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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 Increased 2 Cents per Litre from Last Week

Since the last report on July 4, 2011, gasoline prices increased 2 cents per litre, bringing the average Canadian retail gasoline price on July 12, 2011, to \$1.28 per litre—a five-week high. Prices are nearly 26 cents per litre higher compared to the same time last year.

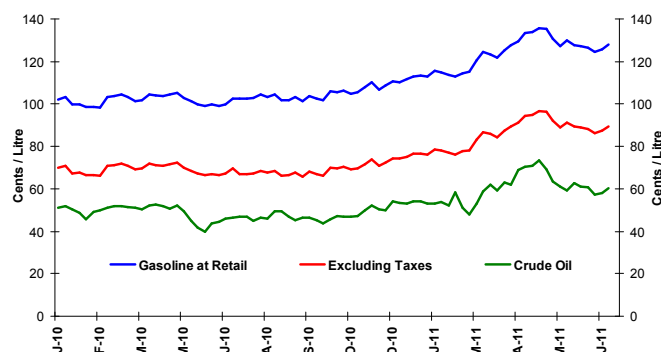
The rising gasoline pump prices reflect higher North American wholesale gasoline prices which, in turn, are pushed higher by underlying world crude oil prices.

Diesel fuel prices increased by 1 cent per litre to \$1.23 per litre from the previous week. Prices are 23 cents per litre higher compared to the same period last year.

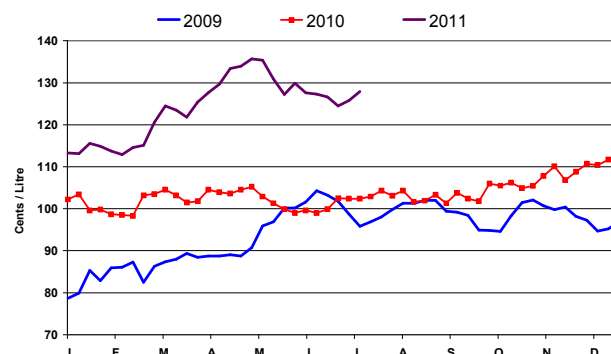
## Recent Developments

- **Pipeline Rupture Eases Canadian Crude Prices:** A rupture of the Silvertip Pipeline on July 6, 2011, prevented some Canadian crude oil from reaching a Montana refinery. This loss of market, combined with high Alberta oil sands production, weakened Canadian crude prices. Western Canada Select (WCS) heavy blend for August delivery was quoted at approximately \$71 per barrel, or \$26 per barrel less than the benchmark West Texas Intermediate. Exxon Mobil Corp.'s 60,000-barrel-a-day refinery in Billings, Montana was the affected refinery. (Source: Daily Oil Bulletin / Reuter)
- **Canadian Crude Oil Production:** Production of crude oil and equivalent hydrocarbons increased 7% to 14.6 million cubic metres in April 2011 compared to April 2010. Exports increased 10% to 9.9 million cubic metres. About 68% of Canada's total domestic production went to the export market compared to 66% a year earlier. Imports fell 14% to 3.3 million cubic metres. (Statistics Canada, The Daily, <http://www.statcan.gc.ca/daily-quotidien/110711/dq110711a-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	2011-07-12	Previous Week	Last Year
Gasoline	127.9	+2.0	+25.5
Diesel	122.6	+0.9	+25.0
Furnace Oil	111.0	+0.3	+23.2

