

Winnipeg Free Press

Breaking News

Price lag means no sub-loonie gas here

By: Dave Connors

Updated: October 17 at 03:36 PM CDT

In Winnipeg today, gas prices ranged from 108.9 to as high as 115.9. In many other parts of Canada, they were less than a buck per litre.



Gabriel Lizana fills his Jeep with gasoline at gas kiosk at Superstore on Portage Avenue at School Road last evening. (Gerald Flood / Winnipeg Free Press)

Our newly elected MPs, for example, were paying 93.7 in Ottawa.

So why are we paying through the nose - especially with the price of a barrel of oil dropping to \$72 today?

Roger McKnight, a senior petroleum adviser for En-Pro International Inc., says we can partly thank our loonie for that.

"If the loonie was at par, our prices would be down. But the loonie has lost 20 per cent to the U.S. dollar in the past few weeks. That means, in Canada, a barrel really costs \$85," McKnight said.

But why is Winnipeg paying more than Ottawa?

For one thing, McKnight says, pump prices east of Thunder Bay follow the the oil futures prices on the New York Mercantile Exchange. West of Thunder Bay, our prices are determined by the price of crude oil.

But Winnipeg's pump price is higher than places west of here, too. The lowest price in Calgary Friday was just over a dollar.

"There is a huge lag time between Manitoba and Saskatchewan and B.C. and Alberta," says McKnight. "Manitoba prices generally don't drop until a week after they do in Alberta. I don't understand why. No one has ever been able to get me an answer."

But even worse, McKnight thinks we have probably hit the bottom in pump prices for a while.

Saturday, he says, you can expect them to rise because of some sabre-rattling that OPEC is doing about cutting back production.

And by spring, McKnight expects pump prices will be as high as they have ever been.

"What really scares me is the low inventories of gasoline in the U.S.," McKnight said.

Because the U.S. economy is tanking, and worldwide demand is down, gasoline refiners are not bothering to produce more, so, "by March or April, it will be the same picture," says McKnight.

Bottom line: last spring, our wallets were hammered because of high crude oil prices, next spring, they'll be hammered because of low supplies of gasoline.

Although motorists might disagree, McKnight said we actually caught a break on gas prices during the summer.

"Crude prices were so high, oil companies didn't have to make any money through selling gas," McKnight said. "Now, crude prices are low and they are making their profits on the gas side."

McKnight said lower crude prices may eventually give us a break at the pump. In general he says, a \$1 drop in the price of a barrel eventually leads to a six-tenths of a cent drop in the price per litre.

"Eventually," he emphasized. "Like I always say, the price of crude goes up like a rocket and down like a feather."