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# Fuel Focus

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

Issue 21, Volume 9

November 14, 2014

Canada 

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ISSN 1918-3321

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



## National Overview

### Canadian Retail Gasoline Prices Increased 1 Cent per Litre from Last Week

After a six-week decline, Canadian average retail gasoline prices rose by 1 cent per litre to \$1.19 per litre for the week ending November 14, 2014, compared to the previous week. Compared to last year at this time, gasoline prices are 3 cents per litre lower.

Diesel fuel prices increased by 3.5 cents per litre from last week to \$1.30 per litre. Furnace oil prices increased by nearly 2 cents per litre from the previous week and averaged \$1.18 per litre.

### Recent Developments

- OPEC Meeting In November 2014:** Energy analysts are waiting on OPEC's upcoming meeting in Vienna to see if the organization will cut crude oil production. While Kuwait and Iran have said they are willing to cut oil production in an attempt to stop prices from falling further, Saudi Arabia, OPEC's largest producer, has made few public comments on the oil market since September. Analysts believe Saudi Arabia does not appear to be willing to curb its supply in an attempt to keep its share of the energy market. (Source: Various media sources)
- U.S. Study on Removing Crude Oil Export Restrictions:** According to the U.S. Government Accountability Office (GAO) the studies reviewed and stakeholders interviewed suggest that removing crude oil export restrictions is likely to increase domestic crude oil prices but decrease consumer fuel prices. Some stakeholders cautioned that there could be important regional differences in the price implications of removing crude oil export restrictions due to several factors. For example, if U.S. crude oil production increases, how readily are U.S. refiners able to absorb such increases, and how will the global crude oil market respond to increasing U.S. production. Changing market conditions have implications on the size, location, and composition of the Department of Energy's Strategic Petroleum Reserve. (Source: U.S. GOA, <http://www.gao.gov/products/GAO-14-807>)
- Canadian Crude Oil Production:** Canadian production of crude oil and equivalent hydrocarbons increased by 2.7% to 161 million cubic metres from January to August 2014 compared to the same period last year. Exports increased by 11% to 110 million cubic metres. Imports decreased 15% to 21 million cubic metres. About 68% of Canada's total domestic production went to the export market compared to 63% a year earlier. (Statistics Canada, The Daily, CANSIM table 126-001)

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

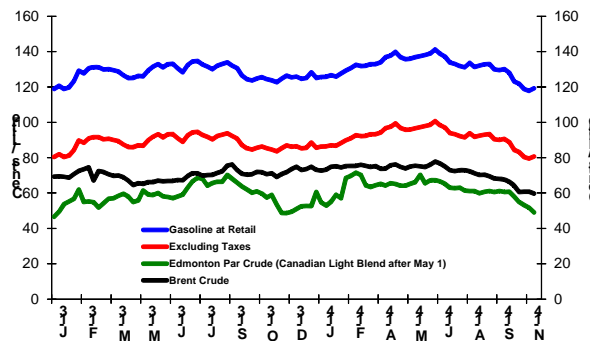
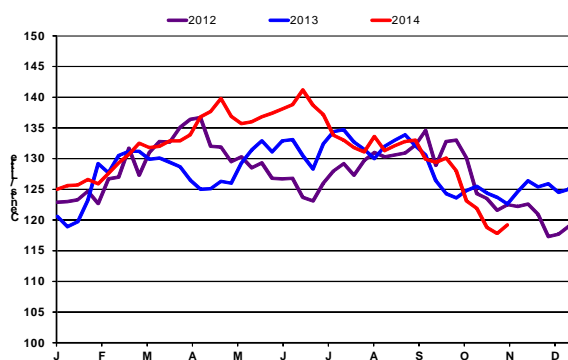


Figure 2: Weekly Regular Gasoline Prices



### Changes in Fuel Prices

¢/L	Week of:	Change from:	
	2014-11-14	Previous Week	Last Year
Gasoline	119.2	+1.3	-3.4
Diesel	129.9	+3.5	+0.4
Furnace Oil	118.3	+1.6	-0.1

Source: NRCan

### Natural Gas Prices for Vehicles

2014-11-14	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	119.9	79.1	82.0
Edmonton	115.1	75.9	78.7
Toronto	128.4	84.7	87.8

Source: ¢/kg Kent Marketing Services Limited

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## Retail Gasoline Overview

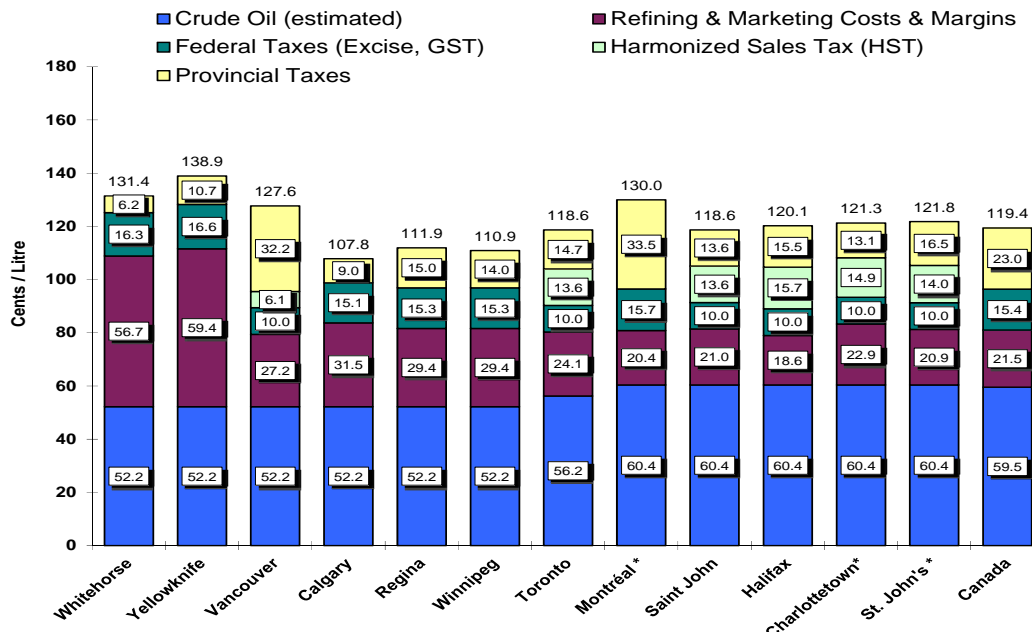
We show four-week average data on this page. For the period ending November 11, 2014, the **four-week average** regular gasoline pump price in selected cities across Canada was \$1.19 per litre, a decrease of almost 4 cents per litre compared to the previous report of October 31, 2014. Compared to the same period in 2013, the average Canadian pump price is 4.6 cents per litre lower.

The **four-week average** crude component was 60 cents per litre, a decrease of 4 cents per litre compared to two weeks ago.

Retail gasoline prices in most Western centres—Vancouver to Winnipeg—decreased by 5.2 cents per litre when compared to the previous report and ranged from \$1.08 to \$1.28 per litre. Prices in Eastern cities—Toronto to St. John’s—decreased by 4.5 cents per litre, and ranged from \$1.19 per litre to \$1.30 per litre.

At the national level, refining and marketing costs and margins increased by 0.4 cent per litre to 21 cents per litre from the previous report two weeks ago. This is 1 cent per litre lower than during the same period last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (October 21 to November 11, 2014)**



Source: NRCan

\* Regulated Markets

Note: Toronto crude oil cost includes pipeline tolls of \$4 per barrel for light crude oil from Edmonton to Sarnia, Ontario.

### Retail Gasoline and Crude Oil Prices

In October, the average Canadian retail gasoline price declined to \$1.28 per litre, compared to June 2014, mainly due to a decline in wholesale gasoline prices, which in turn were affected by the drop in crude oil prices. This was the largest average monthly pump price decline since January 2013. Between June and October 2014, average pump and crude oil prices decreased by 15 and 10 cents per litre, respectively. Other costs related to the gasoline price declined by less than 1 cent per litre.

Date	Average Canadian Retail Gasoline Pump Price (¢/l)	Canadian Light Crude at Edmonton	Refining and Marketing Costs & Margins and Taxes
June 2014	\$1.38	\$0.67	\$0.71
October 2014	\$1.23	\$0.57	\$0.66
Increase / (Decrease)	<b>-\$0.15</b>	<b>-\$0.10</b>	<b>-\$0.05</b>

Source: NRCan's Fuel Focus





## Wholesale Gasoline Prices

For the week **ending November 6, 2014**, wholesale gasoline prices decreased in most selected Canadian and American centres compared to the previous week. Overall, wholesale price changes ranged from decreases of 5 cents per litre to increases of nearly 6 cents per litre.

