

MEDIA RELEASE

Maximum gasoline prices increase slightly

Effective 12:01 a.m. Saturday, April 8, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum price for all types of gasoline by 1.7/1.8 cents per litre (cpl) in Newfoundland and Labrador (cpl), except in regions currently under a price freeze.

NYMEX (New York Mercantile Exchange) continues to demonstrate considerable price volatility for refined petroleum products. This volatility resulted in recent increases in the maximum price of No. 2 blend furnace oil (April 2), automotive diesel and stove oil (April 3) and now gasoline.

Gasoline demand remains high and uncertainty continues concerning the availability of sufficient supplies of this product to meet demand in North America's peak driving summer season. In addition, for environmental compliance, the gasoline additive ethanol is being substituted for MTBE (*methyl tertiary-butyl ether*) in the U.S. This change in product formula is placing strain on refiners as well as the fuel storage and distribution network and hence, contributing to higher commodity pricing. Also ongoing events in major oil-producing nations continue unabated in exerting upward pressure on global crude oil prices.

Despite the sustained pressure from these market forces, unlike other unregulated markets, gasoline prices in NL have remained unchanged since March 21. Also barring any extraordinary market conditions, prices for all regulated fuels will now be held stable until the Board's regular mid-monthly adjustment on April 15th.

The Board will continue its daily monitoring and evaluation of the impact of global trends on the commodity-pricing markets and will ensure that consumers in NL have access to an uninterrupted supply of regulated fuels at a fair price.

MARKETS

Gasoline inventories in the U.S., the world's largest consumer of fuel, are in a relatively healthy position as compared to historical levels, and they are above the average range for this time of year. However, gasoline inventories have decreased consistently for the past several weeks, mainly due to increasing demand.

North America's peak driving season is a little more than a month from getting underway, and fuel traders have been trying to determine if there will be sufficient supplies to meet this impending demand. Market-pricing volatility for this refined fuel is also being supported by the upcoming deadline for environmental compliance of a reformulated gasoline in the U.S. that involves the removal of the gasoline additive MTBE (*methyl*

tertiary-butyl ether) and a switch to ethanol. Refiners have been adjusting their processes in order to produce a suitable-grade gasoline for blending with ethanol. Storage and distribution during this period have been identified as potential supply problems, at least temporarily. The MTBE and ethanol blends of fuel must be transported and stored separately to avoid contamination, thus putting a strain on the existing infrastructure.

Nigeria and Iran have remained trouble spots for fuel traders. Output from the oil-rich Niger Delta hasn't resumed as quickly as anticipated after recent civil and militant unrest dramatically reduced production in this region. Continued tension regarding Iran's nuclear enrichment activities has provided market apprehension regarding future fuel supply availability from this country, the world's fourth largest crude oil producer.

BACKGROUND

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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