



Fuel Focus

National Overview

Canadian Retail Gasoline Prices increased by 3 cents Over the Last Two Weeks

For the **two-week period** ending May 10, 2016, the Canadian average retail gasoline price was \$1.06 per litre. This is an increase of 3 cents over the two-week period ending April 26, 2016. Prices are 8 cents per litre lower than the same period last year.

Average retail diesel prices increased by 3 cents per litre over the two week period ending May 10, 2016 to reach \$0.94 per litre. This is 18 cents per litre less compared to the same period last year. Over the same period, furnace oil prices increased by 1 cent to reach \$0.94, 14 cents per litre less than a year ago.

Recent Developments

• Premium Gasoline Sales Forecast to Increase

A recent article by Kent Marketing notes that increasing sales of premium gasoline are the result of a rising number of vehicles with turbocharged engines. Turbocharged engines, when combined with high octane fuels, can increase vehicle fuel efficiency and reduce GHG emissions, supporting efforts by automakers to meet fuel efficiency targets. North American sales of vehicles with turbocharged engines have risen from 7% to 23% of vehicles sales since 2011 and are projected to reach 39% of vehicle sales by 2020. Kent Marketing notes that some consumers may continue using regular gasoline, which would result in reduced fuel efficiency gains, due to the higher price of premium gasoline.

Source: Kent Marketing

<http://www.kentgrouppltd.com/changing-role-higher-octane-gasoline-canadian-retail-fuels-market/>

• Canadian Drilling Activity Forecast Update

On April 28, 2016, the Petroleum Services Association of Canada (PSAC) released its second update to the *2016 Canadian Drilling Activity Forecast*. This update revised the forecasted number of wells drilled across Canada for 2016 to 3,315 wells down from more than 11,000 in 2014. The updated forecast shows a 36% decrease in the number of wells forecasted by PSAC in its original forecast made in November 2015.

Source: PSAC

<http://www.psc.ca/wp-content/uploads/2012/10/PSAC-Media-Release-2016-Drilling-Activity-Forecast-Q2-update-New.pdf>

• Conference Board Forecasts that Canadian Oil Industry Will Lose \$3 Billion in 2016

On April 26, 2016, the Conference Board of Canada released the report *Canada's Oil Extraction Industry: Industrial Outlook Winter 2016*, which forecasts that the oil industry will post losses of over \$3 billion in 2016. The report notes that higher crude oil prices, as well as cost-cutting measures and increased production should help the industry return to profitability in 2017. The organization forecasts that the price of West Texas Intermediate crude will increase from U.S.\$39 per barrel this year to U.S.\$65 per barrel in 2020, which would help support the industry's profitability. Despite lower oil prices and cutbacks in investment, the report notes that Canadian oil sands production is expected to increase, as projects currently under construction begin production.

Source: Conference Board of Canada

<http://www.conferenceboard.ca/press/newsrelease/16-04-28/canada-s-oil-industry-to-endure-losses-for-second-consecutive-year-in-2016.aspx>

Figure 1: Crude Oil and Regular Gasoline Price Comparison (National Average)

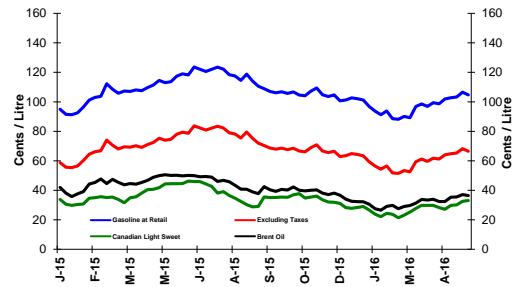
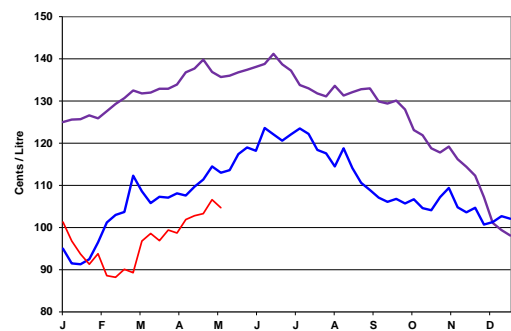


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two week average ending:	Change from:	
	2016-05-10	2 Weeks Ago	Last Year
Gasoline	105.7	+3.0	-8.1
Diesel	93.8	+2.7	-18.4
Furnace Oil	94.2	+1.2	-14.4
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	1.10	+0.06	-1.51
Ontario (Dawn)	2.58	+0.06	-0.79

