

## **MEDIA RELEASE**

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*Thursday, November 8, 2007*

### **Volatile market reflected in local maximum fuel prices**

*Annual jet blend calculations, Labrador price freeze implemented*

Effective 12:01 a.m. Thursday, November 8, 2007, the Public Utilities Board, through its Petroleum Pricing Office, will set maximum fuel prices as per its scheduled biweekly adjustment. The annual implementation of the jet blend into furnace oil calculations and the price freeze for certain Labrador pricing zones will also occur at this time.

As a result of the average commodity market movement, the following represents the changes for maximum fuel prices:

- all types of gasoline will increase 4.3/4.4 cents per litre (cpl), depending on the HST rounding impact in a particular pricing zone;
- ultra low sulphur automotive diesel will rise 3.5/3.6 cpl;
- furnace oil will see the seasonal implementation of the jet blend at this time, which means the maximum price for this fuel will increase 6.04 cpl, and stove oil will increase by 3.55 cpl; and,
- residential propane used for home heating purposes will increase 1.7 cpl.

Following a 2 week period of general stability for fuel prices in NL compared with increases experienced elsewhere, prices in the province during this adjustment will now escalate to reflect the significant upward pressure being exerted on the prices of all petroleum products in the global marketplace. With crude oil at record levels pushing \$100 US a barrel the effect on commodity prices for refined petroleum products has been quite pronounced. In addition, rather than predicted gains, US stockpiles of refined fuels have seen significant draw downs linked primarily to a much stronger US economy than expected in recent weeks and an earlier beginning to the higher demand heating season in some regions. Aside from these economic factors, weather disruptions and geo-political events continue to contribute to market volatility, including tensions along the Iraq-Turkey border, the latest round of sanctions against Iran over its nuclear program and uncertainty surrounding future production decisions by OPEC.

The strength of the Canadian dollar continues to shield NL consumers from the full brunt of these price movements. As the Board converts US market data into its Canadian equivalent each and every day, all the recent record highs reached by the loonie play a significant factor in the calculation of maximum prices. The impact of the higher Canadian dollar on prices paid by consumers for gasoline is evident when current gasoline prices are compared with those of a year ago. Without factoring in the changed value of the Canadian dollar consumers in this province would have seen an increased price differential of 29.6 cpl versus one year ago. When adjusted for the current value of the Canadian dollar this price differential is reduced to just over 16.1 cpl, resulting in a direct benefit of 13.5 cpl arising from the year over year gain in value of the Canadian dollar.

## BACKGROUND

**Jet blend:** As of Nov. 8, 2007, the maximum price for furnace oil (also known as No. 2) will see the seasonal incorporation of what is known as the jet blend. This practice has been ongoing in Newfoundland and Labrador for the past several heating seasons to accommodate the costs associated with mixing 75 per cent jet fuel with 25 per cent furnace oil to improve this fuel's performance in colder climates over winter.

**Labrador price freeze:** The annual fuel-price freeze occurs in several Labrador zones, including: Zone 11 (Labrador South – Lodge Bay / Cartwright), Zone 11a (Coastal Labrador South – Tanker Supplied), Zone 11b (Coastal Labrador South – Drum Delivery) and Zone 14 (Coastal Labrador North).

Policy on this matter has previously been developed in consultation with stakeholders from these regions, and is largely based on the difficulties encountered in supplying fuels to Labrador. The winter freeze-up affects the shipping season, and there are problems with road access during the winter months. The price freeze will continue until deliveries to the region resume in the spring of the year; however, in the case of Zone 11 (Labrador South – Lodge Bay / Cartwright), where road access may be available prior to the beginning of the shipping season, the Board will consult with local stakeholders to determine the appropriate end date for the price freeze, as it has in the past.

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