

MEDIA RELEASE

Petroleum Pricing Office releases maximum fuel prices effective Feb. 15

Maximum regulated fuel prices as of Feb. 15 will see decreases on all fuels in Newfoundland and Labrador with the exception of gasoline.

The Public Utilities Board's Petroleum Pricing Office (PPO) has determined that effective 12:01 a.m. Tuesday, the maximum price for all types of gasoline will increase by 0.7 cents per litre (cpl). Moving downward are diesel prices by 1.5 cpl; No. 2 blend furnace oil by 0.2 cpl; stove oil by 1.10 cpl; and residential propane used for home heating purposes will be adjusted downward by 0.7 cpl.

There will be no changes to maximum prices where a price freeze is in effect.

David Toms, PPO director (acting), noted this pricing change represents the normal mid-month adjustment of regulated fuels sold in the province. Pricing over the last few weeks has been influenced largely by international events involving major oil-producing countries, which has affected ongoing demand/supply issues.

In addition, Mr. Toms explained the market is entering a period where a seasonal shift occurs in refinery production. During this period, production of distillate fuels (home heat and diesel) is decreased in favour of building inventories for the upcoming season when automobile travel is greatest. Future pricing of distillate products could still be adversely impacted depending on the winter/spring temperatures yet to be experienced and other global events. But Mr. Toms indicated distillate supplies appear to be adequate to meet current needs.

The public is reminded that wholesalers and retailers are permitted to sell below maximum prices at any time.

MARKET MOVEMENT

Market prices leading up to Jan. 30 - the date of OPEC's (Organization of Petroleum Exporting Countries) meeting and the Iraqi elections - were on the rise reflecting an apprehension in the fuel market about what could happen to available supplies.

However, prices eased slightly after OPEC decided to hold the line on its output citing strong demand and volatile markets as reasons, while the Iraqi elections took place without the anticipated violence or attacks to the country's oil infrastructure.

Refinery production is beginning the transition from distillate fuels to gasoline. Even with a sizeable consumption of distillates in the coming weeks, analysts anticipate there are sufficient supplies to meet this demand. Also helping to relieve winter supply worries were the recent warmer-than-normal temperatures in the U.S. northeast (where 80 per

cent of the country's home heating fuel is consumed) and Atlantic Canada. This was believed to slow fuel consumption and allow distillate inventories, which have been at the bottom end of the average range for most of the winter demand season, to build.

Oil and refined fuel prices continued to rebound in the period leading up to Feb. 11 – the last day used by the PPO to calculate Feb. 15 prices.

Fuel traders were concerned over OPEC's warning that it could cut production before its March meeting to avoid a price plunge. As well, Saudi Arabia's (OPEC's largest producer) oil minister stated that his country will provide enough supplies to meet growth in demand and keep prices stable, but that had little impact on the market.

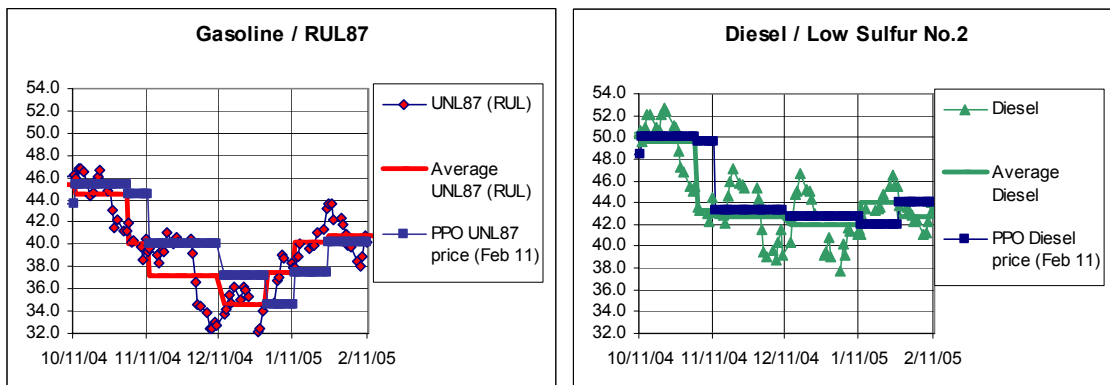
Among other driving factors was the U.S. Energy Information Administration (EIA) report that oil inventories showed an unexpected decline.

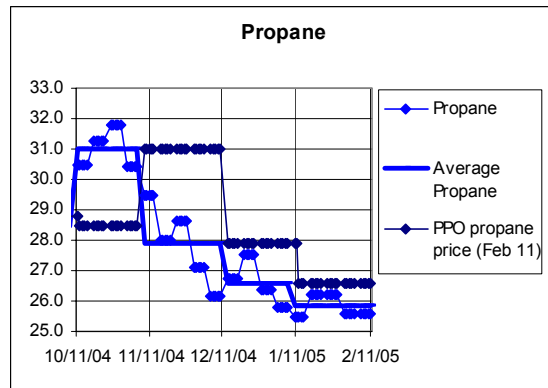
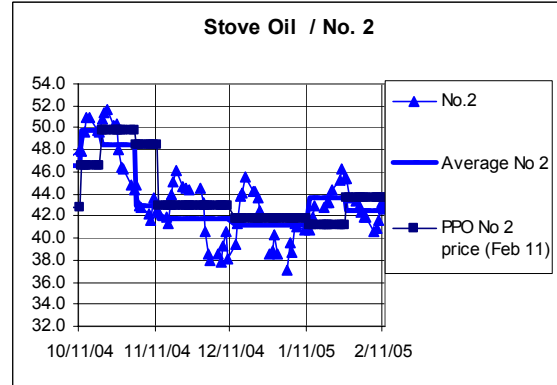
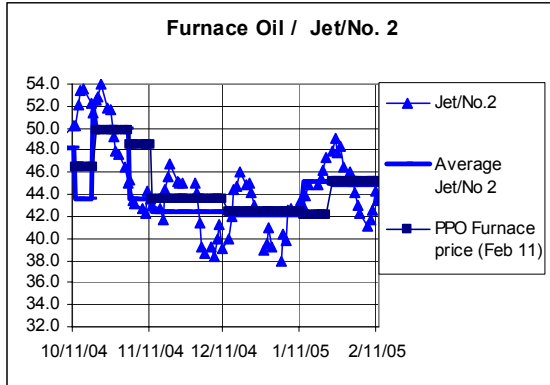
Keeping the seasonal shift in mind, the EIA stated gasoline inventories are in a good position, but market prices for this fuel product have not moved dramatically because demand has grown in spite of the ongoing high prices. Concerns over how much gasoline Europe will be able to export this year (as their inventories are reported to be relatively low and some European refineries are not geared towards making low-sulphur gasoline) have also supported high prices for this product.

Another issue affecting fuel prices is the IEA (International Energy Agency) report that world oil demand will rise faster than expected in 2005 because of economic growth in China - the world's second largest oil user after the U.S. - and other Asian countries.

BACKGROUND

PPO benchmarks are based on the average price of refined products. Illustrated in the following graphs are the market-price performances of the five products regulated by the PPO, for recent regularly scheduled periods up to Feb. 11, 2005:





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