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

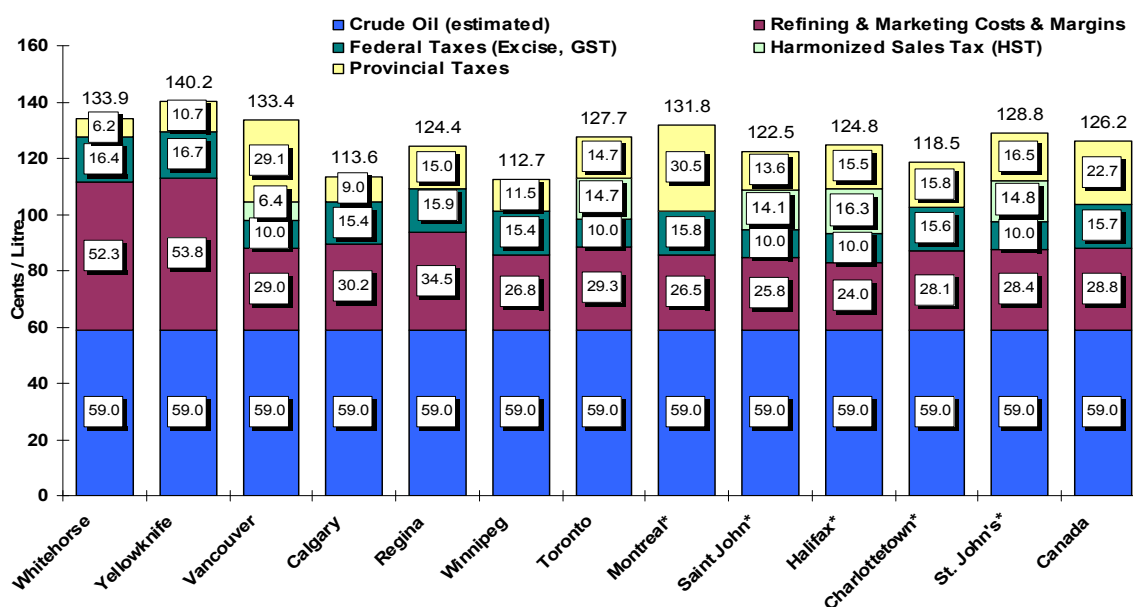
The average Canadian pump price in selected cities for the **four-week average** ending July 12, 2011, was \$1.26 per litre, a slight increase of less than 1 cent per litre from the last report on July 4, 2011. This represents a 24 cent-per-litre increase compared to the same period in 2010.

The **four-week average** crude oil price decreased by 1 cent per litre to 59 cents per litre compared to two weeks ago. However, this is 24 cents per litre higher compared to the same period in 2010.

Retail gasoline prices in most Western centres (Vancouver to Winnipeg) decreased by almost 2 cents per litre when compared to the previous report and ranged from \$1.13 per litre to \$1.33 per litre. Prices in Eastern cities (Toronto to St. John's) declined by 1 cent per litre, and ranged from \$1.19 per litre to \$1.32 per litre.

At the national level, refining and marketing costs and margins registered an increase of 1 cent per litre to 29 cents per litre. This represents an increase of 8 cents per litre compared to the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (June 21 to July 12, 2011)**



Source: NRCan

\* Regulated Markets

### Will Using High-Octane Gasoline Improve My Fuel Economy?

Motorists often equate higher octane with higher fuel economy or more power. This is not necessarily the case. Unless the engine has been designed for higher octane fuel, its use may be unnecessary. The octane rating is a measure of the resistance of gasoline and other fuels to detonation (engine knocking) in spark-ignition internal combustion engines. Because high-performance engines typically have higher compression ratios—and are therefore more prone to detonation—they require higher octane fuel. Generally, a lower-performance engine will not perform better with high-octane fuel because the compression ratio is fixed by the engine design.

Using higher octane gasoline will not be harmful and may be beneficial under certain circumstances. For example, if the vehicle is to be driven with a heavy load or a knock is detected in the engine. Usually, however, high-octane fuel is not required. Make sure to use the fuel type(s) recommended in your owner's manual.





## Wholesale Gasoline Prices

For the **week ending July 7, 2011**, wholesale gasoline prices increased in most selected centres compared to the previous week. Overall, price changes ranged from a decrease of nearly 3 cents per litre to an increase of 6 cents per litre.

