



Natural Resources  
Canada

Ressources naturelles  
Canada



# Fuel Focus

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

Volume 5, Issue 21

November 5, 2010

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) 992-9612  
TTY Service: (613) 996-4397 (Teletype for the hearing-impaired)  
Fax (613) 995-1913  
Email: [prb.drp@nrcan-rncan.gc.ca](mailto:prb.drp@nrcan-rncan.gc.ca)  
Web site: <http://nrcan.gc.ca/eneene/focinf-eng.php>

© Her Majesty the Queen in Right of Canada 2010

ISSN 1918-3321

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



## National Overview

### Canadian Retail Gasoline Prices Increase by 0.5 Cent per Litre to \$1.05 per Litre From Last Week

Canadian retail pump prices, for the week ending November 2, 2010, increased by nearly 1 cent per litre to reach \$1.05 per litre. Compared to last year at this time, gasoline prices are 3 cents per litre higher.

Diesel fuel and furnace oil prices decreased by less than 1 cent per litre, but are respectively 8 cents and 6 cents per litre higher than they were a year ago.

Overall, retail prices reflected the upward pressure from higher crude oil prices and North American wholesale gasoline prices.

## Recent Developments

- **Sarnia Refinery Maintenance:** On October 27, 2010, Suncor Energy Inc. announced the completion of its planned maintenance and normal operations have now resumed at the Sarnia, Ontario, refinery. Approximately 300 employees and contractors were involved in the work, which began on September 11 and was part of Suncor's ongoing regular planned maintenance program designed to support safe, reliable operations. (Source: Suncor Energy Inc., <http://www.suncor.com/en/newsroom/2449.aspx?id=3838> )
- **Project Pioneer:** Capital Power has teamed up with TransAlta, Alstom Canada, and Enbridge to build one of Canada's first fully integrated carbon capture and storage (CCS) projects that involves retro-fitting a coal-fired power plant. Project Pioneer was awarded a \$779 million funding commitment from the Alberta and Canadian Governments in 2009, and would capture approximately 30% of greenhouse gas emissions from the Kepphills facility, making it one of the largest CCS projects in the world. (Source: <http://www.projectpioneer.ca/> )
- **Unenviable Status:** Two-thirds of the world's CO<sub>2</sub> emissions come from just 10 countries, with China and the U.S. topping the list. Together, China and the U.S. produce 41% of the world's CO<sub>2</sub> emissions, although China now produces more than the U.S. Global CO<sub>2</sub> emissions increased 1.5% between 2007 and 2008. CO<sub>2</sub> emissions of "Annex 1" (developed) countries decreased by more than 2% while emissions from non-Annex 1 (developing) countries increased by almost 6%, according to the latest International Energy Agency data. (Source: EIA, <http://www.iea.org/co2highlights/> )

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

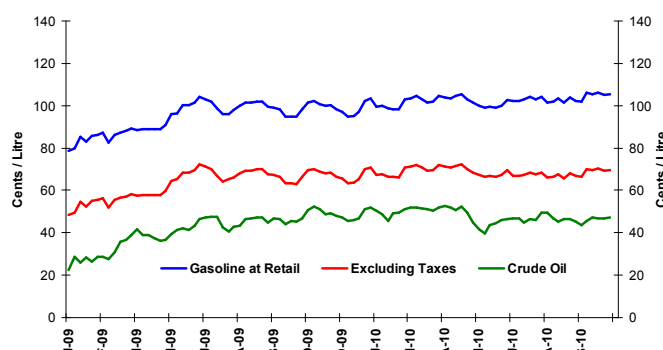
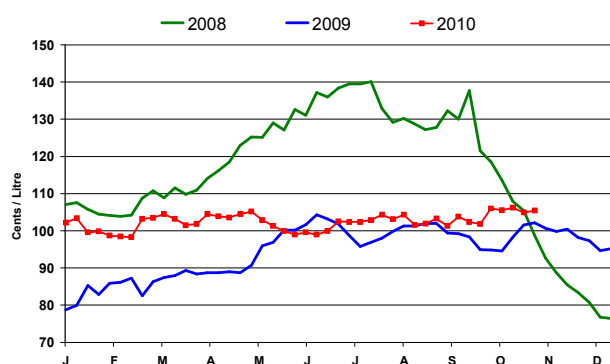


