Pacific Fuel Price Monitor

17th December 2004

Edition 09 **Fuel Prices for July/August, 2004**

Pacific Fuel Price Monitor at a Glance

The average retail fuel prices in the Pacific market experienced slight increase during the July/August period, reflecting little changes in the wholesale prices. The average pump prices for Mogas and ADO were around US 83.3cpl and 74.3cpl, respectively.

Crude oil prices started to slowly drive down after continued long periods of soaring prices which peaked in October to a record high of US$55/bbl. Higher crude prices subsequently pushed the product prices to unexpected levels resulting in prices for certain products such as kerosene and ADO exceed the US$60/bbl mark. Most of the countries in the Pacific market are already feeling the impact of this hike.

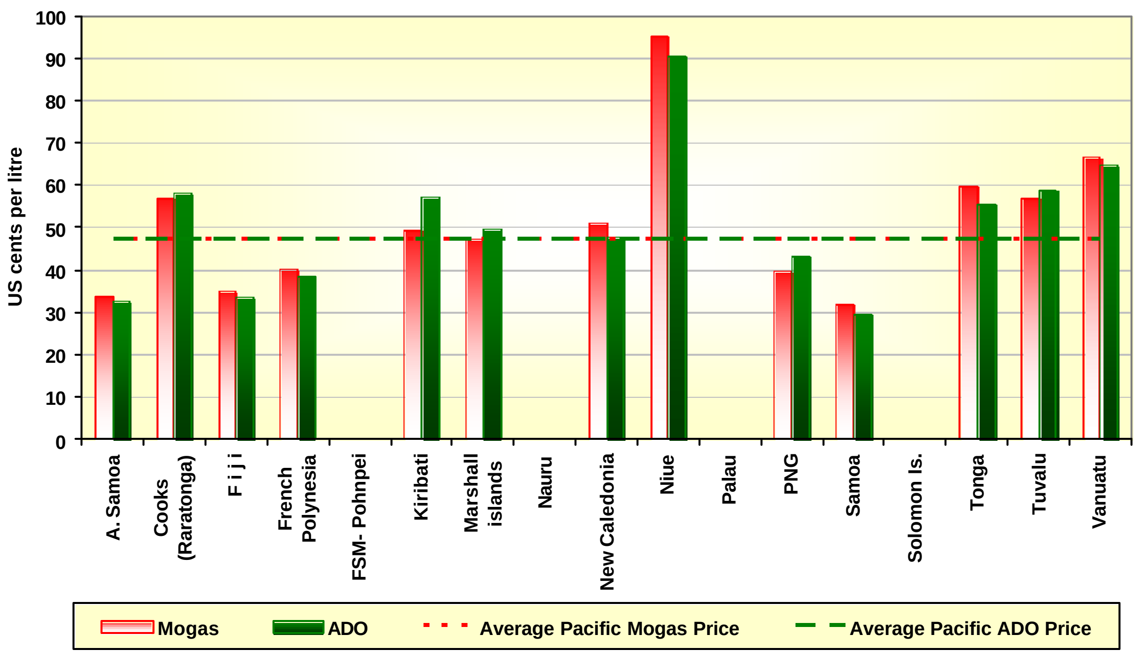
Brief Overview

- The pacific-wide[1] average pre-tax wholesale prices for Petrol, Diesel and Kerosene during the July/August period were around US 47.3cpl, 47.4cpl and 50.1cpl, respectively.
- Western Samoa, American Samoa and Fiji are competing to be the lowest in the wholesale market.
- Niue's fuel prices when compared against its pre-hurricane level, shows a vast increase over the July/August period.
- The recent hike in world fuel prices, unlike over the past year, was highly influenced by demand than supply factors. Surged demand from China, USA and India contributed the most.

What's inside..........

