



# Fuel Focus

## National Overview

### Canadian Retail Gasoline Prices Remained Steady over the Last Two Weeks

For the **two-week** period ending January 5, 2016, the Canadian average retail gasoline price was \$1.02 per litre, the same as for the two-week period ending December 25, 2015. Prices are 5 cents per litre higher than the same period last year.

Average retail diesel prices decreased by 2 cents per litre over the same time period to \$0.99. This is 19 cents less compared to the same period last year. Over the same period, furnace oil prices decreased by 2 cents to reach \$0.94, 19 cents per litre less than a year ago.

## Recent Developments

- OPEC World Oil Outlook 2015**  
 On December 23, 2015, the Organization of the Petroleum Exporting Countries (OPEC) released its 2015 *World Oil Outlook*. OPEC forecasts that over the 2015 to 2040 period, non-OPEC supply, including Canadian production, will rise to 61.5 million barrels per day (bpd) in 2025 and then drop to 59.7 million bpd by 2040. As a result, demand for OPEC's crude will rise from the current level of 31 million bpd to reach 40.7 million barrels a day in 2040, expanding its market share to 37 per cent. They project that almost US\$10 trillion in investment will be required through to 2040 to ensure sufficient supply. **Source:** Organization of the Petroleum Exporting Countries [http://www.opec.org/opec\\_web/en/press\\_room/3393.htm](http://www.opec.org/opec_web/en/press_room/3393.htm)
- TD Economics Oil Price Outlook**  
 On December 15, 2015, TD Economics published the report, "As oil prices scrape the bottom of the barrel, what lies ahead?". The report summarizes how crude oil prices have fallen to US\$35 per barrel and highlights differences between the current price situation and previous oil price shocks. The report suggests that OPEC's latest decision to maintain elevated output levels will keep oil prices below US\$45 per barrel through mid-2016. They forecast that towards the second half of 2016, improvements in emerging market economies, and a tightening of crude oil supply should help to lift oil prices above US\$50 per barrel. **Source:** TD Economics [https://www.td.com/document/PDF/economics/special/Oil\\_Update\\_Dec2015.pdf](https://www.td.com/document/PDF/economics/special/Oil_Update_Dec2015.pdf)
- Lower Canadian Dollar Impact on Gasoline Prices**  
 On December 8, 2015, MJ Ervin & Associates prepared an analysis of the impact of the Canadian dollar's depreciation (relative to the U.S. dollar) on gasoline prices. They noted that the difference between Canadian and American wholesale gasoline prices has been stable in Canadian dollar terms since 2006, averaging about 2 cents per litre. However, while U.S. prices have come down by 50% from their peak in June 2014, Canadian prices have only come down by 35% over the same period. They attribute this discrepancy to the depreciation of the Canadian dollar. They suggest Canadians have not benefited as strongly as Americans from the decline in crude oil prices as a result of the change in the exchange rate. **Source:** Kent Group Limited <https://www.kentgroupltd.com/2015/12/08/the-weakened-loonie-and-its-effect-on-refined-product-prices/>

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

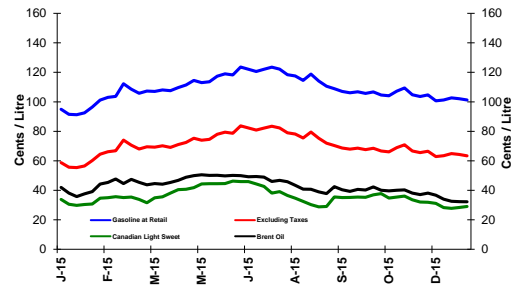
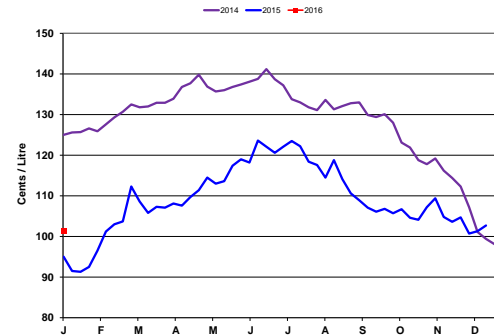


Figure 2: Weekly Regular Gasoline Prices



### Changes in Fuel Prices

¢/L	Two week average ending:	Change from:	
	2016-01-05	2 Weeks Ago	Last Year
Gasoline	101.7	-0.3	+5.1
Diesel	98.5	-1.8	-18.6
Furnace Oil	94.2	-2.4	-18.7
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	2.27	0.13	-0.45
Ontario (Dawn)	2.74	0.35	3.49

