



National Overview

Canadian Pump Prices Decline by 4 cents per Litre from Last Week

Average retail Canadian gasoline prices declined 4 cents per litre to \$1.29 per litre for the week ending July 29th, compared to the previous week. Compared to the same period last year, pump prices are now 26 cents per litre higher.

Canadian pump price in selected cities for the **four-week average** ending July 31st was \$1.35 per litre, a decrease of 4 cents per litre from the last report on July 18, 2008.

Diesel fuel prices decreased 5 cents per litre to \$1.42 per litre for the week of July 29th. However, this represents an increase of 44 cents per litre compared to the same period last year.

World crude oil prices declined for a third consecutive week pushing North American wholesale prices downward and, in turn, caused overall Canadian pump prices to drop 11 cents per litre in the last two weeks.

Recent Developments

- **Saskatchewan, and Newfoundland and Labrador Prosperity:** Record high world crude oil prices have pushed these two provinces ahead of the national GDP growth in 2007. Newfoundland and Labrador led the nation in terms of growth at 13% while Saskatchewan followed at 11% ahead of Alberta's 8%. (Source: The Daily, <http://www.statcan.ca/Daily/English/080515/do80515b.htm>)

- **Investments in Refinery Capacity:** According to the latest International Energy Agency Medium-Term Oil Report released in July 2008, investment in refinery capacity during the next five years is key to meeting the growing demand in the developing world for refined products as well as to help keep oil prices from spiking. Attention to refinery capacity is critical as total consumption in developing countries will almost equal that of mature economies by 2015. (Source: Octane Week)

- **Inflation Up on Higher Gasoline Prices:** Fuelled by higher gasoline prices, consumer prices rose 3.1% in the 12-months ending June 2008, compared with the 2.2% gain recorded in May. June's increase was the largest since September 2005. Consumer prices excluding gasoline rose 1.8% in the 12 months to June. (Source: The Daily, <http://www.statcan.ca/Daily/English/080723/do80723a.htm>)

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

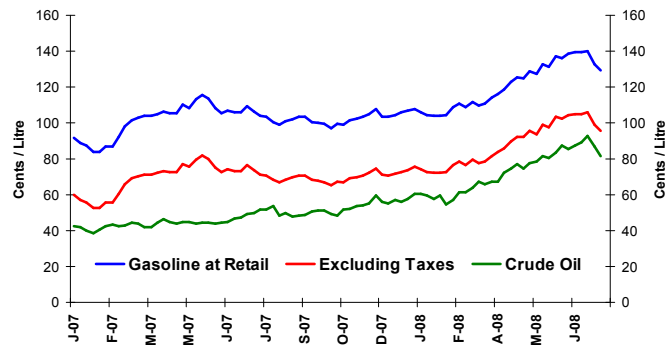
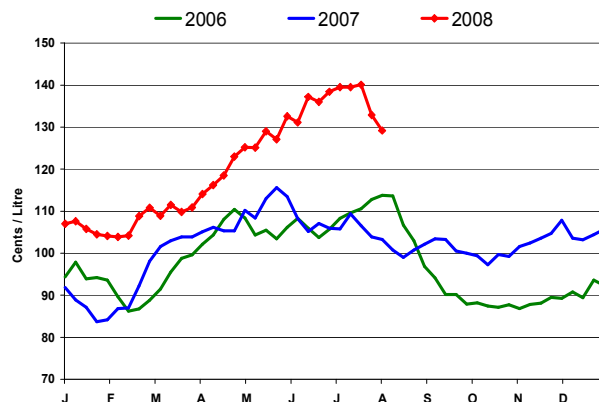


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2008-07-29	Previous Week	Last Year
Gasoline	129.2	-3.7	+25.9
Diesel	142.3	-4.8	+44.4
Furnace Oil	132.9	-4.0	+48.4

Source: NRCan

In this Issue

	page
National Overview	1
Recent Developments	1
Retail Gasoline Overview	2
Wholesale Prices	3
Refining and Marketing Margins	4
Crude Oil Overview	5





