



National Overview

Overall Retail Gasoline Prices Almost Unchanged at 103 Cents per Litre From Last Week

The average Canadian retail gasoline price declined slightly to 103 cents per litre for the week ending September 11th, down 0.1 cent per litre from the previous week. However, this represents an increase of 1 cent per litre from our last report on August 31st and 13 cents per litre higher from the same period last year.

Concerns over adequate North American gasoline inventories continue to permeate the market. Indeed, crude oil prices rose on speculation that U.S. gasoline inventories have declined due to reductions in refining utilization rate stemming from various refinery outages. Invariably these concerns tend to buoy wholesale and ultimately retail gasoline prices. According to the U.S. Energy Information Administration, the U.S. gasoline inventories have dropped well below the average for this time of the year in addition to a drop in crude oil stocks causing crude oil prices to jump above the \$76 U.S. per barrel on September 7th.

Diesel fuel prices increased 2 cents per litre from last week to 99 cents per litre, but are still almost 2 cents per litre lower than at this time last year. Furnace oil prices increased marginally 0.5 cent per litre to nearly 84 cents per litre compared to the previous week, unchanged from a year ago.

Recent Developments

- **Suncor's Refinery Shutdown:** On September 5, 2007, the world's largest oilsands producer shutdown part of its Sarnia (Ontario) refinery for an upgrade that will enable the plant to process crude oil derived from the oilsands. The work is expected to last 83 days and the refinery will operate at 60% capacity during the project.
- **New Motor Vehicle Sales Drop In June:** There were 143,900 new vehicles sold in June, representing a 1.2% decline from May. The decrease in June was entirely due to a fall in sales of trucks, but the decline was partially offset by an increase in passenger car sales. Preliminary industry data indicate that sales of new motor vehicles declined again (-3%) in July. (The Daily, <http://www.statcan.ca/Daily/English/070815/d070815b.htm>)
- **Fuel Waiver Granted to Relieve Summer Gasoline Shortages:** On August 31, 2007, the U.S. Environmental Protection Agency agreed to waive clean fuel regulations for parts of North Dakota following a shortage of a low vapour pressure type of gasoline in North Dakota due to the emergency shutdowns of two regional refineries. Granting a temporary waiver allows product imports from Canada ensuring that local retail stations have enough gasoline to meet the demand.

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

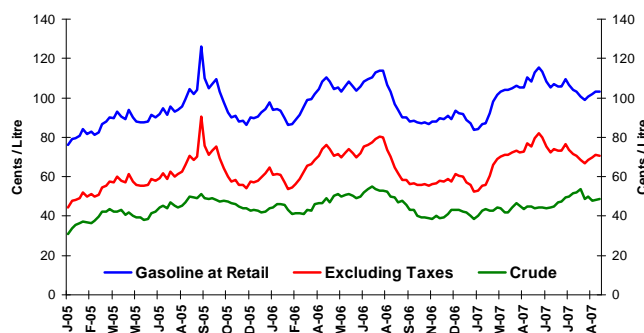
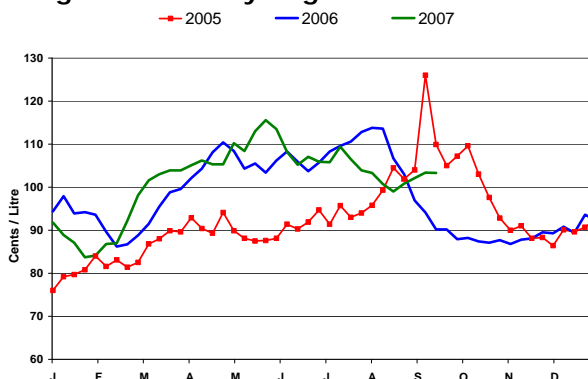


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2007-09-11	Previous Week	Last Year
Gasoline	103.3	-0.1	+13.1
Diesel	99.2	+2.1	-1.8
Furnace Oil	83.5	+0.5	0.0

