



September 23, 2022

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MLA, TU NEDHÉ-WIILIDEH

### **Oral Question 1129-19(2) Increasing Cost of Fuel**

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This letter is in follow-up to the question raised on June 1, 2022, regarding the cost of fuel, where I committed to providing information on why costs have increased more for Petroleum Products Program's community government customers and recipients of social assistance and senior heating subsidy, compared to non-profit customers.

Typically, price changes happen within two months following the end of the seasonal resupply program. Resupply schedules depend on the particular community and the system used for its resupply program. As such, price changes for winter road communities can be expected around May, whereas price changes for marine barge communities can be expected around November. Some communities are served by all-weather road, and in those cases, price changes happen both in May and November.

There are factors that could delay these price change schedules. For example, in relation to the summer resupply for 2021, the price changes should have occurred in November 2021, but did not occur until April 2022 due to a variety of factors, including staffing issues and pandemic-related factors. This is why the customers in Łutselk'e only experienced an increase in price this April instead of last November.

It should be noted that price changes on the world market after the petroleum products were delivered in the summer 2021 had no impact on the price changes for that resupply program, because only the cost of the fuel actually delivered to the community is used in calculating the new price – along with transportation costs, taxes, etc.

In the case of the delayed price changes for the 2021 resupply, consumers benefited because they continued to pay the previously instituted lower price for petroleum products between November 2021 and April 2022. Had the price changes occurred on time, the exact same price increases would have been experienced by consumers from November 2021, rather than starting in April 2022.

Over the last year, only two of the several factors determining fuel prices have changed: the wholesale cost of the fuel and the cost to transport it to the communities.

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When comparing the wholesale fuel cost and the transportation cost for non-profit customers and the other groups, such as recipients of social assistance or senior heating fuel subsidy, both factors remain constant. These costs are applied equally across all customers. The only variation is how fuel taxes and tax rates are applied. Under the current tax regime, taxation depends on whether a customer is a government customer or a non-government customer, hence why non-profit customers have experienced lower fuel costs.

Here is a list of all fuel taxes and how they are applied:

<b>Fuel Taxes</b>	<b>Tax Rates</b>	<b>Application</b>	<b>Exemptions</b>
<b>NWT Fuel Tax</b>	\$0.085 per litre	General retail sales to individuals and companies	Government of Northwest Territories (GNWT) (including financial assistance programs), federal government, Northwest Territories (NWT) boards and agencies, community governments, Northwest Territories Power Corporation (NTPC)
<b>Federal Excise Tax</b>	4% to 11%, depending on petroleum product	General retail sales to individuals and companies, GNWT, NWT boards and agencies, federal government, community governments	GNWT financial assistance programs, NTPC, Housing NWT
<b>Carbon Tax</b>	4.6% to 8.2%, depending on petroleum product	Everyone	No exemptions
<b>Government Sales Tax</b>	5%	General retail sales to individuals and companies, Housing NWT, GNWT financial assistance programs, federal government, NWT boards and agencies, community governments, NTPC	GNWT, federal government, NWT boards and agencies

While wholesale cost and transportation costs are the same for all customers, taxation will affect the overall fuel price experienced by customers.



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- c. Clerk of the Legislative Assembly  
  
Legislative Coordinator  
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