Wholesale gasoline price changes in the Eastern centres, for both Canadian and American cities, ranged from decreases of 4 to increases of less than

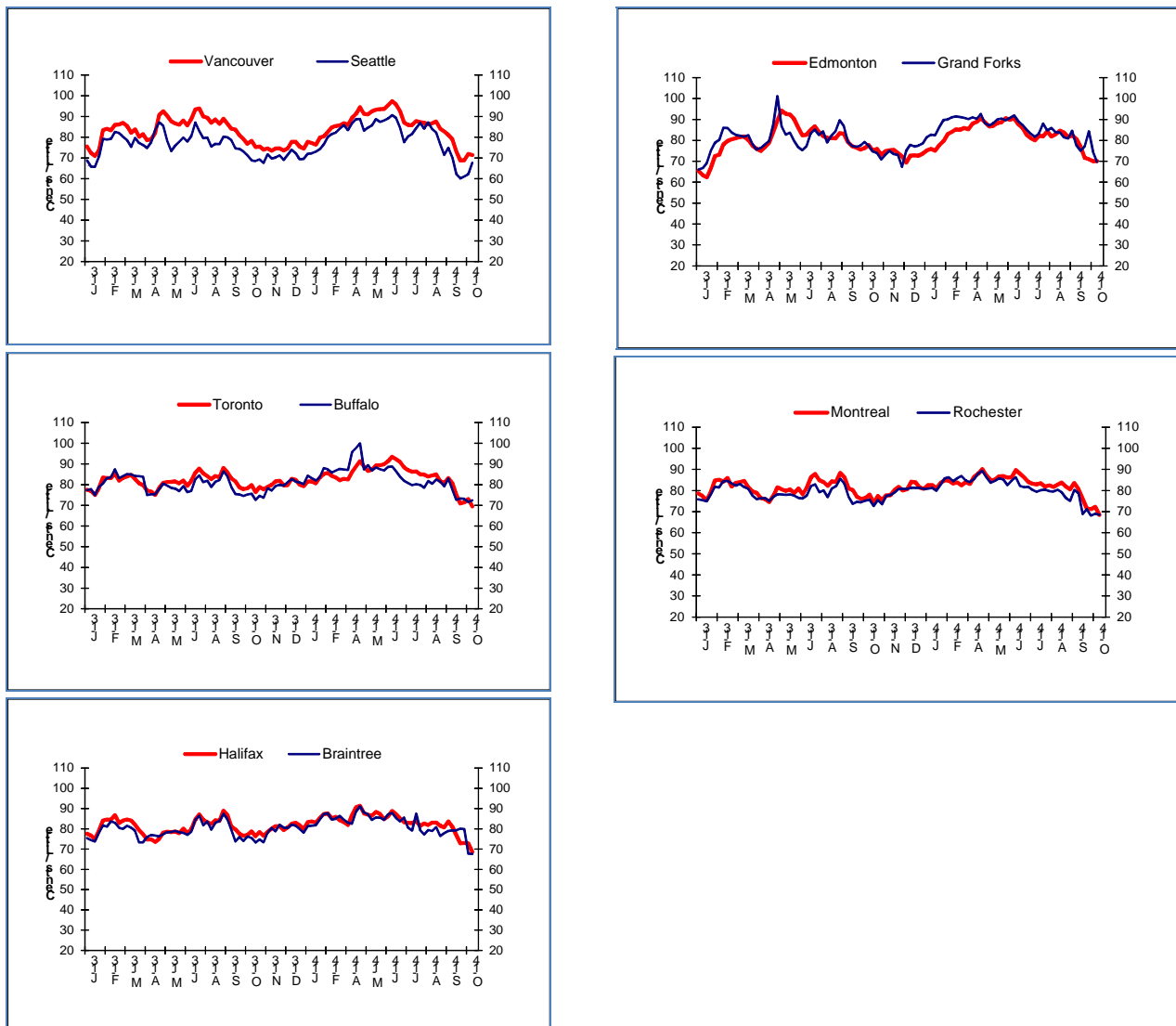
1 cent per litre. Prices ended between 68 and 72 cents per litre.

In the Western centres, price decreases ranged from less than 5 cents per litre to increases of almost 6 cents per litre, with prices closing at 68 to 71 cents per litre.

Overall, wholesale price changes in the selected centres ranged between decreases of 8 cents per litre to increases of less than 1 cent per litre compared to last year at this time.

