



talk about gasoline

July 2010

Facts on gasoline

Gasoline prices are determined in the competitive marketplace by the forces of supply and demand, which vary between regions, cities and neighbourhoods.

A key component in the price of gasoline is the cost of crude oil, one of the most actively traded commodities in the world. Global demand as a result of world economic growth, events in the oil producing nations of the Middle East and other parts of the world, and continued concern for security of supply are among the major factors that drive crude oil prices. Other factors such as refining capacity, seasonal variations in inventory levels, and demand for gasoline and other petroleum products also contribute to the volatility in gasoline prices.

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

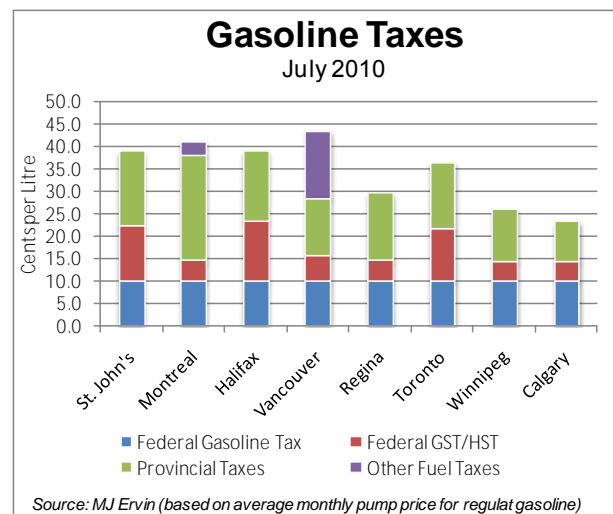
Two federal gasoline taxes are collected on consumer gasoline purchases: a 10 cents per litre (¢/ℓ) federal flat tax and the five per cent GST applied to the entire purchase price.

At 9¢/ℓ, Alberta has the lowest provincial gasoline tax among the provinces. Of this, 5¢/ℓ is returned to the cities of Edmonton and Calgary based on volume delivered to those cities. The balance of provincial fuel tax revenues goes into general revenue, which is used to fund priority government services like health, education and infrastructure.

In 2010/2011, the provincial fuel taxes are expected to raise \$760 million in revenue for the Government of Alberta. However, as set out in *Budget 2010 (Fiscal Plan)* spending on our provincial highway network alone is expected to be over \$1.9 billion this fiscal year. The provincial highway network includes continued construction of strategic economic corridors like ring roads; twinning and other improvements to Highway 63 to Fort McMurray; and increased pavement rehabilitation work throughout the province.

In all other Canadian provinces except Manitoba, and New Brunswick, the provincial gasoline tax is 14.5¢/ℓ or more. In addition, BC levies a carbon tax on gasoline, while some provinces levy their provincial sales tax on the purchase price of gasoline.

According to weekly pump surveys by independent analysts MJ Ervin & Associates (www.mjervin.com), Albertans paid approximately 7¢/ℓ less in total gasoline taxes in 2009 compared to the Canadian average. For the average Albertan, driving a family car 24,000 kilometres per year, this would mean an annual savings of about \$175 on gasoline.



Why is gas cheaper in the United States?

Taxes on gasoline are higher in Canada than in the United States. When taxes are removed, however, Canadian and American prices are similar.

How is the pump price determined?

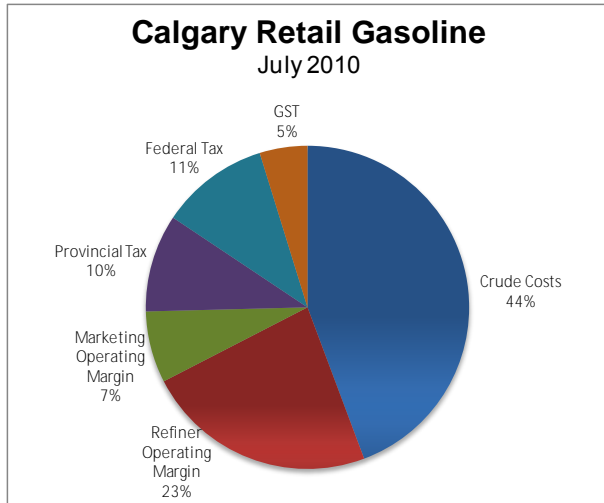
The competitive market establishes gasoline prices in Alberta. The pump price includes the cost of crude oil and the costs to refine, transport, distribute and market gasoline in Alberta. Federal and provincial taxes are also included in the final price you pay for gasoline.

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



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



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. Diesel prices are also affected by the price of crude oil, transportation and distribution costs and local retail and marketing considerations.

Demand for diesel has been increasing, which contributes to increase in the price; however, diesel prices fluctuate similar to gasoline prices and can be higher or lower than gasoline prices.

Why aren't prices in Alberta even lower since crude oil and gasoline are produced here?

Crude oil prices are determined in the world market based on current and expected supply and demand. Gasoline is made from crude oil and refiners in Edmonton must pay the same market price for Alberta's crude oil as refiners in other provinces and the United States.

Selling the province's oil to refineries for less than market value would discourage investment in Alberta's petroleum exploration and production sector and would

impact royalty revenues, resulting in less revenue for priority programs, and employment in Alberta. In addition, subsidization tends to encourage inefficient consumption of gasoline.

Why doesn't government regulate gasoline prices?

The Government of Alberta supports the competitive market place system (supply and demand) and is not considering the regulation of retail gasoline prices.

According to the Office of Petroleum Price Information of Natural Resources Canada, most evidence suggests that regulating gasoline prices, while providing some price stability, on average does not lead to lower prices than unregulated gasoline.

Who investigates allegations of unfair market practices?

The Government of Canada's Competition Bureau closely follows wholesale and retail gasoline prices to ensure they are consistent with current market forces and not the result of anti-competitive acts.

If you wish to file a complaint with the Competition Bureau against a gasoline retailer, you can contact the Bureau toll free at 1-800-348-5358, or go to www.competitionbureau.gc.ca to complete an online complaint form.

Who inspects gas pumps for accuracy?

Measurement Canada, an agency of Industry Canada, performs regular inspections of gasoline pumps in Canada. If you believe you purchased gasoline from an inaccurate pump, you should file a complaint in Calgary at (403) 292-5606.

For more information, visit www.energy.alberta.ca or call Alberta Energy's Public Information Centre toll-free at 310-0000, then 780-427-0265.