



Department for Energy Security & Net Zero

Rt Hon Grant Shapps MP
Secretary of State
Department for Energy Security
& Net Zero
1 Victoria Street
London
SW1H 0ET

Darren Jones MP
Business and Trade Committee, Chair
House of Commons
London
SW1A 0AA

www.gov.uk

23 May 2023

Dear Darren Jones,

Thank you for your correspondence of 16 May regarding the ongoing road fuel market study that the Competition and Markets Authority (CMA) is currently undertaking.

Given the recent machinery of Government change, responsibility for responding to the CMA's road fuel market study is shared jointly between my department and the Department for Business and Trade. My department is responsible for downstream oil policy and the Department for Business and Trade for competition policy and sponsorship of the CMA.

I welcome the CMA's ongoing work to ensure motorists are not overcharged at the pumps and its recent update on this published on 15 May 2023. In my statement and tweet in response to the publication of the CMA's update, I said "supermarket bosses must fully cooperate with the CMA's investigation, and I won't hesitate to take action if they don't." My point regarding action was in relation to strongly encouraging supermarkets to engage in the CMA's market study in a full and timely manner ahead of its final report and recommendations due by 7 July 2023.

1. *"What powers you or the CMA have, to force supermarkets to take action?"*

The CMA has required the production of information from the supermarkets, and ultimately is able to issue civil sanctions for non-compliance. The Government is strengthening these civil sanctions as part of the reforms in the Digital Markets Competition and Consumers Bill.

Whilst the CMA is an independent non-ministerial department, and it would not be appropriate for the Government to act before it has concluded and published its final report and recommendations, we urge the supermarkets to cooperate with the CMA in a full, transparent and timely manner. I have previously written to fuel retail associations and supermarkets to urge them to work closely with the CMA in its market study, if necessary, I will write again or meet with them to encourage their cooperation.

2. *"What powers you or the CMA have, to force supermarkets to lower their prices, on the assumption that you support price regulation?"*

The Government has no plans to introduce price regulation in the road fuel market and strongly believes that rigorous competition is the best way of delivering low prices for consumers, pending the outcomes and recommendations of the CMA's investigation which we will carefully consider. The price of diesel and petrol at forecourts is driven and influenced by many 'fixed' and 'variable' factors and costs which vary between individual forecourts at any given point in time. Therefore, it would be extremely difficult to set a price cap that was fair for all retailers whilst also fostering a well-functioning and sustainable market. There could also be significant risks associated with introducing a price cap, such as forecourts with higher costs ceasing to supply fuel and potentially going out of business, leading to potential supply disruption. The Secretary of State does have powers granted through the Energy Act 1976 to regulate the price of fuel, but it is only effective if there exists or is imminent an actual or threatened emergency affecting fuel supplies.

In its final report at the conclusion of the market study, the CMA will cover the full range of issues it has considered and set out any further action it thinks is needed. In the initial report published on 6 December 2022, the CMA made the decision not to make a market investigation reference. This would have entailed an 18-month intensive investigation at the end of the market study. The CMA noted that this was not to be interpreted as the CMA finding no concerns in the sector, only that based on its knowledge at the time, any potential concerns identified would not be best addressed through a market investigation.

If the CMA finds there are competition concerns in its final report, it has powers to make recommendations to the Government to change regulations or public policy, take competition or consumer enforcement action or encourage businesses in the market to self-regulate.

The Government will carefully consider any recommendations made by the CMA and will not hesitate to act. My officials continue to explore the recommendation made by the CMA in its Urgent Review published last July, to introduce an open data scheme for fuel prices. Using the increased open data powers from the Data Protection and Digital Information bill, empowering consumers to make more informed decisions by increasing transparency could be an effective and sustainable way to foster competition in the road fuel market. However, I don't want to prejudge what the CMA's conclusion of its market study will be, and I am keen to see the full suite of evidence and recommendations made by the CMA and ensure we consider them in the round before making a decision.

I am copying this letter to the Chair of the Energy and Net Zero Select Committee and the Secretary of State for Business and Trade for their information.

Your sincerely,

A handwritten signature in blue ink, reading "Grant Shapps". The signature is fluid and cursive, with the first name "Grant" and last name "Shapps" clearly distinguishable.

RT HON GRANT SHAPPS MP
Secretary of State for Energy Security & Net Zero