



Fuel Focus

National Overview

Canadian retail gasoline prices declined by 2 cents per litre over the last two weeks

For the **two-week** period ending October 27, 2015, the Canadian average retail gasoline price reached \$1.04 per litre. This is 2 cents lower than the two-week period ending October 13, 2015. Prices are 16 cents per litre lower than the same period last year.

Average retail diesel prices increased by 0.5 cents per litre over the past two weeks rising to \$1.05. This is 20 cents less compared to the same period last year. Over the same period, furnace oil prices increased by 0.2 cents per litre to reach \$0.99, almost 21 cents per litre less than a year ago.

Recent Developments

- Energy Efficiency Market Report** On October 6, the International Energy Agency released its Energy Efficiency Market Report for 2015. OECD energy consumption is now as low as it was in 2000, while GDP has expanded by 26%. The report suggests that OECD countries have successfully decoupled economic growth from energy consumption growth, with energy efficiency (EE) being the main contributing factor. Several factors indicate that the energy efficiency market will remain robust in the medium term.

Source: **International Energy Agency**
<http://www.iea.org/publications/freepublications/publication/MediumTermEnergyefficiencyMarketReport2015.pdf>

- Bank of Canada keeps interest rates steady** On October 21, 2015, the Bank of Canada decided to maintain its interest rate target at 0.5%. The Bank's October Monetary Policy report projects real GDP growth of just over 1% in 2015, increasing to 2% in 2016 and 2.5% in 2017. They note that lower oil and other commodities prices have reduced Canada's terms of trade, business investment and exports in the resource sector. Source: **Bank of Canada**
<http://www.bankofcanada.ca/2015/10/mpr-2015-10-21/>

- International Energy Agency points to slowing crude oil demand in 2016** The International Energy Agency (IEA) released its monthly Oil Market Report on October 13, which highlights both weak demand growth, and continued supply growth for 2016. They project that slow economic global growth will reduce demand growth to 1.2 million bpd in 2016, down from a five year high of 1.8 million bpd in 2015. On the supply side, they estimate that Iran could add 600,000 bpd of production if the nuclear deal with Western countries is fully implemented. Source: **International Energy Agency**
<https://www.iea.org/oilmarketreport/omrpublic>

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

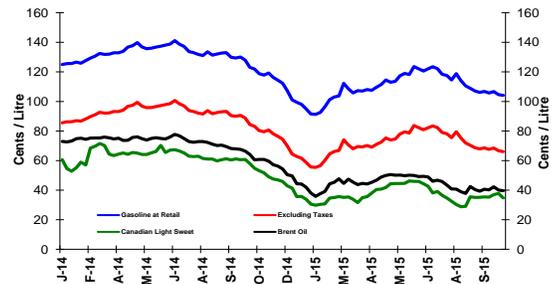
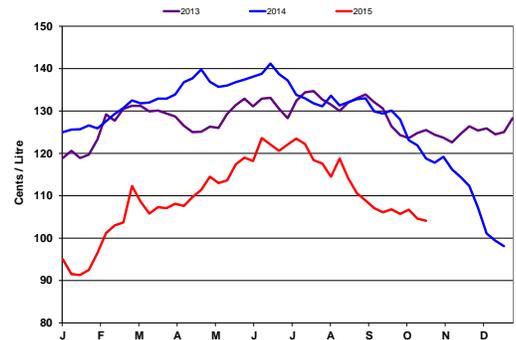


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two week average ending:	Change from:	
	2015-10-27	2 Weeks Ago	Last Year
Gasoline	104.4	-1.9	-16
Diesel	104.7	+0.5	-19.8
Furnace Oil	99.9	+0.2	-20.8
Natural Gas Prices in \$CA/GJ			
Alberta (NGX)	2.46	-0.06	-1.28
Ontario (Dawn)	3.30	+0.02	-1.62

Source: NRCAN, Bloomberg, NGX

Natural Gas Prices for Vehicles

2015-10-27	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	111.0	73.2	75.9
Edmonton	115.0	75.9	78.7
Toronto	128.4	84.7	87.8

Source: ¢/kg Kent Marketing Services Limited

In this Issue

	Page
National Overview	1
Recent Developments	1
Retail Gasoline Overview	2
Wholesale Gasoline Prices	3
Gasoline Refining and Marketing Margins	4
Crude Oil Overview	5



