



Fuel Focus

National Overview

Canadian Retail Gasoline Prices Increased by 1 cent over the Last Two Weeks

For the **two-week** period ending March 1, 2016, the Canadian average retail gasoline price was \$0.90 per litre. This is an increase of 1 cent compared to the two-week period ending February 16, 2016. Prices are 18 cents per litre lower than the same period last year.

Average retail diesel prices increased by 1 cent per litre over the same time period to \$0.90 per litre. This is 30 cents less than the same period last year. Over the same period, furnace oil prices decreased by less than 1 cent to \$0.91, 28 cents per litre less than a year ago.

Recent Developments

International Energy Agency (IEA) Medium-Term Oil Market Report

On February 22, 2016, the IEA released its *Medium-Term Oil Market Report*. The report notes that global oil demand is expected to grow at an average rate of 1.2 million barrels per day (bpd) over the next five years, driven by growth in China and India. Despite low crude oil prices and growing demand, the IEA projects that oil production will continue to outpace demand until 2017. With respect to supply, they note that global oil exploration and production investment are expected to fall by 17% in 2016, following a decline of 24% in 2015. The IEA notes that this decline in exploration and production investment could increase the risk of a sharp rise in oil prices in the medium-term.

Source: IEA <http://www.iea.org/bookshop/718-Medium-Term-Oil-Market-Report-2016>

Canadian Oil Production Forecast to Increase

On February 25, 2016, the U.S. Energy Information Administration released its February *Short-Term Energy Outlook*. The Outlook forecasts that Canadian oil production will increase from 4.5 million bpd in 2015 to 4.8 million bpd in 2017. This is largely driven by an estimated increase in oil sands production of 300,000 bpd. This is the result of the fact that oil sands projects are designed to operate over a period of 30 to 40 years and can be very costly to shut down, despite low oil prices.

Source: U.S. EIA <http://www.eia.gov/todayinenergy/detail.cfm?id=25112>

Ontario Announces Details of Cap and Trade System

On February 25, 2016, the Government of Ontario released its 2016 Budget, which included details of its cap and trade plan which will take effect in 2017. Ontario's cap-and-trade program will cover industries, institutions, electricity generators, and suppliers and distributors of heating fuels that emit at least 25,000 tonnes of greenhouse gas emissions per year, and suppliers and distributors of transportation fuels that sell more than 200 litres of fuel per year. The cap and trade plan will include a price on carbon of about \$18 a tonne, and an emissions cap for the province of almost 142 metric tonnes in 2017. When implemented, the Ontario Government expects that the price of gasoline will increase by 4.3 cents a litre.

Source: Government of Ontario <https://www.ontario.ca/page/cap-and-trade>

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

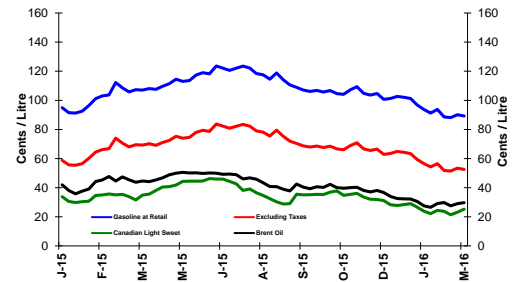
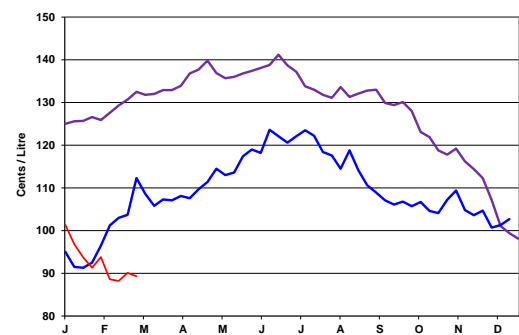


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two week average ending:	Change from:	
	2016-03-01	2 Weeks Ago	Last Year
Gasoline	89.7	+1.3	-18.3
Diesel	89.8	+0.7	-30.2
Furnace Oil	91.4	-0.2	-27.5
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	1.48	-0.38	-1.24
Ontario (Dawn)	2.43	-0.37	-5.22

Source: NRCan, Bloomberg

Natural Gas Prices for Vehicles

2016-03-01	¢/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

In this Issue

	Page
<i>National Overview</i>	1
<i>Recent Developments</i>	1
<i>Retail Gasoline Overview</i>	2
<i>Wholesale Gasoline Prices</i>	3
<i>Gasoline Refining and Marketing Margins</i>	4
<i>Crude Oil Overview</i>	5



