



# Fuel Focus

## National Overview

### Canadian Retail Gasoline Prices increased by 2 cents Over the Last Two Weeks

For the **two-week period** ending May 24, 2016, the Canadian average retail gasoline price was \$1.07 per litre. This is an increase of 2 cents over the two-week period ending May 10, 2016. Prices are 8 cents per litre lower than the same period last year.

Average retail diesel prices increased by 3 cents per litre over the two week period ending May 24, 2016 to reach \$0.97 per litre. This is 17 cents per litre less compared to the same period last year. Over the same period, furnace oil prices increased by 3 cents to reach \$0.97, 12 cents per litre less than a year ago.

## Recent Developments

### Gasoline Prices Continue to Moderate the Rise in the Consumer Price Index

On May 20, 2016, Statistics Canada released the Consumer Price Index (CPI) for April 2016. The CPI rose by 1.7% in the 12 months leading up to April 2016. When gasoline prices are excluded, the CPI increased by 2.0%. This is a smaller year-over-year decline than in previous months, which they attribute to a moderation in the decrease in gasoline prices. Gasoline prices were down 5.8% in April compared to April of last year. This compares with a decline of 13.6% between March 2016 and March 2015. Statistics Canada notes that overall energy prices declined 3.2% in the past 12 months.

**Source:** Statistics Canada

<http://www.statcan.gc.ca/daily-quotidien/160520/dq160520a-eng.htm>

### The National Energy Board (NEB) Recommends Approval of Trans Mountain Expansion Project

On May 19, 2016, the NEB issued a 533-page report recommending that the federal government approve the Trans Mountain Expansion project, subject to 157 conditions. The proposed project would expand the existing Trans Mountain Pipeline System, which transports both crude oil and refined petroleum products between Edmonton, Alberta and Burnaby, British Columbia, and increase its capacity from 300,000 barrels per day (bpd) to 890,000 bpd. A final decision on approval by the federal government is expected by December 2016.

**Source:** NEB

<http://www.psc.ca/wp-content/uploads/2012/10/PSAC-Media-Release-2016-Drilling-Activity-Forecast-Q2-update-New.pdf>

### International Energy Agency (IEA) Oil Market Report

On May 12, 2016, the IEA released its May Oil Market Report. The report notes that crude oil prices were approaching their highest levels in 2016, as a result of supply outages in Nigeria, Ghana and the wildfires in Alberta. In addition, they note that in spite of a mild winter in the northern hemisphere, demand in the first quarter of 2016 was 1.4 million bpd above the first quarter last year. The IEA suggests that this is due to a significant rise in demand from India, which accounted for 30% of the increase in global demand.

**Source:** IEA

<https://www.iea.org/oilmarketreport/omrpublic/>

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

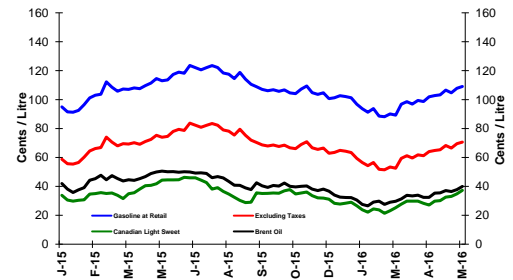
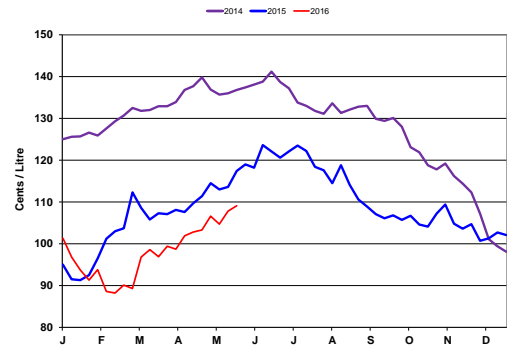


Figure 2: Weekly Regular Gasoline Prices



### Changes in Fuel Prices

	Two week average ending:	Change from:	
		2 Weeks Ago	Last Year
¢/L	2016-05-24		
Gasoline	107.2	+1.6	-8.3
Diesel	96.5	+2.7	-16.7
Furnace Oil	96.8	+2.7	-11.6
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	1.23	+0.14	-1.55
Ontario (Dawn)	2.42	-0.16	-1.13

