

## FIXING THE GASOLINE CRISIS IN BC

### Opening Statement

BC has been facing an ongoing gas supply crisis. With little competition in the retail gas market, price fixing by large corporations, and a gas shortage due to politics in the East and South, the business community at large is suffering. Increasing gas prices affect the economy in numerous ways: from an increase in cost of goods to reduced savings. The BC government must work with the private market to ensure that the economic growth of BC does not diminish due to exorbitant gas prices.

### Background

BC has seen some of the highest gas prices in the last decade. Gas in Metro Vancouver has been seen at times close to \$1.79/litre for regular gas. There seems to be little hope that we will see gas prices go down without exceptional circumstances such as international geopolitical supply fixing or a pandemic.<sup>1</sup> This has been an ongoing issue for Metro Vancouver as a supply problem "... but geopolitics has now taken over."<sup>2</sup> Metro Vancouver imports two-thirds of its gas from outside of the province – Alberta and the United States being the main sources for the petroleum used in Metro Vancouver's vehicles.

Price gouging is occurring by refineries and retailers. Gas stations often attempt to match each other's prices.<sup>3</sup> Small gas chains are forced to increase their prices to match those of larger organizations. Large producers have larger purchasing power in the oil and gas industry because they have access to a large incidence of capital. With this access to large capital, they can reduce their prices to levels that small gas stations cannot feasibly compete with, effectively buying them out of competition. Then, once competition is eliminated, the larger corporations raise their prices to whatever level they want.

One solution to price fixing is for the government to set price caps. By fixing the gas prices, artificial lowering cannot occur, and the gas prices will remain at equilibrium rather than allowing the buying out of gas stations mentioned above. But gas price fixing also carries a high cost if the prices are not appropriate. Some attempts at price fixing have resulted in gas shortages so governments must be careful when attempting to set the price.<sup>4</sup>

An example of appropriate regulation of gas prices is Nova Scotia, where the Nova Scotia Utility and Review Board (NSUARB) is responsible for setting fuel prices under the *Petroleum Products Pricing Act* and regulations i to prevent price gouging.<sup>5</sup> The NSUARB sets the minimum prices for fuel, which are determined by factors including world events, the New York Mercantile Exchange, and the exchange rate between the US and Canadian dollar. There is potential for gas retailers and wholesalers to set lower prices but only for promotional purposes, which must be registered with the Board.

### THE CHAMBER RECOMMENDS

That the Provincial Government:

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1 <https://globalnews.ca/news/5191317/vancouver-gas-price-new-normal/>

2 <https://globalnews.ca/news/5191317/vancouver-gas-price-new-normal/>

3 <https://www.competitionbureau.gc.ca/eic/site/cb-bc.nsf/eng/02926.html>

4 <https://www.investopedia.com/terms/p/price-ceiling.asp>

5 <https://beta.novascotia.ca/gasoline-and-diesel-pricing>

1. Investigate the potential for regulating gas prices by working with small and medium sized gas retailers similar to the Nova Scotia model.

**Submitted by the Surrey Board of Trade**