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# Fuel Focus

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

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Canada

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## National Overview

### National Retail Gasoline Prices Drop 3 Cents per Litre from Last Week

Canadian retail pump prices, for the week ending September 16, 2014, decreased by 3 cents per litre to \$1.29 per litre—a seven-month low. This represents a decrease of nearly 1 cent per litre from the same time last year.

Diesel fuel prices declined by less than 1 cent per litre from the previous week, ending at \$1.29 per litre. Furnace oil prices decreased by less than 1 cent per litre to \$1.24 per litre from last week. Diesel and furnace oil prices are both 1 cent per litre higher from the same period last year.

Average retail gasoline prices declined on lower wholesale gasoline prices, which in turn reflected lower crude oil prices.

### Recent Developments

- North Atlantic Refinery Sold:** Harvest Operations Corp. sold its 100 per cent ownership in Newfoundland and Labrador's North Atlantic Refining Limited, which runs the Come By Chance refinery, to New York merchant bank SilverRange Financial Partners LLC. The sale includes 53 North Atlantic and Home Town branded gasoline stations, as well as convenience stores, including 14 Orangestore branded locations. According to SilverRange, North Atlantic Refining is strategically located along Atlantic crude oil shipping routes and provides access to petroleum markets in Europe and the U.S. Eastern seaboard. Its clean fuel technology enables the refinery to produce low-sulphur, clean fuels, providing flexibility to refine crudes from many parts of the world. (Source: CBC, September 5, 2014)

- Record Investment in the Canadian Oil and Gas Industry Expected:** According to ARC Financial, the Canadian upstream producers will have raised more than \$26 billion from banks and equity investors by the end of 2014 exceeding the \$25.5 billion raised in 2007. (Source: ARC Financial, *Record Capital Stoking the Oil & Gas Industry*, September 9, 2014)

- Increased Ultra-Low Sulfur Diesel Demand Expected in the U.S. This Winter:** Reductions in the maximum sulfur content of heating fuels in five northeastern states will likely result in higher demand for ultra-low sulfur diesel. On July 1st, New Jersey, Massachusetts, Connecticut, Vermont, and Rhode Island reduced the maximum allowable content of sulfur in heating oil to 500 parts per million (ppm) from 20,000–3,000 ppm. It is expected that heating oil meeting the 500 ppm specification will be blended from higher-sulfur heating oil and ultra-low sulfur diesel, which has a maximum sulfur content of 15 ppm. (Source: EIA, *This Week in Petroleum*)

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

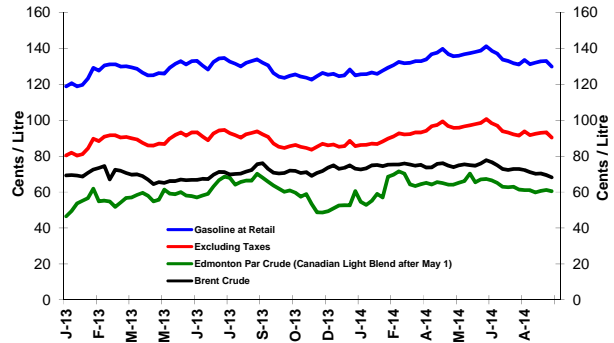
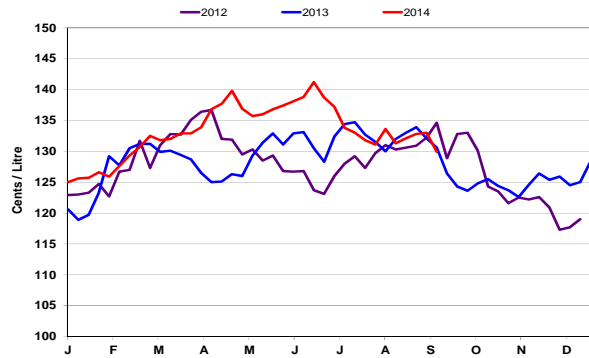


Figure 2: Weekly Regular Gasoline Prices



### Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2014-09-16	Previous Week	Last Year
Gasoline	129.9	-3.1	-0.7
Diesel	129.2	-0.5	+1.2
Furnace Oil	123.7	-0.4	+1.2

