

## **MEDIA RELEASE**

### **Market increases lead to hike in NL gasoline prices**

Effective 12:01 a.m. Tuesday, Dec. 20, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum allowable price for all types of gasoline by 4.3 cents per litre (cpl), except in areas under a price freeze.

Just five days into this pricing period, the average movement for gasoline on NYMEX (New York Mercantile Exchange) was sufficient to meet the Board's interruption formula criteria. However, this pricing activity wasn't as significant for the other regulated fuels (automotive diesel, No. 2 furnace oil, stove oil, and residential propane used for home heating purposes), and their maximum prices will not change at this time.

The last day of data for this price change saw a large decrease in NYMEX gasoline that likely stemmed from reduced crude and heating oil prices due to warmer weather; however, the overall market price for gasoline continues to remain volatile despite the fact the traditional peak demand season for this fuel has passed.

It is believed among many commodity fuel traders that recent record high gasoline prices were not sustained long enough to alter consumption patterns. The fallout from damage caused by hurricanes Katrina and Rita in the Gulf of Mexico that led to the sticker shock for consumers was temporary, and more recent demand figures suggest that the average consumer in the U.S., the world's largest fuel user, remains unaffected by current pricing levels. In addition to this, a rebounding U.S. economy has also impacted consumption and demand levels for refined fuels, such as gasoline.

According to market data released Wednesday from the U.S. Energy Information Administration (EIA), crude oil inventories are well above the average range, and gasoline inventories in particular, had increased and are in the lower to middle of the average range for this time of year. However, many organizations, such as OPEC (the Organization of Petroleum Exporting Countries), have increased their demand and consumption outlook for fuels.

Another factor that affected the refined fuel market was OPEC's announcement that it will meet next month to discuss whether or not it will cut output because of what the 11-member group considers to be a well-supplied market.

### **BACKGROUNDER**

Regulated fuel prices are adjusted 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). In the event of volatile behaviour between normal price adjustments, the

interruption formula is used by the Board based on specific criteria to make upward or downward interim price changes as warranted in the marketplace.

For the interruption formula to be used on gasoline, diesel or furnace/stove oil, price fluctuations on NYMEX must exceed an average of  $\pm 3.5$  cpl over a five market business-day period. Adjustments are then made where price increases or decreases are warranted. In the case of residential propane, Bloomberg's *Oil Buyer's Guide* weekly figures must exceed a  $\pm 5.0$  cpl change over five days.

- 30 -

Media contact: Michelle Hicks, Communications. Tel: 1-866-489-8800 or (709) 489-8837.