



National Overview

Canadian Retail Gasoline Prices Increased 1 cent per Litre from Last Week

The average Canadian retail gasoline prices increased to 102 cents per litre the week of August 28th compared to the previous week.

Despite the small increase registered on August 28th, retail gasoline prices have remained fairly stable overall in the last four weeks mainly due to the relative stability in the world crude oil markets combined with adequate North American gasoline inventories. However, concerns emerged recently over gasoline tightness in the U.S., particularly after the U.S. Energy Department reported a surprisingly large decline in gasoline stockpiles and continued high demand beyond the traditional U.S. driving season. This week's retail gasoline prices show volatility at the national level with increases in prices ranging from 3 to 6 cents per litre in Western centres while other centres dropped between 1 to 7 cents per litre. These fluctuations also highlight the influence of local market conditions.

Diesel fuel prices remained unchanged from last week at 97 cents per litre. This represents a decline of 9 cents per litre compared to the same period last year. Furnace oil prices decreased nearly 1 cent per litre to 83 cents per litre, down almost 4 cents per litre from a year ago.

Recent Developments

- **Energy Statistics Handbook:** Statistics Canada Energy Statistics Handbook provides current monthly, and historical annual energy data covering the last 12 years. This is a comprehensive source of detailed information on the energy field and a useful tool for those who analyze and follow the availability, production and use of energy in Canada. For the latest issue, please consult the following website at: <http://www.statcan.ca/bsolc/english/bsolc?catno=57-601-XWE>

- **Capital and Operating Expenditures of Oil and Gas Industry:** Capital expenditures by the conventional oil and gas extraction industry totalled \$38.6 billion in 2006, a rise of 10.8% from 2005. The increase in spending reflected the continued gains in crude oil commodity prices in 2006. Expenditures in the exploratory and development drilling categories rose 10.1% in 2006, while production facilities expenditures were 10.8% higher than in 2005. Operating expenses for the conventional sector declined 4.2% from 2005 to \$26.6 billion, reflecting lower royalty payments (-18.0%), while operation costs were up 14.6%. For the non-conventional sector, operating expenses reached \$10.2 billion, an increase of 43.7% from 2005 (revised), largely reflecting higher royalty payments, and increased operation and maintenance costs. (Statistics Canada, The Daily, August 24, 2007 <http://www.statcan.ca/Daily/English/070824/d070824c.htm>)

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

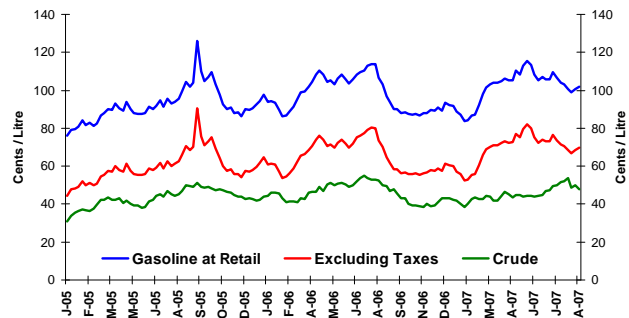
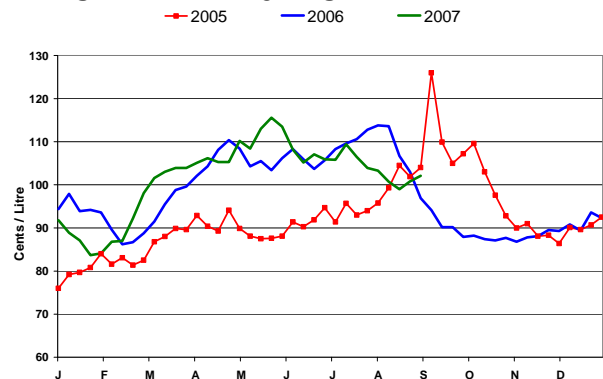


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2007-08-28	Previous Week	Last Year
Gasoline	102.1	+1.3	+5.2
Diesel	96.9	0.0	-8.8
Furnace Oil	83.0	-0.5	-3.6

Source: NRCan

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Fuel Focus Supplement:

Refining capacity, utilization rates, location and market distribution can play an important role in determining gasoline prices. Find out about the existing and proposed additional refinery capacity in Canada.





