



National Overview

Canadian Retail Gasoline Prices Increased 2 cents per Litre from Last Week

The Canada average retail gasoline price rose to \$1.16 per litre for the week ending April 8, 2008, up 2 cents per litre, compared to the previous week. Prices are currently 10 cents per litre higher than the same time last year.

This week's average gasoline price surpassed the 2007 peak, reached in May of last year. However, at that time crude oil prices were 23 cents per litre lower than they are this week. So, while there has been some upward movement, wholesale and retail gasoline prices have been lagging behind the crude oil increases. As a result, refining margins have declined significantly in the last few months.

Diesel fuel prices decreased by 0.3 cents per litre to \$1.27 per litre the week of April 8th. However, this represents an increase of 27 cents per litre compared to the same period last year.

Recent Developments

- **Oilsands Permit Revoked:** The federal Department of Fisheries and Oceans withdrew Imperial Oil's Kearl oilsands project permit on March 20th, after the Federal Court of Canada asked for a clarification regarding the project's environmental approvals by a federal-provincial review panel. The Federal Court indicated the project did not provide sufficient information on GHG emissions and requested further examination (Globe & Mail, March 31, 2008).
- **Increase in Victoria's Transit Tax:** On April 1, 2008, the British Columbia transit tax on gasoline and diesel in Victoria increased from 2.5 cents a litre to 3.5 cents a litre for a total provincial tax of 18 cents for gasoline and 18.5 cents for diesel. Taxes in Vancouver and the remainder of the province were unchanged. For more information on motor fuel taxes in B.C., visit: http://www.sbr.gov.bc.ca/business/Consumer_Taxes/Motor_Fuel_Tax/tax_rates.htm
- **Environmentally Responsible Car Washes:** When washing a car at home, the soaps and detergents go directly into storm sewers untreated. Car washes have separate sanitary systems that treat and can recycle the water they use. Washing a vehicle in the driveway can use up to 10 times more water than using a professional car wash and is the second largest demand for peak summer water use after lawn watering. (Source: www.OCTANEmagazine.ca)

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

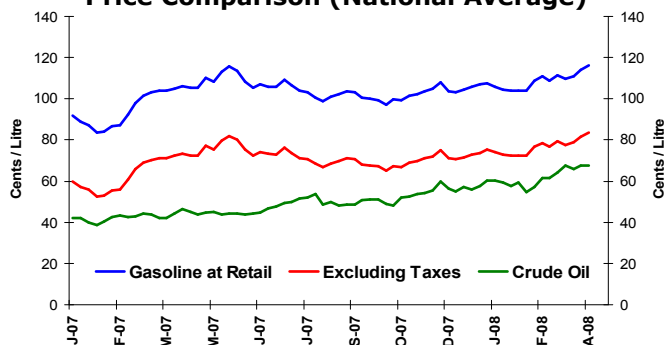
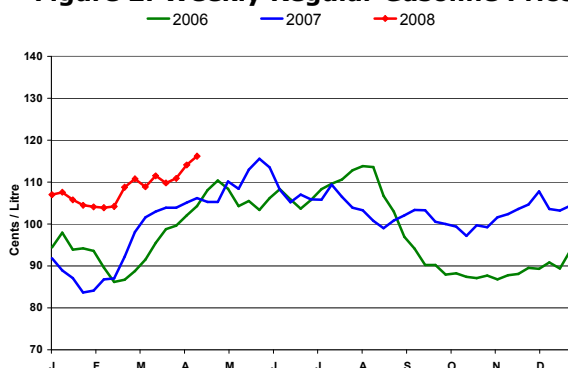


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
		Previous Week	Last Year
Gasoline	2008-04-08	+2.1	+10.0
Diesel		-0.3	+26.5
Furnace Oil		+0.1	+31.0

