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# Fuel Focus

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

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## National Overview

### Canadian Retail Gasoline Prices Remain at Nearly \$1 per Litre in the First Nine Months of 2010

For the week ending September 21, 2010, Canadian average retail gasoline prices declined 1 cent per litre from the previous week to \$1.02 per litre. Prices are above last year's level by 4 cents per litre. Average gasoline prices have remained relatively stable since the beginning of the year, fluctuating in the range of 7 cents per litre compared to 26 cents per litre for the same period in 2009.

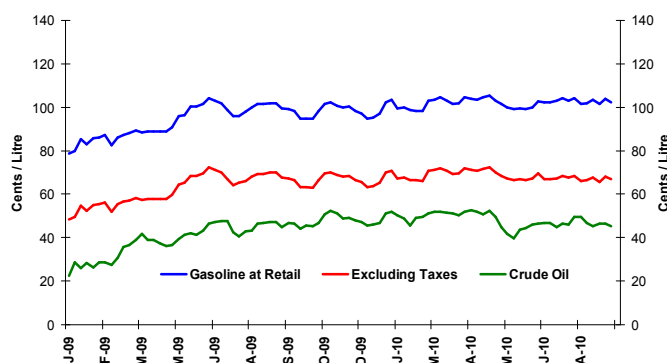
Diesel fuel prices remained essentially unchanged at \$1 per litre. Furnace oil prices also remained unchanged at 89 cents per litre from the previous week.

The decline in retail gasoline prices reflects the relatively low volatility in North American wholesale gasoline prices and the narrow range of fluctuation in world crude oil prices.

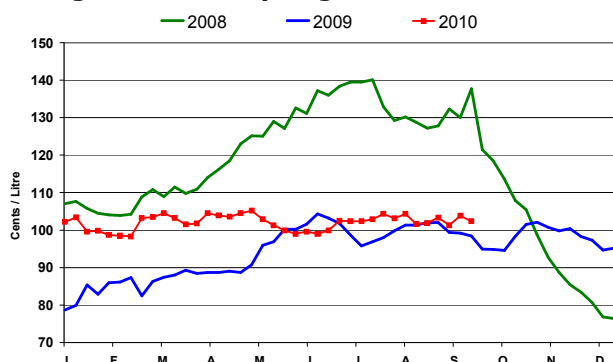
## Recent Developments

- **Gasoline Sales Increase 8%:** Motor gasoline sales increased 8% to 26 billion litres in the first six months of 2010 compared to the same period in 2009. Diesel fuel oil sales rose 13% to 16 billion litres, while light fuel oil (furnace oil) declined 2% to 2 billion litres in the same time period. (Source: NRCan and Statistics Canada)
- **Enbridge Pipeline:** On September 17, 2010, Enbridge announced the restart of its 6A pipeline. Enbridge's Line 6A (from Superior, Wisconsin to Griffith, Illinois), which is upstream of line 6B (Chicago to Sarnia), spilled 6100 barrels of crude oil on September 9, 2010, through a one-inch hole, near Chicago. The Michigan pipeline, Line 6B, remains closed. The two pipeline closures have made it difficult for Canadian oilsands producers to get their product to their biggest market, the United States.
- **Increase in New Motor Vehicle Sales:** The number of new motor vehicles sold increased 2.4% to 135,514 units in July. Stronger truck sales were the main contributor to the advance. Sales of trucks (which include minivans, sport-utility vehicles, light and heavy trucks, vans and buses) rose 3.1% to 76,994 units in July, a fourth consecutive monthly increase. Sales of passenger cars increased 1.6% to 58,520 units in July. North American built passenger car sales increased 3.2% while sales of overseas-built passenger cars edged down 0.3%. (Source: Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/100914/dq100914b-eng.htm> )

**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	2010-09-21	Previous Week	Last Year
Gasoline	102.4	-1.3	+4.0
Diesel	100.3	+0.1	+9.6
Furnace Oil	89.1	+0.1	+12.3