Retail Gasoline Overview

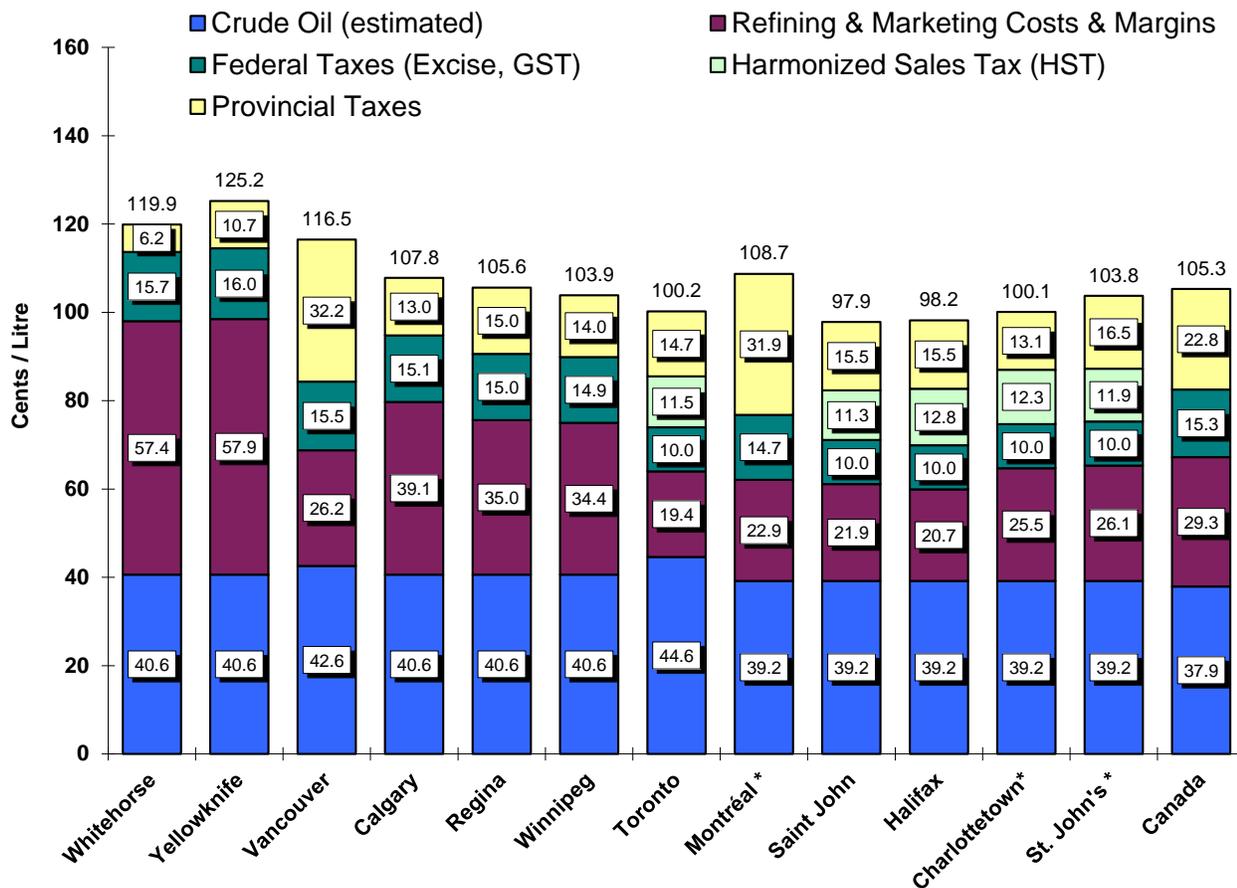
For the period ending October 27, 2015, the **four-week** average regular gasoline pump price in selected cities across Canada decreased by 1.1 cents to \$1.05 per litre, compared to the previous report of October 13, 2015. Compared to the same period in 2014, the average Canadian pump price is 11 cents per litre lower.

The **four-week** average crude oil price component of gasoline decreased by 0.2 cents, averaging 37.9 cents per litre over the four-week period. This is 25 cents per litre lower than this time last year.

Retail gasoline prices in Western centres decreased by less than 1 cent per litre compared to the previous report and ranged from \$1.03 per litre to \$1.17 per litre. Prices in Eastern cities decreased by 2 cents per litre and ranged from \$0.98 to \$1.09 per litre.

At the national level, refining and marketing costs and margins were 29 cents per litre, 1.1 cents lower compared to the previous report and 8 cents higher than the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (October 6 to October 27, 2015)**



Source: NRCan

* Regulated Markets

Transportation costs are included in the crude oil estimate for Vancouver (\$2.20), Toronto (\$4.50) and Eastern Canada (\$3.40) all prices in USD.



