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# Fuel Focus

*Understanding Gasoline Markets in Canada  
and Economic Drivers Influencing Prices*

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## National Overview

### Canadian Retail Gasoline Prices Increased 1.2 Cents per Litre from Last Week

For the week ending August 6, 2013, the average Canadian retail gasoline price was \$1.32 per litre. This is a decrease of 1.2 cents per litre from the previous week and an increase of 2 cents per litre from a year ago.

Overall, prices were pushed down as a result of lower wholesale gasoline prices across North America which, in turn are declining partly due to world crude oil prices.

Diesel fuel prices declined 0.3 cents per litre from the previous week. This is an increase of 8 cents per litre from the same period last year.

### Recent Developments

- Irving Oil to Build Marine Terminal:** Irving Oil says it plans to build a \$300-million marine terminal in Saint John, New Brunswick, following an announcement from TransCanada Corp. that it has decided to proceed with its Energy East Pipeline project. Irving's marine terminal and refinery would handle crude oil flowing from western Canada and export it to world markets. Engineering and design work would begin in 2015 to coincide with developments of the west-to-east pipeline. (Source: The Canadian Press)
- Motor Vehicle Fuel Sales:** Gross sales of gasoline declined 0.1% from 2011 to 42 billion litres in 2012. The drop in gasoline sales in volume was in direct contrast to the average retail pump price of gasoline across Canada, which rose 3.2% from \$1.24 per litre in 2011 to \$1.28 per litre in 2012. Ontario, Quebec, Alberta and British Columbia, which accounted for 84% of the total volume of gasoline purchased in 2012, all saw varying degrees of fuel consumption. (Source: The Daily, <http://www.statcan.gc.ca/daily-quotidien/130730/dq130730c-eng.htm>)
- Oil Market Outlook for 2014:** The initial forecast for global economic growth in 2014 stands at 3.5%, compared to the revised forecast of 3.0% in 2013. The main underlying assumption is that of a recovery in the OECD, which is expected to grow by 1.8% next year, after 1.2% growth this year. Expected higher growth in the US and a recovery in the Euro-zone are the main drivers behind the forecast. Emerging economies continue to expand at levels below the high rates seen in past years. China's growth is expected to remain at 7.7% in 2014. India's growth is forecasted to increase to 6.0%, up from 5.6% in 2013. (Source: OPEC, Monthly Oil Market Report, July 2013)

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

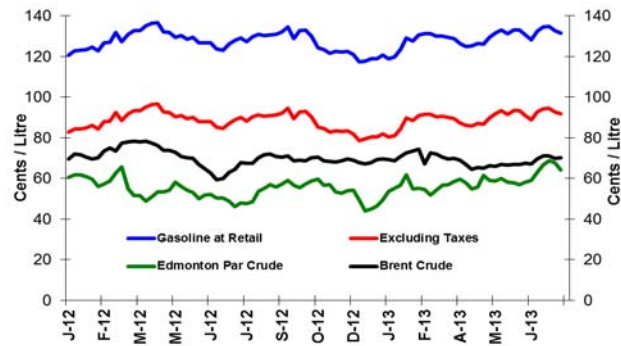
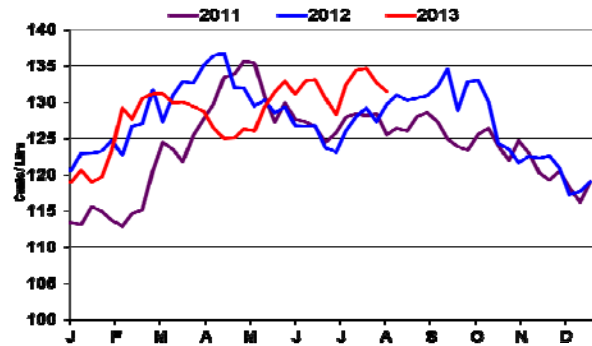


Figure 2: Weekly Regular Gasoline Prices



### Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2013-08-06	Previous Week	Last Year
Gasoline	131.5	-1.2	+1.8
Diesel	125.7	-0.3	+7.7
Furnace Oil	118.4	-0.8	+5.4

Source: NRCan

### Natural Gas Prices for Vehicles

2013-08-06	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	119.4	78.8	81.7
Edmonton	115.1	75.9	78.7
Toronto	110.6	73.0	75.6

Source: ¢/kg Kent Marketing Services Limited

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## Retail Gasoline Overview

The average Canadian gasoline pump price in selected cities for the **four-week average** ending August 6, 2013 was \$1.33 per litre, up 1 cent per litre from two weeks ago and 5 cents per litre higher compared to the same period last year.