Retail Gasoline Overview

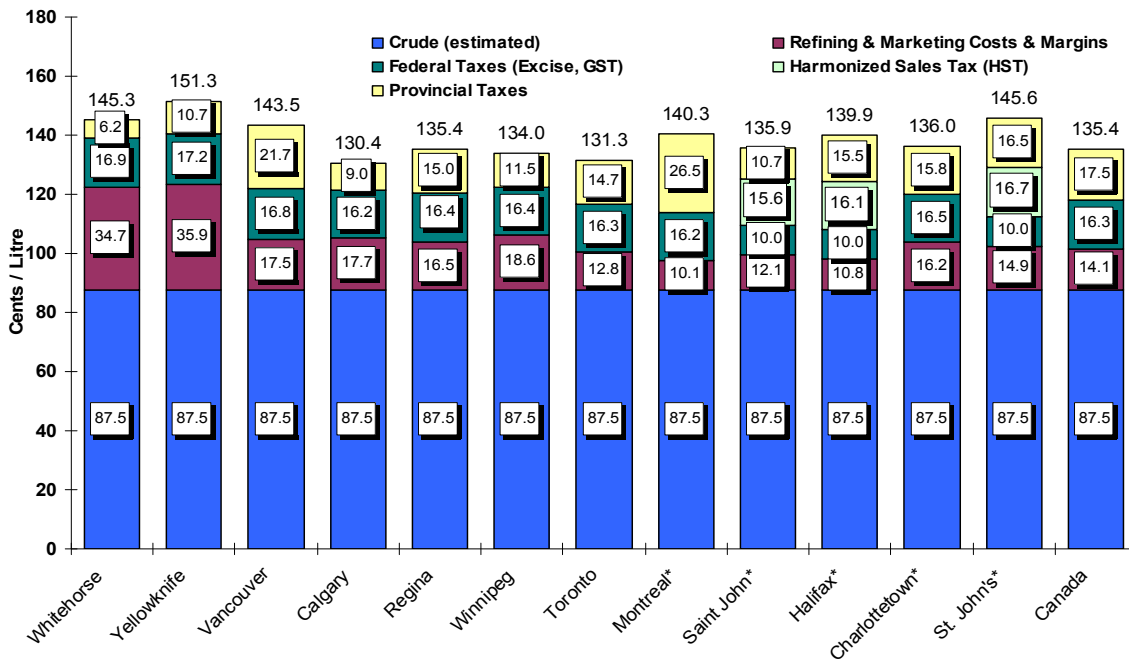
Canadian pump price in selected cities for the **four-week average** ending July 31st was \$1.35 per litre, a decrease of 4 cents per litre from the last report on July 18, 2008. However, this represents a 30 cent per litre increase compared to the same period in 2007.

The **four-week average** crude oil price component of gasoline declined by 1 cent per litre to 88 cents per litre compared to two weeks ago, but remains 38 cents per litre above the same period last year.

Retail gasoline prices in most Western centres decreased on average 2 cents per litre when compared to the previous report, ranging from \$1.30 to \$1.44 per litre. Prices in Eastern cities declined on average by nearly 4 cents per litre, and ranged from \$1.31 to \$1.46 cents per litre.

At the national level, refining and marketing costs and margins dropped by 3 cents per litre from the last report. This represents a decline of 8 cents per litre compared to last year at the same period, despite markedly higher pump prices.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (July 8 to 29, 2008)**



Source: NRCan

* Regulated Markets

Canadian Vehicle Survey

The number of light vehicles registered increased by 2.5% from 2006. This was the second highest increase since 2002. Alberta led the provinces in registration growth, while Prince Edward Island was the province with the smallest increase.

Large passenger styles (vans, sport utility vehicles and pickup trucks) continued to be popular with Canadian drivers. For the first time, larger styles were driven as much as smaller styles (cars and station wagons). Each now account for approximately half of all kilometres driven by light vehicles. In 2000, cars and station wagons had driven 60% of all light vehicle kilometres.

Canadians also drove these vehicles more than ever. Nationally, vehicles travelled more than 332 billion kilometres in 2007. Light vehicles travelled 1.1% more kilometres in 2007 than they had the year before. Despite rising gasoline prices, light vehicle kilometres have increased each year since 2004 at a rate averaging 1.2% per year.

Source: The Daily, <http://www.statcan.ca/Daily/English/080716/do80716d.htm>





Wholesale Gasoline Prices

Wholesale gasoline prices declined in all centres for the week of July 24th, compared to the previous week. Overall, price changes ranged from more than 1 to nearly 6 cents per litre.

Wholesale gasoline prices in Eastern markets in both Canada and the United States ranged from 4 to 6 cents per litre, compared to the previous week, ending the period in the 82 to 87 cents per litre range.

