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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 by 2.7 Cents

For the two week period ending April 28, 2015, the Canadian average retail gasoline price reached \$1.11 per litre. This represents an increase of 2.7 cents from the two-week period ending April 14, 2015. Prices are 28 cents per litre lower than last year at this time.

Average retail diesel prices decreased by 0.3 cents per litre over the same time period reaching \$1.11 per litre, this is 29 cents less than for the same period last year. Over the same period, Furnace oil prices decreased by 1.4 cents per litre to reach \$1.08, a decrease of 21 cents per litre from a year ago.¹

Recent Developments

- Consumer Prices rising slowly:** The Consumer Price Index (CPI) has risen 1.2% since March 2014, a slight increase from the 1.0% recorded between February 2014 and February 2015. Lower gasoline prices continued to be the largest downward contributor to the CPI, falling by 19.2% over this time period. This decline in gasoline prices was offset by price increases in seven of the eight major components, led by higher prices in the indices for food, household operations, furnishings and equipment, and shelter. (Source: Statistics Canada <http://www.statcan.gc.ca/daily-quotidien/150417/dq150417a-eng.htm>)

- Oil Market still uncertain:** The International Energy Agency (IEA) released its April Oil Market Report, identifying several factors driving uncertainty in the market. The first factor is the potential for Iranian crude to enter into the global market as a result of the recent framework agreement on Iran's nuclear program. The second factor is the increase in oil demand in the EU, India and the United States.

Finally, the IEA notes that continued stock-building in the EU and China (in response to lower crude oil prices) may be increasing demand in the short term, but reducing demand in the future as these inventories are eventually consumed.

The IEA revised its forecast for 2015 Canadian crude oil production downward slightly from 4.4 to 4.3 million barrels per day (bpd). This level of production would still represent an increase of 100,000 bpd from 2014 levels. (Source: International Energy Agency <https://www.iea.org/oilmarketreport/omrpublic/currentreport/>)

¹Effective this report the prices in this section will refer to two-week averages, and not weekly prices. Weekly retail pump prices will continue to be available on the Fuel Focus website.

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

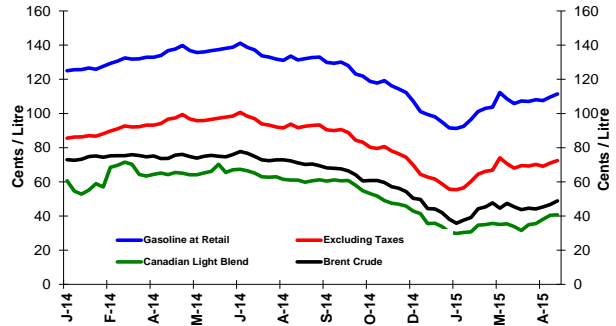
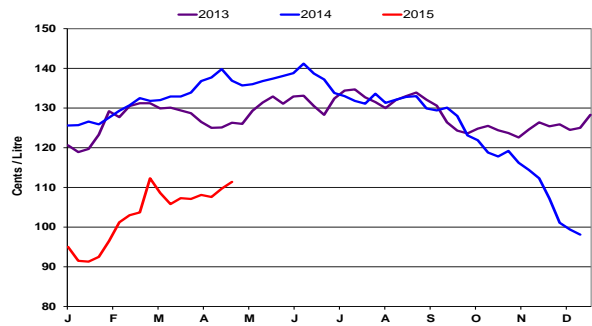


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two week average ending:	Change from:	
	2015-04-28	2 weeks ago	Last Year
Gasoline	110.6	+2.7	-28.2
Diesel	110.9	-0.3	-28.5
Furnace Oil	108.0	-1.4	-20.6
Natural Gas Prices in \$CA/GJ			
Alberta (NGX)	2.40	-0.12	-2.15
Ontario (Dawn)	3.25	-0.04	-1.88

Source: NRCan, Bloomberg, NGX

Natural Gas Prices for Vehicles

2015-04-28	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	123.6	81.5	84.5
Edmonton	115	75.9	78.7
Toronto	128.4	84.7	87.8