Compared to two weeks ago, the four-week average crude oil component increased by 2 cents per litre—13 cents per litre higher than during the same period in 2012.

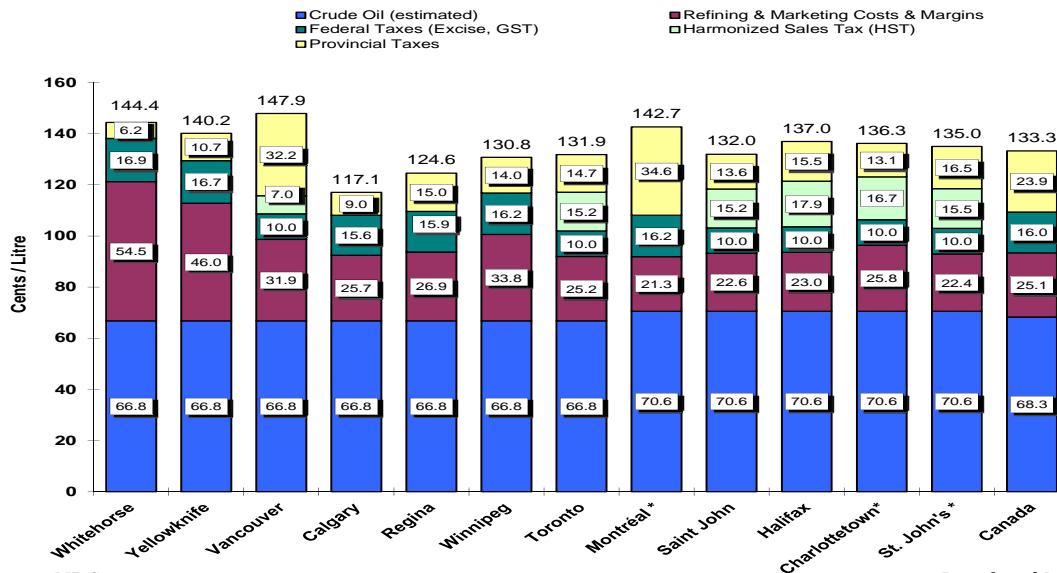
Retail gasoline prices in Western centres decreased on average by about 1 cent per litre compared to those in

the previous report two weeks ago, while average prices in Eastern centres increased 3 cents per litre.

Overall refining and marketing costs and margins decreased by 1 cent per litre to 25 cents per litre.

Cities with municipal gasoline taxes (Vancouver and Montreal) had the highest retail prices in Canada, while prices were the lowest in Alberta. Calgary retail gasoline prices were 26 cents per litre lower than prices in Montreal, and 31 cents lower than prices in Vancouver.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (July 16 to August 6, 2013)**



Source: NRCan

\* Regulated Markets

### Inflation Up 0.2% in May

According to Statistics Canada report on gross domestic product released on July 31, 2013, real gross domestic product grew 0.2% in May, a fifth consecutive monthly increase. Service industries, particularly retail and wholesale trade, led the growth in May. The output of service industries expanded 0.5% in May, after increasing 0.4% in April. Increases were also recorded in May in the public sector (education, health and public administration combined), accommodation and food services, professional services and real estate services. The transportation and warehousing sector declined.

Goods production fell 0.3% in May, mainly as a result of a notable decrease in mining, quarrying, and oil and gas extraction. Declines were also recorded in utilities, while manufacturing and the agriculture and forestry sector increased.

Oil and gas extraction receded 2.2% as a result of decreases in both petroleum and natural gas production. Maintenance activities at some petroleum facilities affected production in May.

Source: Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/130731/dq130731a-eng.htm>





## Wholesale Gasoline Prices

Wholesale gasoline prices changes ranged from an increase of more than 2-cents per litre in American centres to a decrease of 2-cents per litre in Canadian centres for the **week of August 1, 2013**. Prices for the period ended in the 74- to 84-cents-per-litre range.

