



# Fuel Focus

## National Overview

### Canadian Retail Gasoline Prices Decreased by 6 Cents Over the Last Two Weeks

For the **two-week** period ending January 19, 2016, the Canadian average retail gasoline price was \$0.95 per litre, a decrease of 6.4 cents from the two-week period ending January 5, 2016. Prices are 4 cents per litre higher than the same period last year.

Average retail diesel prices decreased by 4 cents per litre over the same time period to \$0.95 per litre. This is 16 cents less compared to the same period last year. Over the same period, furnace oil prices decreased by 1 cent to reach \$0.93 per litre, 15 cents per litre less than a year ago.

## Recent Developments

- U.S. Energy Information Administration Projects Oversupply of Crude Oil Until 2017**

On January 12, 2016, the U.S. Energy Information Administration (EIA) released its *Short Term Energy Outlook*. The EIA projects Brent crude oil prices to average \$40 in 2016 and \$50 in 2017, and prices for West Texas Intermediate to average \$38 in 2016 and \$47 in 2017. The EIA projects that global crude oil inventories will grow by 0.7 million barrels per day (bpd) in 2016, compared to a 1.9 million bpd increase in 2015. They project global production will continue to increase by 220,000 bpd in 2016 and 760,000 bpd in 2017, as increasing OPEC production offsets a decline in non-OPEC production, primarily in the U.S., the North Sea and Russia.

**Source:** U.S. Energy Information Administration  
<http://www.eia.gov/todayinenergy/detail.cfm?id=24532>

- International Energy Agency**

On January 19, 2016 the International Energy Agency (IEA) released its monthly Oil Market Report (OMR). The report notes that non-OPEC oil production is proving more resilient than expected in the face of lower oil prices. In 2015 non-OPEC production grew by 1.4 million barrels per day and output for the fourth quarter was revised upwards by 280,000 barrels per day since the December OMR. Total non-OPEC production was 57.6 million barrels in 2015. However, the IEA projects that non-OPEC production will decline by 600,000 barrels per day to 57 million barrels per day in 2016.

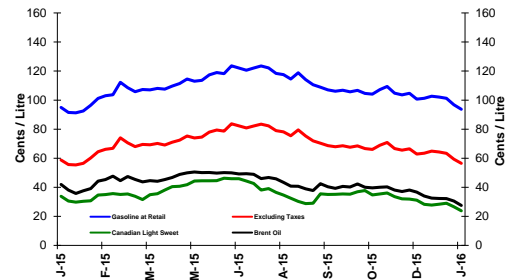
**Source:** International Energy Agency  
<https://www.iea.org/oilmarketreport/omrpublic>

- C.D Howe report on the Future of Canadian Energy Policy**

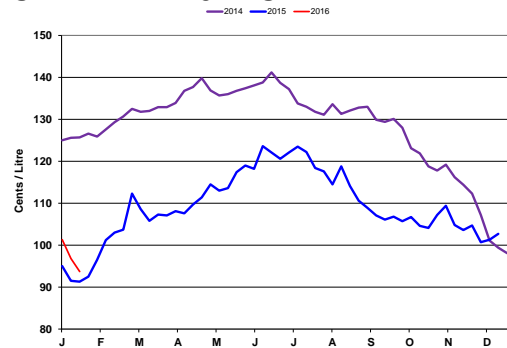
On January 7, the C.D. Howe Institute released the report, *The Future of Canadian Energy Policy*. The report examines key policy issues facing the Canadian energy sector and recommends areas which the provincial and federal governments should focus on in 2016. The report recommends that policymakers act to provide: a competitive resource tax and fiscal regime; competitive electricity prices; a robust and prompt regulatory system; collaborative carbon policies at the federal and provincial levels; and a framework to engage an innovative energy sector.

