Gasoline Report

a weekly summary

FOR THE WEEK ENDING MAY 22, 2018

- **The Ontario retail price of regular unleaded gasoline increased by 1.4 cents to 137.4 cents a litre, the highest since July 2014, as crude oil and North American wholesale prices rose.** Prices rose by 7.4 cents in Sault Ste. Marie (to a 44-month high), 2.0 cents in Ottawa (to a 47-month high), 1.6 cents in Toronto and Windsor (both to a 47-month high), and less than a cent in Sudbury (to a 44-month high) and London. Prices fell by 2.7 cents in North Bay and 2.3 cents in Thunder Bay. The Ontario average retail diesel price rose by 1.2 cents to 129.4 cents, the highest since July 2014. **The Canadian retail regular unleaded gasoline price fell by 0.3 cents from a 47-month high to 139.2 cents.** Prices fell by 10.2 cents in Montreal (from a 47-month high), 2.6 cents in Vancouver (from a record high), 2.4 cents in Winnipeg, and 2.3 cents in Regina (from a 44-month high). Prices rose by 9.3 cents in Edmonton (to a near 10-year high), 7.1 cents in Calgary (to a near 10-year high), 3.4 cents in Quebec City (to a 47-month high), 2.7 cents in Halifax (to a 44-month high), 2.1 cents in Saint John (to a 44-month high), 2.0 cents in St. John's (to a 13-month high), and 1.7 cents in Toronto (to a 47-month high). The Canadian retail diesel price rose by 1.5 cents to 132.5 cents, the highest since July 2014.

- **The move by the International Maritime Organization to reduce the sulphur content of marine shipping fuels from 3.5% to 0.5% (the biggest improvement in marine fuel standards in 100 years) starting in 2020 will reduce ship-related childhood asthma cases by 50% from 14 million to 7 million annually and premature deaths from lung cancer and cardiovascular disease by one third from 400,000 annually, says a study led by the University of Delaware.** Reducing the sulphur content of marine fuel will result in lower emissions of $PM_{2.5}$ fine particulate matter. The study found that cleaner marine fuels will reduce ship-related premature mortality by 34% and morbidity by 54%, representing a 2.6% global reduction in $PM_{2.5}$ cardiovascular and lung cancer deaths and a 3.6% reduction in global childhood asthma. Even with the sulphur reduction, marine fuels will still account for about 250,000 deaths and 6.4 million childhood asthma cases annually, highlighting the case for more stringent standards post-2020 to provide additional health benefits. The study notes that reducing marine fuel sulphur content has the disadvantage of reducing radiative cooling from ship aerosols by about 80%, equivalent to about a 3% increase in current estimates of man-made global warming forcing. This may require stronger international shipping policies to jointly reduce GHG emissions and air pollution, says the study (*Nature Communications*, http://www.nature.com/articles/s41467-017-02774-9, Green Car Congress).

- **Canadian petroleum refiners processed 1.755 million barrels a day of crude oil and equivalent in 2017, an increase of 10% from a 20-year low of 1.595 million b/d and the highest in seven years.** Runs of light and medium conventional crude rose by 10% from the lowest since records began in 1982 to 945,000 b/d and accounted for 53.9% of total crude runs, matching 2016's 34-year low. Runs of synthetic light crude surged by 16% to 511,000 b/d, a record high, and accounted for 29.1% of crude runs, a record high. Runs of conventional heavy crude declined by 1.4% from a three-year high to 204,000 b/d and their share of crude runs fell to 11.6% from a three-year high of 12.9%. Bitumen runs grew by 6.9% to 95,000 b/d but their share of crude runs declined to 5.4% from 2016's record 5.6%. Canadian refiners took delivery of 1.14 million b/d of domestic crude in 2017, a 12% increase from 2016 and the highest in 33 years. Foreign crude receipts grew by 5.5% to 613,000 b/d, a four-year high, and their share of total crude receipts declined to 34.9% from 36.3%. Some data are incomplete due to Statistics Canada confidentiality requirements (Statistics Canada, Ministry of Energy).

