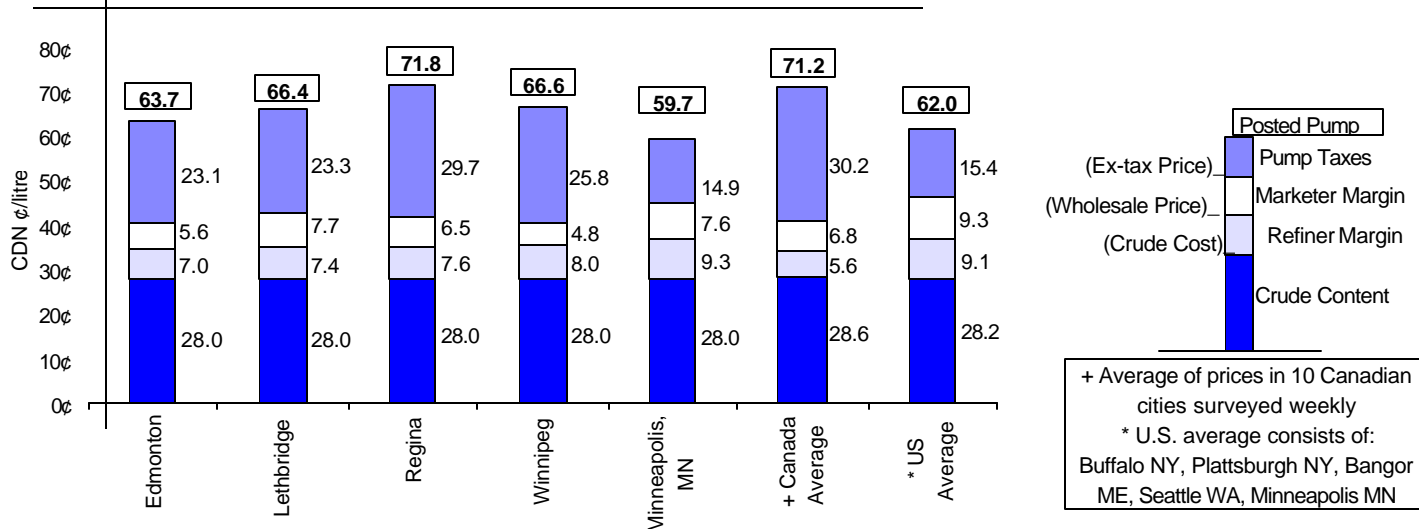


Fig 1 Regular Gasoline Pump Prices: 12 Month Average to 27 December-00



The Year of Record High Pump Prices

Rising gasoline pump prices were a Canada wide phenomenon in 2000, and Prairie markets were no exception. The average retail pump price in Prairie markets in 2000 was 19 percent higher than it was in 1999. Pump prices were high in the early part of the year, responding to strong crude oil prices. In early June, crude oil prices jumped up to over US \$32 per barrel, and pump prices followed shortly after, surging to record high levels. The average pump price in the Prairies in July was 69.0 cents per litre, 12 cents per litre higher than it was in June 1999. While prices declined somewhat in the late summer, with a moderation in crude oil and wholesale rack prices, they remained in the high 60's. Just as the summer driving season was drawing to a close, crude oil prices hit a 10-year high of over US \$35 per barrel, and pump prices rose again. The Prairie average pump price topped 71 cents per litre on September 12, a new record high. Pump prices held in the low 70's through the fall, and then fell below 70 cents per litre in December, ending the year at 67.8 cents per litre on December 27.

The gasoline market in 2000 provided some excellent examples of petroleum market dynamics. The sharp price increases and sustained high prices of the past year were the result of record high crude oil prices, strong summer gasoline demand and exceptionally low gasoline inventories.

Annual Retrospective Edition

Gasoline

- Retail**
 - Pump prices hit new highs and were strong for most of 2000.
- Wholesale**
 - Rack prices 50% higher in 2000 than in 1999.
- Crude**
 - OPEC keeps crude prices high throughout 2000.