Wholesale Gasoline Prices

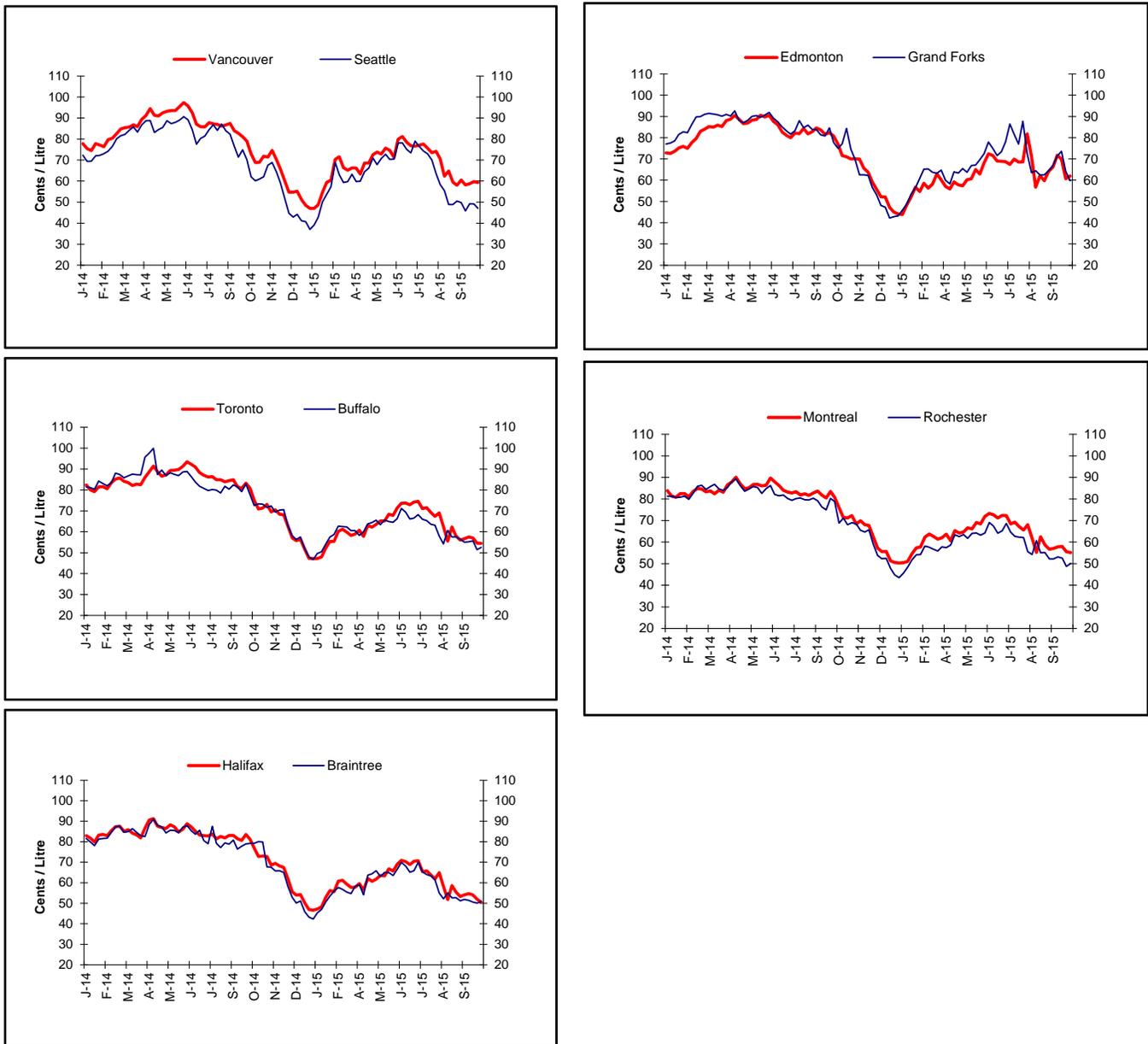
For the **two-week** period ending October 22, 2015, wholesale gasoline prices in selected Canadian and U.S. cities decreased slightly. Prices were down especially in Edmonton (11 percent decrease) and in Grand Fork, North Dakota (19 percent decrease).

Wholesale gasoline prices for the two week period averaged between 47 and 62 cents per litre. This compares to the previous two week period where prices were in the 49 to 74 cents per litre range.

In Western Canada, wholesale gasoline prices decreased between 2 cents and nearly 8 cents per litre ending in the 59 to 62 cents per litre range. Price changes in Eastern markets of Canada and the U.S. ranged between a decrease of 3 cents and an increase of less than 1 cent per litre ending in the 51 to 55 cents per litre range.