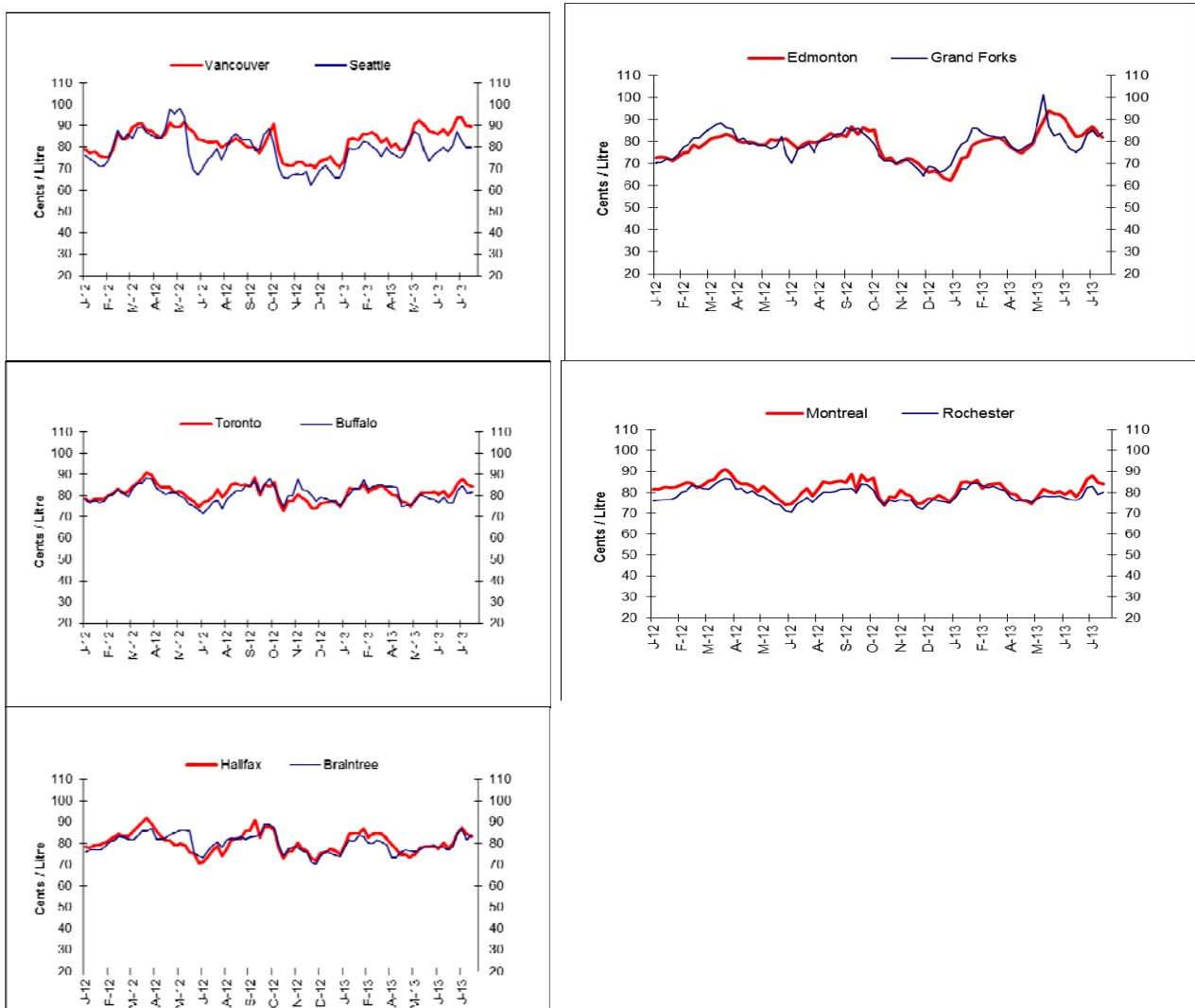
In the Eastern markets of Canada and the United States, wholesale gasoline prices, registered changes ranging from a decline of 1-cent per litre to an increase of 2-cents per litre compared to the previous week.

Prices for the period ended in the 80- to 84-cents-per-litre range.

Wholesale gasoline prices in the Western centres ranged from an increase of 2-cents per litre to a decrease of 2-cents per litre closing the week at 80- to 90- cents per litre.

