



Natural Resources  
Canada

Ressources naturelles  
Canada



# Fuel Focus

*Understanding Gasoline Markets in Canada  
and Economic Drivers Influencing Prices*

Volume 4, Issue 8

May 8, 2009

Canada

Copies of this publication may be obtained free of charge from:  
Natural Resources Canada  
Petroleum Resources Branch  
580 Booth Street, 17<sup>th</sup> Floor  
Ottawa, Ontario K1A 0E4  
Phone: (613) 992-8742  
TTY Service: (613) 996-4397 (Teletype for the hearing-impaired)  
Fax (613) 992-0614  
Email: [erb.dre@nrcan-rncan.gc.ca](mailto:erb.dre@nrcan-rncan.gc.ca)  
Web site: [http://www.fuelfocus.nrcan.gc.ca/index\\_e.cfm](http://www.fuelfocus.nrcan.gc.ca/index_e.cfm)

© Her Majesty the Queen in Right of Canada 2009

ISSN 1918-3321

Aussi offert en français sous le titre *Info-Carburant*



## National Overview

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

Canadian retail pump prices increased by 2 cents per litre to 90 cents per litre for the week ending May 5, 2009, representing the highest prices increase since mid-November 2008. Average Canadian pump prices rose mainly due to increase wholesale gasoline prices. For more information on wholesale prices, please visit our website at: [http://www2.nrcan.gc.ca/eneene/sources/prpri/wholesale/bycity\\_e.cfm](http://www2.nrcan.gc.ca/eneene/sources/prpri/wholesale/bycity_e.cfm)

World crude oil prices increased for Edmonton Par and WTI by \$8 to 18/m<sup>3</sup> (\$US2 to \$US3 per barrel), respectively, compared to the previous week.

Diesel fuel prices declined by 1 cent per litre to 83 cents per litre compared to the previous week. This is a decrease of 49 cents per litre from the same period last year. Furnace oil prices were down by 2 cents per litre from the previous week to an average of 73 cents per litre.

## Recent Developments

- **National Retail Petroleum Site Census:** The 2008 National Retail Petroleum Site Census by MJ Ervin & Associates Inc. is now available at: [http://www.mjervin.com/index\\_StudiesBackgrounds.htm](http://www.mjervin.com/index_StudiesBackgrounds.htm)
- **Decline in Canadian Capital Spending Projects:** Oil sands development outlays is expected to plunge more than conventional exploration and production spending. Capital expenditures for conventional oil and gas exploration, drilling, and production in Canada is expected to decline 8% to \$35 billion, following last year's 20% jump. Downstream spending will decline by 27% from last year, while construction of crude oil and products pipelines will be the only growth area in this category in 2009. (Oil and Gas Journal, April 30, 2009)
- **Canadian Oil Companies Post First Quarter Loss:** Petro-Canada and Husky Energy announced a loss of C\$47 million and C\$328 million in earnings for the first quarter of 2009, respectively. Lower operating earnings reflected the reduced global economic activity, the impact on commodity prices and the lower demand for energy.
- **P.E.I Gasoline and Diesel Tax Change:** Effective May 1, 2009, the Prince Edward Island tax on gasoline increased by 0.1 cent per litre to 14.9 cents per litre while the diesel oil tax rate was reduced by 0.4 cent per litre to 18.9 cents per litre compared to the previous month. (Government of Prince Edward Island, [www.taxandland.pe.ca](http://www.taxandland.pe.ca))

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

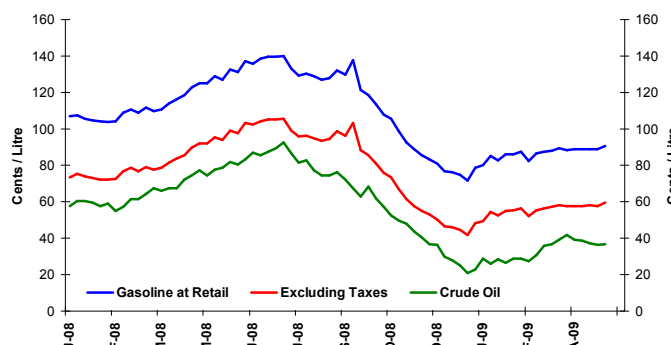
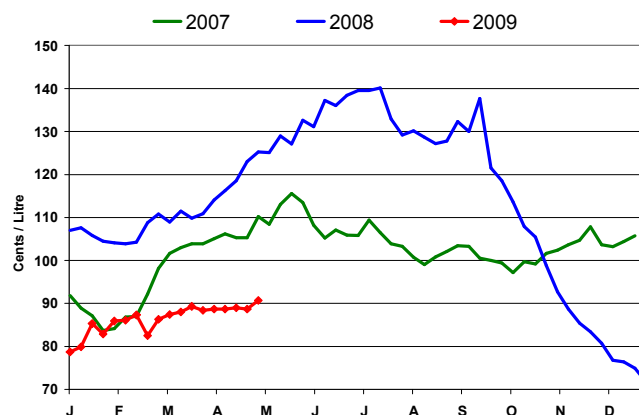


