



Fuel Focus

National Overview

Canadian Retail Gasoline Prices Decreased by 5 Cents over the Last Two Weeks

For the **two-week** period ending February 16, 2016, the Canadian average retail gasoline price was \$0.88 per litre. This is a decrease of 5 cents compared to the two-week period ending February 2, 2016. Prices are 14 cents per litre lower than the same period last year.

Average retail diesel prices decreased by less than 1 cent per litre over the same two-week time period to \$0.89 per litre. This is 24 cents less compared to the same period last year. Over the same period, furnace oil prices increased by less than 1 cent to \$0.92, 17 cents per litre less than a year ago.

Recent Developments

U.S. Short Term Energy Outlook

On February 9, 2016, the U.S. Energy Information Administration released its *Short-Term Energy Outlook*. The EIA forecasts that the annual average U.S. retail gasoline price will be below \$2.00 per gallon (69 CAD cents per litre) in 2016. This would be the lowest U.S. annual average gasoline price since 2004. The forecast also notes that that growing crude oil inventories continue to put downward pressure on global oil prices. They forecast Brent and WTI crudes will both average \$38 per barrel in 2016, and \$50 per barrel in 2017.

Source: U.S. Energy Information Administration
<http://www.eia.gov/forecasts/steo/report/>

International Energy Agency (IEA) Oil Market Report

On February 9, 2016, the IEA released its monthly *Oil Market Report*. The report identifies a number of factors that continue to weigh on oil prices. On the supply side, there have been recent production increases by Oil Producing and Exporting Countries (OPEC) members including Iraq, Saudi Arabia and Iran. However, non-OPEC production has not declined as fast as expected in response to low oil prices. In addition, the IEA is forecasting that crude oil demand will grow slowly, by only 1.2 million barrels per day (bpd) in 2016, down from 1.5 million bpd in 2015. The IEA notes that the surplus of supply is greater than forecasted in their previous report in January. The IEA concludes that these factors will continue to put downward pressure on global oil prices in the short term.

Source: IEA
<https://www.iea.org/oilmarketreport/omrpublic/>

Ontario Electric Vehicle Incentive Program

On February 10, 2016, the Government of Ontario announced a new modernized Electric Vehicle Incentive Program. The program will increase the current incentives (\$5,000- to \$8,500 per vehicle) to \$6,000 to \$10,000 per vehicle. The program will also include additional incentives for vehicles with larger battery capacities, and for the purchase of electric chargers for home and business use. This program is in addition to the \$20 million announced in December 2015 for the building of public fast charging stations for electric vehicles in the province.

Source: Government of Ontario
<https://news.ontario.ca/opo/en/2016/02/ontario-making-electric-vehicles-more-affordable.html>

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

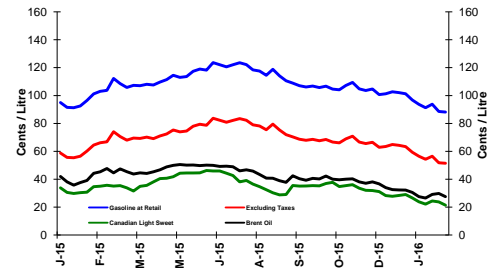
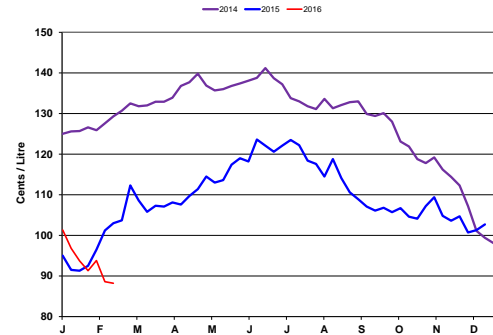


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two week average ending:		Change from:	
	2016-02-16	2 Weeks Ago	2 Weeks Ago	Last Year
Gasoline	88.4	-4.5	-4.5	-13.7
Diesel	89.1	-0.5	-0.5	-23.8
Furnace Oil	91.5	0.4	0.4	-16.9
Natural Gas Prices in \$CA/GJ				
Alberta (AECO)	1.86	-0.27	-0.27	-0.67
Ontario (Dawn)	2.80	-0.21	-0.21	-0.92

Source: NRCan, Bloomberg

Natural Gas Prices for Vehicles

2016-02-16	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	120.1	79.2	82.1
Edmonton	115.0	75.9	78.7
Toronto	128.4	84.7	87.8