**Source:** <https://www.cdhowe.org/public-policy-research/future-canadian-energy-policy>

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



**Figure 2: Weekly Regular Gasoline Prices**



### Changes in Fuel Prices

	Two week average ending:	Change from:	
		2 Weeks Ago	Last Year
¢/L	2016-01-19		
Gasoline	95.3	-6.4	+3.8
Diesel	94.9	-3.6	-15.8
Furnace Oil	92.8	-1.3	-14.8
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	2.34	+0.06	-0.27
Ontario (Dawn)	3.31	+0.50	-0.24

Source: NRCAN, Bloomberg

### Natural Gas Prices for Vehicles

2016-01-19	¢/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

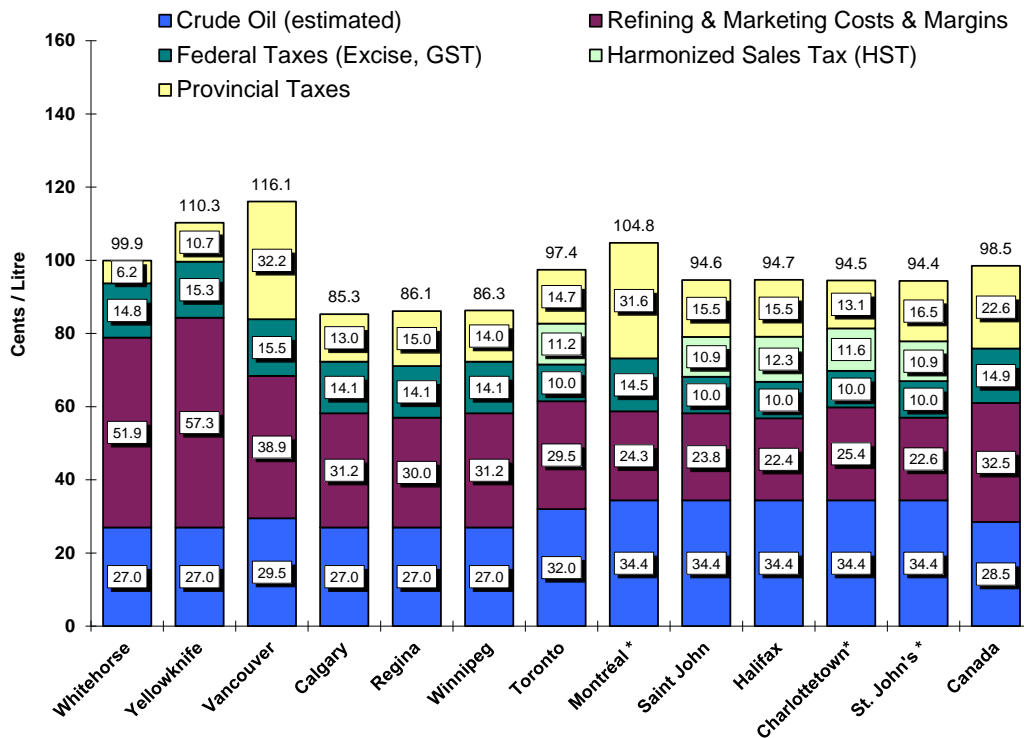
For the period ending January 19, 2015, regular gasoline pump prices in selected cities across Canada fell to \$0.99 per litre compared to the previous report of January 5, 2016. Compared to the same period in 2015, the average Canadian pump price is 3 cents per litre higher.

The **four-week-average** crude oil component of gasoline decreased by 2 cents, averaging 29 cents over the period. This is 11 cents per litre lower than this time last year.

Retail gasoline prices in Western centres decreased by 4 cents per litre compared to the previous report and ranged from \$0.85 per litre to \$1.16 per litre. Prices in Eastern cities decreased by 2 cents per litre and ranged from \$0.94 to \$1.05 per litre.

At the national level, refining and marketing costs and margins were 32.5 cents per litre, 1.4 cents lower than in the previous report and 15 cents higher than the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (December 29, 2015 to January 19, 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 January 14, 2016, wholesale gasoline prices across selected North American cities trended downward. Prices were especially down in Edmonton and Vancouver where they decreased by 24%.