Source: NRCan, Bloomberg

### Natural Gas Prices for Vehicles

2016-05-24	¢/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

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## Retail Gasoline Overview

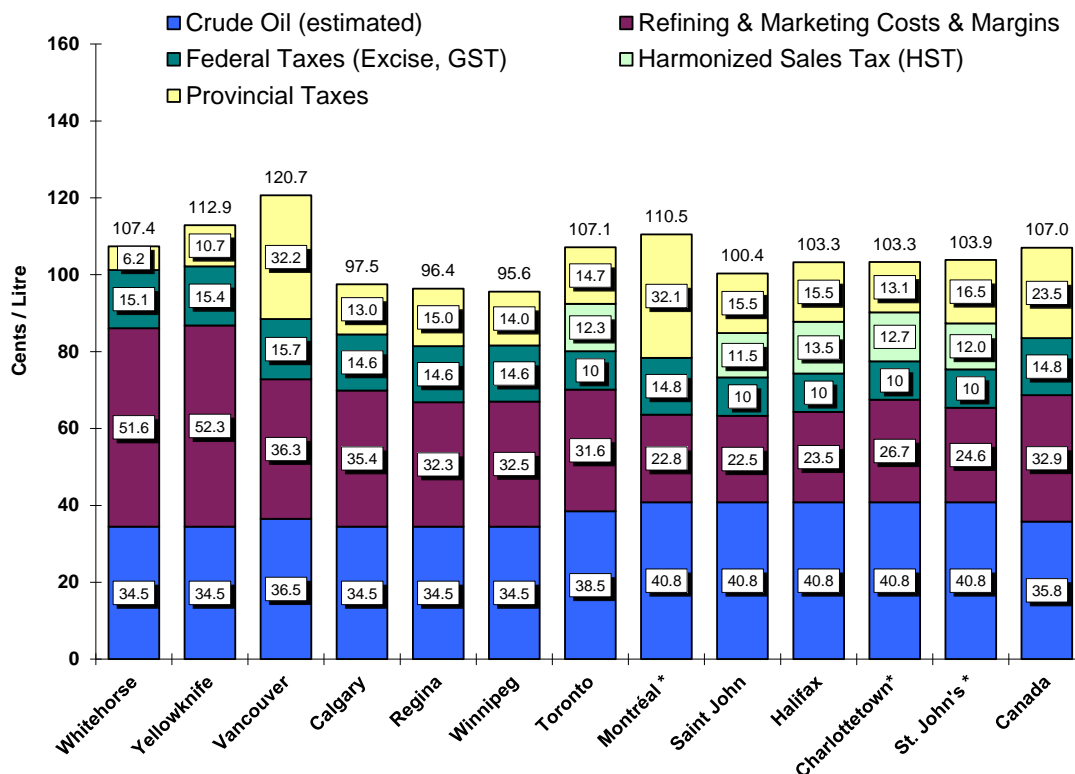
For the period ending May 24, 2016, the **four-week-average** regular gasoline pump price in selected cities across Canada increased by 3 cents to \$1.07 per litre compared to the previous report of May 13, 2016. Compared to the same period in 2015, the average Canadian pump price is 8 cents per litre lower.

The **four-week-average** crude oil component increased by 3 cents to reach an average of 36 cents over the period. The crude oil price component of gasoline is 15 cents per litre lower than this time last year.

Retail gasoline prices in Western centres increased by 4 cents per litre compared to the previous report and ranged from \$0.96 per litre to \$1.21 per litre. Prices in Eastern cities increased by 2 cents and ranged from \$1.00 to \$1.11 per litre.

At the national level, refining and marketing costs and margins were 33 cents per litre, the same as the previous report and 8 cents higher than this time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (May 3 to 24, 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 May 19, 2016, wholesale gasoline prices rose across selected North American cities as illustrated below.

