



National Overview

Average Retail Gasoline Prices Increase by 1.4 Cents per Litre from Last Week

The Canada average retail gasoline price increased to 89.5 cents per litre for the week ending November 21, up 1.4 cents per litre from last week, and 1.2 cents per litre above last year's price at this time. Canadian gasoline prices are starting to show some upward movement, reflecting the higher wholesale gasoline prices, after a sustained period of decline since August.

In spite of this recent increase, there are a number of factors that should continue to exert downward pressure on prices. Such factors include a decrease in the world oil demand growth forecast, as reported by the International Energy Agency (IEA), and an increase in oil supply from the Organisation for Economic Co-operation and Development (OECD) countries which could offset any potential or proposed production output decline from the Organisation of Petroleum Exporting Countries (OPEC).

Diesel prices declined by approximately 1 cent per litre from last week to 89 cents per litre and remained almost unchanged from the last report two weeks ago. Conversely, furnace oil prices have increased 1 cent per litre to 77 cents per litre from last week.

Recent Developments

- NRCan's Oil Division recently released a study entitled *Overview of Retail Gasoline Throughput and Market Share in Canada*. A summary is available under the Retail Gasoline Overview section of this report. The full report is available on NRCan's Fuel Focus website at:
http://www.nrcan.gc.ca/inter/subject_e.html
- Statistics Canada's *Energy Statistics Handbook* update for the 2nd Quarter 2006 has been released and is available at:
<http://www.statcan.ca/bsolc/english/bsolc?catno=57-601-XIE>

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

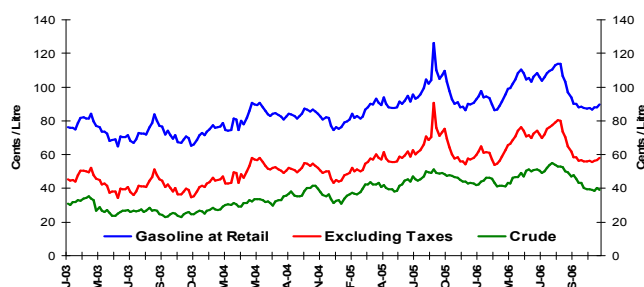
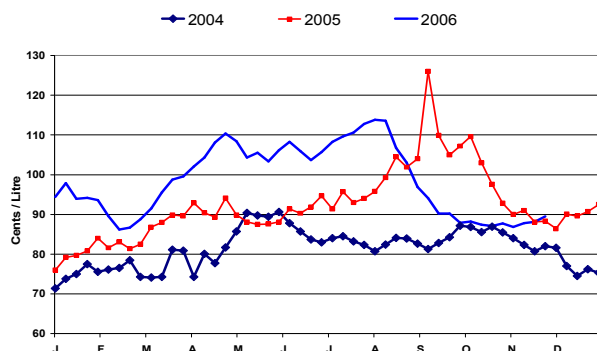


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

	Week of:	Change from:	
¢/L	2006-11-21	Previous Week	Last Year
Gasoline	89.5	+1.4	+1.2
Diesel	88.7	-0.7	-11.0
Furnace Oil	76.8	+1.0	-7.6

