



Natural Resources
Canada

Ressources naturelles
Canada



Fuel Focus

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

Volume 10, Issue 13

July 24, 2015

Canada 

Copies of this publication may be obtained free of charge from:

Natural Resources Canada

Petroleum Resources Branch

580 Booth Street, 17th Floor

Ottawa, Ontario K1A 0E4

Phone: (343) 292-6221

TTY Service: (613) 996-4397 (Teletype for the hearing-impaired)

Fax (613) 992-0614

Web site: <http://www.nrcan.gc.ca/sources/petroleum-crude-prices/gazoline-reports/4793>

© Her Majesty the Queen in Right of Canada 2015

ISSN 1918-3321

Aussi offert en français sous le titre *Info-Carburant*



National Overview

Canadian Retail Gasoline Prices Stable over Last Two Weeks

For the **two-week** period ending July 21, 2015, the Canadian average retail gasoline price reached \$1.22 per litre. This is about the same price as the two-week period ending July 7, 2015. Prices are 11 cents per litre lower than the same period last year.

Average retail diesel prices decreased by nearly 2 cents per litre over the same time period falling to \$1.10. This is 24 cents less compared to the same period last year. Over the same period, furnace oil prices decreased by 1 cent per litre to reach \$1.06, 20 cents per litre less than a year ago.

Recent Developments

- International Monetary Fund Lowers Growth Projections for Canadian Economy in 2015:** On July 9, 2015, the International Monetary Fund (IMF) forecast global economic growth to be 3.3 per cent in 2015, down from 3.5 per cent in its April forecast. The IMF also lowered Canada's growth projection in 2015 to 1.5 per cent, down from 2.2 per cent in its April forecast. Since the U.S. is a key trading partner, unexpected weakness in the U.S. economy in the first quarter of 2015 is also expected to scale back Canadian growth. (Source: <http://www.imf.org/external/pubs/ft/weo/2015/update/02/index.htm>)
- International Energy Agency Reports an Increase in World Oil Production in June:** The International Energy Agency's (IEA) Monthly Oil Market Report forecasts that the ongoing supply surplus of crude oil will continue to put downward pressure on prices. Global oil supply increased by 550,000 barrels per day in June, on higher output from both OPEC and non-OPEC producers. At 96.6 million barrels per day, world oil production was 3.1 million barrels per day higher than a year earlier. (Source: <http://www.iea.org/newsroomandevents/news/2015/july/iea-releases-oil-market-report-for-july.html>)
- Domestic Sales of Refined Petroleum Products Increased:** According to Statistics Canada's *Supply and Disposition of Refined Petroleum Products*, sales of refined petroleum products in April were 8.2 million cubic metres (52 million barrels) higher, up 2.8 per cent relative to April 2014. Refinery production also rose, increasing by 2.3 per cent over the same time period. Source: <http://www.statcan.gc.ca/daily-quotidien/150714/dq150714a-eng.htm>

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

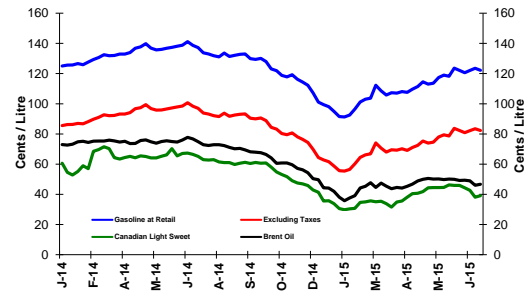
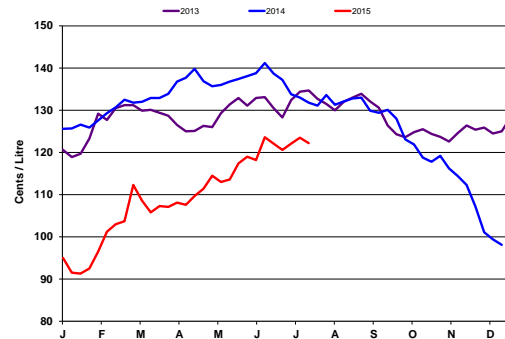


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two week average ending:	Change from:	
	2015-07-21	2 Weeks Ago	Last Year
Gasoline	122.2	122.1	-11
Diesel	110.1	111.7	-24
Furnace Oil	105.9	107.2	-20
Natural Gas Prices in \$/GJ			
Alberta (NGX)	2.69	0.15	-1.31
Ontario (Dawn)	3.53	0.17	-0.71

Source: NRCAN, Bloomberg, NGX

Natural Gas Prices for Vehicles

2015-07-21	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	123.6	81.5	84.5
Edmonton	115	75.9	78.7
Toronto	128.4	84.7	87.8

