



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 September 2011 will decrease for all petroleum products, 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 September will change as follows;

IPP Kina per litre			
Month	Petrol (Kina/litre)	Diesel (Kina/litre)	Kerosene (Kina/litre)
August	K2.03	K2.12	K2.09
September	K1.96	K2.03	K2.00
Change	-K0.08 (decrease)	- K0.09 (decrease)	-K0.09 (decrease)

Associate Professor Manoka said prices of diesel and kerosene based on the IPP pricing have decreased for the fourth consecutive month since May 2011, while the trend for petrol prices fall again this month after increasing in July. 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 might constitute towards the crude oil price to either increase or decrease. 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.

The value of the kina has again appreciated against the US dollar for the month of August which has seen the domestic currency appreciate for the seventh 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 - petrol, diesel and kerosene price in the domestic market in August.

In the world market, crude oil prices have plunged during the month of August due to a fall in crude oil demand resulting from the occurrence of hurricane Irene in the US and regaining of political stability in Libya. This has caused the product prices as represented by MOPS to decrease this month by more than 3% on average for the three products. The IPP prices, which take into account the changes in MOPS and the exchange rate also decreased by 4% 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 third 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 2.7% on average for all petroleum products in September at the domestic front and therefore consumers are expected to pay less for petrol, diesel and kerosene than the prices determined in the month of August.

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 September 2011.

Port Moresby Retail Prices (toea per litre)			
Cost Component	Petrol (tpl)	Diesel (tpl)	Kerosene (tpl)
IPP	195.7250	202.6573	200.1909
Excise duty	61.00	6.00	0.00
Domestic freight(sea* + road)	11.37	11.81	11.57
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)	350.45 (K3.50)	298.06 (K2.98)	288.49 (K2.88)
Retail price as at last month	358.85 (K3.59)	308.04 (K3.08)	298.13 (K2.98)
Price Variance (+/-) toea per litre	9 tpl	10 tpl	10 tpl
% change	2.5 %	3.2 %	3.4 %

* 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 third 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 September 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 September allowable indicative retail price level.

To conclude, Associate Professor Manoka said crude oil prices have slightly decreased during the month of August although prices on average still remained well above US\$110.00 per barrel. The fluctuation of crude oil prices in the recent months is attributed by various factors occurring globally including the interaction of supply and demand of crude oil, weak global economy, a stronger US dollar, and easing of tensions in the Middle-East. 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 August has fallen due to extra barrels of crude oil being supplied 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. Decline in US demand for crude oil due to the occurrence of hurricane Irene in US, appreciation of kina value and regaining of political stability in Libya has all constituted enormously to the fall in the crude oil prices for this month.

Crude oil price at the international market significantly depends on the interaction between the global energy demand and supply. Political instability and unrest in major oil exporting countries 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 September, 2011