Source: NRCan

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Retail Gasoline Overview

Four-Week Average Gasoline Prices Back to Their March 2007 Level

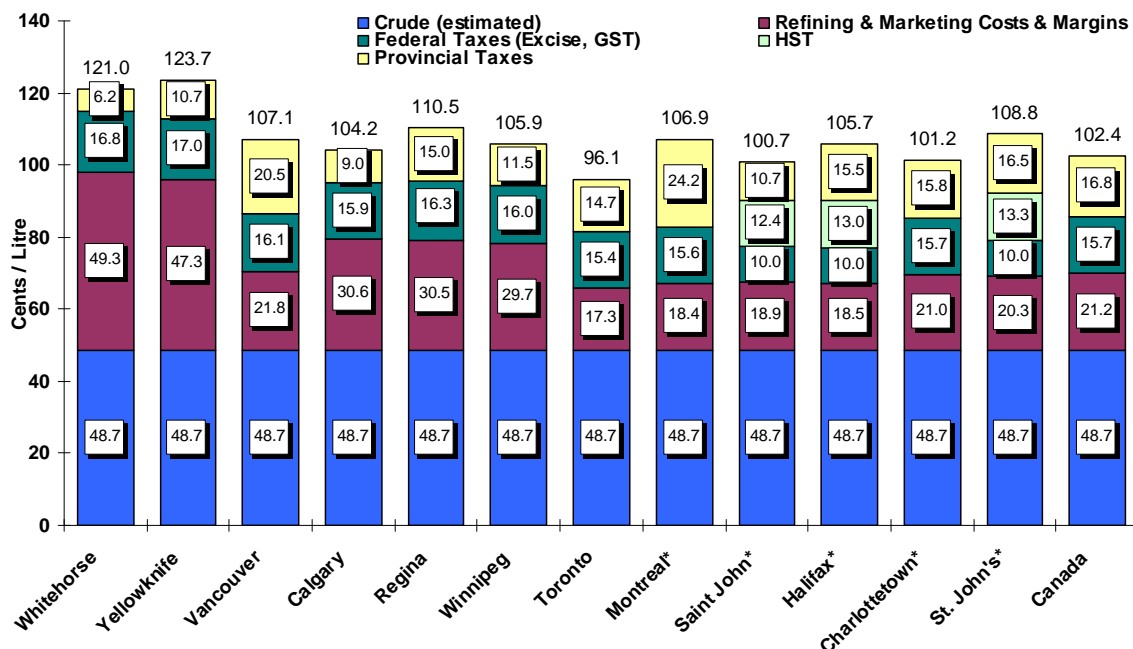
The four-week average Canadian gasoline price for the period ending September 11th was 102 cents per litre, an increase of almost 2 cents per litre from the last report on August 31, 2007. This also represents an increase of 6 cents per litre from the same period in 2006.

The four-week average crude oil prices decreased by more than 1 cent per litre to almost 49 cents per litre compared to two weeks ago. Crude oil prices are virtually unchanged from the same period last year.

Retail gasoline prices, when compared to those in the last report, increased in most centres in the range of less than 1 cent per litre to almost 4 cents per litre.

In Western cities (Vancouver to Winnipeg) retail gasoline prices increased in the range of 1.3 to 2.2 cents per litre, when compared to those in the last report, while prices in Eastern cities (Toronto to St. John's) ranged from a decline of 1.5 cent per litre (St. John's) to an increase of nearly 4 cents per litre (Montreal).

Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (August 28 to September 11, 2007)



Source: NRCan

* Regulated Markets

Canadian Vehicle Survey: Annual 2006

Statistics Canada's Canadian Vehicle Survey released August 31, 2007, co-sponsored by Transport Canada and Natural Resources Canada, indicate that overall, vehicles of all types logged 326 billion kilometres in 2006, a 3% increase from 2005. That was the highest annual amount since the Canadian Vehicle Survey collection began in 1999. Vehicles of all types in Canada were driven an average of 17,009 kilometres in 2006, a 0.5% increase compared to 2005. While the total kilometres driven in Canada have increased since 2000, the average number of kilometres driven per vehicle for all vehicle types in Canada has declined from an average of 17,958. This is because the number of vehicles in-scope for the survey has increased overall since the survey began in 1999.

Light vehicles, which include all cars, sport-utility vehicles, mini-vans and pick-up trucks, were driven more than 296 billion kilometres, an average of 16,015 kilometres per vehicle, or 44 kilometres per day, during 2006. People in New Brunswick were the busiest among the provinces and territories, with an average of 18,558 kilometres per vehicle. Drivers in British Columbia drove their vehicles the least, with an average of 12,218 kilometres.

Source: Statistics Canada <http://www.statcan.ca/bsolc/english/bsolc?catno=53-223-XWE>





Wholesale Gasoline Prices

Wholesale gasoline prices fluctuated in selected centres for the week of September 6th, compared to the previous week. Overall, price changes ranged from a decrease of more than 6 cents per litre to an increase of nearly 3 cents per litre.

Eastern markets in both Canada and the United States have registered a price decrease in the last week ranging from 1 to 2 cents per litre ending the period in the 59 to 63 cents per litre range. Western wholesale gasoline prices for American centres declined in the range of 2 to 6 cents per litre on September 6th while Vancouver and Edmonton prices increased more than 2 cents per litre ending the period at 68 and 75 cents per litre respectively.

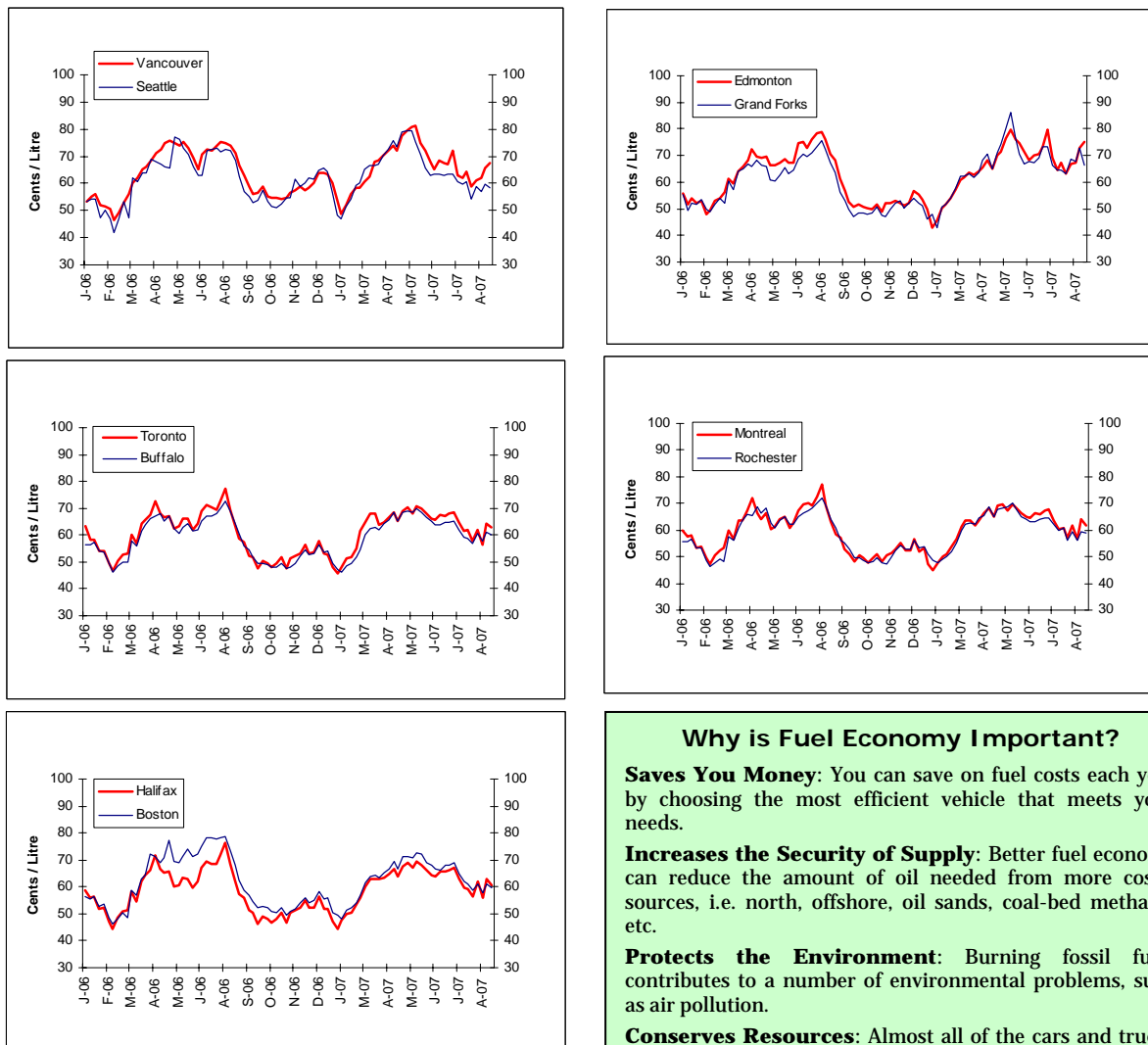
The price gap for these two Canadian centres stood at 9 cents per litre higher, compared to their American counterparts, reflecting the particular constraints of the Canadian western markets.

