Gasoline Report

a weekly summary

Ontario

FOR THE WEEK ENDING JANUARY 29, 2018

- **Crude oil prices rose above US$65 a barrel, the highest in more than three years, and North American wholesale prices increased, causing the Ontario average retail price of regular unleaded gasoline to rise by 1.1 cents to 125.8 cents a litre, a five-month high.** Prices increased by 2.8 cents in Windsor and London (both to a five-month high), 1.7 cents in Ottawa (to a five-month high), and less than a cent in Toronto and Timmins (both to a five-month high). Prices fell by 1.7 cents in North Bay and 1.6 cents in Sudbury (from a two-month high). Windsor had the lowest average price for the 16th straight week. For the third straight week, the average Northern price was lower than the Southern price. The Ontario average retail diesel price increased by 0.2 cents to 124.5 cents, the highest since November 2014. **The Canadian average retail regular unleaded gasoline price increased by 2.6 cents to 127.1 cents, the highest since October 2014.** Prices rose by 7.3 cents in Winnipeg (from a two-month low), 7.0 cents in Vancouver (to the highest since July 2014), 4.6 cents in Charlottetown (to a five-month high), 3.9 cents in Saint John (to a two-month high), 3.4 cents in Montreal (to the highest since October 2014), 2.3 cents in Calgary and St. John's (the latter to a two-month high), 1.8 cents in Edmonton and Halifax (the latter to a three-month high), and 1.0 cents in Toronto (to a five-month high). Prices fell by 4.2 cents in Regina and 1.7 cents in Quebec City (from a four-month high). The Canadian average retail diesel price increased by 0.6 cents to 126.5 cents, the highest since March 2015.

- **25% of world petroleum refining capacity could cease to be profitable by 2035 if global warming is limited to no more than 2°C by 2035, according to the London-based Carbon Tracker Initiative.** World oil demand would peak in 2020 and then decline by 1.3% annually, or 23%, over the following 15 years. The decline in demand would reduce the average global refining margin by at least $3.50 a barrel from the 2016 level of $5 a barrel to drive out the weakest refiners. Earnings before interest, taxes, depreciation and amortization of the world refining industry could fall by more than 50% from an estimated $147 billion in 2015, with the simplest, low-quality refineries impacted the most. Although transport fuels, like diesel, gasoline and jet fuel, are the most profitable products and account for about 70% of world refinery production, their profitability is most at risk because the rate of technological change in road transport could erode demand for these fuels faster than expected. Canadian refineries would be more likely to remain open because their use of lower-cost oil sands crude allows them to enjoy higher profit margins. Carbon Tracker says its aim is to discourage new refinery investment including expansions and upgrades of existing facilities (https://www.carbontracker.org/wp-content/uploads/2017/10/Margin-Call-full-report.pdf, Canadian Press).

- **World oil demand will grow by just under 500,000 barrels a day annually through 2040 and exceed 100 million barrels a day in 2025, according to the International Energy Agency's *World Energy Outlook 2017*.** Demand will grow from 94 million b/d in 2016 to 105 million b/d in 2040, a 12% increase. In this New Policies Scenario (policies and targets that have been announced), oil demand will grow more quickly initially as the stimulus from low oil prices outweighs vehicle fuel efficiency policies (which cover 80% of world passenger car sales but only 50% of world truck sales) and rapid growth in electric vehicle sales. After 2025, world oil demand growth will slow markedly but continue to be positive, as growth in oil use in petrochemicals (which will increase by 60% from 2016-2040), road freight, shipping and aviation is only partially offset by declining oil use in passenger cars. The world car fleet will double from 2016-2040 but become steadily more efficient, and there will be nearly 280 million electric vehicles on the road in 2040, avoiding 2.5 million b/d of oil use, says the IEA (http://www.iea.org/weo2017/, *Daily Oil Bulletin*).

- **Enerkem, a Montreal-based producer of renewable fuels and chemicals, recently received U.S. Environmental Protection Agency approval to sell cellulosic ethanol produced at its Edmonton biofuel plant in the United States under the Renewable Fuel Standard (RFS).** The plant converts municipal waste into cellulosic ethanol and was expanded in 2017 to produce 13 million gallons a year after the completion of a methanol-to-ethanol conversion unit. Enerkem says the Edmonton plant is the first municipal waste-to-cellulosic ethanol facility approved to sell cellulosic ethanol in the U.S. and is registered to generate Renewable Identification Number credits under the RFS (Enerkem, Energy Overviews).