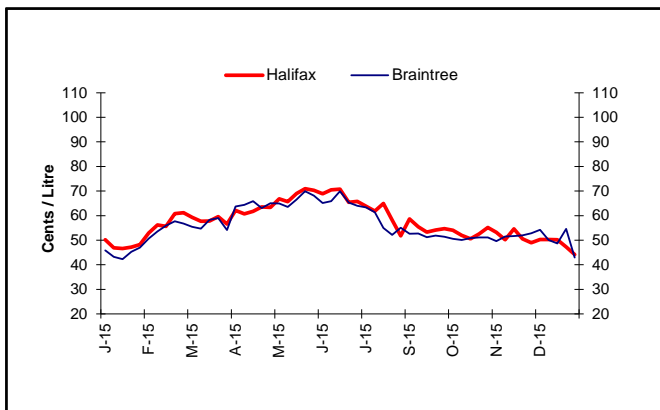
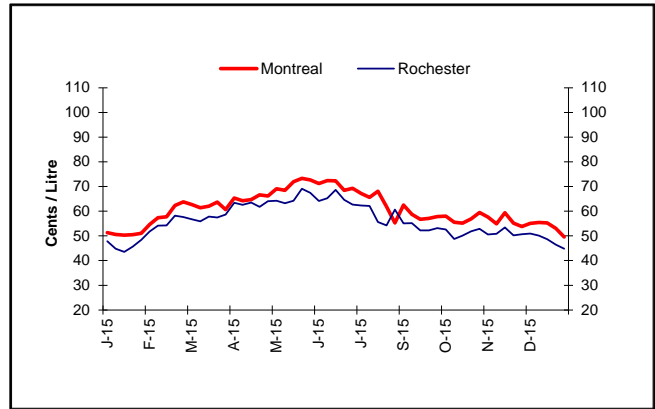
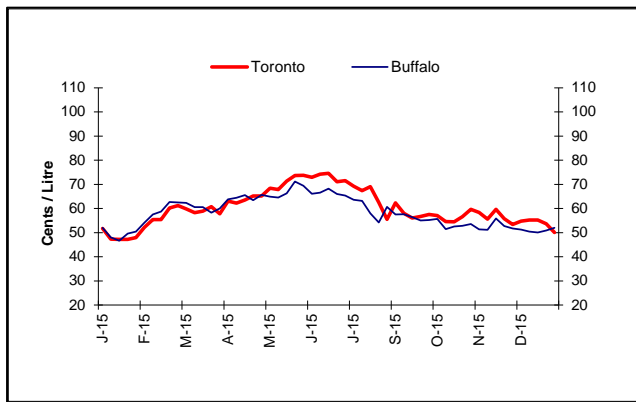
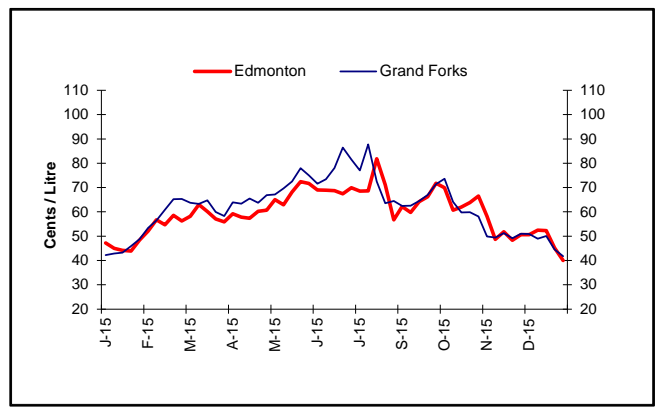
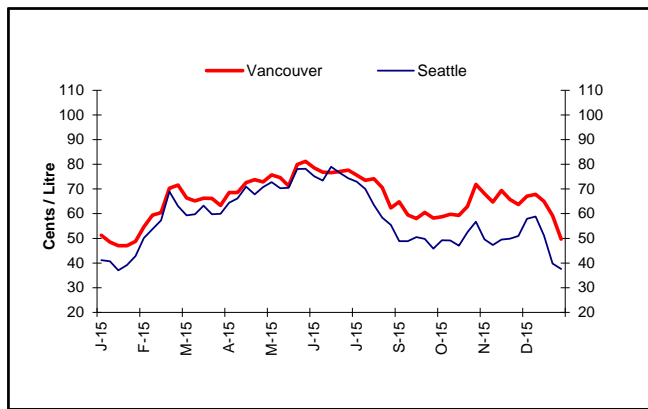
Wholesale gasoline prices for the two week period averaged between 38 and 52 cents per litre. This compares to the previous two week period where prices were in the 49 to 65 cents per litre range.

In Western cities, wholesale gasoline prices decreased between 8 and 15 cents per litre ending in the 38 to 50 cents per litre range.

Price changes in Eastern Canada and the U.S. ranged between a decrease of 12 cents to an increase of 1 cent per litre ending in the 43 to 52 cents per litre range.

Wholesale prices are lower than last year in most markets, with the exception of Vancouver, Toronto and Buffalo where prices are 3 cents per litre above last year.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending January 14, 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.

