



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 2010 will increase for diesel and kerosene while petrol will remain unchanged. 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) price 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	K1.67	K1.76	K1.72
September	K1.67	K1.78	K1.75
Change	K0.00 (no change)	K 0.02 (increase)	K 0.03 (increase)

Associate Professor Manoka said after falling for two months, prices of all three petroleum products have rebounded after a steady decline during the past few months. The amount of increase for this month is just moderate as improving kina value eased the pressure on rising product prices and ended the month with petrol prices remaining unchanged while diesel and kerosene prices increased both at the IPP level and at the domestic front.

High production costs and the rise in other significant costs affecting the product prices ex Singapore have caused the product prices as represented by the Mean of Platts Singapore (MOPS) to increase this month by 1.5% on average for the three products. The IPP prices, which take into account the changes in MOPS and the exchange rate also increased merely by 0.82% on average for the three products. Despite petrol prices remaining unchanged, the domestic retail fuel prices will increase by 0.5% on average for all petroleum products in September and therefore consumers are expected to pay slightly more than the prices determined in August particularly for diesel and kerosene.

While making this statement, 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 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 component of fuel prices to be sold in Port Moresby commencing on the 8th of September 2010.

Port Moresby Retail Prices (toea per litre)			
Cost Component	Petrol (tpl)	Diesel (tpl)	Kerosene (tpl)
IPP	166.9084	177.7209	174.6249
Excise duty	61.00	6.00	0.00
Domestic freight(sea* + road)	13.94	14.93	14.42
Wholesale Margin	26.70	26.70	26.70
Retail Margin	17.40	17.40	17.40
Goods & Services Tax (10%)	10%	10%	10%
Retail Prices as of (current month)	314.54 (K3.15)	267.03 (K2.67)	256.46 (K2.56)
Retail price as at last month	314.80 (K3.15)	264.60 (K2.65)	253.92 (K2.54)
Price Variance (+ / -) toea per litre	00.0 tpl	0.02 tpl	0.03 tpl
% change	0.00%	0.75%	1.18%

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

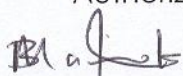
Retail prices at all other designated centres will change depending on the applicable in-country shipping and road freight rates charged by the oil distributors for the third quarter.

In noting the fuel price changes for this month, Associate Professor Manoka urges all fuel suppliers and retailers not to charge above the allowable indicative retail price level. As part of its enforcement and compliance duties, the Officers from the Commission will conduct inspections at all service stations from 8th September 2010 to ensure suppliers comply with the new prices determined.

To conclude, Associate Professor Manoka said that despite prices falling slightly during August, demand for crude oil remains high in the Asia Pacific region evident from the increase shown by APPI Tappis crude oil data towards the end of the month. Should crude oil continue to trade above the US\$75.00 per barrel, then prices may adjust accordingly. Domestic prices may continue to fluctuate in the coming months should crude prices continue to trade below or above that mark. Changes in fuel prices are determined by global energy demand and given that crude oil is a globally traded commodity, it is expected that demand and supply determinants in the major regions around the world, the value of the US dollar and other geopolitical tensions in oil producing nations will continue to cause prices to change at any time in future.

Though it is too early to predict the direction in the movement of prices for the entire year, 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 market of the PNG kina against the US dollar and the quarterly freight rate submission from the oil industry.

Authorized by:



ASSOC. PROF. BILLY MANOKA, (PhD)
Commissioner/CEO

6th September 2010