MEDIA RELEASE

Petroleum Pricing Office makes early adjustment to gasoline prices

At 12:01 a.m. Saturday, Jan. 29, the maximum allowable price for all types of gasoline in Newfoundland and Labrador will increase by 3.1 or 3.2 cents per litre (cpl), except in regions where a price freeze is in effect.

Continued volatility for fuel prices on the world market means the province will see an early adjustment in gasoline prices, as the criteria for the Public Utilities Board's Petroleum Pricing Office (PPO) interruption formula have been met for this fuel product.

This price change follows the 2.95 cpl increase in No. 2 blend furnace oil made Jan. 25 using the interruption formula, and is a reflection of the upward pressure being placed on the fuel market. Price increases may also be anticipated for other fuels regulated by the PPO, such as stove oil or diesel, given recent market activity for these commodities.

David Toms, PPO director (acting), said commodities markets have experienced an erratic period, and the regulated fuel market in Newfoundland and Labrador has not been able to escape corresponding pricing adjustments.

"Many of the same pressures that caused the early movement in No. 2 blend furnace oil prices this past Tuesday are also relevant to the pricing behaviour of gasoline," he noted. "Several major factors that continue to affect overall refined fuel prices include the recent fluctuations in crude oil prices, threats to available fuel supplies from oil-producing countries, and an increasing global demand for fuel."

The public is reminded that legislation permits wholesalers and retailers to sell below the maximum price at any time.

PREVAILING PRESSURES

The primary reasons why the world fuel market has been on the rise continue to be global in nature, as increased demands for fuel are occurring at the same time there are threats to available supply.

According to the U.S. Energy Information Administration (EIA), gasoline supplies have been building for some time, but its weekly report indicated a decline took place over the past week. Demand for the product also increased despite the inclement weather in many places, and the result has been an upward movement in market prices.

Other ongoing factors that are putting pressures on the overall market:

- Iraq: concerns about exports as southern areas saw disruptions this week because of attacks, while exports from its northern regions are not expected to resume for several weeks. Also creating discomfort on the fuel market is the upcoming election Jan. 30 and potential civil and militant unrest, which could further disrupt the country's oil infrastructure;

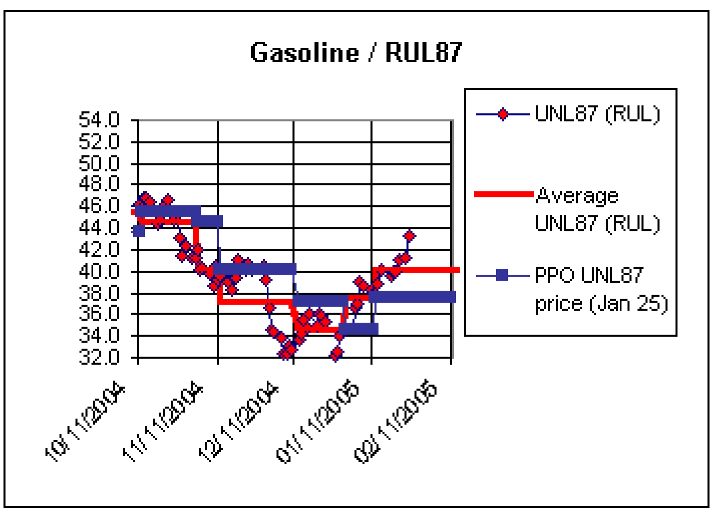
- Iran: tension continues between the U.S. and Iran, which is OPEC's (the Organization of Petroleum Exporting Countries) second largest oil producer;
- OPEC (source of more than one-third of the world's oil) meets Jan. 30 to discuss if further production cuts will occur in addition to the ones that were enacted this month; and,
- China (the world's second largest oil consumer) is expected to continue its increased fuel demand in 2005 because of the country's booming economy.

BACKGROUNDER

PPO benchmarks are established based on the average prices of refined products in the period since the last time maximum prices were established.

For the interruption formula to be used on gasoline and distillate fuels, the PPO requires the average of market prices to be 3.5 cpl greater or less than the current PPO benchmark prices (except propane, which requires +/- 5.0 cpl) over five market business days. As well, the interruption formula will only be used five days after the last pricing adjustment and as long as making the change doesn't interfere with the regular pricing schedule.

Illustrated in the following graph is the market-price performance of gasoline regulated by the PPO for recent pricing periods up to Jan. 25, 2005:



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