



National Overview

Average Canadian Gasoline Price Moves Up on Higher Wholesale Prices

The average Canadian retail gasoline price increased by 1 cent per litre to 102 cents per litre the week of November 6, 2007, compared to the previous week. Except for a brief period in August and again in the last month, gasoline prices have remained above \$1 per litre since April 2007.

Although retail gasoline prices have been firming-up lately, gasoline and diesel prices continue to lag behind near-record prices for crude oil. Some of the reasons behind the lag are the all-time record Canadian dollar against the U.S. dollar putting downward pressure on wholesale prices; North American refinery capacity has increased in the past two years; high consumer demand has eased with the end of the summer driving season; and refineries have switched to winter blend gasoline which is cheaper to produce.

Diesel fuel prices continue to rise above gasoline prices increasing by 2 cent per litre to more than 105 cents per litre from last week. This represents an increase of almost 15 cents per litre compared to the same period last year. Furnace oil prices rose by 1 cent per litre to 88 cents per litre up 12 cents per litre from a year ago.

Recent Developments

- **Canadian Crude Oil Production:** Crude oil production and equivalent hydrocarbons increased 6.5% to 107 million cubic metres in the first seven months of 2007 compared to the same period last year. Meanwhile, exports rose 4.6% to 79 million cubic metres, while imports increased 2.4% to reach 34 million cubic metres. (Statistics Canada, The Daily, <http://www.statcan.ca/Daily/English/071030/d071030e.htm>)
- **Interested in Prices of Fuels Such as Gasoline, Diesel and Furnace Oil?** : NRCAN has weekly consumer prices for three grades of gasoline in 60 Canadian cities; weekly prices for diesel fuel in 45 cities; weekly prices for furnace oil in 30 cities; and weekly prices for automotive propane fuel in 29 cities. For more information, visit our website at: http://fuelfocus.nrcan.gc.ca/petroleum_prices_e.cfm
- **Loonie Soaring High** : The Canadian dollar continue to rise against the U.S dollar, 22 cents so far this year, as futures market prices for crude oil on the New York Mercantile Exchange (NYMEX) reaches record levels of US\$95 per barrel. Canadian unleaded gasoline sold for an average price of 99 cents per litre in September 2007. Without the rise in the Canadian dollar, unleaded gasoline could have sold for about \$1.40 per litre.

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

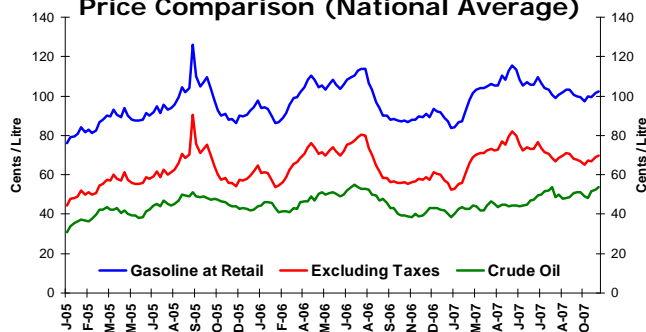
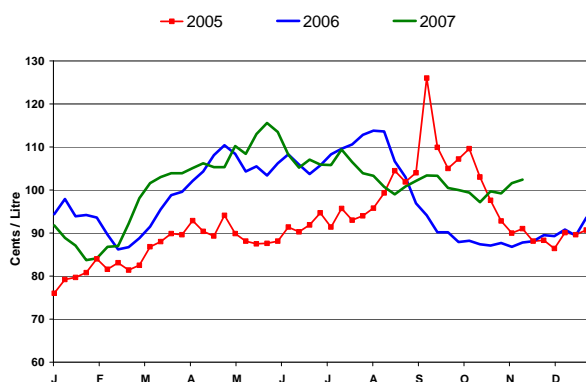


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2007-11-06	Previous Week	Last Year
Gasoline	102.4	+0.8	+14.7
Diesel	104.7	+2.3	+14.5
Furnace Oil	87.9	+1.0	+12.1

