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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 Decreased 1 Cent per Litre from Last Week

Canadian retail pump prices decreased by 1 cent per litre to a ten-week low of \$1.25 per litre for the week ending April 16, 2013. Average Canadian pump prices declined mainly due to lower wholesale gasoline prices which in turn were pushed down by lower crude oil prices.

Diesel fuel prices fell by 1 cent to \$1.29 per litre compared to the previous week. This represents a decrease of \$0.5 cent per litre from the same period last year. Furnace oil prices decreased by less than 3 cents per litre to \$1.19 per litre from the previous week.

Recent Developments

- **Reduced Oil Demand Growth for 2013:** The Energy Information Administration (EIA) has decreased its 2013 world oil demand growth forecast by \$50,000 barrels (bbls) per day to \$960,000 bbls a day. It also cut its estimate for 2014 by 70,000 bbls per day to 1.33 million bbls a day. The non-OPEC production growth forecast was decreased by 110,000 bbls a day to 1.06 million bbls a day, however the 2014 outlook increased by 140,000 bbls to 1.58 million bbls a day. (Source: Daily Oil Bulletin)
- **Growth on Saskatchewan Oil Output:** Saskatchewan oil is achieving solid growth averaging a record 474,000 bbls a day last year. The production has increased from about 420,000 bbls a day 10 years ago. The recent advances in horizontal drilling and multi-stage fracturing help produce 115,000 bbls a day. The Saskatchewan Bakken is currently producing about 70,000 bbls. (Source: Daily Oil Bulletin)

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

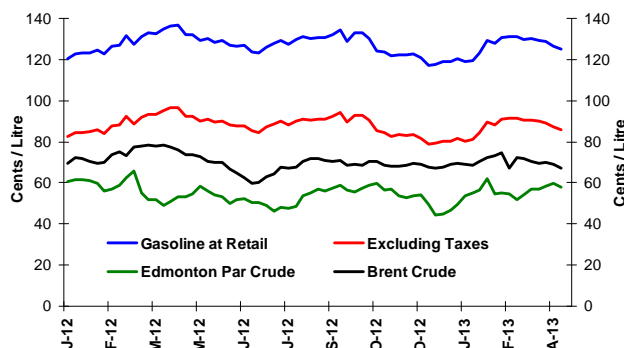
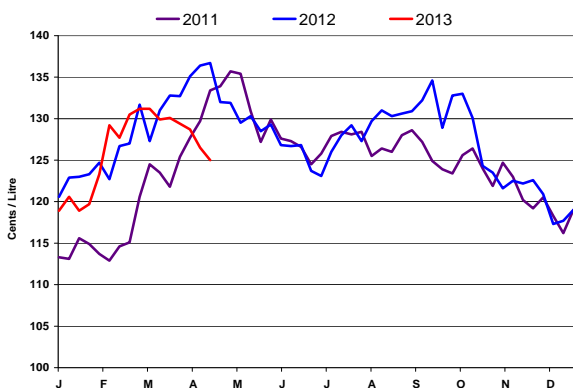


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2013-04-16	Previous Week	Last Year
Gasoline	125.0	-1.5	-11.7
Diesel	129.3	-1.3	-0.5
Furnace Oil	119.3	-2.5	-1.1

