

Gas prices hit a ten-year low, but that might not be a good thing for Ontarians

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Gas prices have hit a 10-year low in Ontario with prices plummeting as the COVID-19 pandemic continues.

Many residents in Ontario are in a state of shock by the dramatic decrease in gas prices this past week, even seeing as low as \$0.77 per litre in Palgrave. The price drop is ideal for drivers, but the industry will be taking a big hit.

Dan McTeague, President of Canadians for Affordable Energy, spoke with us not too long ago about the history of fluctuation of gas prices from the past five to ten years.

“2005 to 2004 was probably a period best described as an energy super bubble. The assumption was that the world was running out of oil and that we wouldn't have enough to last more than 20 or 30 years,” said McTeague. “Right up until 2013, oil remained at, well above, the \$100 barrel range. So, 10 years ago was not so great, five years ago it was speaking against other energy resources and relatively speaking energy independence.”

He goes on to explain that the price of oil is most important, for purposes here in Caledon and Toronto, depending on what happens at the New York Harbor spot price for gasoline. There's a specific market for gasoline and a large indicator for determining the price of gas is the Province, or region, and the value of the changing dollar. Canadian products are based upon the American dollar, and with the Canadian dollar being weaker, you end up paying more, this includes for gasoline.

“That's critical because a weak Canadian dollar, unbeknownst to most Canadians, you price all of your commodities that you take for granted each and every day in US terms. So, a weak Canadian dollar, ultimately, means a higher price for fuel,” said McTeague.

He added, “Taxes are pretty significant and depending on where you are in the country and they're high and going even higher.”

The recent gas price drop is the lowest they've been past since 2009 due to a collapse in demand.

COVID-19 pandemic has caused a drastic change in the oil industry, though we may be grateful for filling up on such a low price, the drop will be hurting the economy.

With several countries, one including China who is high on the list in demand for oil, on lockdown, gasoline is not in high demand in the country, hurting the industry there, thus far hurting the industry here.

Patrick DeHaan, Head of Petroleum Analysis at GasBuddy explains in a recent article, that prices are dropping due to, “supply and demand. The demand for oil has dropped tremendously week-over-week, while supply remains high. There is a big imbalance between supply, (high) and demand (low).”

Adding, “The coronavirus has caused countries to be in lockdown, limiting driving, flying and overall movement in order to contain the spread. This means very little need demand for oil. The lockdowns started first with China, the second largest consumer of oil behind the United States, and now lockdowns are being imposed in multiple developed countries.”

Two of the some of the largest oil-producing countries, Saudi Arabia and Russia discussed production and how to balance supply and demand but weren't able to come to an agreement, stated De Haan.

“There is a pre-coronavirus level for oil demand, and a post-coronavirus level of demand. Demand for oil will be at multi-decade lows for a better part of 2020, which means gas prices will be some of the lowest we've experienced in a while,” he stated online. “What could reverse the drop-in oil prices lies with Saudi and Russia. If they meet an agreement to cut back oil production,

balancing global oil supply to coronavirus-reduced demand, we could see gas prices start level out but nonetheless, gas prices will be at a new norm.?

So, what happens now?

?As the spread of the coronavirus induces panic on markets, oil prices have been walloped and motorists should avoid filling up as the plummet in oil prices starts showing up at their local gas station in the days ahead,? said DeHaan. ?Nearly every village, town and city in every state will see gas prices dropping- the pace may vary, of course- but over the next week gas prices will move lower solidly, barring any dramatic improvement in the spread of the virus. The drop in oil is little comfort to those who've been watching the stock market fall, but gas stations have plenty of room to drop prices, in some cases nearly 25-35 cent drops over the next few weeks will happen. My advice for motorists is delay buying gasoline and expect noticeable drops for the time being as the world obsesses over the spread of COVID-19.?

For more information and updates, please visit gasbuddy.com who are releasing news releases to continue updating and educating on what is happening within the industry.