



## National Overview

### Canadian Retail Gasoline Prices Decreased 1.5 cents per Litre from Last Week

After reaching record highs in early July, Canadian average gasoline prices have dropped by 11 cents per litre in the last four weeks.

Driven by lower crude oil prices and softer wholesale prices, retail gasoline prices were down 1-2 cents per litre in most Canadian markets for the week ending August 12, 2008, compared to the previous week.

Canadian average pump price for the **four-week average** ending August 12<sup>th</sup> was \$1.30 per litre, a decrease of 5 cents per litre from the last report on August 1, 2008.

Similarly, diesel fuel and furnace oil prices have dropped by 11 cents and 12 cents, respectively, in the last four weeks. However, furnace oil prices remain 45 cents per litre higher than the same period last year as the winter heating season approaches.

Crude oil prices saw significant decreases week over week. Weaker North American demand, a relatively harmless hurricane season and increased OPEC production have all helped to push prices down to current levels.

### Recent Developments

- **Canadian Consumption Down:** According to Statistics Canada, Canadian motor gasoline sales in June 2008 totalled 3.5 million cubic metres, 4.5% or 165.1 thousand cubic metres below the same month a year earlier. Regular unleaded, which accounted for 91% of all grades, slipped 3.3%. Diesel fuel oil sales totalled 2.2 million cubic metres, down 3.6% or 81.6 thousand cubic metres below June 2007. (The Daily, [www.statcan.ca/Daily/English/080808/do80808b.htm](http://www.statcan.ca/Daily/English/080808/do80808b.htm))
- **U.S. Consumption Projections:** According to the U.S. Energy Information Administration, total U.S. petroleum consumption is projected to shrink by 500,000 bbl/d in 2008, based on prospects for a weak economy and record high crude oil and product prices extending into 2009. (EIA, [www.eia.doe.gov/emeu/steo/pub/contents.html](http://www.eia.doe.gov/emeu/steo/pub/contents.html))
- **Petro-Canada Edmonton Refinery:** A problem with the catalytic cracker, the main gasoline production unit, at Petro-Canada's Edmonton refinery is causing a temporary reduction in gasoline supplies in some western markets. Other refiners in the region are reporting normal activity and supplementary supplies are being imported into the region until the refinery is back at full capacity.

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

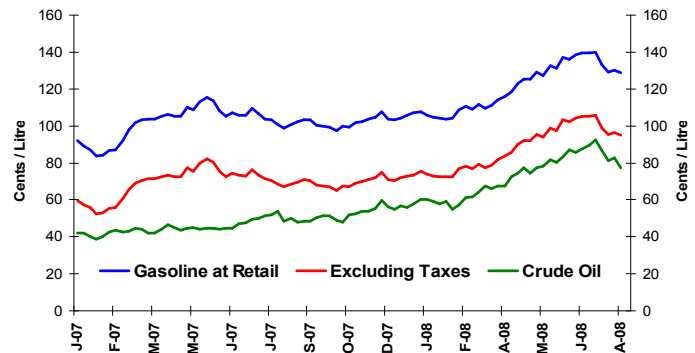
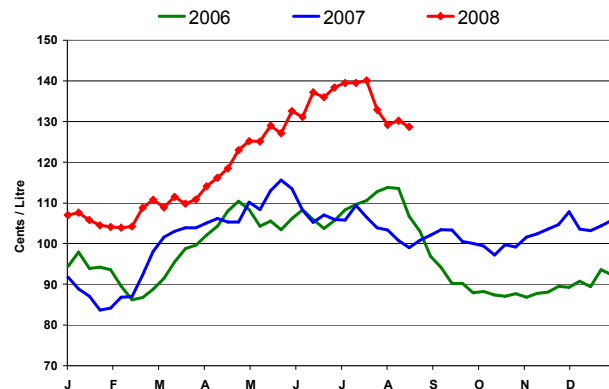


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2008-08-12	Previous Week	Last Year
Gasoline	128.7	-1.5	+29.7
Diesel	137.1	-3.1	+40.2
Furnace Oil	128.5	-2.1	+44.7

