



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



MEDIA RELEASE

Board makes early price adjustment to gasoline after major market downturn

Effective 12:01 a.m. Saturday, August 19, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will make an adjustment to lower maximum gasoline prices in Newfoundland and Labrador (NL) by 9.6/9.7 cents per litre (cpl) – depending on the HST rounding impact. This action is being taken by the Board in advance of the normal interruption adjustment which would have occurred at 12:01 a.m. Tuesday, August 22, 2006. No adjustments to the maximum prices of other fuels are being implemented at this time.

Recently, fuel prices on NYMEX (the New York Mercantile Exchange) for gasoline, in particular, have taken a substantial downward turn because of the easing of global supply concerns resulting from the negotiated cease fire in the Middle East and a lower-than-expected impact involving the pipeline closure in Alaska. The average of market pricing over the past several days has been sufficient, in the judgement of the Board, to make an adjustment to local regulated maximums in advance of the scheduled timeline.

The Board sets only the maximum prices for refined fuels in this province, and wholesalers and retailers can sell at or below these maximums at any time. It is disappointing that industry stakeholders did not move to reduce pump prices prior to this announcement, as it clearly could have based on the market data used by the Board for this price change.

This early adjustment is deemed warranted under Section 14(1) of the *Petroleum Products Act* (see Background), providing consumers with a more timely reduction in maximum gasoline prices. The Board, in making these changes of its own volition, is acting in a fashion similar to that taken in the wake of Hurricane Katrina last September. At that time, maximum prices were increased and decreased substantially by the Board in advance of the scheduled interruption formula adjustment to both ensure the continuous supply of petroleum products throughout the province and to protect consumers' interests. With this current adjustment the Board is striving to be consistent in its actions given this extraordinary downturn in pricing.

The Board will continue to monitor the volatility of market conditions that exist globally and will take whatever action may be necessary in the weeks ahead to fulfil its regulatory obligations both to consumers and industry.

MARKET MOVERS

The market has been responding to news from the U.S. – the world’s largest consumer of fuel – that economic growth is slowing gasoline demand. As the peak demand driving season is nearing its end, and forecasts of global demand have been revised downward, supplies are currently deemed sufficient to meet these levels.

As well, although current inventory information from the U.S. EIA (Energy Information Administration) showed a decrease in gasoline supplies, the levels overall remain in the middle of the average range for this time of year. And the impact of the partial pipeline closure in Prudhoe Bay, the biggest oilfield in the U.S., did not affect the inventory data as feared, and the declines were in line with forecasted figures.

The cease fire in Lebanon has also eased fears that should fighting have continued, it would have spread to neighbouring countries, accounting for a third of the world’s oil supply, may lead to disruptions. These concerns have since been alleviated and the commodities market has responded accordingly.

BACKGROUNDER

Section 14(1): *“The Board shall adjust the benchmark price for each type of motor fuel and heating fuel on a monthly basis, but where circumstances warrant, the Board may adjust prices at other times.”*

HST impact: The rounding effect of the HST (Harmonized Sales Tax) may create a slight variation in the magnitude of price changes in each zone for gasoline. Please refer to the price tables related to this announcement to determine the maximum price for your area.

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