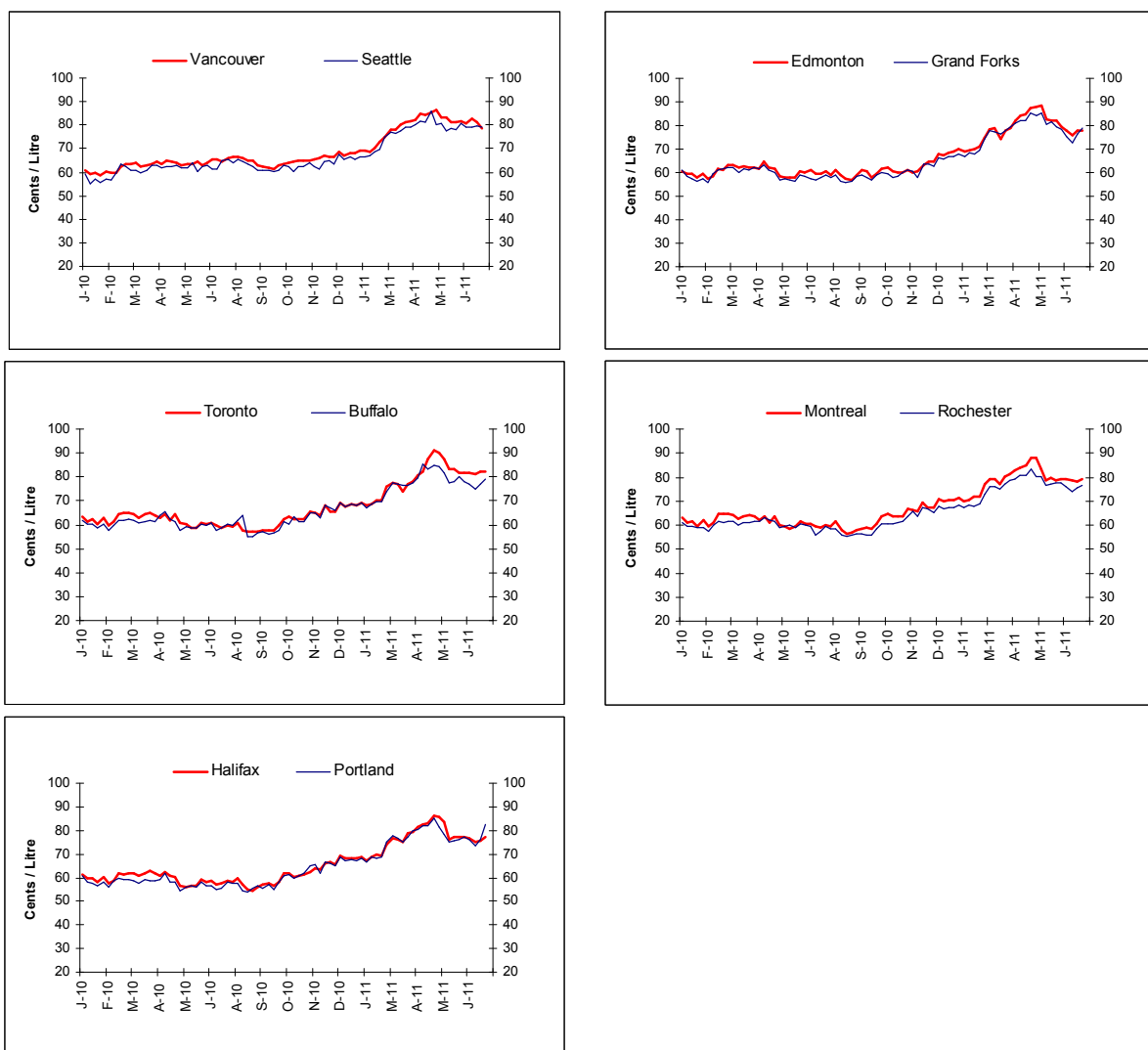
In both Canadian and comparable U.S. markets, prices, compared to two weeks ago, increased in the range of 1 to 6 cents per litre, with the exception of Vancouver and Seattle declining nearly 3 cents and less than 1 cent per litre, respectively.

Eastern centres registered price increases in the range of less than 1 cent per litre to 2 cents per litre, while wholesale prices in western centres ranged from a decrease of 3 cents per litre to an increase of 2 cents per litre. Toronto still holds a gap with Buffalo mainly due to refinery maintenance issues in Sarnia.