Source: ¢/kg Kent Marketing Services Limited

In this Issue

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





Retail Gasoline Overview

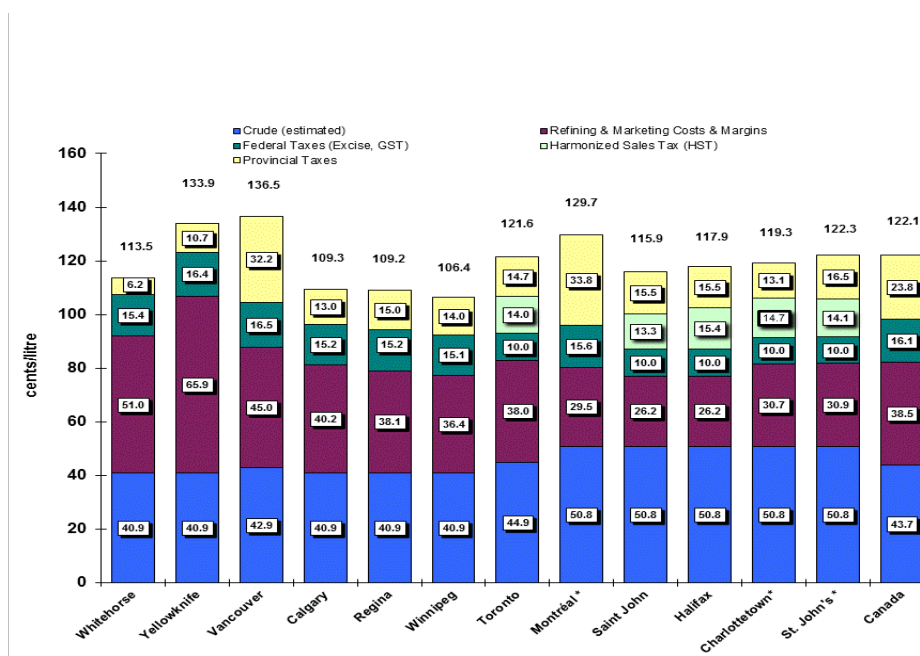
For the period ending July 21, 2015, the **four-week** average regular gasoline pump price in selected cities across Canada was \$1.22 per litre, the same as the previous 4 week average from the July 10th report. Compared to the same period in 2014, the average Canadian pump price is 14 cents per litre lower.

The four week average crude oil price component of gasoline decreased by 2 cents, averaging 44 cents per litre over the four-week period. This is 25 cents per litre lower than this time last year.

Retail gasoline prices in Western centres decreased by 1 cent per litre compared to the previous report and ranged from \$1.06 per litre to \$1.34 per litre. Prices in Eastern cities decreased by 1 cent per litre and ranged from \$1.18 to \$1.29 per litre.

At the national level, refining and marketing costs and margins were 39 cents per litre, 3 cents higher compared to the previous report and 15 cents higher than the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (June 30 to July 21, 2015)**



Source: NRCan

* Regulated Markets

Transportation costs are included in the crude oil estimate for Vancouver (\$2.20), Toronto (\$4.50) and Eastern Canada (\$3.40) all prices in USD.

Refined Product Pipelines

In an inland area, refined product pipelines are the most cost-effective means of moving product from the refinery to the markets they serve. Various types and grades of petroleum products are transported through the pipeline in batches to minimize contamination. Refined fuel products must meet strict quality specifications and are more easily contaminated during transportation than crude oils.

Edmonton accounts for approximately a quarter of Canadian refining capacity, and is the main refining centre in Western Canada. Edmonton is connected by three different product pipelines to major markets in the region: the TransMountain to Kamloops and Burnaby, British Columbia; the Alberta Products pipeline to Calgary; and Enbridge Line 1 to Regina, Saskatchewan and Gretna, Manitoba. Short branch lines also deliver product from Regina to Saskatoon and Gretna to Winnipeg.

The Sarnia-Nanticoke refineries in Ontario account for approximately a fifth of Canada's capacity. The Sun-Canadian and Sarnia Products pipelines deliver output from Sarnia's refineries to London, Hamilton and Toronto, and the Trans-Northern pipeline delivers products from the Nanticoke refinery to Toronto. The Trans-Northern pipeline also connects a refinery in Montreal, Quebec to Ottawa, Toronto and Oakville. Montreal itself is a key population centre, and a large refinery in Levis, Quebec is linked to the Montreal region by the Saint-Laurent product pipeline.

In Atlantic Canada, given their access to tidewater, refineries deliver their product to their main markets using tanker ships.