Source: ¢/kg Kent Marketing Services Limited

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Retail Gasoline Overview

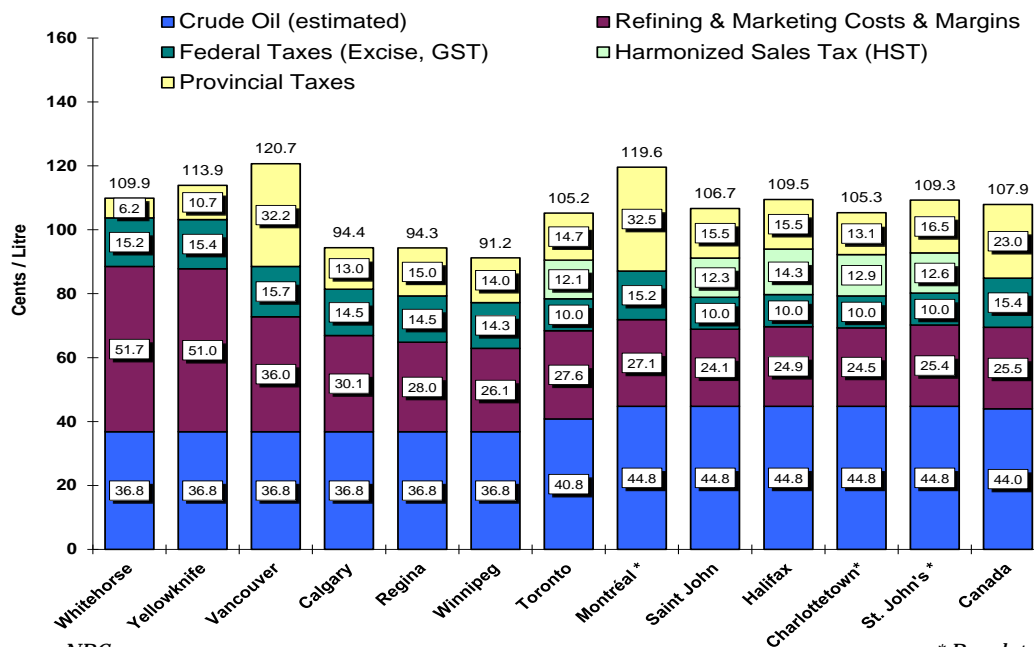
For the period ending April 28, 2015, the **four-week-average** regular gasoline pump price in selected cities across Canada remained at \$1.07 per litre, the same as reported in the last report of April 17, 2015. Compared to the same period in 2014, the average Canadian pump price is 29 cents per litre lower.

The **four-week-average** crude component increased by 2.4 cents to 44 cents compared to two weeks ago. Compared to the same period in 2014 the crude oil price component of gasoline is 29 cents per litre lower.

Retail gasoline prices in Western centres decreased by an average of 3.3 cents per litre compared to the previous report and ranged from 91 cents per litre to \$1.21 per litre. Prices in Eastern cities increased by an average of 2.0 cents per litre and ranged from \$1.05 to \$1.20 per litre.

At the national level, refining and marketing costs and margins decreased by 2 cents per litre to 25 cents per litre compared to the last report two weeks ago.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (April 7 to April 28, 2015)**



Source: NRCan

* Regulated Markets

Note: Toronto crude oil cost includes pipeline tolls of \$4 per barrel for light crude oil from Edmonton to Sarnia, Ontario.

New 2016 EnerGuide Labels for Vehicles

When asked about the most important consideration in purchasing a vehicle, only vehicle reliability is identified more often than fuel consumption by Canadians. For new light-duty vehicles, fuel consumption information can be found on the EnerGuide label.

Beginning with 2016 model year vehicles, a redesigned EnerGuide label will be affixed to new light-duty vehicles. The fuel consumption ratings shown on the new label will be based on the new test methods introduced for model year 2015 vehicles.

The redesigned label will provide information on fuel consumption and estimated annual fuel costs, and a vehicle class range showing the best and worst fuel consumption ratings in that class. It will also provide new environmental information in the form of a 10 point scale rating the level of carbon dioxide and smog emissions to all other vehicles, and a Quick Response code that will link the user to the on-line Natural Resources Canada Fuel Consumption Ratings Search Tool.

EnerGuide is the official Government of Canada mark for rating and labelling the energy consumption or energy efficiency of products including new vehicles, appliances, heating and cooling equipment, and houses that have had an energy efficiency evaluation.

Source: NRCan Office of Energy Efficiency <https://www.nrcan.gc.ca/energy/efficiency/transportation/cars-light-trucks/buying/7483>





Wholesale Gasoline Prices

For the week ending April 23, 2015, wholesale gasoline prices in the selected Canadian cities decreased, while in U.S. cities prices were a mix of increases and decreases.

Overall North American wholesale gasoline price changes ranged from an increase of 1.8 cents to a decrease of 1.4 cents. Prices for the period ended in the 58 to 64 cents-per-litre range. (All figures in Canadian cents per litre).