Diesel

- Wholesale**
 - Diesel rack prices high throughout 2000.

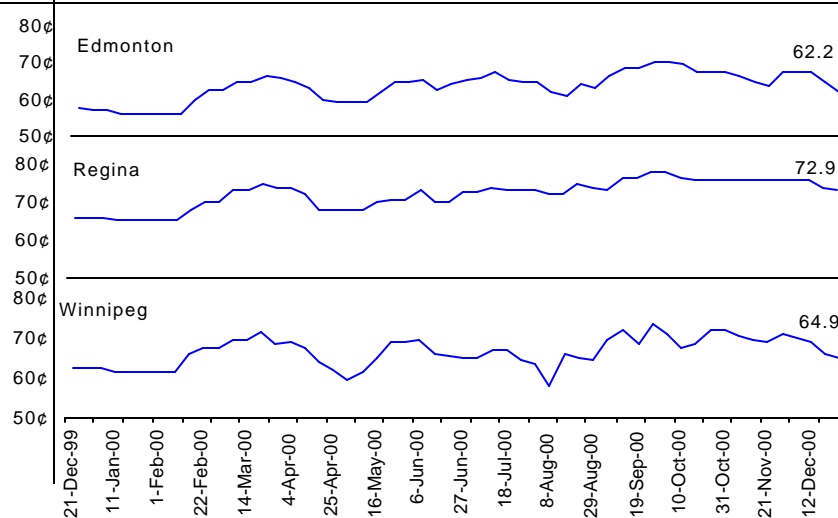
GASOLINE-RETAIL

Sustained High Pump Prices in the Prairies

Pump prices in the Prairies, like the rest of Canada, at record highs for much of 2000.

The average pump price in Prairie markets in 2000 was 67.3 cents per litre; over 19 percent higher than it was last year. This was a trend reflected across Canada and the U.S. Pump prices in the Prairies were relatively stable in January and the early part of February, sitting at around 61 cents per litre. Prices started to rise in mid-February, and continued to increase steadily through March. On March 21 the average pump price topped 70 cents per litre for the first time ever. Prices fell back to the low 60's in April, and then started to climb again in May and June. The average pump price hit 70 cents per litre again on July 11. Prices remained in the high 60's through July and August, and then surged up again in September. Prairie prices peaked on September 26 at 72.7 cents per litre, about 11 cents higher than they were in September of 1999. Prices moderated somewhat late in the year, ending 2000 at 67.8 cents per litre on December 27.

Fig 2 Regular Gasoline Pump Prices: 21-December-99 to 27-December-00

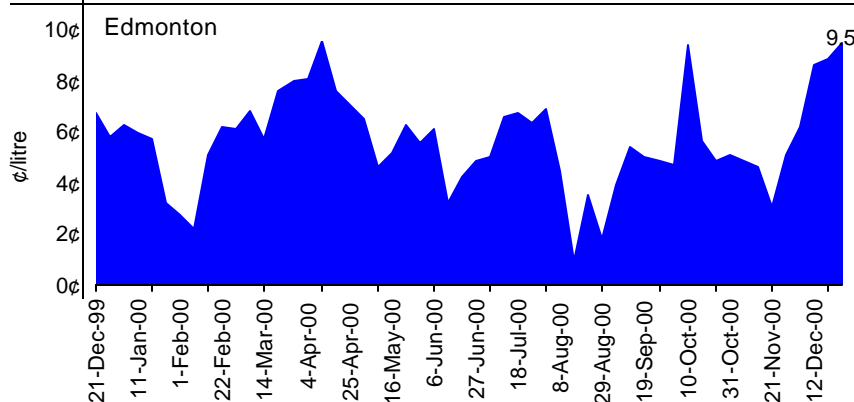


Pump Prices Driven Up By Crude Prices and Tight Gasoline Supply

The exceptionally high gasoline pump prices seen in markets across Canada over the past twelve months were a reflection of record high wholesale rack prices. In Prairie markets, the average wholesale gasoline rack price was around 11 cents per litre higher this year than it was in 1999. The upward trend in gasoline prices over the course of the year follows very closely the trend in wholesale rack prices (Figure 5). Driving wholesale prices were a combination of rising crude costs and a very tight gasoline supply/demand situation for much of the year.

