MEDIA RELEASE

Regulated fuel prices see modest movement

Effective 12:01 a.m. Wednesday, February 15, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will adjust the maximum prices for regulated fuels in Newfoundland and Labrador (NL), except in regions currently under a price freeze.

The maximum price for all types of gasoline will decrease by 1.6/1.7 cents per litre (cpl) – depending on the HST rounding effect for a pricing zone, and there will be no change for automotive diesel. Regarding the maximum prices for home heating fuels: No. 2 blend furnace oil will increase by 0.31 cpl, while downward movements will occur for stove oil by 0.71 cpl and residential propane used for home heating purposes by 3.1 cpl.

The commodities markets continue to experience significant fluctuations in prices for refined fuels. For example, the variance between the highest and lowest price of gasoline on NYMEX (New York Mercantile Exchange) during this past month was 12.1 cpl. Despite this price volatility, regulated prices in NL remained stable over this period with only one pricing adjustment - residential propane on January 24. Price stability is one of the primary objectives of fuel-price regulation and ensures a predictable and fair market environment benefiting both consumers and the industry alike.

Looking ahead, as global pressures continue, fuel-price trends remain uncertain on the world markets. Because of factors outlined below, short-term prices for refined fuels are unpredictable even among market experts. The Board will continue to monitor the commodities markets on a daily basis and will adjust prices upward or downward using its interruption formula as appropriate, or will take whatever other steps may be necessary to respond to any extraordinary price fluctuations.

Also it is noted that prices set by the Board reflect maximums only, and retailers/wholesalers are at liberty to sell below established maximums should market conditions warrant.

IRAN LEADS MARKET PRESSURES

Topping the list of factors affecting fuel prices were events in Iran and whether fuel shipments from the world's fourth largest oil-producing country may be disrupted. Iranian officials stated it will continue with nuclear enrichment despite the fact the International Atomic Energy Agency voted to refer Iran to the United Nations' Security Council, which in turn may impose economic sanctions. Fuel traders feared that Iran could retaliate by halting oil production or blocking the major waterway in and out of the Persian Gulf, where large shipments of oil move daily. As well, the U.S. stated it is not ruling out using military force against Iran to prevent this nuclear activity.

As well, recent reports from the U.S. Energy Information Administration (EIA) indicated that gasoline and distillate (furnace/stove oil and diesel) inventories were well above the average range for this time of year. The milder-than-average winter that continued throughout North America's northeastern seaboard, where nearly 80 per cent of the U.S. heating oil consumption occurs, helped sustain inventories at a time when they usually decline. The softened demand for these fuel products eased some of the pressure on the fuel market; however, other global and geopolitical events have succeeded in overshadowing these factors to foster uncertainty about future supply availability.

Events in other oil-producing nations also made for dynamic fuel prices. Nigeria saw militant and civil unrest that led to disruptions in fuel production. This situation has since been resolved; however, fuel traders continue to closely watch activity in this region. Another hotspot was the deteriorating relationship between the U.S. and Venezuela (one of the larger exporters of crude oil and fuels to the U.S.) that was further agitated by the situation in Iran. Venezuela voted against referring Iran to the U.N., and it has threatened to shut refineries in the U.S. owned by the state oil company in response to the U.S. stance against Iran.

The Organization of Petroleum Exporting Countries (OPEC) reaffirmed its commitment to keeping enough crude oil to the global markets in what it called an attempt to lower fuel prices, while the International Energy Agency has cut its global demand growth forecast for 2006, though demand is still expected to rise.

BACKGROUNDER

Regulated fuel prices are adjusted on the 15th of each month using the average daily prices for most 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 ± 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, figures are derived from pricing activity at the Sarnia rack, and the interruption formula criteria for this fuel differ from the other regulated petroleum products. Bloomberg's *Oil Buyer's Guide* weekly figures must exceed a ± 5.0 cpl change from the previously established base price under regulation.

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