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Montrealers shocked by big spike in pump prices to \$1.37 per litre

By Lauren Krugel, The Canadian Press | January 05, 2012

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CALGARY - Montrealers awoke Thursday morning to a nasty surprise at the gasoline pump, with the price of a litre of gas rising an average of nine cents.

Price-tracking website Gasbuddy.com says the average pump price in the city rose from just under \$1.28 per litre on Wednesday to nearly \$1.37 on Thursday.

The national average, on the other hand, only rose by about one cent to \$1.20 per litre.

En-Pro International consultant Roger McKnight said a price increase in Montreal that would have taken place over two days was lumped into one day.

"It's a fluke of the holiday season, where they pile one big increase into one day, when it should have been spread for two days, which causes everybody to wake up a little bit," he said in an interview Thursday

Adding to the issues in Montreal is the fact that Shell decided to shut down its 130,000-barrel-per-day refinery there in 2010, reducing competition in that market.

That leaves Suncor Energy Inc.'s (TSX:SU) Montreal refinery, from which a lot of fuels are piped west to Ontario, as well as an Ultramar refinery in Quebec City to serve the provincial market.

"It's a supply-demand situation in the extreme," said McKnight.

"I warned everybody for two years this was going to happen, and there you go."

Quebec's sales tax also rose by one percentage point on Jan. 1, affecting all retail prices.

More generally, McKnight sees higher gas prices ahead this spring as ongoing political tensions in the Middle East and refinery closures south of the border and in Europe put upward pressure on crude oil prices.

Since gasoline is made from crude, a price spike in the raw product filters through to consumers. But it's not the only factor; prices vary from market to market because of differing supply-demand dynamics and tax rates.

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OIL	GOLD	CAD
-0.86	-0.05	1.00 CAD
1253.93	1618.6	0.97932 USD

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