MEDIA RELEASE

Petroleum prices continue to rise

Effective 12:01 a.m. Monday, Aug. 22, 2005, the Public Utilities Board's Petroleum Pricing Office (PPO) will use its interruption formula to make a further adjustment to the maximum prices of most regulated fuels in Newfoundland and Labrador.

The maximum price of all types of gasoline will increase by 8.8/8.9 cents per litre (cpl) - depending on the HST rounding effect for a particular pricing zone, while automotive diesel will rise by 5.4 cpl. There will also be an upward movement in the maximum price of furnace/stove oil by 3.55 cpl.

There will be no change to the maximum price for residential propane used for home heating purposes because the criteria for the interruption formula have not been met.

This adjustment is the result of elevated and aggressive world market prices for refined fuels that have been sustained since the last price adjustments were made August 15. The interruption formula is designed to make interim price changes up or down to account for volatile behaviour between periods of normal price adjustments made by the PPO on the 15th of each month. If price fluctuations on the New York Mercantile Exchange (NYMEX) exceed ± 3.5 cpl over a five-day period then adjustments are made where price increases or decreases are warranted.

David Toms, PPO director (acting), said in the current circumstances, the world market continues to be driven by the fear that demand will outstrip supply, possibly creating a future market shortfall. Unfortunately for consumers in this situation, prices continue to move toward unprecedented levels.

"High fuel prices are not isolated to this province; this is a global problem forcing petroleum prices to record levels in Canada, U.S. and worldwide," said Mr. Toms.

REACTIVE MARKETPLACE

In the first few days of this pricing period, the market remained reactive to events that were occurring in the Middle East, such as Iran's (OPEC's – Organization of Petroleum Exporting Countries – second-largest oil producer) plan to resume its nuclear program and the potential for diplomatic dispute.

Continued unrest in major oil-producing countries, such as Iraq, Saudi Arabia, Venezuela, Nigeria and the latest in Ecuador, where protests have shut 200 oil wells and slashed output at the state-owned oil company, have stimulated fears of potential fuel supply disruptions.

Ongoing refinery shutdowns and production problems, during a time when many were operating at near-maximum capacity, also created concern on the market that there will be insufficient products to meet expected demand. This has led to record prices for refined fuels, such as gasoline, in advance of the Labour Day weekend, a peak driving time.

The U.S. Energy Information Administration (EIA) released its weekly inventory report Aug. 17, and indicated that although gasoline stockpiles had decreased by a larger-than-expected amount, the futures for this fuel were at an all-time high causing a decline in market prices. As well, oil and distillate fuel (furnace/stove oil and diesel) inventories were reportedly on the rise. This marked the first day in a long time the market saw any relief.

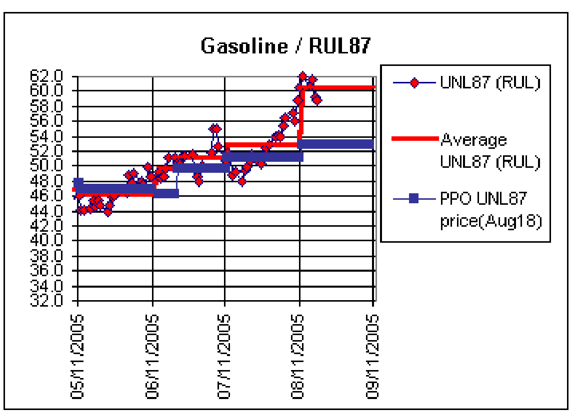
OPEC has increased its forecast for world oil demand growth next year, and stated it would have to offset any diminished output from non-OPEC members with its own increased production. Improved economies in the U.S. and China have been named contributors to this projected increase.

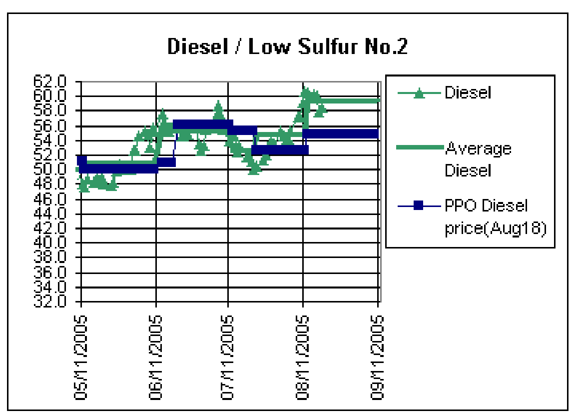
BACKGROUNDER

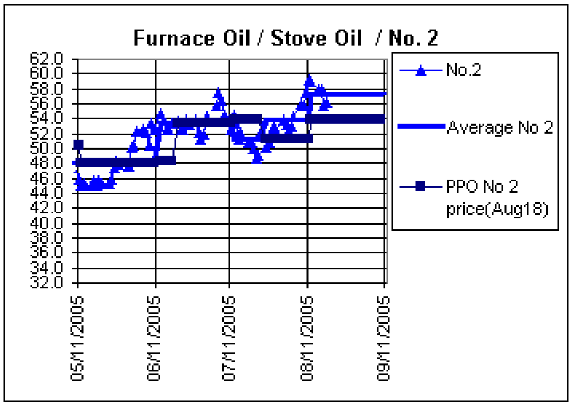
PPO benchmarks are established based on the average prices of refined products in the period since the last time maximum prices were established. The PPO regularly sets maximum fuel prices on the 15th of each month.

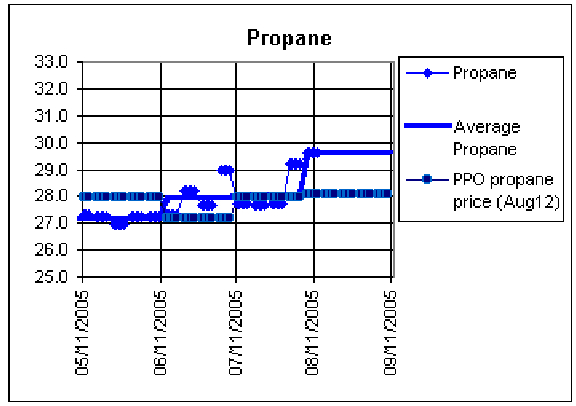
For the interruption formula to be used on gasoline and distillate fuels, the PPO requires the average of market prices to be 3.5 cpl greater or less than the current PPO benchmark prices (except propane, which requires +/- 5.0 cpl) over five market business days. The formula is not used for five market days after new prices are set under regulation, or if it interferes with the impending price change made each month.

Illustrated in the following graphs is the market-price performance for fuels regulated by the PPO for recent pricing periods up to Aug. 18, 2005:









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