Source: NRCan

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## Retail Gasoline Overview

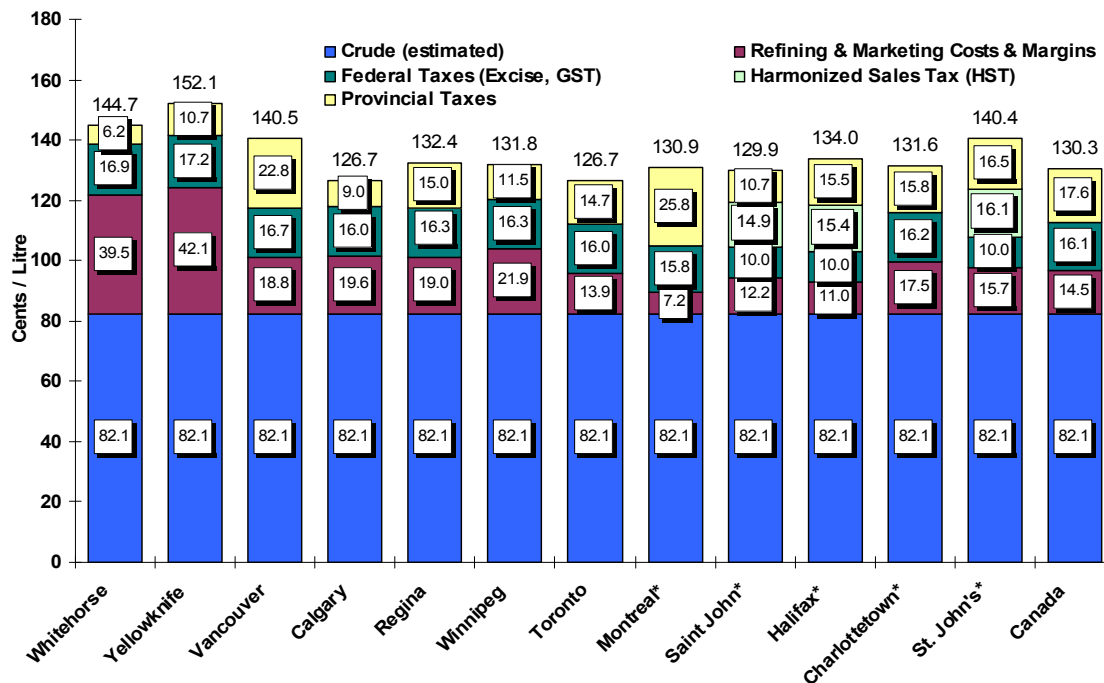
Canadian pump prices in selected cities for the **four-week average** ending August 12<sup>th</sup> was \$1.30 per litre, a decrease of 5 cents per litre from the last report on August 1, 2008. However, this represents a 28 cent per litre increase compared to the same period in 2007.

The **four-week average** crude oil price component of gasoline declined by 6 cents per litre to 82 cents per litre compared to two weeks ago, but remains 30 cents per litre above the same period last year.

With crude oil prices continuing to account for over 60% of the retail price of gasoline, taxes currently make up about 25% of the price. When crude oil and retail prices were lower, taxes accounted for as much as 40% of the retail price.

The **four-week average** of refining and marketing costs and margins continued to drop, with another decrease of about half a cent per litre from the last report.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
4-Week Average (July 22 to August 12, 2008)**



Source: NRCan

\* Regulated Markets

### Competition Bureau Releases New Guidelines

The Competition Bureau has published Enforcement Guidelines on Predatory Pricing. These guidelines describe the Bureau's enforcement approach to predatory pricing and will help ensure that Canadian businesses and the public understand when pricing below cost may result in an investigation under the Competition Act.

Three policy changes have been incorporated into the guidelines. Predatory pricing complaints will now be examined primarily under the abuse of dominance provisions, and will be addressed criminally only where conduct is egregious. When conducting price-cost analysis, the Bureau will use average avoidable cost as the standard, which refers to costs that a business could have avoided had it chosen not to sell the product(s) in question. Lastly, price matching to meet competition may now be seen as a reasonable business justification for pricing below cost. More information is available at <http://www.competitionbureau.gc.ca/epic/site/cb-bc.nsf/en/02713e.html>.





## Wholesale Gasoline Prices

Wholesale gasoline prices declined in all Canadian centres for the **week of August 7<sup>th</sup>**, compared to the previous week. However, several of the U.S. centres saw wholesale prices rise.

