



# Fuel Focus

## National Overview

### Canadian Retail Gasoline Prices Remained the Same over the Last Two Weeks

For the **two-week period** ending June 21, 2016, the Canadian average retail gasoline price was \$1.10 per litre. This is the same as for the two-week period ending June 7, 2016. Prices are 13 cents per litre lower than the same period last year.

Average retail diesel prices increased by 1 cent per litre over the two-week period ending June 21, 2016 to reach \$1.02 per litre. This is 11 cents less compared to the same period last year. Over the same period, furnace oil prices remained at \$0.98, 9 cents per litre less than a year ago.

## Recent Developments

### International Energy Agency (IEA) June Oil Market Report

On June 14, 2016, the IEA released its *Oil Market Report* for June. The IEA forecasts demand growth in 2017 of 1.3 million barrels per day (bpd), with demand reaching 97.4 million bpd. The IEA notes this increase is being driven by strong growth in India, Korea and China. Global supplies fell to an average 95.4 million bpd in May, down 590,000 bpd from May of last year, the first significant decline in supply since 2013, and was due to outages in Nigeria, Libya and Canada. The IEA indicates that Canada will emerge as the largest source of non-OPEC supply growth in 2017, expanding production by 240,000 bpd to 4.6 million bpd.

**Source:** IEA  
<https://www.iea.org/oilmarketreport/omrpublic/>

### Energy East Pipeline Begins Hearing Process

On June 16, 2016, the National Energy Board (NEB) announced that TransCanada PipeLines Ltd.'s proposed \$15.7 billion Energy East Project application is now complete and that it will proceed with the review process. The project is a 4,500-kilometre pipeline proposed to carry 1.1-million barrels of crude oil per day from Alberta and Saskatchewan to refineries in Eastern Canada and a marine terminal in New Brunswick. The NEB will issue a Hearing Order setting out the terms and conditions for the hearing process, which will begin on August 8, 2016 in Saint John, New Brunswick. Hearings will take place along the route in New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan and Alberta. The NEB will carry out its review and submit its final report and recommendation on whether the project should proceed along with any recommended conditions to the federal Cabinet by March 16, 2018.

**Source:** National Energy Board  
<http://news.gc.ca/web/article-en.do?mthd=tp&crtr.page=1&nid=1085759&crtr.tp1D=1>

### Gasoline Prices Moderate the Rise in the Consumer Price Index

On June 17, 2016, Statistics Canada released the *Consumer Price Index* (CPI) for May 2016. The CPI rose by 1.5% in the 12 months leading up to May 2016. When gasoline prices are excluded, the CPI increased by 1.9% in May. Statistics Canada notes that gasoline prices rose for the third consecutive month, increasing by 4.1% in May, but are 7.1% lower than this time last year.

**Source:** Statistics Canada  
<http://www.statcan.gc.ca/daily-quotidien/160617/dq160617a-eng.htm>

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

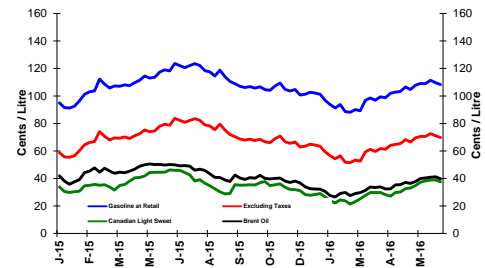
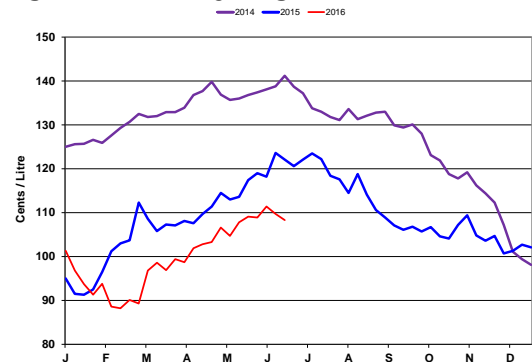


Figure 2: Weekly Regular Gasoline Prices



### Changes in Fuel Prices

	Two week average ending:	Change from:	
		2 Weeks Ago	Last Year
¢/L	2016-06-21		
Gasoline	109.8	-0.3	-13.1
Diesel	101.5	+0.8	-10.9
Furnace Oil	98.1	+0.3	-9.4
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	1.61	0.19	-0.94
Ontario (Dawn)	3.01	0.46	-0.38

Source: NRCan, Bloomberg

### Natural Gas Prices for Vehicles

2016-06-21	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	123.9	81.7	84.7
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 June 21, 2016, the **four-week-average** regular gasoline pump price in selected cities across Canada increased by 1 cent to \$1.10 per litre compared to the previous report of June 10, 2016. Compared to the same period in 2015, the average Canadian pump price is 11 cents per litre lower.