Source: NRCan

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Retail Gasoline Overview

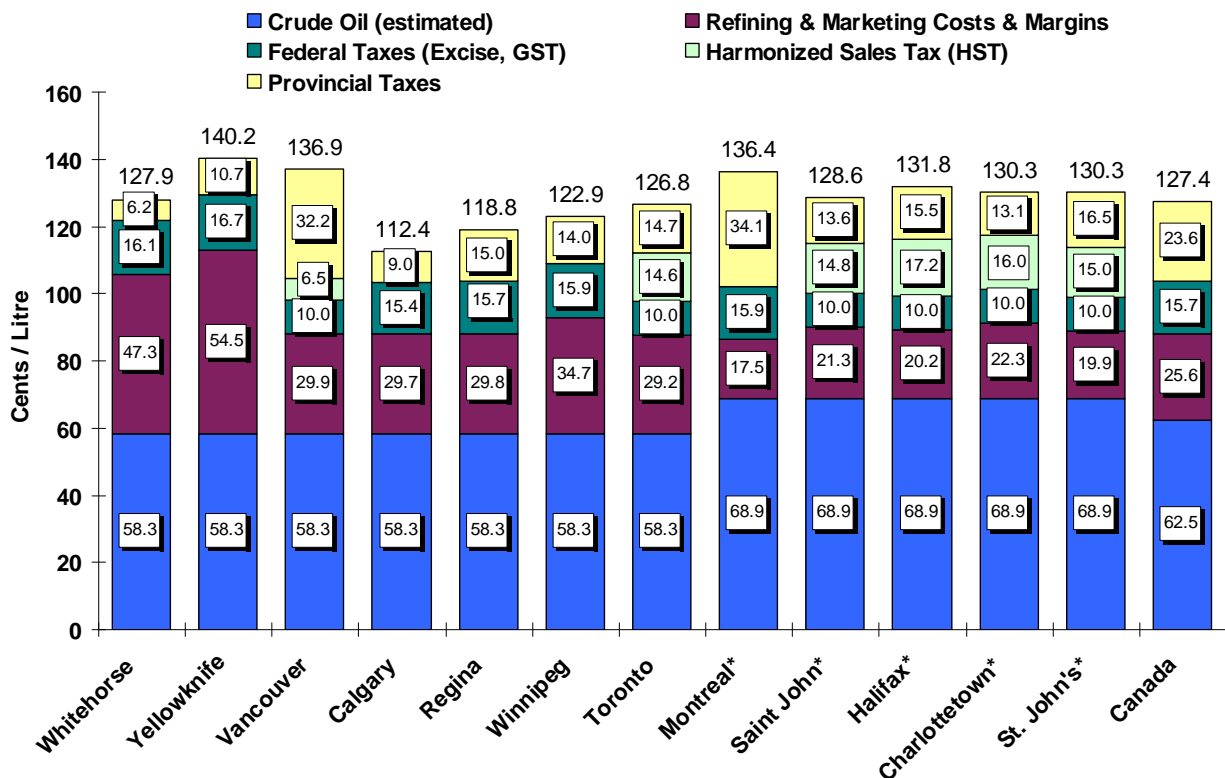
The average Canadian pump price in selected cities for the **four-week average** ending April 16, 2013 was \$1.27 per litre—a decrease of 2 cents per litre from the last report on April 8, 2013. This represents an 8 cent-per-litre decrease from the same period in 2012.

The **four-week average** crude oil price component of gasoline registered at 63 cents per litre, up by less than 1 cent per litre from two weeks ago. The crude oil price component of gasoline is up by less than 1 cent per litre from the same time last year.

Retail gasoline prices in most Western centres (Winnipeg to Vancouver), that ranged from \$1.12 to \$1.37 per litre, declined by nearly 2 cents per litre compared to the previous report. Prices in Eastern centres (Toronto to St. John's) declined on average by nearly 2 cents per litre and ranged from \$1.27 to \$1.36 per litre.

Overall, the refining and marketing costs and margins component decreased by 2 cents per litre to 26 cents per litre compared to two weeks ago, and are 8 cents per litre lower than at the same time last year.

Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (March 26 to April 16, 2013)



Source: NRCan

* Regulated Markets





Wholesale Gasoline Prices

Wholesale gasoline prices ranged from 73 to 84 cents per litre in selected centres for the **week of April 11, 2013**. Wholesale gasoline prices, when compared to the previous week, decreased in most centres.

In the Western centres, price changes ranged between a decrease of less than 3 cents per litre to an increase of more than 1 cent per litre compared to the previous week, and ended at 75 to 82 cents per litre.

