

FuelPrice Monitor

13th October, 2002

Edition 01

Fuel Prices for July/August 2002

Introduction to First Edition

Forum Island Countries (FICs) are interested in the price of fuel in the Pacific. It is recognized that fuel cost directly impacts on the cost of transport and therefore on our personal, business and government costs.

Beyond this, however, it is important to know fuel cost compared with our neighboring island countries, since this impacts on competitive positions in being able to attract tourists, industries and the fishing fleet.

The Petroleum Advisory Service has arranged to gather and share fuel prices and costs. We rely on information from various regional contacts, both in FICs and our Pacific neighbours. We thank them all for the input and encourage them to continue to participate in this information sharing.

Fuel prices are prepared in a standard format of US cents per litre, both with and without government duties and taxes included. In this way, we encourage direct comparison of not only fuel prices but also costs throughout the region.

Brief Overview

- Average retail fuel prices (excluding duty and sales tax) ranged from US20 cents to US60 cents per litre.
- Prices of Mogas/Gasoline after sales tax and duty increased by 30-35% compared with pre-tax prices.
- Similarly, ADO/automotive diesel prices increased by 20-25% after tax.
- Spot fuel prices in Asia-Pacific market increased substantially during the month of August and early September 2002.

What's inside.....

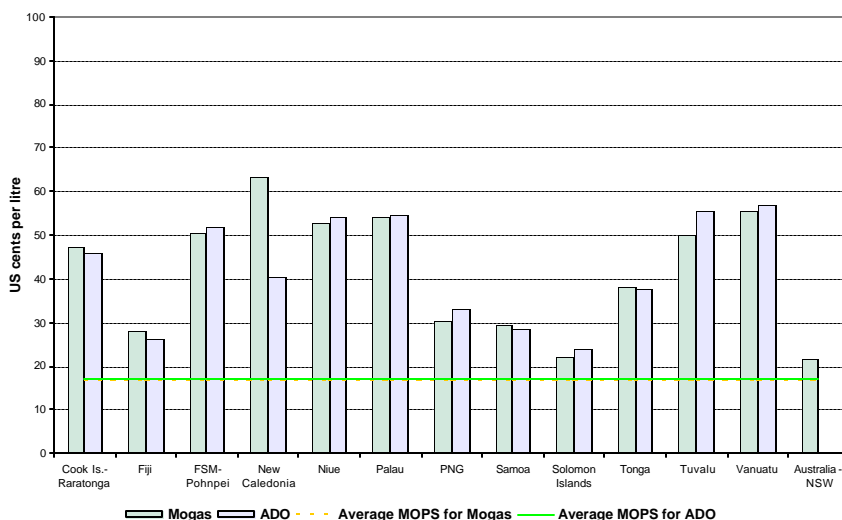
1. Regional Retail Fuel Prices
2. Regional Gasoline Prices
3. Regional Diesel Prices
4. Singapore Fuel Price Updates
5. Glossary

1. REGIONAL RETAIL FUEL PRICES (Excluding Duty and Tax)

Retail Prices of Mogas and ADO (Diesel) without Tax and Duty

The average retail prices of Mogas and ADO for the period July/August 2002 were collected from relevant price control and/or monitoring agencies in each of the participating countries. Figure 1.1 illustrates the regional retail prices of Mogas and ADO, excluding duty and sales tax.

Figure 1.1 Average Retail Fuel Prices without Tax and Duty



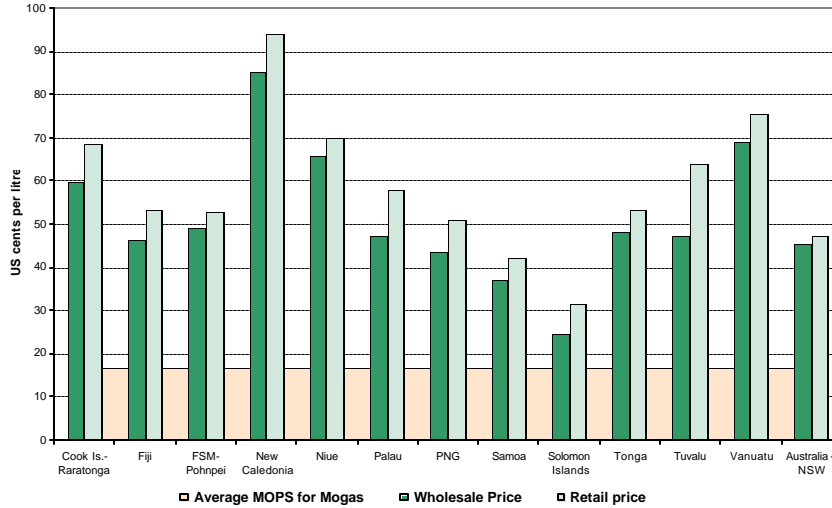
The retail price range was between US20 cents to US60 cents/litre during July and August.