The **four-week-average** crude oil component increased by 1 cent to reach an average of 39 cents over the period. The crude oil price component of gasoline is 8 cents per litre lower than this time last year.

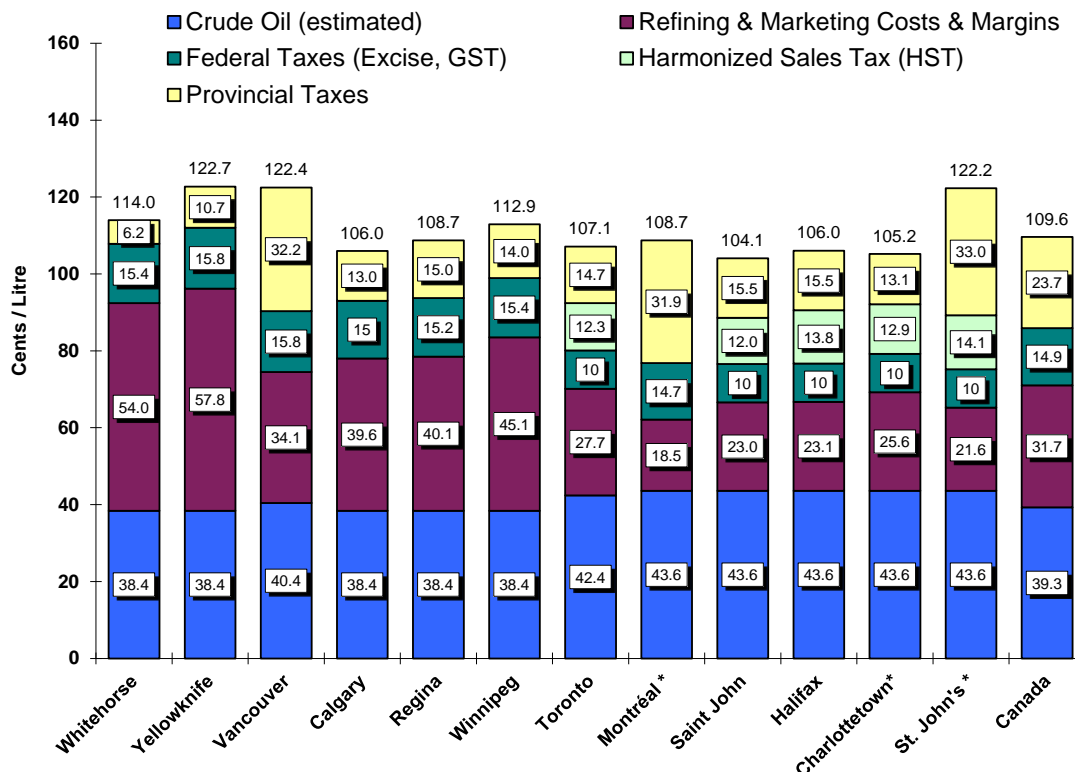
As mentioned in the previous issue, gasoline prices in Western Canada and parts of Northern Ontario increased over the past few weeks in response to a temporary supply disruption. The disruption was due to the combined impact of the wildfires in Fort McMurray, Alberta and a refinery outage in Edmonton.

Gasoline prices have since come down in most of the affected areas. Over the past two weeks, prices decreased in Manitoba by 5 cents, in Saskatchewan by 6 cents, in Alberta by 3 cents, by 2 cents in the interior of B.C. and by 3 cents in Thunder Bay.

Despite these decreases, the four-week average price of retail gasoline in Western centres increased by 5 cents per litre compared to the previous report and ranged from \$1.02 per litre to \$1.22 per litre. In Eastern cities average prices increased by 3 cents per litre over the past two weeks and ranged from \$1.03 to \$1.12 per litre.

At the national level, refining and marketing costs and margins were 32 cents per litre, one cent per litre less than in the previous report and 2 cents per litre lower than this time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities  
Four-Week Average (May 31 to June 21, 2016)**



Source: NRCan

\* Regulated Markets

An estimate of crude oil transportation costs is included in the crude oil estimate for Vancouver (2 cents per litre), Toronto, (4 cents per litre), and Atlantic Canada and Quebec (3 cents per litre)



## Wholesale Gasoline Prices

For the two week period ending June 2, 2016, wholesale gasoline prices declined across selected North American cities.

