MEDIA RELEASE

Provincial maximum furnace, stove oil prices set to increase

Effective 12:01 a.m. Monday, April 24, 2006*,* the Public Utilities Board, through its Petroleum Pricing Office, will increase No. 2 blend furnace oil by 3.26 cents per litre (cpl) and stove oil by 3.42 cpl, except in regions where a price freeze is currently in place.

This change outside of the scheduled mid-monthly adjustment follows those made by the Board this past Sunday to increase the maximum prices of all types of gasoline and diesel as a result of an escalation in commodity pricing on NYMEX (New York Mercantile Exchange).

The heating season is nearly over as far as many refiners are concerned, but because there are other prevalent factors impacting fuel prices besides normal seasonal shifts, the prices for this group of fuels continued to rise despite a lowering in consumption with the onset of warmer temperatures.

The higher and sustained price for crude oil, which hit new records - unadjusted for inflation, led to an increase in the cost of refined fuel products, including distillates (automotive diesel, furnace and stove oil), on the commodities exchange. For NL, this means that the average of figures used to calculate regulated maximum prices for furnace and stove oil have moved substantially above those previously established, and thus warrant this adjustment.

While future pricing remains unpredictable, unless extraordinary conditions are reached, consumers in this province can expect some stability in the marketplace compared to unregulated markets, which have been experiencing daily adjustments in order to deal with these pricing pressures.

The events creating volatility for furnace and stove oil at this time are similar to those that have affected gasoline and automotive diesel fuel, including:

▪ *Iran's nuclear ambitions:* continued opposition from Western leaders has extended this dispute over Iran's uranium enrichment program, and a potential clash could lead to future fuel supply disruptions from this major crude oil-producing nation, which many analysts believe will hurt the markets;

▪ *Nigeria:* Africa's largest producer continued to be a hotbed of unrest, as attacks resurged in the oil city of Port Harcourt, in addition to the damage that has already shut in approximately a quarter of its oil production;

▪ *Venezuela:* this country's president threatened late last week to blow up its oilfields if there were a U.S.-led invasion, which Washington has denied – this country is a major supplier to the U.S.;

▪ *Limited capacity*: U.S. refining capacity is considered tight as inventories for many refined fuel products have lowered significantly, and while many are closed due to routine maintenance or because of unscheduled outages, there is also a movement to switch processes in order to meet the new ethanol-based gasoline and low-sulphur diesel requirements in the U.S.; and,

▪ *Global demand*: the U.S., China and India lead in the world's economic growth, though the rate has slowed somewhat, and they are considered major consumers of oil and its refined petroleum products, though some analysts believe continued high oil prices could pose a threat to future growth.

BACKGROUNDER

Interruption formula: 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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