Source: NRCan

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## Retail Gasoline Overview

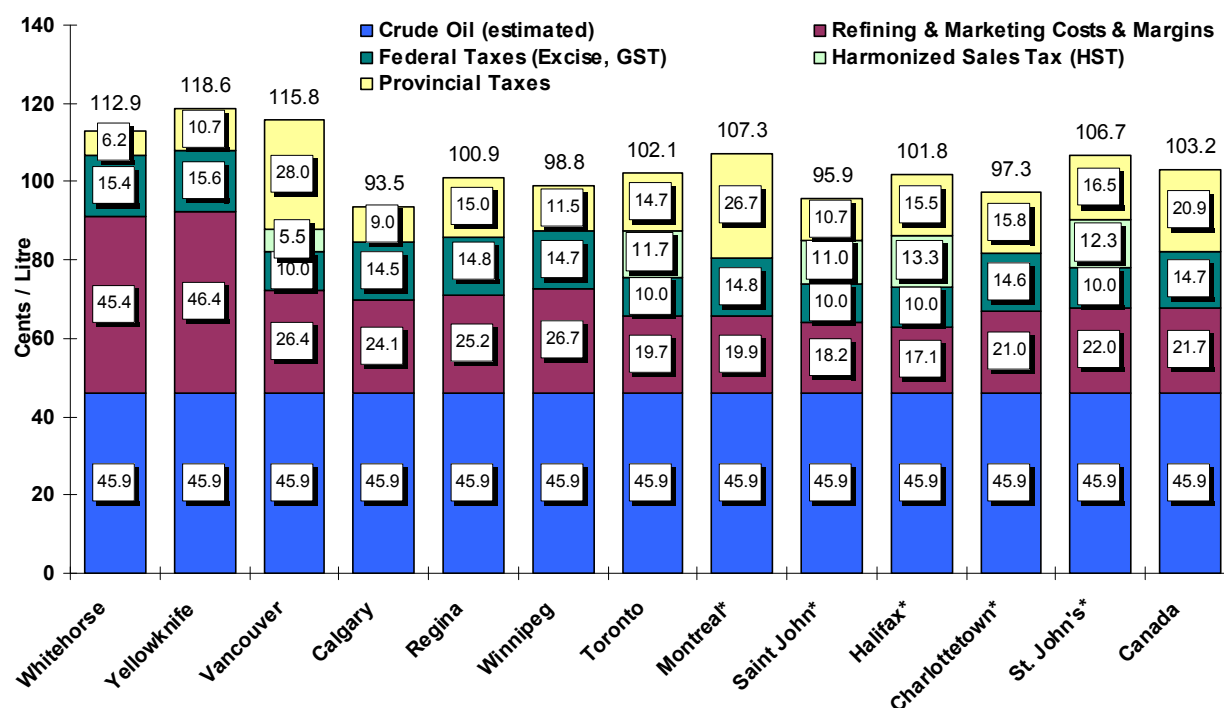
The average Canadian pump price in selected cities for the **four-week average** ending September 21, 2010, was \$1.03 per litre, an increase of less than 1 cent per litre from the last report on September 10, 2010. This represents a 4 cents per litre increase compared to the same period in 2009.

The **four-week average** crude oil price decreased by 1 cent per litre to 46 cents per litre compared to two weeks ago. The crude oil cost component represents nearly 44% of the total pump price.

Retail gasoline prices in most Western centres—Vancouver to Winnipeg—increased marginally by less than 1 cent per litre when compared to the previous report and ranged from 94 cents per litre to \$1.16 per litre. Prices in Eastern cities—Toronto to St. John's—increased by 1 cent per litre and ranged from 96 cents per litre to \$1.07 per litre.

At the national level, refining and marketing costs and margins registered an increase by 2 cents per litre to 22 cents per litre. This is the same level compared to the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (August 31 to September 21, 2010)**



Source: NRCan

\* Regulated Markets





## Wholesale Gasoline Prices

Compared to the previous week, wholesale gasoline prices for the week ending **September 16, 2010** fluctuated slightly in most Canadian and American centres.

Wholesale gasoline price changes ranged from an increase of more than 1 cent per litre to a decrease of about 1 cent per litre. Prices ended in the 56 to 62 cents per litre range.

