



Fuel Focus

National Overview

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

For the **two-week** period ending August 2, 2016, the Canadian average retail gasoline price was \$1.02 per litre. This is a decrease of 2 cents over the two-week period ending July 19, 2016. Prices are 16 cents per litre lower than the same period last year.

Average retail diesel prices decreased by 3 cents per litre to reach \$0.98 per litre compared to the two-week period ending July 19, 2016. This is 11 cents less compared to the same period last year. Over the same period, furnace oil prices decreased by 1 cent to reach \$0.96, 7 cents per litre less than a year ago.

Recent Developments

• 2016 Canadian Drilling Activity Forecast Update

On July 28, 2016, the Petroleum Services Association of Canada (PSAC), released its third update to their 2016 Canadian Drilling Activity Forecast. Their overall forecast remains the same as the previous update in April, which forecasted that slightly more than 3,300 wells would be drilled in 2016. This was down significantly from the 5,100 wells that they originally forecast in November 2015, would be drilled this year. They note that drilling activity is expected to be down by 31% in Alberta, 47% in Saskatchewan and by 8% in British Columbia. There was, however, an expected increase of 30% in the number of wells to be drilled in Manitoba.

Source: PSAC

<http://www.pscac.ca/wp-content/uploads/PSAC%20Media%20Release%202016%20Drilling%20Activity%20Forecast%20Third%20Update.pdf>

• Canadian Crude by Rail Export Volumes Down in May

On August 2, 2016, the National Energy Board (NEB) released data on Canadian crude oil exports by rail for May 2016. This data shows that crude by rail exports in May were at their lowest level this year, totalling 71,085 barrels per day (bpd). This is a 35% decrease from April, when crude by rail exports reached 109,000 bpd, their highest level this year. The decrease in the volume of crude by rail exports was likely impacted by the wildfires in Fort McMurray, Alberta which started in early May, and reduced Canadian crude oil production.

Source: NEB

<http://neb-one.gc.ca/nrg/sttstc/crdlndptrlmpdrct/stt/cndncrdlxprtsrl-eng.html>

• Lower Gasoline Prices Moderate the Rise in the Consumer Price Index

On July 22, 2016, Statistics Canada released the *Consumer Price Index* (CPI) for June 2016. The CPI rose by 1.5% over the past 12 months, which was unchanged from the 1.5% increase of last month. When gasoline prices are excluded, the CPI increased by 1.9% in June year over year. Statistics Canada notes that gasoline prices were down by 8.5% year over year in June, which followed a 7.1% year over year decline in May.

Source: Statistics Canada

<http://www.statcan.gc.ca/daily-quotidien/160722/dq160722a-eng.htm>

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

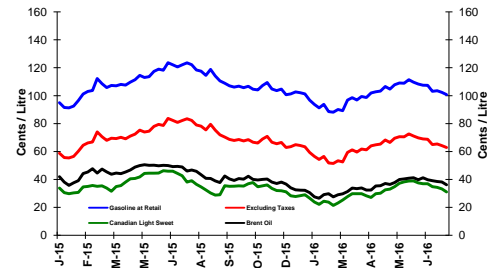
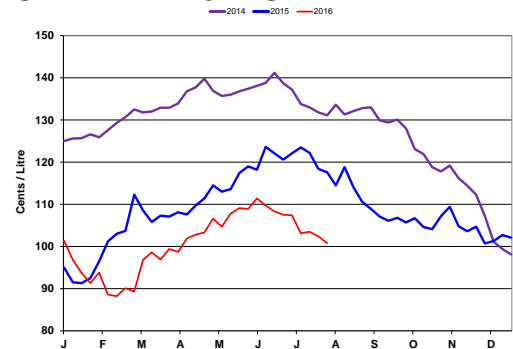


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

¢/L	Two-week average ending:	Change from:	
	2016-08-02	2 Weeks Ago	Last Year
Gasoline	101.6	-1.7	-16.4
Diesel	97.5	-2.6	-11.4
Furnace Oil	96.4	-1.4	-6.8
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	2.32	+0.15	-0.49
Ontario (Dawn)	3.39	+0.04	-0.26