These values include FOB cost, freight, company operating costs and company profits. Actual retail prices are higher since they include duty, taxes and remote area freight. Reference horizontal lines show average Mean of Platts Singapore (MOPS) for Mogas (red) and ADO (green) over the July/August period.

2. GASOLINE: Regional Fuel Prices

Prices of Gasoline (Mogas) including Sales Tax and Duty

Figure 1.2 Regional Prices of Mogas (including Sales Tax and Duty)

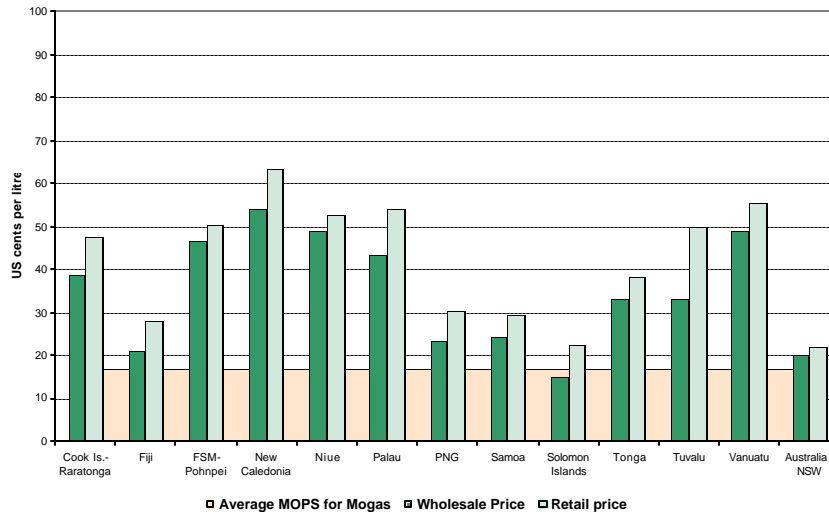


Average wholesale and retail prices of Mogas (including sales tax and duty) in the FICs were in the range of US20 cents to US\$1 per litre with New Caledonia and Solomon Islands experiencing the highest and the lowest prices, respectively. One of the key reasons for low fuel prices in Solomon Islands was the timing delay in implementing new fuel price increases. Average MOPS for Mogas during

July/August was approximately US18 cents per litre.

Prices of Mogas (Gasoline) Excluding Sales Tax and Duty

Figure 1.3 Regional prices of Mogas (excluding Sales tax and Duty)



Our graphs reasonably reflect the relatively efficient logistics of 'entrepot' countries such as Fiji and PNG, which compare very favourably to the much larger Australian market. The very positive steps taken by Samoa to introduce competitive fuel supply in recent years is also clearly in evidence. We note that the pre-tax Mogas wholesale price in Solomon Islands was below average MOPS, suggesting delays in implementing price

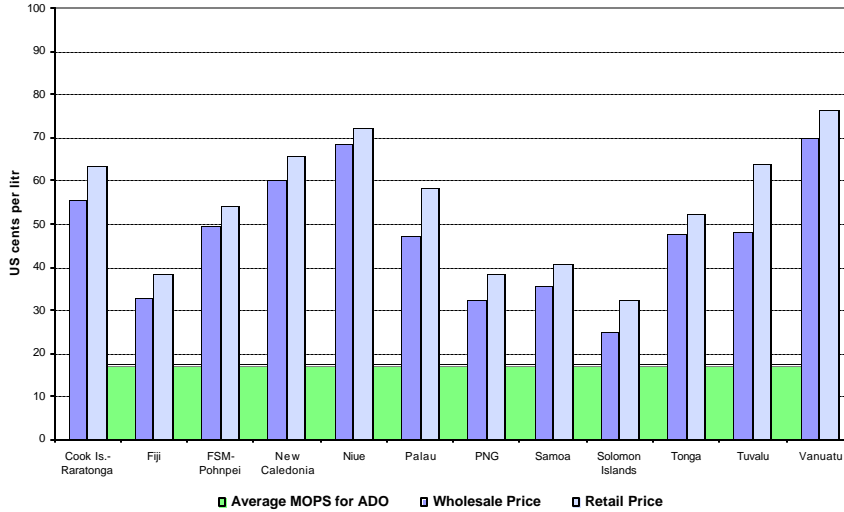
changes. Notably, one of the largest Pacific Island markets New Caledonia, also shows the highest real cost of mogas, even higher than the much smaller markets of Cook Islands and Niue which are a small fraction of the New Caledonia volume.