Source: NRCAN

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Fuel Focus Supplement:

Presents a summary of Natural Resources Canada Oil Division's Petroleum Product Market Outlook – Fall 2007





Retail Gasoline Overview

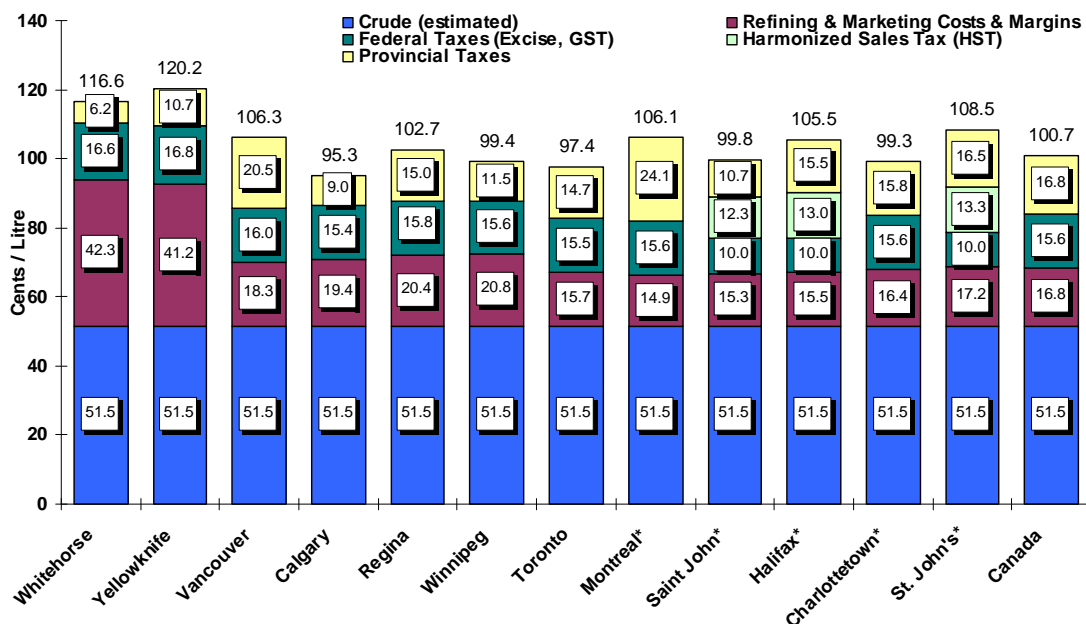
The **four-week average** Canadian gasoline price for the period ending November 6th was 101 cents per litre, an increase of 2 cents per litre from the last report on October 26, 2007. However, this represents an increase of 13 cents per litre from the same period in 2006.

The **four-week average** crude oil prices increased by 1 cent per litre to almost 52 cents per litre compared to two weeks ago. Overall, crude oil prices are nearly 11 cents per litre higher than at the same period last year.

Retail gasoline prices in Western centres, when compared to those in the previous report two weeks ago, ranged from a decline of 1 cent per litre in Winnipeg to an increase of almost 2 cents per litre in Vancouver. Price fluctuations in Eastern cities ranged from a decline of 1 cent per litre (Charlottetown and St. John's) to a rise of almost 3 cents per litre in Toronto.

The refining and marketing costs and margins component has dropped 18 cents per litre in the last 5 months, from a high of 35 cents per litre to a low of 17 cents per litre.

Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (October 16 to November 6, 2007)



Source: NRCan

* Regulated Markets

You Can Make a Difference

Today, 17 percent of all energy used in Canada goes toward running our homes. Every time we use energy from fossil fuels such as coal, oil and gas, we produce greenhouse gas emissions. By using less energy in our homes, we help reduce the production of the greenhouse gas emissions that contribute to climate change and harm our environment.

Nowadays, homes that are more than 25 years old have the potential to save an average of 35 percent of their energy use. Homes that are more than 50 years old could achieve even greater savings – an average of 38 percent.

