

## **MEDIA RELEASE**

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*Thursday, August 30, 2007*

### **Small increases for gasoline and most other fuels**

Effective 12:01 a.m. Thursday, August 30, 2007, the Public Utilities Board, through its Petroleum Pricing Office, will set new maximum fuel prices in Newfoundland and Labrador (NL), as per its scheduled biweekly adjustment.

The pricing movements for each of the regulated fuels will occur as follows:

- all types of gasoline will increase by 1.0/1.1 cents per litre (cpl) – depending on the HST rounding impact in a particular pricing zone;
- ultra low sulphur diesel in Newfoundland will increase by 1.0/1.1 cpl, while low sulphur diesel in Labrador will rise by 0.5 cpl;
- furnace and stove oil will move upward by 0.22 cpl; and,
- residential propane used for home heating purposes will decrease 0.4 cpl.

Fluctuations on the commodity markets during this pricing period (Aug. 15-28, 2007) saw refined fuel prices, particularly gasoline, make significant swings both upward and downward that, when averaged, somewhat offset each other to result in these minimal changes. Maximum fuel prices in this province have remained relatively stable and nearly all fuel products are lower than year-ago figures. Gasoline is the only fuel above prices this time last year; however, it's only by 1.0 cpl.

Pressures on market gasoline prices have primarily stemmed from two fronts: (a) potential threats to supplies, as refineries continue to deal with production problems and outages, as well as the hurricane season and the impact a storm could have on major oil-producing areas; and, (b) a possible economic slowdown that may curb the persistent demand despite continuing high prices. Inventories have fallen significantly over the past three weeks and are well below the average for this time of year. While the traditional peak demand driving season is nearly over, the market is considered extremely tight and sensitive to any news outside of the usual supply/demand fundamentals. Evidence of this occurred last week as Hurricane Dean made its way into the Gulf of Mexico: prices escalated when fears of damage to oil infrastructure grew, and later subsided when it was ascertained that no damage would be incurred.

Commodity traders have wrestled with whether or not refinery gasoline production levels will meet demand, especially if strong consumption continues beyond summer when vacation driving demand usually declines. As well, the home heating season is about to get underway. Distillate supplies, which include furnace/stove oil and diesel fuel, are in the middle of the average range. Future pricing, provided no other extraordinary circumstances occur, will be mainly dependent on the availability of inventories should a colder-than-normal winter materialize.

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