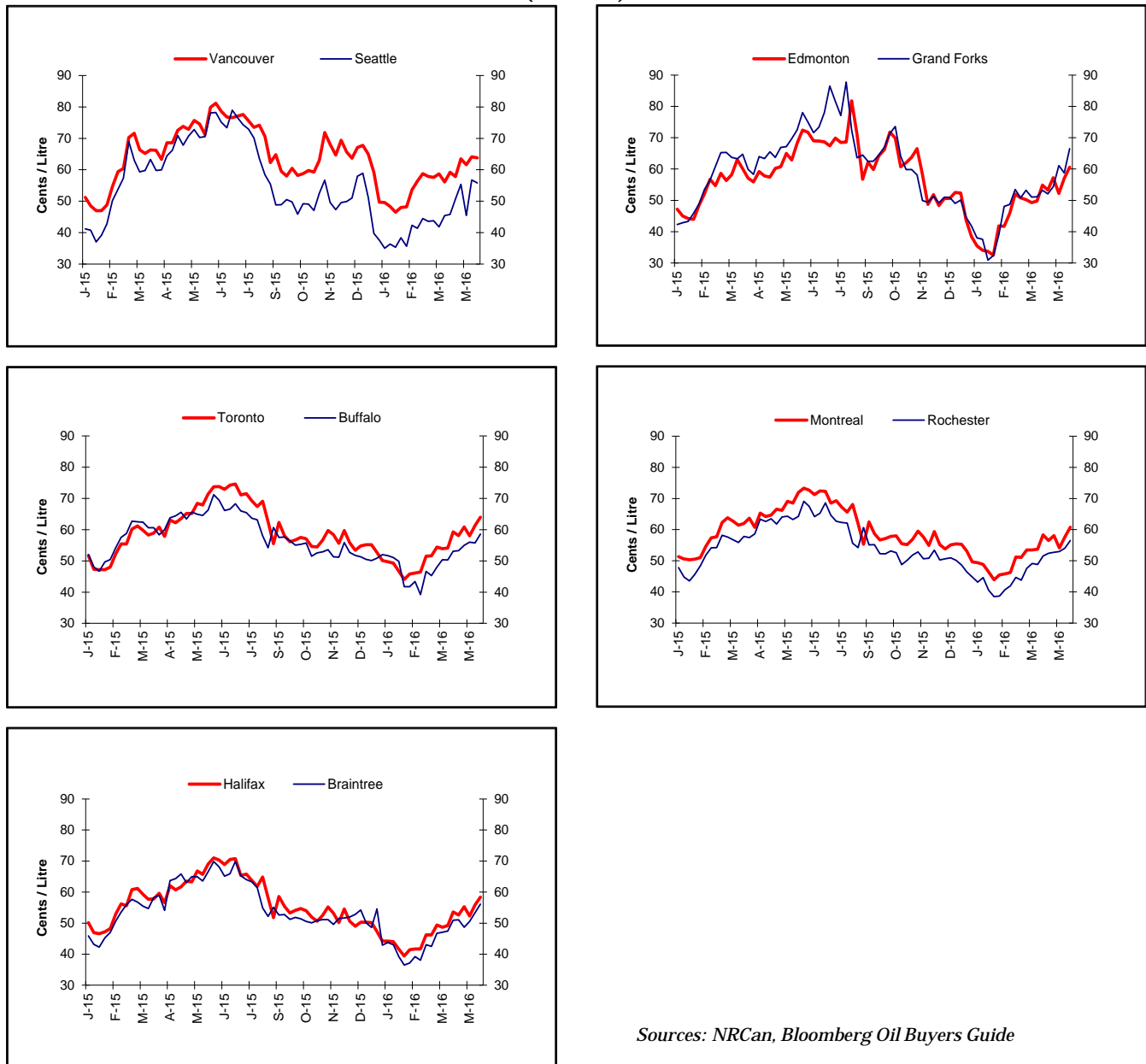
Wholesale gasoline prices for the two week period ended between 56 and 67 cents per litre. This compares to the previous two week period where prices were in the 46 and 62 cents per litre range.

In Western cities, wholesale gasoline prices increased between 2 cents and 10 cents per litre, ending in the 56 to 67 cents per litre range.

Wholesale gasoline prices in Eastern markets of Canada and the U.S. increased by 3 cents per litre ending the 56 to 64 cents per litre range.

Wholesale prices remain lower than last year in all these markets.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending May 19, 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.