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2009-05-05	Previous Week	Last Year
Gasoline	90.7	+2.1	-34.4
Diesel	82.8	-0.7	-48.7
Furnace Oil	73.1	-1.6	-49.8

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

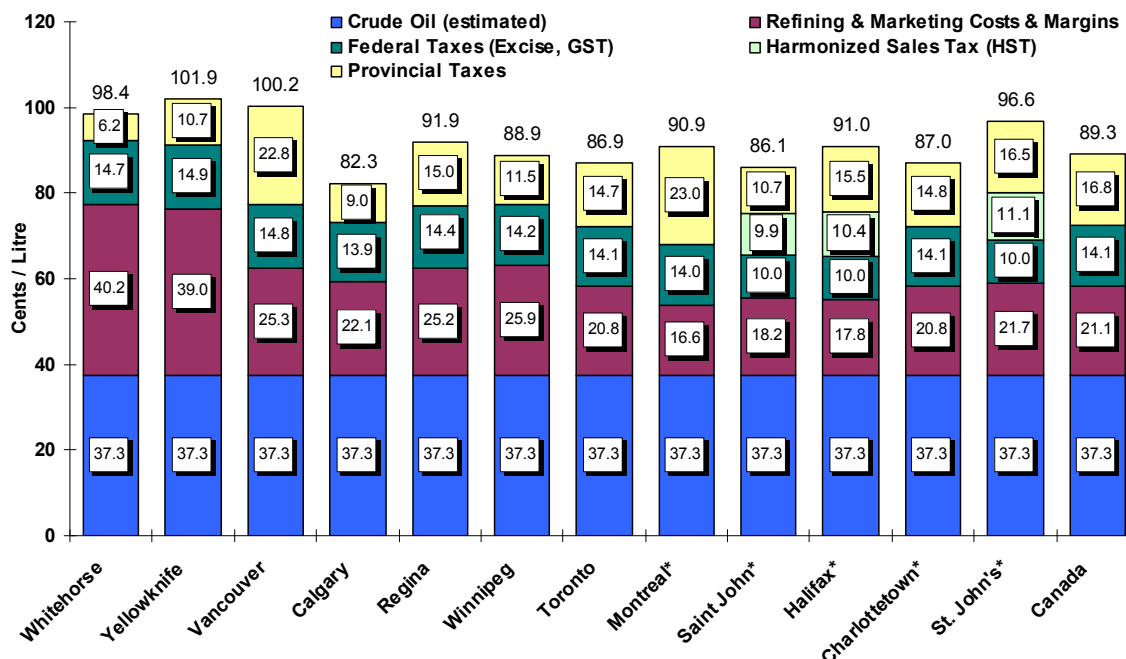
The average Canadian pump price in selected cities for the **four-week average** ending May 5, 2009, was 89 cents per litre—an increase of less than 1 cent per litre from the last report on April 24, 2009. This is 34 cents per litre lower than in the same period in 2008.

Overall, compared to two weeks ago, the **four-week average** crude oil prices declined by 2 cents per litre to 37 cents per litre for the period ending May 5, 2009.

Retail gasoline prices in Western centres (Vancouver to Winnipeg) decreased, on average, by 1 cent per litre when compared to the previous report, ranging from of 82 cents to \$1 per litre. Conversely, prices increased in Eastern centres (Toronto to St. John's) by 1 cent per litre, and ranged from 86 to 97 cents per litre.

Refining and marketing costs and margins rose by 3 cents per litre to 21 cents per litre since the last report on April 24, 2009.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (April 14 to May 5, 2009)**



Source: NRCan

\* Regulated Markets

### Product Distribution in Canada

Some of the distribution challenges in Canada arise from the fact that petroleum products are refined in only a few geographic regions but are consumed all across Canada. Therefore, the logistics network required to bring supplies from the refineries to the end-users is complex. Generally, petroleum products are blended at the refinery and shipped by rail, ship or pipeline to local terminals. From the local terminals, products are trucked to retail sites.