Source: NRCan, Bloomberg

### Natural Gas Prices for Vehicles

2016-01-05	¢/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
National Overview	1
Recent Developments	1
Retail Gasoline Overview	2
Wholesale Gasoline Prices	3
Gasoline Refining and Marketing Margins	4
Crude Oil Overview	5



## Retail Gasoline Overview

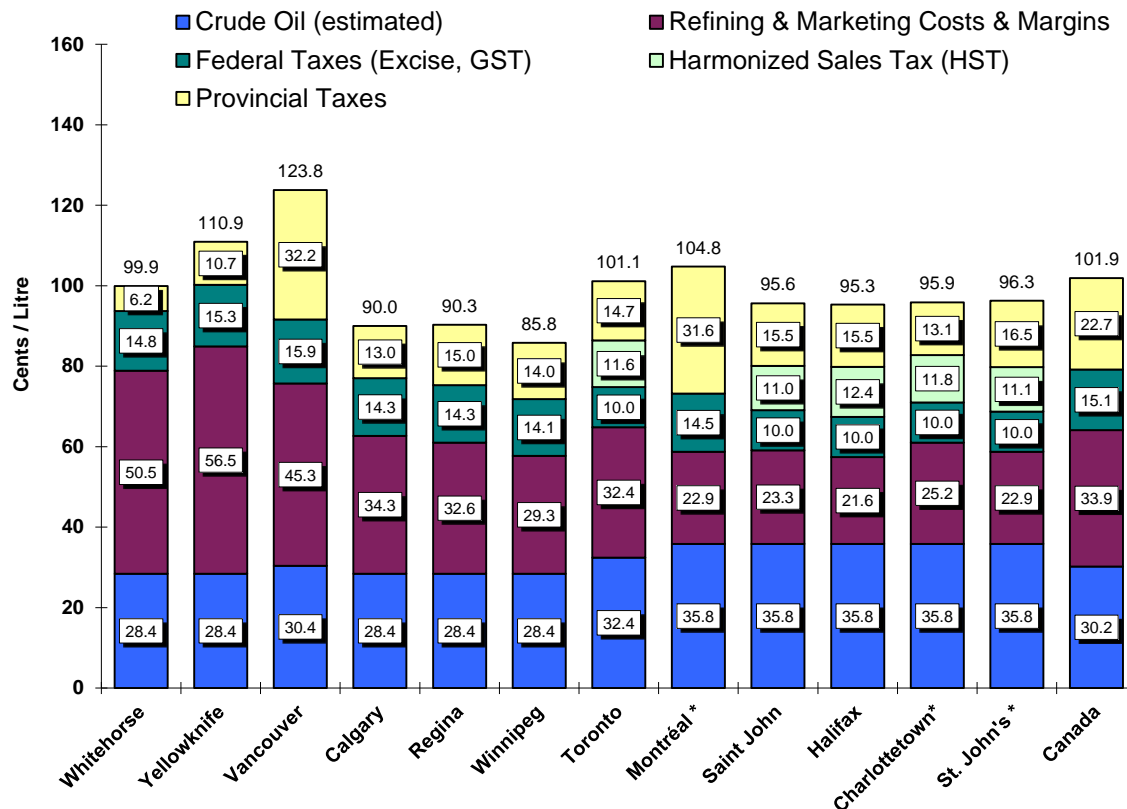
For the period ending January 5, 2015, regular gasoline pump prices in selected cities across Canada remained at \$1.02 per litre compared to the previous report of December 25, 2015. Compared to the same period in 2014, the average Canadian pump price is 4 cents per litre higher.

The **four-week-average** crude oil component of gasoline decreased by 2 cents, averaging 30 cents over the period. This is 12 cents per litre lower than this time last year.

Retail gasoline prices in Western centres increased by less than 1 cent per litre compared to the previous report and ranged from \$0.85 per litre to \$1.24 per litre. Prices in Eastern cities decreased by 1 cent per litre and ranged from \$0.95 to \$1.05 per litre.

At the national level, refining and marketing costs and margins were 33.9 cents per litre, 1.4 cents higher compared to 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 15, 2015 to January 5, 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 December 31, 2015, wholesale gasoline prices across selected North American cities trended downward, with the exception of Edmonton, where prices increased slightly. Price changes ranged from a decrease of 7 cents per litre to an increase of 2 cents per litre.

