



Fuel Focus

National Overview

Canadian Retail Gasoline Prices Decreased by 2 cents over the Last Two Weeks

For the **two-week** period ending July 5, 2016, the Canadian average retail gasoline price was \$1.08 per litre. This is a decrease of 2 cents over the two-week period ending June 21, 2016. Prices are 14 cents per litre lower than the same period last year.

Average retail diesel prices remained at \$1.02 per litre compared to the two week period ending June 21, 2016. This is 10 cents per litre less compared to the same period last year. Furnace oil prices remained at \$0.98, over the same period, 9 cents per litre less than a year ago.

Recent Developments

Canadian Association of Petroleum Producers (CAPP) 2016 Crude Oil Production Forecast

On June 23, 2016, CAPP released their annual crude oil production forecast. According to CAPP, Canadian oil output is forecast to decline for the first time since 2009 this year, primarily due to the Alberta wildfires and low drilling activity. Canada is forecast to produce 3.82 million barrels per day (bpd) in 2016, less than the 3.85 million bpd produced last year. Overall, CAPP forecasts Canadian oil production will grow from 3.9 million barrels per day in 2015 to 4.9 million bpd in 2030.

Source: CAPP

<http://www.capp.ca/publications-and-statistics/crude-oil-forecast>

Canadian Diesel Demand Down in 2015

On June 29, 2016, the National Energy Board (NEB) released a market snapshot, showing lower diesel demand in 2015 owing to the downturn in the mining and oil and gas sector. In 2015, Canadian diesel sales were down by 3.4 % from 2014 levels, reaching 506,000 barrels per day. Diesel sales dropped significantly in Alberta, which represents about one-fifth of diesel volume sold, where diesel sales dropped by 22.9 % in 2015. This was the largest year over year decline in Alberta diesel demand over the past decade.

Source: National Energy Board

<https://www.neb-one.gc.ca/nrg/ntgrtd/mrkt/snpsht/2016/06-05cndndsl-eng.html>

Environment Canada's Renewable Fuels Regulation Report

In June, Environment and Climate Change Canada (ECCC) released their *Renewable Fuels Regulations Report*. The report shows that gasoline sold in Canada contained 6.2% renewable fuel on average from December 15, 2010 to December 31, 2012, above the 5% required under the federal *Renewable Fuels Regulations*. This was the first compliance period for gasoline. For distillate (diesel and heating oil), the average renewable fuel content was 2.2% from July 1, 2011 to December 31, 2012, above the 2% required. Fuel suppliers blended 5.38-billion litres of renewable fuel (ethanol) into gasoline and 1.04-billion litres of renewable fuel (biodiesel) into distillate. ECCC estimates that over the first compliance periods the Renewable Fuels Regulations reduced greenhouse gas emissions by 7-million tonnes, or 3.7-million tonnes a year.

Source: ECCC

<http://www.ec.gc.ca/energie-energy/default.asp?lang=En&n=EE22EC31-1>

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

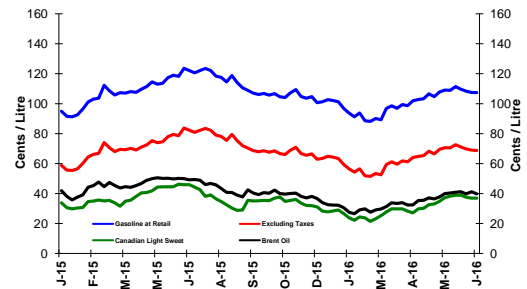
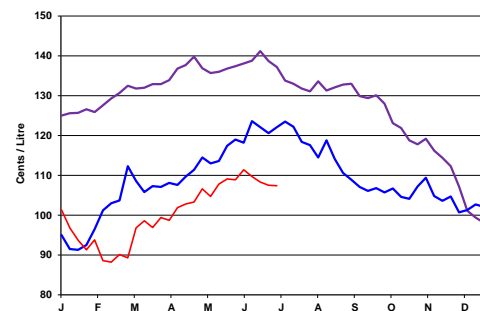


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two week average ending:	Change from:	
	2016-07-05	2 Weeks Ago	Last Year
Gasoline	107.5	-2.4	-13.9
Diesel	101.5	-	-10.3
Furnace Oil	98.1	-	-8.9
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	2.20	+0.59	-0.32
Ontario (Dawn)	3.37	+0.36	-0.01

Source: NRCan, Bloomberg

Natural Gas Prices for Vehicles

2016-07-05	¢/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
<i>National Overview</i>	1
<i>Recent Developments</i>	1
<i>Retail Gasoline Overview</i>	2
<i>Wholesale Gasoline Prices</i>	3
<i>Gasoline Refining and Marketing Margins</i>	4
<i>Crude Oil Overview</i>	5



Retail Gasoline Overview

For the period ending July 5, 2016, the **four-week-average** regular gasoline pump price in selected cities across Canada decreased by 2 cents per litre to \$1.08 per litre compared to the previous report of June 24, 2016. Compared to the same period in 2015, the average Canadian pump price is 14 cents per litre lower.