However, in the last two weeks prices have increased by 1 to 8 cents per litre among Canadian and American centres. Most notably, in the last four-weeks, wholesale gasoline prices are up in all selected centres in the range of 1 to almost 12 cents per litre, with Vancouver and Edmonton registering an increase of nearly 12 and 9 cents per litre respectively.

Overall, prices in selected centres are 3 to 18 cents per litre above last year's level.

Figure 4: Wholesale Gasoline Prices

Rack Terminals Prices for Selected Canadian and American Cities on Thursday September 6, 2007



Sources: NRCan, Bloomberg Oil Buyers Guide

Why is Fuel Economy Important?

Saves You Money: You can save on fuel costs each year by choosing the most efficient vehicle that meets your needs.

Increases the Security of Supply: Better fuel economy can reduce the amount of oil needed from more costly sources, i.e. north, offshore, oil sands, coal-bed methane, etc.

Protects the Environment: Burning fossil fuels contributes to a number of environmental problems, such as air pollution.

Conserves Resources: Almost all of the cars and trucks we drive run on fuels derived from oil - a non-renewable resource.





Refining and Marketing Margins

Four-week rolling averages are used for the refining and marketing margins for gasoline shown in Figure 5 for the period ending September 11th. The trend lines indicate a gradual, but steady increase in refining margins reflecting higher operating costs associated with new fuel specifications, in response to higher environmental quality standards, tighter supply and demand balances for gasoline in recent years and improved returns for refiners.

