



INDEPENDENT CONSUMER & COMPETITION COMMISSION



PRESS STATEMENT

FUEL PRICE CHANGE

The Independent Consumer and Competition Commission ('Commission/ICCC') has received advice from InterOil that the Import Parity Prices ("IPP") for the month of November 2011 for all petroleum products will decrease for petrol, diesel and kerosene. InterOil has calculated the IPP based on an interim pricing arrangement as agreed mutually with the Government. Under this interim pricing arrangement, the Mean of Platts Singapore (MOPS) prices quoted to InterOil by its overseas suppliers is used as the basis of calculating the domestic prices.

Associate Professor Billy Manoka, Commissioner and CEO of ICCC, said that upon receiving the notice from InterOil, the Import Parity Price for fuel for the month of November will change as follows;

IPP Kina per litre			
Month	Petrol (Kina/litre)	Diesel (Kina/litre)	Kerosene (Kina/litre)
October	K1.98	K2.00	K1.97
November	K1.93	K1.96	K1.94
Change	-K0.05 (decrease)	-K0.04 (decrease)	-K0.03 (decrease)

Associate Professor Manoka said prices of diesel and kerosene based on the IPP pricing have decreased for the sixth consecutive month since May 2011, while the trend for petrol prices also decreased this month after increasing slightly in October. However, the future trend of crude oil price is unpredictable at the moment due to natural and geo-political events that are occurring across the globe that may constitute towards the crude oil price to fluctuate. The recent fluctuations of crude oil price in the international market in the recent months is attributed by the difference between increase in demand for crude oil and the weak global economy, a strong US dollar, and easing of tensions in the Middle-East. Hence, it's due to the poor performance of the American and European economies which have reduced the current and estimated crude demand for the near future.

The kina continues to appreciate on average against the US dollar in October and has seen the domestic currency appreciate for the ninth consecutive month. The improvement in kina value has significantly absorbed some pressure on the domestic prices of petroleum products that has resulted in the fall of all petroleum products prices for petrol, diesel and kerosene.

In the world market, crude oil prices have plunged on average from May to August, however, steadied slightly in the month of September but dropped slightly on average again in October. The fluctuations in the crude oil price is due to the ongoing political instabilities in major oil exporting countries as well as the economic performances of the influential economies such as US, China and European countries. The United States has not been able to improve its economic indicators and unemployment remains high while Europe is being affected by the deficit in the Greek, Italian and Spanish economies. Germany and other strong economies have been under negotiation to bail out the Greek economy which has been the most affected due to the high deficit. The Chinese economy has also been affected and the manufacturing indicators have decreased to the lower levels in 2011 and inflation is also attacking several investments in the Asian country.

On average, the product prices as represented by MOPS decreased by a 1.03% on average for the three products for this month. While crude oil price movement remained stable, the IPP prices, which take into account the changes in MOPS and the exchange rate decreased by 2.09% on average for the three products. The changes in the product prices at the IPP level together with stable application of the domestic freight rates in particular InterOil's sea freight charges for the fourth quarter, withholding wholesale and retail margins have caused the corresponding domestic retail fuel prices for petrol, diesel and kerosene to decrease. This resulted in a decrease of 1.30% on average for all petroleum products in October at the domestic front and therefore consumers are expected to pay less for petrol, diesel and kerosene.

Associate Professor Manoka explained that the Commission only sets the wholesale and retail margins on an annual basis while the IPP is set under InterOil Project Agreement. The Commission also monitors the domestic sea and road freight rates on a quarterly basis as set by the oil distributors under the current arrangement to ensure that the rates are reflective of the efficient costs of transporting petroleum products within PNG.

As a result of adding all cost components to the indicative retail pump prices provided, the following table shows the maximum of the cost components of fuel prices to be sold in Port Moresby commencing on the 8th of November 2011.

Port Moresby Retail Prices (toea per litre)			
Cost Component	Petrol (tpl)	Diesel (tpl)	Kerosene (tpl)
IPP	192.7361	195.7455	194.4568
Excise duty	61.00	6.00	0.00
Domestic freight(sea* + road)	11.56	12.35	11.99
Wholesale Margin	31.3	31.3	31.3
Retail Margin	19.2	19.2	19.2
Goods & Services Tax (10%)	10%	10%	10%
Retail Prices as of (current month)	347.38 (K3.47)	291.06 (K2.91)	282.64 (K2.83)
Retail price as at last month	353.33 (K3.53)	295.95 (K2.96)	285.50 (K2.86)
Price Variance (+/-) toea per litre	-6 tpl	-5 tpl	-3 tpl
% change	-1.70 %	-1.69 %	-1.05 %

* The domestic sea freight rate is the maximum provided in the distributors submissions.

Retail prices at all other designated centres will change depending on the applicable in-country shipping and road freight rates charged by the oil distributors for the final quarter of 2011.

As part of the Commission's role in the enforcement and compliance, officers will conduct inspections to all service stations from 8th November to ensure the petroleum products are sold at the approved prices. Associate Professor Manoka also urged all fuel suppliers and retailers to comply accordingly with the November allowable indicative retail price levels.

To conclude, Associate Professor Manoka said crude oil prices steadied during the month of September, however, dropped slightly on average in October although prices still remain well above US\$110.00 per barrel on average. The fluctuation of crude oil prices in the recent months is attributed by various factors occurring globally including the poor performance of the US and European economies which have reduced the current and estimated crude demand for the end of 2011 and 2012 with slower growth in Asia region. Domestic prices normally follow the trend of the crude oil prices and may continue to fluctuate in the coming months should crude prices continue to trade below or above that mark.

The crude oil demand in the world market for the month of October has fallen due to poor performance of the American and European economies which have reduced the current and estimated crude demand and also due to the extra barrels of crude oil supply into the world market as the result of the International Energy Agency's decision in June to pump in more crude oil into the market as a preventive measure to address the rising crude oil prices.

Crude oil prices at the international market significantly depend on the interaction between the global energy demand and supply. Political instability and unrest in major oil exporting countries also have considerable effects on the supply of the crude oil into the world market as it was experienced during the first and second quarters of this year. The recovery and growth in the US economy is vital to the crude oil price as strengthening of US dollar will see decline in the crude oil price as the two are adversely related at the global crude oil market.

Domestic retail prices in PNG normally follow the same direction as the movements in the prices of international crude oil but the extent of the change in domestic prices will also depend on the movement in the exchange rate of the PNG kina against the US dollar and the quarterly freight rate submissions from the major domestic oil companies.

Authorised by:



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Commissioner/CEO

7th November, 2011