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

MEDIA RELEASE

Thursday, April 17, 2008

Price interruption necessary for nearly all regulated fuels

Since the interruption formula criteria were met for all regulated fuels except residential propane, the Public Utilities Board, through its Petroleum Pricing Office, will adjust maximum prices in Newfoundland and Labrador (NL) accordingly.

Effective 12:01 a.m. Thursday, April 17, 2008, maximum prices for affected fuels will increase as follows, except in areas under a price freeze:

- all types of gasoline by 4.9 cents per litre (cpl);
- ultra low sulphur diesel by 8.2/8.3 cpl – depending on the HST rounding impact for a particular pricing zone; and,
- No. 2 blend furnace oil by 6.50 cpl and stove oil by 5.08.

Fuel prices in this province, with the exception of gasoline and propane, are at record levels, with No. 2 blend furnace oil leading the group at a 30 per cent increase since January. Current prices stem from dramatic market-pricing activity during this past week, when NYMEX (New York Mercantile Exchange) data reached all-time highs for automotive diesel, furnace/stove oil and jet fuel (blended with furnace oil during winter to improve this fuel's pourability in colder months). Market gasoline figures are approaching the peaks reached in August/September 2005 when Hurricane Katrina devastated oil infrastructure in the Gulf of Mexico.

Crude oil prices, while not used to calculate regulated fuel prices in NL, touched a new inflation-adjusted record during this pricing period and have remained well above $100 US per barrel for some time. This, in turn, has had a massive impact on the prices of the fuel products made from it. As a result, consumers and industry continue to grapple with the impact of these highly volatile commodity markets upon which local prices are based. These pricing movements are not only visible at the retail level, but the effects are also flowing over into other economic sectors.

Leading factors in recent price spikes can be attributed to a steadily weakening U.S. dollar; supply disruptions (Nigeria and Mexico – top exporters to the U.S.), which further show the tight and vulnerable nature of the market; unexpected inventory declines and declining production from Russia, which further spurned concern about meeting future demand; and, projected demand growth for commodities in China, Europe and India.

The Board recognizes that these higher maximum prices are creating concerns for all stakeholders; however, future pricing adjustments will remain dependent on market data.

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