



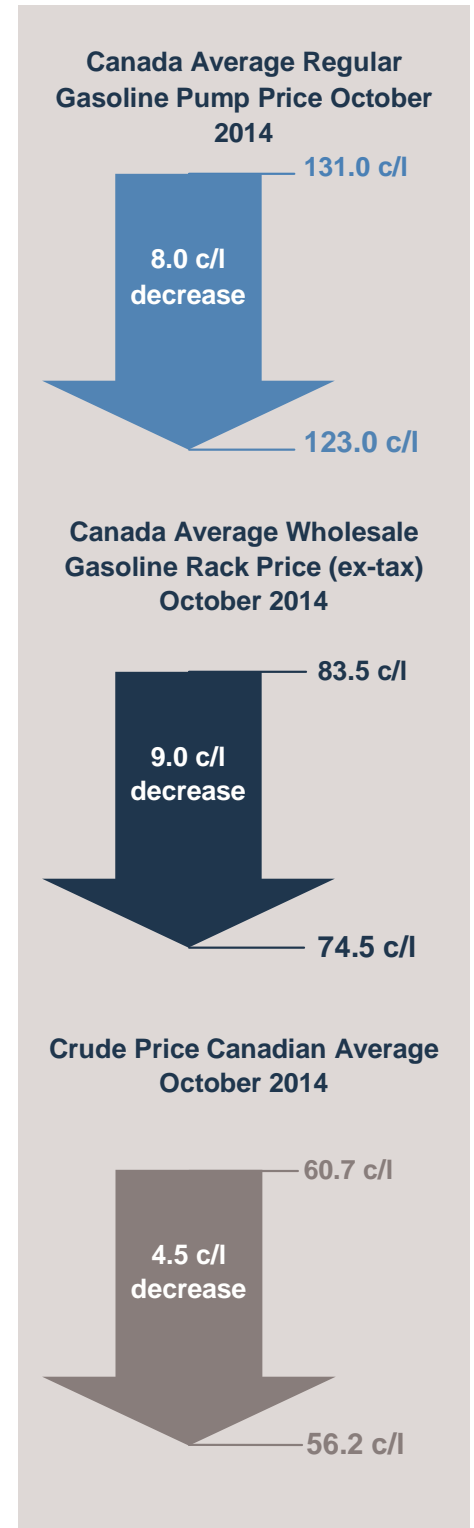
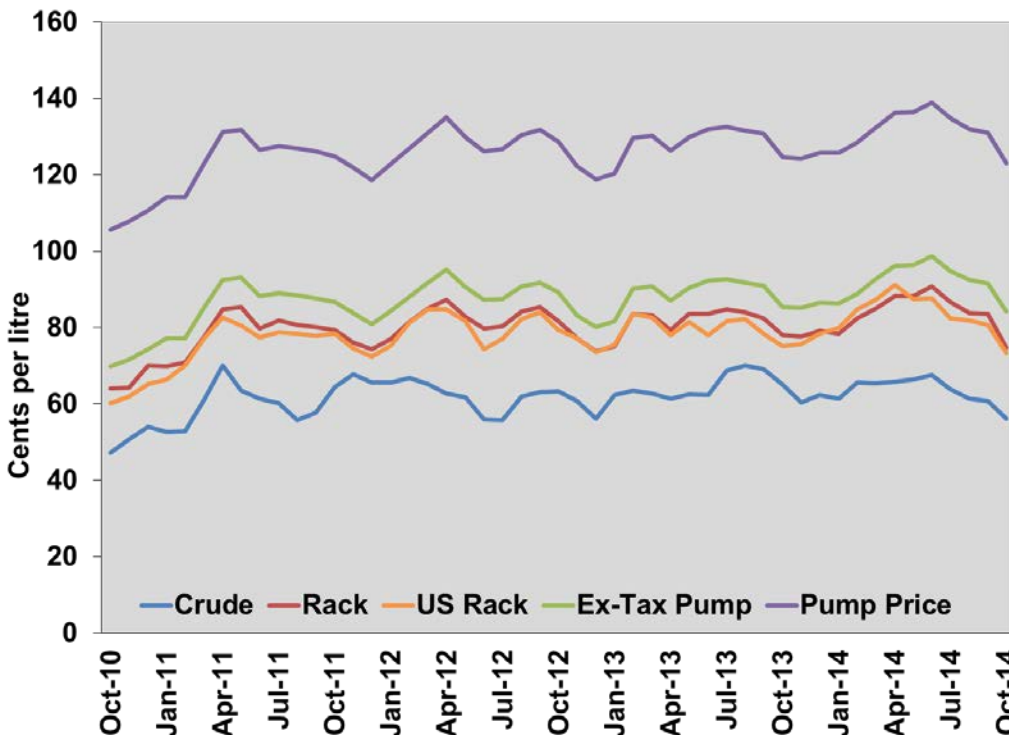
Falling Crude Prices Dominate in October Leading to Lower Retail and Wholesale Prices.