Source: NRCAN, Bloomberg

Natural Gas Prices for Vehicles

2016-08-02	¢/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

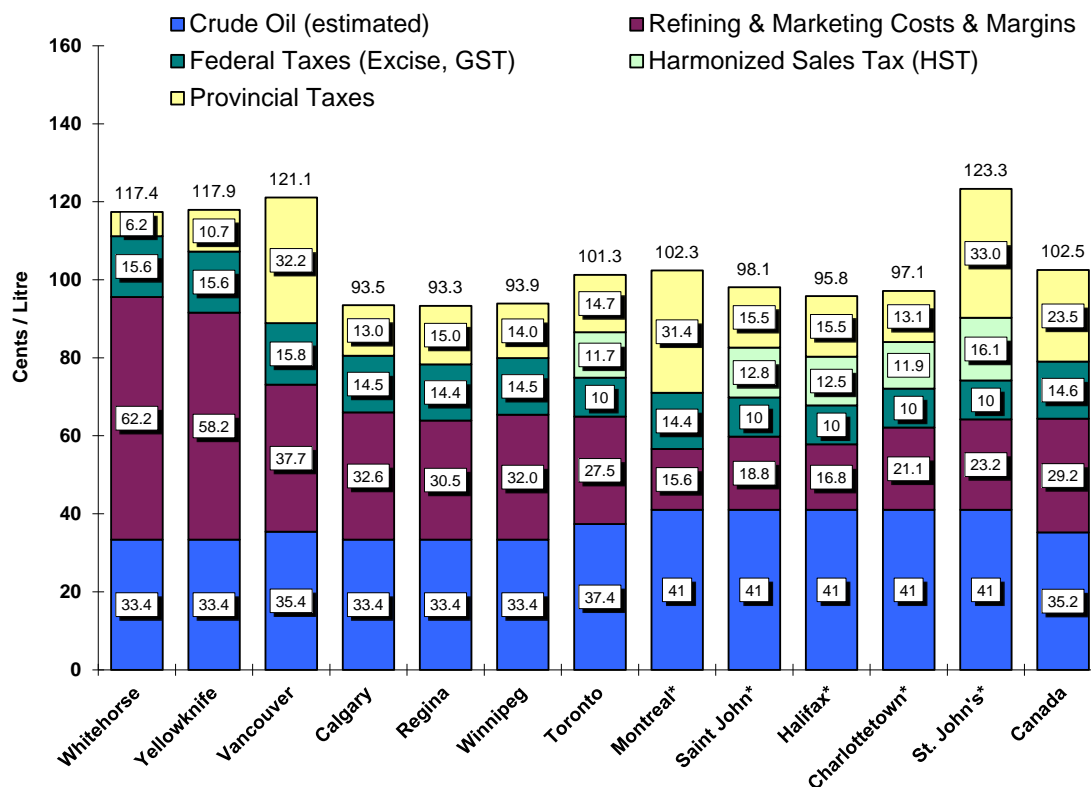
For the period ending August 2, 2016, the **four-week-average** regular gasoline pump price in selected cities across Canada decreased by 3 cents to \$1.03 per litre compared to the previous report of July 19, 2016. Compared to the same period in 2015, the average Canadian pump price is 18 cents per litre lower.

The **four-week-average** crude oil component decreased by 2 cents to reach an average of 35 cents over the period. The crude oil price component of gasoline is 5 cents per litre lower than this time last year.

Retail gasoline prices in Western centres decreased by 2 cents per litre compared to the previous report and ranged from \$0.93 per litre to \$1.21 per litre. Prices in Eastern cities decreased by 3 cents per litre and ranged from \$0.96 to \$1.23 per litre.

At the national level, refining and marketing costs and margins were 29 cents per litre, one cent per litre less than in the previous report and 11 cents per litre lower than this time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (July 12 to August 2, 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 July 28, 2016, wholesale gasoline prices were down slightly in all the North American cities below.

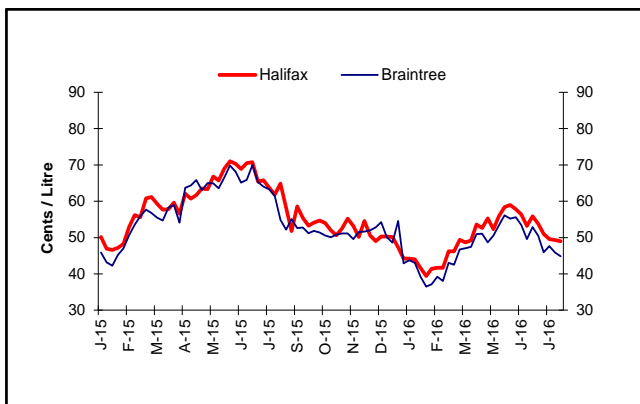
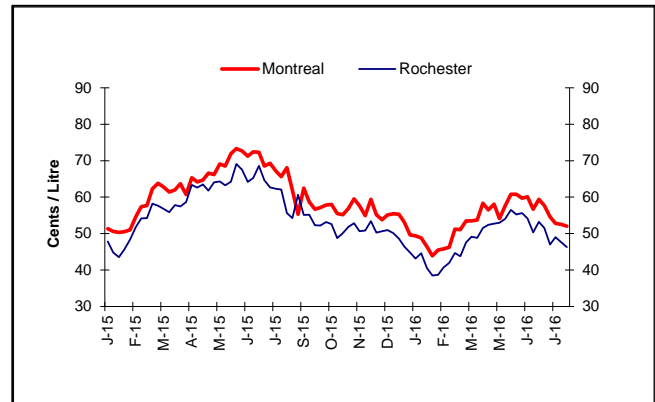
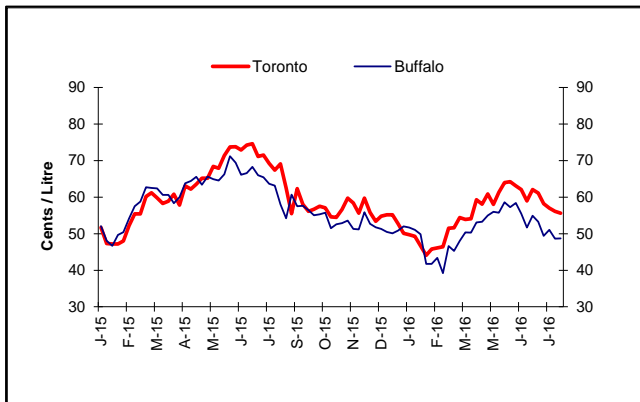
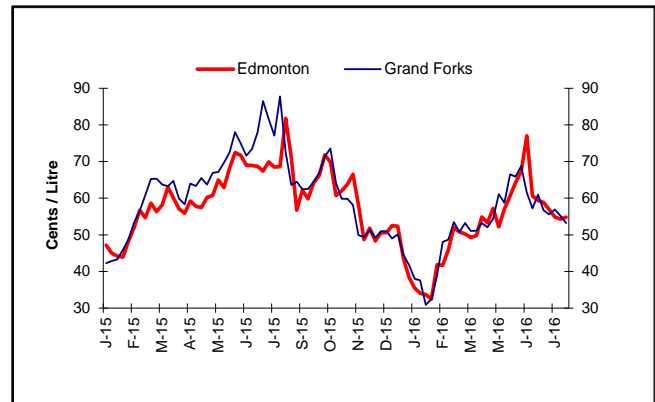
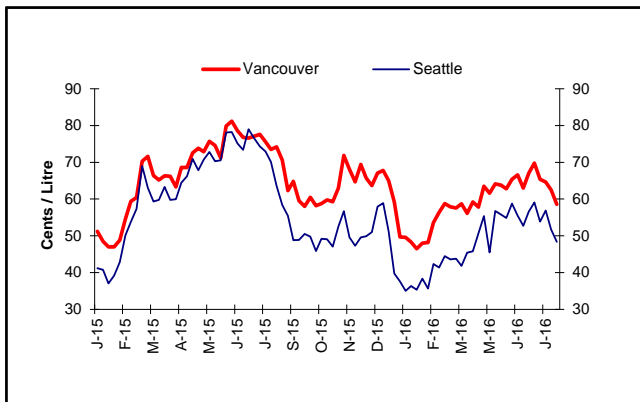
Wholesale gasoline prices for the two-week period ended between 49 and 59 cents per litre. This compares to the previous two-week period where prices were in the 47 and 65 cents per litre range.

In Western cities, wholesale gasoline prices decreased between less than 1 cent and 4 cents per litre, ending in the 53 to 59 cents per litre range.

