



Fuel Focus

National Overview

Canadian Retail Gasoline Prices Increased by 8 cents over the Last Two Weeks

For the **two-week** period ending March 15, 2016, the Canadian average retail gasoline price was \$0.98 per litre. This is an increase of 8 cents compared to the two-week period ending March 1, 2016. Prices are 10 cents per litre lower than the same period last year.

Average retail diesel prices increased by 5 cents per litre over the same time period to \$0.95 per litre. This is 26 cents less compared to the same period last year. Over the same period, furnace oil prices increased by 2 cents to \$0.93, 25 cents per litre less than a year ago.

Recent Developments

- Canadian Gasoline Sales down by 1.8% in 2015**
 On March 14, 2016, Statistics Canada released figures showing that Canadians consumed 44 billion litres of gasoline in 2015. This represents a decrease of 800 million litres (1.8%) from 2014 levels. Over the same period, diesel fuel sales decreased by over 1 billion litres (3%).
Source: Statistics Canada
<http://www.statcan.gc.ca/daily-quotidien/160314/dq160314a-eng.htm>
- International Energy Agency (IEA) Oil Market Report**
 On March 11, 2016, the IEA released its March *Oil Market Report*. The report notes that crude oil prices rose to their highest level in three months earlier this month. The IEA identified a number of factors supporting higher crude oil prices. The factors include: possible action by oil producers to reduce output, recent supply outages in Iraq, Nigeria and the United Arab Emirates, indications of falling production from producers such as the U.S. and Brazil, and the recent decline of the U.S. dollar.
Source: IEA
<http://www.iea.org/newsroomandevents/news/2016/march/iea-releases-oil-market-report-for-march.html>
- Brent and WTI prices Forecast to Converge for Next Two Years**
 On March 8, 2016, the U.S. Energy Information Administration (EIA) released its monthly *Short-Term Energy Outlook*. The EIA forecasts that the prices of Brent and WTI will be virtually at par over the next two years, with the two crudes averaging roughly \$34 USD (\$47 CAD) per barrel in 2016 and \$40 USD (\$55 CAD) per barrel in 2017. The removal of the U.S. export ban in December 2015 is unlikely to result in significant U.S. crude oil exports, but the potential for exports has contributed to a narrowing of the Brent-WTI differential. The price for each benchmark is lower than previously forecast in February. The EIA notes that there is a high degree of uncertainty regarding these oil price forecasts.
Source: EIA
<http://www.eia.gov/forecasts/steo/index.cfm>

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

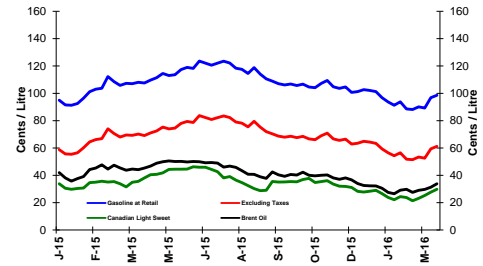
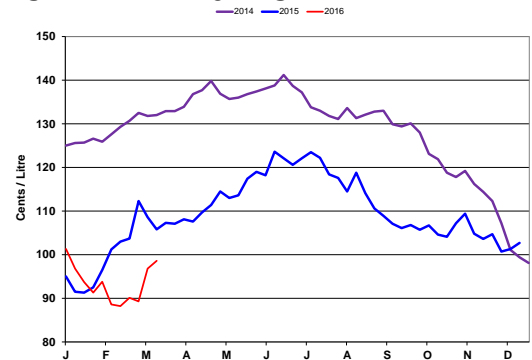


Figure 2: Weekly Regular Gasoline Prices



Changes in Fuel Prices

	Two week average ending:	Change from:	
		2 Weeks Ago	Last Year
¢/L	2016-03-15		
Gasoline	97.7	8.0	-9.5
Diesel	94.9	5.0	-25.6
Furnace Oil	93.3	1.9	-25.3
Natural Gas Prices in \$CA/GJ			
Alberta (AECO)	1.27	-0.21	-1.28
Ontario (Dawn)	2.28	-0.14	-2.15

Source: NRCan, Bloomberg

Natural Gas Prices for Vehicles

2016-03-15	¢/kilogram	¢/L gasoline equivalent	¢/L diesel equivalent
Vancouver	120.1	79.2	82.1
Edmonton	115.0	75.9	78.7
Toronto	128.4	84.7	87.8

