) a shortage of supply of a petroleum product to wholesalers and wholesaler-retailers that affects one or more zones;

AND WHEREAS, under s. 24A(2) of the *Regulations*, in an emergency situation the Board may make an interim order to temporarily prescribe interim fixed wholesale prices, maximum retail prices or minimum and maximum retail mark-ups until the public hearing or inquiry required by subsection 24(3) can be held;

AND WHEREAS, as part of its regulatory oversight, the Board monitors the petroleum product market in the Province, including but not limited to the relationship of the daily New York Harbour spot price (NYH) and regulated prices set by the Board as compared to Halifax wholesale rack prices (Rack);

AND WHEREAS the Board has observed that, over an extended period, there has been an increased differential between the NYH and Rack, which has caused an erosion of the wholesaler portion of the wholesale margin under the price setting regime set out in the *Regulations*, and this has been further exacerbated by decreased sales volumes caused by the COVID-19 pandemic;

AND WHEREAS the increased differential between the NYH and Rack was confirmed in a report filed on December 8, 2020, by Kent Group Ltd., the Board Counsel's consultant, in Matter M09823;

AND WHEREAS the Board is satisfied that an emergency situation may exist in the Province, which could threaten the security of the petroleum supply, including a shortage of supply of a petroleum product to wholesalers and wholesaler-retailers that affects one or more zones, and that an increase in the wholesale margin is warranted on an interim basis pending the completion of a full investigation by the Board;

IT IS HEREBY ORDERED THAT:

1. The wholesale margin for self-service and full-service gasoline and diesel are increased, on an interim basis, by 2.50 cents per litre (cpl), up to a total of 9.15 cpl.
2. The increase to the wholesale margins approved in this Interim Order shall be incorporated into the Board's weekly setting of regulated petroleum product prices, effective 12:01 a.m. on Friday, January 8, 2021.
3. This Interim Order shall remain in effect until further Order of the Board.

DATED at Halifax, Nova Scotia, this 30th day of December, 2020.



Clerk of the Board