Sources: M.J. Ervin and Associates <https://www.kentgrouppltd.com/canadas-downstream-logistical-infrastructure/> and <http://www.pipelinesaintlaurent.ca/>





Wholesale Gasoline Prices

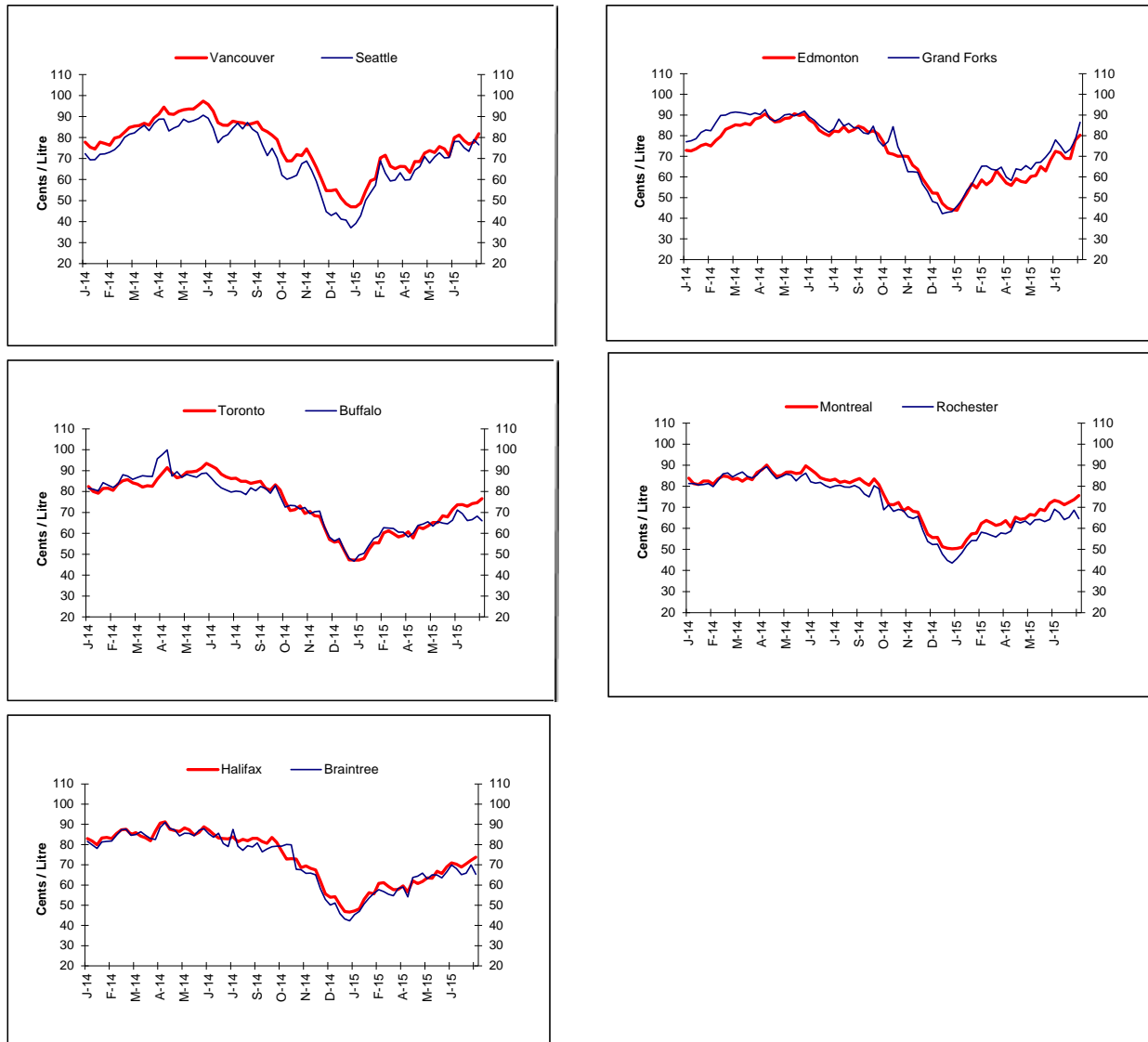
For the **two-week** period ending July 16, 2015, wholesale gasoline prices in selected Canadian and U.S. cities went in opposite directions. In Canada, prices were up slightly in all selected cities. Meanwhile, in the U.S., prices declined in all but one selected U.S. city - Grand Forks, North Dakota – where prices increased almost 20 percent.

Wholesale gasoline prices for the two week period averaged between 65 and 86 cents per litre. This compares to the previous two week period where prices were in the 65 to 78 cents per litre range.