In spite of the dramatic increase in pump prices over the past year, marketing margins in Prairie markets declined relative to last year. The 12-month average marketer margin in 2000 was around 6 cents per litre, 1.2 cents per litre less than it was in 1999, when pump prices averaged around 11 cents per litre lower.

Fig 3 Regular Gasoline Marketer Margin: 21-December-99 to 27-December-00



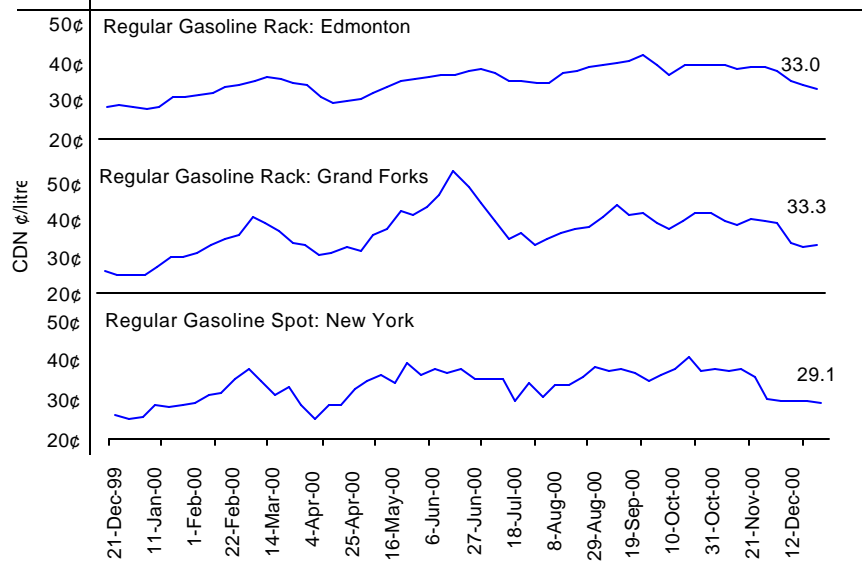
GASOLINE-WHOLESALE

Prairie Rack Prices 50% Higher Than in 1999

Canadian wholesale prices closely linked to competing U.S. prices

Pricing activity in international gasoline markets, particularly adjacent U.S. markets, impacts wholesale gasoline markets in Canada. Canadian wholesale gasoline prices tend to follow spot prices in New York and competing rack prices in nearby U.S. markets, which in turn tend to follow the price of crude oil. Following the trend in New York spot prices (Figure 4), wholesale rack prices in Edmonton reached a peak of 41.5 cents per litre in September. The average rack price in Edmonton in 2000 was around 50% higher than in 1999. While Edmonton rack prices closely tracked rack prices in Grand Forks, the average price in Edmonton over the past twelve months was 0.8 cents per litre less than the price in Grand Forks.

