

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

MEDIA RELEASE

Seasonal demands place pressure on fuel market

At 12:01 a.m. Thursday, Dec. 7, 2006, the Public Utilities Board, through its Petroleum Pricing Office, will make its biweekly adjustment to maximum fuel prices in Newfoundland and Labrador (NL), with the exception of areas where a price freeze is in effect.

Minimal to moderate increases will be seen for all products at this time. In the case of automotive fuels, maximum gasoline prices will increase by 2.8/2.9 cents per litre (cpl) – depending on the HST rounding impact for a particular pricing zone, while ultra low sulphur diesel will rise by 2.6/2.7 cpl in Newfoundland and low sulphur diesel in Labrador by 3.1/3.2 cpl. In the heating fuel category, No. 2 blend furnace oil will move upward by 2.86 cpl, stove oil by 2.32 cpl, and residential propane by 0.5 cpl.

This adjustment represents the second time the Board has set maximum prices for petroleum products using its new schedule of every two weeks (on Thursday) rather than the previous mid-month adjustment. The purpose of this change was to improve the predictability of pricing adjustments while making the regulatory environment more transparent and responsive to global market conditions, either up or down. The Board notes that while market conditions for most products have remained generally stable in recent weeks, experience has shown that price fluctuations can shift dramatically depending on changing circumstances impacting world markets.

Weather has been one of the major influences on the commodity markets during the past couple of weeks, as winter approaches. Colder weather forecasts propped expectations of increased demand for home heating fuels along North America's northeast coast (the region where consumption of these fuels is highest), while some reports of warmer weather also served to ease those concerns in the short term. Inventory levels reportedly continued to decline and are in the middle of the average range, which has further caused concern about meeting future demand.

Though not in a peak demand season, market gasoline prices have also seen overall upward pressures resulting from an increase in crude oil prices. Recent U.S. inventory reports showed that supplies for this refined fuel are nearing the lower end of the average range for this time of year, and demand continues to be strong.

Also driving market prices are the ongoing geopolitical concerns coming from OPEC (Organization of Petroleum Exporting Countries) that there may be more production cuts coming out of its Dec. 14 meeting in an effort to boost prices. As well, forecasts of a weaker U.S. economy and dollar have affected market activity.

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