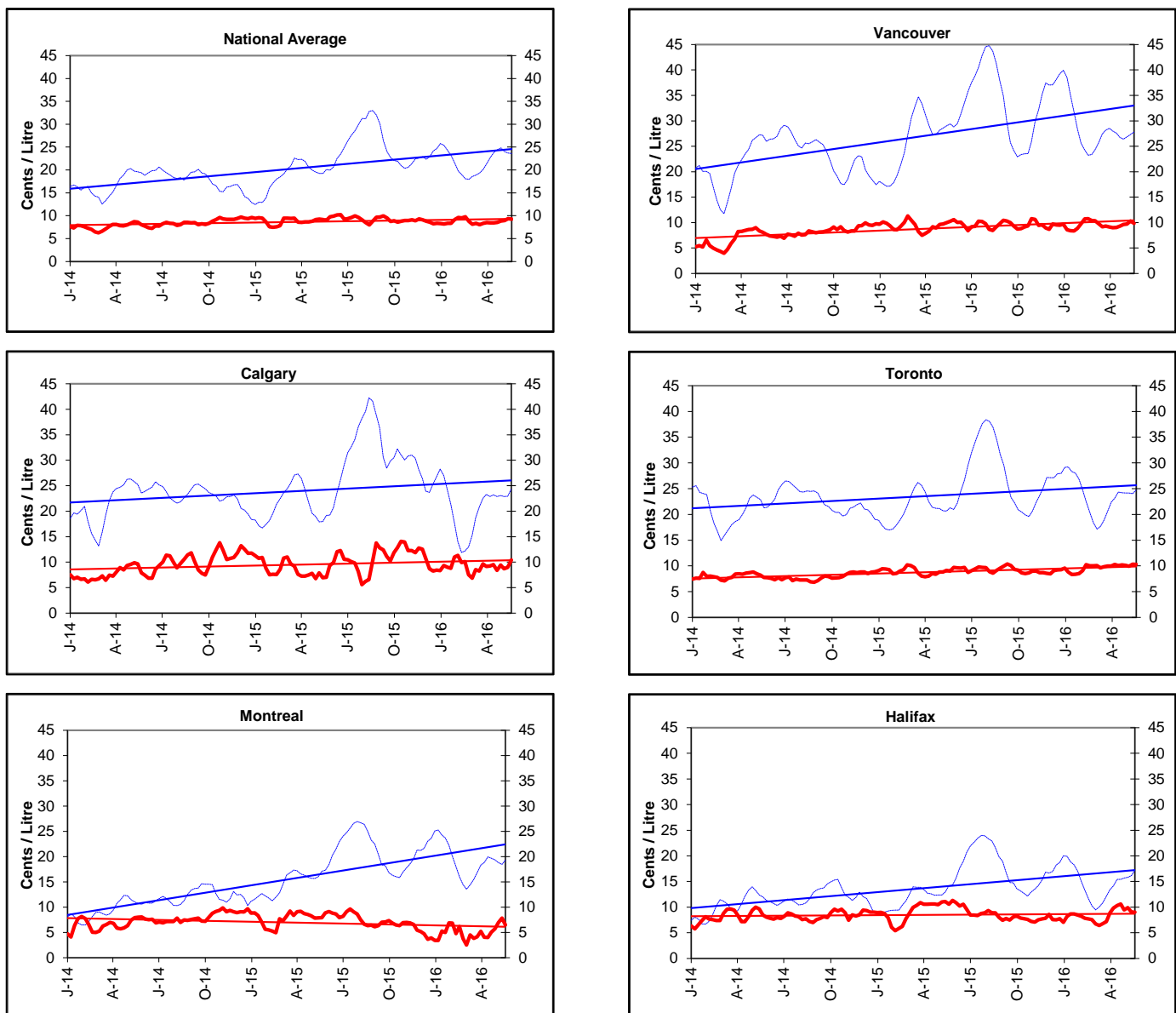
Nationally, the **four-week rolling average** refining margin for the period ending May 24, 2016 was 24 cents per litre, an increase of 1 cent from the previous

report of May 13, 2016. Compared to the same time last year, margins in Canada are 4 cent per litre higher.

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.

