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## MEDIA RELEASE

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### Maximum automotive diesel prices decrease

Effective 12:01 a.m. Saturday, Sept. 2, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will reduce the maximum price for automotive diesel by 3.4 cents per litre (cpl) in Newfoundland and 3.1/3.2 cpl in Labrador – depending on the HST rounding impact.

The interruption formula criteria were met for both the ultra low sulphur diesel (ULSD) product now available on the island portion of the province and the low sulphur diesel (LS No. 2) in Labrador. Federal guidelines that became effective yesterday, Sept. 1, now specify that ULSD is required for on-road vehicles at the retail level for all areas, except in northern supply regions such as Labrador where low sulphur product (LS No. 2) can be used for another year (see Backgrounder).

There will be no changes to the maximum prices of the other regulated products in the province at this time because the criteria for an interruption were not realized.

Many of the same factors that led the Board to lower maximum gasoline prices Sept. 1 have also been reflected in NYMEX (New York Mercantile Exchange) prices for diesel, a distillate fuel product. These include healthy distillate inventories, lowering of global demand, lower than expected impact on production at Alaska's Prudhoe Bay and the mixed blessing coming out of the Middle East with the cease fire holding in the Lebanon region, but unrest continuing in Iraq. Also by contrast, military unrest in oil-rich Nigeria and the prospect of U.N. economic sanctions in relation to Iran's uranium enrichment program serve as negative factors contributing to future marketplace uncertainty. The Board will continue to make adjustments to maximum fuel prices upward or downward based on market data, while balancing the needs of all stakeholders in setting prices through its regulatory processes.

### BACKGROUNDER

**New diesel fuel specifications:** Changes to federal guidelines regarding the sulphur content of diesel fuel for use in on-road vehicles, off-road engines, vessel and locomotive engines came into effect January 1, 2006.

Federal regulations specify that all diesel fuel produced, imported and sold in Canada will see the sulphur content in on-road vehicle diesel fuel drop from 500 mg/kg to 15 mg/kg. The first stage of the mandated switchover for on-road diesel fuels began June 1, 2006 for refiners/importers.

Effective Sept. 1, 2006, sulphur limits must be 22 mg/kg at the retail level and after Oct. 15, 2006, limits must be reduced to 15 mg/kg (the lag is to allow for the new diesel product to be distributed and the stored product containing higher sulphur levels to be sold).

Northern supply areas, including the entirety of Labrador, were granted an extension to the implementation of the new diesel product, and the new guidelines at the retail level will not become effective until Sept. 1, 2007. Off-road as well as rail and marine diesel fuels have later effective dates for switchover extending into 2007 and beyond.

The Board has approached the provincial government to amend the regulations under the *Petroleum Products Act* to include the Platts New York Cargo price for ULSD as the benchmark for setting the regulated maximums for diesel. In the interim, the Board will adjust the total allowable mark-up to immediately address cost recovery issues related to ULSD, a higher-quality product, as a result of these requirements.

More information related to this announcement can be found on the Board's website at: [www.pub.nl.ca](http://www.pub.nl.ca), follow the link for Petroleum Pricing to the Sept. 1, 2006 news release.

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