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2010-11-02	Previous Week	Last Year
Gasoline	105.4	+0.5	+3.3
Diesel	104.7	-0.5	+8.3
Furnace Oil	92.2	-0.5	+6.0

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
<b>Supplement: Review of Selected Issues Affecting the Price of Crude Oil</b>	<b>6</b>





## Retail Gasoline Overview

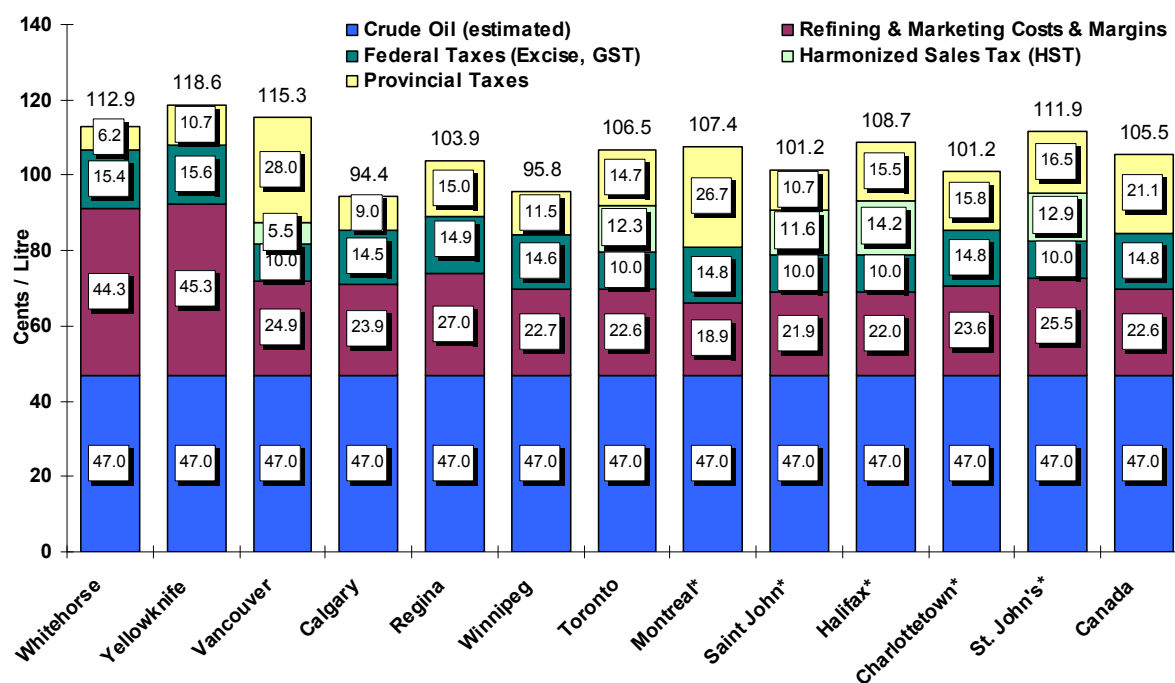
For the period ending November 5, 2010, the **four-week average** regular gasoline pump price in selected cities across Canada was \$1.06 per litre, an increase of 1 cent per litre compared to the previous report of October 22, 2010. Compared to the same period in 2009, the average Canadian pump price is 6 cents per litre higher.

The **four-week average** crude component was 47 cents per litre, an increase of 1 cent compared to two weeks ago.

Federal and provincial taxes on gasoline, which last year at the same period accounted for 32% of the retail price, now are 34% of the consumer price due to the introduction and increases of the HST in some provinces.

At the national level, refining and marketing costs and margins decreased by 1 cent per litre to 23 cents per litre from the previous report two weeks ago. This is almost 4 cents per litre higher than the same period last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (October 12 to November 5, 2010)**



Source: NRCan

\* Regulated Markets

### Inflation Up Nearly 2% in September

Consumer prices rose 1.9% in the 12 months to September, following a 1.7% increase in August. Energy prices advanced 5.6% during the 12 months to September, following a 5.0% increase in August.