In the Eastern markets of Canada and the U.S., wholesale gasoline prices, compared to the previous week, generally registered increases. Price fluctuations ranged from almost no change to an increase of more

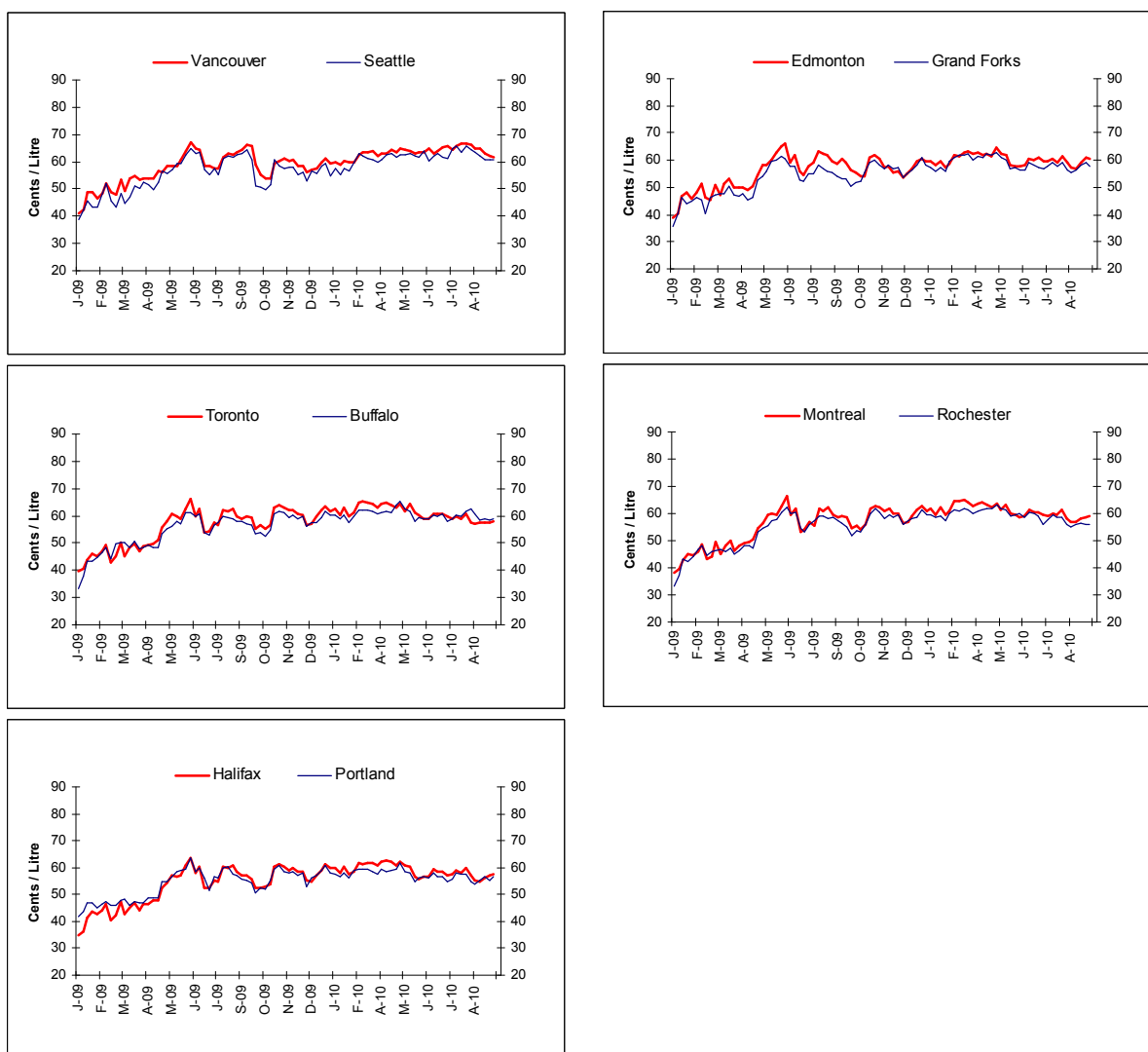
than 1 cent per litre. The period ended in the 56 to 59 cents per litre range.