In the Eastern centres, price changes ranged between a decrease of more than two cents per litre to an

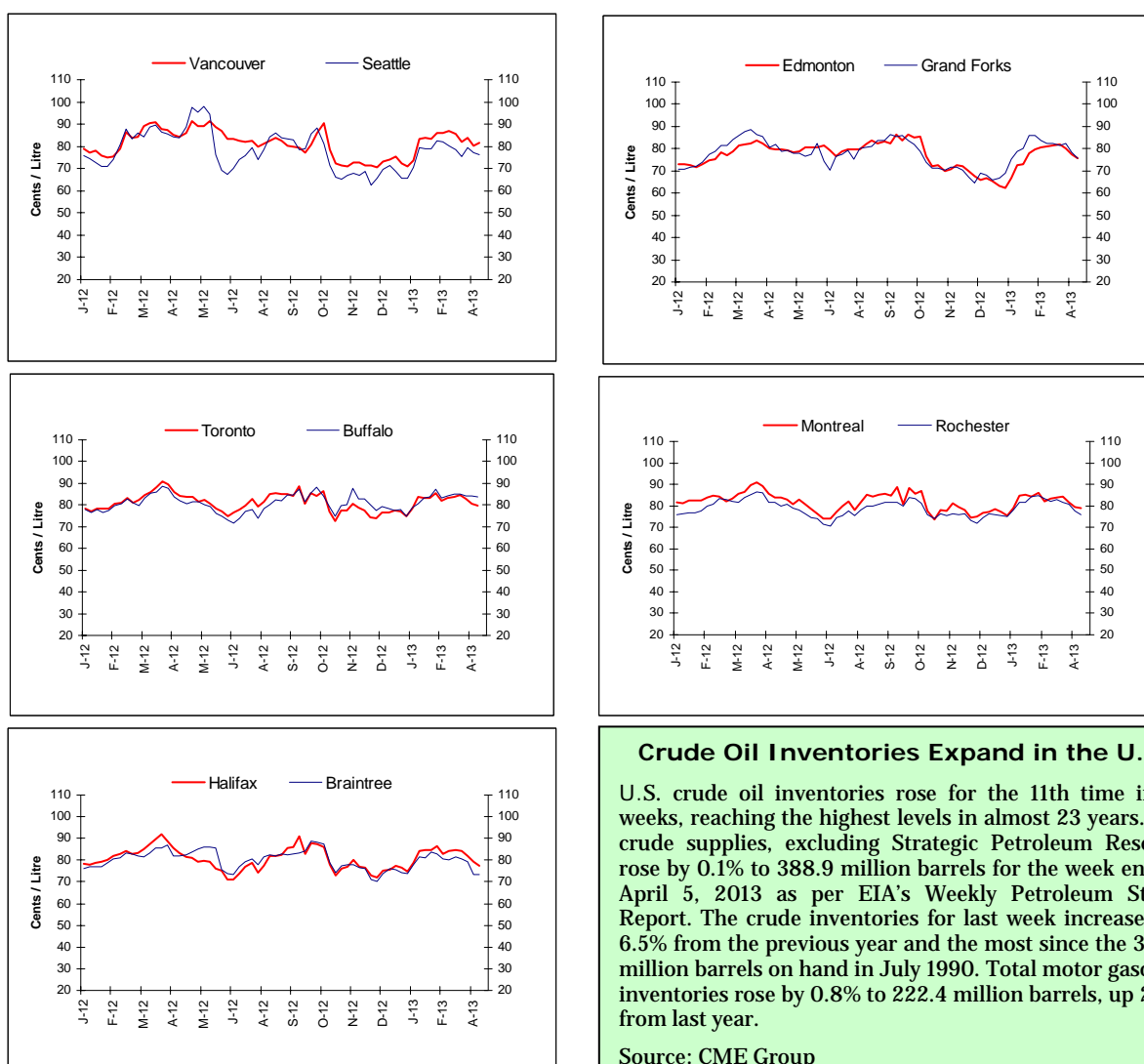
increase of less than 1 cent per litre compared to the previous week and ended at 73 to 84 cents per litre.

In the last four weeks, wholesale prices in most Canadian and American selected centres have decreased in the range of 1 cent to 8 cents per litre.

Overall, compared to the same period last year, wholesale prices in all selected centres are below last year's level with decreases ranging from 4 to 13 cents per litre.

Figure 4: Wholesale Gasoline Prices

Rack Terminal Prices for Selected Canadian and American Cities Ending April 11, 2013
(Can ¢/L)



Sources: NRCan, Bloomberg Oil Buyers Guide

Crude Oil Inventories Expand in the U.S.