Source: ¢/kg Kent Marketing Services Limited

In this Issue

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



Retail Gasoline Overview

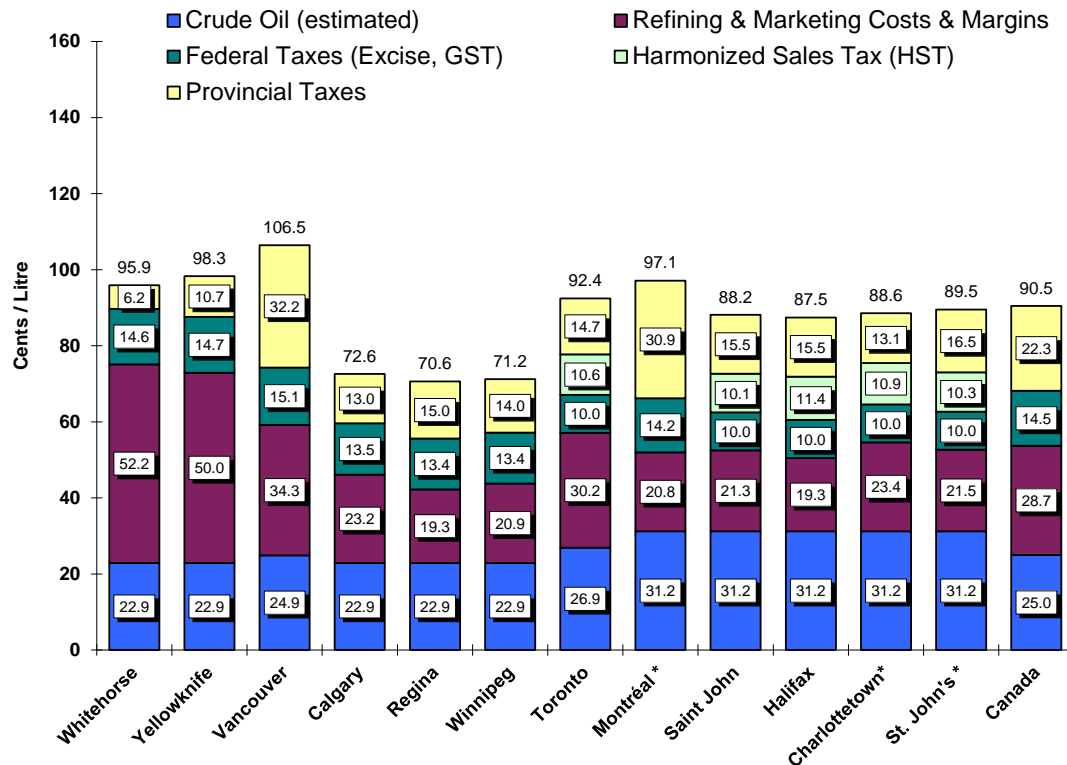
For the period ending February 16, 2015, the four-week-average regular gasoline pump price in selected cities across Canada decreased to \$0.91 per litre compared to the previous report of February 2, 2016. Compared to the same period in 2015, the average Canadian pump price is 8 cents per litre lower.

The four-week-average crude oil component decreased by 1 cent, averaging 25 cents over the period. The crude oil price component of gasoline is 15 cents per litre lower than this time last year.

Retail gasoline prices in Western centres decreased by 5 cents per litre compared to the previous report and ranged from \$0.71 per litre to \$1.07 per litre. Average prices in Eastern cities decreased by 3 cents and ranged from \$0.88 to \$0.97 per litre.

At the national level, refining and marketing costs and margins were 29 cents per litre, 2 cents lower than in the previous report and 8 cents higher than the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (January 26 to February 16, 2016)**



Source: NRCan

* Regulated Markets

An estimate of crude oil transportation costs is included in the crude oil estimate for Vancouver (2 cents per litre), Toronto, (4 cents per litre), and Atlantic Canada and Quebec (3 cents per litre)



Wholesale Gasoline Prices

For the two week period ending February 11, 2015, wholesale gasoline prices across selected North American cities trended downward, except in Vancouver and Seattle where prices increased slightly. Prices were especially down in Toronto where they decreased by 6 cents per litre (11%).