In order to reduce transportation costs and to capitalize on increasing economies of scale, refiners commonly enter into product exchange agreements with one another. Product exchanges occur when one refiner provides another refiner with specific products in a certain location in exchange for a similar quality and volume of products in another location. Product exchanges significantly reduce the volumes and distances over which products are moved, thereby considerably reducing transportation costs. It is no longer unusual to purchase gasoline from a branded outlet that was produced by one of its main competitors.





## Wholesale Gasoline Prices

Wholesale gasoline prices ranged from 46 to 53 cents per litre in select centres for the **week of April 30, 2009**. Overall, compared to the previous week, Canadian and American centres recorded prices decreases of 1 cent per litre to increases of nearly 3 cents per litre.

Changes in wholesale gasoline prices in Eastern markets in both Canada and the United States, compared to the previous week, ranged from an increase of 1 cent per litre to a decline of 1 cent per litre, ending the period in the 47 to 51 cent per litre range.

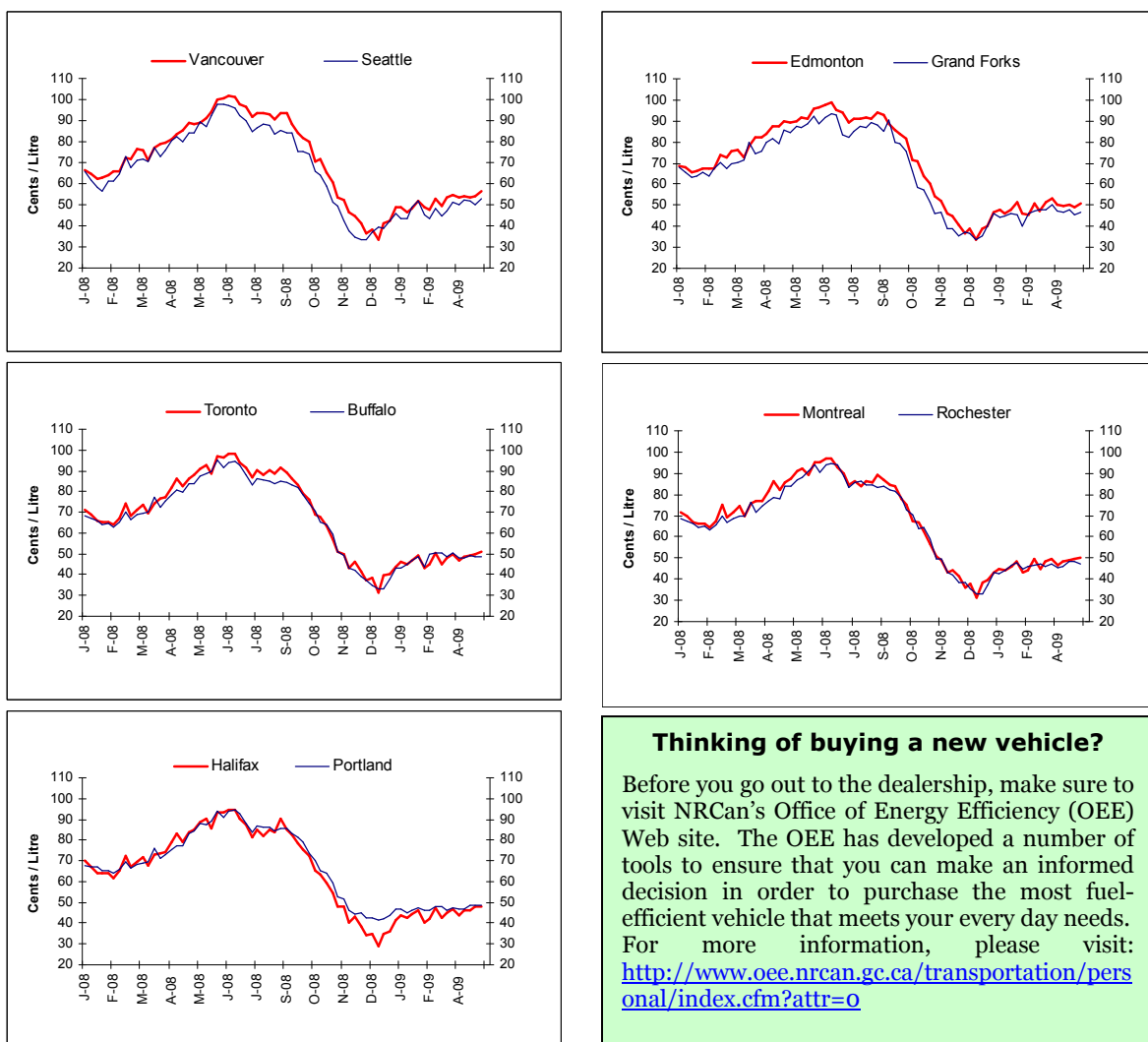
Wholesale gasoline price increases in Western centres ranged from 1 to 3 cents per litre and ended the period between 46 and 53 cents per litre.