Wholesale gasoline prices in each of the Western centres decreased this week, and ended in the range of 58 to 62 cents per litre. Prices decreases ranged from about a tenth of 1 cent per litre in Seattle to more than 1 cent per litre in Grand Forks.

Compared to the previous year, wholesale prices in the Canadian and American centres ranged on average between decreases of 4 cents per litre to increases of 5 cents per litre.

**Figure 4: Wholesale Gasoline Prices**

Rack Terminal Prices for Selected Canadian and American Cities Ending September 16, 2010  
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide





## Gasoline Refining and Marketing Margins

**Four-week rolling averages** are used for gasoline refining and marketing margins.

These refining margins refer to the difference between the cost of the crude oil and the wholesale price at which a refiner can sell gasoline. The margin includes the costs associated with refining the product as well as a profit for the refiner.

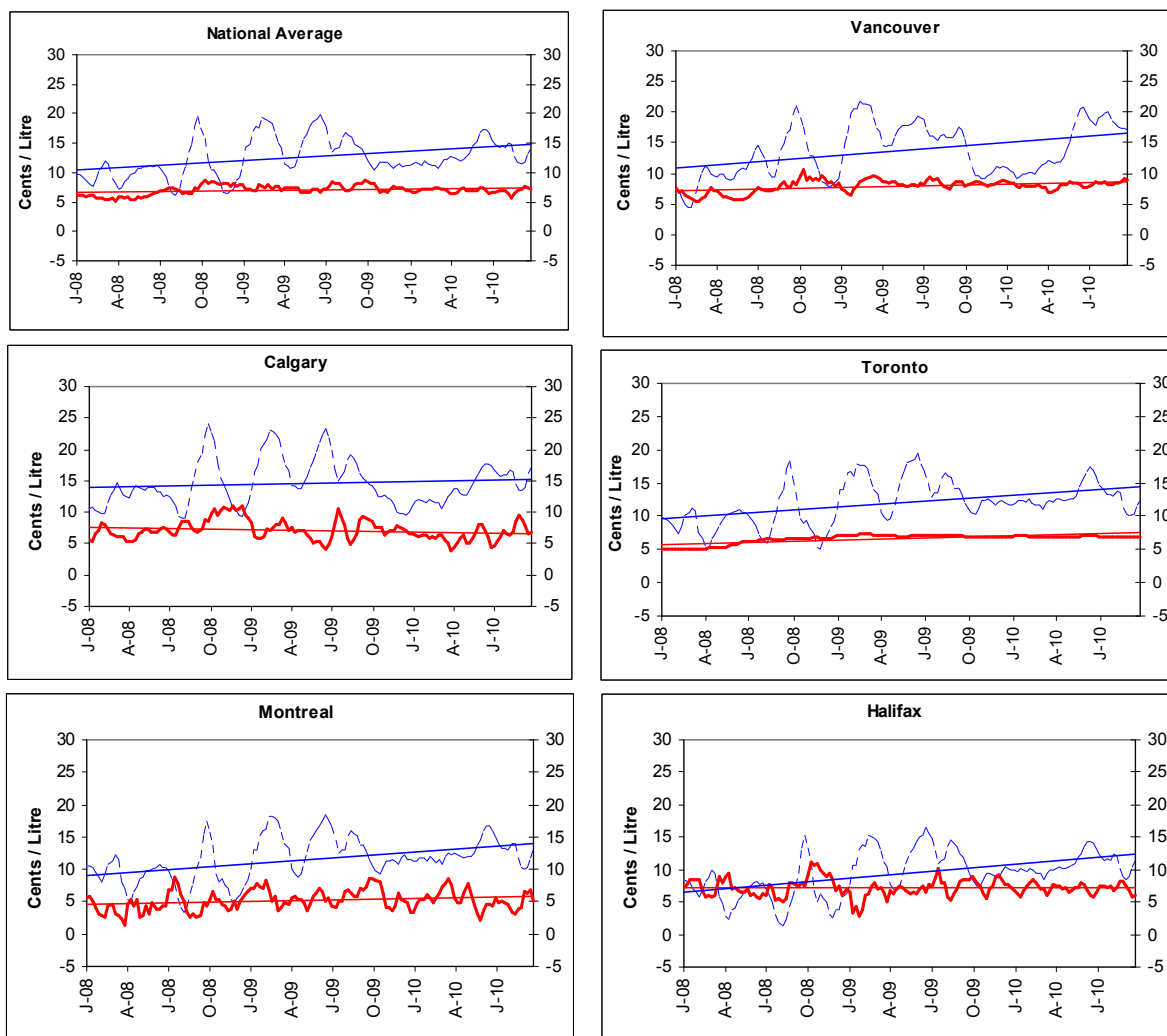
Refining margins generally rise when supply of gasoline is tight, for instance during temporary refinery outages,