In the Eastern markets of Canada and the U.S., wholesale gasoline price changes were small,

with prices remaining within 1 cent of prices the previous week, and ended in the 61 to 64 cent per litre range.

Wholesale gasoline prices in Western centres, remained relatively stable with changes ranging between an increase of 2 cents and a decrease of 1 cent, and ended in the 58 to 69 cents-per-litre range.

In the last four weeks, wholesale price changes in selected Canadian and American centres increased between less than 1 cent to 6 cents.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending April 23, 2015
(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.

These gasoline refining margins refer to the difference between the cost 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 retailer.

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.

Refining margins have decreased slightly in all selected centres over the past two weeks, as wholesale gasoline prices have increased.

Nationally, refining margins have declined by 2 cents from the previous report, to reach 20 cents per litre.

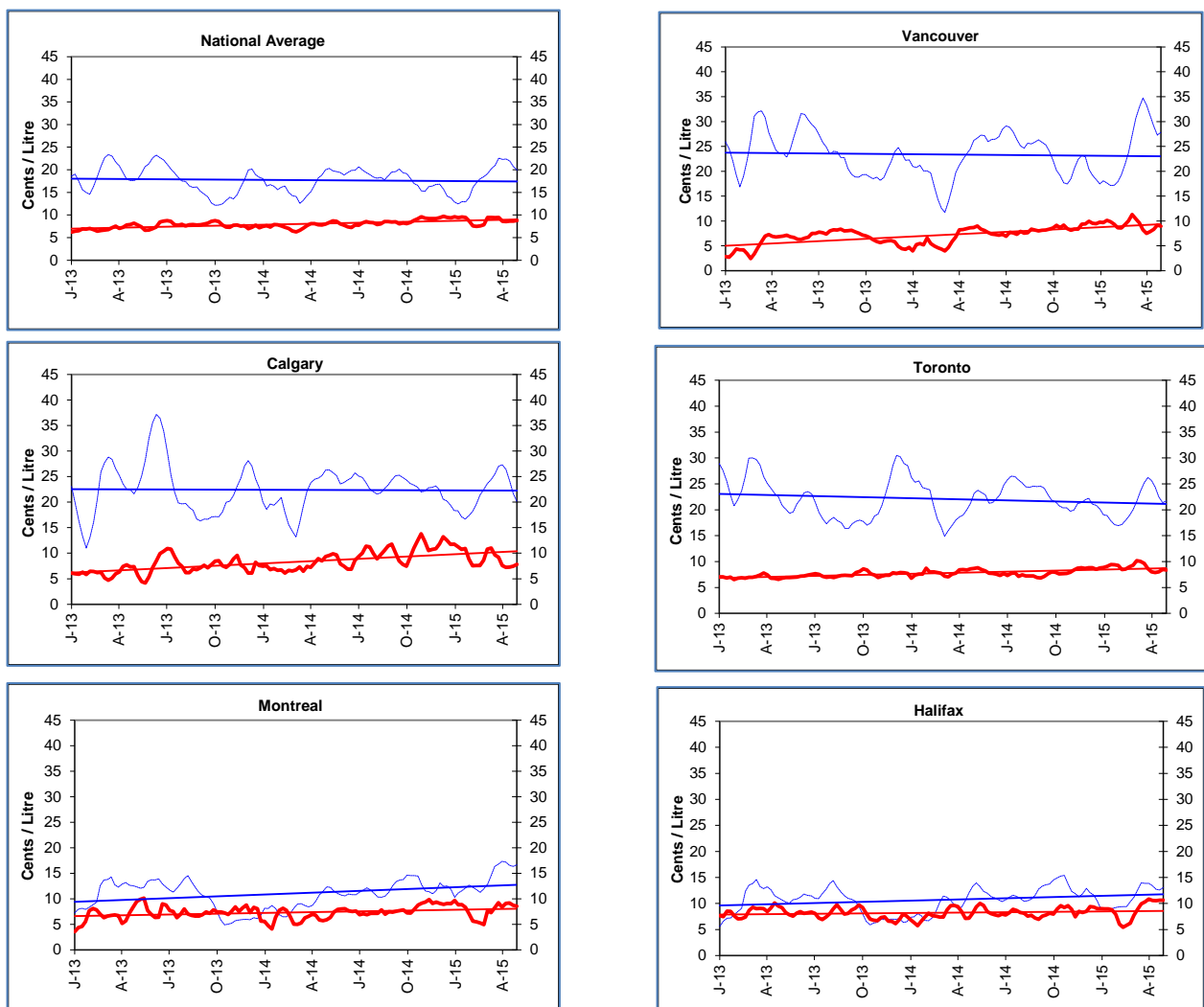
The National average for marketing margins has been steady over the past several weeks, hovering around an average of 9 cents per litre.