Overall, prices have been trending downwards over the last four weeks. Prices are between 9 and 29 cents per litre lower than in the same period last year.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending October 22, 2015
(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 gasoline refining margins refer to the difference between the cost of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the cost associated with refining the product as well as a profit for the retailer.

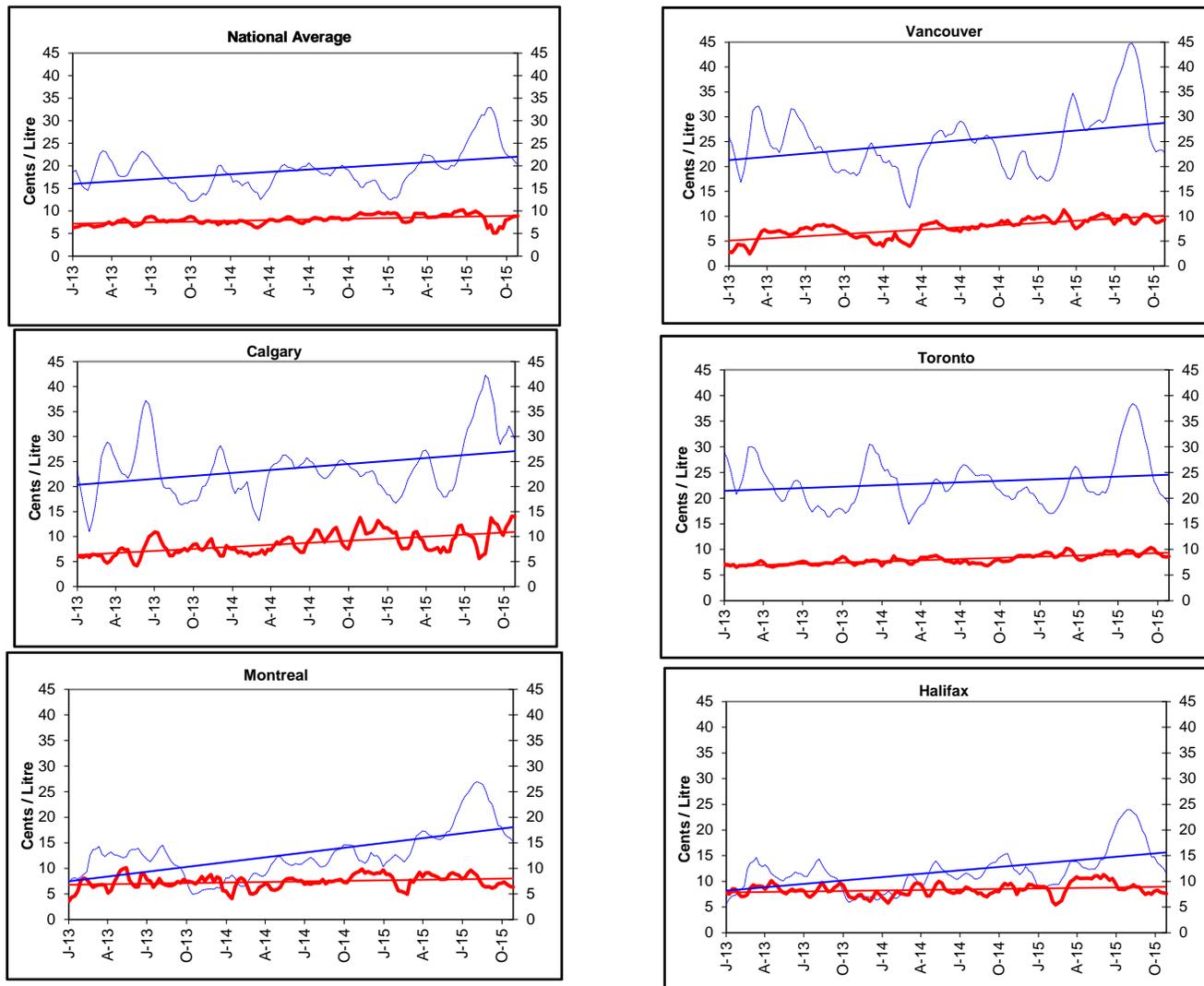
The gasoline marketing margins represent the difference between the wholesale and retail prices of gasoline. This margin pays for the costs associated with operating a service station.

Gasoline refining margins have been trending downwards over recent weeks in all of the major Canadian markets shown below.

Nationally, the four-week rolling average ending October 27, 2015 was 20.4 cents per litre, a decrease of approximately 1.5 cents over the past two weeks. Compared to the same time last year, margins in Canada are 5 cents per litre higher.

