



National Overview

Overall Pump Prices Decline by 2 cents per Litre from Last Week

Average Canadian retail pump prices declined 2 cents per litre to \$1.30 per litre for the week ending September 9, 2008, compared to the previous week.

Diesel fuel prices also decreased 2 cents per litre to \$1.32 per litre, while furnace oil dropped by 2 cents per litre. However, prices remain more than 33 cents per litre higher compared to a year ago.

Canadian gasoline pump prices in selected cities for the **four-week average** ending September 9th was \$1.29 per litre, an increase of 1 cent per litre from the last report on August 29, 2008.

Crude oil prices fell below \$US110 per barrel (NYMEX) on September 2nd for the first time since April as oil installations in the U.S. Gulf Coast suffered less than expected damage from Hurricane Gustav. Perceived softening in world crude oil demand by oil traders further contributed to the downward trend. The strengthening of the US dollar is also a factor in the falling crude oil price.

Recent Developments

- **Hurricane's Aftermath:** No major damages were reported to oil and gas operations in the Gulf of Mexico near the U.S. Gulf Coast following Hurricane Gustav. Refineries have been slowly resuming production, but electrical outages remained an issue in some regions. Meanwhile, world crude oil prices continue to drop as global demand declined due to economic weakness in the U.S. and Europe. (Oil and Gas Journal)
- **Canadian Crude Oil Production:** Production of crude oil and equivalent hydrocarbons decreased 2% to 77 million cubic metres in the first six months of 2008 compared to the same period last year. Meanwhile, exports rose 1% to 54 million cubic metres, while imports increased 1% to reach 29 million cubic metres. (Statistics Canada, The Daily, <http://www.statcan.ca/Daily/English/080902/do80902a.htm>)
- **Gasoline Sales Down 3% in July:** Canadian motor gasoline sales declined 3% in July 2008 to 3.7 million cubic metres, or 116 thousand cubic metres below the same month a year earlier. Gasoline sales have declined for a third consecutive month compared to the same time last year. Diesel fuel oil sales totalled 2.5 million cubic metres, up 6% or 145 thousand cubic metres above July 2007. (The Daily, <http://www.statcan.ca/Daily/English/080905/do80905c.htm>)

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

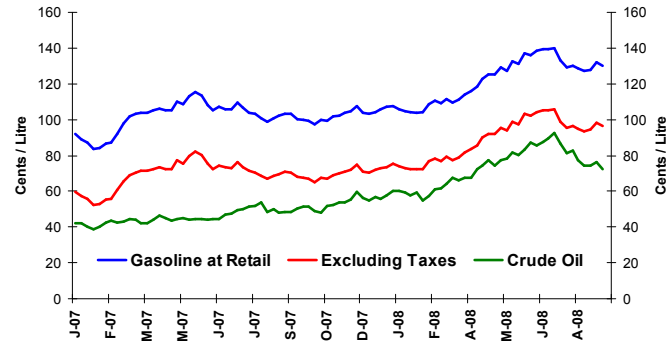
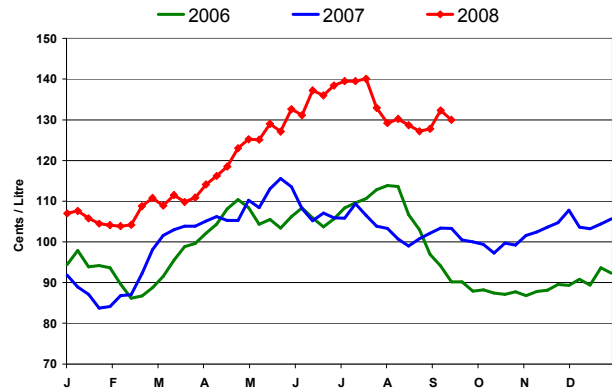


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2008-09-09	Previous Week	Last Year
Gasoline	130.0	-1.9	+26.7
Diesel	131.5	-2.0	+32.7
Furnace Oil	119.2	-1.6	+35.7