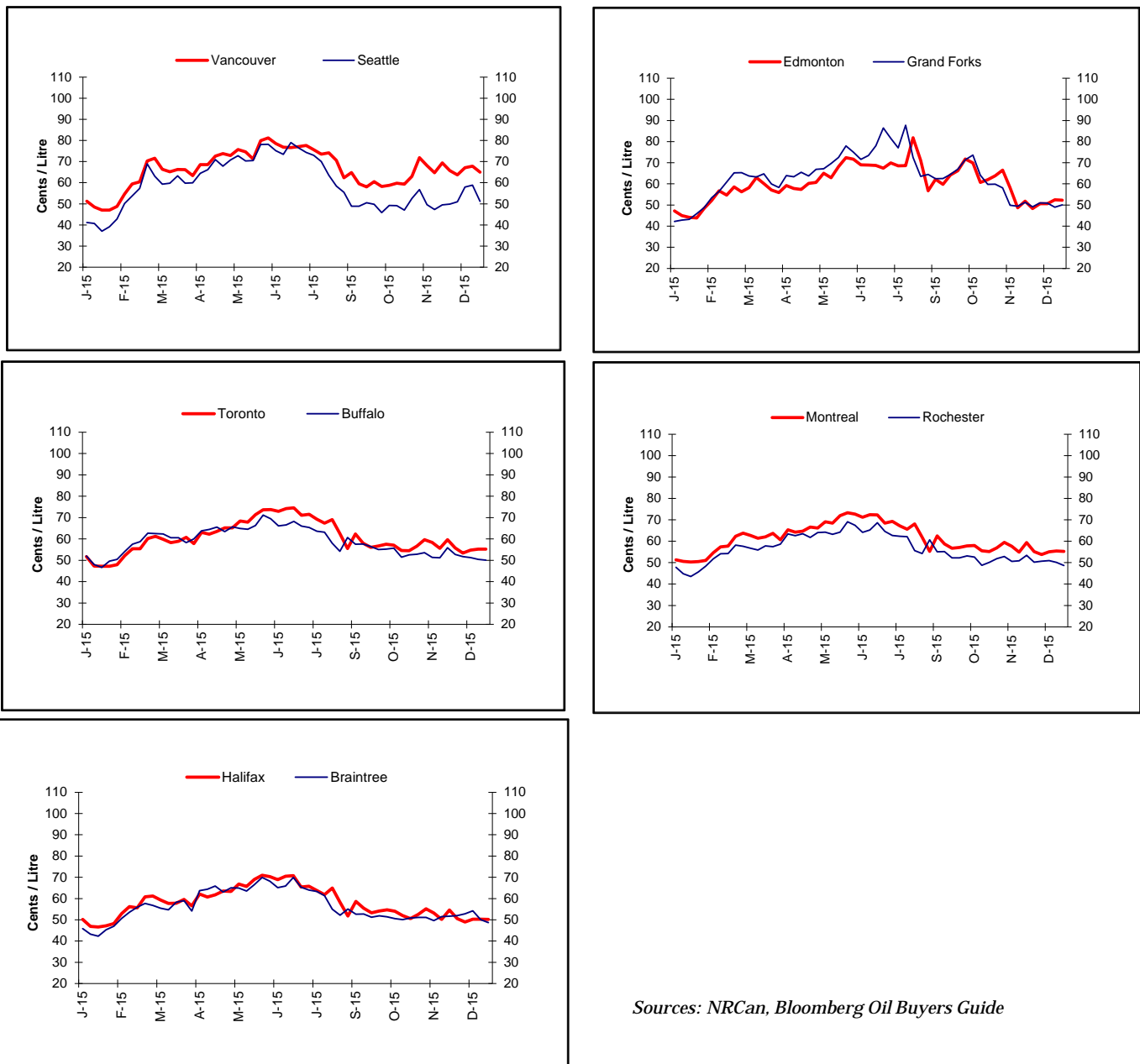
Wholesale gasoline prices for the two week period averaged between 49 and 65 cents per litre. This compares to the previous two week period where prices were in the 50 to 67 cents per litre range.

In Western cities, wholesale gasoline prices ranged from a decrease of 7 cents per litre to an increase of 1 cent per litre ending in the 50 to 65 cents per litre range.

