

MEDIA RELEASE

Thursday, September 13, 2007

Maximum fuel prices set for increases

Ultra low sulphur diesel pricing begins in Labrador

The Public Utilities Board, through its Petroleum Pricing Office, has set the new maximum fuel prices in Newfoundland and Labrador (NL), as per its scheduled biweekly adjustment.

Effective 12:01 a.m. Thursday, Sept. 13, 2007, all maximum fuel prices will increase as follows:

- all types of gasoline by 1.2/1.3 cents per litre (cpl) – depending on the HST rounding impact in a particular pricing zone;
- ultra low sulphur diesel by 2.8/2.9 cpl in Newfoundland and 4.3/4.4 cpl in Labrador (see sub-sections regarding the latter);
- furnace and stove oil by 2.61 cpl; and,
- residential propane used for home heating purposes by 0.7 cpl.

Seasonal pressures on heating oil are starting to emerge as commodity markets shift focus from the production of gasoline to distillate fuels (furnace/stove oil and diesel) in preparation for the coming heating season. In addition, U.S. gasoline inventories are well below average, and despite an OPEC (Organization of Petroleum Exporting Countries) commitment to increase production quotas beginning in November, the market continues to reflect upward pressure on pricing indicating these quotas may still be insufficient. Also, other factors impacting fuel prices which have not subsided include the threat posed by further hurricanes and economic uncertainties, particularly in the U.S.

LABRADOR

As previously announced by the Board effective Sept. 1, 2006 (see [news releases](#)), changes to federal regulations required the use of ultra low sulphur diesel (ULSD) in the retail market. These changes meant that prices were adjusted to reflect the additional costs associated with the improved emission specifications for this product. While this federal regulation has already been in place on the island portion of the province since that time, ULSD standards were not required for Labrador until Sept. 1, 2007 to allow sufficient time for stored product to flow through the entire fuel network. Therefore, maximum diesel prices in Labrador will now reflect those of the ultra low sulphur product.

In keeping with these mandated federal standards, the *Petroleum Products Act* was amended to include the Platts New York Cargo price for ULSD as the benchmark for setting the regulated maximums for diesel.

BACKGROUND

Diesel fuel specifications: Federal regulations specified that all diesel fuel produced, imported and sold in Canada would see the sulphur content in on-road vehicle diesel fuel drop from 500 mg/kg to 15 mg/kg. Off-road as well as rail and marine diesel fuels have later effective dates for switchover extending into 2007 and beyond.

There was a delay in the implementation for northern regions (including the entirety of Labrador) because of the difficulty in supplying these areas, especially in winter. Refuelling facilities in these areas generally experience slower turnover of diesel fuel inventories and Natural Resources Canada established a later effective date for implementation of this particular standard.

More information regarding ULSD regulations can be found on the following website: http://www.ec.gc.ca/ceparegistry/documents/regulations/qa_guid/questions.cfm, with an amendment at: <http://canadagazette.gc.ca/partII/2006/20060712/html/sor163-e.html>.

-30-

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