Retail Gasoline Overview

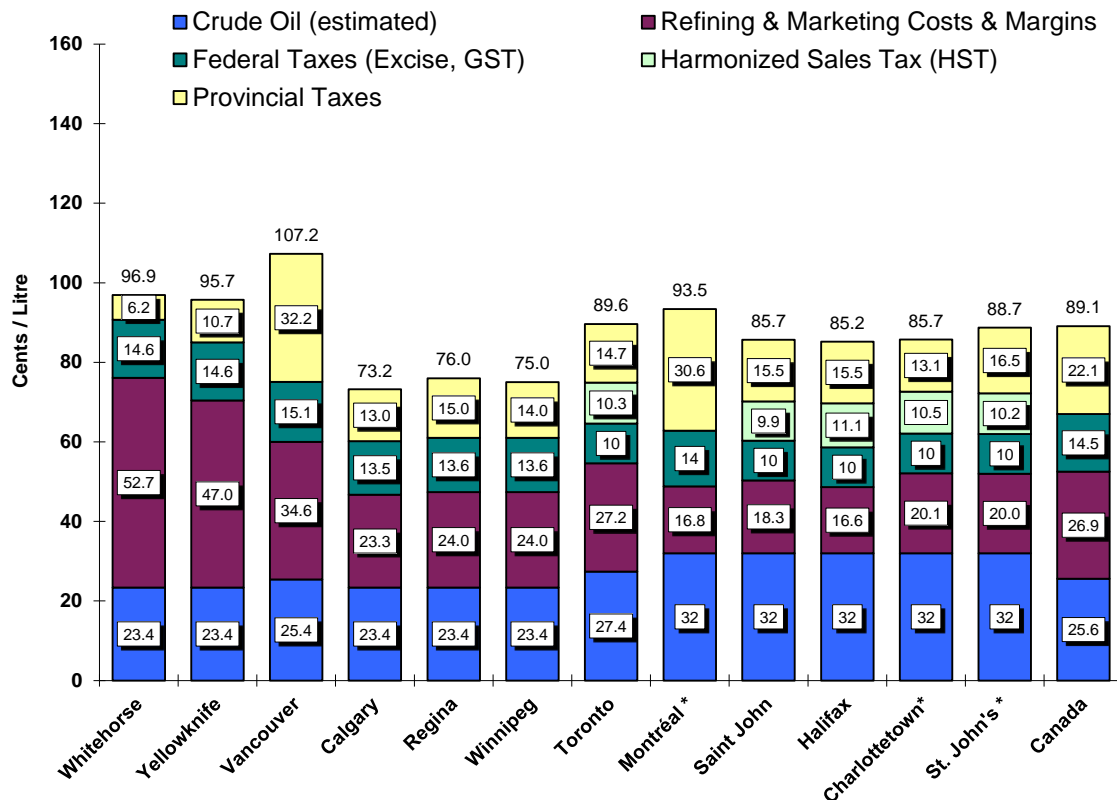
For the period ending March 1, 2016, the **four-week-average** regular gasoline pump price in selected cities across Canada decreased by 1 cent per litre to \$0.90 per litre compared to the previous report of February 16, 2016. Compared to the same period in 2015, the average Canadian pump price is 16 cents per litre lower.

The **four-week-average** crude oil component increased by less than 1 cent, averaging 26 cents per litre over the period. The crude oil price component of gasoline is 18 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 \$0.73 per litre to \$1.07 per litre. Prices in Eastern cities decreased by 3 cents per litre and ranged from \$0.85 to \$0.94 per litre.

At the national level, refining and marketing costs and margins were 27 cents per litre, 2 cents per litre lower than in the previous report and 3 cents per litre higher than the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (February 9 to March 1, 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 February 25, 2015, wholesale gasoline prices across selected North American cities trended upwards. Price increases were especially high in Edmonton and Grand Forks, where they increased by 27% and 48% respectively.

Wholesale gasoline prices for the two week period averaged between 39 and 56 cents per litre. This compares to the previous two week period where prices were in the 32 and 54 cents per litre range.

In Western cities, wholesale gasoline prices ranged from an increase of 2 cents to an increase of 16 cents per litre ending in the 43 to 56 cents per litre range.

Price changes in Eastern markets of Canada and the U.S. increased between 2 to 3 cents per litre ending in the 39 to 46 cents per litre range.

