

MEDIA RELEASE

Petroleum Pricing Office makes early adjustment to maximum diesel prices

Recent pressure on world fuel markets has led the Public Utilities Board's Petroleum Pricing Office (PPO) to make another price adjustment for a regulated fuel in Newfoundland and Labrador (NL).

The PPO interruption formula criteria were met for diesel, and it means an increase of 2.5 cents per litre (cpl) to the maximum allowable price as of 12:01 a.m. Monday, Jan. 31, except in areas where a price freeze is in effect.

This change falls in line with the recent elevated pricing activity on the commodities markets that also caused NL market-price interventions for No. 2 furnace oil (Jan. 25), gasoline (Jan. 29) and stove oil (Jan. 30) in this province.

David Toms, PPO director (acting), explained that this is clearly a period of extreme volatility for world fuel prices. He added that it was expected that diesel prices would change shortly after furnace and stove oil because these products are similar in nature and they face many of the same pricing pressures.

One of the main factors driving prices upward for distillate fuels would be the reported decrease in inventories, as a result of the colder-than-average weather that caused a strain on existing supplies.

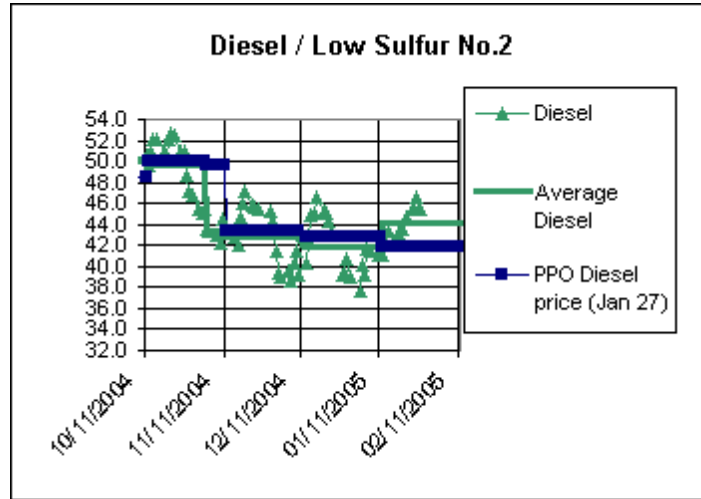
Other reasons that all market prices for fuels regulated in this province were kept at high levels were: concerns about future fuel supplies leading up to the OPEC (Organization of Petroleum Exporting Countries) meeting Jan. 30 where production quotas were to be discussed; the period leading up to the Iraqi election, where potential unrest was thought to be a possible threat to the country's oil network; increasing global demand, particularly in China; and, ongoing uncertainty about fuel supplies from major oil-producing countries, such as Nigeria and Iraq.

BACKGROUND

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 diesel regulated by the PPO for recent pricing periods up to Jan. 27, 2005:



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