The gap between Canadian and American markets had been drifting wider in recent weeks, particularly in western Canada, reaching as much as 10 cents per litre in mid-July.

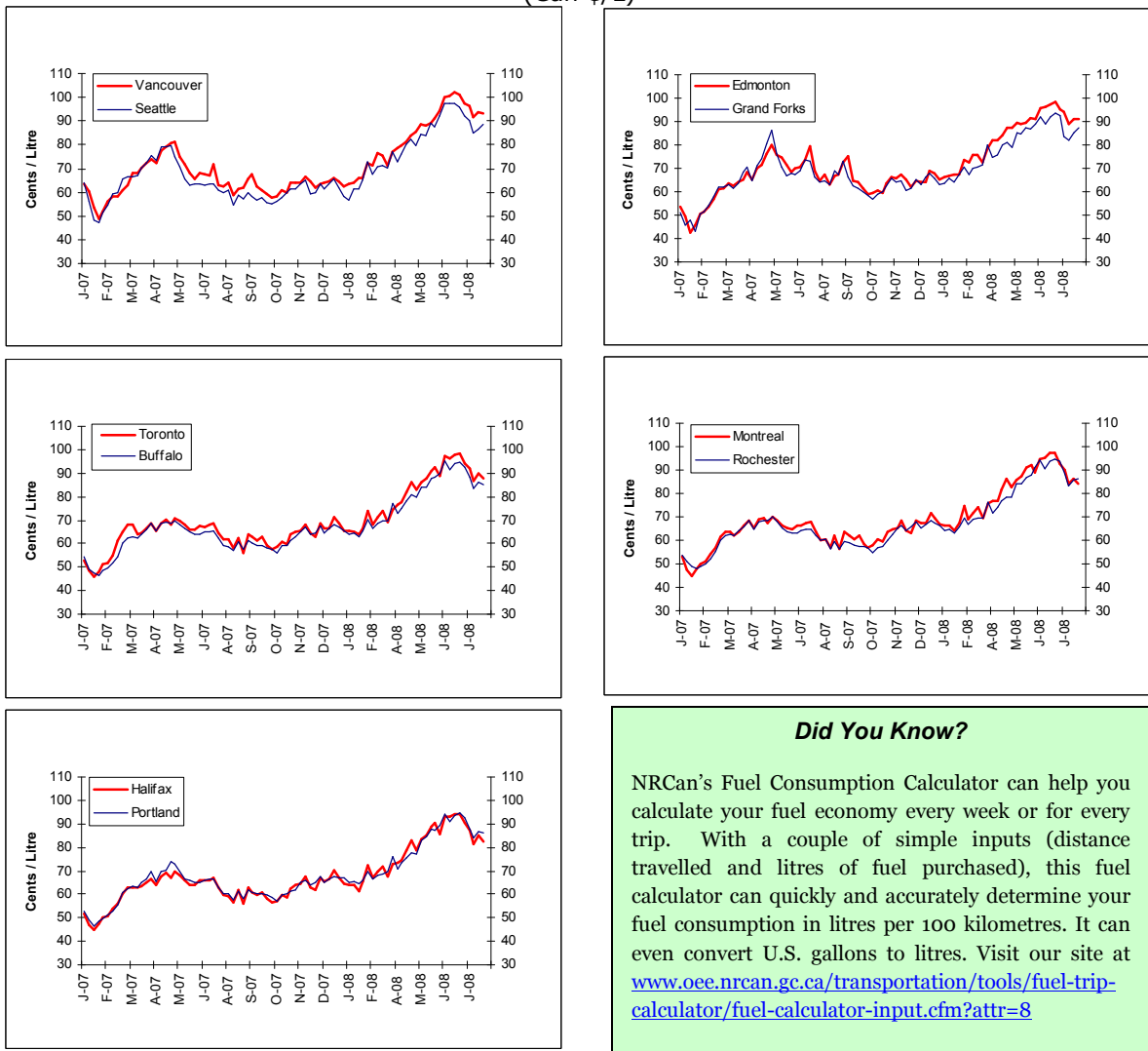
Markets have been adjusting for this difference in the last three weeks. U.S. wholesale prices have risen in Seattle and Grand Forks, closing the gap considerably.