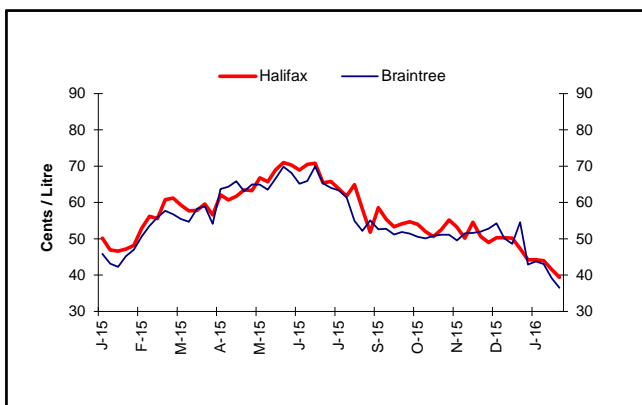
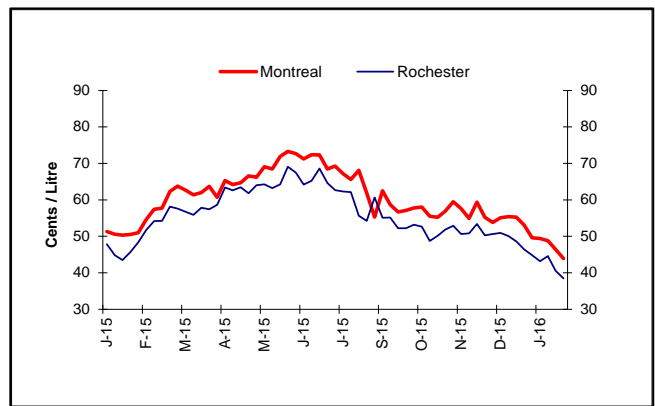
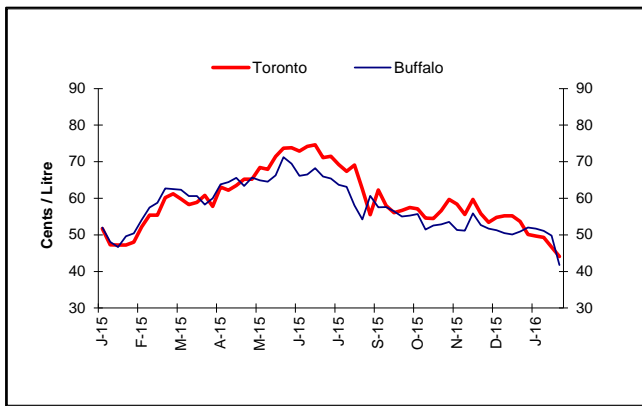
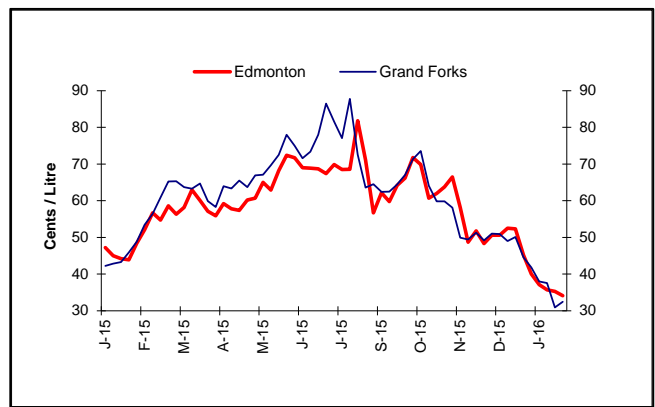
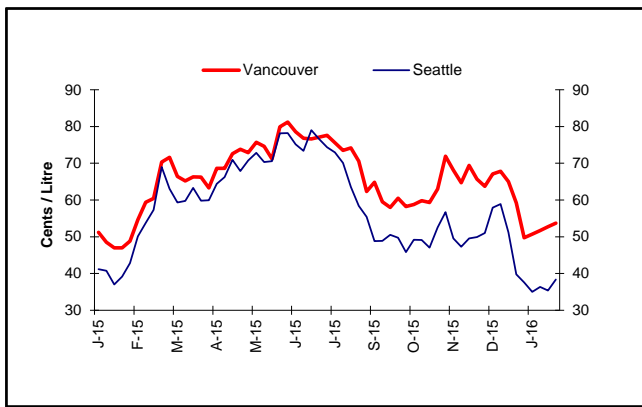
Wholesale gasoline prices for the two week period averaged between 32 and 54 cents per litre. This compares to the previous two week period where prices were in the 36 to 51 cents per litre range.

In Western cities, wholesale gasoline prices ranged from a decrease of 6 cents to an increase of 3 cents per litre ending in the 32 to 54 cents per litre range.