Source: NRCan

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Retail Gasoline Overview

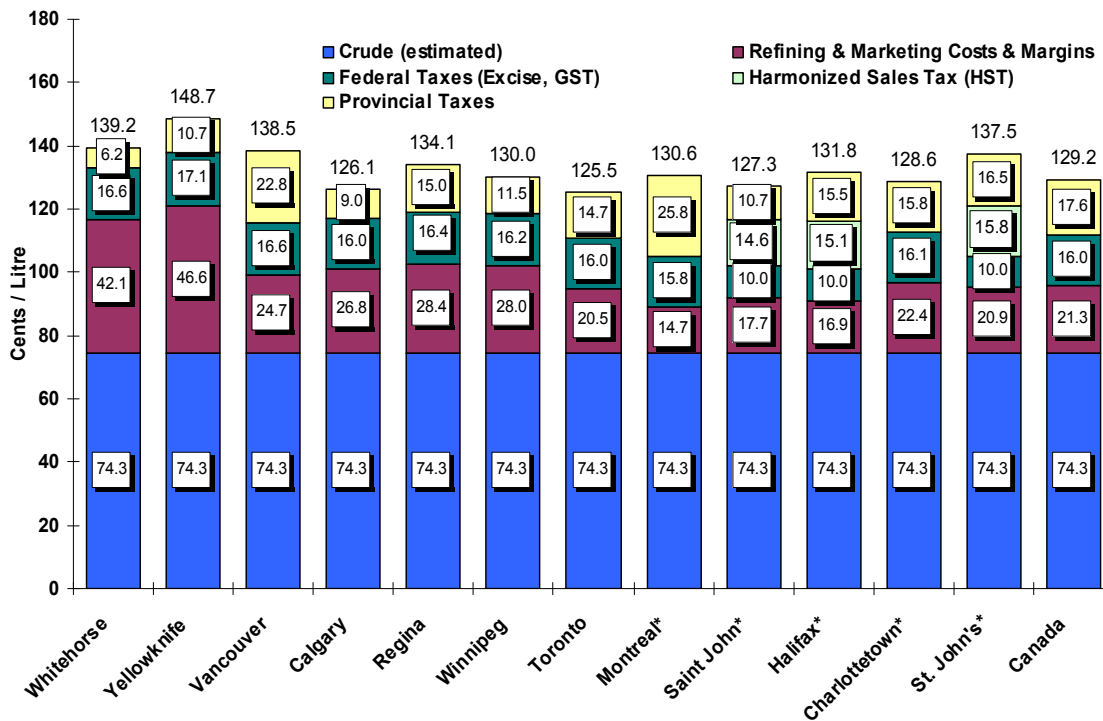
Canadian pump price in selected cities for the **four-week average** ending September 9th was \$1.29 per litre, an increase of 1 cent per litre from the last report on August 29, 2008. However, this represents a 27 cents per litre increase compared to the same period in 2007.

The **four-week average** crude oil price component of gasoline declined by 3 cents per litre to 74 cents per litre compared to two weeks ago, the lowest price since April 2008. Crude prices remain 26 cents per litre above the same period last year.

Retail gasoline prices in most Western centres rose, on average, less than 1 cent per litre when compared to the previous report, ranging from \$1.26 to \$1.39 per litre. Prices in Eastern cities increased marginally on average by less than half a cent per litre, and ranged from \$1.26 to \$1.38 cents per litre.

At the national level, industry margins have increased by nearly 4 cents per litre since the last report. Although crude oil prices are much higher than last year, margins are the same at 21 cents per litre.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (August 19 to September 9, 2008)**



Source: NRCan

* Regulated Markets





Wholesale Gasoline Prices

Wholesale gasoline prices declined in most centres for the **week of September 4th**, compared to the previous week. Overall, prices declined in eight of the ten centres ranging from less than 1 cent to almost 6 cents per litre.