Source: NRCan

In this Issue

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





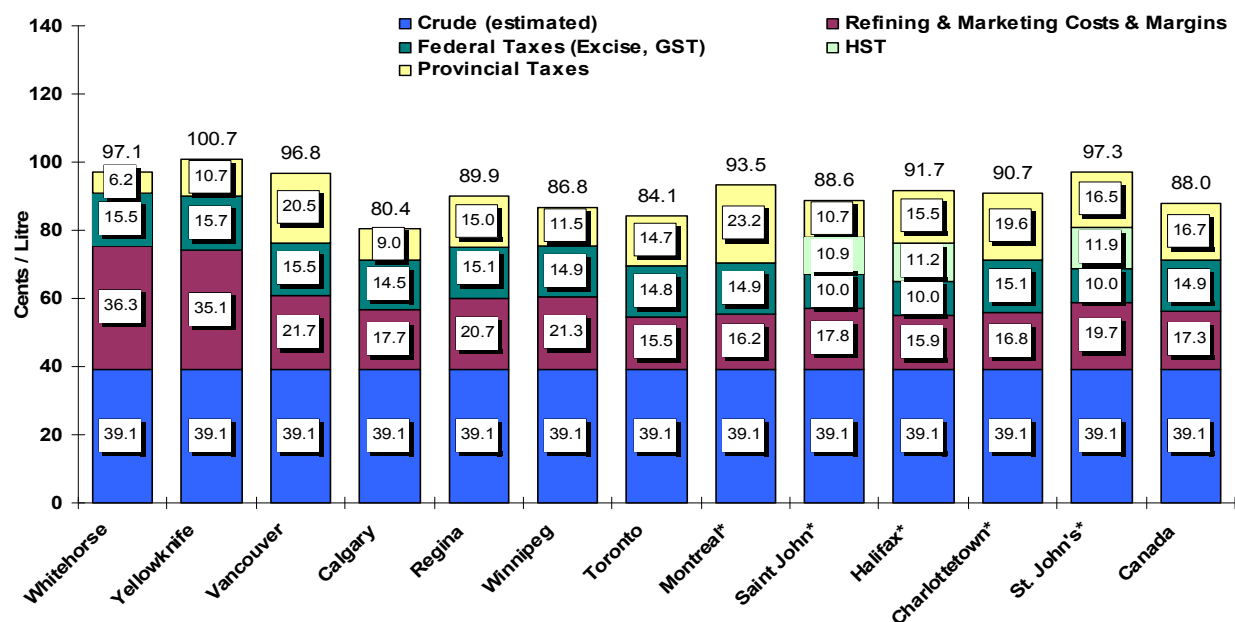
Retail Gasoline Overview

The four-week average regular gasoline pump price in selected cities across Canada was 88 cents per litre for the period ending November 21, an increase of almost 1 cent per litre from two weeks ago, and down from the 89.4 cents per litre recorded during the same period in 2005.

As shown in Figure 3, the four-week average crude oil price of 39 cents per litre remained virtually the same from two weeks ago, but was 4.8 cents per litre lower than the same period last year.

In the period of October 31 to November 21, federal and provincial taxes accounted for a total of 31.6 cents per litre of the total gasoline price at the pump. The tax component on gasoline has not varied substantially as most taxes are applied at a fixed rate and do not vary with the price. Overall, taxes vary significantly from province to province and in some cases from city to city where some municipalities collect additional taxes to support their public transit systems.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (October 31 to November 21, 2006)**



Source: NRCan

* Regulated Markets

Retail Gasoline Market Share in Canada

Nationally, major retailers account for the largest share of outlets in the Canadian retail gasoline industry, followed by independent retailers. In Eastern Canada, regional retailers make up a larger percentage of outlets due to the proximity of regional refineries. Box stores have begun to gain market presence across the country, with the exception of Quebec where regulation prevents below cost selling.

Gasoline throughput varies significantly across the country. Some stations sell as much as 25 million litres per year, while others sell less than 100 thousand litres per year. Due to Ontario's densely populated areas, its average throughput is much higher than the rest of the country. Eight of the ten highest throughput outlets are in southern Ontario. Nationally, box stores have the highest throughput per outlet followed by major retailers, regional retailers, and independent retailers.

By volume, the major retailers have the highest market share in the country. With the recent introduction of gasoline sales at box stores, the independent market has changed significantly. This new type of retailer sells high volumes of gasoline at a very low profit margin in an attempt to draw customers to their other product offerings. In general, box stores are most prevalent in the Prairies, although market share has started to grow in other parts of the country. The full report is available on the Fuel Focus website at:

http://www.nrcan.gc.ca/inter/subject_e.html



Natural Resources
Canada

Ressources naturelles
Canada

Canada



Wholesale Gasoline Prices

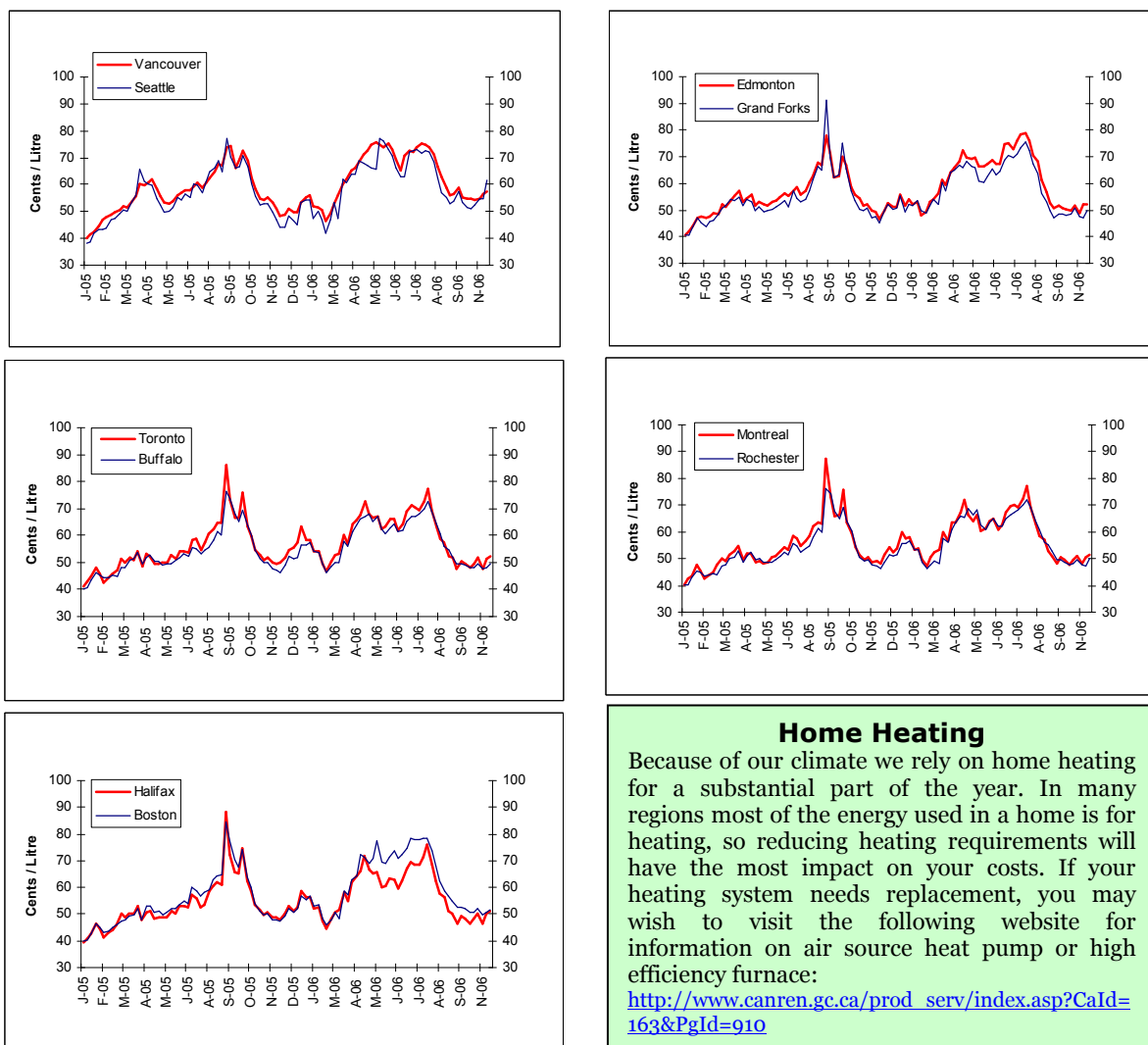
For the week of November 16, wholesale gasoline prices increased in most selected centres, compared to the previous week. Increases ranged from 1 cent per litre to 7 cents per litre in both Canadian and American markets. Prices are 2 to 12 cents per litre higher than they were at the same period last year.

Overall, wholesale gasoline prices appear to be moving upward in most of the selected cities after almost eight weeks of relatively stable prices. This upward movement in gasoline prices coincides with some upward pressure on demand as a result of the

American Thanksgiving holiday when people travel more than at any other holiday time in the United States.

The Seattle wholesale gasoline price ended at nearly 62 cents per litre on November 16, approximately 7 cents per litre higher than the previous week, while the competing rack price in Vancouver was about 4 cents per litre lower. The higher prices on the U.S. West Coast are due to tighter supplies and more limited access to supplies from other regions.

