



National Overview

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

The Canada average retail gasoline price rose to \$1.11 per litre for the week ending March 25, 2008, up 1 cent per litre, compared to the previous week. Prices are currently 7 cents per litre higher than the same time last year.

The increase in Canadian pump prices was moderated by the decline in wholesale gasoline prices and the slight downturn in world crude oil prices. Since gasoline taxes and distribution costs are relatively stable, the movements in retail gasoline prices are mainly driven by changes in crude oil and wholesale prices. However, local supply conditions will play a role in determining gasoline prices in various regions as we move closer to spring and summer. North American gasoline inventories are well above seasonal averages, which bodes well for prices providing a temperate demand growth and no refinery interruptions.

Diesel fuel prices increased by 1 cent per litre to \$1.27 per litre for the week of March 25th. However, this represents an increase of 29 cents per litre compared to the same period last year. Furnace oil rose by 2 cents per litre to \$1.15 cents per litre, up 31 cents per litre from a year ago.

Recent Developments

- Proposed Eider Rock Refinery Partnership:**
 BP and Irving Oil have entered into a Memorandum of Understanding with respect to funding feasibility studies and investigating the possibility of forming a joint venture to build the proposed Eider Rock refinery in Saint John, New Brunswick. The \$US7 billion project would provide finished petroleum products to the U.S. Northeast markets. For more information, visit www.irvingoil.com
- U.S. Gasoline Demand Up 1.7% in February:**
 Although U.S. retail gasoline prices were at their nominal highest in February, U.S. gasoline demand actually grew 1.7% from February 2007 to February 2008. Total U.S. motor gasoline disposition climbed in February year-on-year from 9 million b/d to 9.2 million b/d, with finished reformulated gasoline disposition increasing 9.3% over the same period. (Source: American Petroleum Institute)

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

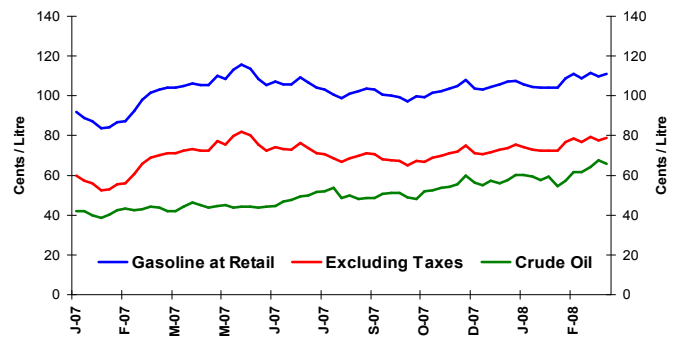
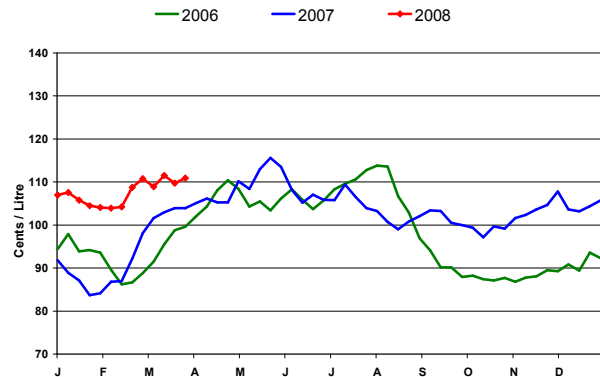


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2008-03-25	Previous Week	Last Year
Gasoline	110.9	+1.2	+7.0
Diesel	127.2	+0.8	+29.1
Furnace Oil	115.1	+1.7	+31.2

Source: NRCan

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Supplement: Projected crude oil production growth in non-OPEC countries.





Retail Gasoline Overview

The **four-week average** regular gasoline pump price in selected cities across Canada was \$1.10 cents per litre for the period ending March 25th, a marginal increase of 0.3 cent per litre from the last report on March 14, 2008. Prices are 7 cents per litre higher than those recorded during the same period in 2007.