Source: NRCan, Bloomberg

Natural Gas Prices for Vehicles

2016-05-10	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	120.1	79.2	82.1
Edmonton	115.0	75.9	78.7
Toronto	128.4	84.7	87.8

Source: ¢/kg Kent Marketing Services Limited

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Retail Gasoline Overview

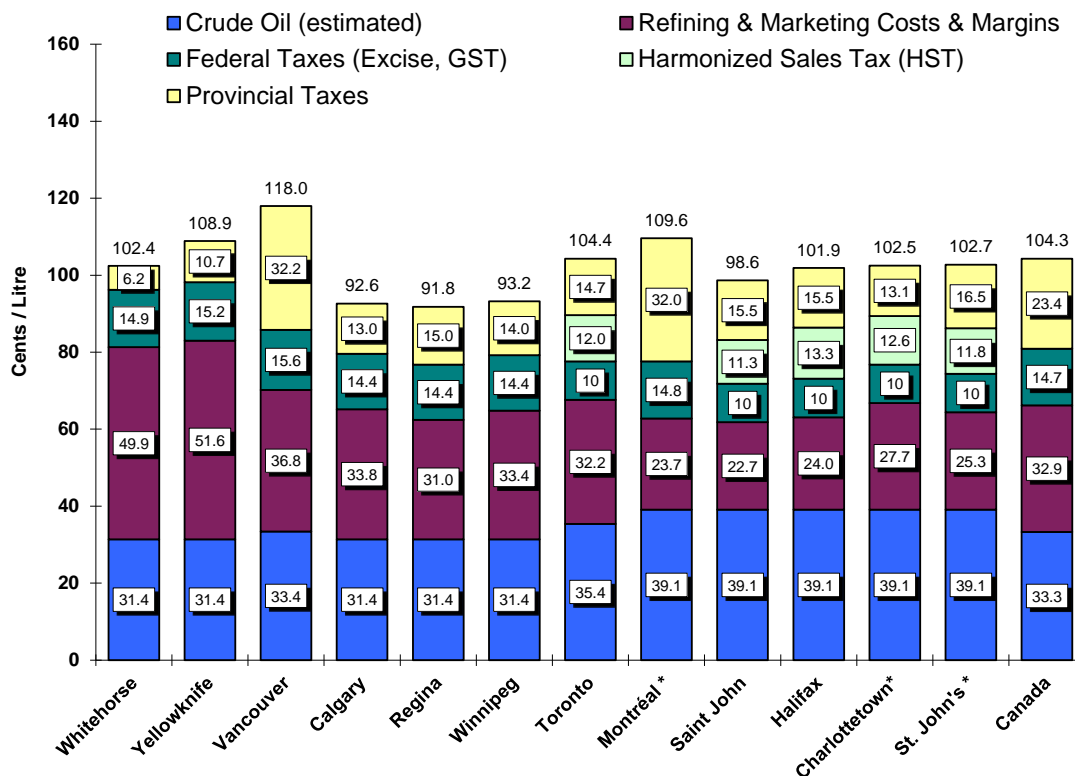
For the period ending May 10, 2016, the **four-week-average** regular gasoline pump price in selected cities across Canada increased by 2 cents to \$1.04 per litre compared to the previous report of April 29, 2016. Compared to the same period in 2015, the average Canadian pump price is 9 cents per litre lower.

The **four-week-average** crude oil component increased by 3 cents to reach an average of 33 cents over the period. The crude oil price component of gasoline is 15 cents per litre lower than this time last year.

Retail gasoline prices in Western centres increased by 3 cents per litre compared to the previous report and ranged from \$0.92 per litre to \$1.18 per litre. Prices in Eastern cities increased by 2 cents and ranged from \$0.99 to \$1.10 per litre.

At the national level, refining and marketing costs and margins were 33 cents per litre, the same as the previous report and 8 cents higher than this time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (April 19 to May 10, 2016)**



Source: NRCan

* Regulated Markets

An estimate of crude oil transportation costs is included in the crude oil estimate for Vancouver (2 cents per litre), Toronto, (4 cents per litre), and Atlantic Canada and Quebec (3 cents per litre)



Wholesale Gasoline Prices

For the two week period ending May 5, 2016, wholesale gasoline prices across selected North American cities were mixed, with a combination of increases and decreases.

Wholesale gasoline prices for the two week period ended between 46 and 62 cents per litre. This compares to the previous two week period where prices were in the 51 and 58 cents per litre range.

In Western cities, wholesale gasoline prices ranged between a decrease of 5 cents and an increase of 9 cents per litre, ending in the 46 to 62 cents per litre range.