In eastern markets, the gap in prices has also narrowed with both Montreal and Halifax prices lower than their U.S. counterparts.

At the national level, wholesale prices are within one cent per litre of each other.

Prices in all markets remain 23-35 cents per litre higher than they were at this time last year.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminals Prices for Selected Canadian and American Cities ending August 7, 2008  
(Can ¢/L)



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 August 12<sup>th</sup>.

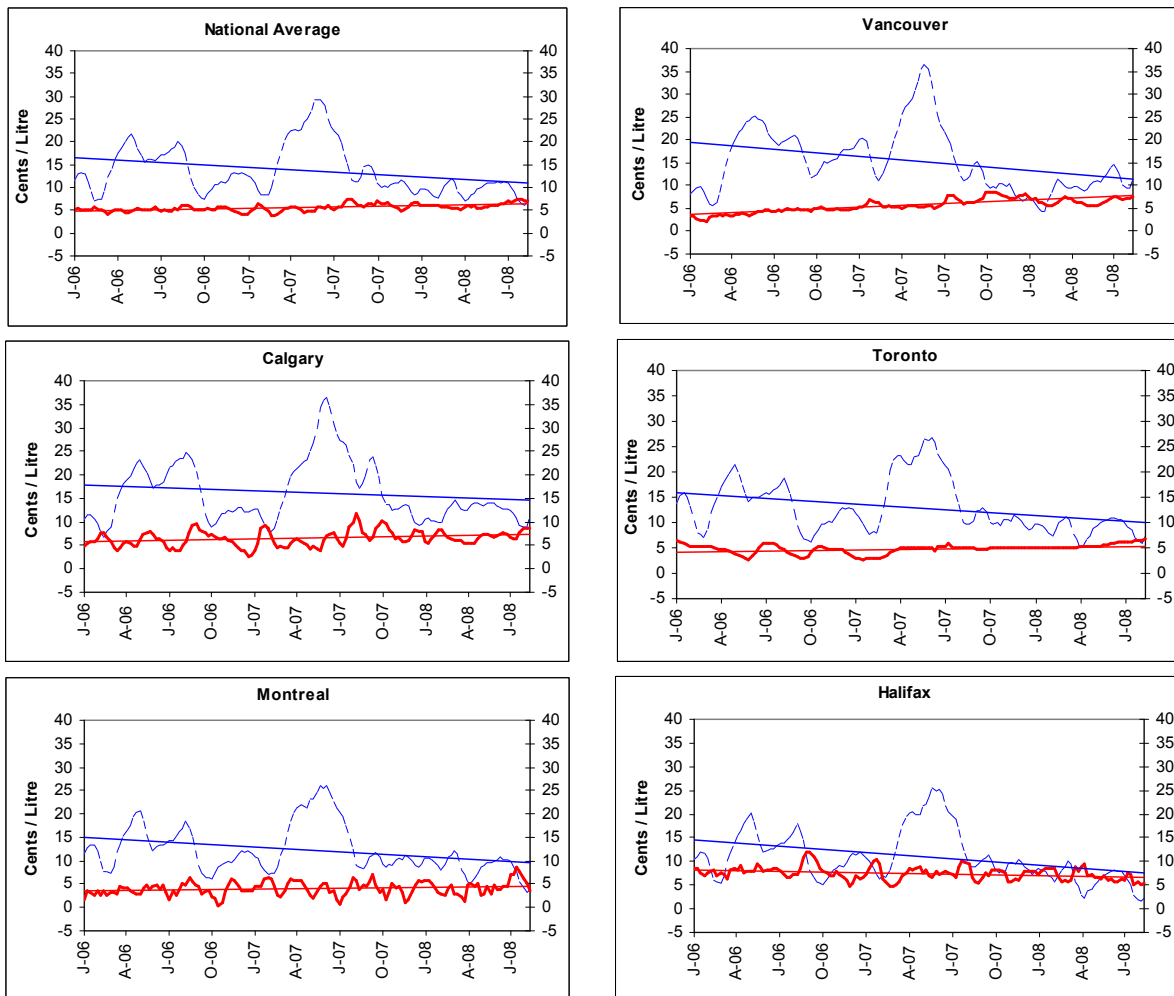
Refining margins continued their downward trend in this reporting period. After spiking to record highs of 30 cents per litre and more in some markets last summer, margins have steadily declined this year. For the four week period ending August 12<sup>th</sup>, refiner margins were below 8 cents per litre at the national level and trailed last year's levels by more than 9 cents.