Retail Gasoline Overview

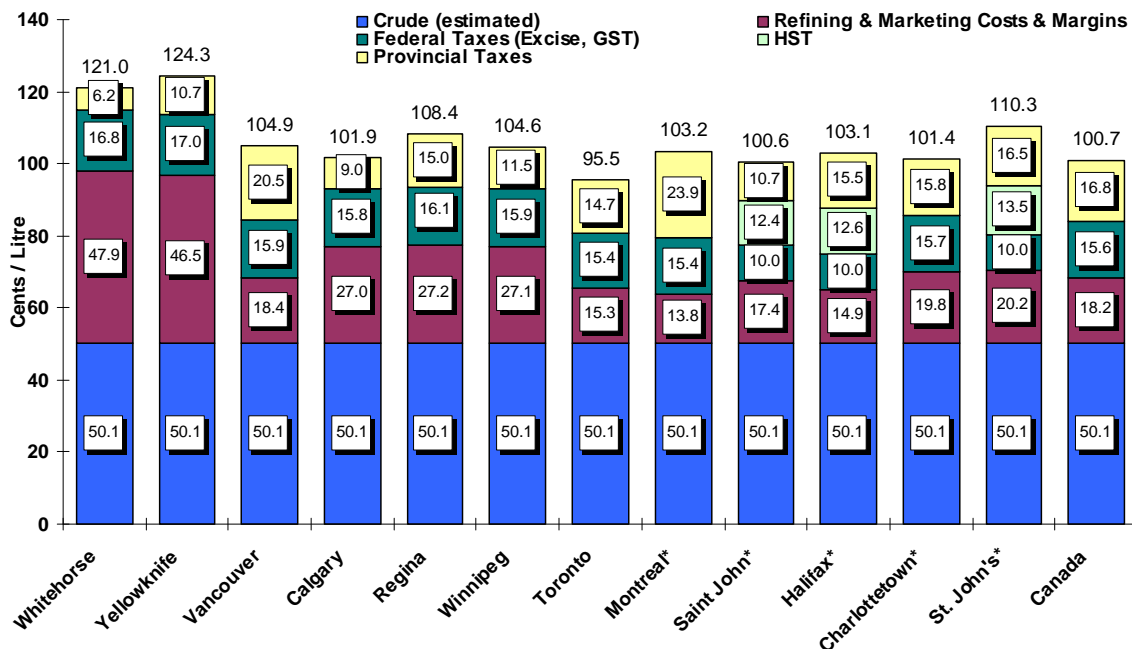
The average Canadian pump price in selected cities for the four weeks ending August 28th was nearly 101 cents per litre, a decline of 1 cent per litre from the last report on August 17, 2007. This represents a 3 cents per litre decrease compared to the same period in 2006.

The four-week average crude oil price decreased by more than 1 cent per litre to 50 cents per litre compared to two weeks ago, and remained 1 cent per litre lower than the same period last year.

Retail gasoline prices, when compared to those in the last report, declined in most centres in the range of less than 1 cent per litre (Montreal) to almost 4 cents per litre (St. John's).

Overall the Western cities (Vancouver to Winnipeg) decreased approximately 2 cents per litre in most centres when compared to those in the last report, while prices in Eastern cities (Toronto to St. John's) declined in the range of less than 1 to 4 cents per litre.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (August 7 to 28, 2007)**



Source: NRCan

* Regulated Markets

Inflation Rise 2.2% in July

Statistics Canada's Consumer Price Index (CPI) report released August 21, 2007, <http://www.statcan.ca/Daily/English/070821/d070821a.htm> indicates that Canada's annual inflation rate rose 2.2% in July compared with July 2006, identical to the increases of the three previous months.

The 12-month rise in the CPI was mainly due to higher costs for owned accommodation and, to a lesser extent, food. For the fourth straight month, owned accommodation costs were the main contributor to the year-over-year increase in the CPI. Upward pressure on the all-items index was partially offset by falling prices for gasoline, computer equipment and supplies, and natural gas. Lower gasoline prices were recorded in all provinces except in the Prairies and Newfoundland and Labrador. The 2.8% drop in gasoline prices from July 2006 accounted for most of the dampening effect on the rise in consumer prices.





Wholesale Gasoline Prices

Wholesale gasoline prices declined in most selected centres for the week of August 23rd, compared to the previous week. Overall, price decreases ranged from 3 to 6 cents per litre among the Canadian and American centres, except for Edmonton and Vancouver where prices increased nearly 1 cent per litre.