Figure 4: Wholesale Gasoline Prices (Weekly Average)
Rack Terminals Prices for Selected Cities ending November 16 (Can ¢/L)



Sources: NRCan, Bloomberg

Home Heating

Because of our climate we rely on home heating for a substantial part of the year. In many regions most of the energy used in a home is for heating, so reducing heating requirements will have the most impact on your costs. If your heating system needs replacement, you may wish to visit the following website for information on air source heat pump or high efficiency furnace:

http://www.canren.gc.ca/prod_serv/index.asp?CaId=163&PgId=910





Refining and Marketing Margins

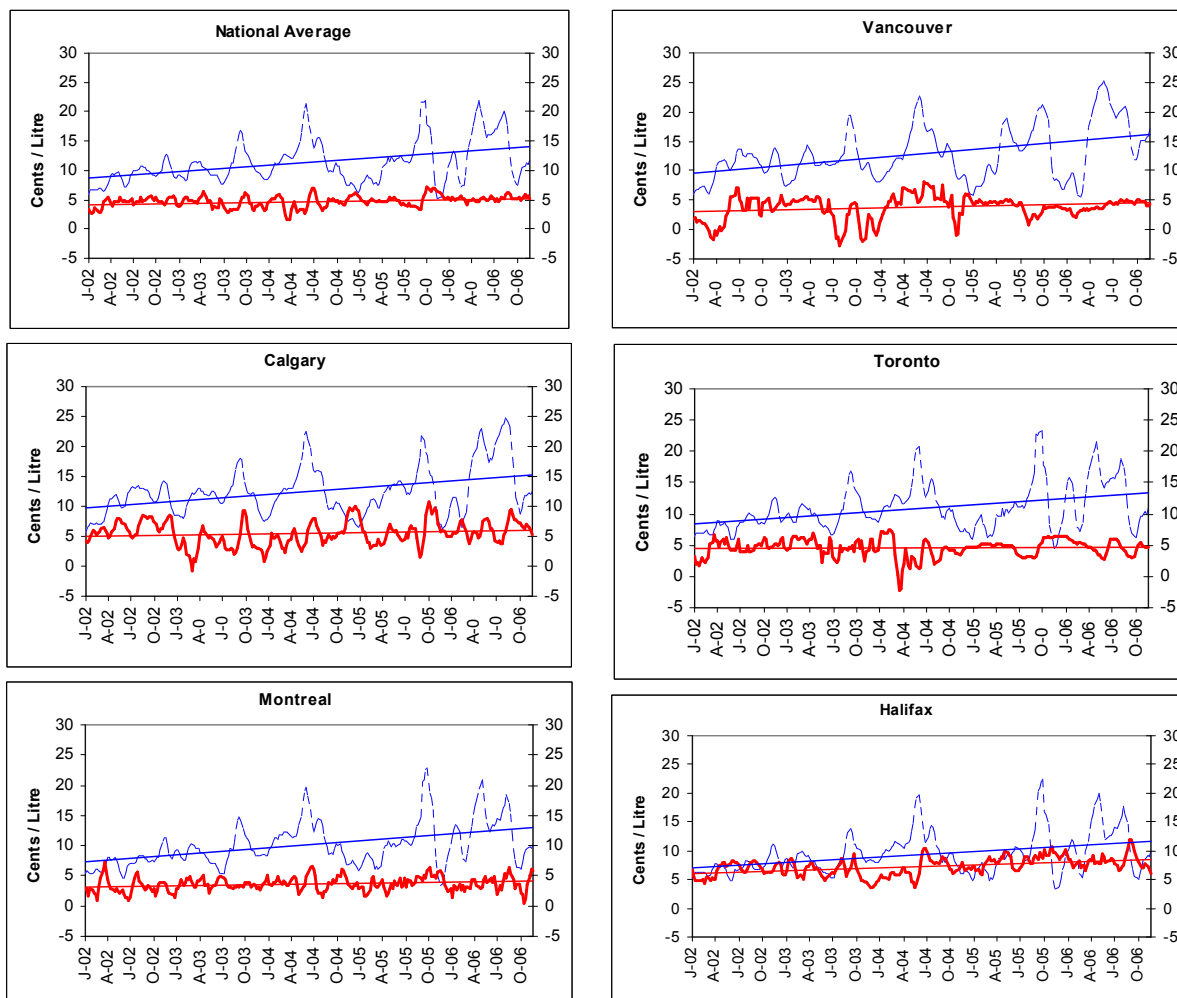
Refining margins have shown only a slight increase from the previous period, averaging about 12 cents per litre nationally. This increase is indicative of a constraint in the supply chain, namely a reduction in refinery production this fall due to maintenance operations at a number of refineries.