Wholesale gasoline price changes in Eastern markets of Canada and the U.S. decreased between 5 and 10 cents per litre ending in the 38 to 44 cents per litre range.

Compared to last year, wholesale prices are lower in all markets. This is especially the case in Edmonton and Grand Forks, where prices are down by 23 cents per litre (40%) and 24 cents per litre (43%) respectively compared to last year.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending February 11, 2016
(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.

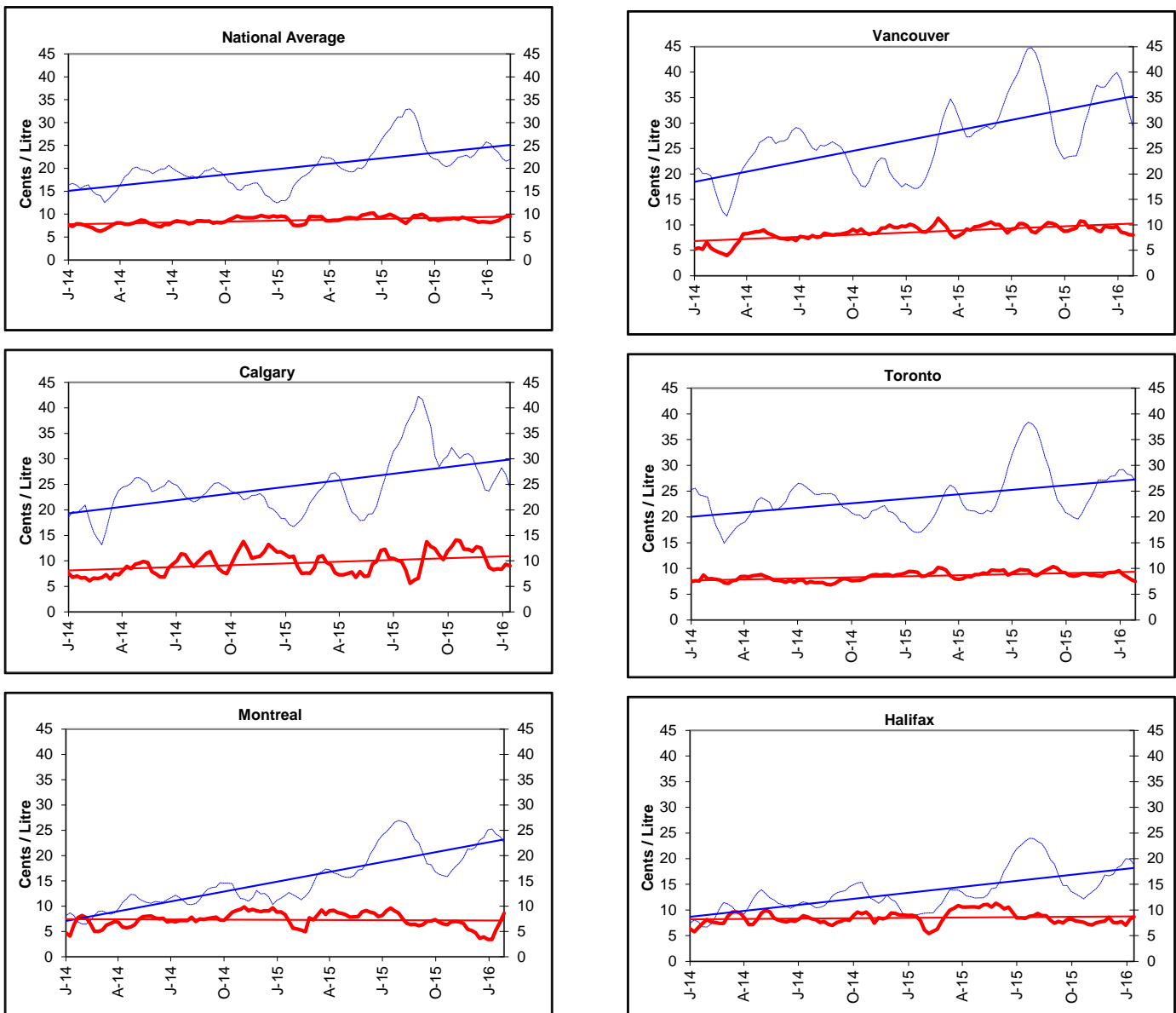
Gasoline refining margins refer to the difference between the price of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the costs associated with refining the product as well as a profit for the refiner.

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.