Fig 4 Wholesale Market Prices: 21-December-99 to 27-December-00

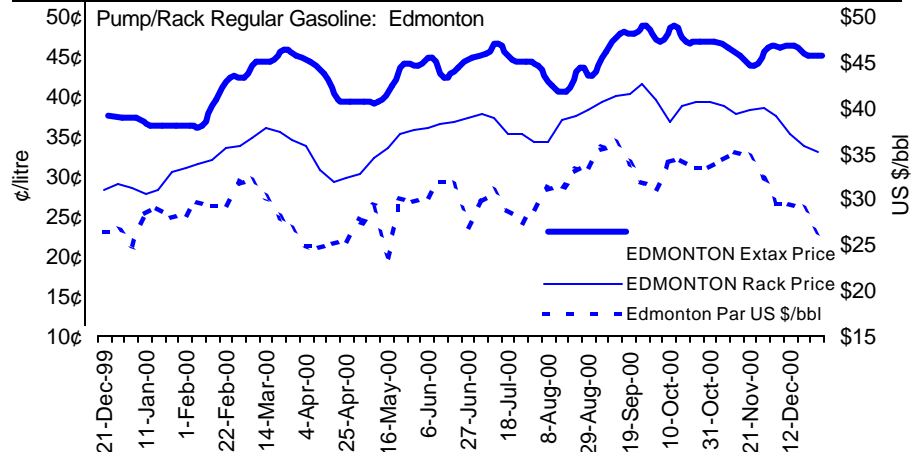


Low Gasoline Inventories Aggravate Prices

Gasoline inventories were at record low levels at the beginning of 2000, and remained very low for much of the year. Low inventories were a particular concern prior to the beginning of the busy summer driving season. Concerns about whether there would be adequate gasoline supplies to meet demand put upward pressure on gasoline prices. While the gasoline market was very tight throughout the year, supplies were adequate to meet demand. Refineries in the U.S. and Canada operated at very high levels to meet the strong demand and to rebuild inventories.

The most serious supply problem in 2000 occurred in the U.S. Midwest. Difficulties in meeting new reformulated gasoline specifications in the spring in Chicago, Milwaukee, and St. Louis led to a major price spike for both conventional and reformulated gasoline in this region. It put upward pressure on New York spot prices, which in turn affected Canadian prices.

Fig 5 Market Prices: 21-December-99 to 27-December-00



CRUDE

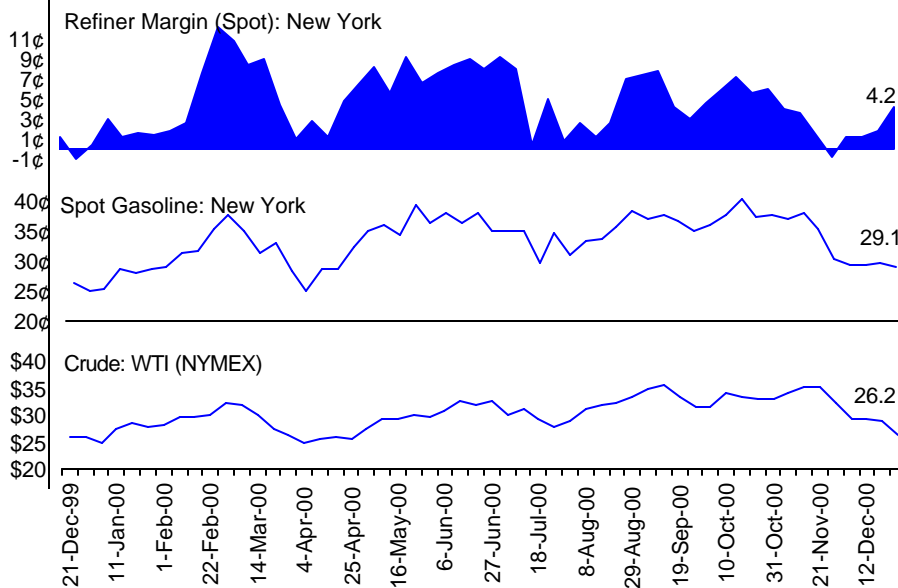
Crude Prices in 2000 at Highest Level in Ten Years

Crude oil prices driven by OPEC's strategy.

During 2000, crude oil prices averaged around US \$30 per barrel, over 50% higher than the average price of US \$19 per barrel in 1999. Higher prices were a culmination of several factors: a disciplined OPEC response to production controls, increases in product demand, lower than normal inventories, and a refining industry that was operating at close to full capacity. These factors were further compounded by a brief, but severe, winter storm at the end of January, and concerns about a longer and colder winter in 2000/2001.