Compared to two weeks ago, wholesale prices in the Canadian and American centres declined, on average by 1- to 5-cents per litre.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending August 1, 2013  
(CAN ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide





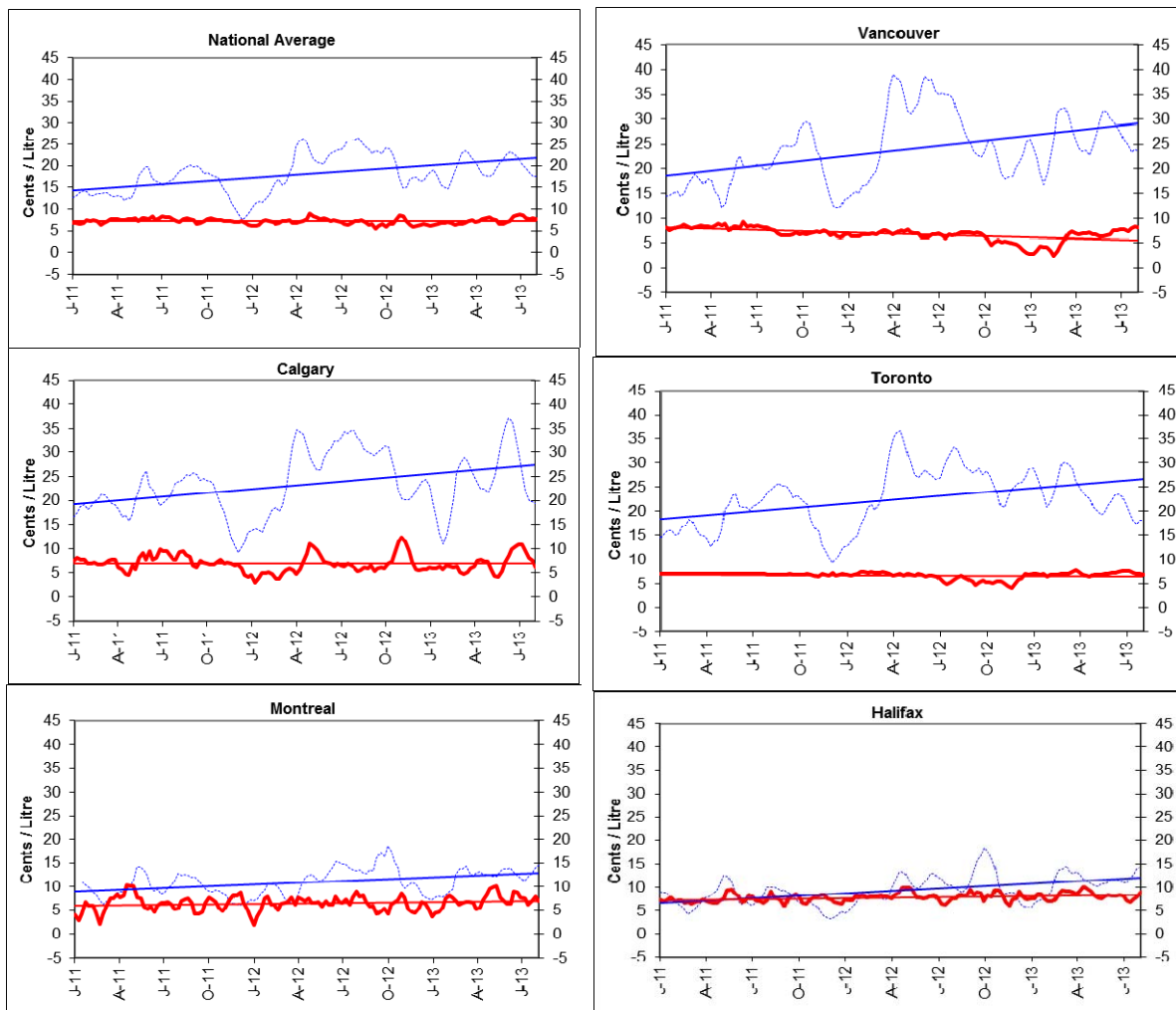
## Gasoline Refining and Marketing Margins

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

Marketing margins represent the difference between the wholesale and retail prices of gasoline. This margin pays for the costs associated with storing the gasoline until it is delivered and for transporting it to the local service station.