Wholesale prices are lower in this period than last year in all these markets. Prices in Canadian cities are down by an average of 16 cents compared to last year. Similarly, prices in U.S. cities are down by an average of 20 cents.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending February 25, 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.

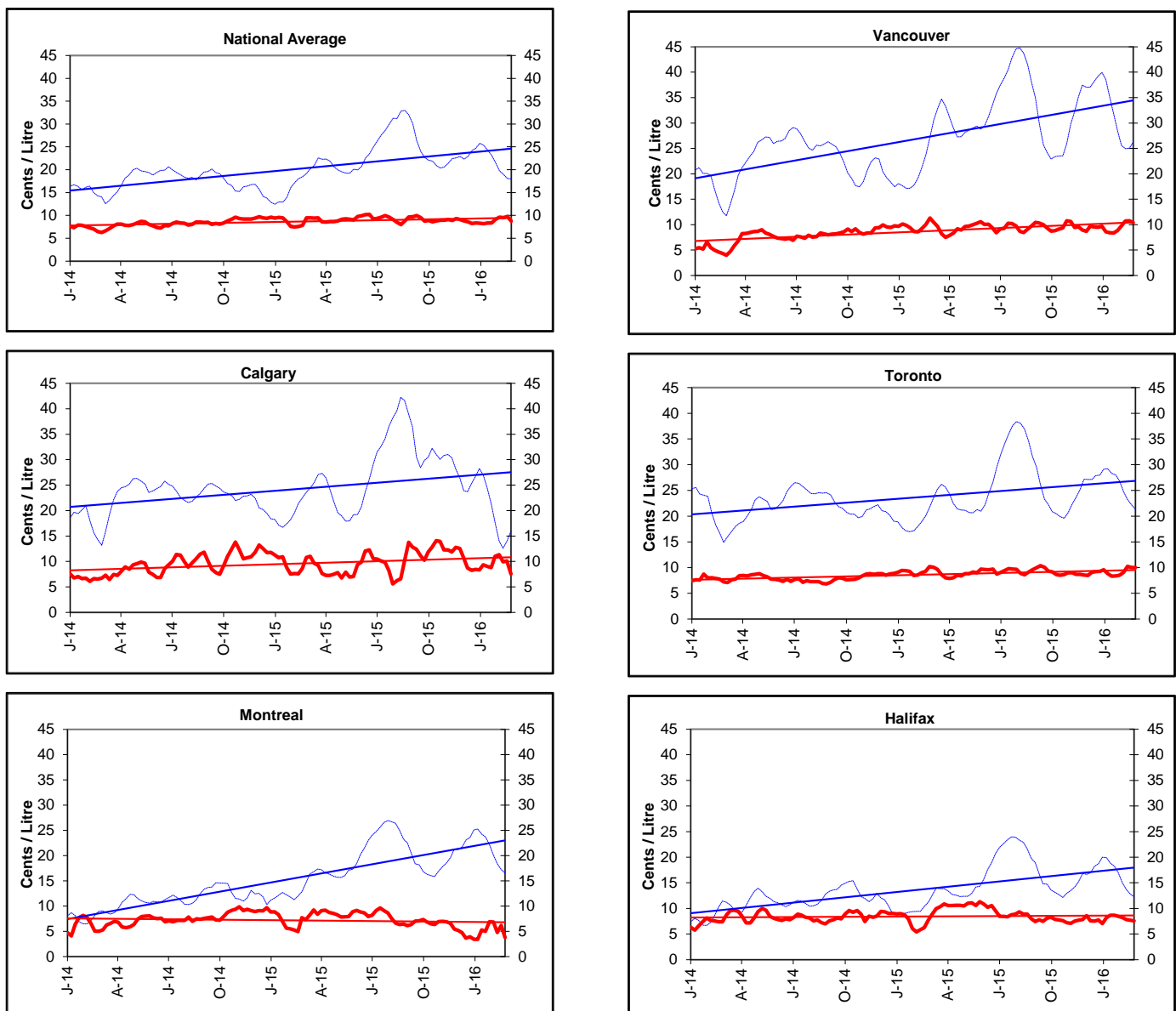
Gasoline refining margins refer to the difference between the price of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the costs associated with refining the product as well as a profit for the refiner.

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 March 1, 2016 was 18 cents per litre, one cent lower than in the last report of February 16, 2016. Compared to the same time last year, margins in Canada are 1 cent per litre lower.