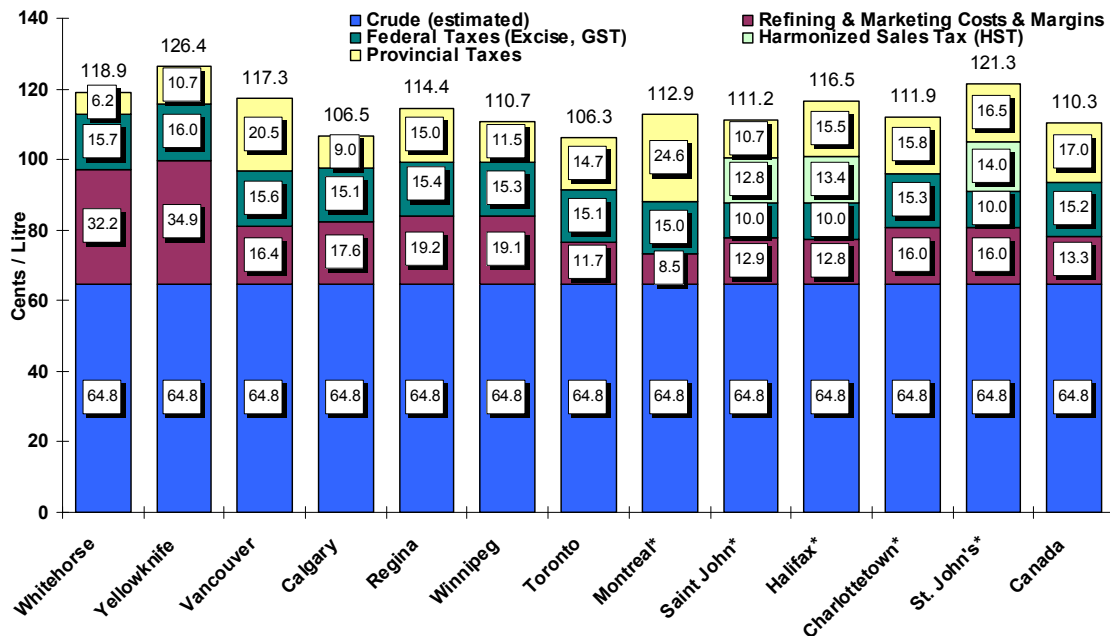
The four-week average crude oil price registered 65 cents per litre, a 4 cents per litre increase from two weeks ago, and 22 cents per litre higher than the same period last year.

Retail gasoline prices in Western centres increased in

the range of 1.5 to 3 cents per litre when compared to those in the previous report two weeks ago. Price changes in Eastern centres ranged between a decline of almost 3 cents per litre in Montreal to an increase of 2 cents per litre in St. John's.

The four-week average refining and marketing costs and margins for the period of March 4th to 25th, registered 13 cents per litre of the total pump price, a decrease of 3 cents per litre from two weeks ago. Most centres showed a decrease in refining and marketing costs and margins ranging from 1 cent per litre, in Winnipeg, to 6 cents per litre, in Montreal.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (March 4 to 25, 2008)**



Source: NRCan

* Regulated Markets

How Are Gasoline Prices Set?

In general, prices at the retail level are determined by factors such as crude oil and transportation costs. However, national and even regional prices hide the complex process that determines prices at the street level across Canada. Each market has different dynamics with prices determined by local conditions that, in some cases, can diverge from the wholesale price of gasoline. In addition, the strategies for determining retail prices at the local level differ from region to region.

Another factor that makes the retail pricing of gasoline a very complex process has to do with the unique way in which prices are posted on large signs outside each outlet. No other commodity is subject to this much price awareness, which means that consumers and competitors are informed almost instantly of price changes within their region. Retailers keep an eye on what the competition is doing because demand could decline significantly if their prices are out of line with competitors, which means that prices can change many times a day in periods of high price volatility. For more information, please consult our Fact Sheets at: http://www.fuelfocus.nrcan.gc.ca/fact_sheets/gasprice_e.cfm or the Conference Board of Canada study undertaken for Natural Resources Canada entitled [The Final Fifteen Feet of Hose - The Canadian Gasoline Industry in the Year 2000](#)





Wholesale Gasoline Prices

For the **week of March 20, 2008**, wholesale gasoline prices decreased in six of the ten selected centres compared to the previous week. All Canadian centres declined in the range of 3 to 5 cents per litre, while American price increases were around one cent per litre.

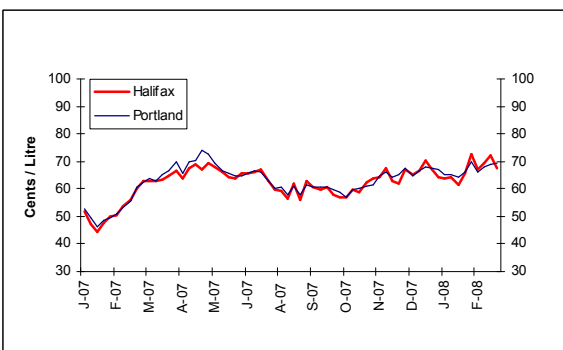
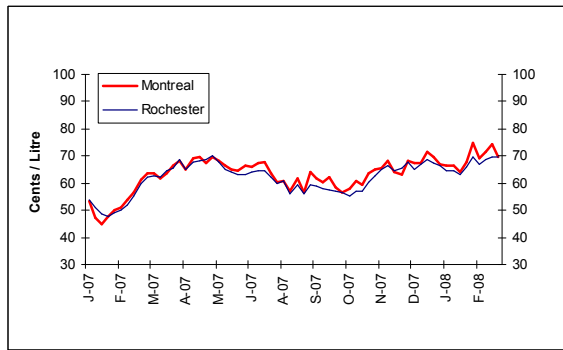
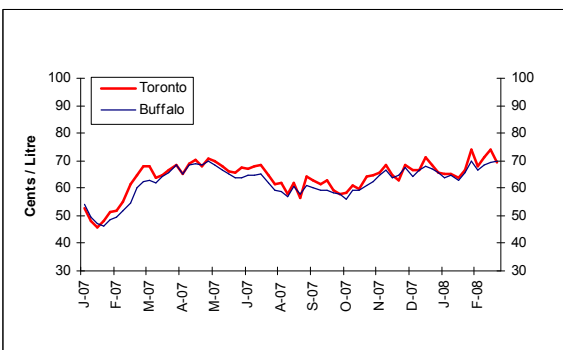
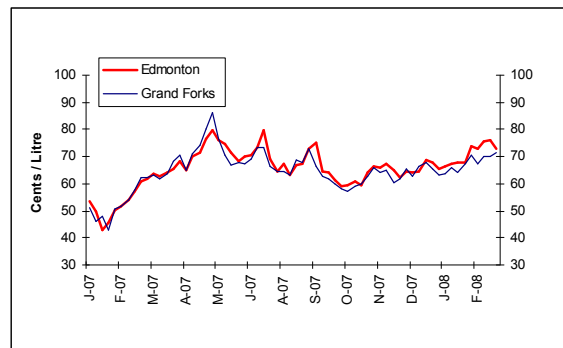
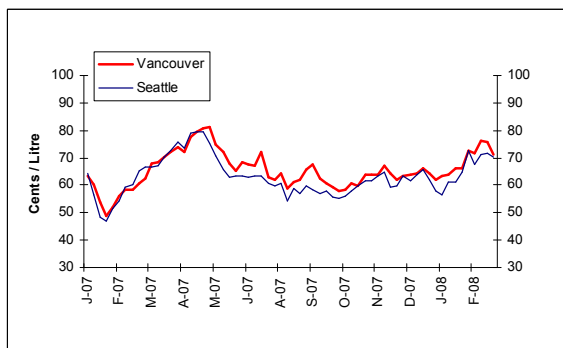
All Eastern markets in Canada registered a decrease of 5 cents per litre, compared to the previous week, ending the period in the 67 to 70 cents per litre, while American centres increased marginally by less than 1 cent per litre ending in the range of 69 to 70 cents per litre.

Meanwhile, wholesale gasoline prices in Western Canadian centres also declined 3 to 4 cents per litre, ending in the range of 71 to 73 cents per litre, mainly due to Imperial and Shell's refineries resuming normal operations, thereby increasing supply across the Prairies. American Western markets increased 1 cent per litre in Grand Forks and declined 1 cent per litre in Seattle.

Overall, prices have declined in the range of 1 to 5 cents per litre in most centres in the last four weeks. However, prices were 3 to 10 cents per litre higher than they were at the same period last year.