Some of the costs associated with retailing gasoline are related to the volume of gasoline sold while other costs are fixed regardless. This gives large urban retail outlets a definite advantage. With a large throughput capacity per outlet, they can sell high volumes of gasoline at very low profit margins in an attempt to draw customers to their other product offerings. In contrast, smaller outlets will need a higher margin to cover their retailing costs.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending August 6, 2013  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

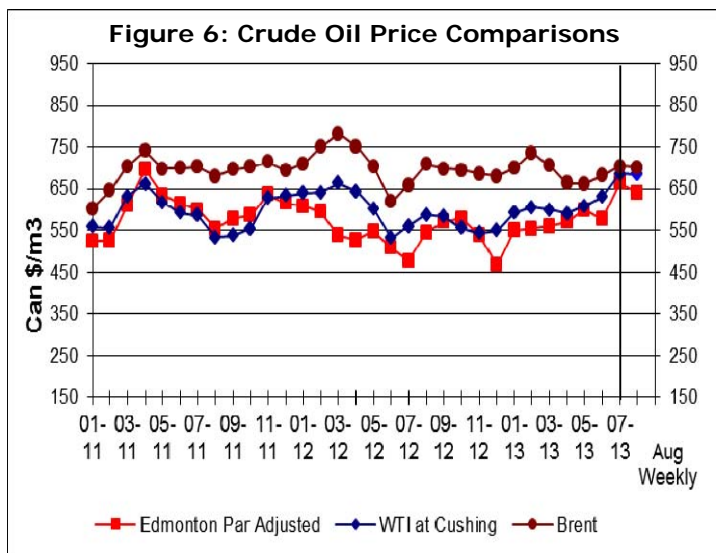
### Major World Events Continue to Impact Crude Oil Prices

For the week ending August 2, 2013, prices for the three marker crudes averaged between \$640/m<sup>3</sup> and \$701/m<sup>3</sup>, (US\$99 to US\$108 per barrel). Edmonton Par ended at \$640/m<sup>3</sup> (US\$99 per barrel); significantly lower than the previous week and continuing its decline by \$44/m<sup>3</sup> (US\$6 per barrel) from two weeks ago.

Meanwhile the West Texas Intermediate (WTI) registered \$684/m<sup>3</sup> (US\$106 per barrel), marginally lower than the previous week. The Brent crude oil benchmark rose to \$701/m<sup>3</sup> (US\$108 per barrel), up

\$3/m<sup>3</sup> from the previous week. For the week ending August 2, 2013, the price differential between WTI and Brent prices stood at \$17/m<sup>3</sup> (US\$3 per barrel).

The major crude oil price benchmarks fluctuated for the week ending August 2, 2013, in light of improved economic forecasts in the US and protests in Libya's various sea ports which affected crude oil exports.



### Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2013-08-02		Change From:			
	\$Can/ m <sup>3</sup>	\$US/ bbl	Previous Week		Last Year	
	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl
Edmonton Par	640.37	98.73	-40.20	-6.29	+159.60	+22.47
WTI	684.33	105.50	-2.27	-0.45	+122.93	+16.44
Brent	701.04	108.08	+3.00	+0.36	+26.10	+1.01

Source: NRCan

### Oil Inventories

Each International Energy Agency (IEA) member country has an obligation to have oil stock levels that equate to no less than 90 days of net imports.

Currently, there are three net exporting IEA member countries (Canada, Denmark and Norway) which do not have a stockholding obligation under the International Energy Program Agreement.

The IEA minimum stockholding obligation is based on net imports of all oil, including both primary products (such as crude oil, natural gas liquids) and refined products. It does not cover naphtha and volumes of oil used for international marine bunkers.

The 90-day commitment of each IEA member country is based on average daily net imports of the previous calendar year. This commitment can be met through both stocks held exclusively for emergency purposes and stocks held for commercial or operational use, including stocks held at refineries, at port facilities, and in tankers in ports.

The obligation specifies several types of stocks that cannot be counted toward the commitment, including military stocks, volumes in tankers at sea, in pipelines or at service stations or amounts held by end-consumers (tertiary stocks). It also does not include crude oil not yet produced.

Source: IEA, <http://www.iea.org/topics/oil/oilstocks/>

