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# Fuel Focus

*Understanding Gasoline Markets in Canada  
and Economic Drivers Influencing Prices*

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Canada

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## National Overview

### Average Canadian Retail Gasoline Prices Increased Nearly 3 Cents to \$1.04 per Litre from Last Week

Canadian retail pump prices, for the week ending June 16, 2009, increased by nearly 3 cents per litre to \$1.04 cents per litre. This represents a seven-week consecutive rise and almost an eight-month high. Average Canadian pump prices reflected the upward pressure from higher North American wholesale gasoline prices.

Diesel fuel prices increased almost 4 cents per litre to 90 cents per litre compared to the previous week. This is a decrease of 57 cents per litre from the same period last year. Furnace oil prices rose by 2 cents per litre from the previous week to an average of 79 cents per litre reflecting the increase in crude oil prices.

## Recent Developments

- Gasoline Sales Up in April 2009:** Sales of motor gasoline totalled 3.5 billion litres, a 6% increase from April 2008. Regular unleaded gasoline, which represented about 91% of total gasoline sales, rose 7%. Diesel fuel sales, however, declined 12% to 1.8 billion litres, while furnace oil declined 7% to 280 million litres. (The Daily, <http://www.statcan.gc.ca/daily-quotidien/090608/dq090608b-eng.htm>)
- Cellulosic Ethanol in Gasoline:** Royal Dutch Shell PLC launched a month-long demonstration at a Shell service station in Ottawa, Ontario, where they sold gasoline blended with 10% cellulosic ethanol, a biofuel produced locally from non-food raw materials.
- Hurricane Season Forecast:** Based on the current Atlantic hurricane season outlook from the National Oceanic and Atmospheric Administration, the U.S. Energy Information Administration estimates expected production shut-ins on the U.S. Gulf Coast during the upcoming hurricane season—June through November—of about 4.5 million barrels for crude oil and 36 billion cubic feet for natural gas. Actual shut-ins are likely to differ significantly from this expectation depending on the number, track, and strength of hurricanes as the season progresses.
- Chinese Electric Vehicles:** Santa Monica-based Miles Electric Vehicles expects to sell Chinese-made, mid-size, all-electric sedans in California by fall 2010. (Source: Octane Week)

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

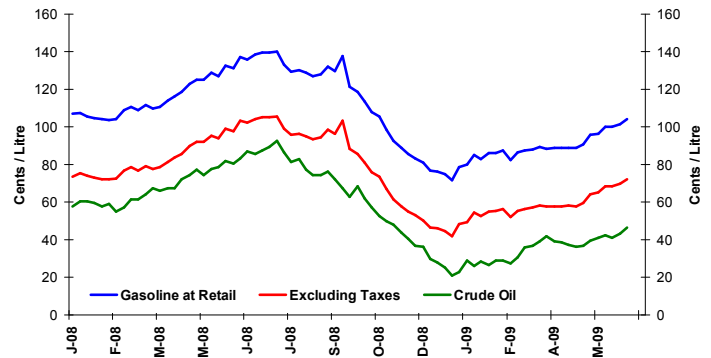
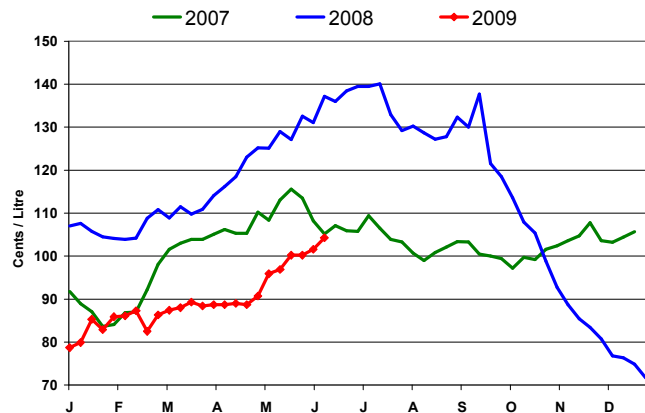


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2009-06-16	Previous Week	Last Year
Gasoline	104.3	+2.7	-31.7
Diesel	89.9	+3.5	-57.2
Furnace Oil	78.6	+2.3	-61.1

