

MEDIA RELEASE

Thursday, May 15, 2008

Maximum prices for distillate fuels to increase

The Public Utilities Board, through its Petroleum Pricing Office, has determined that the interruption formula criteria have been met for distillate fuels (automotive diesel and furnace/stove oil) requiring an adjustment outside of the regular biweekly schedule.

Effective 12:01 a.m., Thursday, May 15, 2008, maximum prices will increase as follows, except in areas still under a price freeze:

- automotive diesel by 9.2 or 9.3 cents per litre (cpl) – due to HST rounding; and,
- furnace oil and stove oil by 7.79 cpl.

The interruption criteria were not met for all types of gasoline or residential propane used for home heating purposes, and there will be no changes to these maximum prices at this time. This is the fourth time in as many months the Board has been required to increase maximum prices using the interruption formula because of spiking market conditions. Diesel prices in this province have risen 34 cpl so far this year, with this adjustment being the largest one-time increase. Over the same period, furnace oil prices have risen nearly 25 cpl.

As prices for crude oil reached record highs during the past week, the refined petroleum products upon which the Board bases regulated maximums also increased. Despite moving into the traditional off-peak demand season, diesel and heating fuels were affected to a greater magnitude than gasoline. Distillate inventories are below the five-year average and global demand has not subsided. However, refiner margins for these products have not kept up with the price of crude oil and production has declined as a result.

Other factors that have also created market fluctuations include: the changing values of the U.S. dollar; a strike at France's biggest oil ports that disrupted the flow of supplies; and, tensions in Venezuela that could lead to sanctions by the U.S. More recently, a major earthquake in China has shut down significant domestic oil and coal production. It is expected that any shortfalls in power generation will have to be covered by diesel imports. In addition, the International Energy Agency lowered its forecast for global oil demand growth on weakening economies in North America and Europe.

The Board recognizes the concerns of consumers regarding further increases in prices for these fuel products and will continue to monitor market data to ensure that prices in this province are in line with the realities of the marketplace, and permit a secure supply of fuel in the local network.

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