In the last **four weeks**, wholesale prices in most Canadian and American selected centres have increased in the range of less than 1 to 4 cents per litre.

Overall, wholesale gasoline prices in most markets are 27 to 37 cents per litre below last year's level.

**Figure 4: Wholesale Gasoline Prices**

Rack Terminals Prices for Selected Canadian and American Cities Ending April 30, 2009  
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide





## Refining and Marketing Margins

**Four-week rolling averages** are used for the gasoline refining and marketing margins. See Figure 5 for the period ending May 5, 2009.

Refining margins have been showing some gains recently which is indicative of a tightening in supplies. Seasonal refinery maintenance phases in North America also tend to constrict supply of refined products, hence firming-up retail pump prices. These margins have increased in all selected centres which signify that

wholesale gasoline prices have been increasing more promptly than crude oil prices.

Nationally, marketing margins hover around 7 cents per litre. This margin can also be fairly volatile, as shown for Calgary, Montreal and Halifax, as outlets compete for market share.

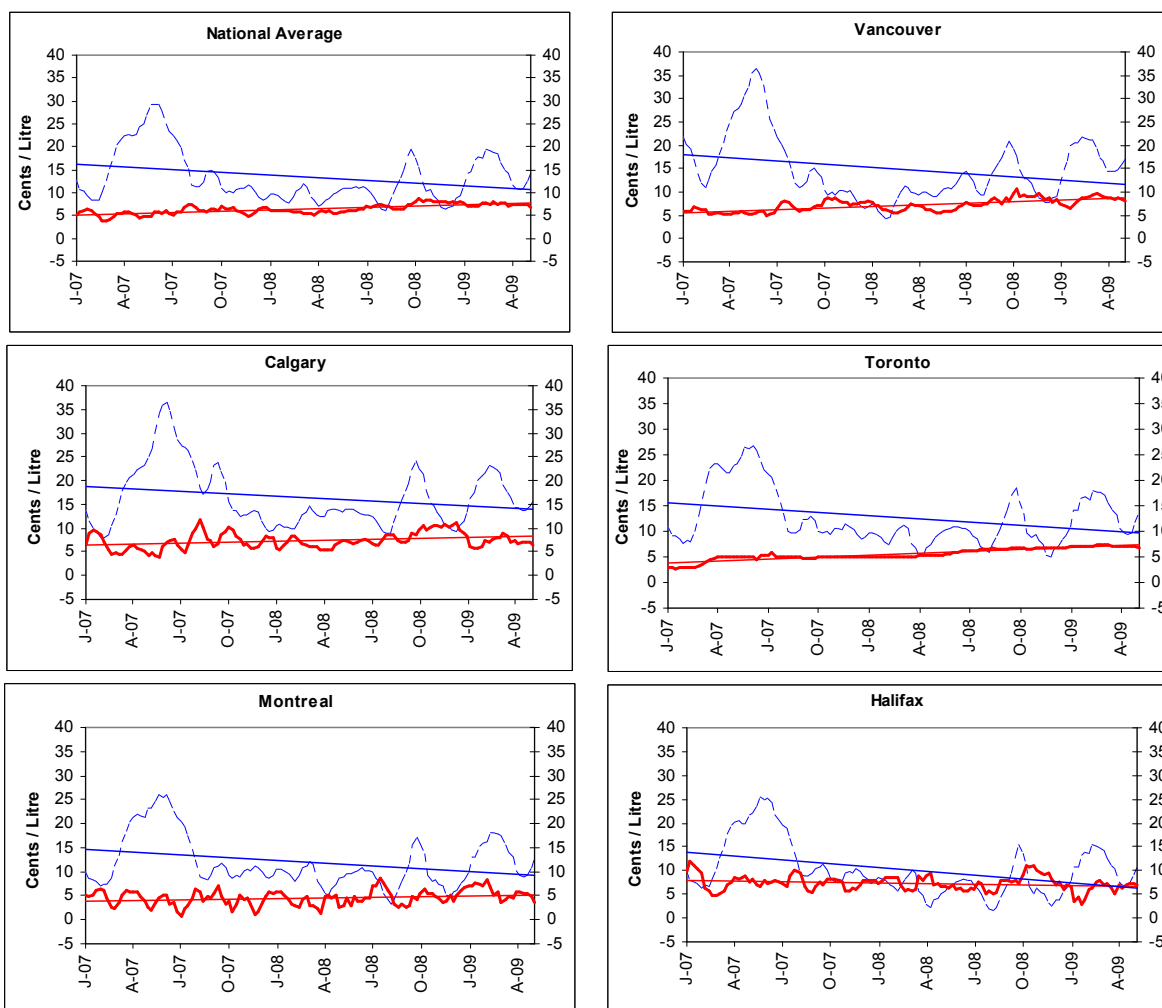
While Vancouver registered the highest marketing margins at more than 8 cents per litre, Montreal showed the lowest marketing margin at 4 cents per litre for the period ending May 5, 2009.