and decline when supplies are sufficient to meet the expected demand.

Nationally, the marketing margins increased slightly by almost 1 cent per litre compared to the same period last year. Marketing margins for the five centres registered between 5 and 9 cents per litre.

Although it represents a small portion of the total pump price, the marketing margin can vary significantly from city to city and region to region.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending September 21, 2010  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

### Low Volatility in World Crude Oil Prices

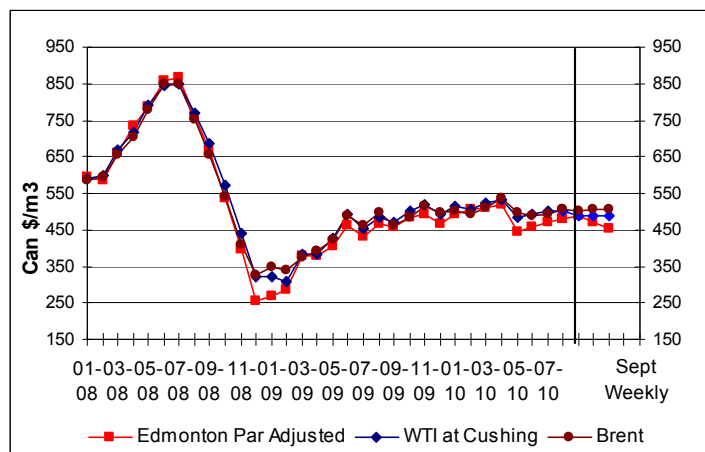
For the week ending September 17, 2010, prices for the three marker crudes averaged between \$453/m<sup>3</sup> and \$506/m<sup>3</sup> (US\$70 to US\$78 per barrel). While WTI and Brent crude oil prices remained almost unchanged from the previous week, Edmonton Par declined by \$19/m<sup>3</sup> (US\$2 per barrel) compared to the previous week. According to certain market sources, the Canadian crude Edmonton Par price declined partly as a result of Enbridge's pipeline 6A shutdown preventing Canada's crude shipments to U.S. refiners.

Overall, world crude oil prices continue to trade in a narrow range as high crude oil and gasoline inventories help moderate prices. The threat of tropical storms and hurricanes adds some premium to prices as the risk to producing infrastructure, and resulting shutdowns, could constrain supply.

So far, however, none of the storms tracked by the U.S. National Oceanic and Atmospheric Administration have severely threatened the Gulf of Mexico where a large portion of the U.S. oil and gas production facilities are located.

Interestingly, a recent report from a U.K. based Centre for Global Energy Studies indicate that with the current spare capacity throughout the oil-supply chain and abundant levels of crude oil and products, it is difficult to find support for the current crude oil prices from traditional oil-market fundamentals. The report suggests that investors in oil futures contracts appear to be acting on erroneous beliefs thereby holding oil prices above levels supported by market fundamentals. For more information, please visit: <http://www.ogj.com/index/general-interest.html>

**Figure 6: Crude Oil Price Comparisons**



### Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2010-09-17		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	453.13	70.10	-19.17	-2.26	-11.21	+1.25
WTI	489.01	75.65	+0.79	+0.78	+7.72	+4.29
Brent	505.72	78.23	-0.75	+0.57	+38.13	+8.90

Source: NRCan