Since 1998, more than 270,000 property owners have used NRCan's energy efficiency program to help identify and solve home comfort problems and plan their energy efficiency retrofits. NRCan data show that if these property owners undertook all the retrofits recommended, they would reduce their greenhouse gas emissions by almost 4.6 tonnes per year, per house.





Wholesale Gasoline Prices

Wholesale gasoline prices increased in all selected centres for the **week of November 1st**, compared to the previous week. Overall, price changes ranged from 1 to more than 4 cents per litre.

The increase builds on the momentum of the last four weeks as wholesale prices rose by 3 to 7 cents per litre in all centres since early October. The resurgence in wholesale gasoline prices has been mainly due to record high crude oil prices and concerns over declining crude oil and gasoline inventories in the U.S.

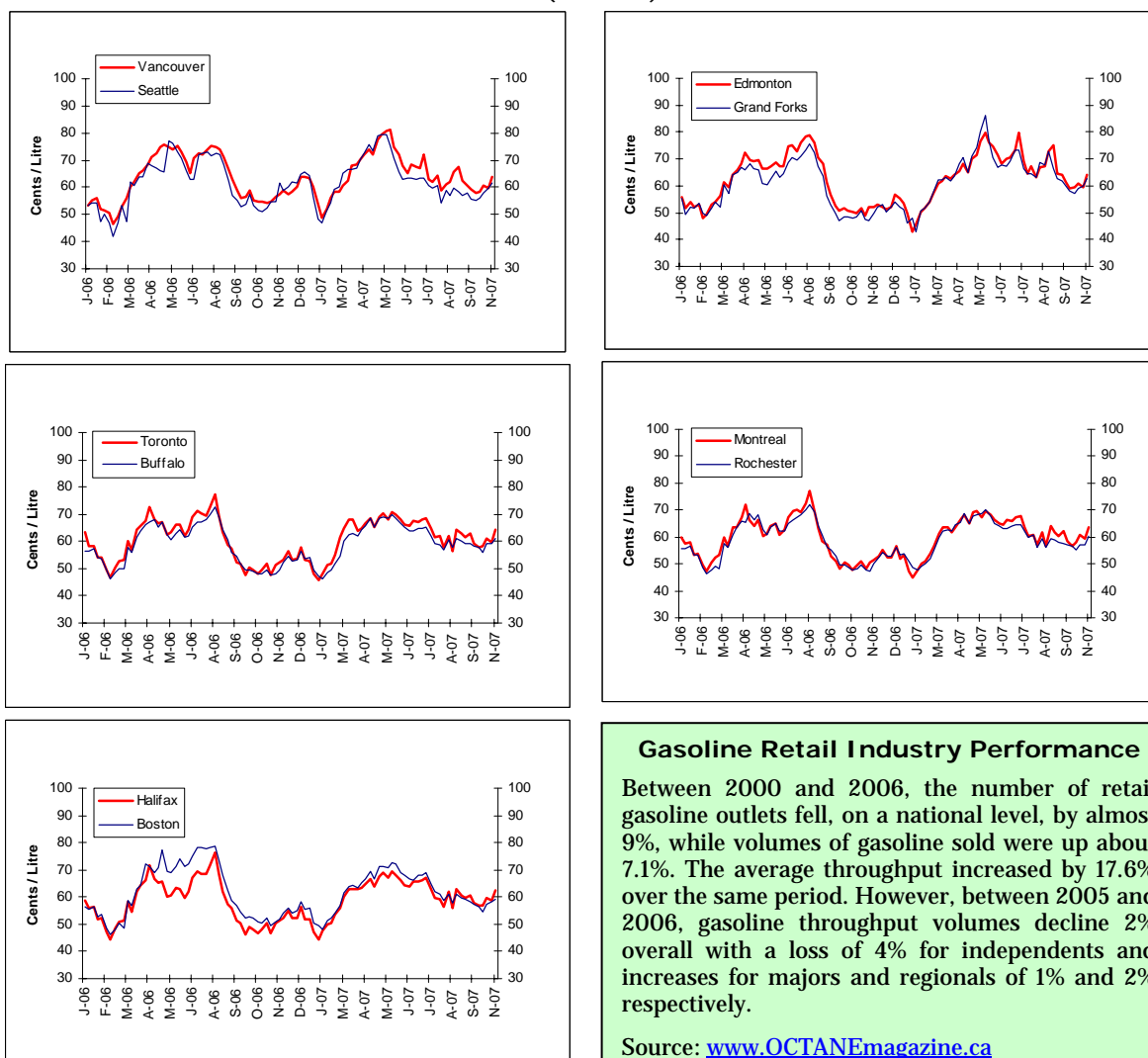
Wholesale gasoline prices in Eastern markets in both Canada and the United States have registered increases