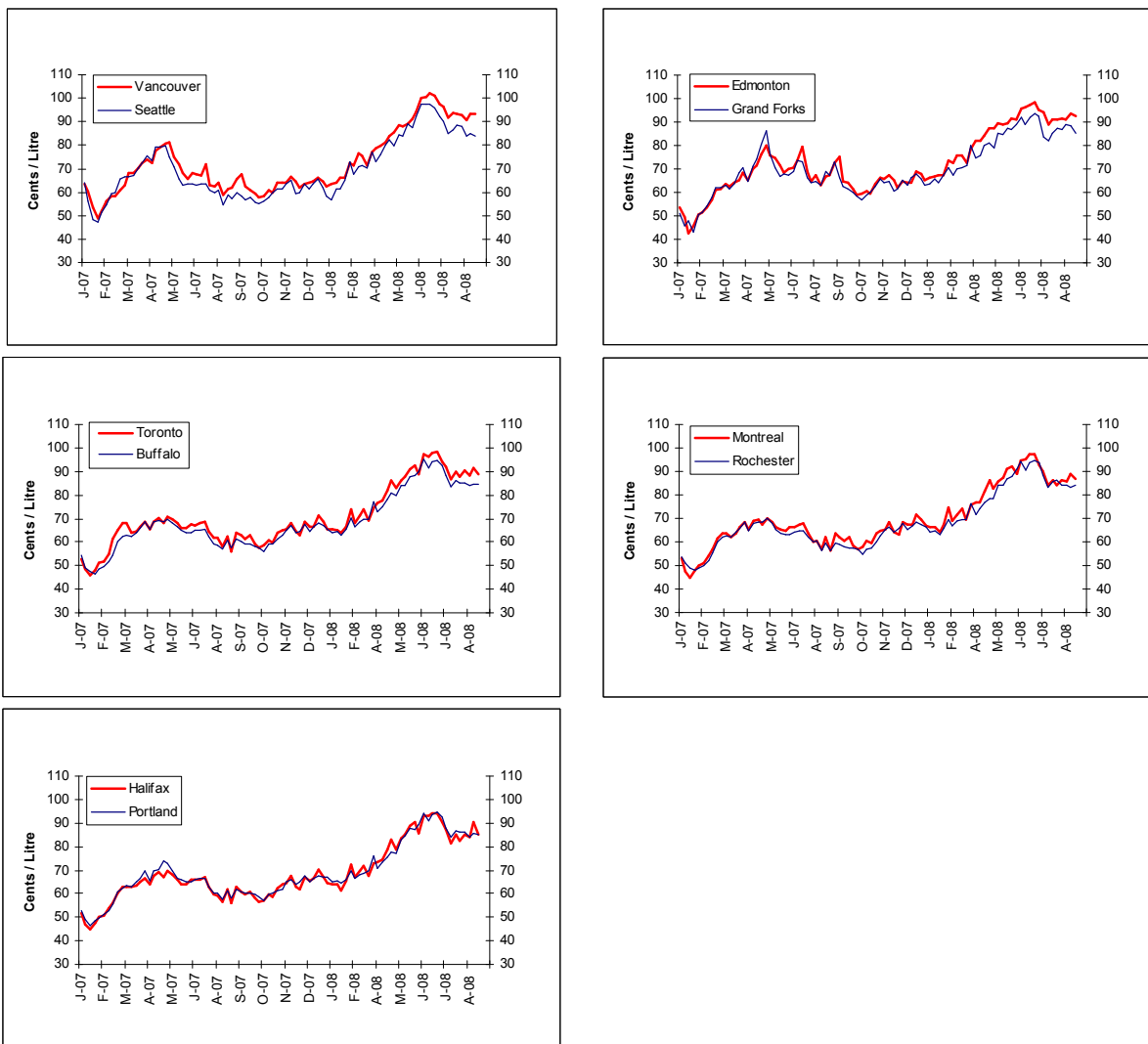
Wholesale gasoline prices in Eastern markets in both Canada and the United States ranged from an increase of 1 cent to a decrease of 6 cents per litre, compared to the previous week, ending the period in the 84 to 89 cents per litre range.

In most Western centres wholesale gasoline price declines ranged from 1 to 3 cents per litre ending at 84 to 93 cents per litre. While wholesale prices in some Canadian centres decreased more significantly than their American counterpart, the gap in prices widened particularly in western Canada, reaching as much as 10 cents per litre in Vancouver as gasoline production problems at the Petro-Canada refinery and other refinery maintenance outages continue.

