

## MEDIA RELEASE

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*Thursday, May 8, 2008*

### **Seasonal adjustments reflected in maximum fuel prices**

*Jet blend removed from furnace oil calculations; Zone 11 price freeze lifted*

Effective 12:01 a.m. Thursday, May 8, 2008, the Public Utilities Board, through its Petroleum Pricing Office, will set new maximum prices for regulated fuels in Newfoundland and Labrador, with the exception of areas remaining under a price freeze.

Maximum prices will move as follows:

- all types of gasoline will increase by 1.1 or 1.2 cents per litre (cpl), depending on the HST rounding impact in a particular pricing zone;
- ultra low sulphur diesel will experience no change or a decrease of 0.1 cpl, also due to HST rounding;
- furnace oil will decrease by 6.58 cpl, due to the removal of the jet fuel blend;
- stove oil will decrease 0.59 cpl;
- residential propane used for home heating purposes will rise by 1.8 cpl, and,
- due to the lifting of the price freeze in Zone 11 (Labrador South – Lodge Bay/Cartwright), maximum prices in this zone will increase as follows: 21.3 cpl for gasoline, 29.4 cpl for ultra low sulphur diesel, and 25.25 cpl for stove oil.

There were a few days of downward pricing for commodities at the outset of this session; however, these were short lived and offset by the more frequent jumps. In the case of gasoline, the traditional peak demand summer driving season is only three weeks away. Upward pricing movement has resulted from ongoing declines in U.S. inventories and the fact that refiners are moving from winter to summer grades of gasoline, which comes at an increased cost. As well, many have shut for maintenance to prepare for increased gasoline production.

Market distillate (diesel and furnace/stove oil) prices have resisted falling from their highs despite moving into the off-peak demand season, particularly for heating fuels. Supplies are considered tight globally, and this has continued to place pressure on these products. The decrease in the maximum price for furnace oil in this province is the result of the removal of the seasonal adjustments for the jet fuel blend that was added this past November (see the [Nov. 8, 2007](#) media release at [www.pub.nl.ca](http://www.pub.nl.ca)).

Along with crude oil setting new record highs above the psychological barrier of \$120 US per barrel and predictions of \$150 to \$200 US within two years, several other events have intensified concerns for global supplies of the products refined from it. Fuel supply disruptions, whether actual or feared, and sluggish output from major producing countries, such as Nigeria, Venezuela, Iran, Russia and Norway, have predominated recent market-pricing fluctuations. The removal of

any oil from the market creates difficulty for making products, including gasoline and heating fuels, and limits available supply.

### **PRICE FREEZE LIFT**

Following consultation with local stakeholders concerning low fuel inventories and the resumption of a dependable supply of petroleum products by road, the Board will lift the annual price freeze for Zone 11, also effective May 8, 2008. New fuel products have to be purchased by the supplier at higher market prices than those in effect when the price freeze was implemented Nov. 8, 2007. Now that the price freeze is lifted, these higher costs are reflected in the increased maximum allowable prices. Increases of this magnitude are not unusual in this region after the removal of the price freeze because of escalating market conditions and extreme volatility, though this year marks the single largest increases for diesel and stove oil.

The price freeze in Zones 11a (Coastal Labrador South – Tanker supplied), 11b (Coastal Labrador South – Drum Delivery) and 14 (Coastal Labrador North) will remain in effect until it has been determined that fuel supply shipments can resume in these regions.

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Media contact: Michelle Hicks, Communications. Tel: 1-866-489-8800 or (709) 489-8837.  
E-mail: [mhicks@pub.nl.ca](mailto:mhicks@pub.nl.ca) or visit the Board's website: [www.pub.nl.ca](http://www.pub.nl.ca).