Source: NRCan

### Natural Gas Prices for Vehicles

2014-09-16	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	119.9	79.1	82.0
Edmonton	115.1	75.9	78.7
Toronto	128.3	84.6	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

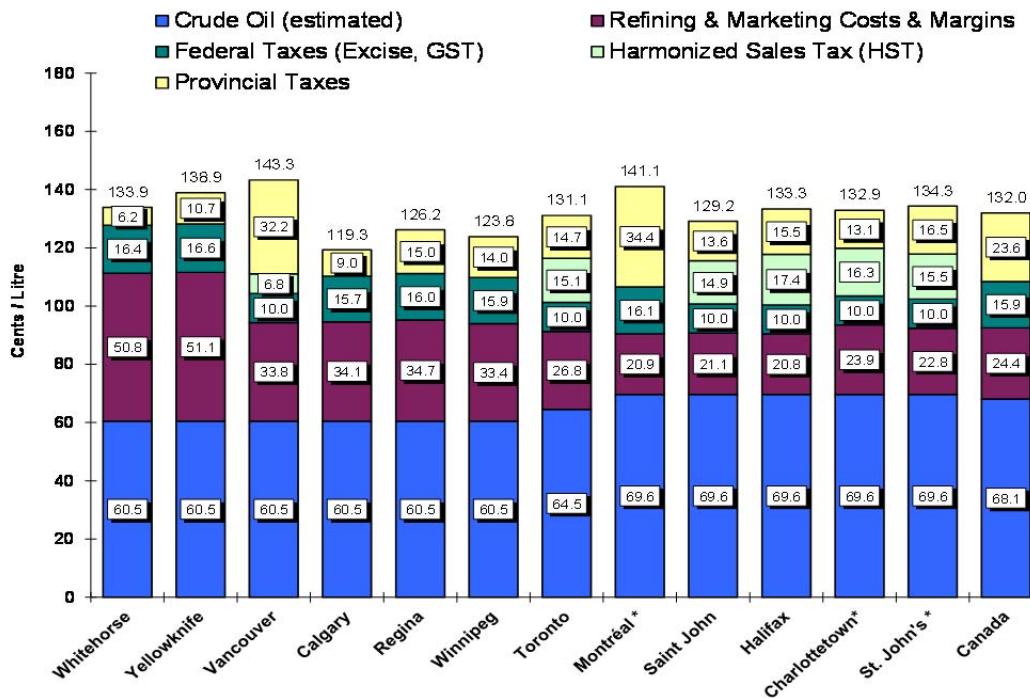
The **four-week average** Canadian pump price in selected cities for the week ending September 16, 2014, was \$1.32 per litre—a decrease of less than 1 cent per litre from the last report on September 5, 2014. This also represents a 1 cent-per-litre decrease compared to the same period in 2013.

Compared to two weeks ago, the **four-week average** crude oil price increased by 2 cents per litre and settled at 71 cents per litre.

On average, retail gasoline prices in Eastern centres rose by 0.2 cent per litre compared to the last report two weeks ago. Prices ranged from \$1.29 to \$1.41 per litre. Prices in Western centres decreased, on average, by 0.3 cent per litre and ranged from \$1.19 to \$1.43 per litre.

At the national level, refining and marketing costs declined by 2 cents per litre from the previous report of two weeks ago to 22 cents per litre.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (August 26 to September 16, 2014)**



Source: NRCan

\* Regulated Markets

Note: Toronto crude oil cost includes pipeline tolls of \$25.16/m<sup>3</sup> (\$4 per barrel) from Edmonton to Sarnia, Ontario.





## Wholesale Gasoline Prices

Wholesale gasoline prices decreased in all selected Canadian and American centres for the week **ending September 11, 2014**.

Wholesale gasoline prices declined in both Canadian and U.S. markets in the range of 1 to 6 cents per litre. Prices ended the period in the 76 to 84 cent-per-litre range.

