

## MEDIA RELEASE

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*Thursday, August 2, 2007*

### **Maximum gasoline prices drop; other fuels see small changes**

The Public Utilities Board, through its Petroleum Pricing Office, will adjust maximum fuel prices throughout Newfoundland and Labrador (NL) as per its biweekly schedule effective 12:01 a.m. Thursday, August 2, 2007.

The resulting changes for each fuel product will occur as follows:

- all types of gasoline will decrease 4.5/4.6 cents per litre (cpl) – depending on the HST rounding impact in a particular pricing zone;
- ultra low sulphur diesel in Newfoundland will be lowered 0.4 cpl, as will low sulphur diesel in Labrador by 0.6/0.7 cpl;
- furnace and stove oil will also decline by 0.36 cpl; and,
- residential propane used for home heating purposes will increase by 0.5 cpl.

Commodity gasoline prices experienced an overall downturn during this pricing period (July 18-31, 2007) on news that U.S. refinery output had steadily increased to its highest level in 10 months, and as a result, improving inventories were expected to satisfy current demand. The current price change reflects the largest decrease for gasoline seen since this past January, when prices were lowered 5.3 cpl.

Factors that have affected fuel prices, both positively and negatively, over the past two weeks include:

- the strong performance of the Canadian dollar;
- though there have been decreases, seasonal demand for gasoline and below-average supplies have kept market fuel prices buoyant;
- distillate fuels (furnace/stove oil and automotive diesels), despite being in an off-peak demand season, haven't seen major declines this summer, mainly driven by the increasing dependence on and consumption of diesel;
- strong global economic growth continues in spite of continuing high energy prices and increasing oil consumption;
- OPEC (Organization of Petroleum Exporting Countries) has stated that the market is sufficiently supplied and price increases have been created from geopolitical news and refining bottlenecks;
- increased refinery capacity also put pressure on available crude oil supplies; and,
- markets are quick to react to any news that could affect available supplies, such as heightening tensions in the Middle East and the impending fears of potential hurricanes or adverse weather that could disrupt supplies.

The Board notes public controversy often accompanies predictions of price decreases in petroleum products, particularly gasoline, which subsequently prove incorrect. This also happens following reports of price declines in other regulated jurisdictions which are not simultaneously reflected in this province because of differing regulatory methodologies. This occurred last week when market data figures fell short of triggering the Board's interruption formula. The basis of regulating maximum prices of petroleum products in NL was established in 2001 and has largely remained intact since. This methodology is applied consistently and without discretion whether commodity prices are going up or down, and serves to strike an appropriate balance between consumers and retailers/wholesalers working to supply these products throughout all regions of the province.

The pricing methodology and how it is applied can be seen by visiting the Board's website at [www.pub.nl.ca](http://www.pub.nl.ca) or by contacting the Board's Petroleum Pricing Office toll-free at 1-866-489-8800.

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