



INDEPENDENT CONSUMER & COMPETITION COMMISSION

PUBLIC NOTICE

RESPONSE TO QUERIES ON INTEROIL FUEL ISSUES

The Independent Consumer & Competition Commission wishes to respond to a series of questions raised in light of recent developments and media reports on the current fuel pricing situation between InterOil and the Government.

The Commissioner & CEO of ICCC, Mr. Thomas Abe said that the ICCC is an independent regulator, but must act in accordance with the relevant legislation that applies to the regulation of prices for certain products in PNG.

'In the case of fuel prices, the Commission's determination on pricing arrangements is set out in its comprehensive 2004 Report on the Pricing of Petroleum Products. This report identifies a Government policy requirement which requires the Commission to determine the wholesale price of fuel products in a particular way,' Mr Abe said. 'The pricing arrangements for fuel products are based on the 1995 Project Agreement signed between InterOil and the State. Under the terms of the pricing arrangements for fuel in PNG, prices are to be advised to the Commission on a monthly basis and adjustments made on the 8th day of the month. Prices are also to be based on a formula that is specified in the Project Agreement. This pricing arrangement has been in force over the last 3 years, since the commencement of the Napa Napa refinery in 2004'.

Mr Abe noted that InterOil has written to the relevant Government agencies, including the ICCC seeking a change in the current pricing formula, which ultimately would require a change in the pricing clauses under the Project Agreement.

'The ICCC is not party to the Project Agreement, therefore changes to the Project Agreement are not the responsibility of the ICCC,' Mr Abe said. 'It will however, implement the administration of any changes to the Project Agreement which is decided and mutually agreed to by both parties; InterOil and the PNG Government. Until such changes are agreed upon, the ICCC must only exercise its powers under the legal framework which binds it'.

Mr. Abe said that the Commission understands that the Government is currently giving urgent consideration to the possible amendment of the Project Agreement with a view to allowing an interim arrangement which would address the concerns raised by InterOil.

'The Commission's position is that until a formal advice is forthcoming, domestic fuel prices that should currently be applied are those that have been approved by the Commission and formally announced on 8th November 2007', with the next monthly fuel price change due on 8th December 2007, Mr Abe said.

On Tuesday 26th November 07, InterOil notified the Commission of a price change to occur today (29th Nov 2007) but the Commission has not given its consent as it is clearly not consistent with the current pricing arrangements.

'The Commission is aware that retail service stations owned or operating under the InterOil banner have applied fuel prices increases of almost 15 toea on all products as of Thursday 29th November', Mr Abe said. 'The retailers have acted on advice from InterOil. However, the Commission does not recognise this price increase and has tasked its enforcement officers to take appropriate action on the alleged overcharging by the relevant retail operators', Mr Abe said.

'The Commission has written to InterOil on this matter and advised InterOil to rescind their notification and to have prices revert to levels announced by the Commission on 8th November 2007', Mr Abe said. 'If InterOil does not comply to the Commission's lawful orders, then ICCC will have no option but take appropriate legal action against InterOil'.

'The Commission is well aware of the current situation regarding fuel supplies and is in close dialogue with InterOil, Mobil and key state agencies, particularly the Department of Treasury', Mr Abe said.

Authorised by:

A handwritten signature in black ink, appearing to be 'Thomas Abe', written over a horizontal line.

THOMAS ABE
Commissioner & CEO

30 November 2007