U.S. crude oil inventories rose for the 11th time in 12 weeks, reaching the highest levels in almost 23 years. The crude supplies, excluding Strategic Petroleum Reserve, rose by 0.1% to 388.9 million barrels for the week ending April 5, 2013 as per EIA's Weekly Petroleum Status Report. The crude inventories for last week increased by 6.5% from the previous year and the most since the 389.5 million barrels on hand in July 1990. Total motor gasoline inventories rose by 0.8% to 222.4 million barrels, up 2.2% from last year.

Source: CME Group





Gasoline Refining and Marketing Margins

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

These refining margins refer to the difference between the cost of 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.

Nationally, the marketing margins, defined as the pump price, excluding all taxes, minus the wholesale or rack price, rose to 7.8 cents per litre, up 0.5 cents per litre from the same period last year.

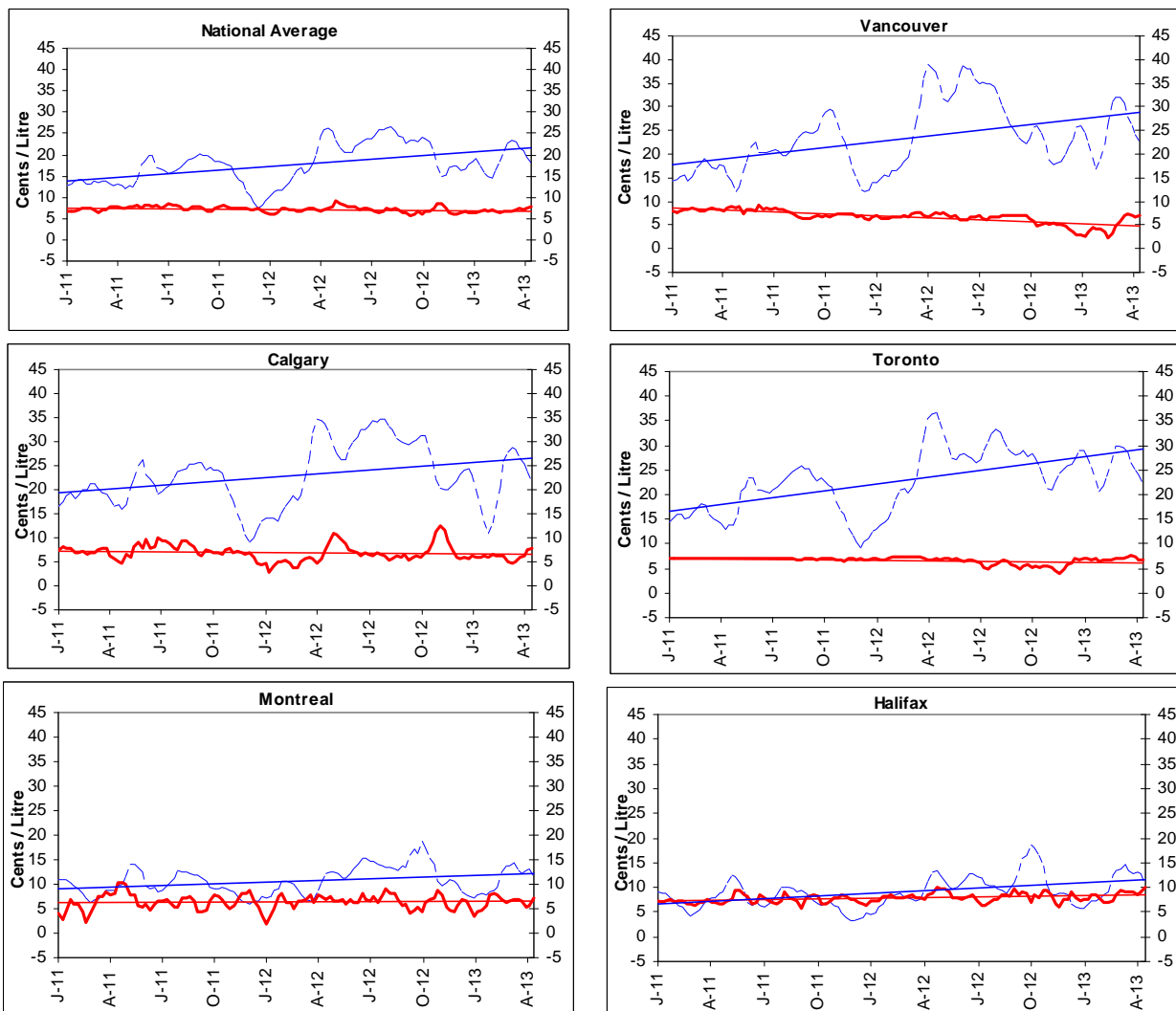
Although it represents a small portion of the total pump price, the marketing margin can vary significantly from city to city and region to region.