Source: ¢/kg Kent Marketing Services Limited

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Retail Gasoline Overview

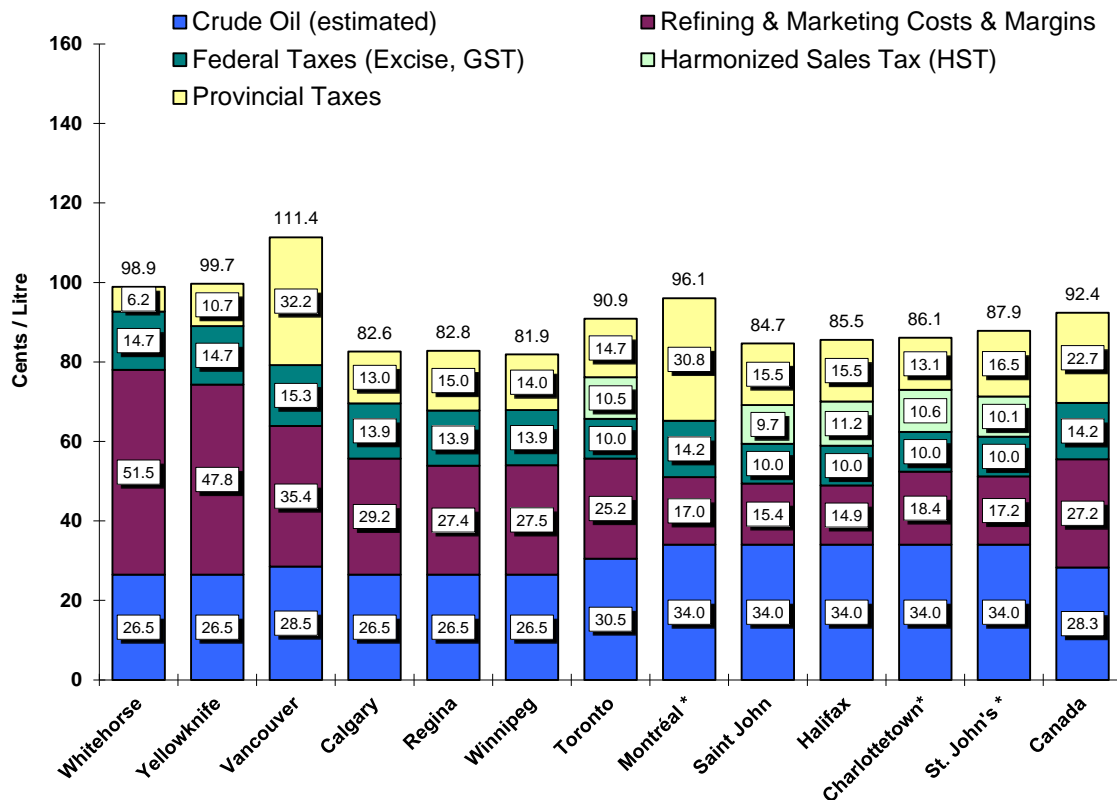
For the period ending March 15, 2016, the **four-week-average** regular gasoline pump price in selected cities across Canada increased to \$0.92 per litre compared to the previous report of March 1, 2016. Compared to the same period in 2015, the average Canadian pump price is 15 cents per litre lower.

The four-week-average crude oil component increased by 3 cents, averaging 28 cents over the period. The crude oil price component of gasoline is 15 cents per litre lower than this time last year.

Retail gasoline prices in Western centres increased by 7 cents per litre compared to the previous report and ranged from \$0.82 per litre to \$1.11 per litre. Prices in Eastern cities increased by less than 1 cent and ranged from \$0.85 to \$0.96 per litre.

At the national level, refining and marketing costs and margins were 27 cents per litre, the same as in the previous report and 1 cent higher than the same time last year.

**Figure 3: Regular Gasoline Pump Prices in Selected Cities
Four-Week Average (February 23 to March 15, 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 March 10, 2016, wholesale gasoline prices across selected North American cities trended upwards.

Wholesale gasoline prices for the two week period ended between 43 and 59 cents per litre. This compares to the previous two week period where prices were in the 39 and 56 cents per litre range.

In Western cities, wholesale gasoline prices ranged from an increase of 2 cents to an increase of 10 cents per litre ending in the 44 to 59 cents per litre range.

Price changes in Eastern markets of Canada and the U.S. increased between 3 and 5 cents per litre ending in the 43 to 51 cents per litre range.

Wholesale prices are lower than last year in all these markets and are between 6 and 16 cents per litre lower than this time last year.

Figure 4: Wholesale Gasoline Prices
Rack Terminal Prices for Selected Canadian and American Cities Ending March 10, 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.