Source: NRCan

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## Retail Gasoline Overview

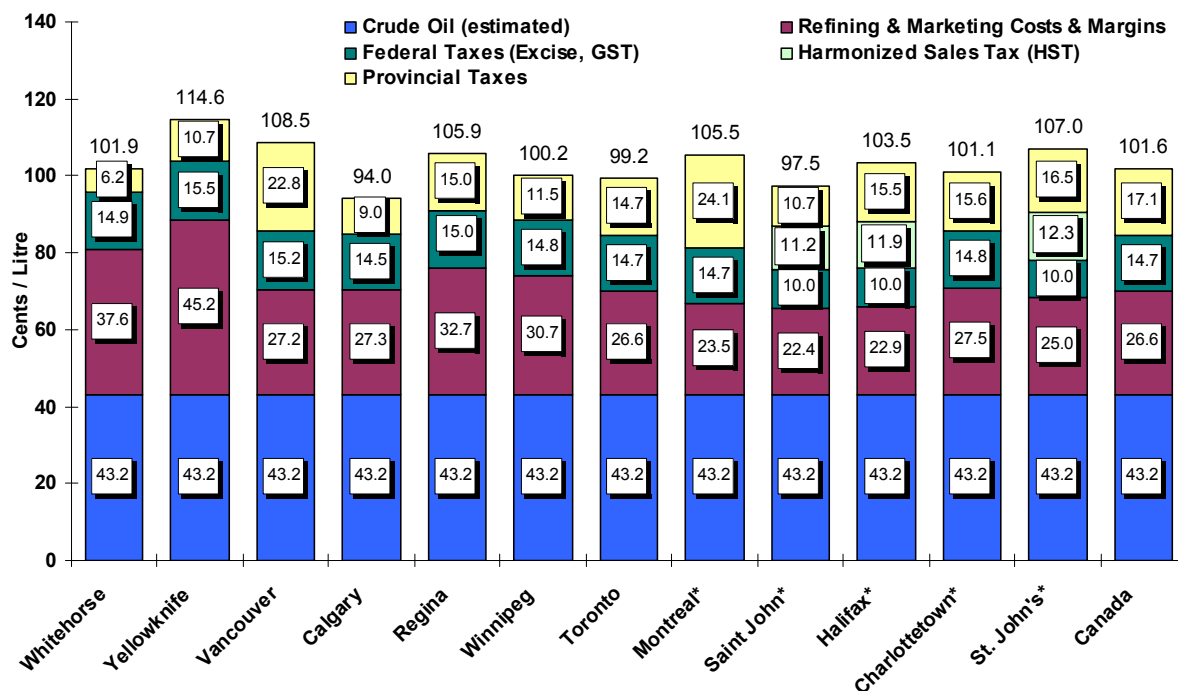
The average Canadian pump price in selected cities for the **four-week average** ending June 16, 2009, was \$1.02 per litre—an increase of 3 cents per litre from the last report on June 5, 2009. This represents a 33 cent per litre decrease compared to the same period in 2008.

Overall, compared to two weeks ago, **four-week average** crude oil prices rose by 2 cents per litre to 43 cents per litre for the period ending June 16, 2009.

Since the last report two weeks ago, retail gasoline prices in Eastern centres rose, on average, 4 cents per litre, ranging from 98 cents per litre (Saint John) to \$1.07 per litre (St. John's). Prices in Western centres also rose on average 4 cents per litre and ranged from 94 cents per litre (Calgary) to \$1.09 per litre (Vancouver).

At the national level, refining and marketing costs and margins rose 1 cent per litre to 27 cents per litre from the previous report two weeks ago. This represents an increase of 9 cents per litre from the same period last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (May 26 to June 16, 2009)**



Source: NRCan

\* Regulated Markets

### U.S. Energy-Related Carbon Dioxide Emissions Declined by 2.8 Percent in 2008

U.S. carbon dioxide emissions from fossil fuels decreased by 2.8 percent in 2008, from 5,967 million metric tons of carbon dioxide in 2007 to 5,802 million metric tons in 2008, according to preliminary estimates released by the Energy Information Administration (EIA). This is the largest annual decline in energy-related carbon dioxide emissions since EIA began annual reporting on greenhouse gas emissions.

The economy, as measured by Gross Domestic Product (GDP), grew by 1.1 percent in 2008, notwithstanding the economic downturn at the end of the year. Energy demand declined by 2.2 percent indicating that energy intensity—energy use per unit of GDP—fell by 3.3 percent in 2008. Carbon dioxide intensity—carbon dioxide emission per unit of GDP—fell by about 3.8 percent.

Factors that influenced the decrease in emissions included record-high oil prices and a decline in economic activity in the second half of the year. Oil-related emissions declined by 6 percent and accounted for the bulk of overall reduction in energy-related carbon dioxide emissions. Total U.S. energy-related carbon dioxide emissions have grown by 15.9 percent since 1990. Energy-related carbon dioxide emissions account for over 80 percent of U.S. greenhouse gas emissions.