Wholesale and retail prices of Mogas excluding sales tax and duty are consistently lower than pre-tax prices in Figure 1.2 (above), reflecting the importance of fuel as a source of government revenue. Sales taxes and duties account for 30 to 35 percent of the prices of Mogas depending on the country.

3. AUTOMATIVE DIESEL: Regional Fuel Prices

Prices of Automotive Diesel (ADO) including Sales Tax and Duty

Figure 1.4 Regional Prices of ADO (including Sales Tax and Duty)

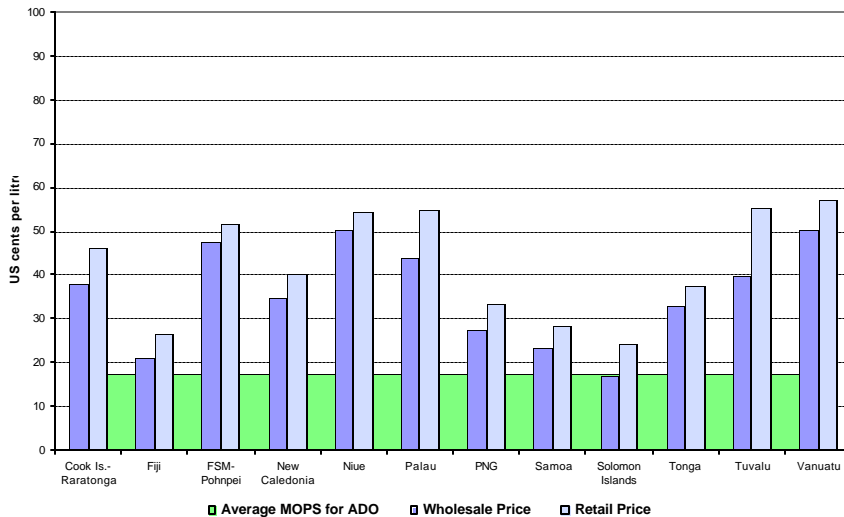


Average wholesale and retail prices of ADO also vary widely between FICs and generally in the region. This time, Vanuatu shows the highest prices, with Solomon Islands once again recording the lowest prices.

The average MOPS for ADO during the July/August period was around US17 cents per litre.

Prices of ADO (Diesel) Excluding Sales Tax and Duty

Figure 1.5 Regional Prices of ADO (Excluding Sales Tax and Duty)



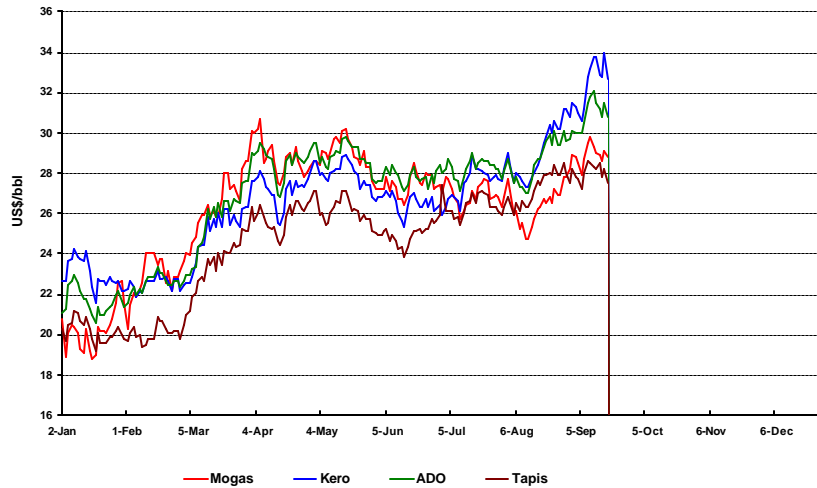
Similar to the case with Mogas, ADO in Fiji, PNG, Samoa and Solomon Islands are again the lowest in the Pacific. This time, however, it appears that high volume have driven down relative costs.