ranging from 1 to 4 cents per litre, compared to the previous week, ending the period in the 59 to 64 cents per litre range. Western wholesale gasoline prices also increased in the range of 1 to 4 cents per litre ending on November 1st in the range of 61 to 64 cents per litre. In addition, most Canadian markets, with the exception of Edmonton, registered a temporary gap with their American counterparts of about 3 cents per litre.

Overall, prices in all selected centres are well above last year's level. The increases ranged from 16 cents per litre in Toronto to 7 cents per litre in Seattle.

Figure 4: Wholesale Gasoline Prices

Rack Terminals Prices for Selected Canadian and American Cities on Thursday November 1, 2007
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide





Refining and Marketing Margins

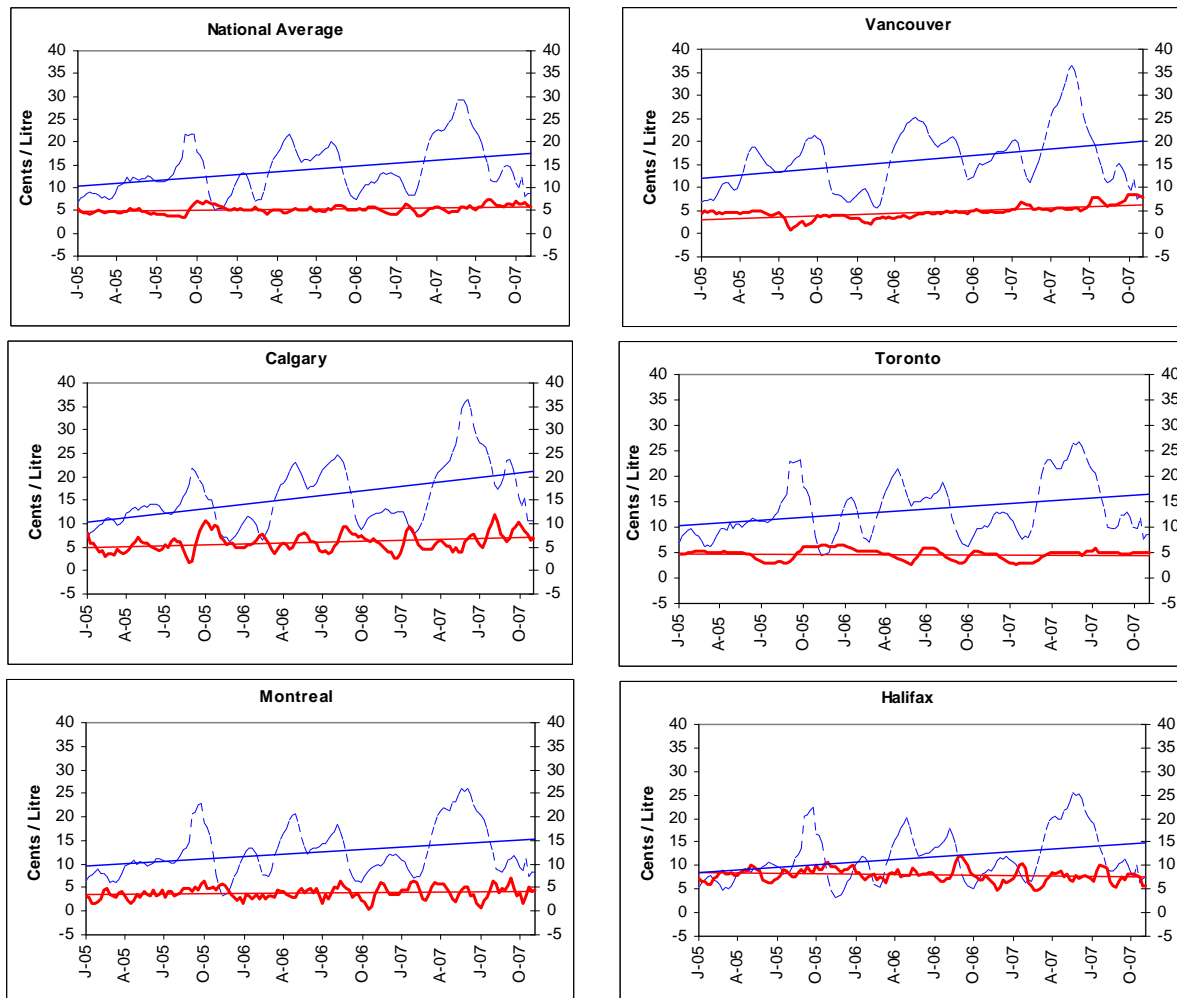
Four-week rolling averages are used for the refining and marketing margins for gasoline shown in Figure 5 for the period ending November 6th.