OPEC's policy of controlling crude production was the primary driver of high crude oil prices over the past year. Controlling the world's crude oil supply/demand balance is not a simple matter. Fearful of crude oil prices dropping too much, OPEC cautiously increased crude production in successive increments throughout the year. This pricing strategy resulted in low world crude oil inventories, as refiners prudently minimized inventory buildups to avoid the risk of huge losses in the case of a price drop. Crude oil prices declined in December (Figure 6) and OPEC is now considering decreasing production early in 2001, in an attempt to shore up crude oil prices.

Fig 6 Refiner Margin and Component Prices: 21-December-99 to 27-December-00



Spot Gasoline Prices High With Crude Oil Prices

Spot gasoline prices in New York were driven primarily by high crude oil prices during 2000, although concerns about tight gasoline supplies during the summer driving season added further pricing pressure. Refiner margins were very strong in the spring and early summer (Figure 6), but weakened by year-end. Spot prices declined late in the year, as inventories recovered to the previous year's level.

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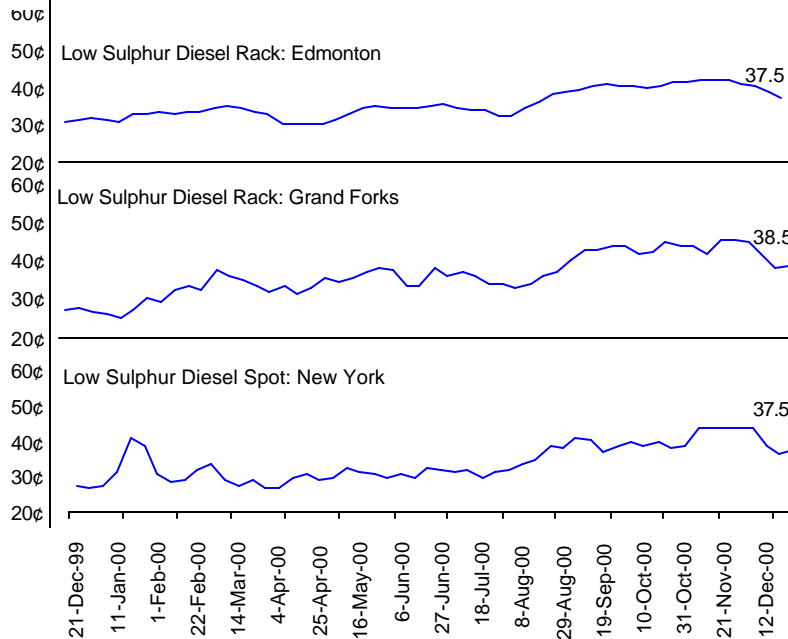
DIESEL-WHOLESALE

Diesel Fuel Prices High in 2000

Rack prices follow spot prices

Diesel fuel rack prices in Prairie markets increased with New York spot prices throughout 2000, reaching a peak of 42.1 cents per litre in November, before declining slightly with crude oil prices. Diesel prices in the Prairies over the course of 2000 were lower than they were in most other parts of Canada and the U.S. While Edmonton rack prices closely tracked rack prices in Grand Forks, the average price in Edmonton over the past 12 months was 0.7 cents per litre less than the price in Grand Forks (Figure 7).

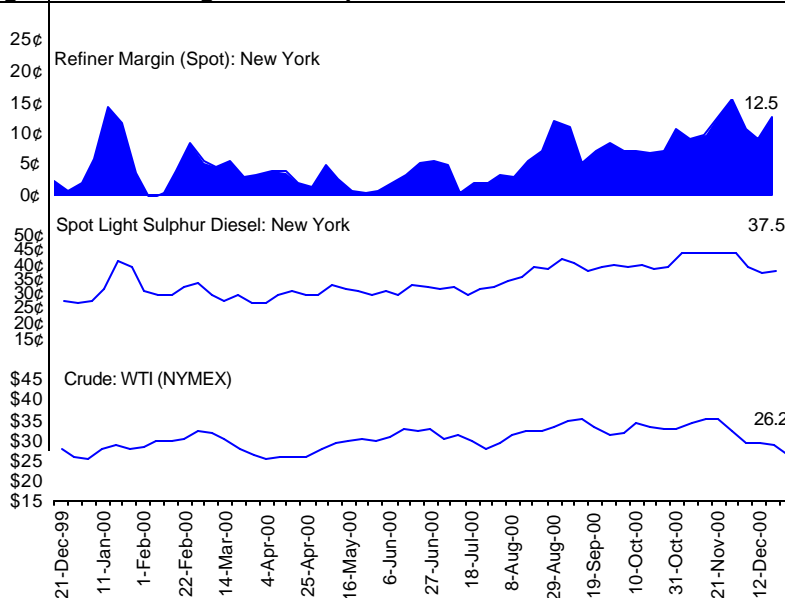
Fig 7 Wholesale Market Prices: 21-December-99 to 27-December-00



