

MEDIA RELEASE

Thursday, February 21, 2008

Strong upward market movements lead to fuel-price increases

Effective 12:01 a.m. Thursday, February 21, 2008, the Public Utilities Board, through its Petroleum Pricing Office, will increase the maximum prices of gasoline and distillates (diesel, No. 2 blend furnace oil and stove oil) as a result of the criteria being met for the interruption formula (IF).

Maximum prices will increase, except those under a price freeze, as follows:

- ◆ all types of gasoline by 6.3/6.4 cents per litre (cpl) – depending on the HST rounding impact for a particular pricing zone;
- ◆ ultra low sulphur diesel by 6.6 cpl; and,
- ◆ No. 2 blend furnace oil by 4.66 cpl and stove oil by 4.16 cpl.

There will be no change to the maximum prices of residential propane used for home heating purposes because the conditions for an interruption were not realized.

This pricing period (February 13-19, 2008) began in a strong upward position and has continued unabated since that time. The result is the use of the interruption formula by the Board for the first time this year and maximum prices that are experiencing the largest single increase for gasoline since March 2007 and for diesel fuel since September 2005.

While the setting of maximum prices for refined fuels in Newfoundland and Labrador (NL) are not directly tied to the price of crude oil, the latest dramatic spike in crude oil prices is providing the major push in the commodity markets for this significant increase in the price of automotive and heating fuels. For example, in the last week of trading, crude oil has steamrolled its way to an all-time record high moving more than \$10 US per barrel over that period.

The main catalysts for this sustained pressure on crude oil prices include an expectation that OPEC (Organization of the Petroleum Exporting Countries) may cut production quotes at its meeting next month and ongoing disputes/hostilities in major oil-producing countries such as Venezuela, Russia and Nigeria. Other events driving this rapid escalation in refined fuel prices on the commodity markets involve an explosion at a major refinery in Texas that will put the facility offline for several weeks, smaller-than-expected gains in inventories, and reports that a U.S. recession may not materialize as expected.

While consumers will understandably be concerned about this substantial price increase, the Board applies its pricing methodology on a consistent basis to ensure continuing supplies of fuels are available throughout the province. Within its normal processes, the Board will monitor this latest volatility and adjust maximum prices, either up or down, as appropriate.

The next scheduled pricing adjustment will occur Thursday, Feb. 28, 2008. For more information, along with questions/answers about the interruption formula and fuel-pricing regulation, visit: www.pub.nl.ca.

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