Price changes in Eastern Canada and the U.S. ranged between a decrease of 5 cents to an increase of less than 1 cent per litre ending in the 48 to 55 cents per litre range.

Wholesale prices in Halifax are the same as a year ago, while they are between 4 and 14 cents higher than last year in other Canadian cities.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending December 31, 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.

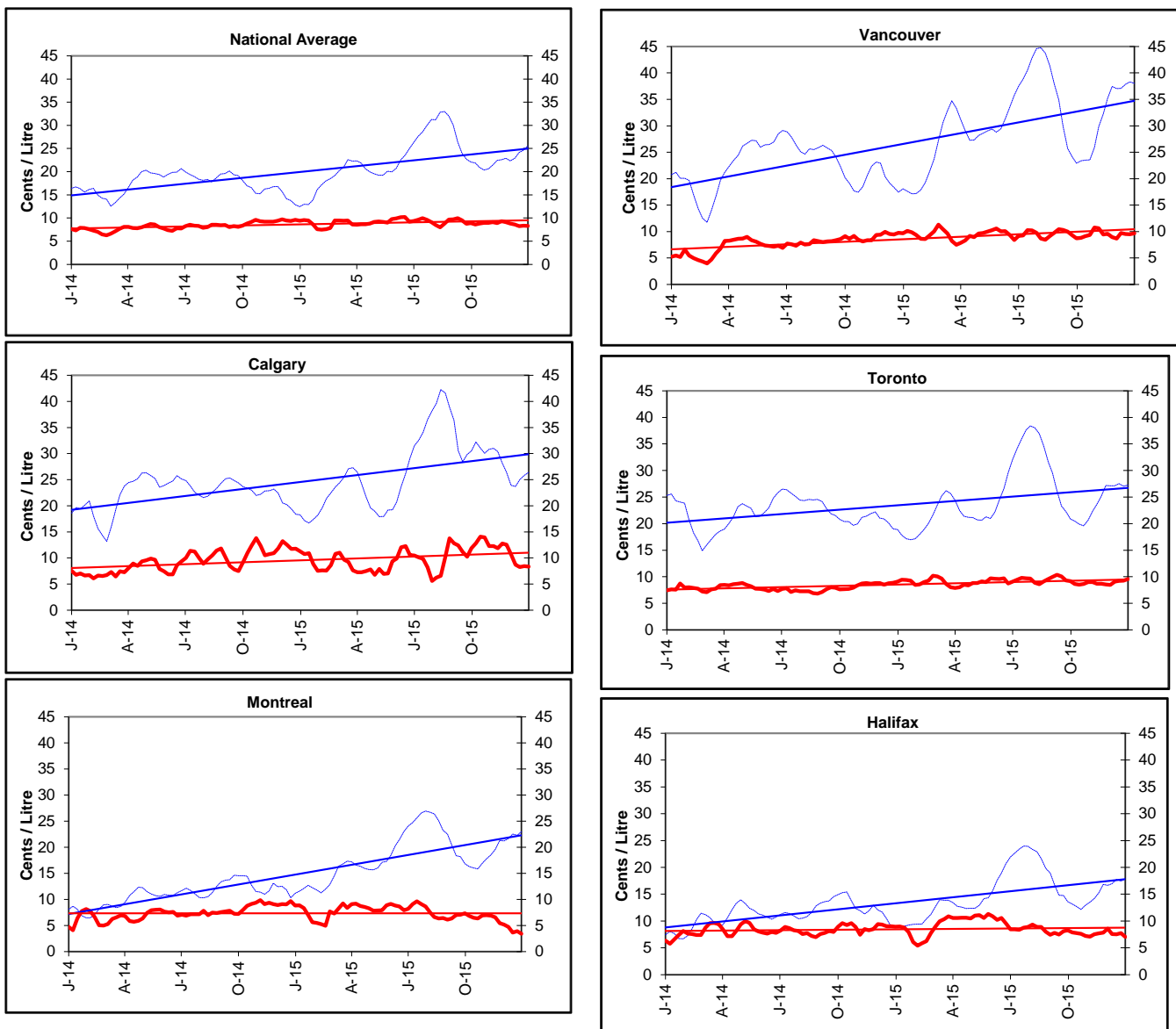
Gasoline refining margins refer to the difference between the price of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the cost associated with refining the product as well as a profit for the refiner.