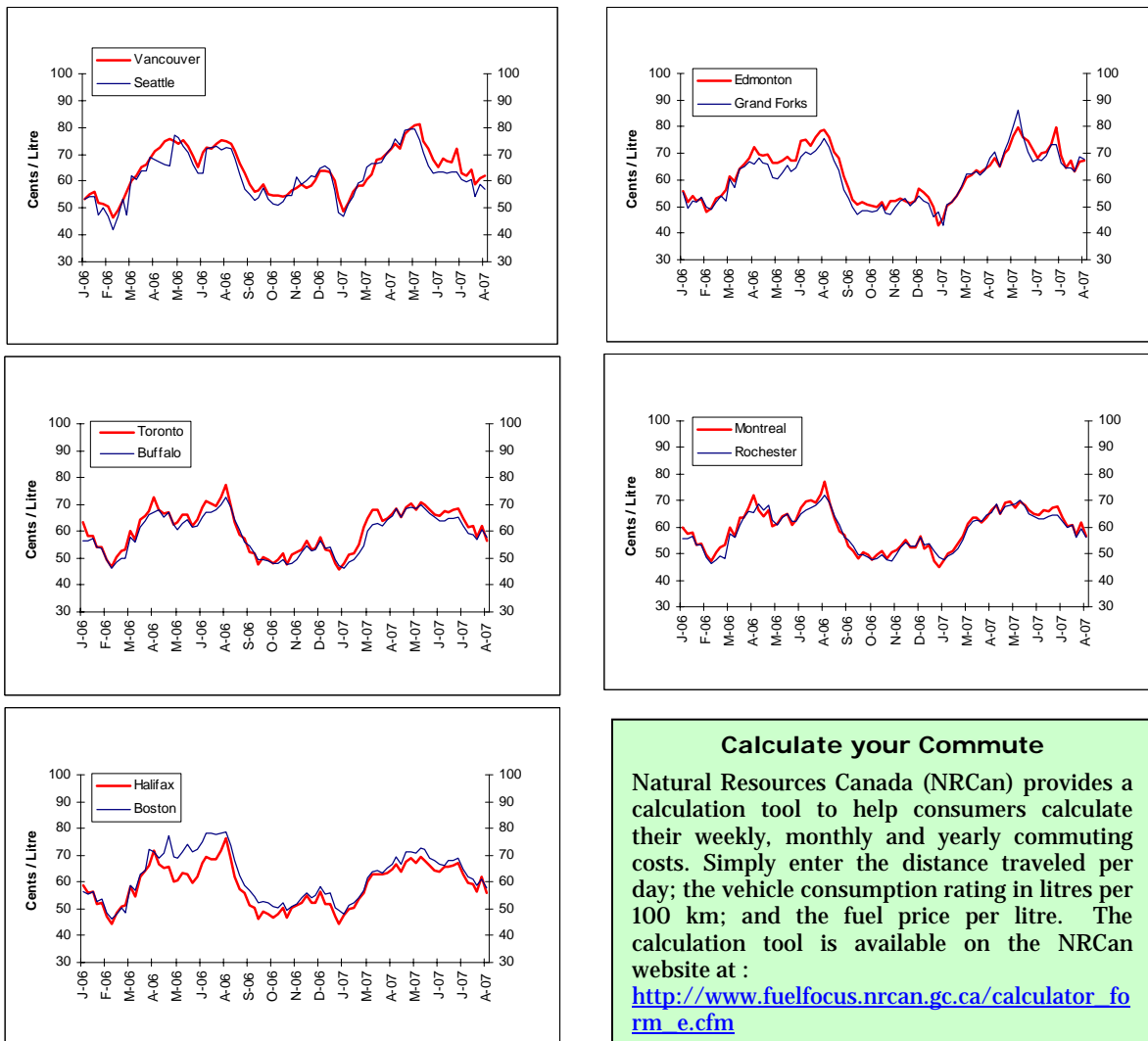
In the last two weeks prices fluctuated from an increase of more than 4 cents per litre to a decline of nearly 2 cents per litre in all centres. Eastern markets in both Canada and the United States have registered a price

decrease for the week ending August 23rd ranging from 3 to 6 cents per litre ending the period in the 56 to 58 cents per litre range. Western wholesale gasoline prices ranged from an increase of 1 cent per litre to a decrease of nearly 2 cents per litre ending in the range of 57 to 67 cents per litre.

Overall, prices in most selected centres are below last year's level. The decreases ranged from 1 to 5 cents per litre with the exception of Grand Forks increasing by 4 cents per litre.