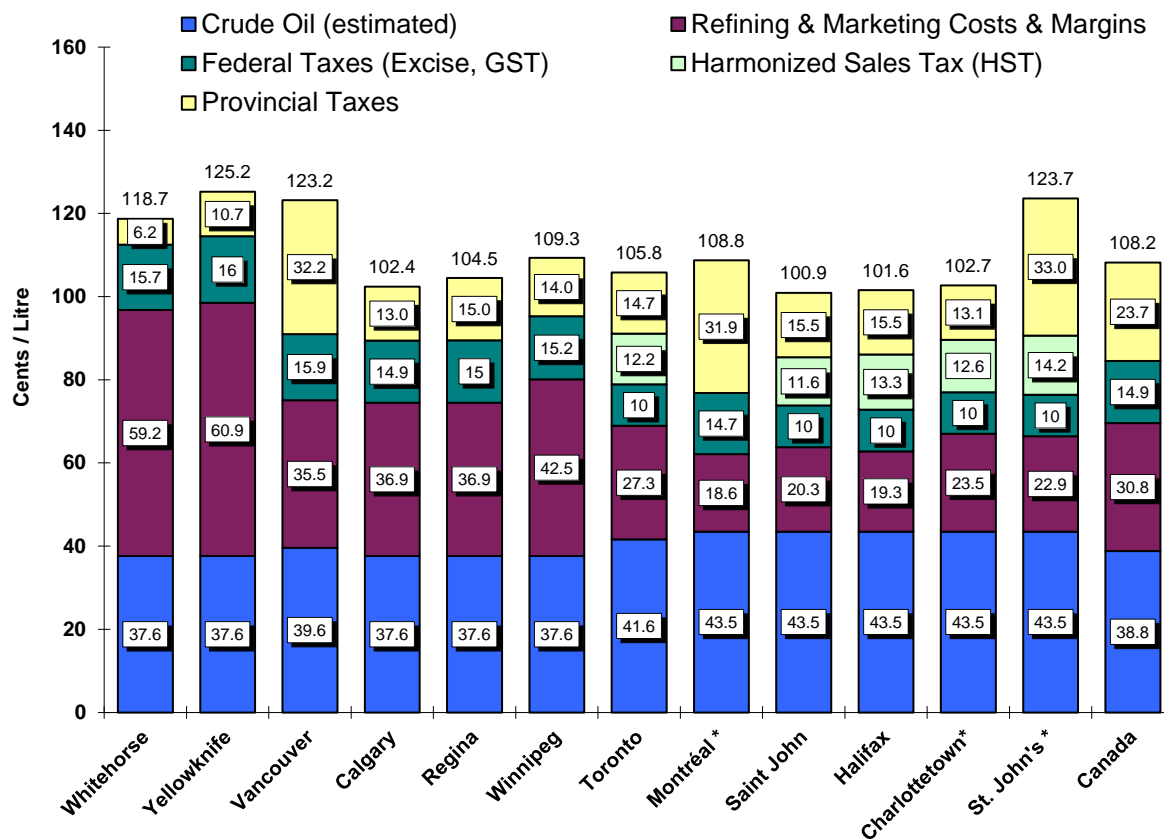
The **four-week-average** crude oil component increased by less than 1 cent to remain at an average of 39 cents over the period. The crude oil price component of gasoline is 8 cents per litre lower than this time last year.

Retail gasoline prices in Western centres decreased by 3 cents per litre compared to the previous report and ranged from \$1.03 per litre to \$1.25 per litre.

Prices in Eastern cities increased by 2 cents per litre and ranged from \$1.01 to \$1.24 per litre.

At the national level, refining and marketing costs and margins were 31 cents per litre, one cent per litre less than in the previous report and 5 cents per litre lower than this time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (June 14 to July 05, 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

Over the two week period ending June 30, 2016, wholesale gasoline prices increased slightly across selected North American cities, with the exception of Edmonton and Grand Forks where prices decreased slightly.