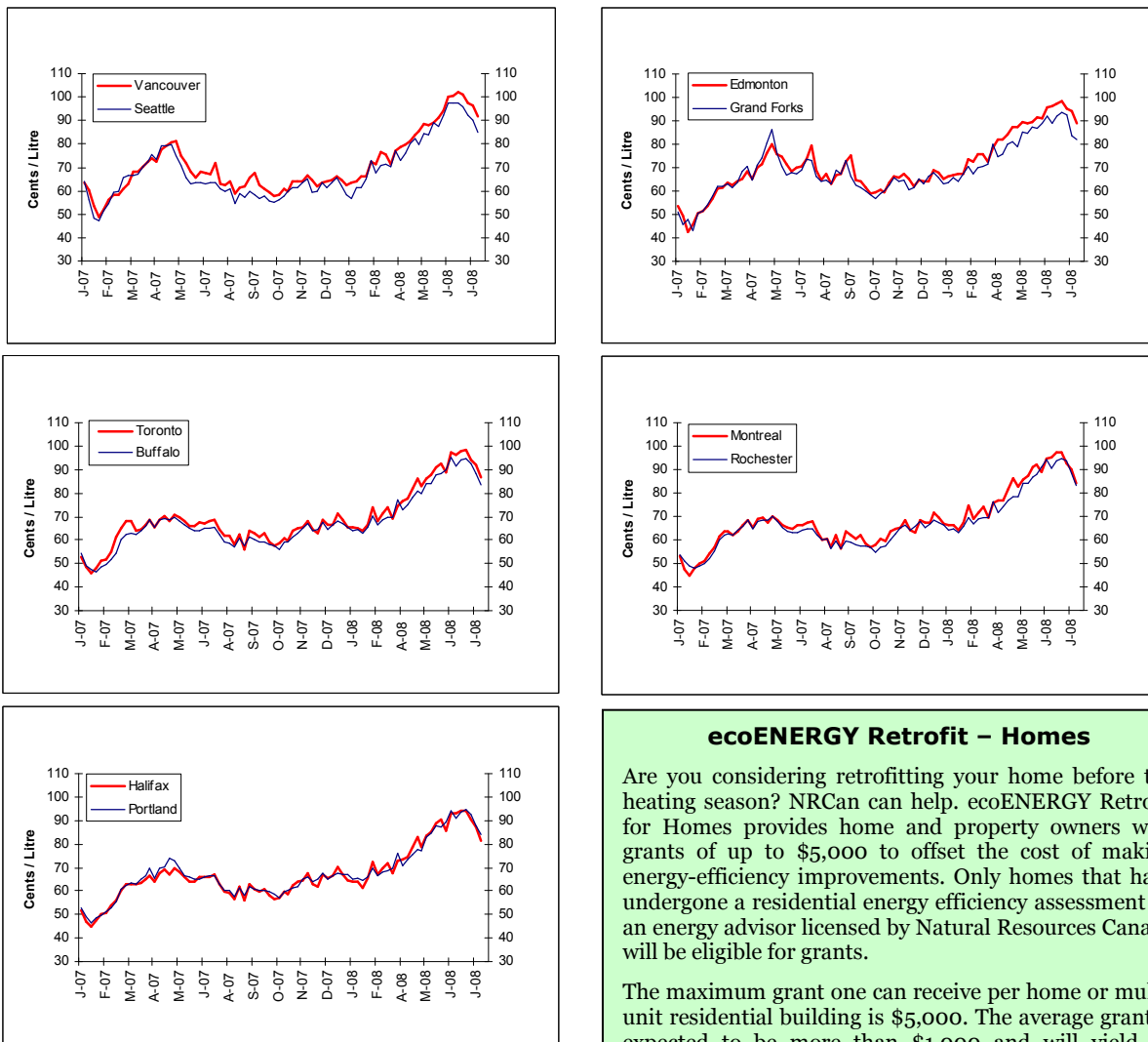
The decline in wholesale gasoline prices in Western centres ranged from 1 to 5 cents per litre ending at

82 to 92 cents per litre. While wholesale prices in Canadian centres decreased significantly, a gap of more than 6 cents per litre emerged with its American counterpart. This reflects the tight gasoline supply in Western Canada and the limited access to alternate supply sources.

In the last four weeks, wholesale prices have dropped between 9 and 13 cents per litre in all selected centres. However, the prices are 18 to 29 cents per litre above last year's level.