The notable exception is Vanuatu, which shows higher fuel, costs than even the smallest Forum Island fuel market on Niue.

4. MOPS: Singapore Fuel Price Updates

Mean of Platts Singapore (MOPS) for 2002

Figure 1.6 Mean of Platts Singapore (2002)



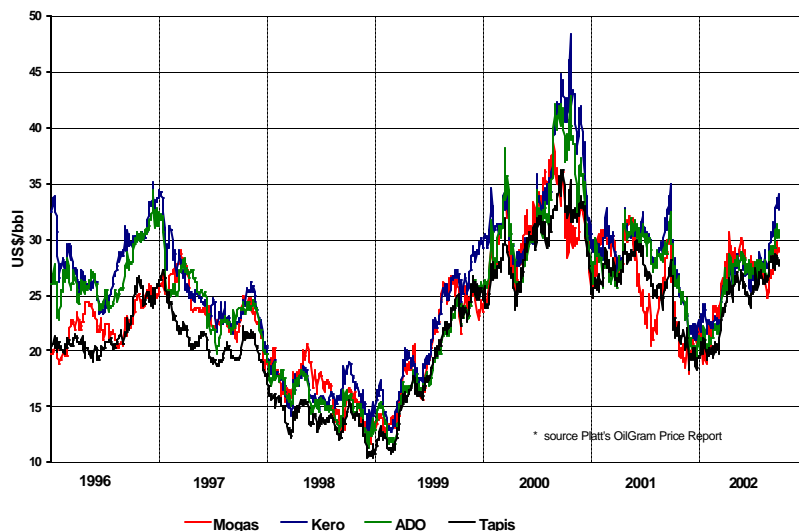
Spot fuel prices in the Asia-Pacific market experienced substantial increase during the month of August and early September 2002. Mogas and ADO have increased steadily at an average rate of around 0.5% per trading day. These increases have been attributed to factors such as the talks on possible US attack on Iraq combined with constrained crude supply.

As illustrated on the graph (Figure 1.6), ADO and Kerosene had a record high price in early September 2002 of around US\$32/barrel and US\$34/barrel, respectively. However, despite almost proportionate increase in the prices of Mogas to ADO, it still remained below the April/May peak prices.

Fuel prices are ultimately driven by changes in crude price. However, the magnitude of the change in ADO and Kerosene prices were relatively more than the change in Tapis crude price, indicating high demands in industry (diesel) and air travel including tourism (kerosene) during August and early September.

Mean of Platts Singapore (MOPS): Multi –Year Trends

Figure 1.7 Mean of Platts Singapore Annual Trends (1996 - 2002)



Current fuel spot prices in Asia-Pacific reflect world prices and are well within the price range traded in recent years.

Fuel prices since early 2001 have been relatively stable compared to recent years indicating a mutual desire by both producers and consumers for stable fuel prices.

The notable exception was the period immediately following September 11, 2001, the effects of which persisted until March 2002. Recent events related to potential war in the Middle East or the possible pressure on prices.

invasion of Iraq have started to put upward

5. GLOSSARY

Abbreviation and Definition of key Terms

ADO	Refers to Gasoil 0.5% Sulphur
Entrepot	MR intermediate distribution point
FICs	Forum Island countries, which are member of the Pacific Islands Forum Secretariat.
FOB	Free on Board
LCT	Local Coastal Tanker
Mogas	92 ron Ulp
MOPS	Mean of Platts Singapore
MR	Medium Range Tanker
ron	Research octane number
Spot Prices	Is the record of market price paid on a given day as reported by the Platts in its Oil Gram Price Report
ulp	Unleaded petrol

Disclaimer

The Forum Secretariat has taken due care in preparing these analyses. However, noting that the data used in the analyses have been provided by third parties, the Forum Secretariat gives no guarantee as to the accuracy and reliability of the data.