Wholesale gasoline prices in Eastern markets of Canada and the U.S. decreased between less than 1 cent and 3 cents per litre and ended in the 49 to 56 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 July 28, 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.

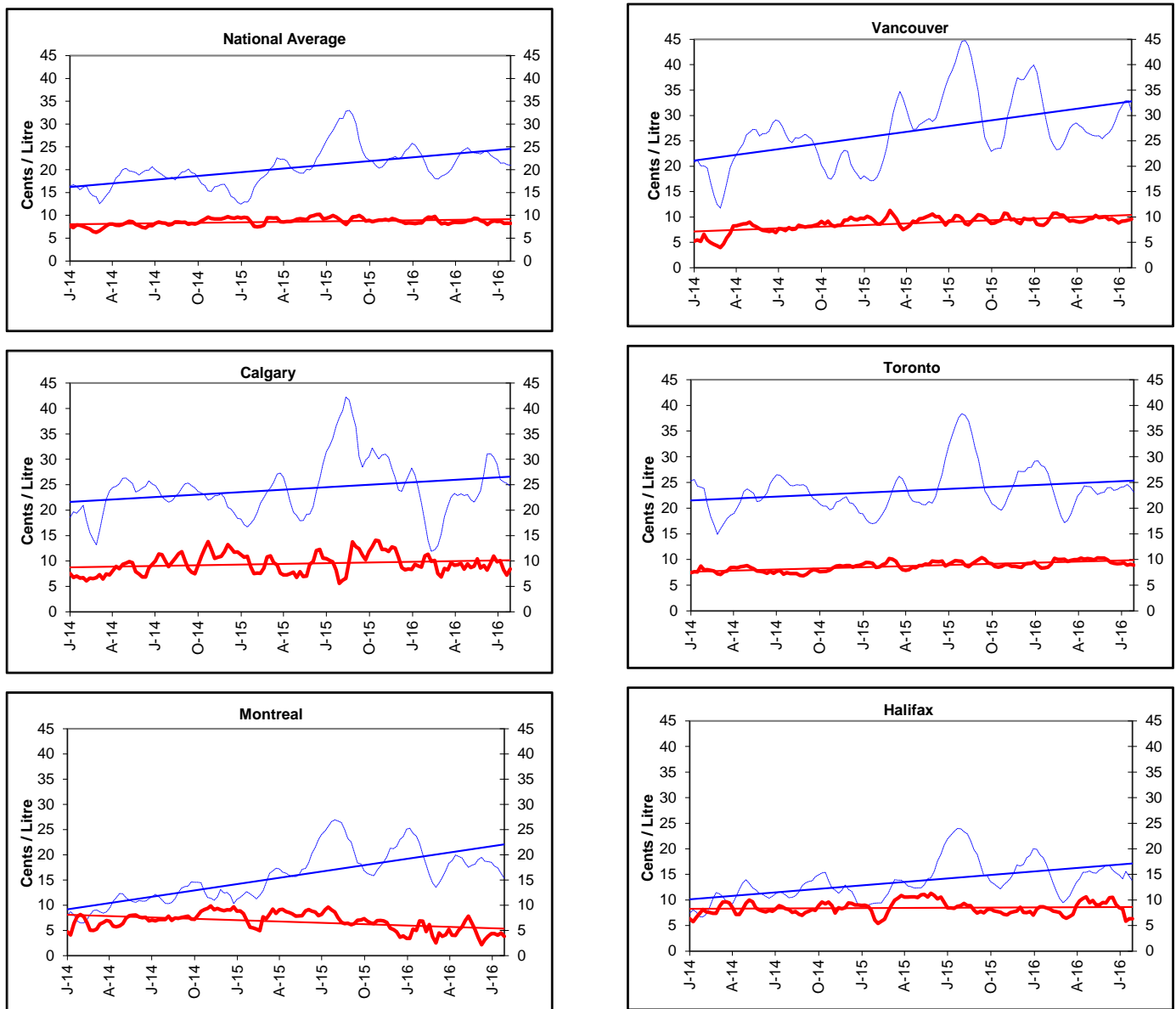
Nationally, **the four-week rolling average** refining margin for the period ending August 2, 2016 was 20.9 cents per litre, which is one cent per litre lower than for the four-week period ending July 19, 2016.