Source: NRCan

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Retail Gasoline Overview

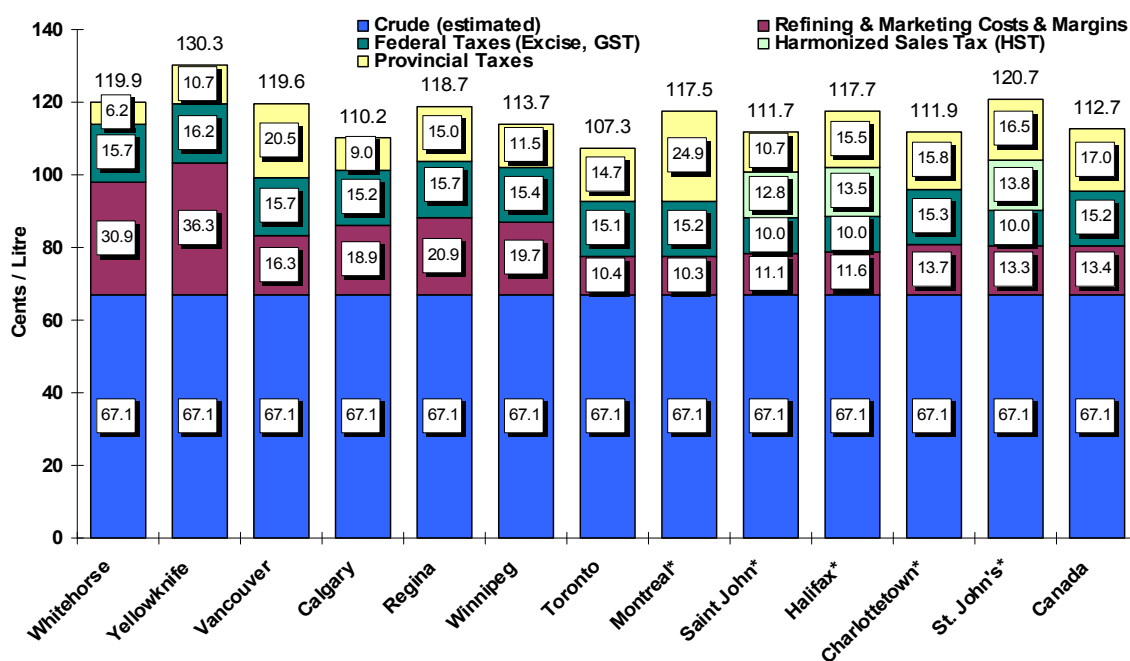
The **four-week average** regular gasoline pump price in selected cities across Canada was \$1.13 per litre for the period ending April 8, 2008, an increase of 2 cents per litre since the last report.

The **four-week average** crude oil price increased by 2 cents per litre to 67 cents per litre compared to two weeks ago. The cost of crude oil represents 60% of the retail price and is, by far, the highest cost component of the total pump price.

As the crude component increases, federal and provincial taxes on gasoline, which once accounted for almost 40% of the retail price, now account for less than 30% of the consumer price.

Average retail gasoline prices are about 7 cents per litre higher than they were for the same four-week period last year. However, crude oil prices have increased by more than 23 cents per litre over this same period.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
4-Week Average (March 18 to April 8, 2008)**



Source: NRCan

* Regulated Markets

What's with the Rise in Diesel Fuel Prices?

Gasoline and diesel fuel prices have traditionally followed each other over the years, with gasoline prices rising above diesel prices in the spring and summer months. However, the traditional relationship between the two products was reversed in the last few years reflecting diesel fuel's emergence as the fastest growing petroleum product. Diesel is currently selling at approximately 10 cents per litre premium over gasoline retail prices.

Various supply and demand factors, as well as the market structures, are distinct for each product. For instance, gasoline demand is driven primarily by the retail market. Diesel demand is primarily in the commercial, industrial and agricultural sectors, with only 15 percent of consumption at the retail level. Strong economic growth is driving the consumption of diesel, primarily through the transportation and construction sectors. This has led to higher annual growth in diesel fuel demand compared to a more moderate growth in gasoline demand.

In addition, distillate inventories (products such as diesel and furnace oil) in the U.S. remain tight, partially driven by East Coast heating oil demand, while U.S. gasoline stocks are well above the average range for this time of the year. For more information on this topic, please consult our Fuel Focus Supplement of [September 28, 2007](#).





