

Frequently asked questions: Gasoline and diesel prices

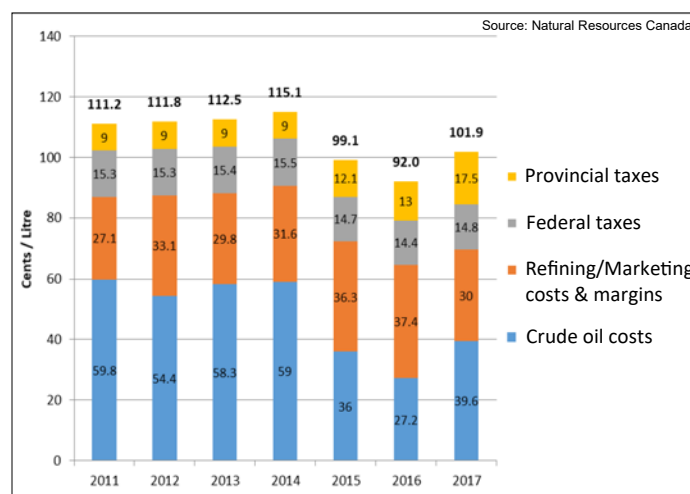
How is the pump price determined? Why are gasoline prices so volatile?

The competitive market establishes gasoline prices in Alberta. In addition to the cost of crude oil as the feedstock, the pump price for gasoline includes the costs of many intermediate services such as refining, handling, distributing, and marketing the gasoline from refiner to gas station. It also includes both provincial and federal taxes.

Crude oil price is one of the components in determining gasoline prices but there is not necessarily a “one-to-one” relationship. For example, the chart below shows that from 2014 to 2015 the average cost of crude oil in gasoline prices for the city of Calgary decreased from 59 cents per liter (¢/L) to 36 ¢/L, representing 50 per cent of total cost in 2014 and 36 per cent of total cost in 2015.

Other factors related to the supply and demand of gasoline can have effects on its price such as available refining capacity, unplanned refinery outages, seasonal variations in inventory levels, and demand for other petroleum products.

The gasoline market is highly interconnected in North America so events outside of our province can impact gasoline prices in Alberta. For example, on August 8, 2015 the forced shutdown of a major refinery in the U.S. Midwest for “unscheduled repair work” caused gasoline prices to spike across Western Canada. At that time, gasoline prices in Winnipeg jumped about 20 ¢/L, while in Calgary, Edmonton, Regina and Saskatoon gasoline prices increased 16 ¢/L.



Calgary Gasoline Prices, 2011-2017

Why do prices differ among gas stations in town?

For any particular retailer, a number of factors go into determining the pump price, including location advantages (e.g., with respect to the flow of traffic or proximity to locations like shopping malls that attract a large number of motorists), delivery costs, cost differences among stations (e.g. rent, insurance, wages), the commercial arrangements with the station’s supplier, and the size of the station.

What taxes do I pay when I buy gasoline in Alberta?

Two federal gasoline taxes are collected on consumer gasoline purchases: a 10¢/L federal flat tax and the five per cent GST applied to the entire purchase price.

Alberta's gasoline fuel tax (including the carbon levy) was 17.5¢/L in 2017, remaining a lower one among the provinces. The provincial fuel tax revenue goes into general revenue and is used to fund priority government services like health, education and infrastructure.

How does the price Albertans pay for gasoline compare to the price paid in other regions?

Alberta has, on average, the lowest price for gasoline in Canada due to lower transportation costs resulting from our close proximity to the resource and the low provincial gasoline tax.

Location	2013	2014	2015	2016	2017
Average gasoline prices at self-service filling stations (cents per litre)					
Charlottetown	129.5	131.4	105.7	98.8	108.8
Québec	135.2	133	110.1	101.5	111.9
Toronto	127.8	128.4	106.4	100.7	113.5
Winnipeg	120.4	118	97.3	92.1	97.4
Regina	120	121.1	100	91.3	98.3
Edmonton	109	110	92.8	85.1	97.9
Vancouver	137.5	138	123.7	118.3	134.4
Yellowknife	138.9	137.5	120.3	112.8	117.7

Why are prices not even lower in Alberta since crude oil and gasoline are produced here?

In an open market, the price consumers pay for gasoline fuel reflects many factors such as the price of crude oil (as the feedstock), refining expenses, taxes, and transportation and distribution costs in addition to local competition to attract and serve customers.

What is the impact of Alberta's new carbon levy on gasoline prices?

The carbon levy is included in the price of all fuels that emit greenhouse gases when combusted, including diesel and gasoline. As of January 1, 2018, the carbon levy was applied to fuels at a rate of \$30/tonne resulting in an increase of 2.68¢/L for diesel and a 2.24¢/L for gasoline.

Diesel used to be cheaper than gasoline. What happened?

Diesel prices, like gasoline prices, are determined in the competitive marketplace by the forces of supply and demand. Demand for diesel fuel and other distillate fuel oils have been relatively high, especially in Europe, China, India, and the United States. Stronger demand pushes higher prices. Diesel prices are also affected by the price of crude oil, transportation and distribution costs, and local retail and marketing considerations.

Location	2013	2014	2015	2016	2017
Average gasoline prices at self-service filling stations (cents per litre)					
Charlottetown	137.9	141.2	114.2	102.8	113.7
Québec	138.8	139.8	118	103	112.6
Toronto	125.5	130.8	108	93	107.6
Winnipeg	123.6	132.3	101.4	92.5	103.2
Regina	122.6	132.5	100.3	91	101.5
Edmonton	115.5	124.2	96.5	87.3	104.4
Vancouver	141.2	145.2	121.4	110.5	120.9
Yellowknife	135.8	142.6	118.1	107.1	115.7