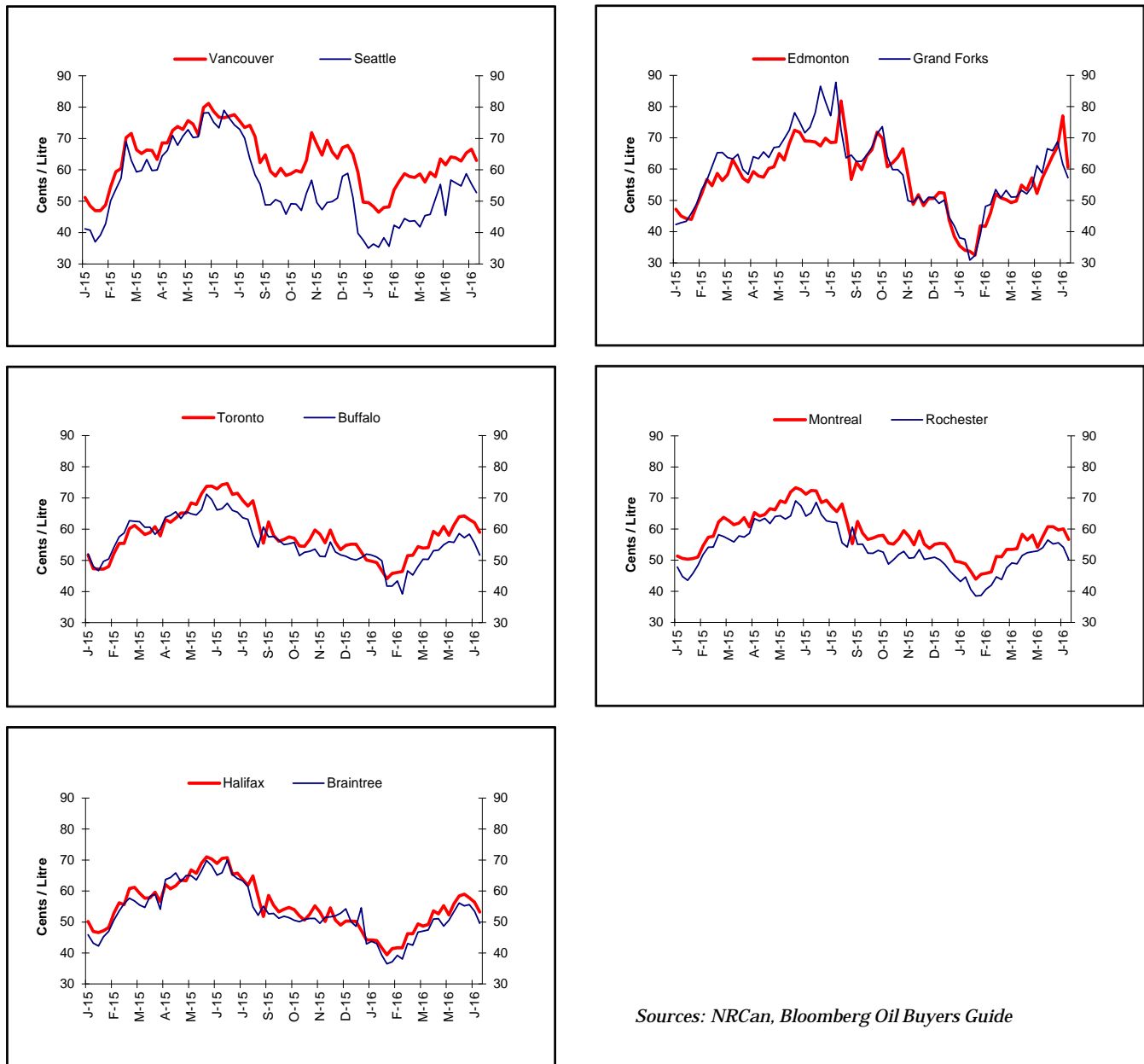
Wholesale gasoline prices for the two week period ended between 50 and 63 cents per litre. This compares to the previous two week period where prices were in the 56 and 69 cents per litre range.

In Western cities, wholesale gasoline prices decreased between 2 and 12 cents per litre, ending in the 53 to 63 cents per litre range.

Wholesale gasoline prices in Eastern markets of Canada and the U.S. decreased between 3 and 4 cents per litre in each of the markets and ended in the 50 to 57 cents per litre range.

Wholesale prices remain lower than last year in all markets.