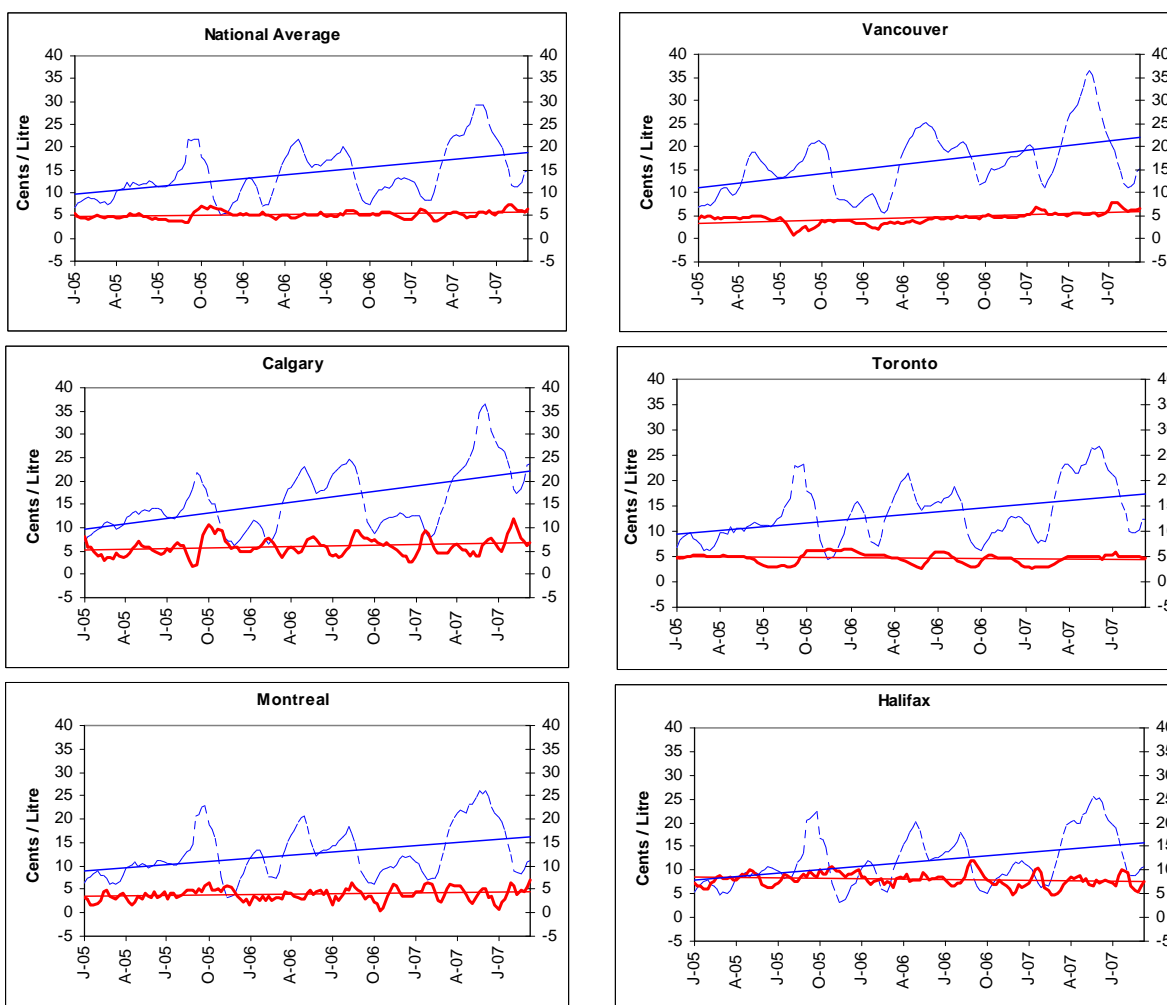
These margins are defined as the difference between the crude oil price and the wholesale price at which the refiner can sell the gasoline. Refining margins must cover the cost of refining the crude oil, transporting the product

throughout communities, storing the product and make a reasonable return on investment.

Conversely, marketing margins remained stable nationally as indicated by the trend line. The marketing margin is the difference between the pump price (excluding taxes) and the price paid by the retailer to purchase the gasoline.

Although representing the smallest component of the retail price, in general, this margin is expected to cover all the costs associated with operating the retail outlet and include a profit.