Canadian marketing margins have been fairly stable over the past two weeks, averaging almost 9 cents per litre.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending October 27, 2015
----- Refining Margin — Marketing Margin



Source: NRCan



Crude Oil Overview

For the **two weeks** ending October 27, 2015, prices for the three light crude benchmarks averaged between CAD\$352.51 /m³ and CAD\$395.88/m³ (US\$42.94 and US\$48.22 per barrel).

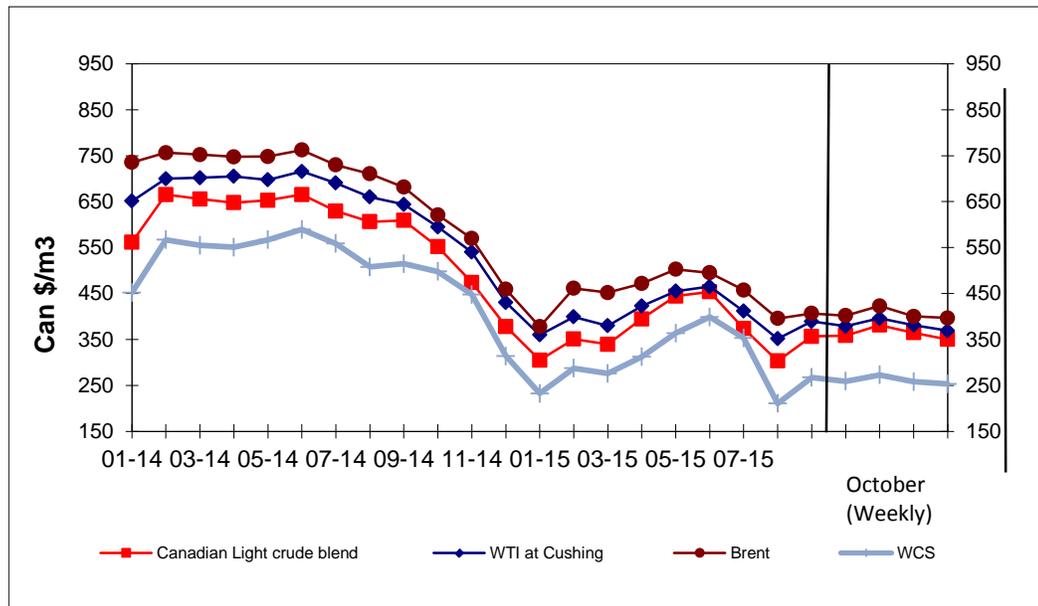
Canadian light crude oil prices at Edmonton decreased by CAD19.74\$/m³ (US\$ 2.27 per barrel) from two weeks ago, West Texas Intermediate (WTI) decreased by CAD\$ 17.34/m³ (US\$ 1.86 per barrel) and Brent increased by CAD\$ 0.59/m³ (a decrease of US\$1.93 per barrel).

The differential between Canadian light crude and WTI for the two weeks ending October 27 was CAD \$18.58/m³, (US\$ 2.26 per barrel), an increase from the previous two weeks where it averaged CAD \$16.18/m³ (US\$1.96 per barrel). Meanwhile, for the same period, the differential between Canadian light crude and Brent was CAD \$43.37/m³ (US\$5.28 per barrel). This differential widened slightly from the previous two week period where it averaged CAD \$40.63/m³ (US\$4.93 per barrel).

The discount for Canadian heavy oil, as measured by the Western Canadian Select (WCS) price differential to WTI averaged CAD\$119.08/m³ (US \$14.51 per barrel) for the two weeks ending October 27.

According to the U.S. Energy Information Administration, U.S. crude inventories increased by 8 million barrels for the week of October 16. This was significantly more than the build of 3.9 million barrels expected by analysts. US crude inventories now stand at 476 million barrels, roughly 99 million barrels higher than a year ago. Gasoline stockpiles decreased by 1.5 million barrels as product demand remains robust and refineries continue to decrease the amount of crude they process.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2015-10-27		Change From:			
	\$Can/ m ³	\$US/ bbl	2 Weeks Prior	\$US/ bbl	Last Year	\$US/ bbl
Canadian Light	352.51	42.94	-19.74	-2.27	-180.11	-49.61
WTI	371.08	45.20	-17.34	1.86	-207.51	-36.64
Brent	395.88	48.22	+0.59	-1.93	-209.25	-37.38
WCS	252.00	30.70	-12.74	-1.46	-226.44	-36.98

Source: NRCAN