**Figure 4: Wholesale Gasoline Prices**  
Rack Terminal Prices for Selected Canadian and American Cities Ending June 16, 2016  
(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.

Gasoline refining margins refer to the difference between the price of crude oil and the wholesale price at which the refiner can sell gasoline. The margin includes the costs associated with refining the product as well as a profit for the refiner.

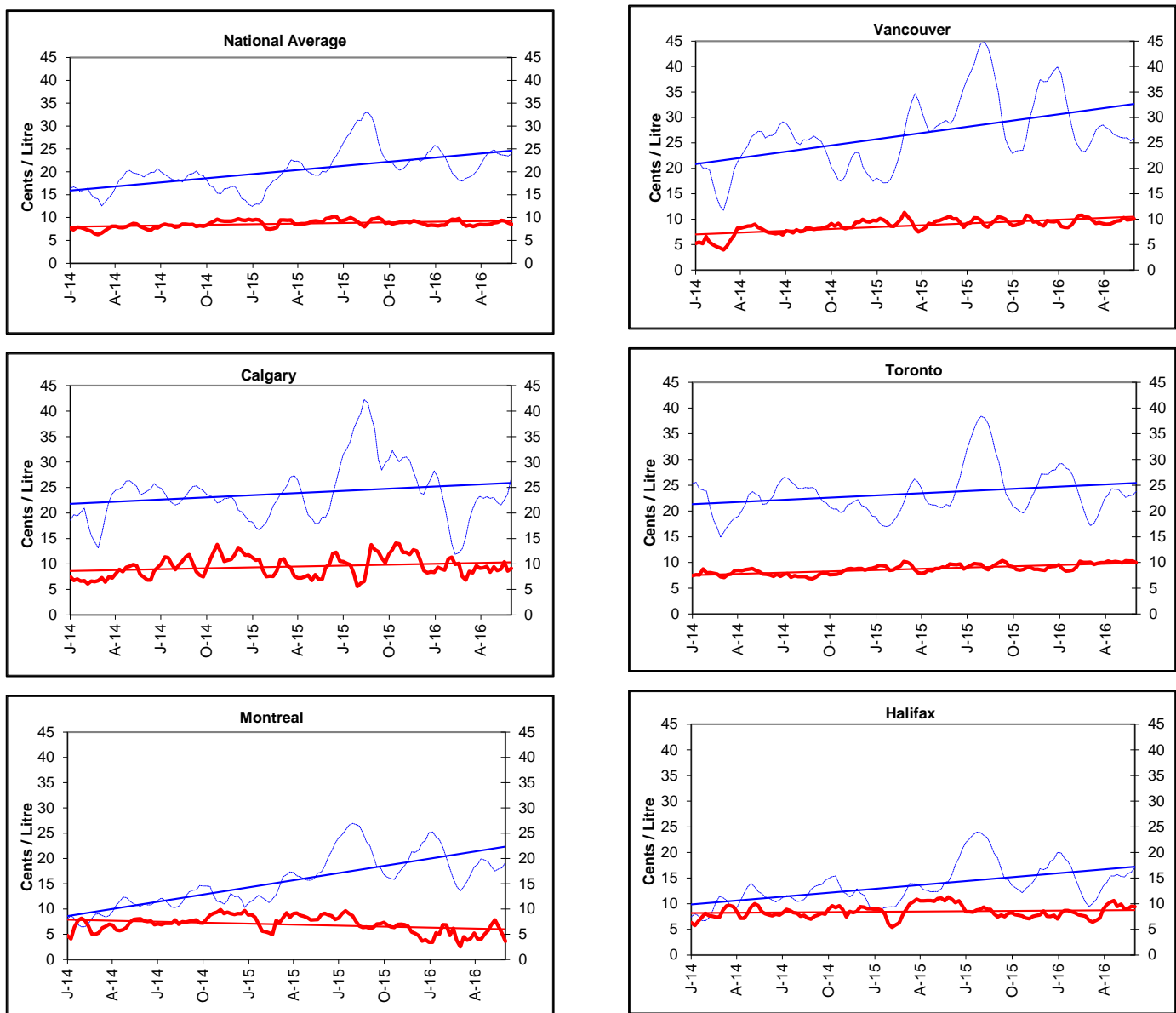
Nationally, **the four-week rolling average** refining margin for the period ending June 21, 2016 was 23 cents per litre, which is one cent per litre lower than in the last report of June 10, 2016.

Compared to the same time last year, margins in Canada are less than one cent per litre lower.

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.

Overall, the national average for marketing margins remained at 9 cents, the same as the previous report of June 10, 2016.