- **Electric vehicles, except those made by Tesla, which is able to charge high prices, will remain unprofitable into the early 2020s and will generate low returns until 2030, says Moody's Investors Service.** Returns on internal combustion engine vehicles have traditionally been low, and will be even lower on EVs because of their high capital investment costs and automaker spending on such other technologies as autonomous driving, connectivity and ridesharing. EVs sold in the United States lose $7,000 to more than $10,000 per unit. Low returns will persist despite the fact that EVs' share of world light-duty vehicle sales are expected to increase from less than 1% today to 7-8% by 2025 and 17-19% by 2030. EVs' share of the world on-road fleet will rise from 0.1% today to about 2% by the mid-2020s and 5% by 2030. EV profitability will be driven by battery cost reductions, longer driving range, and larger production scales. The U.S. Department of Energy expects battery costs to drop by 50% from $250/kWh currently and driving range to increase by 17% to 563 km by the early 2020s (Canadian Press, JWN).

Retail Prices

Regular Unleaded Gasoline
(Canadian Cents/Litre)

Ontario	**May 14**	**May 22**	**+/-**
Ottawa	135.7	137.7	2.0
Toronto West	137.8	138.9	1.1
Toronto East	136.6	138.7	2.1
Windsor	136.4	138.0	1.6
London	127.2	127.4	0.2
Sudbury	134.4	134.8	0.4
Sault Ste. Marie	131.0	138.4	7.4
Thunder Bay	141.4	139.1	-2.3
North Bay	132.1	129.4	-2.7
Timmins	139.9	139.9	0.0
Ontario Average	*136.0*	*137.4*	*1.4*

Canada	**May 15**	**May 22**	**+/-**
St. John's, Nfld	135.6	137.6	2.0
Charlottetown	132.3	132.3	0.0
Halifax	129.4	132.1	2.7
Saint John, N.B.	127.8	129.9	2.1
Quebec City	138.1	141.5	3.4
Montreal	146.8	136.6	-10.2
Toronto	137.4	139.1	1.7
Winnipeg	126.8	124.4	-2.4
Regina	127.0	124.7	-2.3
Edmonton	123.5	132.8	9.3
Calgary	126.2	133.3	7.1
Vancouver	161.4	158.8	-2.6
Canada Average	*139.5*	*139.2*	*-0.3*

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.¢)**
May 11	86.05	71.94	14.11	78.25
May 18	87.05	75.15	11.90	77.64

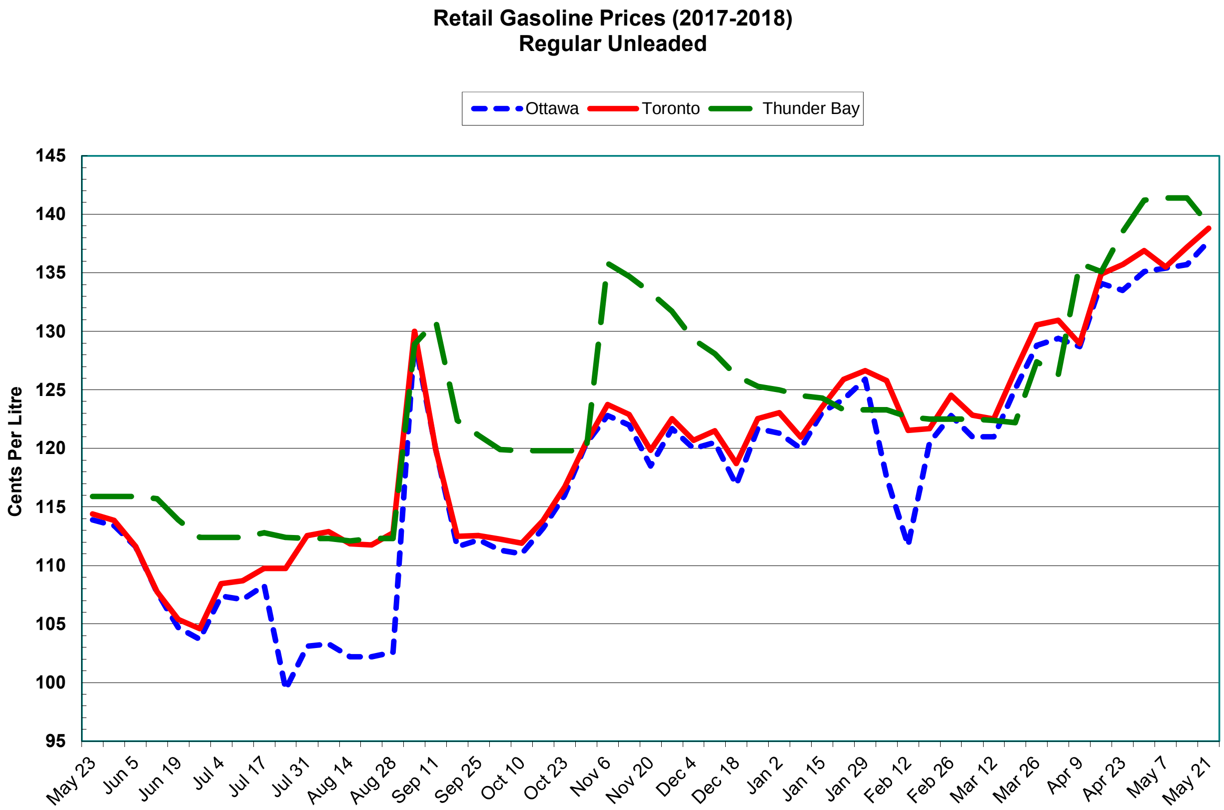
Source: Bloomberg Oil Buyer's Guide; Oil Price Information Service; Bank of Canada