Figure 4: Wholesale Gasoline Prices

Rack Terminals Prices for Selected Canadian and American Cities ending March 20, 2008
(Can ¢/L)



Directory of Energy Efficiency and Alternative Energy Programs in Canada

This Natural Resources Canada Programs Directory provides information on the energy efficiency and alternative energy programs of the Canadian, provincial and territorial governments, major electric and gas utilities and major municipalities in Canada. For more information on programs in your region, please visit: http://oee.nrcan.gc.ca/corporate/statistics/nend/dpa/policy_e/programs.cfm?attr=0

Sources: NRCan, Bloomberg Oil Buyers Guide





Refining and Marketing Margins

Four-week rolling averages are used to illustrate the refining and marketing margins for gasoline in Figure 5 for the period ending March 25, 2008.

The refining margins have shown a moderate decline in recent weeks after an upward movement since mid-February. The decrease in refining margins is indicative of adequate supply while a resurgence is a sign of a tightening in supplies.

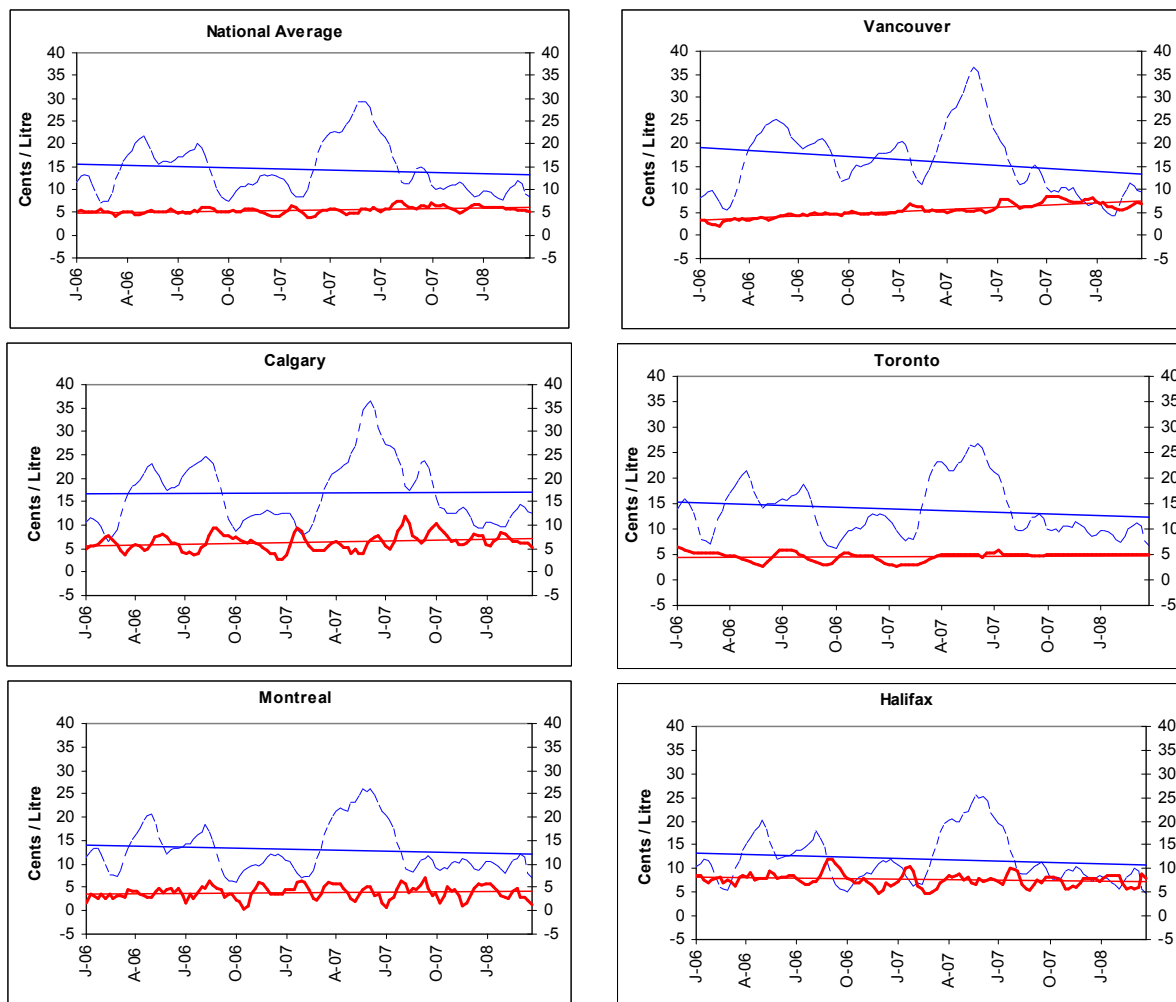
It is not usual for this time of the year to observe an increase in refining margins as refiners are converting their operations away from distillate production toward more gasoline production to build inventories in anticipation of high summer demand.