Figure 5: Gasoline Refining and Marketing Margins

Four-Week Rolling Average Ending April 16, 2013

----- Refining Margin

—— Marketing Margin



Source: NRCan





Crude Oil Overview

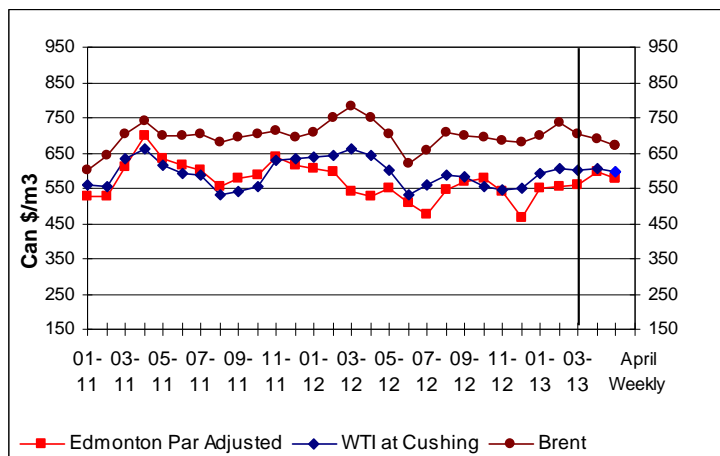
Slow Economic Recovery Continues to Impact Crude Oil Prices

For the week ending April 12, 2013, crude oil prices averaged between \$579 and \$670/m³ (US\$91 to US\$105 per barrel). All three crude oil benchmarks decreased in the range of \$10 and \$19/m³ (US\$2 to US\$3 per barrel).

Edmonton Par and WTI decreased by \$18 and \$10/m³ (US\$3 and US\$2 per barrel), respectively, compared to the previous week. Compared to the same period in 2012, Edmonton Par prices have increased by \$47/m³ (US\$6 per barrel) while the other benchmarks declined.

The price differential between Brent and WTI, the main North American crude oil benchmarks, narrowed even further to \$73/m³ (US\$12 per barrel). Brent crude oil prices are continuing to fall, mainly due to a poor world economic growth outlook in the world's top oil consumers.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2013-04-12		Change From:			
			Previous Week		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Edmonton Par	579.11	90.71	-17.73	-2.73	+46.93	+5.80
WTI	596.33	93.40	-10.14	-1.54	-46.33	-9.13
Brent	669.72	104.90	-18.89	-2.90	-90.05	-16.32

Source: NRCan

U.S. Short Term Energy Outlook

According to the U.S. Energy Information Administration's (EIA) *Short Term Energy Outlook*, energy prices are highly volatile this spring. EIA is projecting that the spot price for Brent crude will decline in 2013 and 2014 to an annual average of \$108 and \$101 per barrel, respectively. In 2012, Brent crude oil averaged at \$112 per barrel. West Texas Intermediate (WTI) crude oil price averaged \$94 per barrel in 2012 and will average \$94 and \$92 in 2013 and 2014. During the week of April 105, 2013, WTI futures contracts for delivery in July 2013 traded at an average of \$96.35, down about \$8 per barrel from a year ago.

U.S. gasoline and diesel fuel prices are expected to average \$3.63 per gallon compared to last year's \$3.69 per gallon during the summer months from April through September. The projected monthly average regular retail gasoline price falls from \$3.69 in May to \$3.57 in September. Diesel fuel prices averaged \$3.95 per gallon last summer and are also projected to fall slightly in 2013 to an average of \$3.94 per gallon. Daily and weekly national averages differ significantly from monthly and seasonal average prices. The retail price projections reflect falling prices of crude oil and wholesale margins.

Source: U.S. Energy Information Administration,
http://www.eia.gov/forecasts/steo/pdf/steo_full.pdf