Wholesale Gasoline Prices

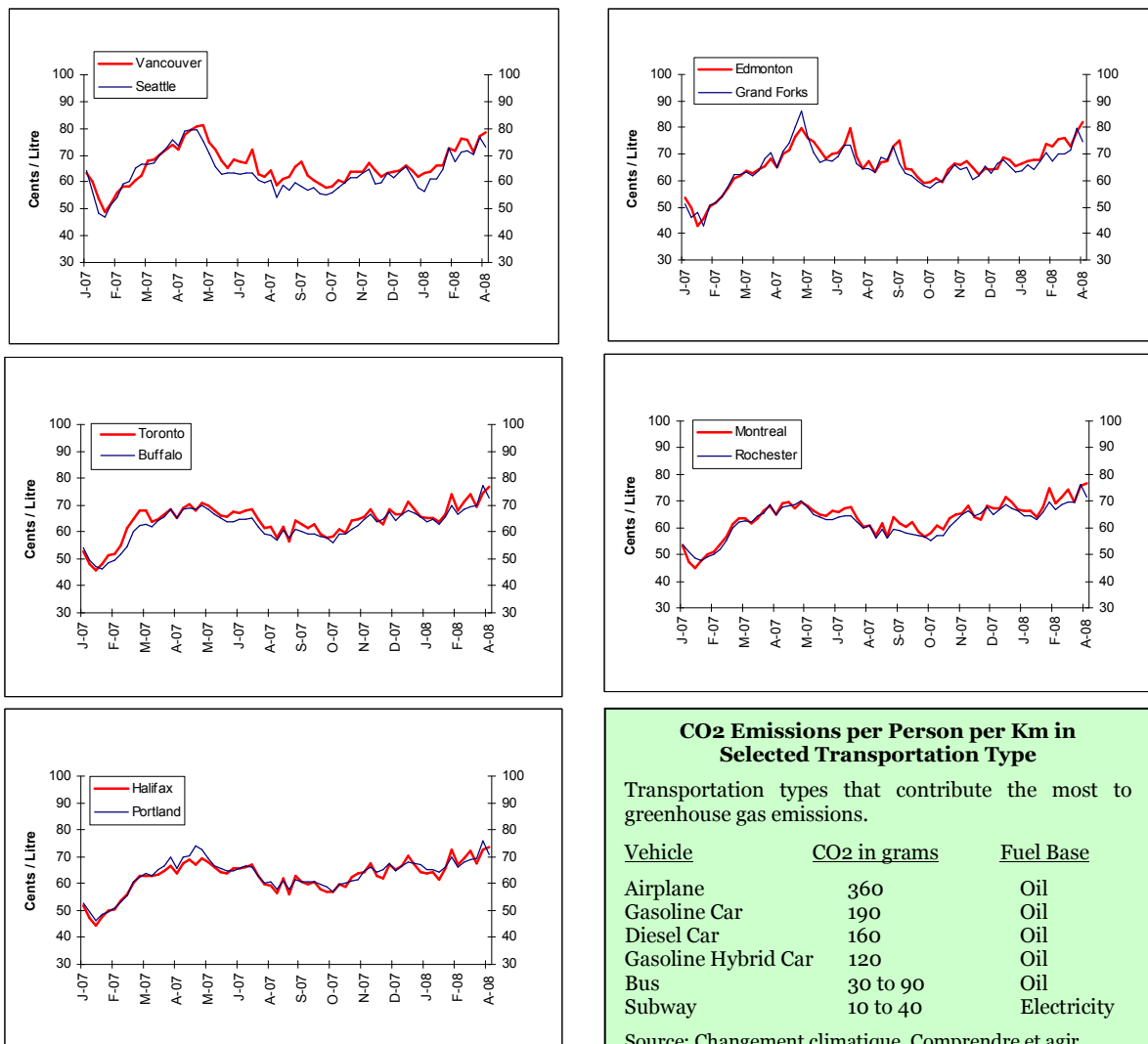
Wholesale gasoline price changes ranged from an increase of 4 cents per litre to a drop of 5 cents per litre in the selected centres for the **week of April 3, 2008**, compared to the previous week. Overall, all the Canadian centres recorded price increases ranging from 1 to 3 cents per litre while prices in all the American centres dropped between 4 and 5 cents a litre.

Compared to two weeks ago, wholesale prices in all the selected centres are higher on average by 4 cents in Canada and by 3 cents per litre in the U.S. However, in the last four weeks wholesale prices in both Canadian and American selected centres have increased on average about 5 cents and 3 cents per litre, respectively.

While all the centres shown in Figure 4 reported price increases compared to last year at this time, of the Canadian centres, Edmonton registered the highest increase at almost 17 cents a litre. Vancouver, on the other hand registered the lowest increase at 6 cents per litre. Of the American centres, the highest increase was 7 cents per litre for Buffalo and the lowest was 1 cent per litre in Seattle.