Overall, the national average for marketing margins remained at 9 cents, the same as the previous report of May 13, 2016.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending May 24, 2016  
----- Refining Margin      — Marketing Margin





## Crude Oil Overview

For the two weeks ending May 24, 2016, prices for the three light crude benchmarks averaged between CAD\$367.99/m<sup>3</sup> and CAD\$396.29/m<sup>3</sup> (U.S.\$45.05 and U.S.\$48.52 per barrel).

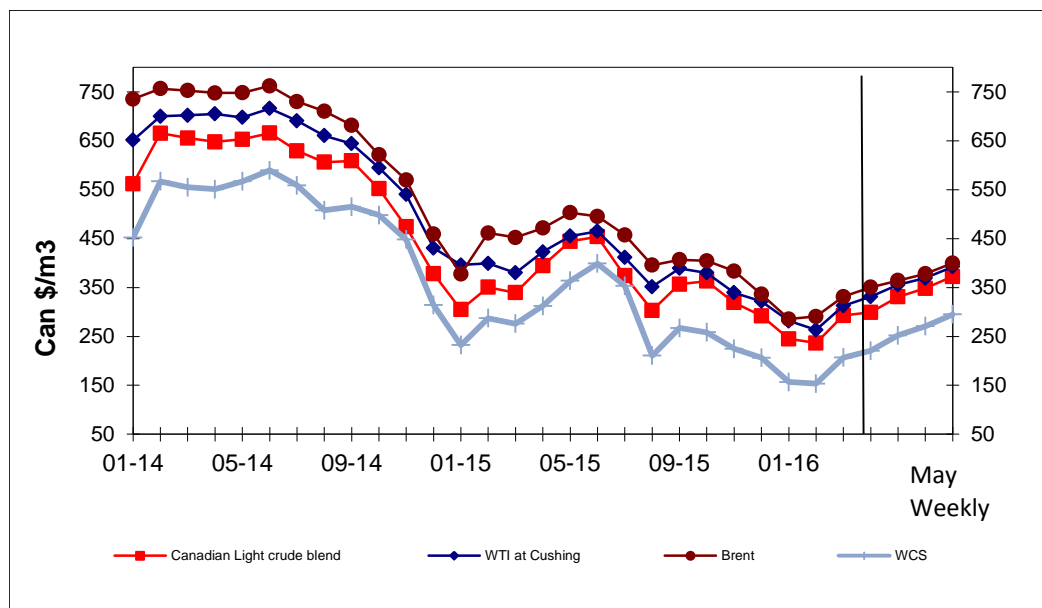
Canadian light crude oil prices at Edmonton increased by CAD\$34.12/m<sup>3</sup> (U.S.\$3.44 per barrel) from two weeks ago, West Texas Intermediate (WTI) increased by CAD\$29.76/m<sup>3</sup> (U.S.\$2.85 per barrel) and Brent increased by CAD\$27.97/m<sup>3</sup> (U.S.\$2.60 per barrel). The price of Western Canada Select increased by CAD \$35.26/m<sup>3</sup> (U.S.\$3.75) from two weeks ago.

The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI averaged CAD\$97.39/m<sup>3</sup> (U.S.\$11.93 per barrel) for the two weeks ending May 24, 2016.

The wildfires in Fort McMurray, Alberta have resulted in very little damage to oil sands operations. The situation is improving and the disruption to oil sands production now stands at less than 1 million barrels per day (bpd) down from a high of 1.5 million bpd earlier this month. This represents less than 40% of Canada's oil sands production capacity. Production is expected to return to normal over the coming weeks.

For the week ending May 20, 2016, the U.S. Energy Information Administration (EIA) data showed a 4.2 million barrel decrease in U.S. commercial crude inventories week-over-week, with total stocks now at 537.1 million barrels. U.S. crude oil inventories are at historically high levels for this time of year. EIA data also showed a decrease in U.S. refinery utilization, with rates declining by 0.8 percentage points to 89.7%.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-05-24		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	367.99	45.05	+34.12	+3.44	-78.28	-13.48
WTI	387.93	47.49	+29.76	+2.85	-64.63	-11.86
Brent	396.29	48.52	+27.97	+2.60	-104.31	-17.14
WCS	290.54	35.57	+35.26	+3.75	-93.66	-14.83

Source: NRCan