Overall, wholesale prices in most selected centres remained between 13 and 27 cents per litre higher than they were at this time last year.

**Figure 4: Wholesale Gasoline Prices**

Rack Terminal Prices for Selected Canadian and American Cities Ending July 7, 2011  
(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.

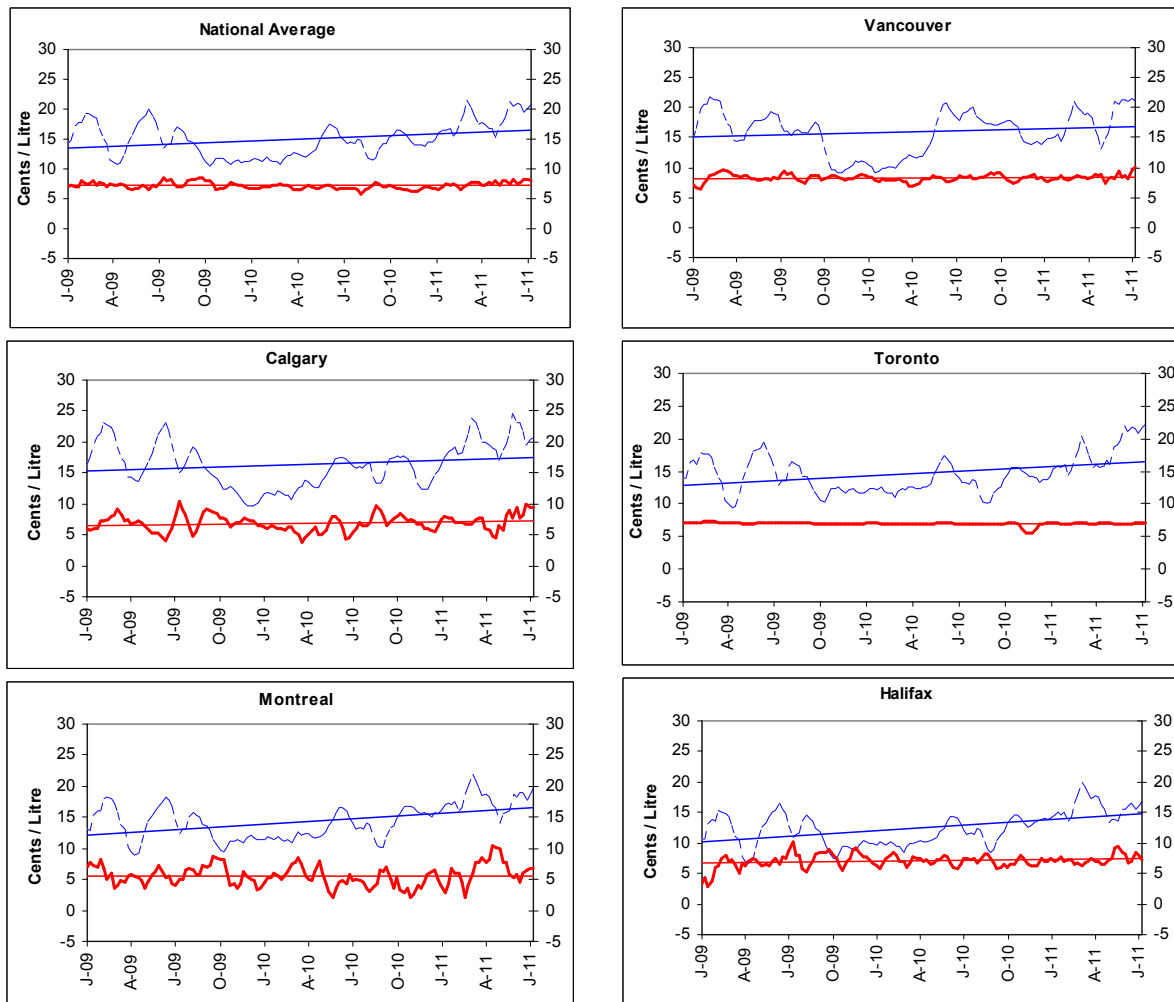
Refining margins fluctuated in the range of 19 to 21 cents per litre in the last six weeks which is indicative of a sustained demand for gasoline and an adequate distribution system to meet the demand.