Nationally, the four-week rolling average refining margin for the period ending February 16, 2016 was 22 cents per litre, an increase of less than a cent over the previous two week period. Compared to the same time last year, margins in Canada are 4 cents per litre higher.

Overall, the national average for marketing margins increased slightly to reach 9 cents per litre.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending February 16, 2016
----- Refining Margin — Marketing Margin



Source: NRCan



Crude Oil Overview

For the two weeks ending February 16, 2016, prices for the three light crude benchmarks averaged between CAD\$225.50 /m³ and CAD\$284.53/m³ (U.S.\$25.89 and U.S.\$32.66 per barrel).

Canadian light crude oil prices at Edmonton decreased by CAD\$9.86/m³ (U.S.\$0.50 per barrel) from two weeks ago, West Texas Intermediate (WTI) decreased by CAD\$16.30/m³ (U.S.\$1.22 per barrel) and Brent decreased by 0.26 /m³ (an increase of U.S.\$0.65 per barrel).

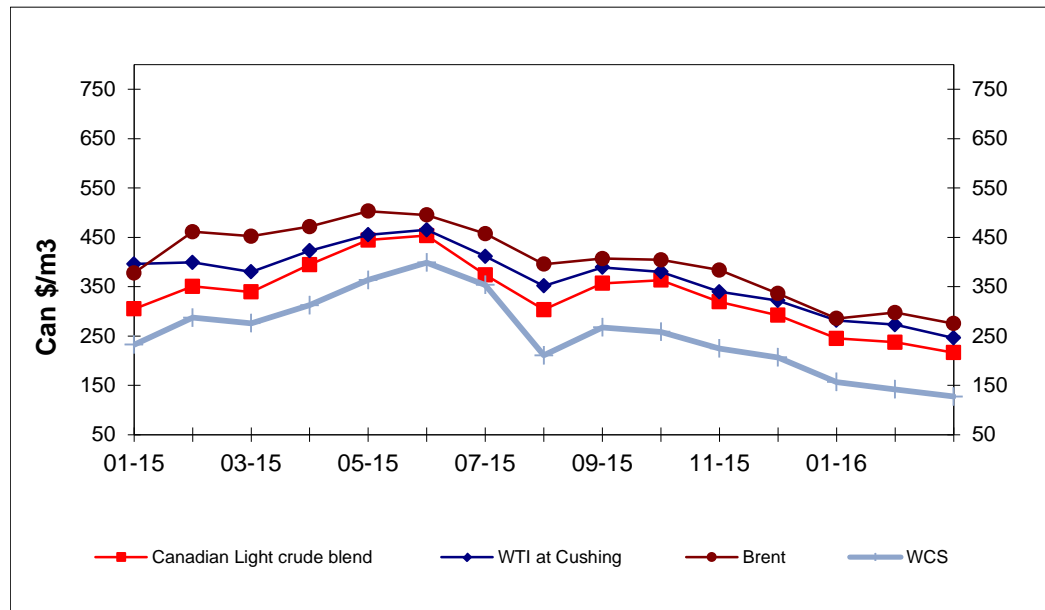
The differential between Canadian light crude and WTI for the two weeks ending February 16, 2016, was CAD\$30.71/m³, (U.S.\$3.52 per barrel), a slight decrease from the previous two weeks where it averaged CAD\$37.15/m³ (U.S.\$4.24 per barrel). Meanwhile, for the same period, the differential between Canadian light crude and Brent was CAD\$59.02/m³ (U.S.\$6.77 per barrel). This differential increased from the previous two week period where it averaged CAD\$49.43/m³ (U.S.\$5.62 per barrel).

The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI averaged CAD\$118.02/m³ (U.S.\$13.55 per barrel) for the two weeks ending February 16, 2016.

For the week ending February 10, 2016 the U.S. Energy Information Administration (EIA) data showed that U.S. crude inventories decreased by 0.8 million barrels, with total stocks reaching 502.0 million barrels. U.S. crude oil inventories remain near record levels for this time of year.

EIA data also shows U.S. refinery utilization rates were lower, reaching 86% for the week ending February 10, 2016, down from 89% for the previous week.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-02-16		Change From:			
	\$Can/ m ³	\$US/ bbl	2 Weeks Prior		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Canadian Light	225.50	25.89	-9.86	-0.51	-123.52	-14.09
WTI	256.21	29.41	-16.30	-1.22	-145.26	-21.69
Brent	284.53	32.66	-0.26	+0.65	-168.60	-25.01
WCS	138.19	15.86	-9.97	-0.79	-158.76	-21.93

Source: NRCan