



Lakeland Oil

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Okanagan Energy...Direct To You!

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February 2012 Energy Update - Edition 89

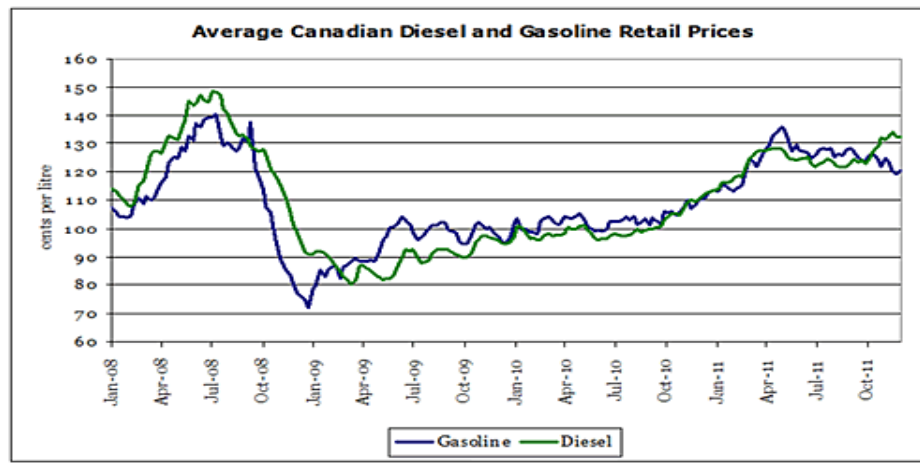
2011 Pricing - The Year in Review

Overview

2011 turned out to be a year where the conventional wisdom was turned on its head in Canadian Energy Markets. Nationally, Gasoline rose an average of 20.4 cents per litre, and Diesel rose 23.9 cents per litre. However it was not a smooth ride, as prices fluctuated wildly through the year, finally stabilizing only in the past 2 months. According to Natural Resources Canada, the increases can mainly be linked to **higher crude costs** and **increased refining and marketing costs**.

Gasoline and diesel fuel prices have traditionally followed each other over the years, with gasoline prices generally higher than diesel prices, especially in the Canadian driving season. However, the traditional relationship between the two products was reversed in 2011, reflecting the emergence of diesel fuel as the fastest growing petroleum product. The distillate demand (diesel oil, furnace oil), driven primarily by on-road diesel requirements, has been the fastest growing component since 1993. Because of the significant proportion of distillate demand that comes from the trucking industry, this component is the most closely linked with economic activity.

Domestic sales of diesel have been increasing since 2003, reflecting a growing proportion of diesel-powered vehicles. However, with increasing fuel efficiency standards being imposed on vehicle manufacturers by governments, automobile companies have indicated that they will be introducing more diesel-powered vehicles in order to adhere to the regulations. Demand for diesel fuel is expected to continue to grow as retail consumers (non-commercial) start to take notice of the efficiency and durability of diesel engines. Also, since 2006, new environmental regulations requiring a reduction of the sulphur content in diesel have resulted in reduced production and increased per unit production costs for refiners. These extra costs to produce this cleaner-burning fuel are now reflected in retail prices. Source:(nrcan.gc.ca)



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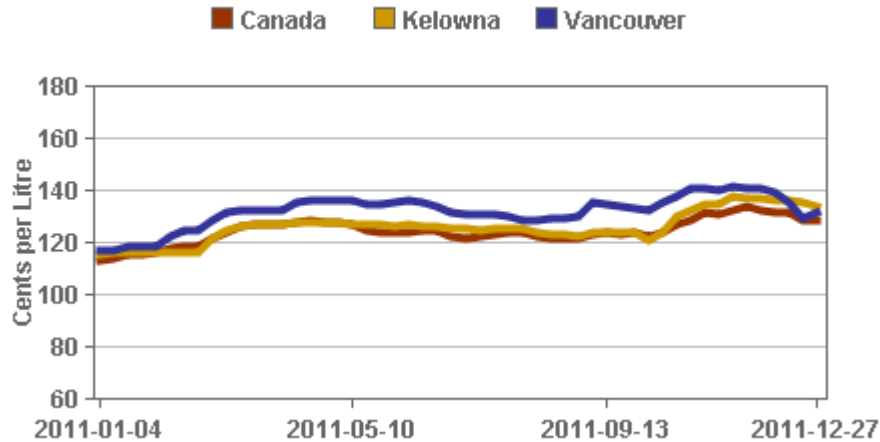
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Diesel Pricing in the Okanagan

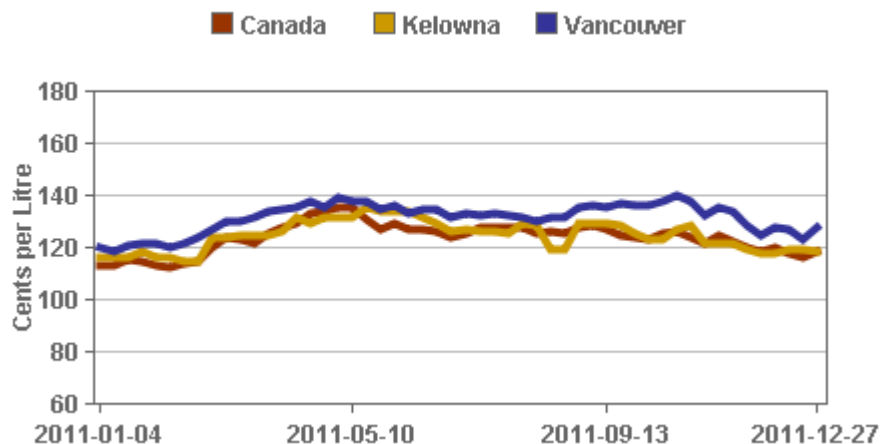
As you can see from the picture below, diesel prices rose gradually but steadily throughout the year, except for a slight decline at the very end of December. The most marked increase came in the fall, when several refineries ran into serious trouble with fires and maintenance. You may have even heard of several cardlocks running dry (but not us!) as major terminals in Edmonton, Calgary, and Kamloops ran dry. Kelowna was generally equivalent to the whole of Canada and generally lower than Vancouver through the year.



Diesel Prices 2011

Gasoline Pricing in the Okanagan

The data for 2011 may finally put to rest some long-standing "truths" about gasoline pricing in the Okanagan. Kelowna pricing was equivalent to Canadian pricing throughout the year and significantly below Vancouver for all of 2011. Oddly enough, pump prices dropped for the summer driving season, a departure from trends in past years. Prices at the end of 2011 were barely a penny more than at the end of 2010. So, for the moment, you can feel good about filling up before you take that trip to Vancouver!



Gasoline Prices 2011

As always, thank you for your support. See you next month!

Sean, Lynn, Kevin, Peter, and Ross

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