High Spot Prices Driven by Crude Oil and Furnace Oil Prices

New York spot diesel fuel prices in 2000 were around 75% higher than in 1999. They were propelled by rising crude oil prices, and further compounded by very tight furnace oil supplies in the U.S. Northeast market. Diesel fuel and furnace oil are both distillate products. Diesel fuel can be used as furnace oil, but furnace oil's higher sulphur content prevents it from being used as highway diesel fuel. Cold weather price pressures on furnace oil early in 2000, and concerns of adequate supplies for the winter of 2000/2001 pushed diesel prices upward. Some pricing relief occurred with the recent decline in crude oil prices. Low distillate inventories continue to be a problem, and this situation is expected to exert upward pricing pressure on diesel fuel oil throughout the rest of the winter.

Fig 8 Refiner Margin and Component Prices: 21-December-99 to 27-December-00



DIESEL-WHOLESALE

Low U.S. East Coast Inventories a Problem Through 2000

Distillate inventories in the U.S. East Coast, where most of the U.S. furnace oil is consumed, were low at the beginning of the year. A two-week cold snap in the U.S. Northeast and Atlantic Canada at the end of January drew inventories down further. These inventories were not rebuilt during the summer, as the refining industry was forced to operate at maximum rates to meet the strong summer gasoline demand. By September inventories were 40% below last year's levels. While inventories grew late in the year (Figure 9) they remained around 30% below last year. The tight supply situation continued to put pressure on furnace oil prices.

The U.S. Government established the Northeast Heating Oil Reserve at the end of the summer to avoid a repeat of the crisis that occurred early in 2000. The two million barrel reserve is believed to be adequate to provide relief from weather related shortages for approximately ten days. It will only be used under a presidential order.

Western Canada distillate inventories (Figure 10) were not affected in the same manner as in the U.S., and remained close to 1999 levels throughout 2000. Following a normal inventory cycle, inventories were built in the summer months, and drawn down late in the year.

Fig 9 Distillate Inventory—U.S. East Coast

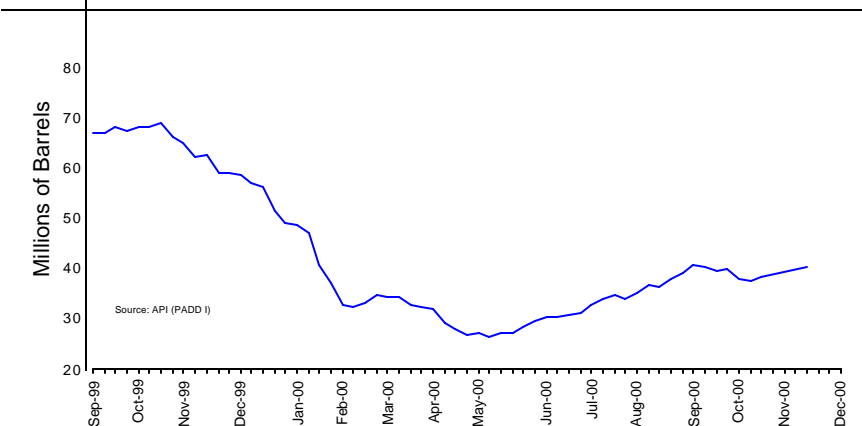


Fig 10 Distillate Inventory—Western Canada

