

Commentary

2026 North American Fuel Retail and Convenience Store Outlook: Industry Resilience Fueled by Food

Morningstar DBRS

January 29, 2026

Key Highlights

- C-store and fuel retailers will be able to navigate the impact of a sluggish shift toward EVs through growth in nonfuel-related sales.
- Fuel demand is expected to decline but remain resilient in 2026 amid a slowing EV transition.
- Industry consolidation and product offering expansion are expected to be key in growing sales and mitigating fuel demand headwinds.

Overview

We expect credit risk profiles of North American fuel retail and convenience stores (C-stores) to be generally stable in 2026 based on our expectation that C-store and fuel retailers will be able to navigate the impact of a sluggish shift toward electric vehicles (EVs) through growth in nonfuel-related sales. We predict the industry will continue to experience consolidation and that issuers will pursue product assortment expansion. In particular, we expect retailers to increase their prepared food offerings as a means to diversify revenue streams toward products with more favorable or stable long-term outlooks. In addition, retailers are likely to grow their brands and increase customer loyalty to defend market share and consequently fuel volumes. Furthermore, despite our long-term view that fuel demand will slowly decline, we believe near-term demand will remain relatively sticky and any demand impact will remain manageable for most competitors. We predict that single store operators and smaller chains will continue to experience pressure on earnings in 2026, which we expect to lead to some smaller competitors gradually exiting the market, acting as a catalyst for further industry consolidation. We believe that fuel retail and C-stores with strong brand strength and diversified product offerings will be best situated to navigate modest fuel demand headwinds through 2026.

Exhibit 1 U.S. Product Supplied of Finished Motor Gasoline (Thousand Barrels per Day)

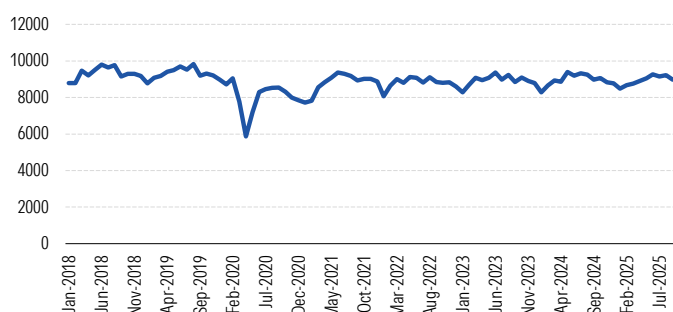
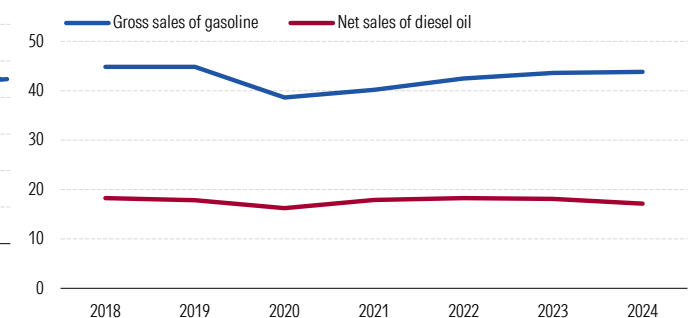


Exhibit 2 Sales of Fuel for Road Motor Vehicles, Canada (Billions of Liters)



Sources: Morningstar DBRS, U.S. Energy Information Administration, Statistics Canada

Fuel Demand Declining but Expected to Remain Resilient

The North American fuel retail industry has faced considerable industry headwinds during the past five years as a result of stay-at-home orders during the COVID pandemic, an industry shift toward EVs, and technology improvements in internal combustion engine (ICE) vehicles that have led to increased fuel efficiency. Since 2020, fuel volumes have largely normalized following the gradual increase in return-to-work mandates. This, coupled with modest population growth, has resulted in relatively resilient fuel volumes to date. As shown in Exhibits 1 and 2, total fuel volumes in the U.S. declined by 0.5% for the first

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nine months of 2025 compared with the same period in 2024.¹ In Canada, gasoline and diesel oil fuel sales declined by 0.1% in 2024, compared with 2023, according to Statistics Canada. Looking ahead, we forecast fuel volumes will remain pressured and continue to experience modest declines through 2026 as headwinds persist. That said, we expect the decline to remain slow as a result of sluggish EV adoption, and, as such, we expect the effects to be manageable for fuel retailers and C-stores.