Marketing margins represent the difference between the wholesale and retail prices of gasoline. This margin pays for the costs associated with storing the gasoline until it is delivered and for transporting it to the local service station. Gasoline can often be loaded and unloaded several times between the refinery and the retail outlet, which adds to the cost.

The marketing margins can be fairly volatile as shown in the Calgary, Montreal and Halifax markets, as outlets compete for market share. As gasoline is essentially the same from outlet to outlet, the only way for retailers to differentiate themselves is through price and other product offerings.

The volatility can indicate “price wars” in certain markets or the effects of the regulatory pricing mechanism following an adjustment of the benchmark price.

Figure 5: Refining and Marketing Margins
Four-Week Rolling Average Ending November 6, 2007
----- Refining Margin — Marketing Margin



Source: NRCan





Crude Oil Overview

Crude Oil Prices Continue to Reach Record Levels

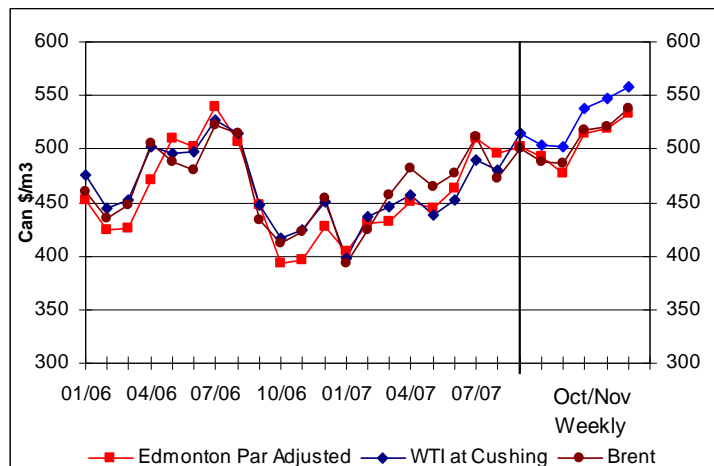
For the week ending November 2nd, crude oil prices averaged between \$533 and \$558/m³ (\$US89 to \$US94 per barrel). All prices are up from the previous week, with Brent seeing the largest gain \$17.23/m³ (\$US4.78 per barrel).