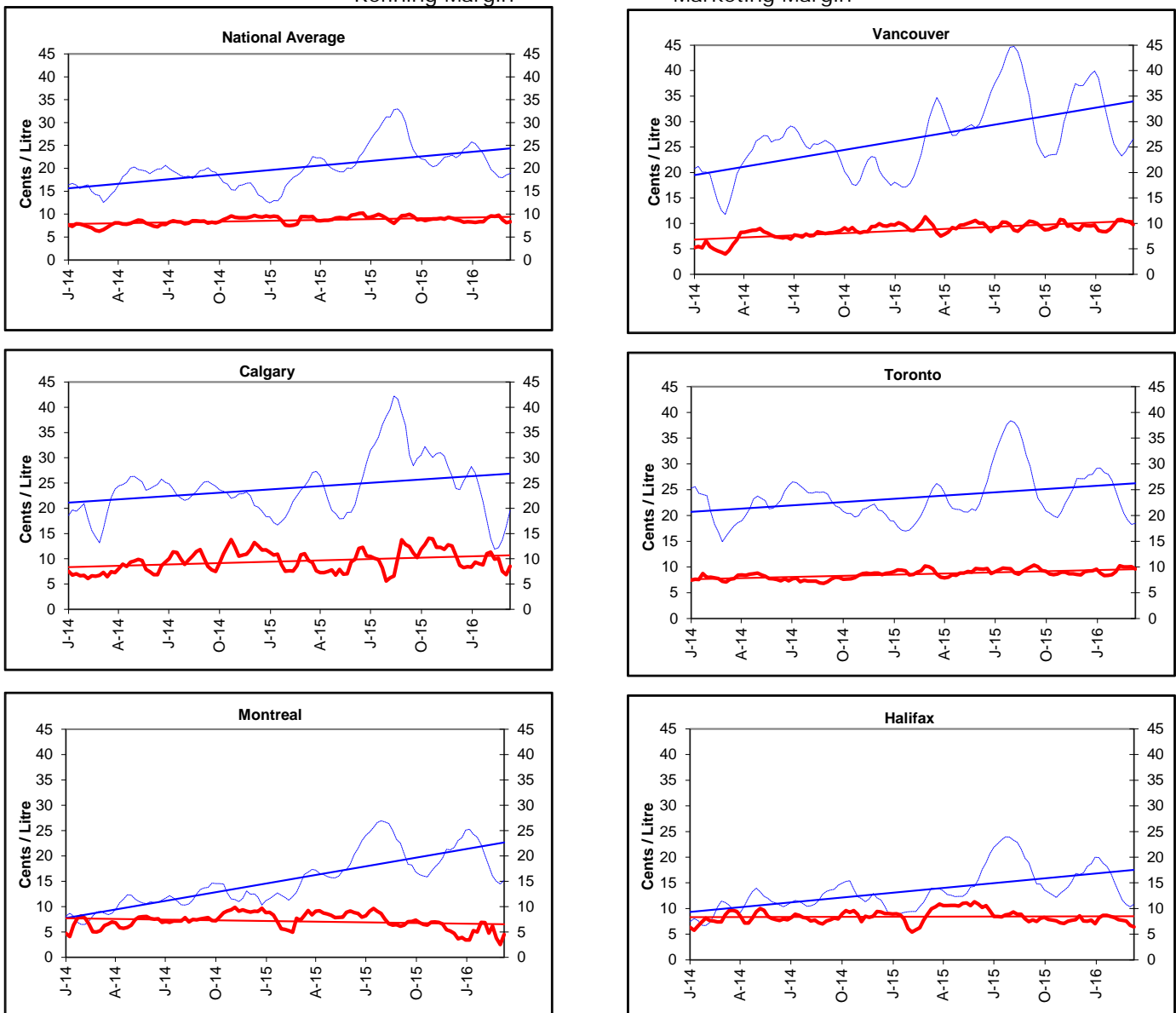
The gasoline marketing margins represent the difference between the wholesale and retail prices of gasoline. This margin pays for the costs associated with operating a service station.

Since the beginning of 2016, refining margins have been falling as wholesale prices declined at a faster rate than crude oil prices.

However, recently, wholesale prices have increased at a faster rate than crude oil prices. As a result, the national **four-week rolling average** refining margin has increased slightly to reach 19 cents per litre. This margin is one cent higher than in the last report of March 1, 2016. Compared to the same time last year, margins in Canada are 1 cent per litre lower.

Overall, the national average for marketing margins declined by less than 1 cent compared to the previous two-week period to remain at 9 cents per litre.

Figure 5: Gasoline Refining and Marketing Margins
Four-Week Rolling Average Ending March 15, 2016
----- Refining Margin
----- Marketing Margin



Source: NRCan



Crude Oil Overview

For the two weeks ending March 15, 2016, prices for the three light crude benchmarks averaged between CAD\$290.43 /m³ and CAD\$329.65/m³ (U.S.\$34.62 and U.S.\$39.30 per barrel).