Overall, the national average for marketing margins declined by less than 1 cent compared to the previous two-week period to remain at 9 cents per litre.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending March 1, 2016
----- Refining Margin — Marketing Margin



Source: NRCan



Crude Oil Overview

For the two weeks ending March 1, 2016, prices for the three light crude benchmarks averaged between CAD\$252.10/m³ and CAD\$298.13/m³ (U.S.\$29.38 and U.S.\$34.73 per barrel).

Canadian light crude oil prices at Edmonton increased by CAD\$26.60/m³ (U.S.\$3.49 per barrel) from two weeks ago, West Texas Intermediate (WTI) increased by CAD\$15.09/m³ (U.S.\$2.20 per barrel) and Brent increased by 13.61/m³ (an increase of U.S.\$2.07 per barrel).

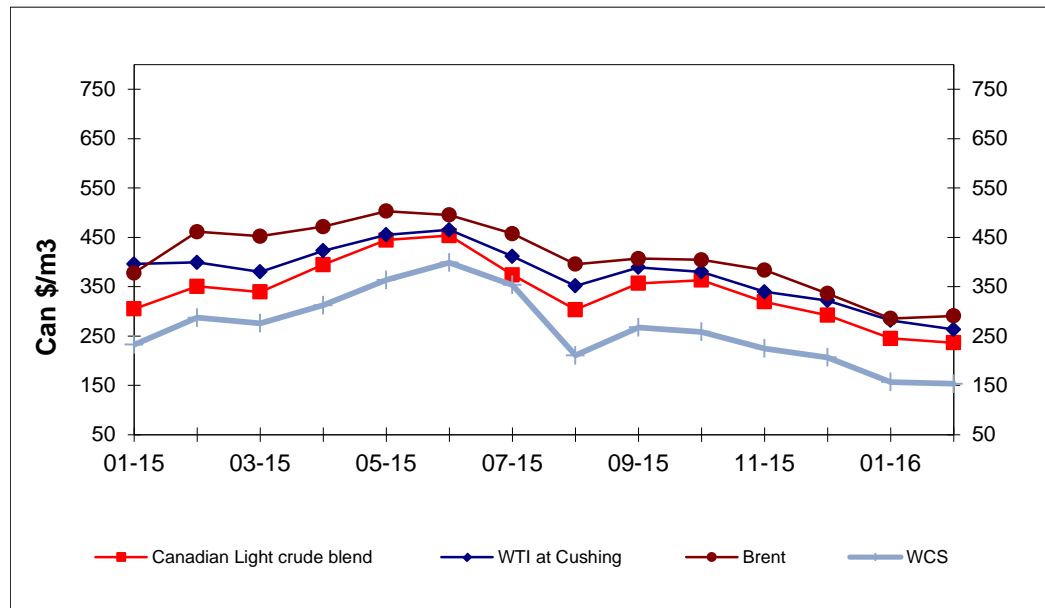
The differential between Canadian light crude and WTI for the two weeks ending March 1, 2016, was CAD\$19.20/m³, (U.S.\$2.20 per barrel), narrowing from the previous two weeks where it averaged CAD\$30.71/m³ (U.S.\$3.52 per barrel). Meanwhile, for the same period, the differential between Canadian light crude and Brent was CAD\$46.03/m³ (U.S.\$5.35 per barrel). This differential decreased from the previous two week period where it averaged CAD\$59.02/m³ (U.S.\$6.77 per barrel).

The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI averaged CAD\$101.86/m³ (U.S.\$11.33 per barrel) for the two weeks ending March 1, 2016.

For the week ending February 26, 2016, the U.S. Energy Information Administration (EIA) data showed that U.S. crude inventories increased by 10.4 million barrels, with total stocks reaching 518 million barrels. U.S. crude oil inventories are at historically high levels for this time of year.

EIA data also showed that U.S. refinery utilization was slightly higher, reaching 88.1% for the week ending February 26, 2016, up from 87.3% the previous week.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-03-01		Change From:			
	\$Can/ m ³	\$US/ bbl	2 Weeks Prior	\$US/ bbl	Last Year	\$US/ bbl
Canadian Light	252.10	29.38	+26.60	+3.49	-99.69	-15.35
WTI	271.30	31.61	+15.09	+2.20	-123.38	-18.58
Brent	298.13	34.73	+13.61	+2.07	-176.34	-25.60
WCS	169.44	20.28	+31.25	+4.42	-118.19	-16.29

Source: NRCan