These margins are the difference between the cost of the crude oil and the wholesale price at which a refiner can sell gasoline. The sustained increase in refining margins

indicates that wholesale prices have remained stronger than any downward pressure on crude oil prices. At the national level, the refining margin was 21 cents per litre—about 1 cent higher than two weeks ago.

Nationally, marketing margins hovered at around 8 cents per litre. Some individual centres show more fluctuations depending on the region, volume sold, and availability of other product offerings such as convenience stores and car washes.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending July 12, 2011  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

### World Crude Oil Prices Pushing Upward

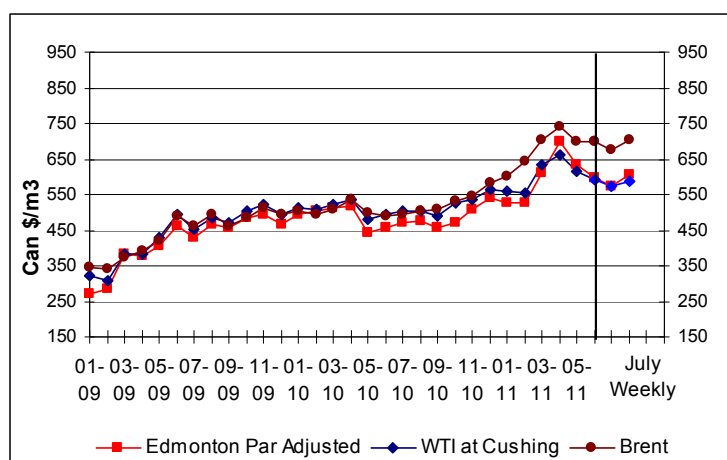
For the week ending **July 8, 2011**, prices for the three marker crudes averaged between \$588/m<sup>3</sup> and \$701/m<sup>3</sup>, (US\$97 to US\$116 per barrel). Compared to the previous week, the price for all three marker crudes increased in the range of \$14/m<sup>3</sup> (US\$3 per barrel) to \$32/m<sup>3</sup> (US\$6 per barrel).

For the week ending July 8, 2011, Brent crude oil prices continued to trade at a premium to WTI by a margin of \$114/m<sup>3</sup> (US\$18 per barrel). Edmonton Par was also trading higher than WTI by \$16/m<sup>3</sup> (US\$3 per barrel).

World crude oil prices fluctuated higher partly due to improved economic perspectives inspiring hopes that a better economy might improve the demand for oil.

Concerns over some European country debt problems have led to speculation that oil demand and prices could weaken. However, demand for oil remains strong in countries such as China, India and Latin America, which continues to push prices upward. Higher prices are also supported by unrest in some oil producing regions in the Middle East and North Africa.

**Figure 6: Crude Oil Price Comparisons**



### U.S. April Oil Imports Lowest Since 1997

According to the U.S. Energy Information Administration, U.S. crude oil imports are declining due to rising domestic production from shale oil formations such as the Bakken and the Eagle Ford and falling crude oil demand due to rising oil prices. In April 2011, U.S. imports averaged 8.7 million barrels per day, down 11 per cent from a year earlier. U.S. crude oil imports were the lowest for the month since 1997.

However, Canada and Saudi Arabia remained the two biggest foreign oil suppliers to the U.S. market. In April 2011, Canada was America's biggest foreign oil supplier with exports of 2.1 million barrels a day, followed by Saudi Arabia at 1.1 million barrels per day, Mexico at 973,000 barrels a day and Venezuela at 902,000 barrels per day.

Source: Reuters, <http://uk.reuters.com/article/2011/06/29/usa-oil-imports-idUKN1E75S1L220110629>

### Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2011-07-08		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	603.54	99.79	+31.83	+6.39	+121.43	+26.77
WTI	587.52	97.10	+13.73	+3.38	+98.59	+22.71
Brent	701.31	115.91	+26.27	+5.64	+218.62	+42.47

Source: NRCan

