



**Retail Gasoline
Dealers Association**
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Members of the Nova Scotia Energy Board,

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Re. Emergency Application for Interim Retail Margin Adjustment, Review and Update of Credit Card Adjuster and Request for Permanent Review of Retail Margin

1. INTRODUCTION

On behalf of independent fuel retailers in Nova Scotia, I am formally submitting this application for an emergency interim adjustment to the regulated retail margin and requesting that the Board initiate a comprehensive review of the current margin framework.

This application responds to rapidly rising fuel prices and escalating operating costs, which are creating immediate and unsustainable financial pressure on retailers. The current regulatory structure is not keeping pace with these changes. Without timely intervention, the viability of independent fuel retailers and the stability of fuel supply in some regions are at risk.

Retailers request an immediate interim increase in the regulated retail margin to 10.2 cents per litre. This measure is intended to stabilize current operations amid ongoing and rising cost pressures while a full review is conducted.

2. COST PRESSURES AND MARGIN EROSION

The urgency of this matter is due to the rapid increase in fuel prices. Retailers are compensated on a fixed cents-per-litre basis, while key operating costs, especially credit card

processing fees, are calculated as a percentage of the transaction value. As fuel prices rise, these costs increase, but the regulated margin does not. This has steadily eroded net margins and, in many cases, eliminated profitability on fuel sales.

Recent data from retailers across the province show that merchant fees now consume a significant, and in some cases the majority, of the regulated margin. Credit card usage has also increased beyond what the current regulatory framework assumed. As a result, both the rate and volume of these costs have risen without any corresponding adjustment to margins.

This financial pressure is now a reality. Retailers report declining profitability, increased reliance on non-fuel business to subsidize fuel operations, and growing concern about the viability of continuing fuel sales. Some operators are considering reducing or ceasing fuel operations. These developments are especially concerning in rural and underserved communities where independent retailers are essential for fuel access.

Structural deficiencies in the current model compound the issue. The credit card cost adjustor relies on 2019 assumptions, including lower transaction fees and credit card usage levels, that no longer reflect current realities. Nova Scotia retailers also operate with the lowest regulated margin in Atlantic Canada, limiting their ability to absorb rising costs compared to neighbouring provinces. Together, these pressures demonstrate that both the regulated margin and the existing adjustment mechanisms are no longer sufficient to reflect current operating conditions.

3. CREDIT CARD COST ADJUSTER

The current credit card cost adjustor is based on 2019 assumptions, including a base fuel price of 114.1 cents per litre, a credit card fee of 1.75 percent, and a 40 percent usage rate. Since then, both credit card usage and associated fees have increased significantly. As a result, the adjustor no longer reflects actual operating conditions and does not adequately compensate retailers. Retailers request that the Board review and update the credit card mechanism, including

the base price trigger, assumed fee percentage, and usage rate, to align with current market conditions.

4. LABOUR AND OPERATING COST INCREASES

Retailers are also facing sustained increases in labour, utilities, insurance, maintenance, and environmental compliance costs. These expenses have risen significantly, yet the regulatory framework does not allow for timely adjustments, especially during periods of rapid price escalation.

When petroleum pricing regulation was introduced in Nova Scotia in 2006, the minimum wage was \$7.15 per hour. By 2026, it will have risen to \$16.75 per hour, an increase of approximately 134 percent. Despite this significant rise in labour costs, the regulated retail margin has remained largely unchanged, highlighting a growing disconnect between fixed margins and the actual operating costs of fuel retail businesses.

Retailers submit that the current circumstances meet the threshold for emergency intervention under Section 24A of the Petroleum Products Pricing Regulations. The continued erosion of margins, combined with the growing number of operators questioning the viability of continuing fuel sales, poses a real and emerging risk to the stability and availability of fuel supply in the province.

5. RISK TO SUPPLY

Current conditions pose a credible and immediate risk to the stability of Nova Scotia's fuel supply. Independent retailers, particularly those operating in rural and underserved communities, are increasingly unable to sustain fuel operations under the existing margin structure. As financial pressures intensify, retailers are being forced to consider reducing operating hours, limiting fuel availability, or exiting fuel sales entirely. Given the essential role

these retailers play in maintaining access to fuel across the province, any reduction in their ability to operate will have direct consequences for consumers, local economies, and transportation networks. Without timely intervention, the continued erosion of margins will increase the likelihood of service disruptions and reduced access to fuel in certain regions of the province. This risk is not hypothetical and is already being reflected in retail operations across the province.

6. NEED FOR STRUCTURAL REVIEW

Along with interim relief, retailers seek a full review and restructuring of the retail margin framework. This review should use updated cost assumptions, including credit card fees, and assess whether the fixed-margin model remains suitable as key costs fluctuate with fuel prices. Mechanisms should be considered to allow the margin to respond more effectively to rapid changes in operating conditions.

Independent fuel retailers are vital to Nova Scotia's economic and social infrastructure, especially in rural communities. The current environment is placing significant strain on these businesses, and the pace of change exceeds the regulatory model's capacity to respond.

7. INDUSTRY SUPPORT

This application represents the collective concerns of fuel retailers in the province. The attached appendix provides a list of supporting retailers, including Board members of the Retail Gasoline Dealers Association and other industry operators who have requested their support be recorded.

In light of the urgency and the circumstances outlined above, retailers respectfully submit the following requests for the Board's immediate consideration.

8. RELIEF REQUESTED

Based on the evidence outlined above, retailers respectfully ask the Board to:

1. Approve an emergency interim increase in the regulated retail margin to 10.2 cents per litre, to provide stabilization while a full review is conducted;
2. Review and update the existing credit card cost adjustor to reflect current market conditions, including consideration of:
 - the base price trigger,
 - the assumed credit card fee percentage, and
 - the assumed level of credit card usage;
3. Initiate a formal review of the retail margin structure and associated pricing mechanisms to ensure they reflect current operating realities and provide a sustainable framework for fuel retailers in Nova Scotia.

These steps are needed to address immediate financial challenges and help create a long-term, evidence-based regulatory plan.

We are available to provide any additional information the Board may require and to participate fully in any subsequent process.

Sincerely,



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