**Figure 5: Gasoline Refining and Marketing Margins**  
Four-Week Rolling Average Ending June 21, 2016  
----- Refining Margin      — Marketing Margin





## Crude Oil Overview

For the two weeks ending June 21, 2016, prices for the three light crude benchmarks averaged between CAD\$379.91/m<sup>3</sup> and CAD\$404.69/m<sup>3</sup> (U.S.\$47.10 and U.S.\$50.18 per barrel).

The price of the four key crude oil benchmarks decreased over the past two weeks. In addition to this the Canadian dollar also weakened by more than 1% over the same period. Canadian light crude oil prices at Edmonton decreased by CAD\$8.58/m<sup>3</sup> (U.S.\$0.43 per barrel) from two weeks ago, WTI decreased by CAD\$8.98/m<sup>3</sup> (U.S.\$0.46 per barrel) and Brent decreased by CAD\$3.44/m<sup>3</sup> (an increase of U.S.\$0.26 per barrel). The price of Western Canada Select decreased by CAD \$11.12/m<sup>3</sup> (U.S.\$0.88) from two weeks ago.

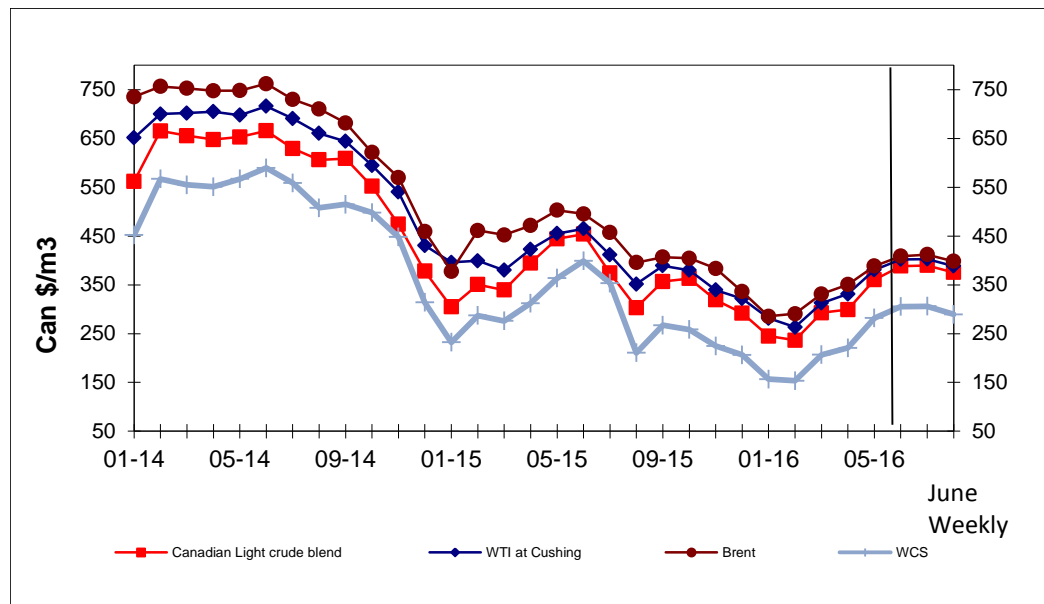
The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI, averaged CAD\$98.66/m<sup>3</sup> (U.S.\$12.23 per barrel) for the two weeks ending June 21, 2016.

At its peak, the wildfires in Fort McMurray, Alberta resulted in approximately 1.5 million bpd of shut-in oil sands production. The IEA estimates that the wildfires cut an average of 865,000 bpd of oil from Canadian production in May.

The disruption to production now stands at approximately 440,000 bpd. This represents less than 20% of Canada's oil sands production capacity of 2.5 million bpd. Production is expected to return to pre-fire production levels over the coming weeks.

For the week ending June 17, 2016, U.S. Energy Information Administration (EIA) data showed a 0.9 million barrel decrease in U.S. commercial crude inventories week-over-week, with total stocks now at 530.6 million barrels. U.S. crude oil inventories are at historically high levels for this time of year. EIA data also showed an increase in U.S. refinery utilization, with rates rising by 1.1 percentage points to 91.3%.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-06-21		Change From:			
			2 Weeks Prior		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	379.91	47.10	-8.58	-0.43	-79.61	-12.31
WTI	394.11	48.87	-8.98	-0.46	-71.70	-11.37
Brent	404.69	50.18	-3.44	+0.26	-89.37	-13.71
WCS	36.63	295.44	-11.12	-0.88	-102.82	-14.86

Source: NRCan