Compared to the same time last year, refining margins in Canada are 9 cents per litre lower.

The gasoline marketing margin refers to the difference between the wholesale and retail price of gasoline before taxes are applied. This margin represents the costs associated with operating a service station.

Overall, the four-week average national marketing margins fell by 1 cent to reach 8 cents per litre for the four weeks ending August 2, 2016.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending August 2, 2016
----- Refining Margin — Marketing Margin





Crude Oil Overview

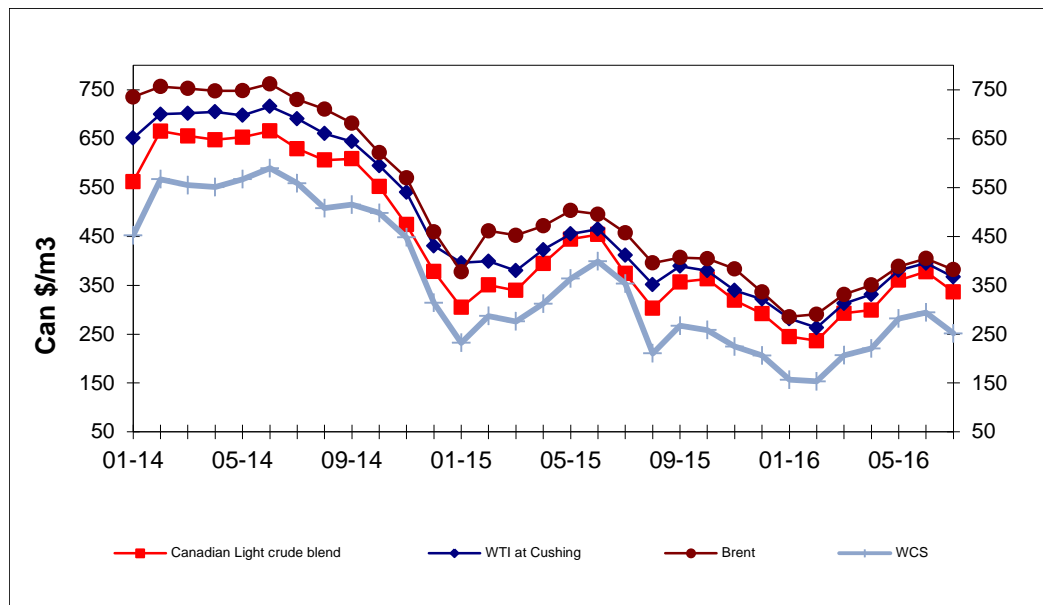
For the two weeks ending August 2, 2016, prices for the three light crude benchmarks averaged between CAD\$312.52/m³ and CAD\$364.23/m³ (U.S.\$37.86 and U.S.\$44.12 per barrel).

Canadian light crude oil prices at Edmonton decreased by CAD\$30.95/m³ (U.S.\$4.12 per barrel) from two weeks ago, West Texas Intermediate (WTI) decreased by CAD\$24.64/m³ (U.S.\$3.39 per barrel) and Brent decreased by CAD\$21.48/m³ (U.S.\$3.02 per barrel). The price of Western Canada Select decreased by CAD\$29.98/m³ (U.S.\$3.91) from two weeks ago.

For the week ending July 29, 2016, the U.S. Energy Information Administration (EIA) data showed a 2.5 million barrel increase in crude oil inventories from the previous week, to reach a total of 522.5 million barrels. For refined product inventories, gasoline stocks decreased by 3.3 million barrels, while distillate stockpiles, including diesel and heating oil, increased by 1.2 million barrels.

EIA data also showed that U.S. refinery crude runs increased by an average of 266,000 barrels per day last week as utilization rates increased by 0.1 percentage point to reach 93.3 percent of capacity.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-08-02		Change From:			
			2 Weeks Prior		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Canadian Light	312.52	37.86	-30.95	-4.12	-35.05	-4.54
WTI	348.28	42.19	-24.64	-3.39	-40.47	-5.23
Brent	364.23	44.12	-21.48	-3.02	-68.61	-8.68
WCS	229.17	27.76	-29.98	-3.91	-28.02	-3.61

Source: NRCan