On November 2nd, crude oil prices on the NYMEX closed at \$US95.53 per barrel, the highest level ever recorded. While prices have receded slightly in early trading for the week starting November 5th, they have remained consistently above \$US90 per barrel and there is no indication that prices will drop significantly in the short term.

With global demand continuing to outpace new production from Non-OPEC countries, OPEC is being called upon to provide an increasing share of world supplies. As spare production capacity declines, market analysts attach more importance to weekly and monthly inventory reports. OECD stock levels, although well within the five year average, have been declining. These market fundamentals, combined with ongoing geopolitical uncertainties in several oil producing regions, continue to exert upward pressure on crude oil prices.

Prices are currently \$US32-35 per barrel higher than they were at this time last year.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Prices	Week ending: 2007-11-02		Change from:			
			Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Edmonton Par	532.90	89.30	+13.15	+4.09	+149.30	+35.27
WTI	558.38	93.57	+11.99	+3.99	+142.58	+35.00
Brent	537.86	90.13	+17.23	+4.78	+129.44	+32.60

Source: NRCan

Canada's Top 10 Oil Producers in 2006

The last two issues of Fuel Focus have presented Supplements on the top crude oil producing countries and companies in the world. In comparison, the table below presents the top Canadian oil producers. These 10 companies represented 63% of Canada's total oil production (608 million barrels) or 30% of what the world's largest oil company produces.

Company	Annual Oil Production (Million Barrels)
Imperial Oil	99.3
Suncor Energy Inc.	96.0
Husky Energy Inc.	85.9
Canadian Natural Resources Ltd.	85.9
Encana Corporation	52.7
Petro-Canada	50.8
Shell Canada Limited	46.6
Canadian Oil Sands Trust	33.5
Exxon Mobil Canada	31.0
Chevron Canada Resources	26.6
Total	608.3

Source: Price Coopers Waterhouse





Canadian Petroleum Product Market Outlook – Fall 2007

Heading into the 2007-2008 winter heating season, Canadian consumers can expect petroleum product prices to remain fairly stable. While last year product prices trended downwards in the fall due to lower crude oil prices and a lighter hurricane season than anticipated, this year Canadian prices have remained somewhat stable despite crude oil prices reaching record highs in the U.S. The rapid appreciation of the Canadian dollar led to a relative decrease in domestic crude oil and petroleum product prices for some periods of the year when prices were rising south of the border. Increasing demand and high utilization rates continue to encourage refiners to invest in new capacity.

Highlights of the Canadian Petroleum Market Outlook are:

- After increasing substantially in late winter and early spring, Canadian average gasoline prices remained stable throughout the summer months with the price of regular gasoline averaging \$0.99 per litre in October. In the same month, fuel oil and diesel averaged \$0.86 and \$1.01 respectively.
- Canadian petroleum product prices have been partially shielded from significant increases in crude oil prices because of the rapid appreciation of the Canadian dollar relative to the United States dollar.
- In contrast to a decline in 2006, demand for petroleum products has increased substantially over the first eight months of 2007 indicating that higher prices are having less of an effect on Canadian consumers. This is due in part to increased gasoline demand which is more income than price sensitive.
- Increasingly tight capacity and higher refining margins have created incentive for investment in capacity expansion across North America. Numerous companies have announced plans to expand existing facilities or construct new refineries in order to meet domestic demand and expand the petroleum product export market.
- Refinery maintenance turnarounds planned for this fall are nearing completion and refinery production is expected to return to full capacity by mid-December.
- Refiners are currently focused on distillate production and inventories are expected to build as facilities return to full production capacity. Refiners have indicated that barring any unforeseen refinery closures, they will be long in distillate across the country this winter.
- Provincial introduction of renewable energy to the transportation fuel mix in the form of ethanol has added another level of complexity to the petroleum product distribution network, and could have implication for fuel availability in some regions.

The full report will be available soon on the Fuel Focus website at:
http://fuelfocus.nrcan.gc.ca/reports_e.cfm