Transportation costs went up 3.1% after rising 2.0% in August. In addition to higher prices for the purchase of passenger vehicles, gasoline prices and passenger vehicle insurance premiums both increased 3.1% in September.

Consumer prices increased in all provinces in the 12 months to September. Ontario recorded the largest year-over-year increase. Consumer prices rose 2.9% in Ontario between September 2009 and September 2010, matching the increase in August. Prices for electricity, the purchase of passenger vehicles, and homeowners' replacement costs went up. As well, drivers paid 5.9% more for gasoline.

Source: Statistics Canada, <http://www.statcan.gc.ca/daily-quotidien/101022/dq101022a-eng.htm>



Natural Resources  
Canada

Ressources naturelles  
Canada

Canada



## Wholesale Gasoline Prices

For the week **ending October 28, 2010**, wholesale gasoline prices increased in most selected Canadian and American centres compared to the previous week. Overall, wholesale prices ranged from an increase of nearly 2 cents per litre to a decrease of less than 1 cent per litre.

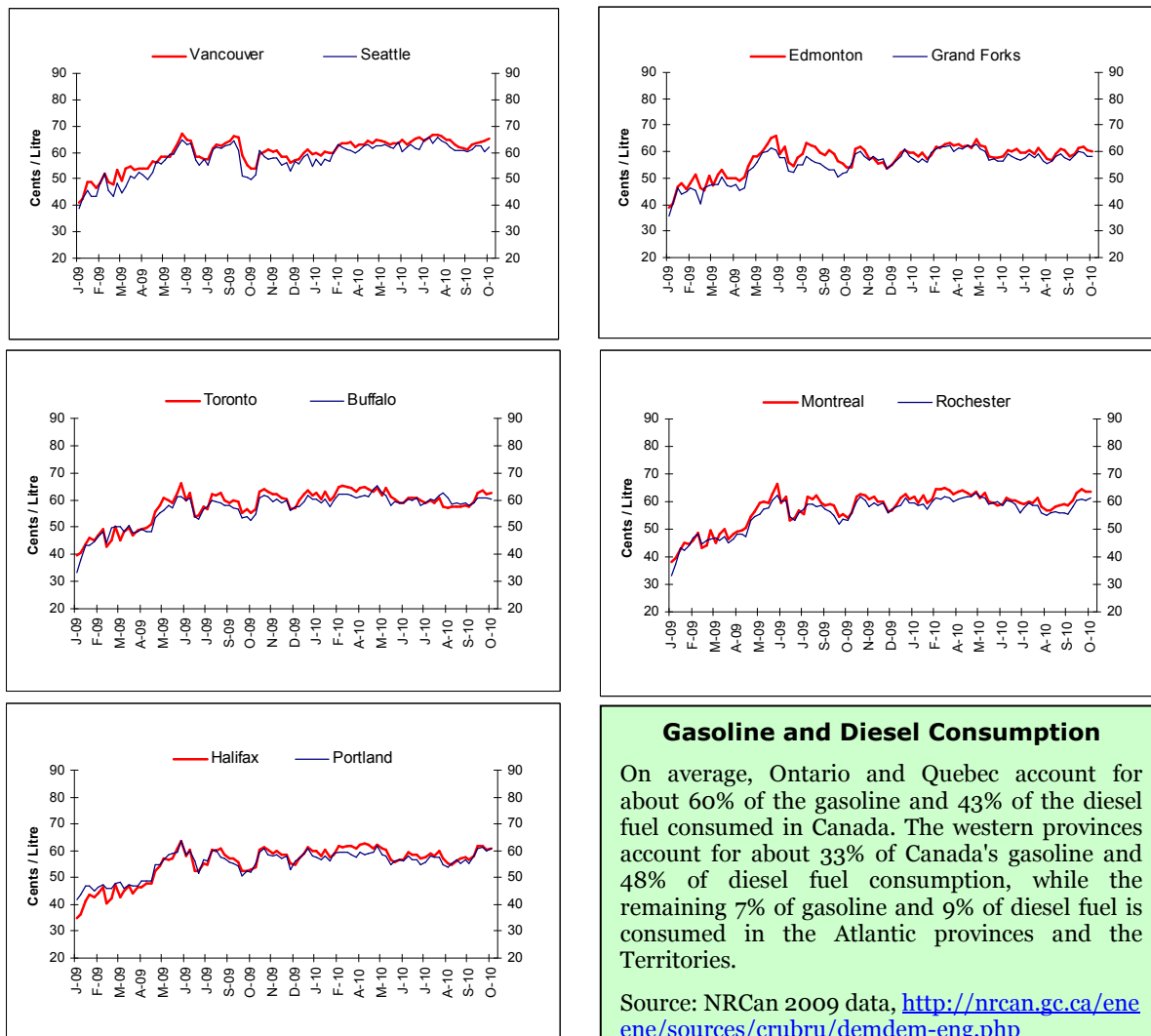
Wholesale gasoline prices in the Eastern centres, for both Canada and American centres, fluctuated mildly with increases of slightly more than 1 cent per litre to a decrease of less than 1 cent per litre. Prices ended between 60 and 64 cents per litre.

