

## **MEDIA RELEASE**

### **OPERATIONAL REVIEW REMINDER**

#### **Petroleum Pricing Office releases maximum regulated fuel prices**

The Public Utilities Board's Petroleum Pricing Office (PPO) has set the new maximum regulated fuel prices for Newfoundland and Labrador effective 12:01 a.m. Monday, Aug. 15, 2005.

The maximum price for all types of gasoline will increase by 1.8/1.9 cents per litre (cpl) – depending on the HST rounding effect for a particular pricing zone, while distillate fuels will also see upward movement: furnace/stove oil by 2.61 cpl and automotive diesel by 2.5 cpl. The price of residential propane used for home heating purposes will rise by 0.1 cpl.

David Toms, PPO director (acting), said the commodities market has encountered another extreme period of aggressive pricing activity, as numerous global events have placed stress on refined fuel prices to boost them to record levels. The most significant portion of this upward movement occurred near the end of this latest pricing period.

“It's been an active period for fuel prices on the world market,” he noted. “We're seeing the prices for all refined fuels reach new levels. The markets have responded rapidly in an upward direction as of late to events that potentially could pose a threat to fuel supply in a tight market. This is a global concern, and our markets, as well as those throughout the country, are directly tied to what's unfolding in this volatile situation.”

### **ACTIVE PERIOD**

The fuel-trading market continues to be subjected to the side effects of global incidents.

The most recent pricing surge on the New York Mercantile Exchange (NYMEX) came about after the U.S. Energy Information Administration (EIA) report Aug. 10 indicated that while oil and distillate (furnace/stove oil and diesel) stockpiles had increased, gasoline inventories for the world's largest consumer had declined. This created more fears that demand, coupled with numerous refinery problems and outages, would result in tight gasoline supplies available to the market. This is of particular concern as the Labour Day weekend approaches, which is traditionally a time of increased travel and fuel consumption.

As well, the International Energy Agency (IEA), an advisor to 26 industrialized nations, increased its estimate on the need for OPEC (Organization of Petroleum Exporting Countries) oil later this year because of decreased non-OPEC member output in areas such as Russia, at the same time that global demand is forecast to increase.

The Middle East remains an area of worry for fuel traders, as tensions and political changes could potentially lead to supply disruptions from OPEC's two largest oil producers – Saudi Arabia and Iran. The death of Saudi Arabia's King Fahd created some tension on the fuel market, as the line of succession for future rulers of this powerful oil-rich country was uncertain. As well, U.S. diplomatic missions there, which include an embassy and consulates, closed for two days amid reports of planned attacks. Saudi officials said there was no confirmation of these threats, though concerns remained about a fuel supply disruption from the country with the only significant spare production capacity. As well, Iran, a major oil supplier, began nuclear work at its uranium reprocessing plant, creating potential for diplomatic disputes.

Other issues affecting the market include: ongoing refinery outages while there is a reported lack of spare production capacity; fears that forecasted tropical storms in the Gulf of Mexico would further disrupt supply in the region; and, although distillates supplies have risen to a higher average than a year ago, an even stronger demand growth for these fuels coupled with refinery problems could dent supplies before winter.

### **PETROLEUM PRICING REVIEW REMINDER**

All stakeholders (both consumers and industry) are reminded of the operational review of petroleum pricing regulation that is being conducted by the Public Utilities Board in Newfoundland and Labrador.

The Board publicly released two documents concerning fuel-price regulation in the province July 25 with a view to gathering input and comment from interested consumer groups, industry and individuals to assist with the decision-making process on issues identified in these reports. The reports, entitled: "*A Study of Storage and Distribution Costs for Petroleum Products throughout Newfoundland and Labrador*" and "*Review of Petroleum Pricing Regulation Issues Discussion Document*," can be viewed in their entirety on-line at: [www.pub.nl.ca](http://www.pub.nl.ca).

Comments, feedback and/or expressions of interest in the review should be received from stakeholders by Friday, Aug. 26 in writing, by fax, via e-mail or web feedback through the following means:

**Contact:** Ms. G. Cheryl Blundon, Director of Corporate Services and Board Secretary  
**Office:** Suite E210, Prince Charles Building, 120 Torbay Road, St. John's  
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**Website:** [www.pub.nl.ca](http://www.pub.nl.ca)

The Board will consider all input received, as well as the results of any hearings or consultations, before making decisions on the issues which are the subject of this operational review.

## BACKGROUNDER

The Board adjusts fuel prices on the 15<sup>th</sup> 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 Aug. 11, 2005:

