MEDIA RELEASE

Petroleum Pricing Office sets maximum fuel prices July 15, 2005

Effective 12:01 a.m., Friday, July 15, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) will set maximum fuel prices for Newfoundland and Labrador (NL) as per its regularly scheduled adjustment.

The maximum price for all types of gasoline will increase by 1.6/1.7 cents per litre (cpl), while diesel prices will decrease by 0.9/1.0 cpl (depending on the HST rounding effect for a particular pricing zone). In the home heating fuels category, the maximum price of furnace/stove oil will rise by 0.29 cpl, and residential propane by 0.8 cpl.

David Toms, PPO director (acting), said the commodities market has experienced a large amount of pricing movement in recent weeks ranging from brief periods of declines to continuing record high trading prices on NYMEX (New York Mercantile Exchange) for refined fuels, including gasoline and distillate fuels (furnace/stove oil and diesel).

Recent events have had a significant impact on the prices for these petroleum products. Included are weather, as tropical storms and a hurricane hit the Gulf of Mexico where major oil production occurs; fears over fuel supply and availability later this year; as well as geopolitical events, such as the recent terrorism attacks in London, England. All have combined to make the market increasingly sensitive to any event that might impact on suppliers' ability to cope with increasing demands.

"During this pricing period, circumstances have evolved where record highs have been set in the commodities' markets for refined petroleum products, and this has led to record retail prices for these products throughout North America," said Mr. Toms. "The objective of regulation is to balance pricing pressures and set prices upward or downward based on the average of prices over a specific period. Regulation enables consumers in Newfoundland and Labrador to avoid the volatility of pricing behaviours being experienced in other Canadian markets and provides a measure of stability between pricing adjustments."

INFLUENTIAL FACTORS

Factors that have played a major role in influencing market pricing data during this period were:

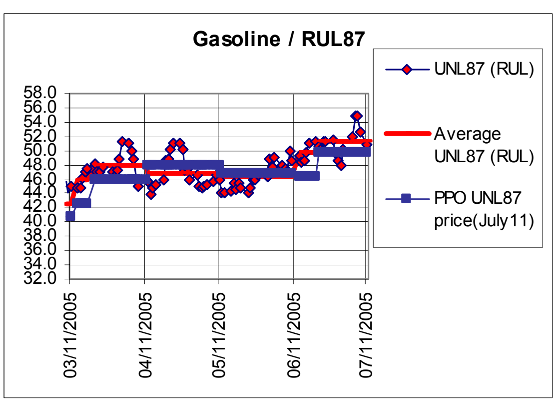
- Fuel prices reached initial records on concerns Iran's new president may limit foreign investment in the nation's oil industry. Iran is OPEC's (Organization of Petroleum Exporting Countries) second-biggest producer.
- Weather: several major storms in the Gulf of Mexico pushed the market to new record levels, as many production platforms and refineries were shut. Fear of damage to pipelines and other infrastructure played a major role in escalating market prices and

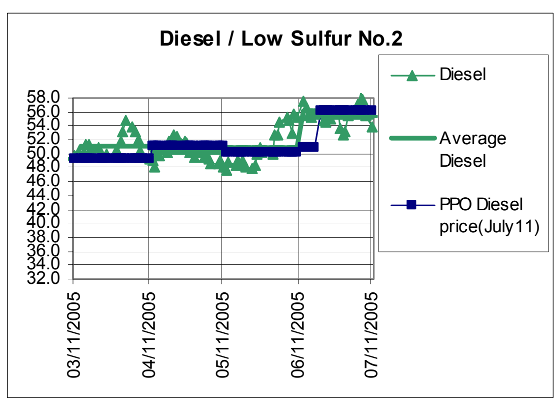
concerns about any prolonged disruptions to supplies to the U.S. (the world's largest consumer). Prices receded when Hurricane Dennis missed most oil and gas rigs, but Tropical Storm Emily is renewing fears as it heads for the Gulf. Weather forecasters note that this is the beginning of what's expected to be an active storm season.

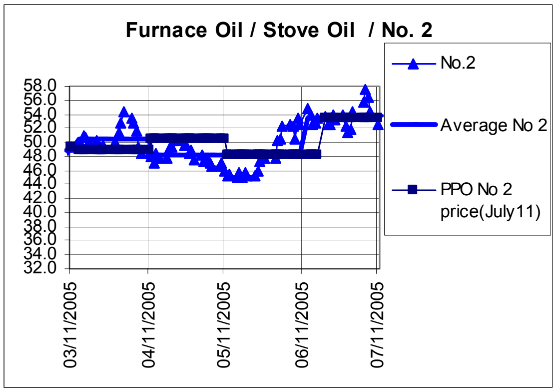
- Terrorism: the public transportation in London, England was attacked by bombs, and though market prices increased immediately, they subsided for a brief period on reports that this could mark the beginning of an economic slowdown, just like what occurred after the Sept. 11, 2001 terrorist attacks in the U.S. This low was short-lived, as fears of future supply were regenerated making it the largest one-day price swing in 14 years.
- Distillate fuel (furnace/stove oil and diesel) prices have remained elevated since the peak home heating season passed mainly because of an increased demand for diesel. As well, concerns continue about refiners' ability to rebuild stockpiles (currently in the upper end of the seasonal range) in advance of the winter season.
- Oil and gasoline stocks are still reported to be in a healthy position, as OPEC is currently producing at its highest rate in 25 years.
- Traders also believe refiners (operating at 98 per cent during the week ended July 8 – the highest since 1999, according to *Bloomberg News*) lack the spare capacity to meet demands that are going to be placed on fuels later in the year.
- Increased demand for fuel came about because of the Canada Day and Independence Day long weekends, as travel was expected to rise along with consumption levels.
- The global economy is still expected to grow, and continues to place upward pressure on fuel prices as consumption rates increase.
- Concerns about available fuel supplies eased slightly early in the period when oil workers and employers in Nigeria (the world's third largest oil exporter after Saudi Arabia and Russia) averted a strike that could have halted as much as half of the nation's oil and gas production. The threat of another strike involving oil workers in Norway also heightened concerns about supply disruptions.

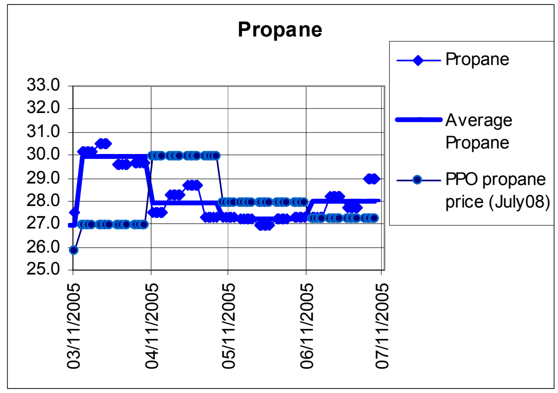
BACKGROUNDER

The PUB adjusts fuel prices on the 15th of each month using the average daily prices for finished petroleum products as listed on NYMEX (New York Mercantile Exchange). Illustrated in the following four graphs are the market-price performances of the products regulated by the PPO for recent regularly scheduled pricing periods up to July 11, 2005:









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