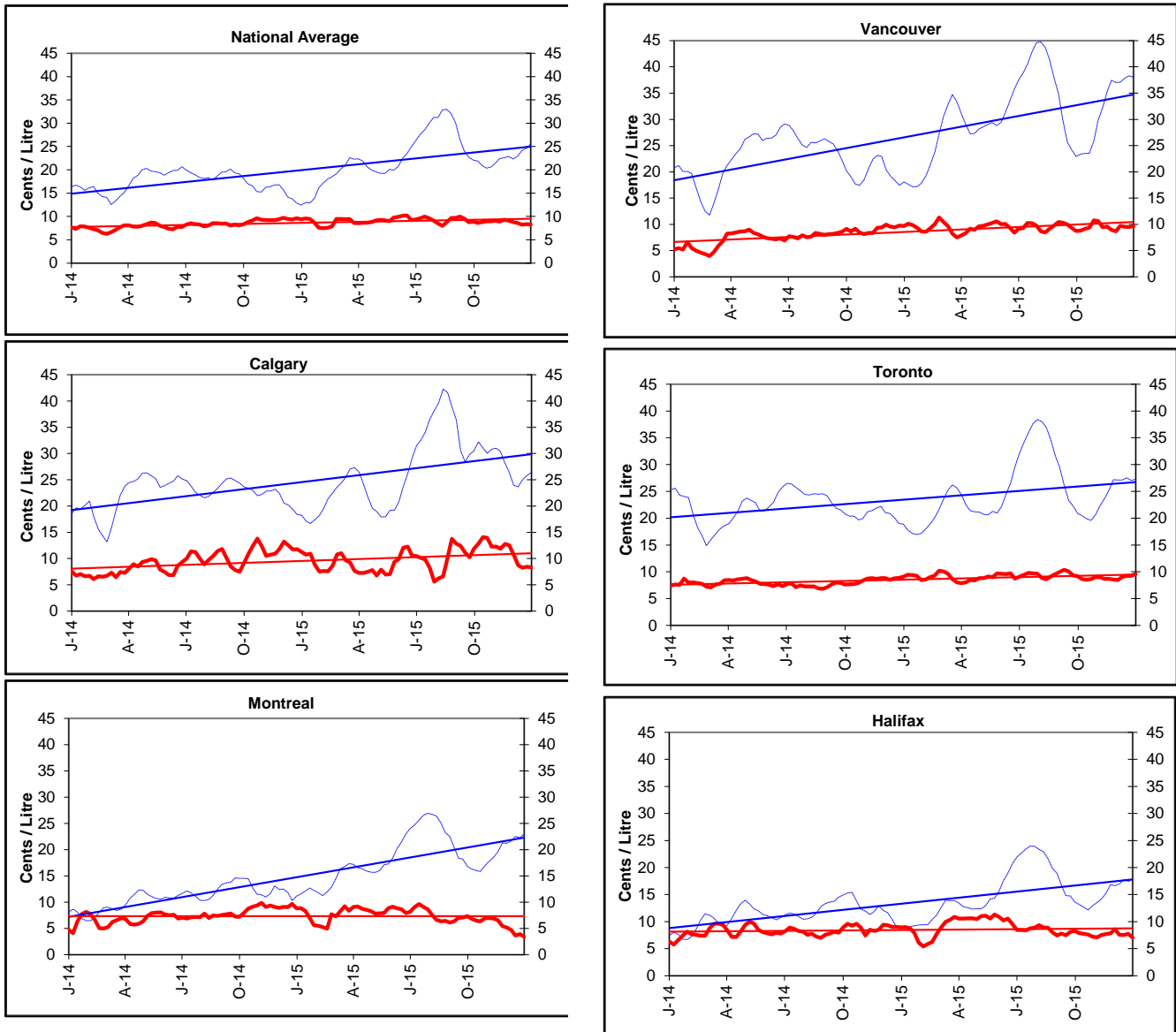
Gasoline refining margins refer to the difference between the price of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the cost associated with refining the product as well as a profit for the refiner.

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.

Nationally, the four-week rolling average refining margin for the period ending January 19, 2016 was 24.3 cents per litre, a decrease of 2 cents per litre over the past two weeks. Compared to the same time last year, margins in Canada are 11 cents per litre higher.

