

Fuel Prices

Your questions answered



Q: How are fuel prices set?

Refined gasoline and diesel prices are based on the cost of crude oil per barrel.

Crude oil and refined products prices fluctuate according to global supply, demand, geopolitics, weather, price speculation and other factors.

International supply and trade companies source the refined gasoline and diesel.

The local fuel importers such as Rubis and Sol pay supply and trade prices for gasoline or diesel, transportation cost and government fees (such as import duties, port fees and pilot fees etc.) to get the fuel on-island into their storage tanks.

The retailers purchase from the local fuel importers who set the wholesale price, which includes their costs and wholesale profit margin.

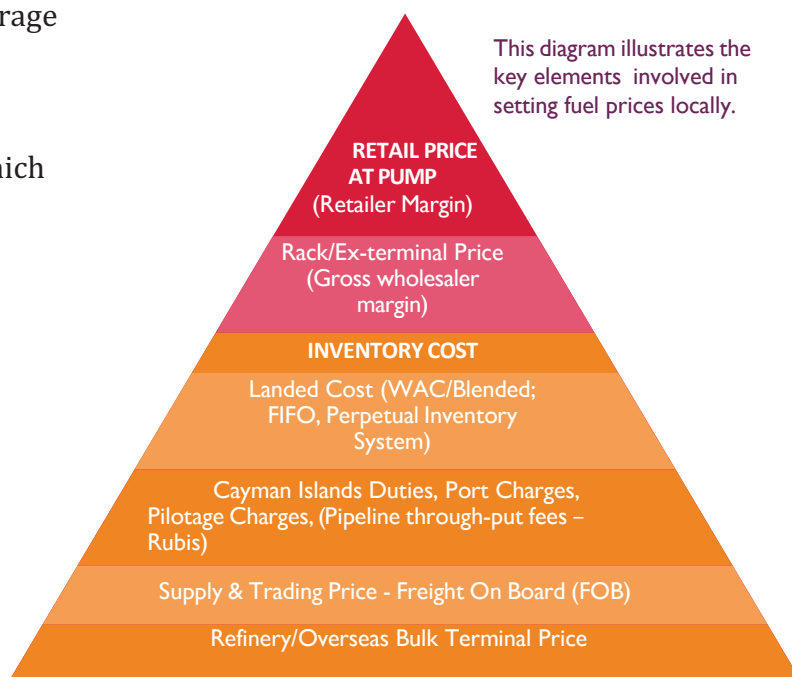
The retailers then set their retail price, which includes the wholesale price and a retail profit margin.

An increase in refinery price increases wholesale prices which in turn leads to higher prices at the pumps.

Since 2014, crude oil prices have been trending upwards, crossing the \$100 per barrel mark in Q1 2022, and are slowly trending towards the record high prices seen in 2008, when prices hit almost \$150 per barrel.

This increasing trend has resulted in retail prices recently rising above \$6.00 per imperial gallon at some retail sites on Grand Cayman.

This diagram illustrates the key elements involved in setting fuel prices locally.



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Q: Why are prices rising?

Prices were already rising before the war in Ukraine because of increased global demand after the pandemic and issues with the global supply chain.

President Biden has banned imports from Russia to the US where Cayman gets its fuel and has warned that prices will likely continue to rise while alternative supplies are established.

Q: Does it mean my electricity bills will rise too?

It means the cost of all goods is likely to rise, as fuel is used in manufacturing, transportation and power generation for just about everything.

This is not unique to the Cayman Islands, countries around the world are trying to get to grips with inflation and a higher cost of living.

Q: What can OfReg do to help protect the consumer?

OfReg's role is to ensure a fair marketplace – for consumers and the suppliers. In this case, their focus is on making sure local suppliers only increase prices if and when their wholesale costs go up.

When a shipment arrives, usually every 4-6 weeks, suppliers must report what they have paid to OfReg who monitors the mark-up to the consumer. OfReg ensures local price changes align with global price trends.

Q: Will prices go higher?

The US is trying to offset the loss of Russian oil by producing more domestically and other oil-producing countries have adopted similar strategies, but it is hard to predict what will happen in the global market which is volatile at the best of times.

Many industry analysts predict that fuel prices will continue to rise in 2022. Summer prices are usually higher than other times of the year.

Q: Can OfReg cap the price?

A decision to cap fuel prices would come from Cabinet, it is outside OfReg's remit.

Although a fuel cap would protect consumers, the cost would need to be absorbed either by the fuel company or by the Government, neither of which is sustainable in the long run. Maintaining a reliable supply is also a priority for OfReg.

Q: What are the alternatives?

As Cayman is too small a market to have any influence on refined prices, our best option to mitigate higher fuel costs is either reducing consumption or becoming more self-sufficient.

Taking the bus, car-pooling or cycling are good ways for families to reduce fuel consumption use, while increasing solar production will help with energy prices in the long-term.

OfReg has launched a new programme inviting bids to supply utility-scale renewable energy, either wind or solar. The first contracts will be awarded this year.