**Figure 4: Wholesale Gasoline Prices**

Rack Terminal Prices for Selected Canadian and American Cities Ending November 6, 2014  
(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.

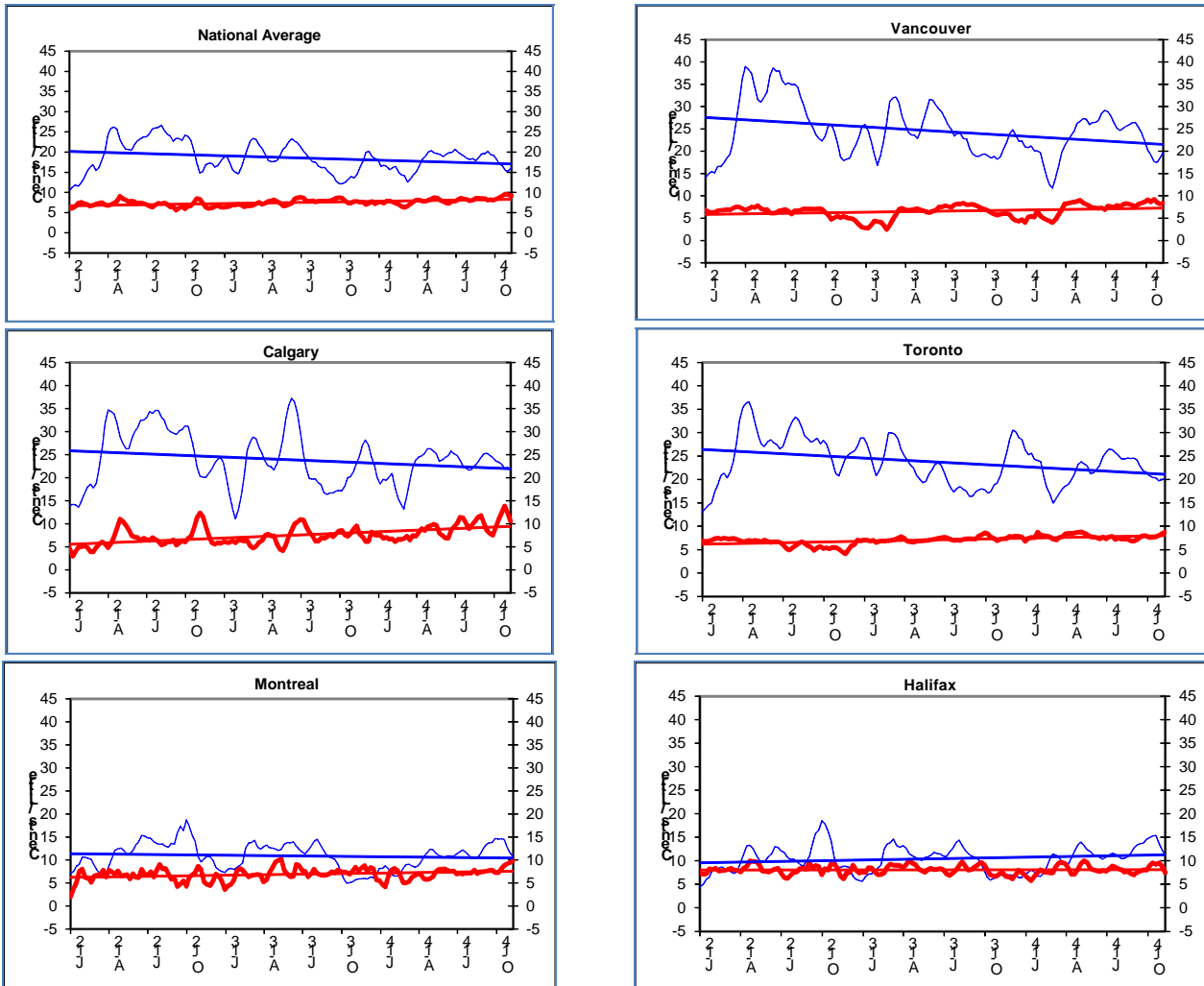
After an eight-week decline, overall refining margins rose by 1 cent per litre to 16 cents per litre from two weeks ago. Declining refining margins reflect the decrease in North American demand for gasoline and a well-supplied market.

