INDEPENDENT CONSUMER & COMPETITION COMMISSION

PRESS STATEMENT

FUEL PRICE CHANGE

The Independent Consumer and Competition Commission (‘Commission/ICCC’) has received advice from Puma Energy that the Import Parity Prices (“IPP”) for the month of January 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 continuous decrease in international crude oil prices. The decrease in international crude oil prices is mainly due to oversupply in the international crude oil market. This oversupply has been caused by the US increasing its production of shale oil and thus demanding less from the OPEC (Organization of Petroleum Exporting Countries) cartel. The drop in international crude oil prices is mainly attributed to the oil glut in the international crude oil market. This oversupply has been caused by the continuous production increase of shale oil by the United States with less demand from the OPEC cartel; and the added production and together with steady supply of oil producing countries in the Middle East. In the OPEC’s meeting on November 27, 2014 Saudi Arabia convinced its member country not to cut production. The largest world consumers of oil including China continued to experience a slow-down on their economy over the past months as manufacturing activities have continuously declined since March 2014. Energy demands from some countries in the euro zone have also declined as economic activities in these countries are also slowing down. These strains in the global economy have reduced the global energy demands including that of crude oil.

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 importers.

The recent 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 continue to drop and this is indicated by the crude oil futures for January 2015. Hence, it is expected that domestic retail prices may continue to decrease 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 as according to the determinations in the Final Report of the 2014 Petroleum Industry Pricing Review which is to be released at the end of January 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 last quarter of 2014, wholesale and retail margins for 2014, 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 January 2015.

<table>
<thead>
<tr>
<th>Port Moresby Retail Prices (toea per litre)</th>
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<tr>
<td>Petrol (tpl)</td>
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<td>Retail Prices as of January (current month)</td>
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<tr>
<td>Retail price as at last month</td>
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<td>Price Variance (+/-) toea per litre</td>
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As stated above, for this month the retail fuel prices for Port Moresby will decrease as follows:

- Petrol price will decrease by 49.92 toea per litre
- Diesel price will decrease by 28.89 toea per litre
- Kerosene price will decrease by 30.75 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 last quarter of 2014.

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 January 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.

Authorised by:

Dr. Billy Manoka, PhD
Commissioner and Chief Executive Officer
7th January, 2015