In the Western centres, price changes ranged from a decrease of almost 1 cent per litre to an increase of nearly 2 cents per litre, closing at 58 to 65 cents per litre.

In the last four weeks, wholesale prices in both Canadian and American centres have ranged between increases in the range of 4 cents per litre to a decrease of 1 cent per litre.

When compared to the same period last year, wholesale prices are much less volatile. Overall, Canadian and American wholesale price movements ranged between decreases of 2 cents per litre to an increase of 5 cents per litre compared to last year's level.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending October 28, 2010  
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide

### Gasoline and Diesel Consumption

On average, Ontario and Quebec account for about 60% of the gasoline and 43% of the diesel fuel consumed in Canada. The western provinces account for about 33% of Canada's gasoline and 48% of diesel fuel consumption, while the remaining 7% of gasoline and 9% of diesel fuel is consumed in the Atlantic provinces and the Territories.

Source: NRCan 2009 data, <http://nrcan.gc.ca/ene/ene/sources/crubru/demdem-eng.php>





## Gasoline Refining and Marketing Margins

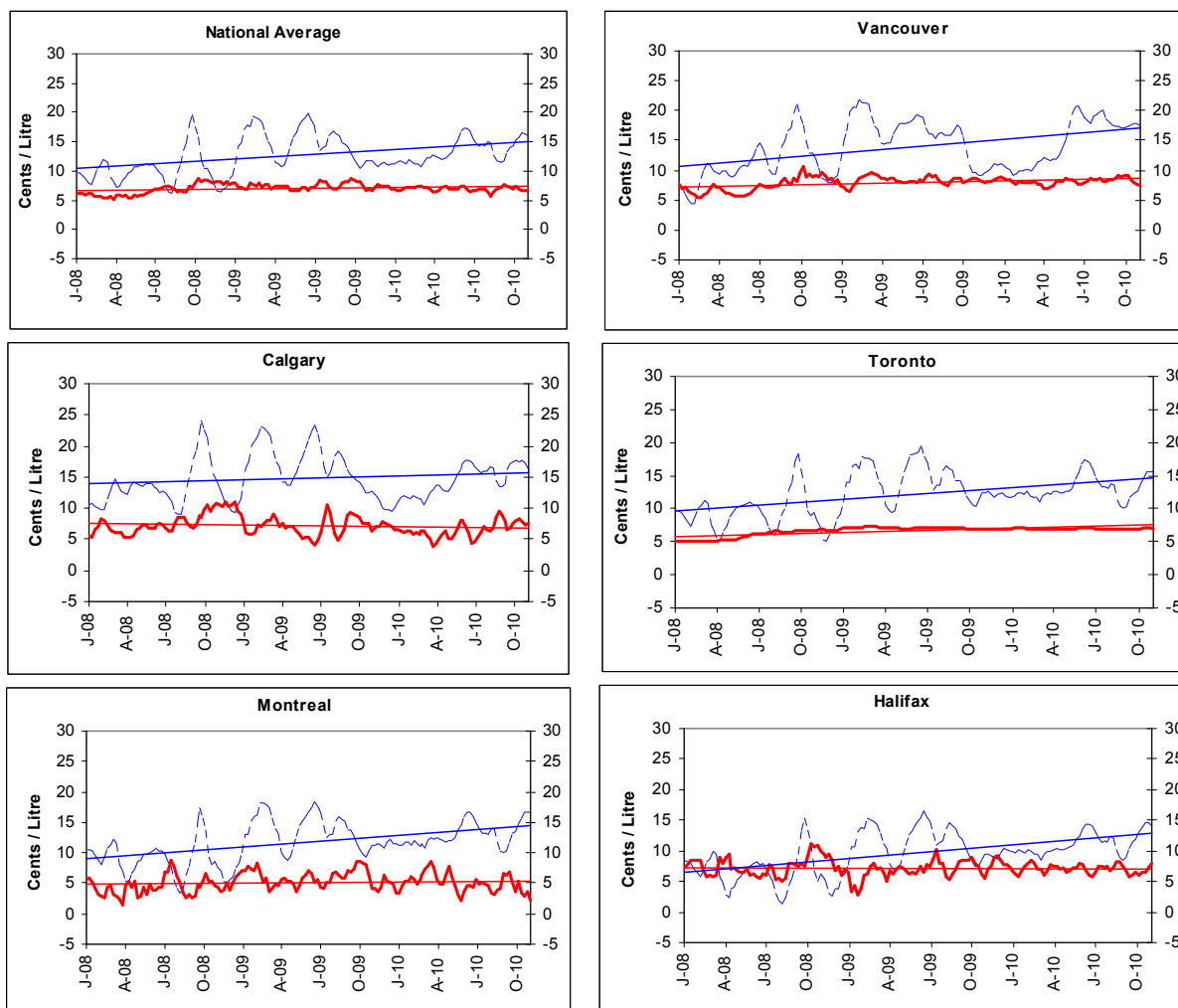
**Four-week rolling averages** are used for gasoline refining and marketing margins.