Wholesale gasoline prices for the two week period ended between 51 and 70 cents per litre. This compares to the previous two week period where prices were in the 50 and 63 cents per litre range.

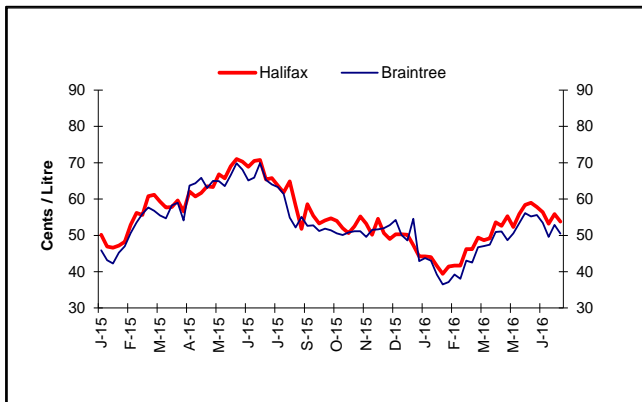
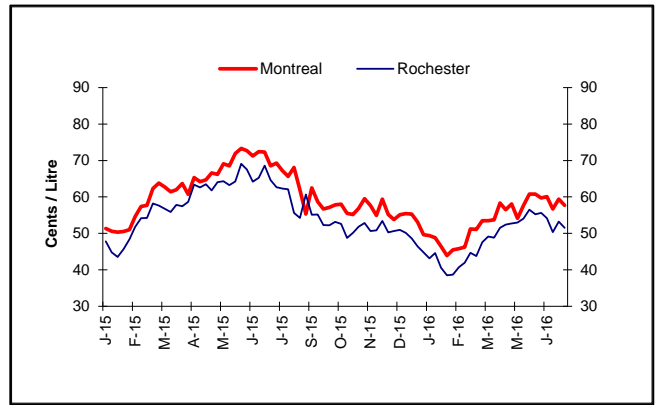
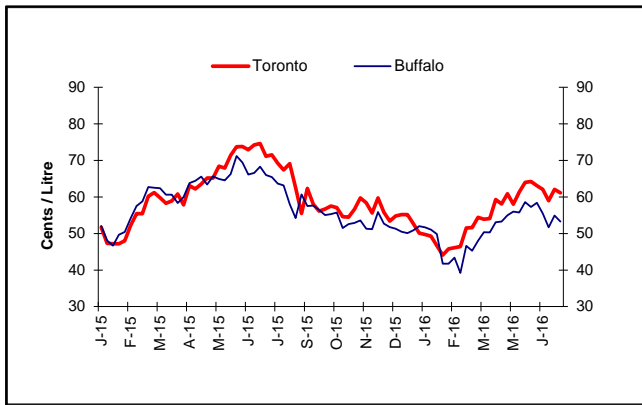
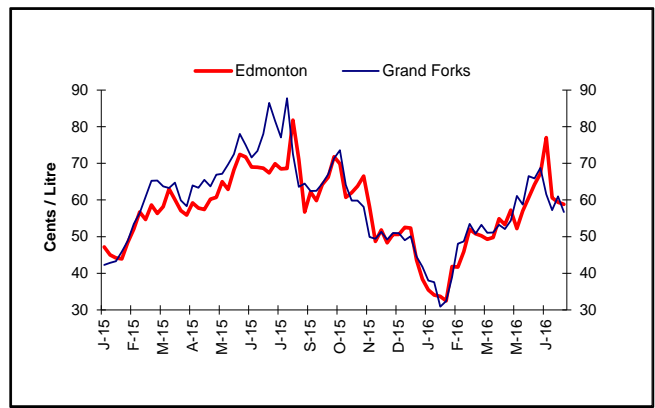
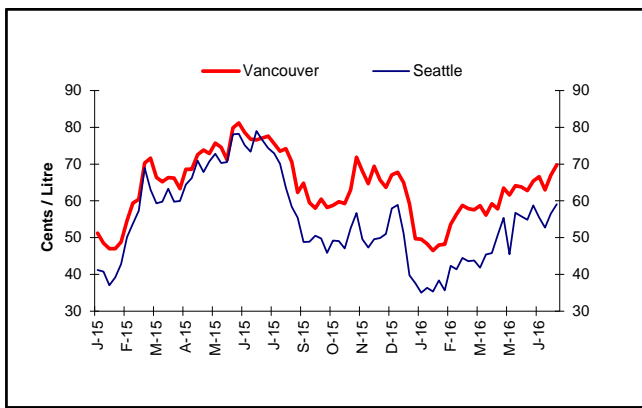
In Western cities, wholesale gasoline prices ranged between a decrease of 2 cents per litre to an increase of 7 cents per litre, ending in the 57 to 70 cents per litre range.