Figure 4: Wholesale Gasoline Prices

Rack Terminals Prices for Selected Canadian and American Cities on Thursday August 23, 2007



Calculate your Commute

Natural Resources Canada (NRCan) provides a calculation tool to help consumers calculate their weekly, monthly and yearly commuting costs. Simply enter the distance traveled per day; the vehicle consumption rating in litres per 100 km; and the fuel price per litre. The calculation tool is available on the NRCan website at : http://www.fuelfocus.nrcan.gc.ca/calculator_from_e.cfm

Sources: NRCan, Bloomberg Oil Buyers Guide





Refining and Marketing Margins

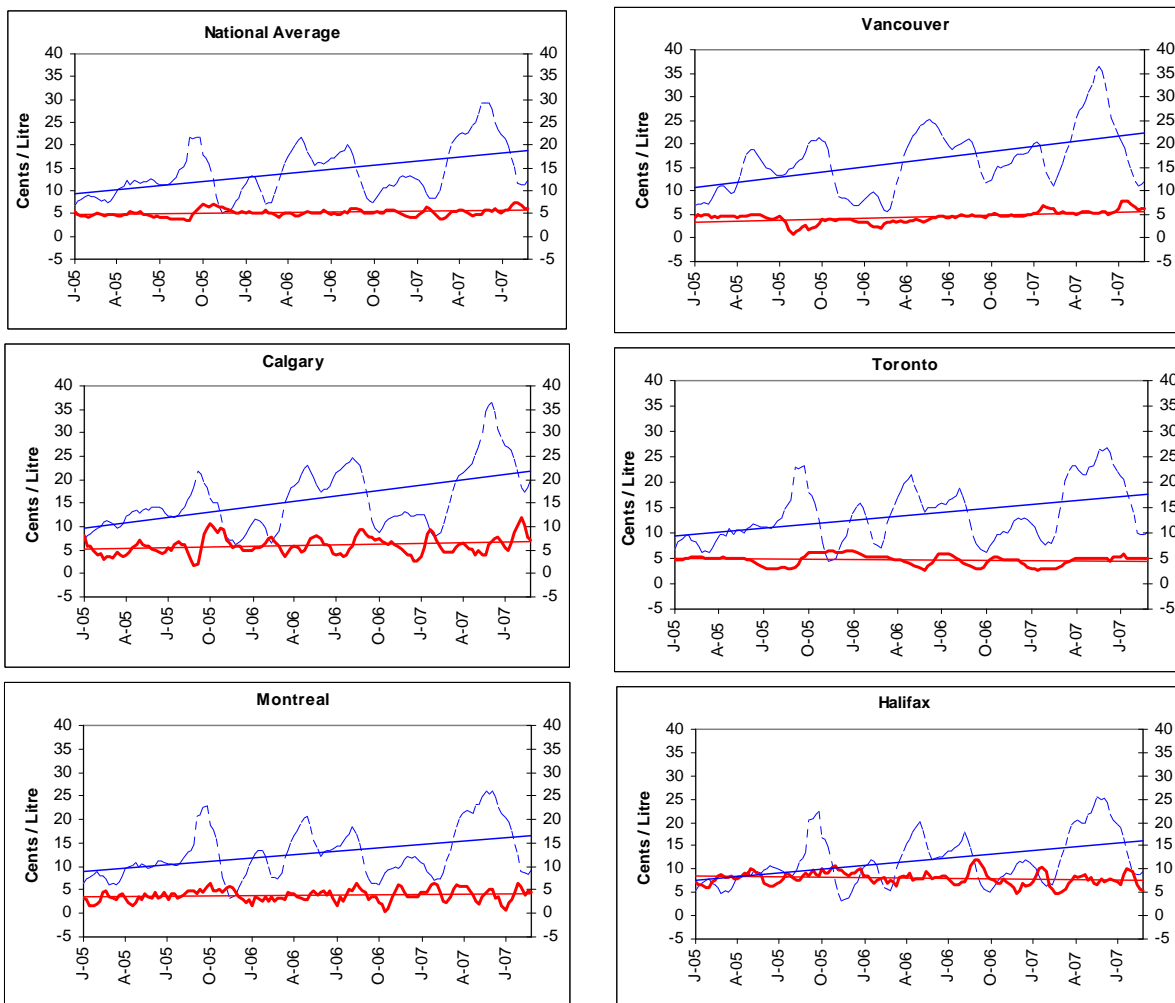
Four-week rolling averages are used for the refining and marketing margins for gasoline shown in Figure 5 for the period ending July 31st. The relative stability in the latest margins corresponds to sufficient gasoline supplies and the relative stable situation in world crude oil markets.