The refining margins shown here are derived numbers based on the difference between the estimated crude

oil price and the wholesale price of gasoline at a point in time. Canadian Light at Edmonton is the crude oil price estimated for Vancouver, Calgary and Toronto, while Brent oil price is estimated for Montreal and Halifax.

Marketing margins represent the difference between the wholesale and retail price of gasoline. This margin pays for the costs associated with operating a service station.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending November 11, 2014  
----- Refining Margin      — Marketing Margin



Source: NRCan





## Crude Oil Overview

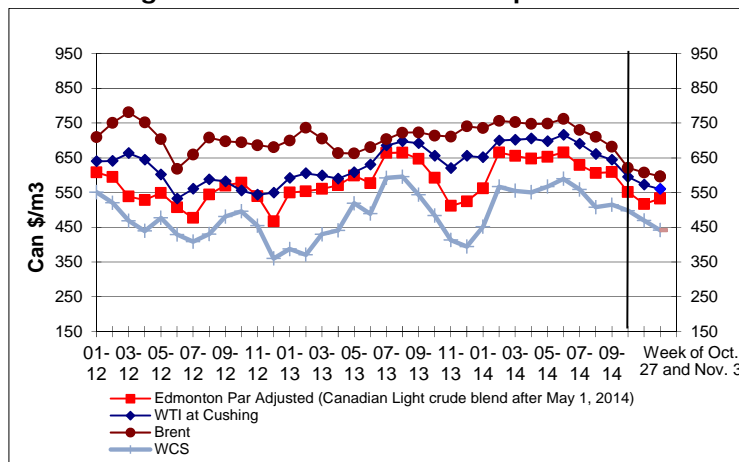
### Slight Increase in Canadian Light Prices while Global Crude Oil Prices Decline

For the week ending **November 7, 2014**, prices for the three marker light crudes averaged between \$533/m<sup>3</sup> and \$596/m<sup>3</sup>, (US\$74 to US\$83 per barrel). Compared to the previous week, the price for the Canadian Light crudes increased by \$16/m<sup>3</sup> (US\$1.10 per barrel), while WTI and Brent prices dropped \$13 and \$11/m<sup>3</sup> (US\$3 and \$2.86 per barrel), respectively.

Brent crude oil prices traded at a premium to WTI by a margin of \$37/m<sup>3</sup> (US\$5 per barrel). Western Canadian Select prices averaged \$442/m<sup>3</sup> (US\$62 per barrel), down \$28/m<sup>3</sup> (US\$5 per barrel) from the previous week.

Canadian crude oil prices have not fallen as quickly as global prices due to the softening in the Canadian dollar, lower condensate prices (a key input in blending oil sands crude for transportation in pipelines) and a narrowing spread between light and heavy crudes. This has led to a narrowing in the differential between Canadian and international crude oil benchmarks, helping to insulate Canadian producers from the full impacts of lower global prices. Canadian oil and gas producers also benefit from selling the crude oil in U.S. dollars while their operating costs are in Canadian dollars.

Figure 6: Crude Oil Price Comparisons



#### Prices of Brent Crude Drive U.S. Retail Gasoline Prices

A recent study from the U.S. Energy Information Administration examined the relationship between crude oil and gasoline prices. Key findings from the analysis include:

- Prices of Brent crude oil, an international benchmark, are more important than the price of West Texas Intermediate (WTI), a domestic benchmark, for determining gasoline prices in all four U.S. regions studied, including the Midwest.
- The effect that a relaxation of current limitations on U.S. crude oil exports would have on U.S. gasoline prices depends on its effect on international crude prices, such as Brent, rather than its effect on domestic crude prices.
- Gasoline is a globally traded commodity, and prices are highly correlated across global spot markets.
- Gasoline supply, demand, and trade in various regions are changing; one effect is that U.S. Gulf Coast and Chicago spot gasoline prices, which are closely linked, are now often the lowest in the world during fall and winter months.

Source: U.S. EIA, <http://www.eia.gov/todayinenergy/detail.cfm?id=18651>

#### Changes in Crude Oil Prices

Crude Oil Types	Week Ending: 2014-11-07		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
Canadian Light	532.84	74.46	+15.76	+1.10	-20.70	-9.82
WTI	559.83	78.24	-12.88	-3.01	-59.66	-16.08
Brent	596.45	83.36	-11.23	-2.86	-93.70	-21.72
WCS	441.76	61.74	-27.89	-4.89	+89.91	+8.17

Source: NRCan