Given the integrated wholesale market for gasoline, prices in the Vancouver market are linked to developments in the U.S. West Coast. The ExxonMobil refinery in Torrance has been out of commission since February 2015, and has led to increased petroleum product imports to the region and also increased wholesale prices.

Wholesale gasoline prices in Eastern markets of Canada and the U.S. increased between 1 and 2 cents per litre and ended in the 51 to 61 cents per litre range.

Wholesale prices remain lower than last year in all these markets.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending June 30, 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.

The Gasoline refining margin refers 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.

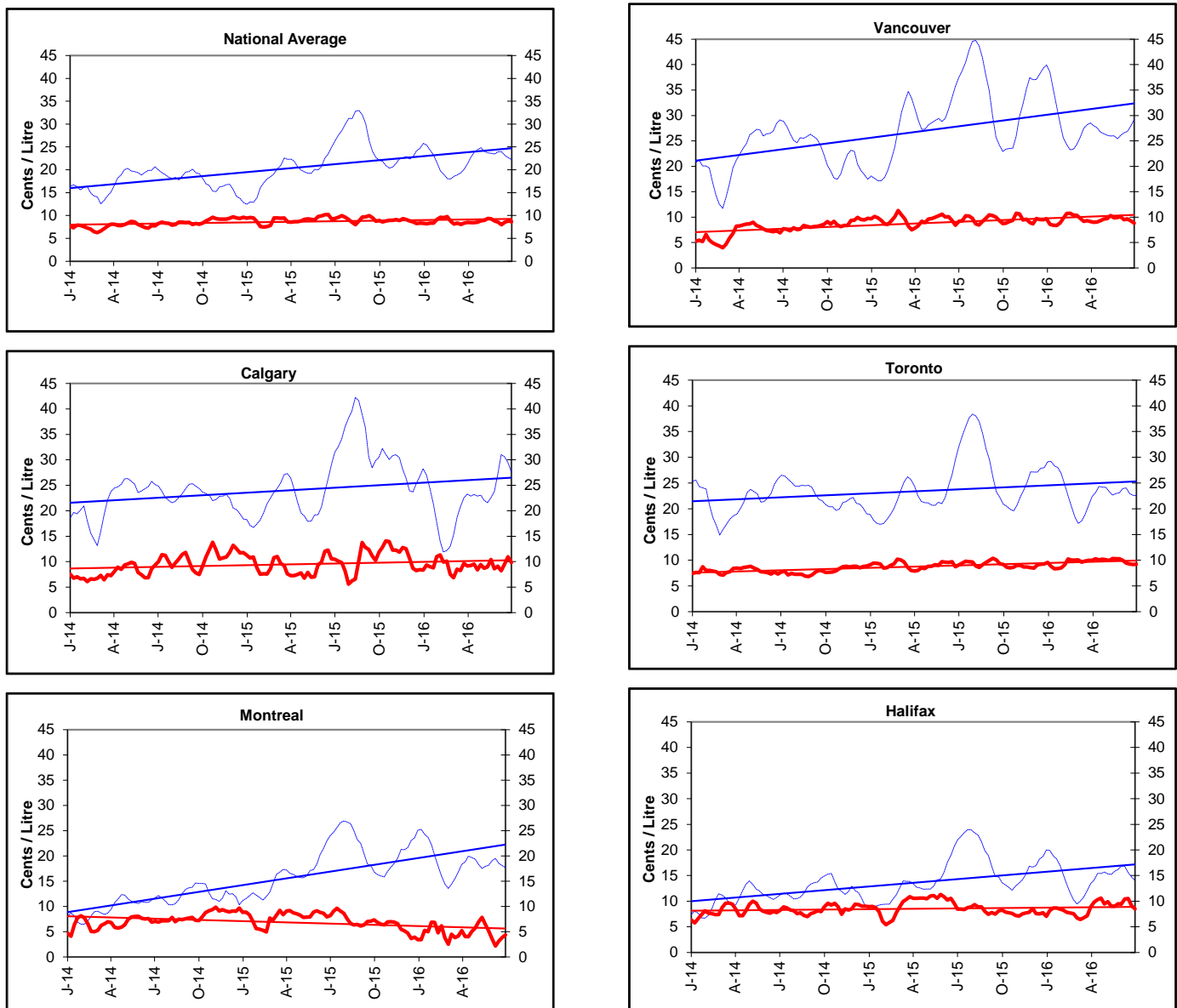
Nationally, **the four-week rolling average** refining margin for the period ending July 5, 2016 was 22 cents per litre, which is one cent per litre lower than in the last report of June 24, 2016.

