Forward Averaging Correction

The Petroleum Products Pricing Act and Regulations permit the use of a forward average correction to meet the goals of just and reasonable prices, price stability and security of supply.

Once the benchmark price has been set, the Board is able to determine if a balance between the industry and consumers has been achieved in the prior pricing period. A forward average correction may be used in order to balance the two interests.

The basis for determining the frequency and amount of any forward average is the volatility of the commodity market (daily spot price) for refined gasoline or diesel fuel. Among the factors considered is the benchmark price as set by the Board, and the cyclical nature and history of petroleum product markets.

When the current benchmark price is more than the previous benchmark price of prior pricing period(s), an adjustment in favour of industry will be considered. Conversely, when the current benchmark price is less than the previous benchmark price of prior pricing period(s), an adjustment in favour of consumers will be considered.

In the event of extreme volatility, or steadily falling or rising commodity market prices, an incremental approach to forward averaging may be used in order to provide security of supply and stable pricing for consumers and/or industry.

The amount of any forward average in a given pricing period will be public information released at the time of the applicable pricing schedule.