

MEDIA RELEASE

Petroleum Pricing Office interrupts fuel market to move stove oil prices

Effective 12:01 a.m. Sunday, Jan. 30, the maximum allowable price for stove oil in Newfoundland and Labrador will increase by 2.39 cents per litre (cpl), except in regions where a price freeze is in place.

David Toms, acting director of the Public Utilities Board's Petroleum Pricing Office (PPO), explained that this pricing adjustment for stove oil follows on the heels of recent price increases in No. 2 blend furnace oil and gasoline. Market conditions in recent days have impacted the regulated prices for all these fuels, and have necessitated the use of the interruption formula in the province.

The conditions in the world fuel market impacting upward pricing pressures are:

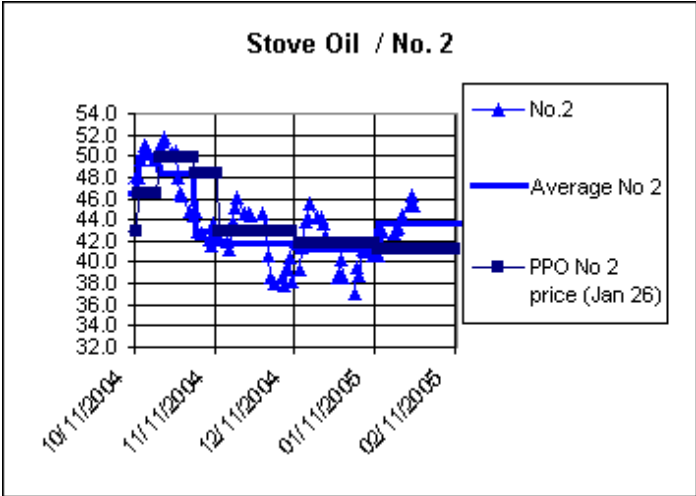
- two significant events on Jan. 30: the upcoming OPEC (Organization of Petroleum Exporting Countries) meeting where decisions about production quotas will be made and the Iraqi election, where potential unrest could threaten the country's oil network;
- the U.S. Energy Information Administration (EIA) reported that distillate inventories declined over the past week, largely due to increased demand resulting from the colder-than-average temperatures along the U.S. northeast coast and Atlantic Canada (regions where distillate fuel consumption are highest);
- increasing global demand, particularly in China where the growing economy and thirst for fuel is forecast to exceed expectations this year; and,
- continuing uncertainty about fuel supplies from major oil-producing countries, such as Nigeria and Iraq.

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 stove oil regulated by the PPO for recent pricing periods up to Jan. 26, 2005:



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