Source: EIA, <http://www.eia.doe.gov/oiaf/1605/flash/flash.html>





## Wholesale Gasoline Prices

Wholesale gasoline prices increased in most centres for the **week of June 11, 2009**, compared to the previous week.

On average, prices in both Canadian and U.S. markets rose in the range of 1 to 4 cents a litre and ended the period in the 60 to 65 cents per litre range.

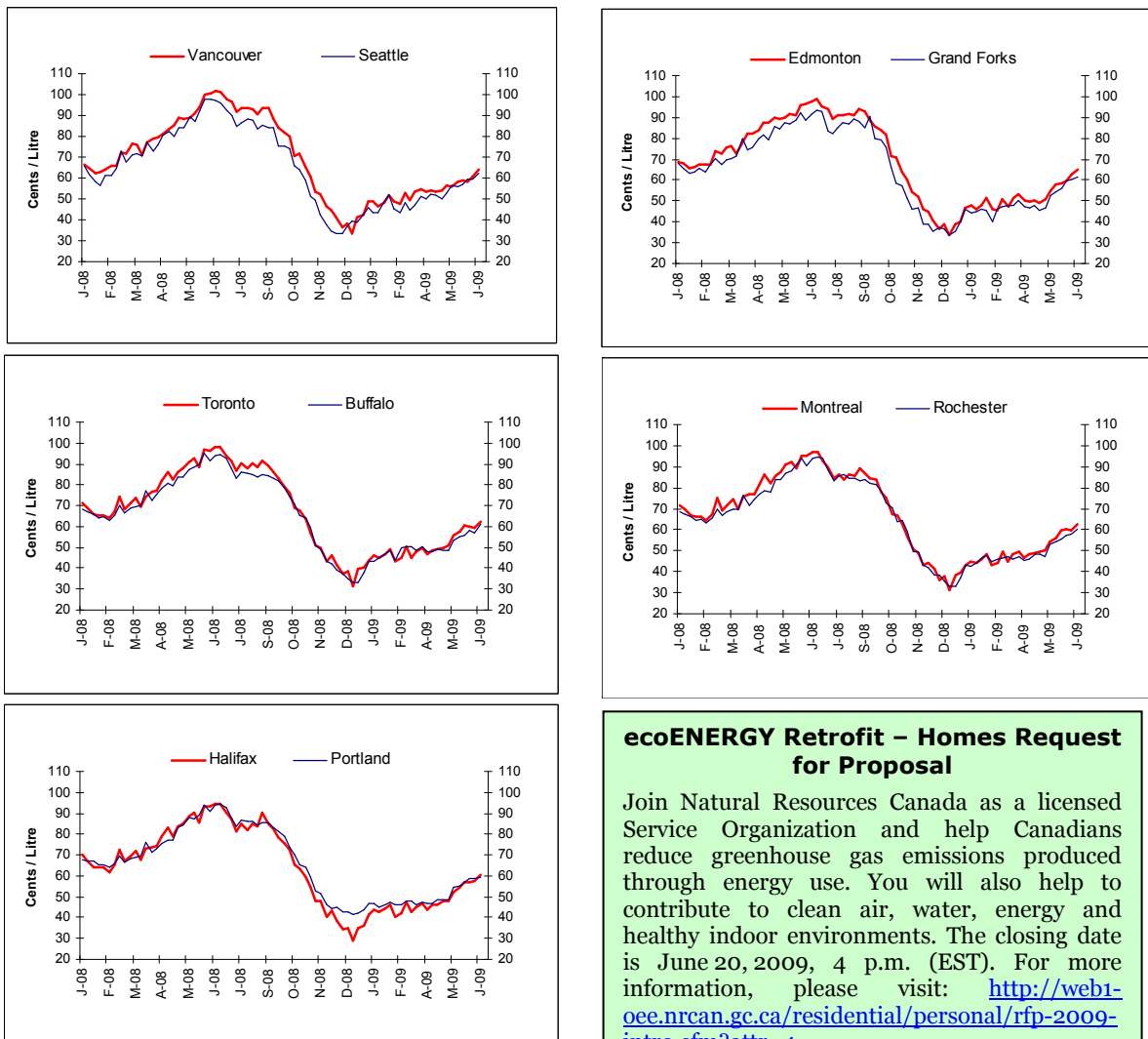
Wholesale gasoline prices in Eastern markets in both Canada and the United States registered increases ranging from 1 to 4 cents per litre, compared to the previous week, and ended the period in the 60 to 63 cents per litre range.

Wholesale gasoline price increases in Western centres ranged from 1 to 3 cents per litre and ended the period between 61 and 65 cents per litre.