Overall, the declining refining margins observed lately are a reflection of an increase in supplies resulting from sufficient gasoline inventories. Although the summer driving season is not over yet, refiners believe they have enough gasoline to meet the remaining seasonal demand.

In general, both refining and marketing margins are influenced by specific market conditions, mainly due to changes in product supply and demand balances.

Nationally, the marketing margin, which fluctuates over a much narrower range, has remained stable hovering around 5 cents per litre in the last two years. This margin, which tends to fluctuate depending on local market conditions, represents the difference between the pump price and the price paid by the retailer to purchase the gasoline and also serves to pay for the costs associated with operating a service station.

Figure 5: Refining and Marketing Margins
Four-Week Rolling Average Ending August 28, 2007
----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

World Crude Oil Prices Decline

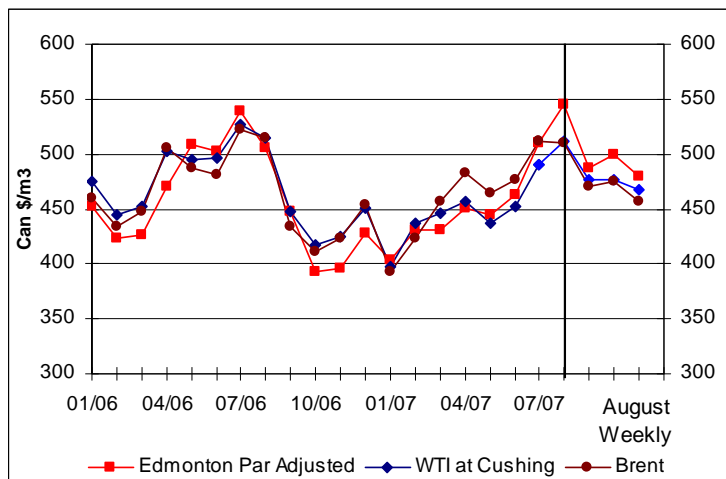
Crude oil prices ended the week of August 24th in the \$457 to \$480/m³ range (\$US 68 to \$US 72/bbl). All crude types saw a decline week over week.

After reaching record highs in late July, the price of crude oil seems to have leveled off around \$70 U.S. per barrel – at least for the time being. Although hurricane Dean had very little effect on oil and gas production, it was one of the strongest hurricanes on record. With the hurricane season far from over, a weather event can have a significant impact on energy production and can result in sharp increases in prices for crude oil and petroleum products, as was evident with hurricanes Katrina and Rita in 2005.

As we head into the winter heating season, U.S. stocks of heating oil are well below historical levels. This may cause an increased demand for crude oil as refiners start producing more distillate in preparation for the winter months.

China's crude oil imports jumped almost 40% year on year in July reinforcing the country's increasing hunger for energy. World oil markets will become increasingly tight over the next few decades as developing countries become more and more dependent on oil and oil based products.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Prices	Week ending: 2007-08-24		Change from:			
	\$Can/ m ³	\$US/ bbl	Previous Week \$Can/ m ³	Previous Week \$US/ bbl	Last Year \$Can/ m ³	Last Year \$US/ bbl
Edmonton Par	480.40	72.19	-19.05	-2.32	-14.80	+1.43
WTI	467.42	70.24	-9.59	-0.92	-37.55	-1.91
Brent	456.76	68.64	-18.05	-2.19	-45.08	-3.07

Source: NRCan

Current Status of Canadian Refineries and Markets

The last refinery built in North America was in 1984 at Scotford, Alberta. Over the past several decades small inefficient facilities, which could not be economically retrofitted to accommodate Canada's cleaner fuel standards, were closed and replaced by new larger installations. The requirement for cleaner more efficient fuels and refineries that produce fewer emissions has led to increasingly complex refineries.

Canada has more than double the refining capacity at its 19 refineries than it had when there were 44 refineries in the 1960s and is currently operating at over 90% utilization, the maximum sustainable rate.

Refineries in Atlantic Canada produce a surplus of petroleum products. Net exports from Atlantic Canada represent more than 65% of production and over 70% of Canada's exports of petroleum products.