Wholesale gasoline prices in Eastern markets of Canada and the U.S. ranged between a decrease of 2 cents and an increase of 3 cents per litre ending in the 51 to 58 cents per litre range.

Wholesale prices remain lower than last year in all these markets.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending May 5, 2016
(CAN ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide



Gasoline Refining and Marketing Margins

Four-week rolling averages are used for gasoline refining and marketing margins.

Gasoline refining margins refer to the difference between the price of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the costs associated with refining the product as well as a profit for the refiner.

Nationally, the **four-week rolling average** refining margin for the period ending May 10, 2016 was 24

cents per litre, an increase of 1 cent from the previous report of April 29, 2016. Compared to the same time last year, margins in Canada are 2 cent per litre lower.

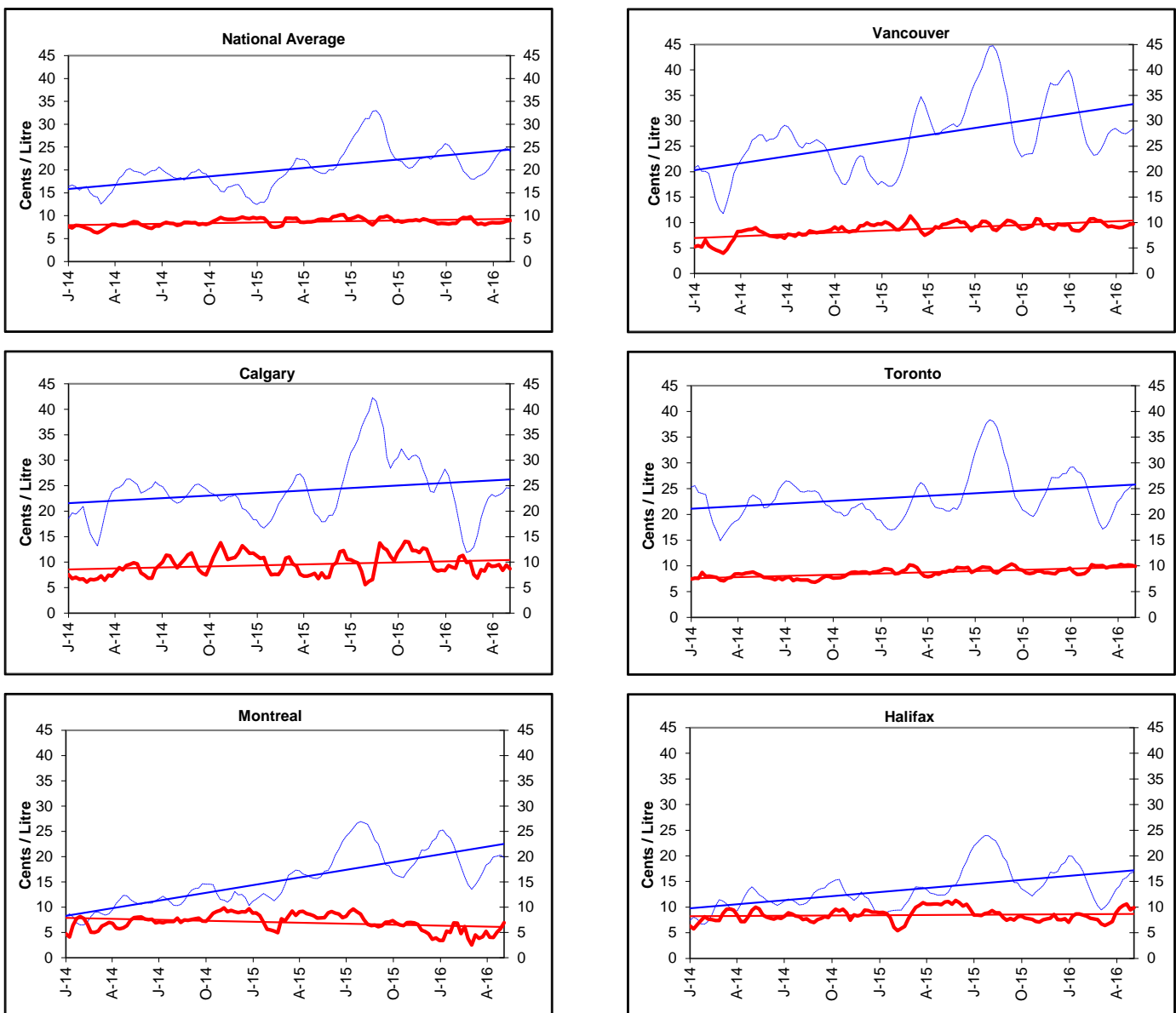
The gasoline marketing margins represent the difference between the wholesale and retail prices of gasoline. This margin pays for the costs associated with operating a service station.