Government Policy Changes Slow the Transition to EVs

In the long term, we anticipate fuel sales in North America will gradually decline primarily because of the adoption of EVs. However, to date the shift has been slower than anticipated as a result of inconsistent government policy, high up-front costs, and insufficient charging infrastructure, which have deterred consumers from making the switch. In 2025, EVs accounted for only 7.8% of total vehicle sales in the U.S., down from 8.1% in 2024 As shown in Exhibit 4, despite the U.S. being on track to set record levels of EV sales through Q3 2025, before the U.S. government revoked sales incentives at the beginning of October. Following the revocation, EV sales declined in Q4 2025 by 46%, compared with Q3 2025, and 36% year over year.² As shown in Exhibit 3, in Canada, EVs accounted for only approximately 9% of all vehicle sales in the first nine months of 2025 compared with approximately 15% for the same period in 2024, while hybrids accounted for approximately 12% through Q3 2025, compared with 9% through Q3 2024. The decline in market share of EVs was primarily driven by the abrupt end to the federal EV incentive program in January 2025.

Exhibit 3 Canada New Motor Vehicle Registrations

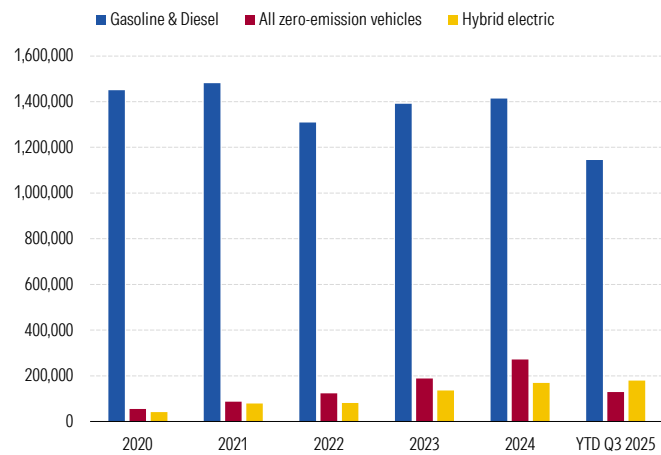
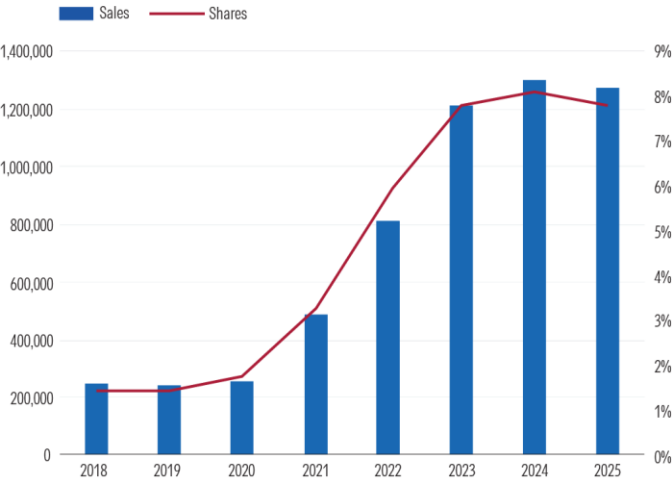


Exhibit 4 New U.S. Electric Vehicle Sales and Share



Source: Statistics Canada, Cox Automotive

Furthermore, over 1.14 million ICE vehicles were sold through Q3 2025 in Canada, representing an approximately 4.3% increase in total units compared with the 1.10 million sold through Q3 2024, according to Statistics Canada. These trends highlight that, while many consumers are open to

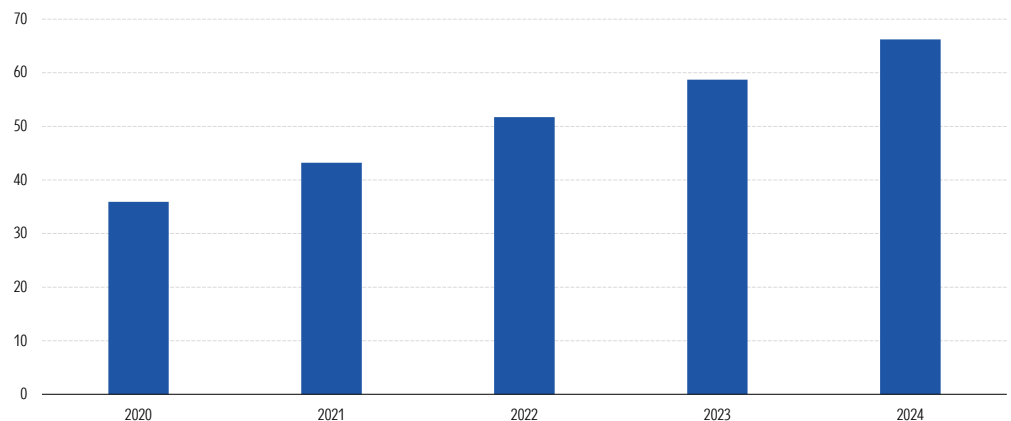
1. Supply and Disposition of Petroleum & Other Liquids. U.S. Energy Information Administration. October 2025.
2. "Despite Q4 Collapse, 2025 EV Sales Decline Only 2% Versus 2024; Policy Shifts, New Product Set Stage for Next Chapter." Cox Automotive. January 13, 2026.

transitioning to EVs, any widespread shift is sensitive to the level of government incentives. As such, given the current political landscape, we don't expect the impact of EV adoption to materially affect the credit risk profiles of North American fuel retailers in the near term.