In Western Canada, wholesale gasoline prices increased between nearly 2 cents and more than 4 cents per litre ending in the 70 to 82 cents per litre range. Price changes in Eastern markets of Canada and the U.S. ranged between a decrease of about 5 cents and an increase of 2 cents per litre ending in the 65 to 80 cents per litre range.

Overall, prices have been trending upwards since the beginning of the year, though in most selected centres, prices are approximately 7 to 15 cents per litre lower than in the same period last year.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending July 16, 2015
(CAN ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide





Gasoline Refining and Marketing Margins

Four-week rolling averages are used for gasoline refining and marketing margins.

These gasoline refining margins refer to the difference between the cost of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the cost associated with refining the product as well as a profit for the retailer.

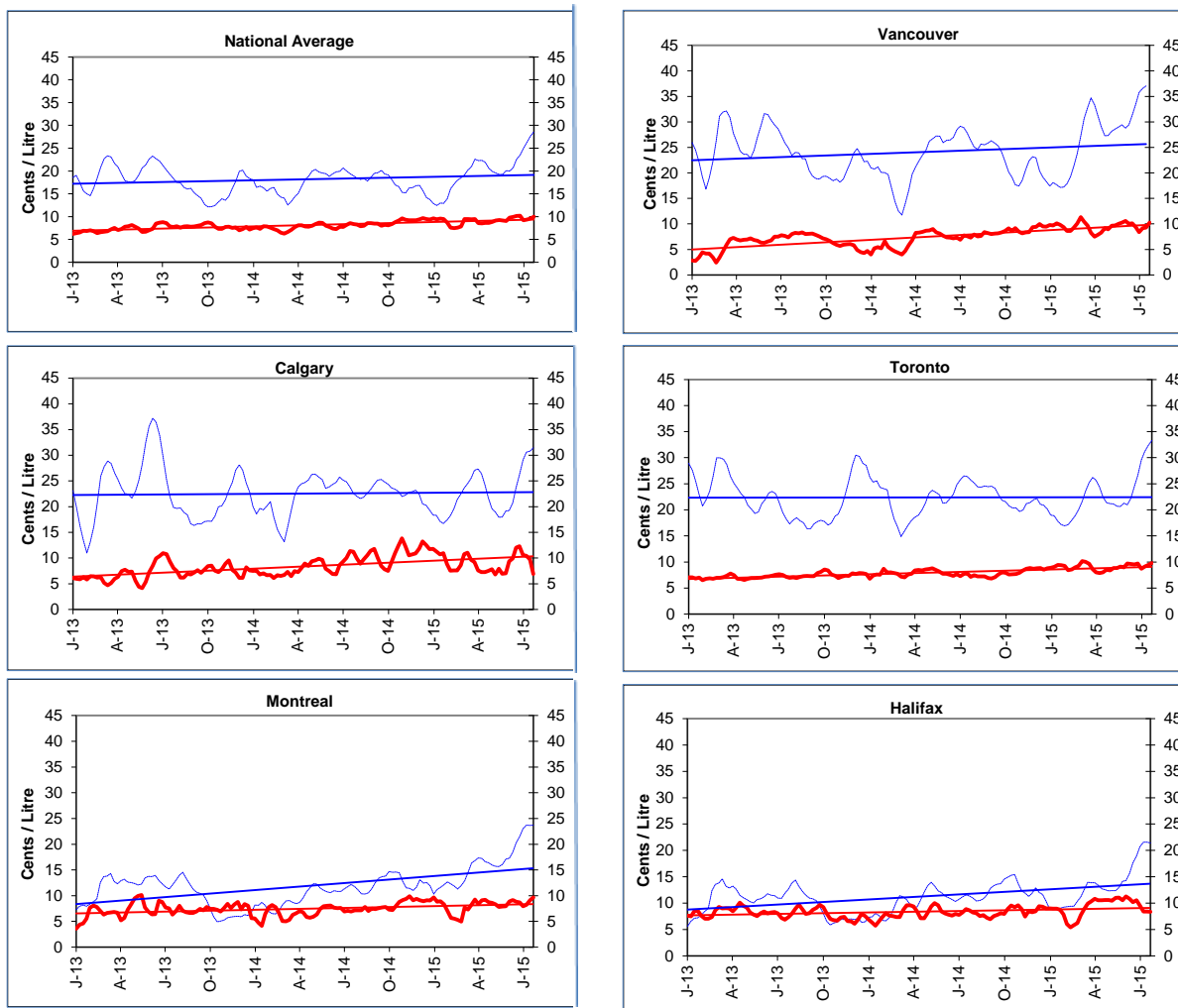
The gasoline marketing margins represent the difference between the wholesale and retail prices of gasoline. This margin pays for the costs associated with operating a service station.

