NEWFOUNDLAND AND LABRADOR
BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
Petroleum Pricing Office

MEDIA RELEASE

Thursday, December 6, 2007

Most maximum fuel prices see declines

The Public Utilities Board, through its Petroleum Pricing Office, will set maximum prices for fuel products in Newfoundland and Labrador (NL) as per its scheduled biweekly adjustment effective 12:01 a.m. Thursday, December 6, 2007, except in areas where prices are frozen.

Maximum fuel prices will see the following changes:

- all types of gasoline will decrease by 0.2/0.3 cents per litre (cpl) – depending on the HST rounding impact for a particular pricing zone;
- ultra low sulphur diesel will decrease 3.8/3.9cpl;
- No. 2 blend furnace oil will be lowered by 3.14 cpl, while stove oil will decline by 3.28 cpl; and,
- residential propane used for home heating purposes will increase by 1.0 cpl.

While the commodity markets for gasoline experienced considerable ups and downs over this latest two-week pricing period (Nov. 21 to Dec. 4), these fluctuations were insufficient to trigger the interruption formula and largely negated one another during the period. As a result, gasoline prices will see only a slight downward adjustment.

On the other hand, distillate fuels (furnace/stove oil and diesel) saw record maximum prices set last week through the use of the interruption formula in response to extreme upward pressures on prices for these refined products in the commodity markets. This past week, however, has seen these same commodity prices retreat somewhat enabling a downward adjustment in the maximum prices now set for these distillate products. As temperatures get colder and demand for heating fuels increase, refineries are ramping up production to replenish ever-tightening supplies, particularly in light of predictions for a harsh winter. Despite this lowering of maximum prices for heating fuels, price volatility in the commodity markets is not anticipated to diminish in the coming winter months resulting in expected fluctuations in the prices for these products.

Other factors that have contributed to recent market declines include: the fallback of crude oil prices (one of many factors of refined product prices) from nearly $98 US per barrel to below $90 US; a build-up of expectations that OPEC (Organization of Petroleum Exporting Countries) would increase production output at its Dec. 5 meeting in Abu Dhabi (in actual fact this did not occur and OPEC opted to maintain production targets); concerns that slowing global economic growth, especially in the U.S. and Europe, will cut demand for fuel; and, a willingness of agencies, such as the International Energy Agency (IEA), to tap emergency stockpiles should the need arise from unexpected shortages. In addition, refinery and infrastructure problems, such as the fire and explosion at the biggest pipeline from Canada to the U.S. that cut nearly one-fifth of U.S. imports, have been resolved and helped ease some of the market-pricing pressure on fuels.

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