The Independent Consumer and Competition Commission (‘Commission/ICCC’) has received advice from Puma Energy that the Import Parity Prices (“IPP”) for the month of February 2015 will decrease for petrol, diesel and kerosene. Puma Energy 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 Puma Energy by its overseas suppliers is used as the basis of calculating the domestic prices.

Commissioner and Chief Executive Officer of ICCC, Dr. Billy Manoka said that based on the IPP calculations, the prices of petrol, diesel and kerosene have again decreased respectively this month at the IPP level. Again for this month, the decrease in the fuel prices at the IPP level is mainly attributed to the continuing decrease in international crude oil prices. The decrease in international crude oil prices is mainly due to oversupply in the international crude oil market and low demand from particularly Asia and the war-raged areas of Ukraine and Russia.

The US dollar also continues to appreciate against the other major currencies and has been a key driver for dollar denominated commodity prices including crude oil. This has continued to push nominal prices lower, making imports including crude oil less costly for US importers. Papua New Guinea is experiencing depreciation against the US dollar with respect to the kina and therefore domestic importers would expect to pay at a little higher price for imported crude oil; however the magnitude of the global price drop (in US dollar) is so significant that it absorbs any negligible depreciation of the kina. Thus the PNG economy would expect to continue paying at generally lower prices during this time of falling oil prices with depreciating kina against the US dollar.

The decision by the OPEC cartel not to cut the production of crude oil despite ample global supplies provides the outlook for crude oil prices. Predictions are that crude oil supplies will rise again as indicated by the end of January. The prices will rebound in the middle of the first quarter of 2015, as investors speculate that the falling costs of crude oil may have ended. Hence, it is expected that domestic retail prices may increase in the next month as a result. However the extent of change in domestic prices will depend on the movement in the exchange rate of the PNG kina against the US dollar and domestic freight rates, and the determinations in the Final Report of the 2014 Petroleum Industry Pricing Review which is expected to be released in February 2015.

The reduction in international crude oil prices has trickled down to a further decrease in the domestic retail prices for petrol, diesel and kerosene for this month.
After taking into account the overall changes in the IPP, exchange rates, domestic sea and road freight rates for the first quarter of 2015, the applicable wholesale and retail margins, the domestic retail prices for petrol, diesel and kerosene will decrease this month.

As a result of adding all cost components, the following table shows the maximum retail prices of fuel to be sold in Port Moresby effective from the 8th of February 2015.

<table>
<thead>
<tr>
<th>Port Moresby Retail Prices (toea per litre)</th>
<th>Petrol (tpl)</th>
<th>Diesel (tpl)</th>
<th>Kerosene (tpl)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retail Prices as of February (current month)</td>
<td>265.92 <strong>(K2.65)</strong></td>
<td>219.75 <strong>(K2.19)</strong></td>
<td>212.23 <strong>(K2.12)</strong></td>
</tr>
<tr>
<td>Retail price as at last month</td>
<td>292.10</td>
<td>244.89</td>
<td>238.32</td>
</tr>
<tr>
<td>Price Variance (+/-) toea per litre</td>
<td>-26.18tpl</td>
<td>-25.15tpl</td>
<td>-26.09tpl</td>
</tr>
</tbody>
</table>

As stated above, for this month the retail fuel prices for Port Moresby will decrease as follows;

- Petrol price will decrease by 26.18 toea per litre
- Diesel price will decrease by 25.15 toea per litre
- Kerosene price will decrease by 26.09 toea per litre.

Retail prices at all other designated centres will change according to their applicable in-country shipping and road freight rates charged by the oil distributors for the first quarter of 2015.

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

As part of the Commission’s role in the enforcement and compliance, officers will conduct inspections at all service stations from 8th February 2015 to ensure the price at which the petroleum products are sold do not exceed the maximum prices approved by the Commission. Again, the Commission would like to remind retailers who have pumps set to one decimal place that while the Commission continues to set the maximum price to 2 decimal places, no fuel pump operator can charge a price above that price regardless of the number of decimals. Dr Manoka urged retailers who are displaying prices to 1 decimal place to round the prices down to ensure prices are within allowable indicative retail prices.

Authorized by:

Dr. Billy Manoka, PhD
Commissioner and Chief Executive Officer

6th February, 2015