Compared to the same time last year, margins in Canada are four cents per litre lower.

The gasoline marketing margin represents the difference between the wholesale and retail price of gasoline before taxes are applied. 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 24, 2016.

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





Crude Oil Overview

For the two weeks ending July 5, 2016, prices for the three light crude benchmarks averaged between CAD\$368.206 /m³ and CAD\$402.25/m³ (U.S.\$45.48 and U.S.\$49.39 per barrel).

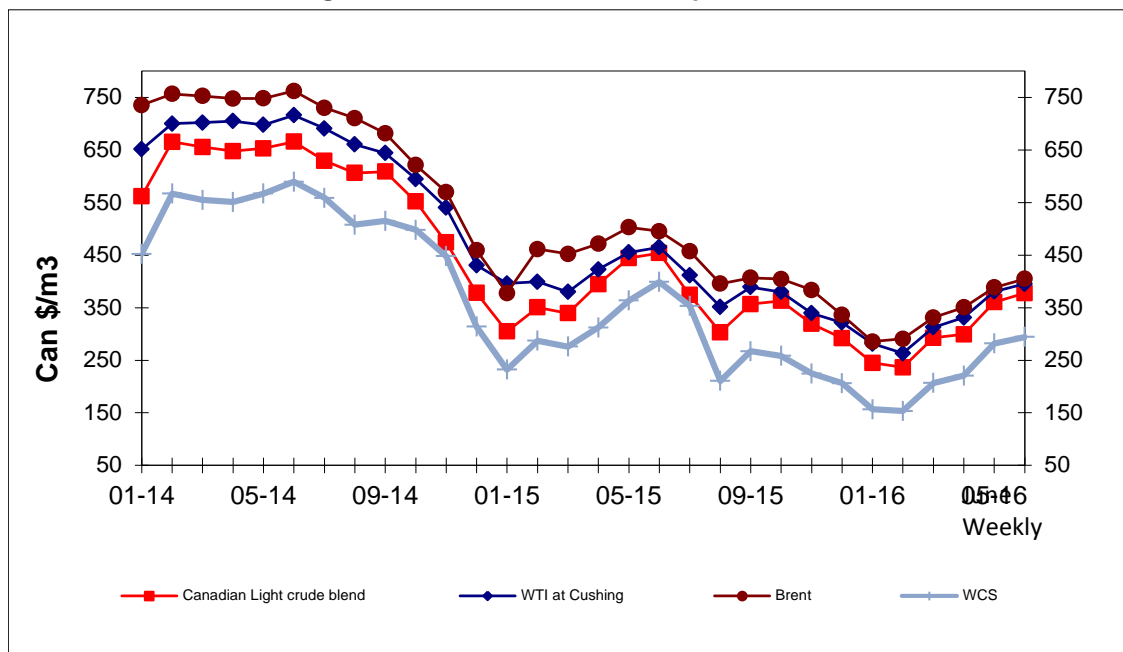
Canadian light crude oil prices at Edmonton decreased by CAD\$11.71/m³ (U.S.\$1.62 per barrel) from two weeks ago, West Texas Intermediate (WTI) decreased by CAD\$2.30/m³ (U.S.\$0.80 per barrel) and Brent decreased by CAD\$2.44/m³ (U.S.\$0.79 per barrel). The price of Western Canadian Select decreased by CAD \$9.98/m³ (U.S.\$1.54) from two weeks ago.

The discount for Canadian heavy oil, as measured by the Western Canadian Select price differential to WTI averaged CAD\$106.34/m³ (U.S.\$12.96 per barrel) for the two weeks ending July 5, 2016.

For the week ending July 3, 2016, the US Energy Information Administration (EIA) data showed a 3.2 million barrel decrease in U.S. commercial crude inventories week-over-week, with total stocks now at 532.5 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 1.2 percentage points to 90.9%.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-07-05		Change From:			
			2 Weeks Prior		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Canadian Light	368.20	45.48	-11.71	-1.62	-57.33	-8.73
WTI	391.80	48.06	-2.30	-0.80	-58.34	-9.29
Brent	402.25	49.39	-2.44	-0.79	-80.09	-12.06
WCS	285.47	35.10	-9.98	-1.54	-77.07	-11.09

Source: NRCAN