Diversification of Product Offerings Is a Key Differentiator

As outlined on our October 28, 2025, commentary [RaceTrac Acquisition of Potbelly: C-Store Industry's Strong Appetite for Diversification](#), we expect fuel retailers and C-store operators to continue to invest in growing nonfuel-related sales, particularly prepared food offerings. C-store foodservice sales have increased significantly in the U.S. over the past few years, to \$66.2 billion in 2024 from \$35.9 billion in 2020, as shown in Exhibit 5. Companies are investing in increasing foodservice product offerings as a means to diversify revenue across product offerings with more positive long-term outlooks, as well as to drive foot traffic and improve operating margins. We expect fuel retailers and C-stores that successfully implement new foodservice offerings or increase existing offerings will be able to drive incremental foot traffic and benefit from cross-selling opportunities across fuel and grocery products. This is especially likely for C-stores with solid loyalty programs that reward consumers for increased transactions and are able to generate more targeted promotions. Additionally, we believe issuers will increase operating margins and mitigate the impact of volatile fuel margins, given foodservice sales' margins that are inherently higher than those for fuel.

Exhibit 5 U.S. C-Store Foodservice Sales (USD Billions)



Source: Statista.

Furthermore, we believe that there is an opportunity for C-stores with solid-value food offerings to take market share from struggling quick-service restaurants (QSRs) in the near term. As outlined in our January 21, 2026, commentary "[2026 Global Restaurant Sector Outlook: Resilient Consumer Appetites for the Right Value](#)," many QSRs have experienced negative same store sales recently because of inflationary pressure and weaker consumer spending. Consumers are increasingly looking to maximize value and convenience with food purchases. Fuel retailers and C-stores have capitalized on this by offering strong foodservice value propositions through competitive quality and pricing with added

convenience and attractive loyalty program incentives. As such, we expect fuel retailers to threaten QSRs' market share in the near term.

Rampant Industry Consolidation Expected to Continue

Consolidation within the North American fuel retail and C-store industry was rampant in 2025, highlighted by Sunoco LP's \$9.1 billion acquisition of Parkland Corporation, and Couche-Tard's \$1.6 billion acquisition of GetGo Café + Markets, the convenience store banner of Giant Eagle. In addition, many larger players in the industry focused on acquiring smaller chains and single operators in 2025. We expect issuers to continue to use acquisitions to improve their operating leverage, as well as to grow their footprint and brands, and consequently capture market share, which will partially mitigate the impact of long-term fuel volume decline.

We expect single store operators and smaller chains to continue to experience earnings pressure. Smaller stores typically have less exposure to nonfuel-related sales including inherently higher margin grocery and prepared food products. This lack of diversification results in a higher reliance on fuel margins and, in many cases, leaves these stores exposed when larger competitors reduce retail fuel prices to capture increased market share. That said, these operators typically have lower overhead costs and capital requirements, making them resilient and able to absorb some margin pressure. However, we expect that these competitive pressures will gradually weigh on smaller competitors, some of which will look to exit the industry. The fuel retail and C-store sector remains very fragmented as of 2025, with approximately 60% of convenience stores in the U.S. being single store operations.³ Therefore, there remains plenty of capacity for further industry consolidation, which we believe will remain prominent in 2026 given the potential growth benefits for larger players.

Credit Ratings Expected to Remain Stable in 2026

We do not anticipate any credit rating actions for fuel retail and C-stores in 2026 as a result of broader macroeconomic industry trends. We believe that issuers will generally be able to manage gradually declining fuel volumes by growing nonfuel-related sales categories, and/or expanding to drive operating leverage gains. We expect credit risk profiles of larger competitors with diverse product offerings and strong brand strength to be best positioned to navigate industry headwinds. Conversely, we forecast single store operators and smaller chains will experience earnings pressure in 2026, which we expect to lead to some competitors gradually exiting the market.

Note: All figures are in U.S. dollars unless otherwise noted.

3. NACS Advancing Convenience & Fuel Retailing. February 5, 2025.

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