Refining margins for gasoline show a downward movement for the week ending November 2, 2010, reflecting an adequate supply in the North American distribution system. Margins are hovering at 16 cents per litre at the national level, an increase of 4 cents per litre compared to the same period last year.

Nationally, the marketing margins registered around 7 cents per litre, essentially unchanged compared to the same time last year. Marketing margins for the five selected centres were between 2 and 8 cents per litre.

The marketing margin is the difference between the pump price (excluding taxes) and the price paid by the retailer to purchase the gasoline.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending November 2, 2010  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

### Pipeline Apportionment Impacts Canadian Crude Oil Prices

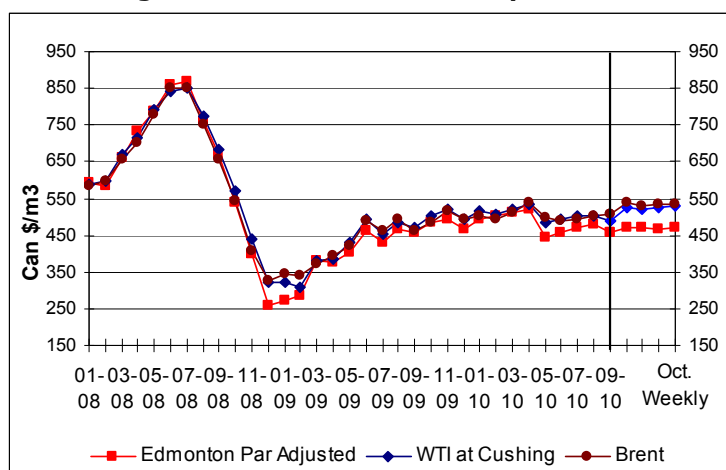
For the week ending October 29, 2010, prices for the three marker crudes averaged between \$473/m<sup>3</sup> and \$536/m<sup>3</sup>, (US\$73 to US\$83 per barrel). This is an increase of \$4 to \$7/m<sup>3</sup> (US\$0.69 to US\$1.10 per barrel) from the previous week.

World average crude oil prices rose slightly for the week ending October 29, 2010. However, prices are partly moderated by a lackluster demand and significant U.S. crude oil and gasoline inventories. While the five-year average gasoline inventory declined, it remains considerably above the historical level moderating the rise in prices at the retail level.