In October, the average Canadian retail gasoline price had its largest decline since November 2008 - driven by a continued drop in crude oil prices, and a seasonal weakening in wholesale gasoline prices.

October gasoline prices followed their typical seasonal decline, as consumer demand slowed and refineries switched to a less expensive winter blend of fuel. Additionally, many refineries that were closed for maintenance had come back online, easing some of the supply constraints that had kept refining margins above their seasonal norms. Crude input costs continued to fall; however, the weakening Canadian dollar limited its impact on falling gasoline prices in Canada. **Figure 1** shows the historical movement of retail prices in Canada along with its component prices.

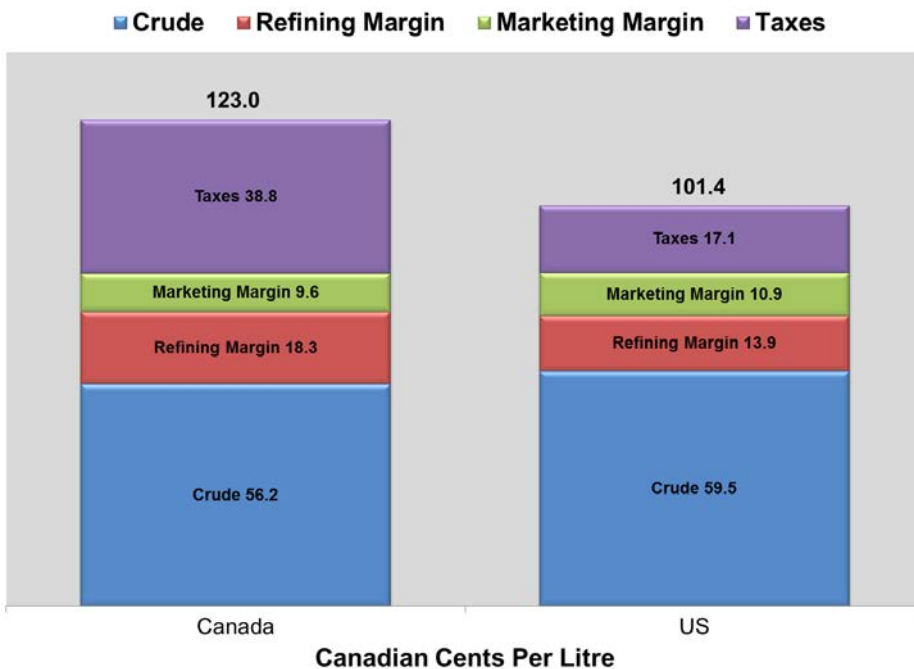
Globally, crude remained in a state of over-supply as increased U.S. crude production has displaced large quantities of imports, and Saudi Arabia, a leading OPEC oil producer, has resisted cutbacks in their production. There have also been limited crude supply disruptions despite the political instability in regions such as Libya, Iraq and Russia. Combined with

Figure 1: Regular Gasoline and Component Prices



moderated global demand in Europe and Asia, these factors have contributed to the sizeable drop in the international benchmark crude price (Brent), which fell by 10.3 percent to 87.32 \$US/BBL. The key North American benchmark crude price (WTI) was also down 9.6 percent, to 84.40 \$US/BBL and Western Canadian Select (WCS) was down 6.4 percent. The price spread between WTI and Brent shrank a further 25 percent in October (to 2.92 \$US/BBL).

Figure 2: October 2014 Gasoline Price Components



The average Canadian marketing margin rose to 9.6 cents per litre – its highest on record - as wholesale prices fell at a faster rate than retail. Alternatively refining margins fell 4.5 cents to 18.3 cents per litre as the month’s decline in wholesale prices was double that of crude prices. (Figure 2).

There was minimal regional disparity among Canadian wholesale prices in October. Prices fell similarly in nearly all regions of the country, with the exception of some northern markets. The average wholesale price spread between Western and Eastern markets was just over a cent per litre, down significantly from the summer months when Western wholesale prices were roughly 9 cents per litre above those in the East. Figure 3 shows a breakdown of gasoline price components for selected cities.

Figure 3: October 2014 Gasoline Price Components by City