In the last four weeks, wholesale prices in most Canadian and American selected centres have increased in the range of 5 to 7 cents per litre.

Overall, wholesale gasoline prices in most markets are 25 to 30 cents per litre below last year's level.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending June 11, 2009  
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide

### ecoENERGY Retrofit – Homes Request for Proposal

Join Natural Resources Canada as a licensed Service Organization and help Canadians reduce greenhouse gas emissions produced through energy use. You will also help to contribute to clean air, water, energy and healthy indoor environments. The closing date is June 20, 2009, 4 p.m. (EST). For more information, please visit: <http://web1-oe.nrcan.gc.ca/residential/personal/rfp-2009-intro.cfm?attr=4>





## Gasoline Refining and Marketing Margins

**Four-week rolling averages** are used for the refining and marketing margins for gasoline. See Figure 5 for the period ending June 16, 2009.

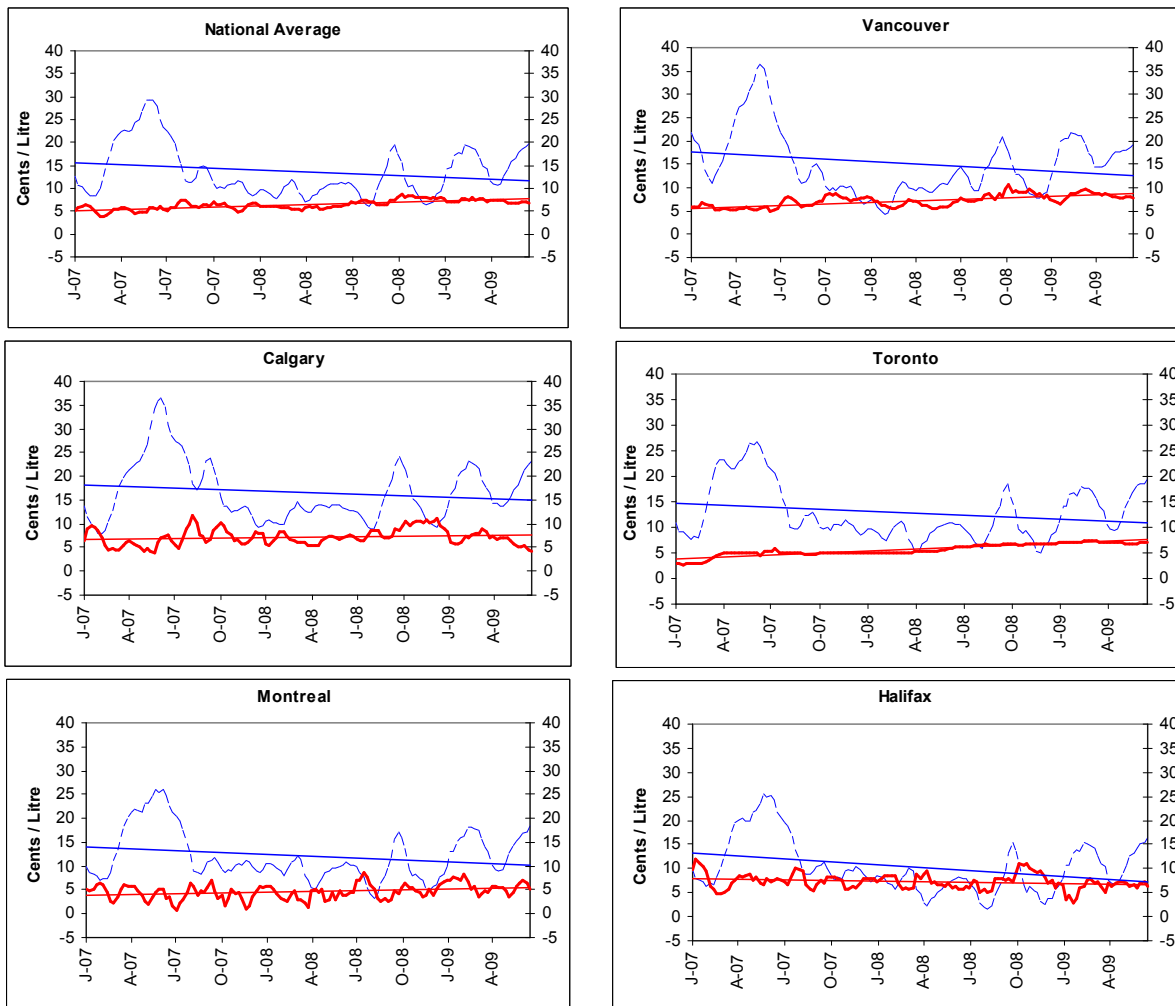
Refining margins continue to fluctuate upward. This is mainly because of the traditional rise in demand with the approach of the summer driving season and lower gasoline inventories in North America causing tight supplies for gasoline.