However, if the early spring is colder than expected, heating oil requirements will remain strong and refiners still need to meet the demand for distillates. These conditions can often limit the available supply of products, push prices up and increase the refining margins.

Another factor likely to firm up the refining margins is the need for refiners to do maintenance on equipment at this time of the year, which often requires the short term shut-down of specific units. These planned or unplanned shut-downs can also impact on the refinery on a wider scale and for longer periods of time.

Figure 5: Refining and Marketing Margins
Four-Week Rolling Average Ending March 25, 2008

----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

Crude Oil Prices Surpass \$US110 per Barrel

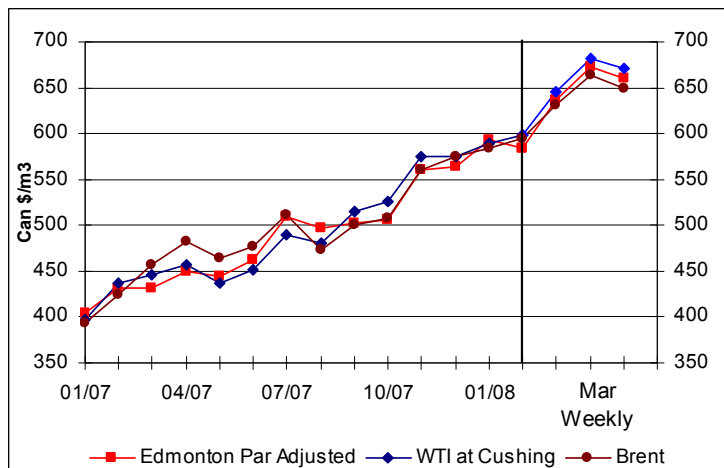
For the week ending March 21, 2008, crude oil prices averaged between \$650 and \$670/m³ (\$US103 to \$US106 per barrel). All crude prices saw moderate decreases week over week. Compared to the same period in 2007, prices have increased between \$200 and \$243/m³ (\$US41 to \$US47 per barrel).

Crude prices once again reached a new record high on March 14th with West Texas Intermediate (WTI) closing above \$US110 per barrel for the first time. With little new geopolitical activity on the horizon and very little shut-in world production, the question among traders is whether \$100 oil is the new norm, or if it is an unsustainable high.

On the one hand, the depreciation of the U.S. dollar in relation to other world currencies would indicate that the price of crude should increase due to the decreased domestic buying power of oil producing countries selling oil in U.S. currency. Many analysts believe that this has been the main driver pushing prices above \$US100 per barrel.

On the other hand, the decreasing value of the U.S. dollar has signaled that the country could be heading into a recession. Slowing economic activity is usually coupled with a decrease in energy use. As the U.S. is a major consumer of crude oil, a decrease in the country's consumption could lead to a surplus of crude oil on the international market leading to decreased prices.

Figure 6: Crude Oil Price Comparisons



Middle East Oil Supply

With 3.4 million cubic metres per day of production, OPEC Middle East countries account for two third of OPEC's oil supply of 5.1 million cubic metres per day. Non-OPEC Middle East countries account for a further 0.2 million cubic metres per day of production. In addition, Middle East countries currently account for 56% (119 billion cubic metres) of the world's proven oil reserves of 211 billion cubic metres.

Oil is expected to continue to provide the largest share of the world's primary energy supply through to 2030. According to the International Energy Agency (IEA), it is expected that oil production increases will occur in non-OECD regions, resulting in the growing influence of OPEC and Former Soviet Union countries over the markets. OPEC's share of world oil supply is expected to increase from 40% in 2005 to 48% by 2030. Canada stands out as an exception among OECD countries with its growing oil production and exports.