Retail Prices

Regular Unleaded Gasoline
(Canadian Cents/Litre)

Ontario	**Jan 22**	**Jan 29**	**+/-**
Ottawa	124.2	125.9	1.7
Toronto West	126.4	126.9	0.5
Toronto East	125.4	126.4	1.0
Windsor	116.0	118.8	2.8
London	123.5	126.3	2.8
Sudbury	123.3	121.7	-1.6
Sault Ste. Marie	123.9	123.9	0.0
Thunder Bay	123.3	123.3	0.0
North Bay	123.0	121.3	-1.7
Timmins	131.7	131.9	0.2
Ontario Average	*124.7*	*125.8*	*1.1*

Canada	**Jan 23**	**Jan 30**	**+/-**
St. John's, Nfld	120.3	122.6	2.3
Charlottetown	114.5	119.1	4.6
Halifax	116.3	118.1	1.8
Saint John, N.B.	112.7	116.6	3.9
Quebec City	122.8	121.1	-1.7
Montreal	132.2	135.6	3.4
Toronto	126.0	127.0	1.0
Winnipeg	101.6	108.9	7.3
Regina	110.2	106.0	-4.2
Edmonton	103.9	105.7	1.8
Calgary	109.6	111.9	2.3
Vancouver	140.5	147.5	7.0
Canada Average	*124.5*	*127.1*	*2.6*

Source: Ministry of Energy; Kent Group Ltd.

Rack & Spot Prices

Regular Unleaded Gasoline
(Canadian Cents/Litre, Ex-Tax)

Date	**Toronto Rack**	**New York Spot Barge**	**Differ-ential**	**Exchange (U.S.¢)**
Jan 19	75.70	62.52	13.18	80.26
Jan 26	76.15	64.28	11.87	81.16

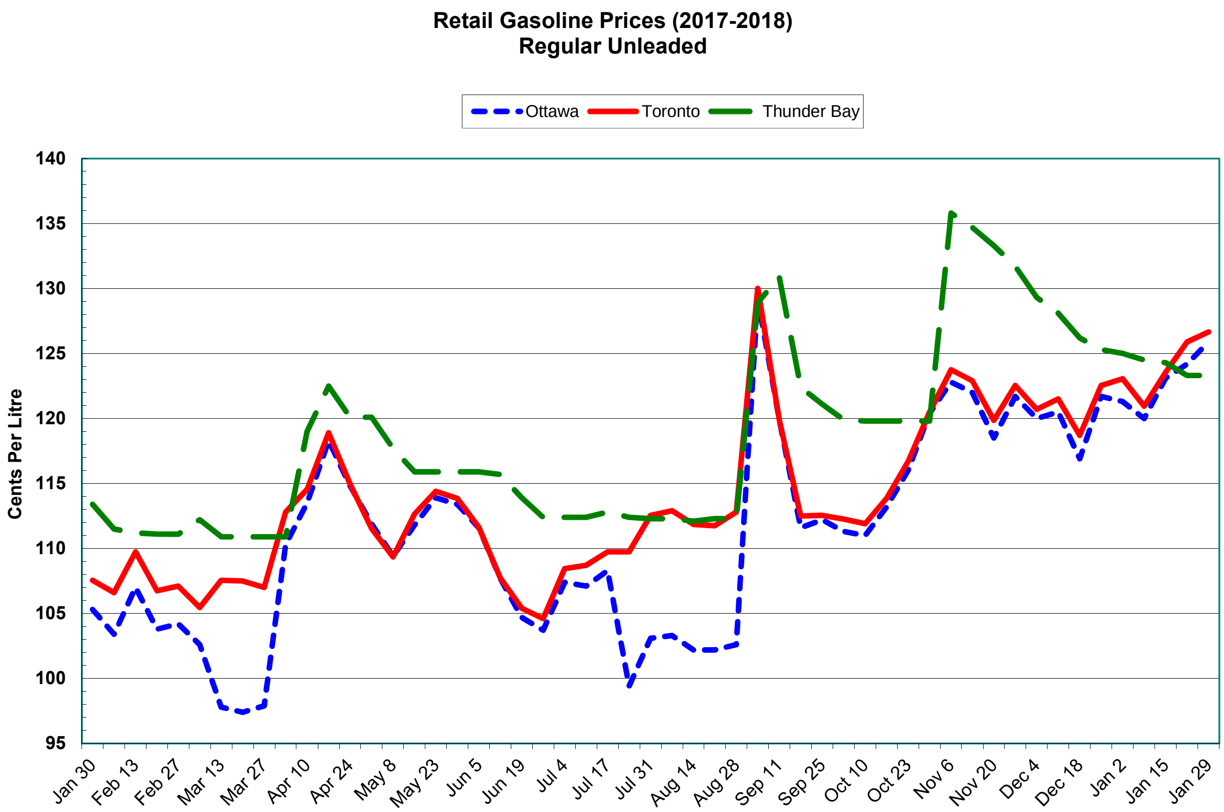
Source: Bloomberg Oil Buyer's Guide; Oil Price Information Service; Bank of Canada