Overall, wholesale gasoline prices in all markets are 18 to 26 cents per litre above last year's level.

Figure 4: Wholesale Gasoline Prices

Rack Terminals Prices for Selected Canadian and American Cities ending September 4, 2008
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide





Refining and Marketing Margins

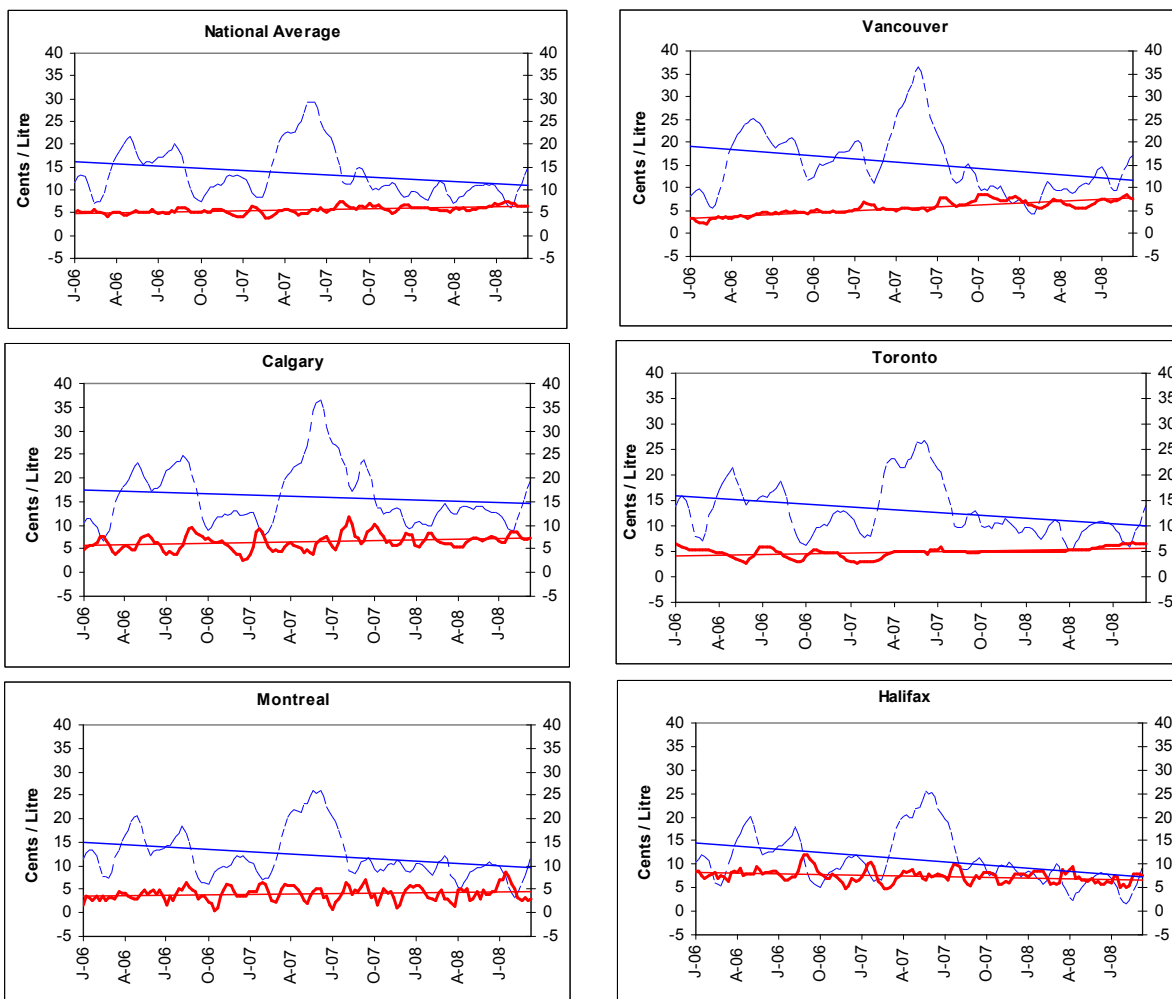
Four-week rolling averages are used for the refining and marketing margins for gasoline shown in Figure 5 for the period ending September 9th.