OPEC spare capacity is currently estimated by the IEA at 0.5 million cubic metres per day with 0.4 million cubic metres per day of this spare capacity located in the Middle East. OPEC Middle East countries could raise oil production significantly - especially with Saudi Arabia alone holding 0.3 million cubic metres per day of spare capacity. Along with strategic petroleum reserves held by oil importing countries, the spare capacity provides insurance against supply disruptions.

Note: 1 cubic metre = 6.29 barrel.

Changes in Crude Oil Prices

Crude Oil Types	Week ending: 2008-03-21		Change from:			
	\$Can/ m ³	\$US/ bbl	Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Edmonton Par	659.98	103.95	-13.45	-4.12	+243.08	+46.95
WTI	670.30	106.02	-11.07	-3.32	+240.61	+47.27
Brent	649.83	102.79	-14.24	-3.78	+200.40	+41.34

Source: NRCan



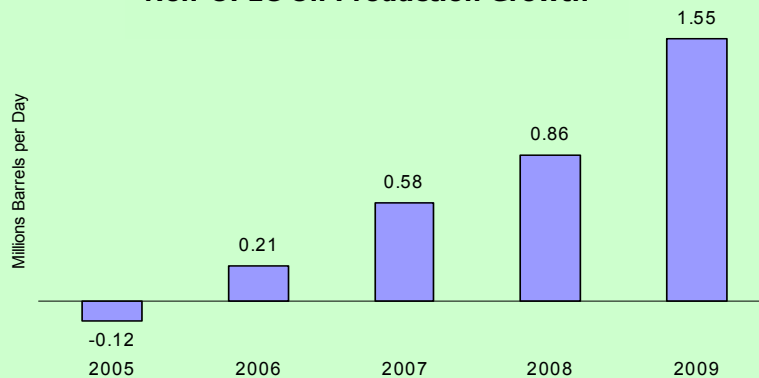


Non-OPEC Countries Expected Oil Production Growth

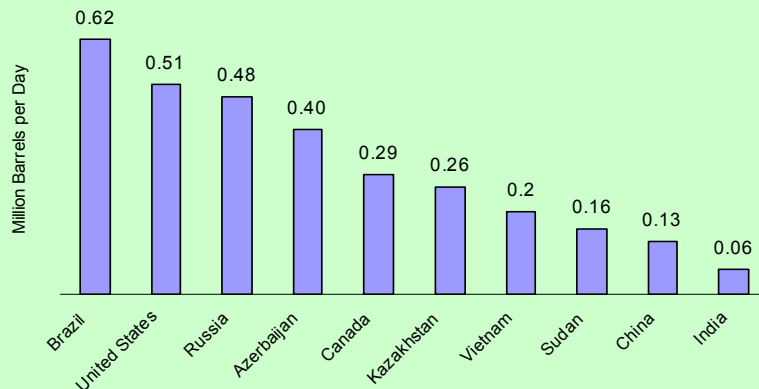
Non-OPEC oil production is expected to increase significantly in 2008 and 2009 according to the U.S. Energy Information Administration. Oil market analysts have often commented on the slow growth in non-OPEC oil production as a key contributor to the current high oil price environment. The imbalance between growth in world oil consumption and non-OPEC oil production has led to greater reliance upon production from OPEC and a drawdown in OECD commercial inventories. These conditions have contributed to upward pressure on world oil prices in recent years.

Although many factors can impede oil production projects, including the long lead time required to come on-line, production growth will likely be concentrated in Brazil, the United States and Russia. Canada, with its significant projected oil sands production, could also contribute greatly to the non-OPEC oil growth. Approximately 80% of Canada's oil production is projected to come from the oil sands by 2020. Overall, non-OPEC oil production growth remains an important aspect of whether world oil prices will be higher than they currently are.

Non-OPEC Oil Production Growth



Key Countries: Non-OPEC Production Growth Between 2007 and 2009



Sources: EIA, *Short-Term Outlook*, January 2008 and excerpts from *This Week in Petroleum*, January 9, 2008.

Note: 1 barrel = 0.15898 cubic metre