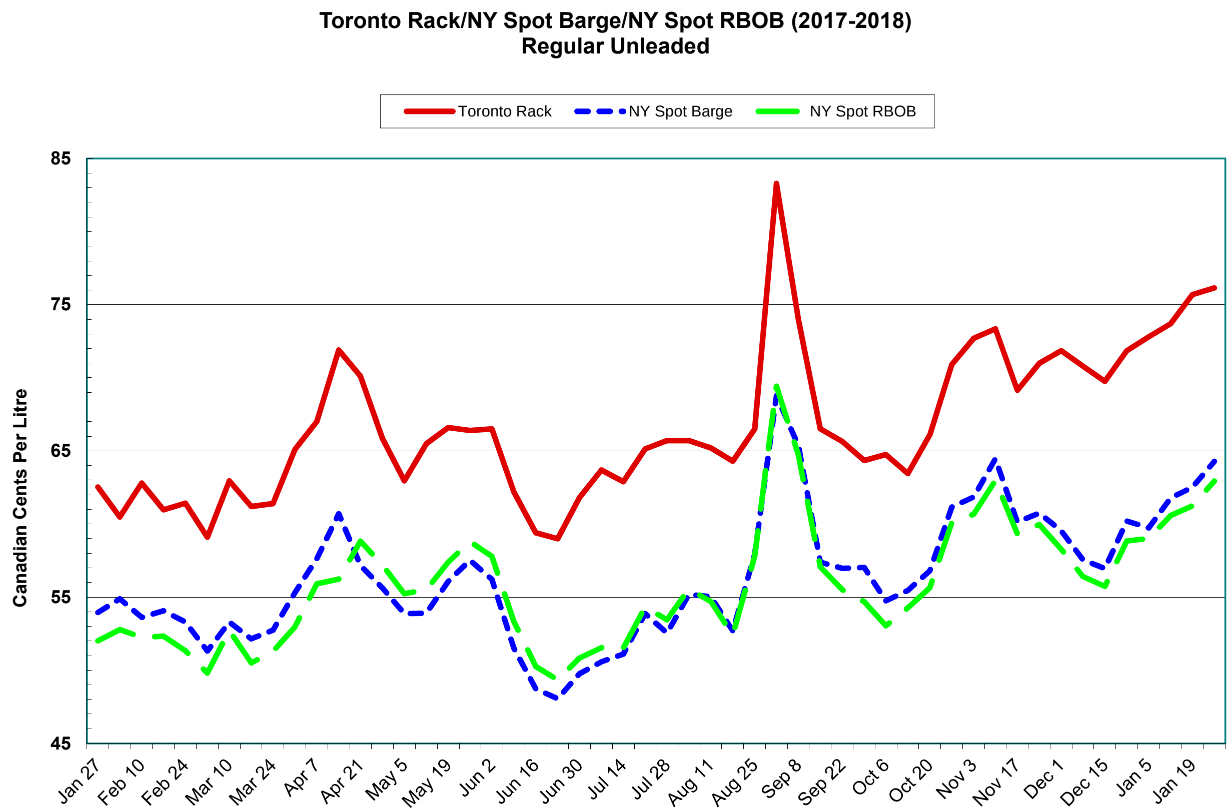
Futures Prices

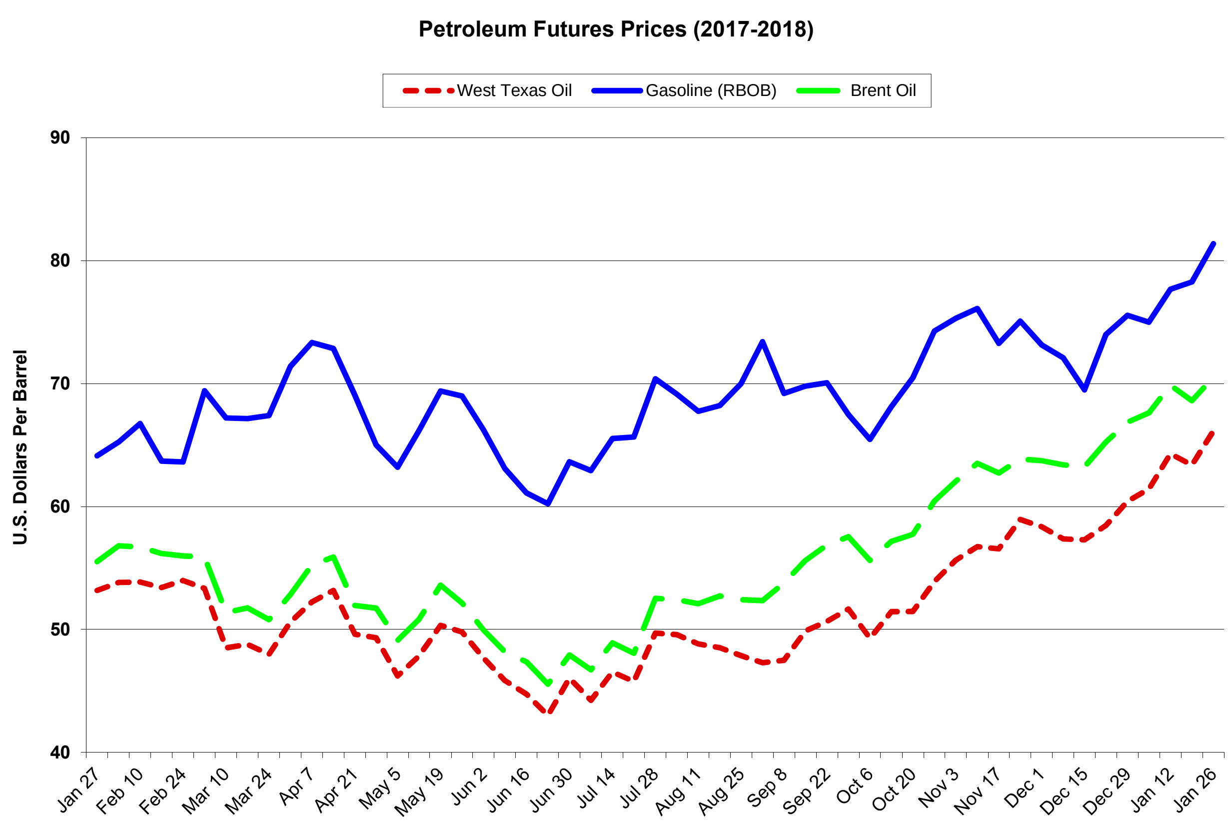
Petroleum Futures Prices

Date	**WTI Crude (NY) (US$/bbl)**	**Reg.Unleaded RBOB (NY) (US¢/USgal)**	**Crack Spread (US$/bbl)**
Jan 19	63.37	186.36	14.90
Jan 26	66.14	193.77	15.24

Source: CME Group (NYMEX)


Retail Gasoline Prices (2017-2018)
Regular Unleaded
Ottawa
Toronto
Thunder Bay
Cents Per Litre
140
135
130
125
120
115
110
105
100
95
Jan 30
Feb 13
Feb 27
Mar 13
Mar 27
Apr 10
Apr 24
May 8
May 23
Jun 5
Jun 19
Jul 4
Jul 17
Jul 31
Aug 14
Aug 28
Sep 11
Sep 25
Oct 10
Oct 23
Nov 6
Nov 20
Dec 4
Dec 18
Jan 2
Jan 15
Jan 29


Toronto Rack/NY Spot Barge/NY Spot RBOB (2017-2018)
Regular Unleaded
Toronto Rack
NY Spot Barge
NY Spot RBOB
Canadian Cents Per Litre
85
75
65
55
45
Jan 27
Feb 10
Feb 24
Mar 10
Mar 24
Apr 7
Apr 21
May 5
May 19
Jun 2
Jun 16
Jun 30
Jul 14
Jul 28
Aug 11
Aug 25
Sep 8
Sep 22
Oct 6
Oct 20
Nov 3
Nov 17
Dec 1
Dec 15
Jan 5
Jan 19


Petroleum Futures Prices (2017-2018)
West Texas Oil
Gasoline (RBOB)
Brent Oil
U.S. Dollars Per Barrel
90
80
70
60
50
40
Jan 27
Feb 10
Feb 24
Mar 10
Mar 24
Apr 7
Apr 21
May 5
May 19
Jun 2
Jun 16
Jun 30
Jul 14
Jul 28
Aug 11
Aug 25
Sep 8
Sep 22
Oct 6
Oct 20
Nov 3
Nov 17
Dec 1
Dec 15
Dec 29
Jan 12
Jan 26