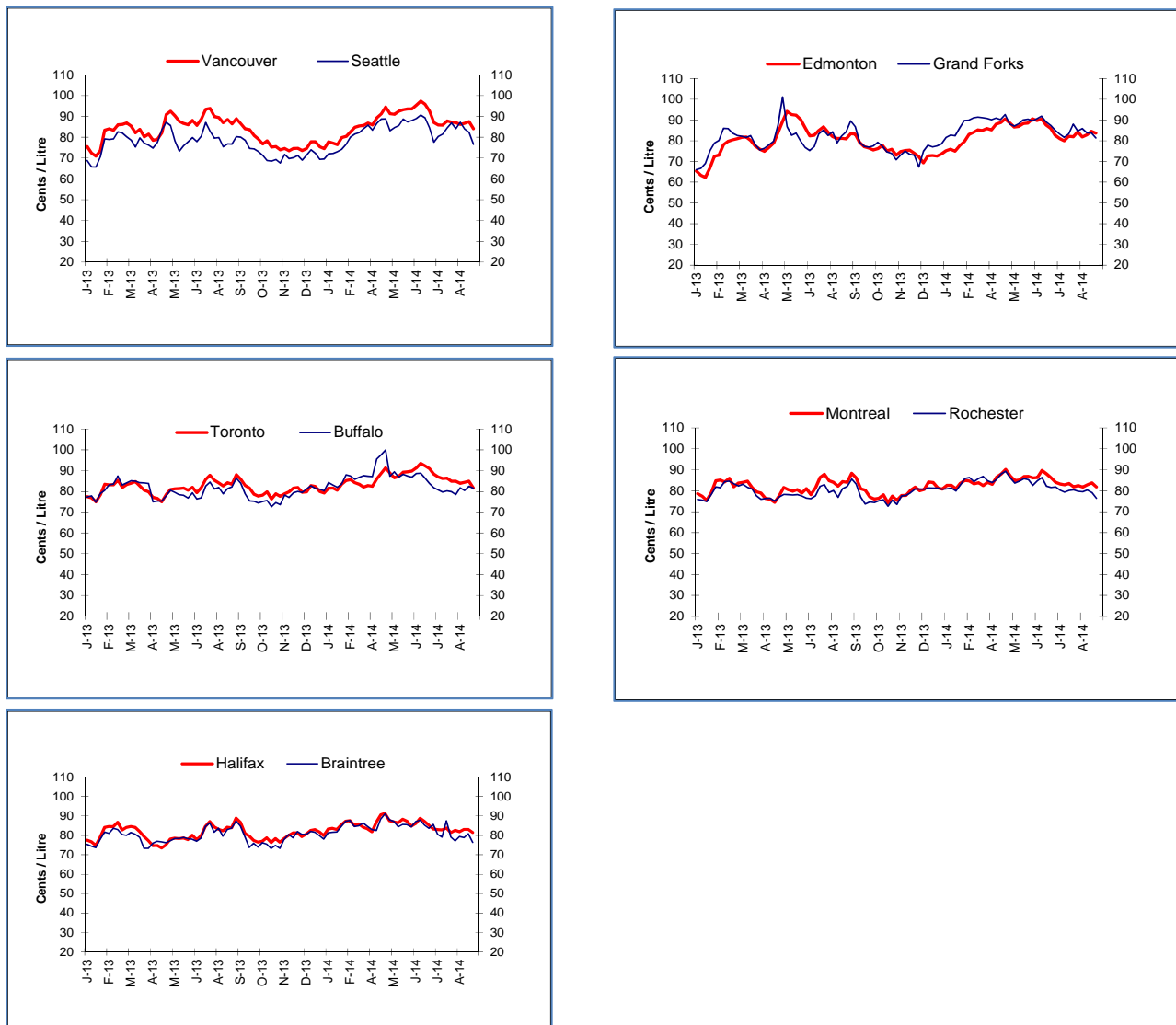
In the Eastern markets of Canada and the U.S., wholesale gasoline prices ranged from 76 cents per

litre to 82 cents per litre. Price decreases ranged from 1 cent per litre to 4 cents per litre.

In the Western centres, wholesale gasoline price decreases ranged from 1 cent per litre to 6 cents per litre, with prices ending in the range of 77 to 84 cents per litre.