Gasoline refining margins have been trending upwards in all of the major Canadian markets shown below. In recent weeks, crude oil prices have declined more than wholesale gasoline prices, resulting in stronger refining margins.

Nationally, the four-week rolling average ending July 21, 2015 was 28.6 cents per litre, an increase of more than 2 cents over the past two weeks. Compared to the same time last year, margins in Canada are almost 10 cents per litre higher.

Canadian marketing margins have been fairly stable over the past two weeks, averaging 10.4 cents per litre.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending July 21, 2015
----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

West Texas Intermediate crude oil prices fall to near US\$50 per barrel range as speculation of an eventual increase in Iranian exports exacerbates an already oversupplied market

For the **two weeks** ending July 21, 2015, prices for the three light crude benchmarks averaged between CAD\$307.98 /m³ and CAD\$466.65/m³ (US\$47.49 and US\$57.67 per barrel).

Canadian light crude oil prices at Edmonton decreased by CAD\$117.54/m³ (US\$ 6.72 per barrel) from two weeks ago, West Texas Intermediate (WTI) decreased by CAD\$ 115.06/m³ (US\$5.74 per barrel) and Brent decreased by CAD\$ 15.68/m³ (US\$3.77 per barrel).

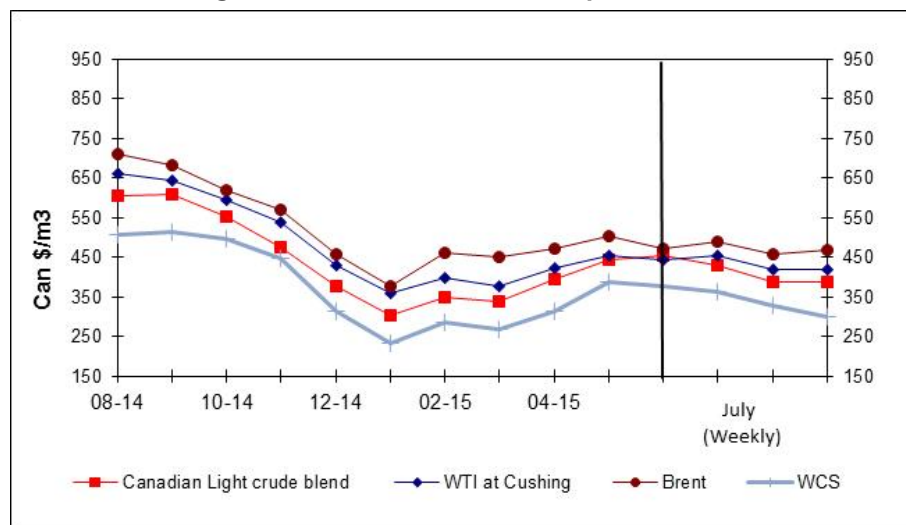
The differential between Canadian light crude and WTI for the two weeks ending July 7 was CAD \$27.10/m³, (US\$ 4.12 per barrel), a decrease from the previous two weeks where it averaged CAD \$36.58/m³ (US\$3.13 per barrel). Meanwhile, for the same period, the differential between Canadian light crude and Brent was CAD \$158.67/m³ (US\$10.18 per barrel). This differential widened significantly from the previous two week period where it averaged CAD \$56.81/m³ (US\$7.23 per barrel).

The discount for Canadian heavy oil, as measured by the Western Canadian Select (WCS) price differential to WTI averaged CAD\$32.90/m³ (US \$14.21 per barrel) for the two weeks ending July 7.

Crude oil markets reacted negatively to the news that a framework for an Iran nuclear agreement had been reached, resulting in lower prices. Industry analysts noted that once sanctions are lifted, Iran's oil exports could increase rapidly, adding barrels to a market that is already oversupplied.

According to the Energy Information Administration, U.S. inventories rose by 2.47 million barrels last week. This is contrast to analysts' expectations of a 2.2 million barrel decrease. U.S. stockpiles, which are currently at 463.89 million barrels, remain almost 100 million barrels above the five-year average for this time of year.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2015-07-21		Change From:			
			2 Weeks Prior		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Canadian Light	307.98	47.49	-117.54	-6.72	-320.90	-45.74
WTI	335.08	51.61	-115.06	-5.74	-354.31	-50.51
Brent	466.65	57.67	-15.68	-3.77	-257.72	-49.72
WCS	302.17	37.41	-60.37	-8.78	-231.74	-41.75

Source: NRCan