In Halifax, refiner margins fell to less than 2 cents per litre last week and were several cents per litre lower than marketing margins for that market.

Nationally, the marketing margins remained constant at 7 cents per litre, slightly higher than for the same period last year.

Marketing margins for the five centres ranged from a low in Montreal of 3.4 cents per litre to a high of 8.5 cents per litre in Calgary.

**Figure 5: Refining and Marketing Margins**  
Four-Week Rolling Average Ending August 12, 2008  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

### Crude Oil Prices Fall by Over \$US30 per Barrel since Mid-July

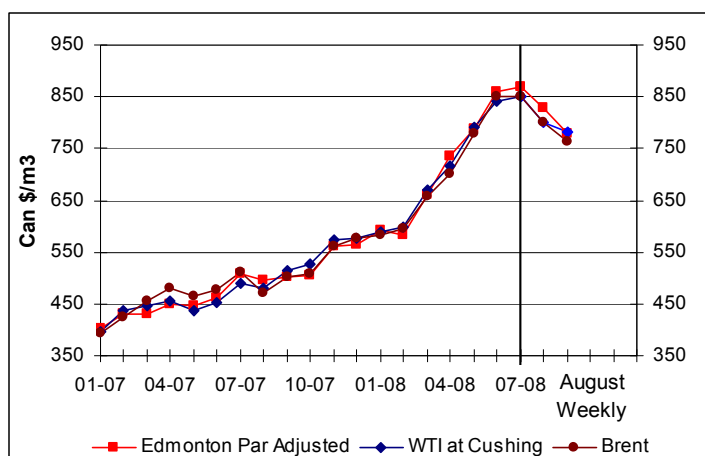
For the week ending August 8<sup>th</sup>, 2008, crude oil prices averaged between \$764/m<sup>3</sup> and \$782/m<sup>3</sup> (\$U116 to \$U119 per barrel). All crude types saw significant decreases week over week. Weaker North American demand, a relatively harmless hurricane season and increased OPEC production have all helped to push prices down to current levels.

According to the International Energy Agency's Oil Market Report published August 12th, 2008, global oil supply increased by close to 900,000 barrels per day in July easing supply concerns among traders.

According to the Beijing-based Customs General Administration of China, China's imports have decreased 7% July 2008 over July 2007. Many analysts have attributed this to an abnormal stock build leading up to the Olympics and a significant drop in petroleum consumption due to smog abatement measures. A continued decrease in imports would likely lead to further reductions in crude oil prices.

Continued conflict between Georgia and Russia could affect crude oil exports in the region and lead to higher prices.

**Figure 6: Crude Oil Price Comparisons**



**Changes in Crude Oil Prices**

Crude Oil Types	Week ending: 2008-08-08		Change from:			
			Previous Week		Last Year	
	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl
Edmonton Par	777.58	118.15	-50.24	-10.29	+290.58	+44.67
WTI	782.53	118.88	-17.45	-5.25	+306.32	+47.02
Brent	764.87	116.20	-35.83	-8.04	+294.53	+45.23

Source: NRCan

### Canada Accounts for Nearly 20% of U.S. Oil Imports

Imports of crude oil accounted for about two-thirds of total U.S. crude oil supply in 2007. Since 1998, the United States has diversified its supply by increasing the number of countries from which it receives crude oil imports to 45 countries in 2007, up from 39 countries in 1998. Still, six countries continue to supply about 75 percent of total U.S. imported crude oil: Canada, Iraq, Mexico, Nigeria, Saudi Arabia, and Venezuela. Total imports from the six have remained fairly constant over the past ten years, though their individual shares of U.S. imports have changed.

Canada represented 14.5 percent of U.S. imported crude oil in 1998, rising to 18.8 percent in 2007. As a result, Canada has been the leading country of origin for U.S. crude oil imports since 2004.

Canadian oil represented 19 percent of U.S. monthly crude imports for the five months ending May 2008. Saudi Arabia ranked second, with imports from that country averaging 16 percent over the same period.

Source: U.S. Energy Information Agency