Canadian light crude oil prices at Edmonton increased by CAD\$38.32/m³ (U.S.\$5.25 per barrel) from two weeks ago, West Texas Intermediate (WTI) increased by CAD\$37.13/m³ (U.S.\$5.16 per barrel) and Brent increased by CAD\$31.51 /m³ (an increase of U.S.\$4.57 per barrel). The price of Western Canada Select increased by CAD \$27.28 / m³ (U.S.\$ 3.17) from two weeks ago.

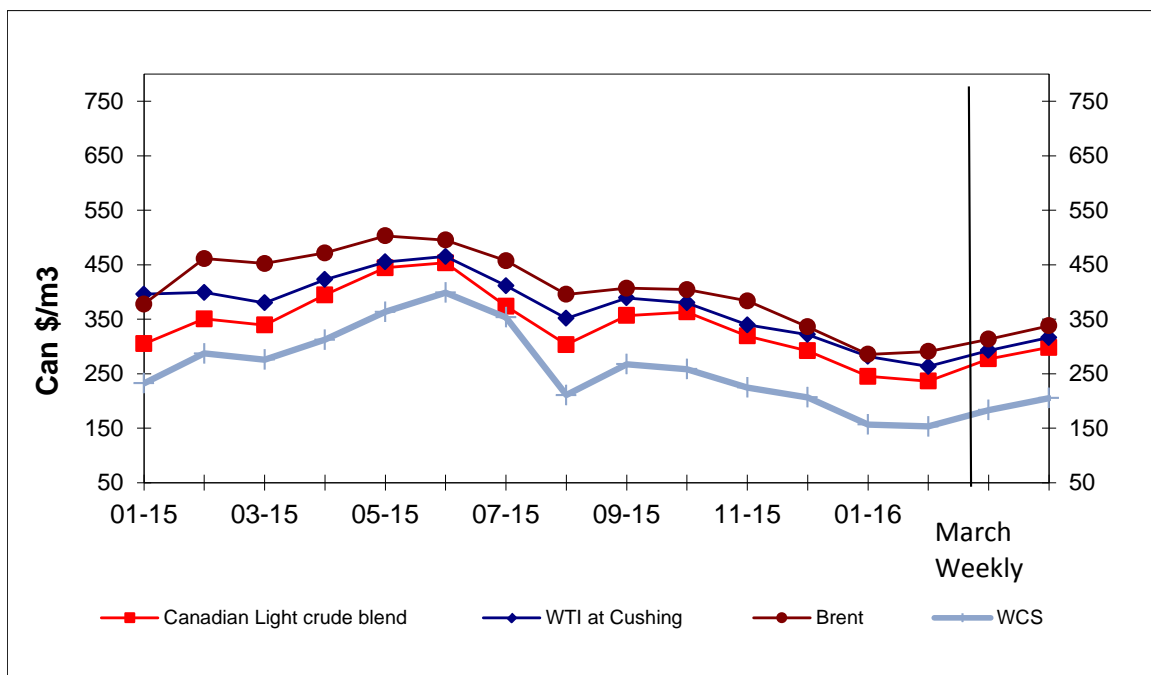
Crude oil prices reached a three month high earlier this month, but a continued rally fell short as Iran said that it will continue to ramp up production to pre-sanction levels. Factors such as the possible deal to freeze output among a few OPEC producers and Russia, supply disruptions in Iraq, Nigeria, and the UAE, and indications that U.S. production is decreasing have lifted prices recently.

However, there is uncertainty as to whether the price increases will be sustained, due to continued massive inventory builds, and increasing Iranian production.

For the week ending March 4, 2016, the U.S. Energy Information Administration (EIA) data showed a 3.9 million barrel increase in U.S. commercial crude inventories week-over-week, with total stocks now at 521.9 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 0.8 percentage points to 89.1%.

Figure 6: Crude Oil Price Comparisons



Changes in Crude Oil Prices

Crude Oil Types	Two Weeks Ending: 2016-03-15		Change From:			
			2 Weeks Prior		Last Year	
	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl	\$Can/ m ³	\$US/ bbl
Canadian Light	290.43	34.62	+38.32	+5.25	-47.61	-7.26
WTI	308.43	36.77	+37.13	+5.16	-71.59	-10.99
Brent	329.65	39.30	+31.51	+4.57	-125.48	-17.89
WCS	196.73	23.46	+27.28	+3.17	-68.78	-9.92

Source: NRCan