Figure 4: Wholesale Gasoline Prices

Rack Terminals Prices for Selected Canadian and American Cities ending July 24, 2008
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide

ecoENERGY Retrofit – Homes

Are you considering retrofitting your home before the heating season? NRCan can help. ecoENERGY Retrofit for Homes provides home and property owners with grants of up to \$5,000 to offset the cost of making energy-efficiency improvements. Only homes that have undergone a residential energy efficiency assessment by an energy advisor licensed by Natural Resources Canada will be eligible for grants.

The maximum grant one can receive per home or multi-unit residential building is \$5,000. The average grant is expected to be more than \$1,000 and will yield an average 25 percent reduction in energy use and costs. For more information, visit: <http://ecoaction.gc.ca/ecoenrgy-ecoenergie/retrofit-homes-renovation-maisons-eng.cfm>





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 29th.

Overall, refining margins for gasoline have declined in all selected centres. Regardless of the record high gasoline prices across Canada so far this year, refining margins are almost 9 cents per litre lower at the national level, compared to the same period last year. Refining margins for gasoline continue to be slightly depressed reflecting a slight decrease in North American demand and a well supplied market.

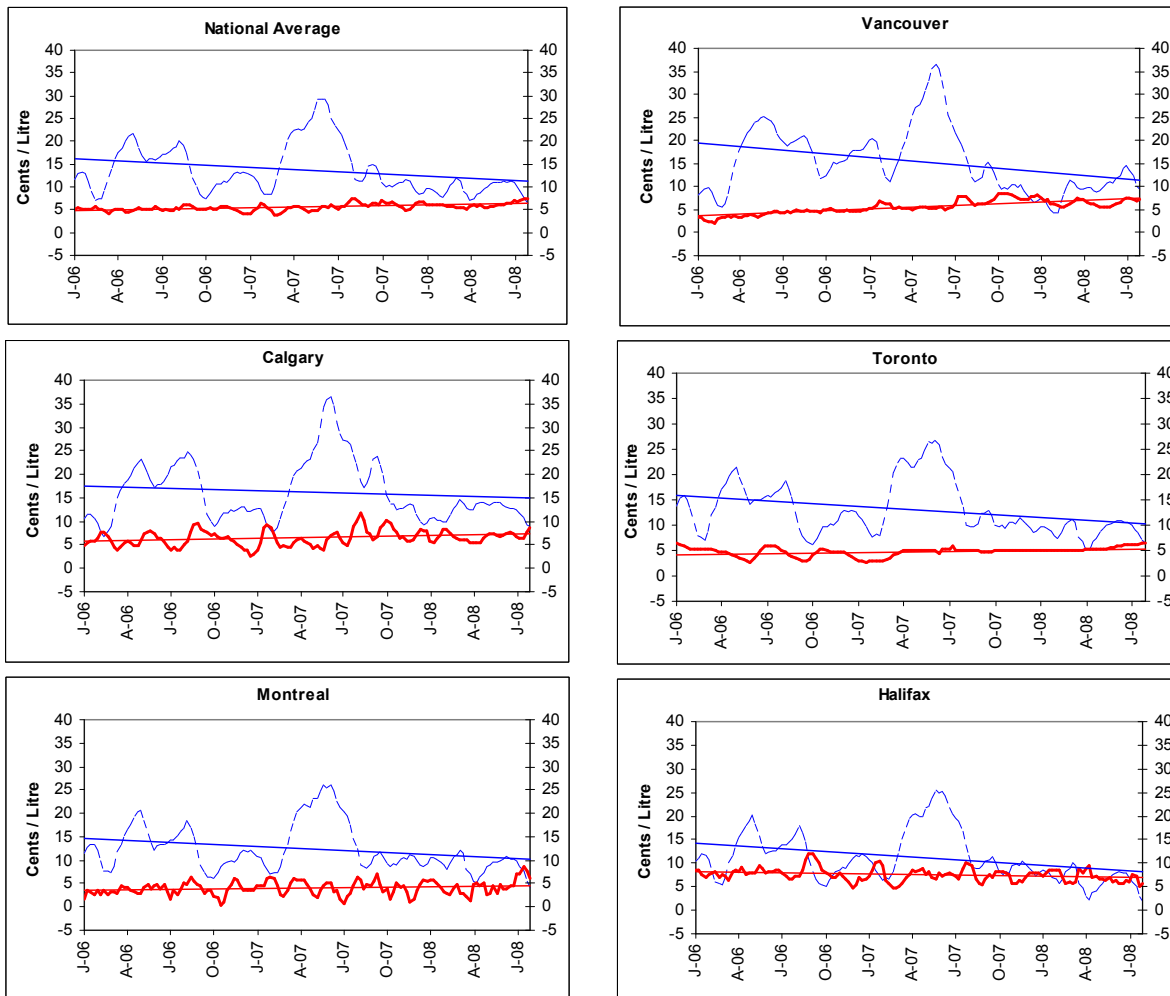
It is very interesting to note that there has not been the traditional spike in refining margins as in previous summers.