**Figure 5: Refining and Marketing Margins**

Four-Week Rolling Average Ending May 5, 2009

----- Refining Margin

----- Marketing Margin



Source: NRCan





## Crude Oil Overview

### Crude Oil Prices Buoyed on Economic Optimism

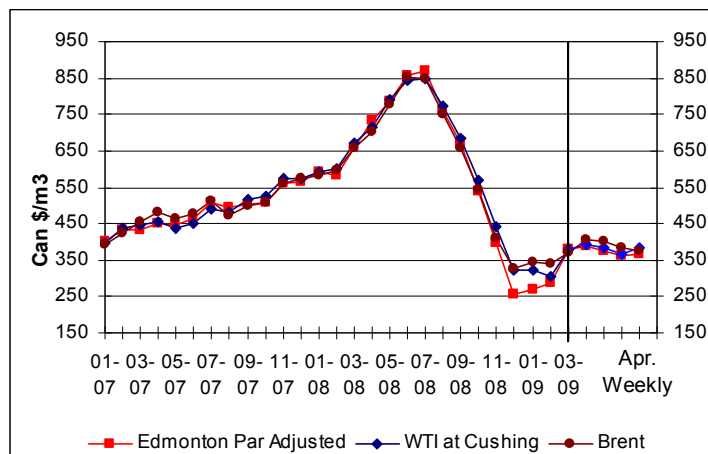
For the week ending May 1, 2009, prices for the three benchmark crude oil types averaged between \$368/m<sup>3</sup> and \$386/m<sup>3</sup>, (\$US49 to \$US51 per barrel). This is an increase for the Edmonton Par and WTI crudes of \$8 to 18/m<sup>3</sup> (\$US2 to \$US3 per barrel), respectively, compared to the previous week.

World crude oil prices rose slightly driven by renewed economic confidence and this in spite of record high North American inventory levels. The U.S. Energy Information Administration indicate that oil demand in the month of February was down 5.4%, compared to the same period last year, making it the lowest level in 11 years.

Nonetheless, there is growing optimism that the global economy and fuel demand will recover soon as Japan's industrial output increased for the first time in 6 months and UK consumer confidence climbed to the highest level in a year.

In the short-term, however, there is a concern that economic activity and global oil demand could be significantly affected since the flu outbreak in April 2009, mainly demand for aviation fuel, given the potential impact on tourism. Some European countries are calling for air travel restrictions, which could further reduce the demand for oil products.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2009-05-01		Change From:			
			Previous Week		Last Year	
	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl	\$Can/ m <sup>3</sup>	\$US/ bbl
Edmonton Par	368.06	48.63	+7.55	+1.98	-379.12	-69.18
WTI	386.45	51.07	+17.83	+3.37	-349.76	-64.23
Brent	374.11	49.44	-8.39	-0.05	-346.48	-63.41

Source: NRCan

### Oil and Gas Drilling Expected to Plunge

According to the Petroleum Services Association of Canada (PSAC) latest forecast released on April 30, 2009, there will be little oil and gas drilling activity this spring. An informational survey of PSAC members, which represents 70,000 of the total 100,000 people employed in Alberta's oil and gas sector, estimated that layoffs that began in recent weeks could reach a 10,000 to 12,000 range for their members only.

The association's revised forecast for all of 2009 is for 10,000 wells -- 41% less than the 16,940 wells drilled in 2008. This new estimate is down from an earlier forecast for 2008, issued in January, when the association estimated that 13,500 wells would be drilled, itself a big drop from the 16,940 wells completed last year. Approximately two thirds of the wells drilled are natural gas wells.

On a provincial basis for 2009, the association estimates 6,620 wells will be drilled in Alberta, down 43% from 2008; B.C. will see an 18% decrease to 700 wells, and Saskatchewan will see a 38% decrease to 2,475 wells.

Low commodity prices and the global financial crisis have forced many petroleum service and supply companies to take serious measures to cope and to significantly pull back their spending.