The refining margin must cover the cost of refining the crude oil, transporting the product throughout the distribution system to the different communities, storing the product and make a reasonable return on the investment.

Marketing margins across Canada continue to be relatively flat while the refining margins tend to fluctuate more widely in response to specific market supply and demand constraints of each region.

The marketing margin, which is the difference between the pump price excluding taxes and the rack price, while on average about 5 cents per litre, must pay for the cost associated with the marketing of gasoline. This margin has to cover the costs associated with operating a service station, such as, salaries, property taxes, utilities, credit card charges and return a profit to the station owner.

Figure 5: Refining and Marketing Margins (Four-Week Rolling Average)
----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

Crude Oil Price Dip Again

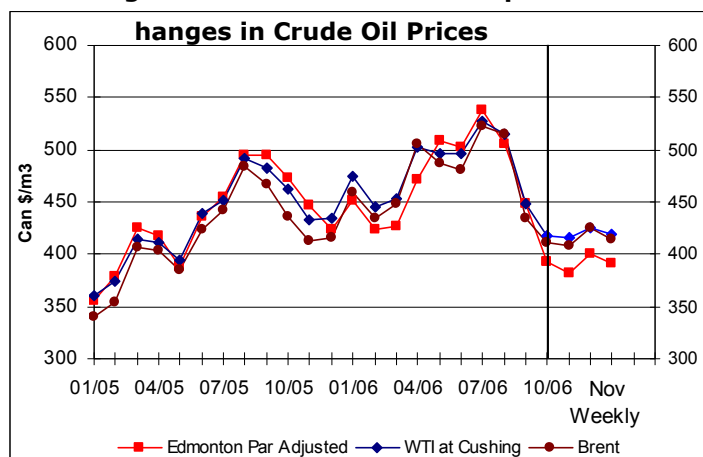
Crude oil prices fell again for the week ending November 17 following a short rise the previous week. All three crude oil benchmarks moved in unison, ending the week of November 17 slightly above their levels of two weeks ago.

The prices for the three crude oil benchmarks shown in Figure 6 ended the week in the \$62 to \$67 per barrel range, down from last week. Edmonton Par ended the week at \$8 below the same period last year while Brent was slightly higher than last year.

Overall, the same factors reported in the last few issues of Fuel Focus continue to exert downward pressure on prices. Prices have been influenced by a slowing of the U.S. economy which could dampen oil demand, uncertainties surrounding the actual production cuts announced by OPEC, and a downward revision of the IEA's world demand growth forecast (see box insert).

While these factors tend to stabilize, or push down prices, there are many others that could cause an upward pressure on the current price levels of the petroleum products such as increase demand due to colder than expected weather.

Figure 6: Crude Oil Price Comparisons



Crude Oil Prices (\$Can)	Week ending: 2006-11-17		Change from:			
			Previous Week		Last Year	
	\$/m3	\$/bbl	\$/m3	\$/bbl	\$/m3	\$/bbl
Edmonton Par	391.73	62.28	-8.72	-1.39	-50.21	-7.98
WTI	419.58	66.71	-5.88	-0.94	-7.81	-1.24
Brent	414.01	65.82	-11.84	-1.88	+10.10	+1.61

Source: NRCan

International Energy Agency Oil Market Outlook

On November 10, 2006, the IEA released its Oil Market Report. The IEA has trimmed its outlook for 2006 global oil demand growth to 1.1 %, or 84.5 million barrel per day (b/d) of oil, from its previous forecast of 1.2%. However, the Agency's forecast for oil demand growth is 1.7% for 2007, expected to stem mainly from the consumption of OECD countries such as China.

World oil supply reached 85.3 million b/d in October, up 100 thousand b/d, as OECD increases offset lower OPEC supply. Non-OPEC output averages are expected to reach 51.0 million b/d in 2006 and 52.7 million b/d in 2007.

According to the IEA, the total OECD industry oil inventory build was 29 million barrel in September as higher product stocks in North America and the Pacific offset lower crude and 'other oils' inventories. In addition, heavy autumn refinery maintenance reduced the OECD crude demand forecast by a further 1.3 million b/d in October, following a 700 thousand b/d decline in September. Projected global refinery maintenance peaked in October, with an average 3.7 million b/d estimated shutdown during the month.

Source: International Energy Agency, Oil Market Report, November 2006.