These margins are the difference between the cost of the crude oil and the wholesale price at which a refiner can sell gasoline. As demand for gasoline rises, inventories

are drawn down and wholesale gasoline prices are driven up as markets try to rebalance.

Marketing margins represent the difference between the wholesale and retail prices of gasoline. This margin pays for the costs associated with operating a service station. The local retailer generally earns 5 to 7 cents per litre on gasoline sales and often relies on ancillary income from convenience stores, carwashes or food outlets to help cover the site operating costs.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending June 16, 2009  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

### Crude Oil Prices Buoyed by Commodity Markets and Favorable Forecasts

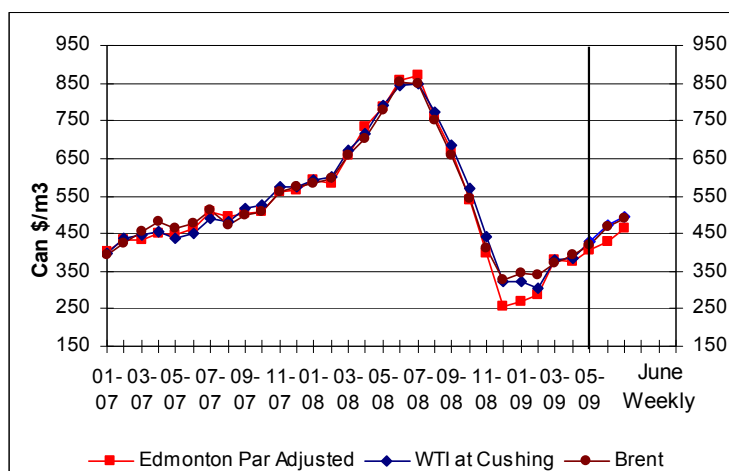
For the week ending June 12, 2009, crude oil prices for the three marker crudes, averaged between \$463/m<sup>3</sup> and \$495/m<sup>3</sup>, (\$US66 to \$US71 per barrel). This is an increase of \$22 to 34/m<sup>3</sup> (\$US3 to \$US4 per barrel) compared to the previous week.

Driven by investors using the crude oil commodity markets as a hedge against inflation, international crude oil prices continue to rise. The belief that the worst of the economic recession is over has contributed to the equity market rebound pulling energy prices higher.

Amid indications of a pending economic recovery, world crude oil prices reached a seven-month high on June 12, 2009, after the International Energy Agency increased its prediction of global oil demand for the first time in 10 months.

Meanwhile, U.S. commercial inventories of crude oil are down. Gasoline inventories have been rebuilding in the weeks following the Memorial Day weekend but are 3 million barrels lower than a year ago and remain below the average five-year range. This could put upward pressure on gasoline prices should demand increase.

**Figure 6: Crude Oil Price Comparisons**



### Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2009-06-12		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	462.56	66.22	+33.55	+4.37	-407.02	-70.12
WTI	494.75	70.83	+22.41	+2.73	-372.14	-63.88
Brent	490.54	70.23	+23.74	+2.93	-372.91	-63.95

Source: NRCan

### Canadian Oil and Gas Projects

According to the Canadian Energy Research Institute, over the next 25 years, oil and gas projects are expected to have a \$3.1 trillion dollar economic impact on the Canadian economy. The largest investments are expected in Canada's oil sands industry where projects are expected to have an economic impact of just over \$1.4 trillion dollars while conventional oil developments are expected to have a \$204 billion dollar impact.

Conventional gas projects are expected to contribute approximately 1.1 trillion—second only to the economic impact of oil sands projects—to Canada's economy while unconventional gas projects are expected to have an economic impact of \$414 billion. Liquefied Natural Gas (LNG) projects are expected to contribute \$15 billion to the national economy.

#### Economic Impacts Over the Next 25 Years (in billion of dollars)

Oil Sands Developments in Alberta	1,427
Conventional Oil in Alberta	134
Conventional Gas in Alberta	914
Conventional Oil in B.C.	5
Conventional Gas in B.C.	109
Conventional Gas in Saskatchewan	52
Conventional Oil in Manitoba	13
Coal Bed Methane in Alberta	117
Horn River & Montney Shale Gas in B.C.	279
LNG Terminals in Quebec and B.C.	15
Mackenzie Valley Pipeline in B.C.	27
<b>Total</b>	<b>3,092</b>

Source: Canadian Energy Research Institute, June 2009