Figure 5: Refining and Marketing Margins
Four-Week Rolling Average Ending September 11, 2007
----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

OPEC Raises Production by Almost 80,000 Cubic Metres Per Day

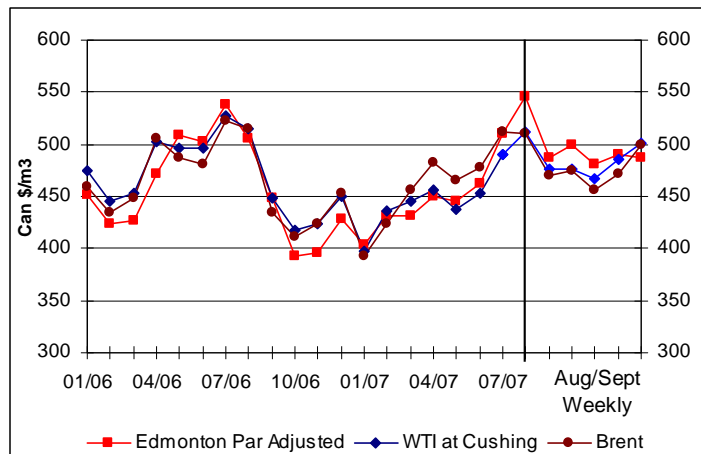
Crude oil prices ended the week of September 7th in the \$487 to \$500/m³ range (SU.S. 74 to SU.S. 76/bbl). The WTI and Brent crude oil prices increased noticeably while the Edmonton Par declined slightly for the week ending September 7th compared to previous week. There are numerous reasons for this week's price movements.

U.S. stocks of crude oil have decreased to the point where they are the lowest they have been since post Hurricane Katrina in 2005. This is partially because refiners are hesitant to build stocks when futures prices are lower than current spot prices, but is also due to an overall lack in international supply.

In addition, after much speculation that production would not increase as a result of OPEC's meeting in Vienna on Tuesday September 11, 2007, OPEC announced that they would increase production by 80,000 cubic metres per day (500,000 bbl per day) effective November 1st. Although an increase in OPEC output should help to decrease prices in the long-term, it is expected that prices will remain high until U.S. stock levels are back to within their normal range.

Geopolitical events and the possibility of severe weather conditions in oil producing countries continue to add a risk premium to international prices.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Prices	Week ending: 2007-09-07		Change from:			
			Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Edmonton Par	486.98	73.59	-3.47	-0.18	+9.04	+5.21
WTI	500.60	75.65	+15.74	+2.73	+29.30	+8.22
Brent	499.72	75.51	+27.97	+4.56	+38.50	+9.53

Source: NRCan

OPEC Spare Capacity

A historical view of OPEC's spare capacity provides an important fundamental metric of how much crude oil might be available in case of a supply disruption. OPEC's spare capacity levels fluctuated throughout the period from 2000 to March 2007. First, the organisation's spare capacity increased in 2000, as it cut production in an effort to raise the price of oil. However, the spare capacity peaked in late 2001 and 2002 at around 1 million cubic metres per day (6 MMB/D) due in large part to a decline in oil demand subsequent to September 2001.

In 2003, spare capacity levels declined with oil supply disruptions in Venezuela, Iraq and Nigeria. By 2004, oil traders assumed that in the face of high oil demand spare capacity levels would be inadequate to deal with possible oil disruptions and this contributed to significant upward pressure on prices.

However, in recent years OPEC spare capacity has been rising again due to weaker oil demand. In fact, by March 2007, spare capacity reached 0.6 million cubic metres per day (4 MMB/D). This is 0.2 million cubic metres per day (1 MMB/D) higher than its five-year historical average.

In addition, given announced capacity additions in Saudi Arabia and other Persian Gulf countries, spare capacity will likely increase significantly over the coming years reflecting the increased level of investment being made in member states. Over 100 projects, with an overall estimated cost of some \$120 billion are being undertaken by OPEC Member Countries (excluding Iraq). These projects are in addition to all energy infrastructure projects, such as pipelines, export terminals and downstream expansion.

Note: MMB/D = million barrels per day