Futures Prices

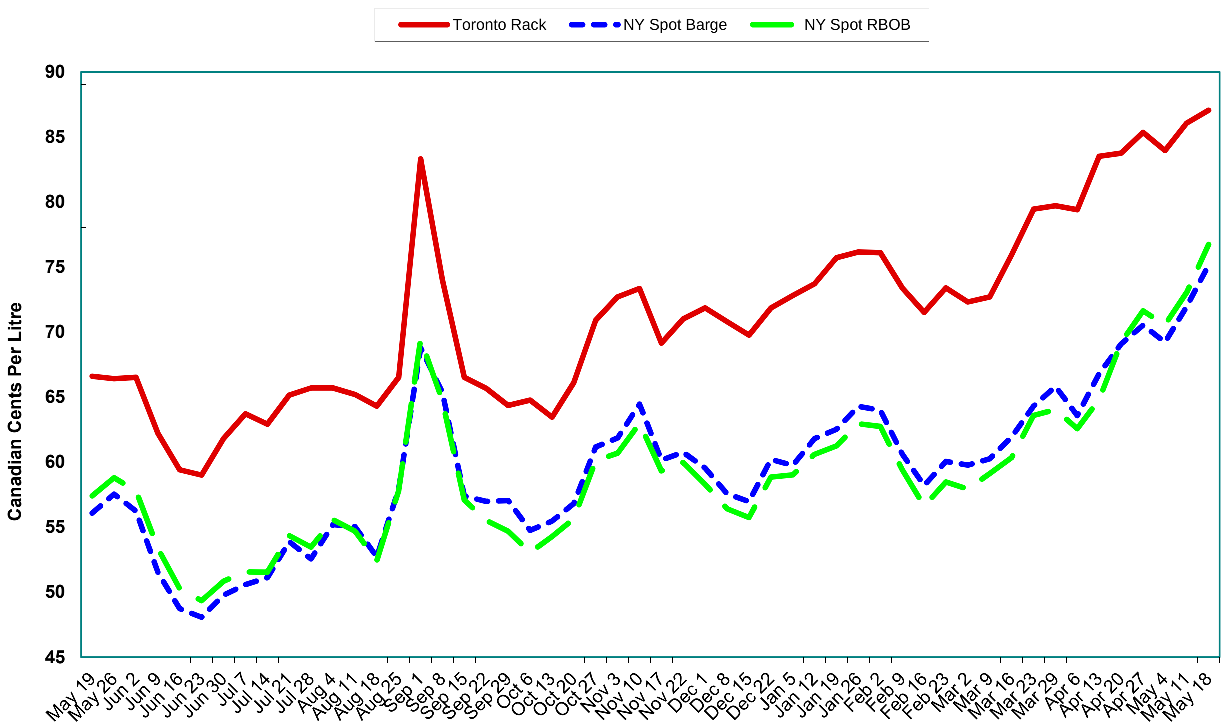
Petroleum Futures Prices

Date	**WTI Crude (NY) (US$/bbl)**	**Reg.Unleaded RBOB (NY) (US¢/USgal)**	**Crack Spread (US$/bbl)**
May 11	70.70	218.88	21.23
May 18	71.28	223.33	22.52

Source: CME Group (NYMEX)


Retail Gasoline Prices (2017-2018)
Regular Unleaded
Ottawa
Toronto
Thunder Bay
Cents Per Litre
145
140
135
130
125
120
115
110
105
100
95
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
Feb 12
Feb 26
Mar 12
Mar 26
Apr 9
Apr 23
May 7
May 21

Toronto Rack/NY Spot Barge/NY Spot RBOB (2017-2018)
Regular Unleaded



Petroleum Futures Prices (2017-2018)