On average, year to date wholesale gasoline prices are 4 cents per litre above last year in both Canadian and American centres.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending September 11, 2014  
(CAN ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide





## Gasoline Refining and Marketing Margins

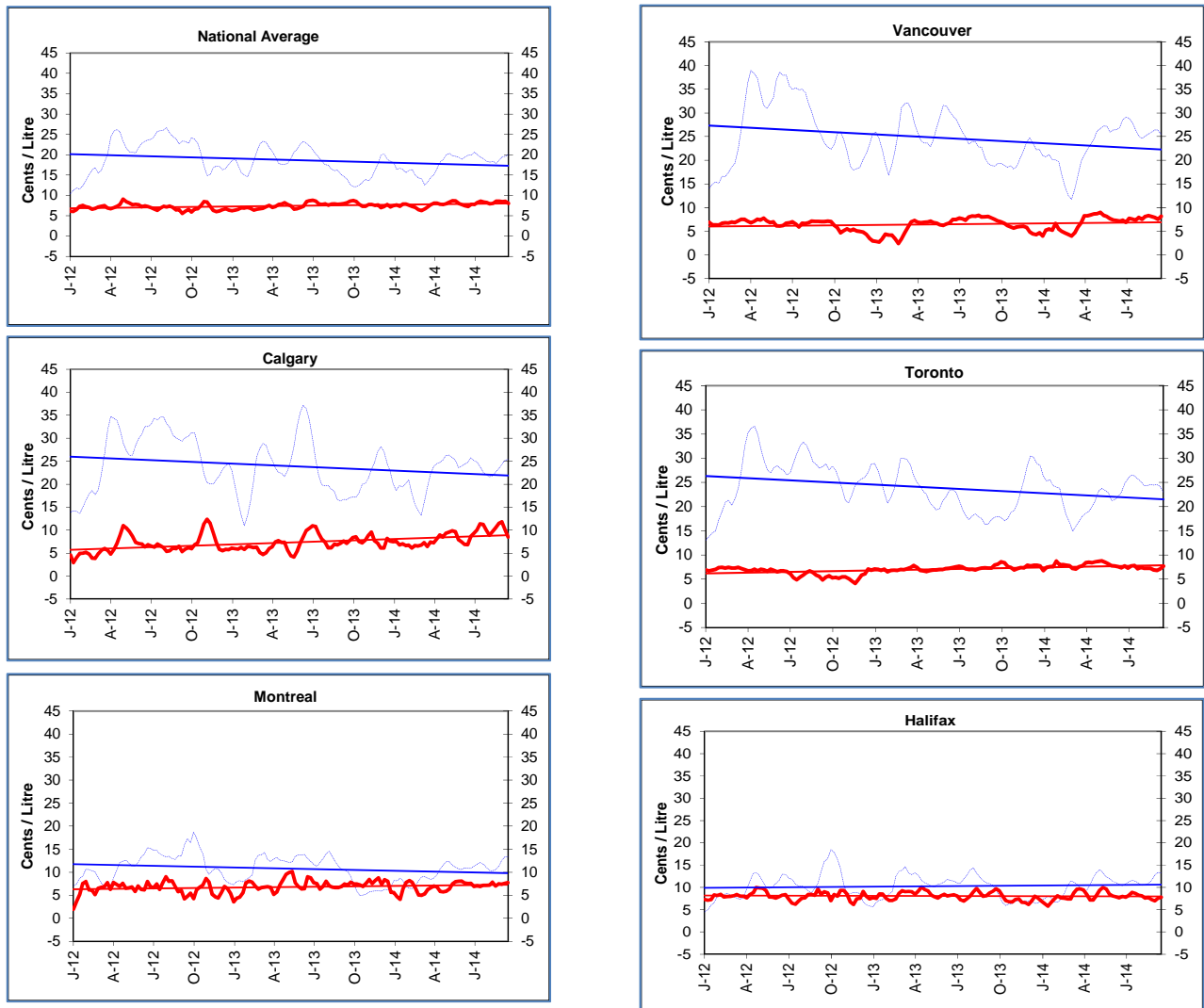
**Four-week rolling averages** are used for gasoline refining and marketing margins.

Nationally, refining margins are averaging 20 cents per litre, about 6 cents per litre higher than at this time last year. These refining margins 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 refining the product as well as a profit for the refiner.

Overall, marketing margins hovered around 8 cents per litre. Marketing margins have to cover the costs associated with operating an outlet and generating a profit for the station owner.