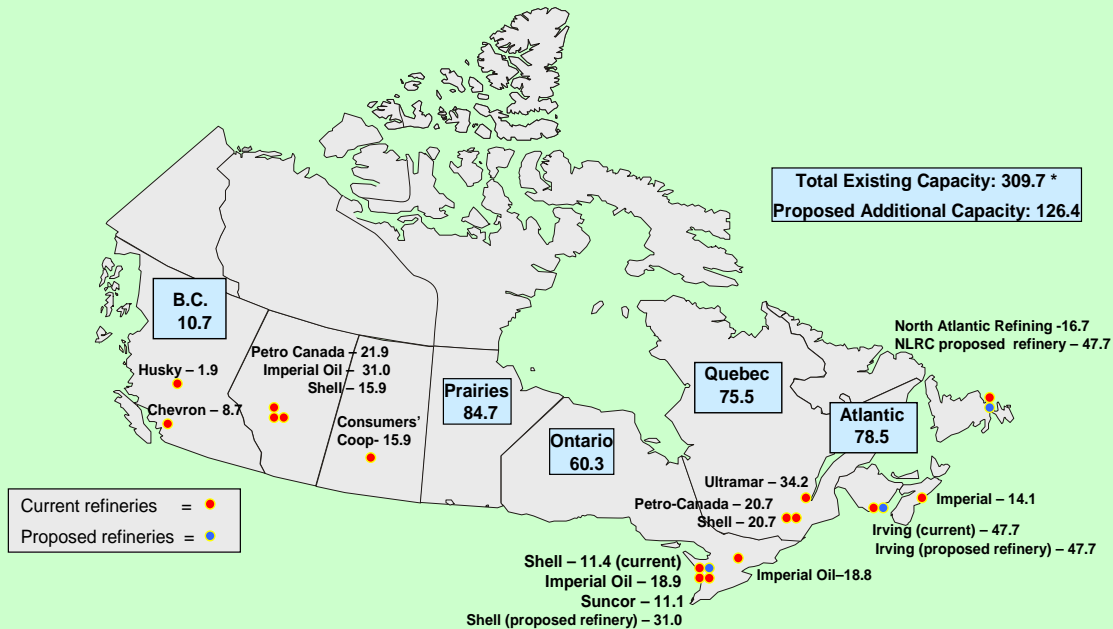
The Quebec and Ontario markets are increasingly integrated with significant Quebec production being transported to Toronto via the TransNorthern pipeline. In 2006, imports and transfers from other provinces (mainly Quebec), accounted for more than 35% of gasoline sales and 30% of distillate sales in Ontario.

In Western Canada, the supply and demand for petroleum products continues to be very tight. Refineries have been operating at near full capacity for several years. Because much of Western Canada is landlocked, there is limited access to supplies from other regions.





Refineries in Canada 2007 (thousands cubic metres per day)



Total existing capacity for each region is shown in boxes
 * Note: Does not include asphalt and petrochemical refineries
 Source: National Energy Board and company websites, as of June 2007

NLRC = Newfoundland and Labrador Refining Company

There are currently 12 companies operating refineries in Canada. Only Imperial Oil, Shell and Petro-Canada operate more than one refinery and market products nationally. Other refiners generally operate a single refinery and market product in a particular region. These regional refiners include North Atlantic Refining, Irving Oil and Ultramar in the east, Suncor in Ontario and Consumers' Co-op, Husky and Chevron in the west.

Of the 19 refineries in Canada, there are 16 that manufacture the full range of petroleum products. The Nova Chemicals facility in Sarnia, Ontario, is a petrochemical plant that also produces some distillate products. Husky's facility in Lloydminster, Alberta, and the Moose Jaw Asphalt plant in Moose Jaw, Saskatchewan, are primarily asphalt plants with limited production of other products.

There are three main refining centres in Canada (Edmonton, Sarnia and Montreal), but most provinces have at least one refinery. Manitoba and Prince Edward Island are the only provinces with no refining capacity and there are no refineries in the territories. Quebec refineries are located in Montreal (2), and St-Romuald (1), while Atlantic refineries are located in Saint John, New Brunswick (1), Dartmouth, Nova Scotia (1) and Come-by-Chance, Newfoundland and Labrador (1). Ontario refineries are in Sarnia (3), and Nanticoke (1). Western Canadian refineries are located in Edmonton, Alberta (3), Regina, Saskatchewan (1), Vancouver (1) and Prince George (1), British Columbia.

Three new refineries, with a combined capacity of 126.4 thousand cubic metres, are being considered in New Brunswick (Irving Oil), Ontario (Shell), and Newfoundland and Labrador (Newfoundland and Labrador Refining Company).

1 cubic metre = 6.29 barrels

