

## **MEDIA RELEASE**

### **Gasoline and diesel fuel prices decrease**

Effective 12:01 a.m. Sunday, Oct. 30, 2005, the Public Utilities Board, through its Petroleum Pricing Office, will decrease the maximum allowable price for automotive fuels in Newfoundland and Labrador (NL).

The criteria for the Board's interruption formula were met for these fuels, resulting in a reduction of 5.8 cents per litre (cpl) for all grades of gasoline, as well as a 2.1 cpl decrease for diesel. The criteria for making these interim adjustments were not met for other regulated fuels, i.e., furnace/stove oil and residential propane used for home heating purposes.

The downward trend for gasoline and diesel on NYMEX (New York Mercantile Exchange) continue to decline from the record levels experienced in the recent past.

A myriad of factors have helped to lower market gasoline prices at this time, including: Hurricane Wilma missing the oil production and refining areas in the Gulf of Mexico that are still recovering from previous hurricanes; increased production of gasoline to near pre-hurricane levels, despite the fact that a significant portion of U.S. refinery production capacity remains shut; increased imports of this fuel aimed to offset any shortages created by the spin-off impact of recent weather events; and, a drop in consumption that has helped boost available supplies. Many of the factors that contributed to the recent volatility in prices are gradually subsiding, and in the absence of other unforeseen events may now sustain greater stability in the commodities market for gasoline.

On the other hand, distillate inventories, which include diesel and furnace/stove oil, have reportedly not recovered as quickly as gasoline. While production has increased for distillates, demand has also kept pace particularly with the on-set of colder weather. Concerns regarding expected winter demand continue to surface among commodity traders, as distillate stockpiles are in the lower end of the average range for this time of year and production capacity is tight. Future price signals for distillate products remain unclear and will depend on how market conditions unfold in the weeks ahead.

### **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 the New York Mercantile Exchange (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.

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