Overall, the national average for marketing margins remained at 9 cents per litre.

Figure 5: Gasoline Refining and Marketing Margins

Four-Week Rolling Average Ending May 10, 2016

----- Refining Margin — Marketing Margin



Source: NRCan



Crude Oil Overview

For the two weeks ending May 10, 2016, prices for the three light crude benchmarks averaged between CAD\$333.87/m³ and CAD\$368.33/m³ (U.S.\$41.61 and U.S.\$45.92 per barrel).

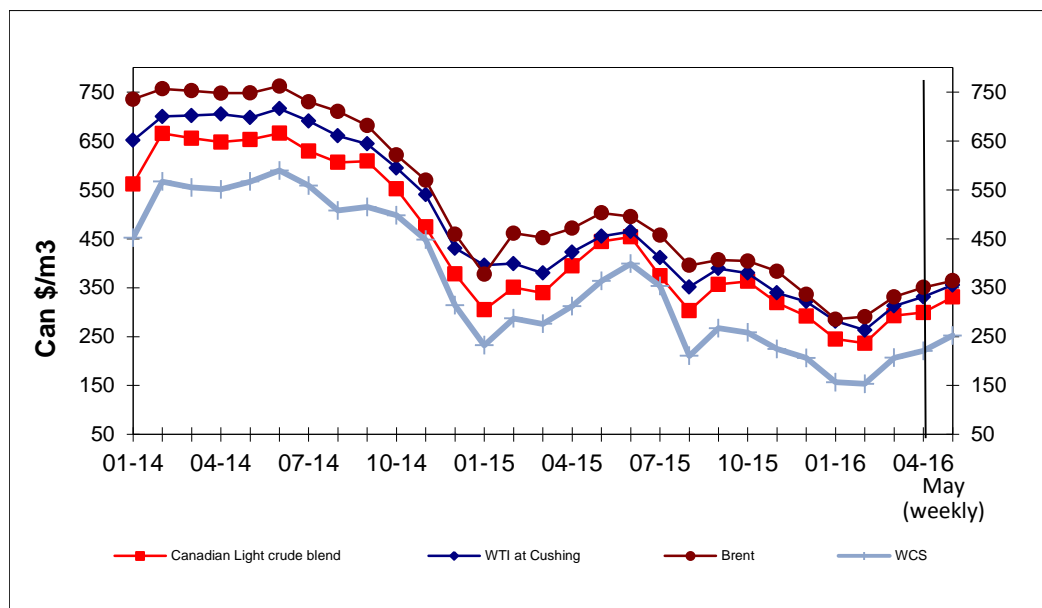
Canadian light crude oil prices at Edmonton increased by CAD\$28.52/m³ (U.S.\$3.45 per barrel) from two weeks ago, West Texas Intermediate (WTI) increased by CAD\$24.18/m³ (U.S.\$2.91 per barrel) and Brent increased by CAD\$13.05/m³ (U.S.\$1.53 per barrel). The price of Western Canada Select increased by CAD \$28.92/m³ (U.S.\$3.53) from two weeks ago.

The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI averaged CAD\$102.89/m³ (U.S.\$12.83 per barrel) for the two weeks ending May 10, 2016.

The recent wildfires in Fort McMurray, Alberta have resulted in very little damage to oil sands operations. However, it is estimated that up to 1.5 million bpd of production has been lost as producers suspended operations. The affected oil sands producers are planning to resume operations, and gradually return to normal production levels over the coming weeks.

For the week ending May 6, 2016, the U.S. Energy Information Administration (EIA) data showed a 3.4 million barrel decrease in U.S. commercial crude inventories week-over-week, with total stocks now at 540 million barrels. U.S. crude oil inventories are at historically high levels for this time of year. EIA data also showed a decrease in U.S. refinery utilization, with rates declining by 0.6 percentage points to 89.1%.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-05-10		Change From:			
			2 Weeks Prior		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Canadian Light	333.87	41.61	+28.52	+3.45	-109.63	-16.79
WTI	358.17	44.64	+24.18	+2.91	-94.35	-14.95
Brent	368.33	45.92	+13.05	+1.53	-135.51	-20.44
WCS	255.28	31.81	+28.92	+3.53	-130.81	-19.03

Source: NRCan