While crude prices are significantly higher than a year ago, this increase is not fully reflected in the wholesale prices. Higher than normal gasoline inventories and the softening demand in the U.S. have dampened the traditional price increases heading into the driving season.

Figure 4: Wholesale Gasoline Prices
Rack Terminals Prices for Selected Canadian and American Cities ending April 3, 2008
(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 April 8, 2008.

Overall, marketing margins remain around the historical levels of 5 cents per litre. Some individual centres, however, show more fluctuations depending on the region, volume sold and availability of other product offerings such as convenience stores and car washes.

Vancouver, Montreal and Calgary saw their marketing margins decline as a result of gasoline wholesale prices

rising and increased competition between outlets. Although the swings are relatively small, this margin can be fairly volatile as shown in the Calgary, Montreal and Halifax markets.

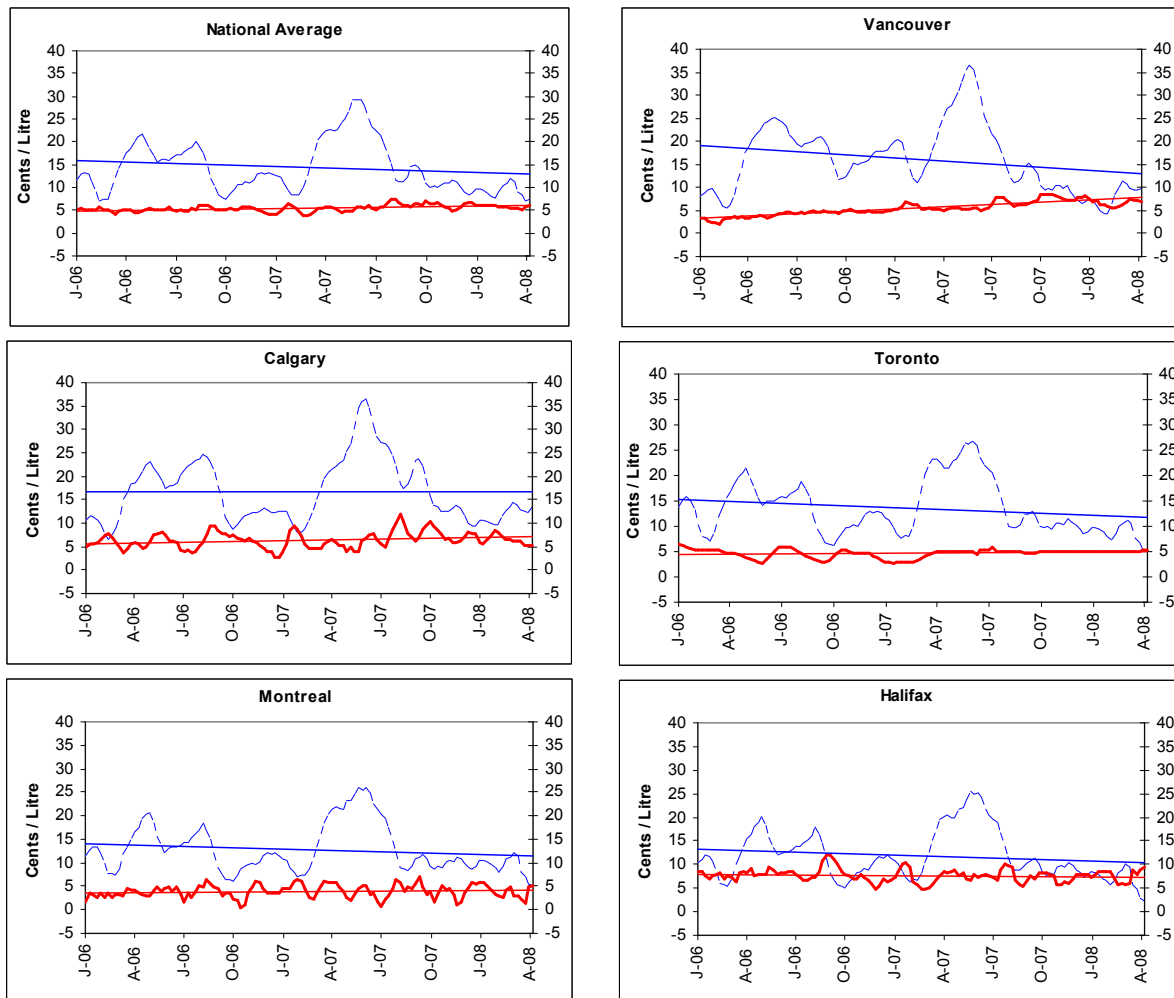
Refining margins have declined significantly in recent weeks, particularly in eastern markets, where in some cases, the refining margin has dropped as low as the marketing margin. This reflects the fact that wholesale and retail gasoline prices have increased less quickly than crude oil prices. This is due, in part, to the higher than normal gasoline inventories in the U.S. and the softening of demand due to the higher prices.