Since the last report two weeks ago, crude oil prices continued to fluctuate within a narrow range as a weaker U.S. dollar pushed crude oil prices up, while the strengthening dollar had the reverse effect.

The October Edmonton Par average crude oil price rose by nearly \$12/m<sup>3</sup> (\$2 per barrel) from the previous month, while the WTI and Brent rose by \$35/m<sup>3</sup> and \$25/m<sup>3</sup> (\$6 and \$4 per barrel), respectively. The price gap between the Canadian crude and the other two marker crude is mainly due to space rationing on pipelines to move oil from the Alberta market. This practice is known as apportionment when capacity constraints arise on pipeline transportation either due to overbooking or capacity restrictions.

Figure 6: Crude Oil Price Comparisons



#### Oil Demand Recovery Stronger than Expected in 2010

According to the International Energy Agency (IEA) report release October 13, 2010, global oil demand in 2010 is now projected at 86.9 million barrels/day (b/d), up 2.1 million b/d from earlier forecasts, while 2011 oil demand is seen rising to 88.2 million b/d, up 1.2 million b/d from earlier predictions.

IEA forecast much stronger-than-expected third quarter 2010 results, notably in the Organisation for Economic Cooperation and Development countries, and updated gross domestic product and price assumptions.

The global refinery crude throughputs are revised up by 700,000 b/d for the third quarter 2010, to 75.3 million b/d, or 1.8 million b/d above third quarter of 2009. Stronger runs in North America and Europe, shadowing revisions to oil product demand, as well as record-high runs in Brazil and Russia contributed to this increase. The fourth quarter 2010 runs are to fall seasonally to 73.8 million b/d, in line with the expected slowdown in oil demand growth.

Source: IEA, Oil Market Report, <http://omrpublic.iea.org/>

#### Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2010-10-29		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	472.73	73.49	+6.60	+1.10	-44.64	-3.38
WTI	527.54	82.01	+3.93	+0.70	-0.83	+3.50
Brent	536.00	83.33	+3.85	+0.69	+24.30	+7.30

Source: NRCan





## Review of Selected Issues Affecting the Price of Crude Oil

As most people know, crude oil is one of the most important components that make up the price consumers pay at the pump. Traditionally, crude oil prices have been determined by supply and demand fundamentals. However, new emerging drivers are affecting oil prices.

Natural Resources Canada is pleased to announce its recent release of the *Review of Selected Issues Affecting the Price of Crude Oil* which identifies the traditional drivers of oil prices. The report reviews crude oil prices over the 1970 - 2000 period, and examines the new emerging factors which have impacted prices since 2000, such as the “financialization” of crude oil markets, and concentration of crude oil production in National Oil Companies (NOC).

The oil market has become increasingly complex, with a variety of factors having an impact on oil prices. Oil price fluctuations reached unprecedented levels in 2008, when world crude oil prices swung wildly, from \$147 per barrel in July, to \$30 per barrel in December. These price swings were reflected in the prices that consumers paid for gasoline, diesel and furnace oil.

Given the importance of oil to Canada and the world, governments, industry and the public have an interest in understanding why oil prices fluctuate. Emerging factors - such as the prevalence of NOCs and growth of institutional investment in oil commodity markets - now interact with the traditional fundamentals to affect oil prices, for example, severe weather events, OPEC production decisions, and crude oil inventory levels.

There are two opposing long-term views on oil prices. Some groups believe that long-term oil prices could trend downwards with gains in energy efficiencies, weaker than expected oil demand, and falling production costs due to technological advancement. A second group believes that long-term oil prices could trend upwards, driven by resource depletion effects, scarcity concerns, and higher demand for crude oil, particularly from China and India.

However, the report concludes that there is no consensus on the future of crude oil prices. Given the impossibility of predicting the future of all the factors that can influence crude oil prices, these prices will continue to be very difficult to accurately forecast. However, on average, the reference cases shown in this report do show crude oil prices rising in the future.

For more information or a copy of the report, please visit NRCan’s Fuel Focus website at: <http://nrcan.gc.ca/eneene/sources/crubru/pcopdp-eng.php>