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 5, 2016 was 25.6 cents per litre, a decrease of 1 cent over the past two weeks. Compared to the same time last year, margins in Canada are 13 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 5, 2016  
----- Refining Margin      — Marketing Margin



Source: NRCan



## Crude Oil Overview

For the two weeks ending January 5, 2016, prices for the three light crude benchmarks averaged between CAD\$292.00/m<sup>3</sup> and CAD\$324.29/m<sup>3</sup> (U.S.\$33.43 and U.S.\$37.13 per barrel).

Canadian light crude oil prices at Edmonton increased by CAD\$11.11/m<sup>3</sup> (an increase of U.S.\$1.05 per barrel) from two weeks ago, West Texas Intermediate (WTI) increased by CAD\$11.75/m<sup>3</sup> (an increase of U.S.\$1.10 per barrel) and Brent decreased by CAD\$3.52/m<sup>3</sup> (U.S.\$0.67 per barrel).

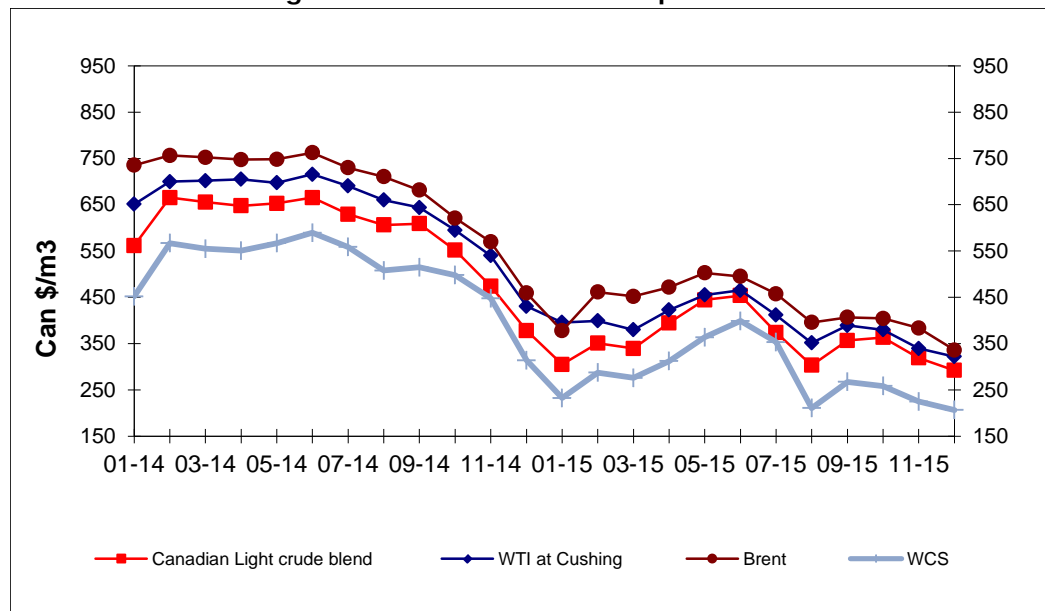
The differential between Canadian light crude and WTI for the two weeks ending January 5 was CAD\$30.55/m<sup>3</sup>, (U.S.\$3.50 per barrel), a slight increase from the previous two weeks where it averaged CAD\$29.92/m<sup>3</sup> (U.S.\$3.45 per barrel). Meanwhile, for the same period, the differential between Canadian light crude and Brent was CAD\$32.29/m<sup>3</sup> (U.S.\$3.70 per barrel). This differential decreased from the previous two week period where it averaged CAD\$46.93/m<sup>3</sup> (U.S.\$5.41 per barrel).

The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI averaged CAD\$115.74/m<sup>3</sup> (U.S.\$13.25 per barrel) for the two weeks ending January 5, 2016.

For the week ending January 1, U.S. Energy Information Administration (EIA) data showed that U.S. crude inventories decreased by 5.1 million, with total stocks reaching 482.3 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 92.5% for the week ending January 1, down very slightly from 92.6% 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	292.00	33.43	+11.11	+1.05	-42.07	-12.08
WTI	322.55	36.93	+11.75	+1.10	-64.92	-15.85
Brent	324.29	37.13	-3.52	-0.67	-91.79	-19.55
WCS	206.81	23.68	+10.89	+1.10	-63.36	-13.12

Source: NRCAN