Figure 5: Refining and Marketing Margins

Four-Week Rolling Average Ending April 8, 2008

----- Refining Margin

—— Marketing Margin



Source: NRCan





Crude Oil Overview

Crude Oil Continues to Trade above \$US100 per Barrel

For the week ending April 4, 2008, crude oil prices averaged between \$660 and \$672/m³ (\$US103 to \$US105 per barrel). Compared to the same period in 2007, prices have increased between \$161 and \$210/m³ (\$US35 to \$US41 per barrel).

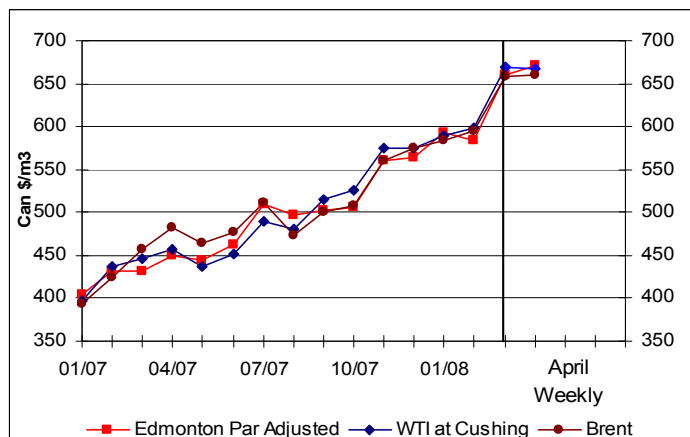
Despite increasing US inventories of crude oil and gasoline inventories that are well above the seasonal average, over the last two weeks crude oil prices on world markets have stayed consistently between \$US100 and \$US110 and have proven to be somewhat volatile.

There is very little that can explain the significant increase in crude oil prices apparent in March 2008 as shown in Figure 6. As has been mentioned in previous

issues, it remains a debate as to whether current prices accurately reflect real market conditions, or if they have been inflated by an increase in trading and investment in the commodities market.

Many consumer groups have argued the rules applied to traders on the New York Mercantile Exchange are too relaxed. Futures traders can purchase contracts with a much higher percentage of borrowed funds than if they were trading in the stock market. As such, futures traders have the ability to control a significant amount of a commodity with very little monetary outlay. The fact that the margin (the amount of cash invested) in the futures market can be up to ten times lower than the margin in the stock market could also be contributing to the volatility of prices.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Week ending: 2008-04-04		Change from:			
			Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Edmonton Par	671.88	104.93	+1.35	+1.44	+209.18	+41.23
WTI	667.91	104.30	-2.48	+0.86	+195.73	+39.34
Brent	660.25	103.10	-11.86	-0.59	+161.39	+34.47

Source: NRCan

2006 Canadian Oil Imports

Overall, Canada is a large and growing net oil exporter of oil. However, for geographic and economic reasons oil is exported from the west and the Atlantic offshore and crude oil is imported in the eastern and central regions.

Interestingly, in 2006, while Canada's oil imports totaled 135 thousand cubic metre per day, 44 % of these imports came from OPEC countries and 37% came from the North Sea. Between 2005 and 2006, Canada's crude oil imports declined by 12 thousand cubic metre per day as domestic oil production made up for a decline in crude oil imports.

Country	Imports per Day (In Cubic Metre)	Percentage of Canadian Imports
Norway	29,307	22
Algeria	27,949	21
United Kingdom	20,622	15
Iraq	10,882	8
Saudi Arabia	10,826	8
Mexico	5,777	4
Nigeria	5,200	4
Venezuela	4,843	4
Angola	3,474	3
United States	3,224	2
Others	12,970	10
Total Imports	135,075	100

Source: Statistics Canada and NRCan