Marketing margins can vary quite substantially by region, as shown in the individual centres, and range from 8 cents to 11 cents per litre.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending April 28, 2015

----- Refining Margin

----- Marketing Margin





Crude Oil Overview

Crude oil prices increase slightly, as U.S. production begins to decrease

Crude oil prices reached their highest trading prices of the year this week.

For the week ending April 24, 2015, prices for the three light crude benchmarks averaged between CAD\$ 434/m³ and CAD \$ 489/m³ (US\$57.37 and US\$63.68 per barrel).

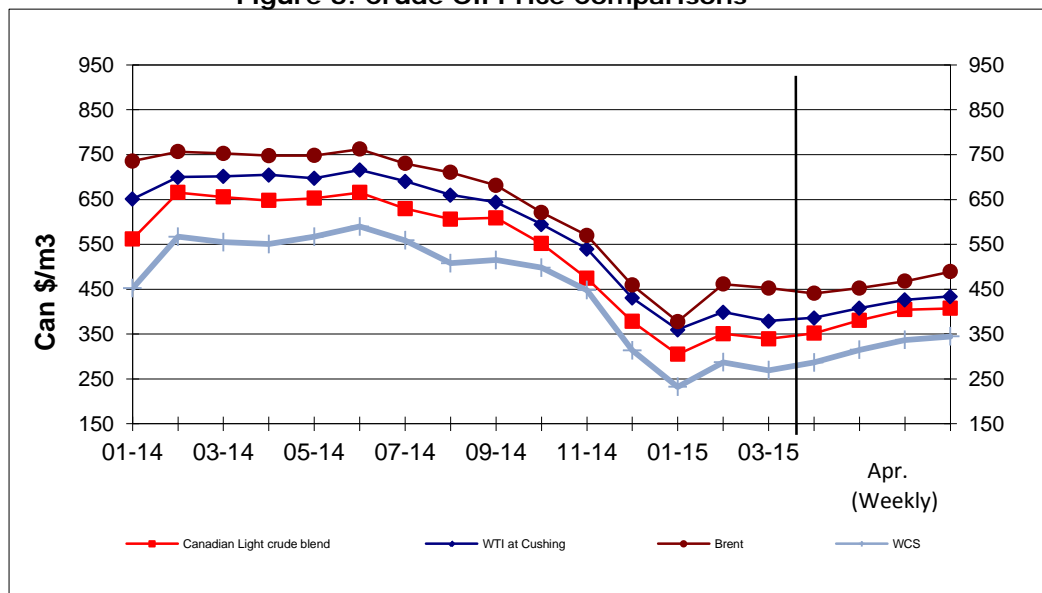
The price for all three light crude benchmarks increased over the previous week. Canadian light crude oil prices at Edmonton increased by CAD \$ 35.9/m³ (US\$5.97 per barrel) from the previous week, WTI increased by CAD \$ 7.54/m³ (US\$ 1.73 per barrel) and Brent increased by CAD \$ 21.10/m³ (US\$ 3.57 per barrel).

Canadian light crude oil prices remain significantly cheaper than imported global crudes. Currently Canadian light is US\$4.53 per barrel less than Brent.

The Western Canada Select crude oil price increased by CAD \$ 7.94/m³ (US\$1.62 per barrel) from the previous week, and has decreased by CAD \$ 240/m³ (US\$ 39.67 per barrel) compared to last year.

The U.S. EIA reported an 18,000 barrel-per-day (bpd) decrease in U.S. production. However, the number of wells waiting to be hydraulically fractured has ballooned as companies wait for completion costs to drop or crude prices to rise. This inventory of uncompleted wells, known as the fracklog, now stands at 4,731, of which 80% are oil wells. Analysts agree that one of the major reasons why U.S. production is falling is because of the build-up in uncompleted wells.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2015-04-24		Change From:			
			Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Canadian Light	440.43	57.37	+35.90	+5.39	-214.81	-37.38
WTI	434.13	56.54	+7.54	+1.73	-283.33	-47.21
Brent	488.95	63.68	+21.10	+3.57	-267.65	-45.73
WCS	344.82	44.91	+7.94	+1.62	-240.05	-39.67

Source: NRCan