Overall, the national average for marketing margins has been steady remaining at an average of 8 cents per litre.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending January 19, 2016  
----- Refining Margin      — Marketing Margin



Source: NRCan



## Crude Oil Overview

For the two weeks ending January 19, 2016, prices for the three light crude benchmarks averaged between CAD\$220/m<sup>3</sup> and CAD\$281.14/m<sup>3</sup> (U.S.\$27.24 and U.S.\$31.32 per barrel).

Canadian light crude oil prices at Edmonton decreased by CAD\$72.01/m<sup>3</sup> (U.S.\$6.20 per barrel) from two weeks ago, West Texas Intermediate (WTI) decreased by CAD\$41.40/m<sup>3</sup> (U.S.\$5.61 per barrel) and Brent decreased by CAD\$44.11/m<sup>3</sup> (U.S.\$5.96 per barrel).

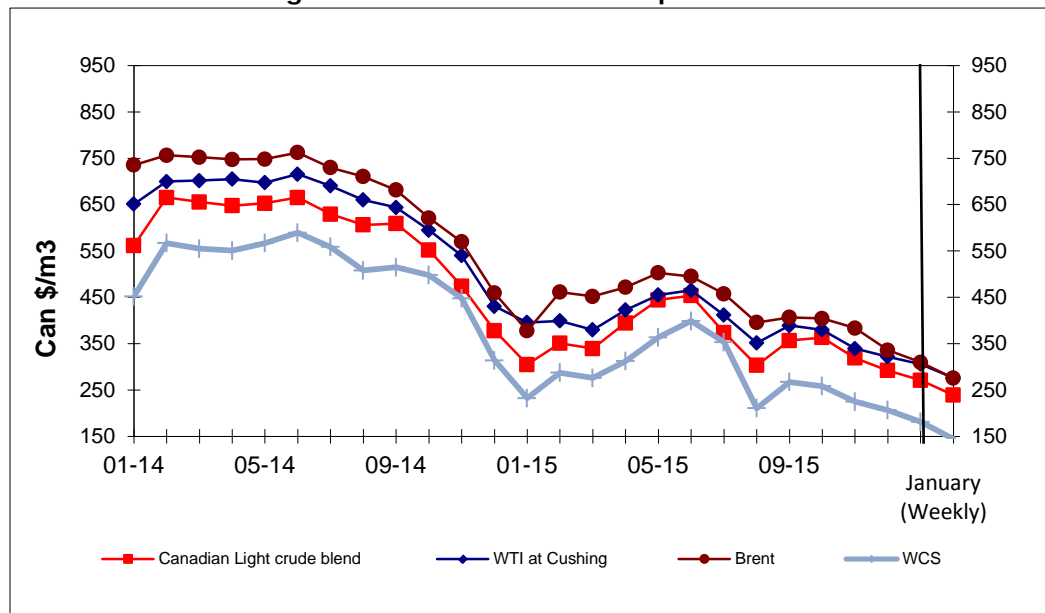
The differential between Canadian light crude and WTI for the two weeks ending January 19 was CAD\$61.16/m<sup>3</sup>, (U.S. \$4.09 per barrel), an increase from the previous two weeks where it averaged CAD\$30.55/m<sup>3</sup> (U.S.\$3.50 per barrel). Meanwhile, for the same period, the differential between Canadian light crude and Brent was CAD\$60.19/m<sup>3</sup> (U.S.\$3.93 per barrel). This differential increased from the previous two week period where it averaged CAD\$32.29/m<sup>3</sup> (U.S.\$3.70 per barrel).

The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI averaged CAD\$118.75/m<sup>3</sup> (U.S. \$14.39 per barrel) for the two weeks ending January 12, 2016.

For the week ending January 8, 2016, the U.S. Energy Information Administration (EIA) data showed that U.S. crude inventories increased by 0.2 million barrels, with total stocks reaching 482.6 million barrels. U.S. crude oil inventories remain near record levels for this time of year.

EIA data also show U.S. refinery utilization reached 91.2% for the week ending January 8, down from 92.5% the previous week.

Figure 6: Crude Oil Price Comparisons



### Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-01-05		Change From:			
			2 Weeks Prior		Last Year	
	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl
Canadian Light	219.99	27.24	-72.01	-6.20	-80.04	-12.75
WTI	281.14	31.32	-41.40	-5.61	-75.29	-16.18
Brent	280.18	31.17	-44.11	-5.96	-85.16	-17.53
WCS	162.40	16.93	-44.41	-6.75	-90.17	-16.71

Source: NRCan