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### **Consumers have fully benefited from lower oil prices**

With the sharp drop in the price of crude oil over the past few years, some people are questioning or trying to analyze whether consumers have fully benefited from this reduction at the pump. At times of wild fluctuation it is easy to choose dates and figures to bolster an argument or simply grandstand

For our purposes, let's keep things simple with reliable and verifiable figures and sources. The most common error analysts make is to compare non-comparables, such as comparing a specific day with a given year or month. The second most common error is to forget the arrival of a new tax between the periods you are comparing. Just think of the recent carbon tax, which has to be included in refiners' acquisition costs now and is therefore falsely represented in the official statistics of the Régie de l'énergie.

Back on topic, let's look more closely at two full years of the Montreal market: 2014 and 2016. Although recent, this is a good test period because the price of a barrel of oil dropped steeply from \$97.5 to \$46.0 U.S. That is the Brent annual average according to Bloomberg, a sharp decline of over 50% or 32 cents a litre, still in U.S. dollars. If the

Canadian dollar were at par, that is the reduction consumers could have anticipated without accounting for any other factors. Unfortunately, during the same time period the Canadian dollar fell from an annual average exchange rate of 0.90 to 0.76 against the US dollar, down 16%. In other words, the weak Canadian dollar reduced the benefit of the falling price of crude from 32 to 27 cents per litre.

What happened to the prices at the pump during the same period? According to the Régie de l'énergie statistics, the average annual price Montrealers paid in 2014 was \$1.372 per litre, while the average price in 2016 was \$1.102 per litre, also a drop of 27 cents per litre. That leaves no doubt that consumers have benefited fully from falling crude prices over the past few years.

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