Refining margins continue to move upward reaching 15 cents per litre which is approximately the same level compared to September 2007. Nationally, the marketing margins continue to hover around 6 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.

The marketing margins continue to fluctuate in specific centres as these movements are influenced by local market conditions. Some individual centres, however, show more fluctuations depending on the region, volume sold and availability of other product offerings such as convenience stores and car washes.

Marketing margins in the five centres below ranged from 3 to 8 cents per litre.

Figure 5: Refining and Marketing Margins
Four-Week Rolling Average Ending September 9, 2008
----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

Hurricane Gustav Less Damaging than Expected

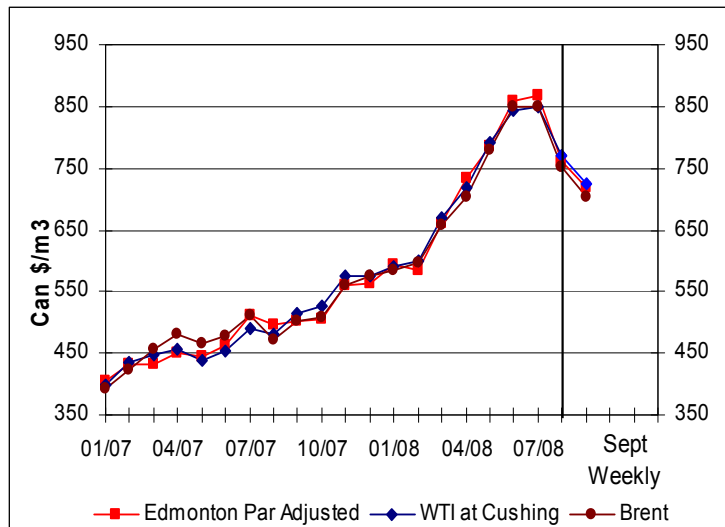
For the week ending September 5th, 2008, crude oil prices averaged between \$702/m³ and \$725/m³ (\$US105 to \$US108 per barrel). All crude prices dropped week over week, with the NYMEX closing the week at levels experienced in early April.

As was mentioned in the last report, hurricanes can have a significant effect on the price of crude oil on the international market. Following announcements that oil rigs and refineries in the Gulf of Mexico region had not been damaged significantly by Hurricane Gustav, oil prices receded.

This said, the North American hurricane season is far from over and Hurricane Ike could disrupt production over the coming days.

With increasing reports of North American demand receding due to economic slowdown, along with the wrap-up of the summer driving season, indications are that supply is ample heading into the fall. While this is true, it remains to be seen what effect the downturn in the North American economy will have on consumption in developing countries such as China and India.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Week ending: 2008-09-05		Change from:			
			Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Edmonton Par	718.89	107.33	-39.29	-7.28	+231.92	+33.74
WTI	725.31	108.30	-42.29	-7.74	+224.70	+32.65
Brent	702.29	104.86	-39.08	-7.23	+202.57	+29.35

Source: NRCan

Movement of Petroleum Products in Canada

There are currently 19 refineries in Canada, of which 16 manufacture the full range of petroleum products. 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.

The logistics network required to supply petroleum products from the refineries to the end-users is a complex system of pipelines, ships, railways and trucks. Often several methods of transportation are utilized to move petroleum products from the refineries, ports and large terminals to tremendously disperse markets all across Canada.

In order to reduce transportation costs and to capitalize on increasing economies of scale, refiners enter into a large number of product exchange agreements with one another. In cases where product exchanges are not available, companies need to make other arrangements to supply their terminals and retail networks. The method of transportation they select to move their products will be influenced by geographic barriers as well as the volume of products demanded in each of these markets and the relative costs of transportation.

Source: NRCan, http://www.fuelfocus.nrcan.gc.ca/reports/2005-07/overview/index_e.cfm