These margins can vary significantly depending on the region, volume sold, and availability of other product offerings. Most of the costs of operating an outlet are fixed and do not decline with lower gasoline prices.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending September 16, 2014  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

### Global Crude Oil Prices Down

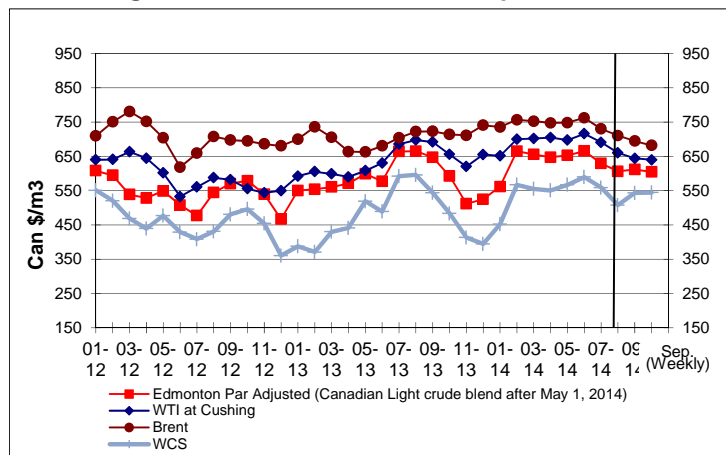
For the week ending September 12, 2014, prices for the three marker light crudes averaged between \$605/m<sup>3</sup> and \$682/m<sup>3</sup>, (US\$87 to US\$99 per barrel). Global light crudes prices decreased compared to the previous week. Price changes ranged from \$4/m<sup>3</sup> to \$13/m<sup>3</sup> (US\$2 to US\$3 per barrel).

In North America, the WTI crude price decreased by \$4/m<sup>3</sup> (US\$1.60 per barrel) to \$640/m<sup>3</sup> (US\$92 per barrel) from the previous week. The crude oil price differential between WTI and Brent stood at \$42/m<sup>3</sup> (US\$6 per barrel) for the week under review.

The Western Canada Select crude oil price rose slightly by less than \$1/m<sup>3</sup> (US\$0.69 per barrel) from the previous week.

Abundant global oil supply and a slowdown in economic growth in industrialized countries cause further reduction in oil demand, which in turn push global crude oil prices down. Oil demand forecasts for 2014-2015 are currently revised downward by the International Energy Agency, the U.S. Energy Information Administration and the Organization of the Petroleum Exporting Countries.

Figure 6: Crude Oil Price Comparisons



### U.S. Short-Term Energy Outlook

According to the U.S. Energy Information Administration (EIA), driven in large part by falling crude oil prices, U.S. regular gasoline retail prices fell to an average of \$3.49/per gallon in August, 12 cents below the July average and 21 cents below the average in June. U.S. regular gasoline retail prices are projected to continue to decline to an average of \$3.18/gallon in December, 12 cents lower than projected in last month's STEO.

EIA expects U.S. regular gasoline retail prices, which averaged \$3.51/gallon in 2013, to average \$3.46/gallon in 2014 and \$3.41/gallon in 2015, 4 cents lower and 6 cents lower than last month's STEO, respectively.

EIA projects that Brent crude oil prices will average \$103/bbl in fourth-quarter 2014 and \$103/bbl in 2015, \$5/bbl and \$2/bbl lower than forecast in last month's STEO, respectively. The WTI discount to Brent, which averaged \$11/bbl in 2013, is expected to average \$8/bbl in both 2014 and 2015.

Global consumption grew by 1.3 million bbl/d (1.5%) in 2013, averaging 90.5 million bbl/d for the year. EIA expects global consumption to grow by 1.0 million bbl/d in 2014 and 1.3 million bbl/d in 2015.

Source: EIA, [http://www.eia.gov/forecasts/steo/pdf/steo\\_full.pdf](http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf)

### Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2014-09-12		Change From:			
			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
Canadian Light	604.53	87.36	-7.19	-1.97	-56.11	-14.18
WTI	639.66	92.44	-4.35	-1.60	-64.71	-15.82
Brent	681.72	98.52	-12.97	-2.92	-48.05	-13.64
WCS	544.26	78.65	+0.93	-0.69	+3.32	-4.49

Source: NRCan