Nationally, the marketing margins hovered around 7 cents per litre, comparable for the same period last year. Marketing margins for the five centres registered between 2 and 9 cents per litre.

Although it represents a small portion of the total pump price, the marketing margin can vary significantly from city to city and region to region.

Figure 5: Refining and Marketing Margins
Four-Week Rolling Average Ending July 29, 2008

----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

Crude Oil Prices Drop for a Third Consecutive Week

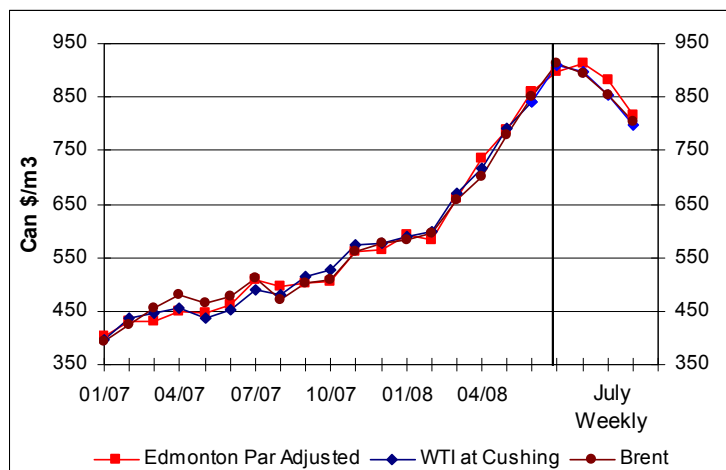
For the week ending July 25th, 2008, crude oil prices averaged between \$798/m³ and \$818/m³ (\$U126 to \$US129 per barrel). All crude types saw significant decreases week over week.

After reaching record highs earlier this month prices dropped at record rates. This quick drop has created further debate about whether traders or fundamentals are driving the market. As has been mentioned in previous issues there is considerable controversy as to the drivers behind the recent increases in the price of crude oil.

Many consuming countries have been quick to blame the producing countries, in particular OPEC nations, for increasing prices through supply constraint. Other analysts, as well as producing countries, have taken the stand that increased speculative trading and weakly regulated futures markets have been the primary driver.

A relatively weak hurricane season, easing geopolitical tensions and anticipated decreases in OECD demand for petroleum products have helped to ease markets over the last few weeks.

Figure 6: Crude Oil Price Comparisons



Main Petroleum Product Exports and Imports

Canada continues to be a net exporter of petroleum products, with the U.S. as its main destination. Exports of main petroleum products in 2007 are estimated to be 71 340 m³/d (448.7 Mb/d), an increase of six percent compared with 2006. Increased availability of refined products in Canada, combined with tight refinery capacity in U.S. were the main drivers for this increase. Canadian imports declined by seven percent to 43 080 m³/d (271.0 Mb/d) compared with 2006 also reflecting the reduced need for imports due to increased domestic supply of refined products. Exports to the U.S. were mainly to the East Coast (65 percent), followed by the U.S. Midwest and the U.S West Coast.

The estimated revenue in 2007 from main petroleum products, including partially processed oil, was \$9.2 billion, up from \$6.7 billion in 2006. Strong demand for gasoline and diesel fuel, rising crude oil prices and an unusual wave of refinery outages in U.S. and Canada boosted product prices during the first part of the year. Very high crude oil prices and low gasoline inventory levels supported gasoline prices most of the year. Distillate inventories remained near the middle of historical levels, but prices reached historical records at the end of the year.

Source: NEB, *An Energy Market Assessment, May 2008.*

Changes in Crude Oil Prices

Crude Oil Types	Week ending: 2008-07-25		Change from:			
			Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Edmonton Par	817.73	128.80	-63.50	-10.83	+300.88	+50.31
WTI	798.33	125.75	-55.82	-9.59	+302.95	+50.52
Brent	804.60	126.73	-48.05	-8.37	+297.02	+49.65

Source: NRCan