1. REGIONAL WHOLESALE FUEL PRICES (*excluding duty and tax- July/August*)

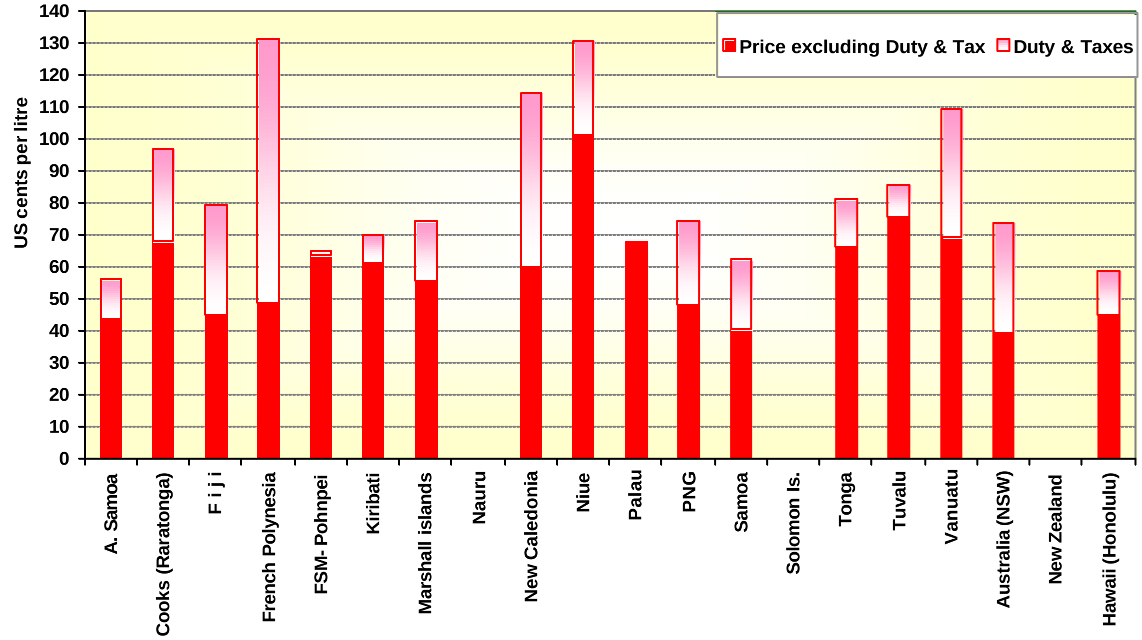
Figure 01: Regional Wholesale Prices (excluding Tax & Duty) - *July/August*



[1] All surveyed PICs (excluding Australia, NZ and Hawaii). Ni ue is also excluded because of its exceptionally high fuel prices.

2. JULY/AUGUST MOGAS PRICES

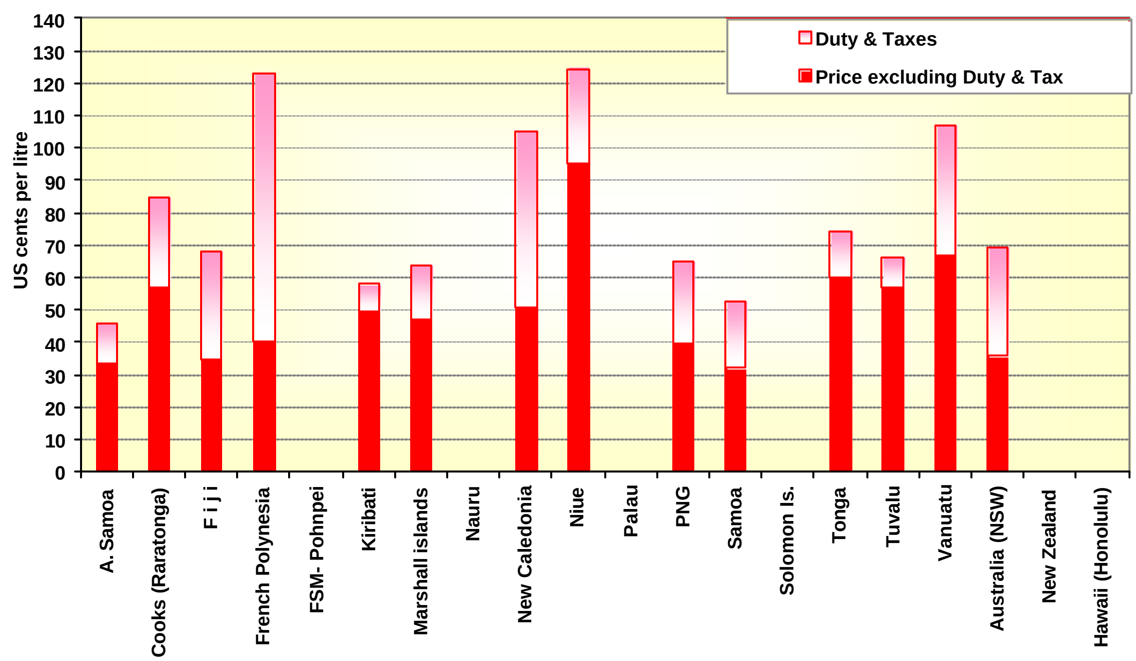
Figure 02: Regional Retail Mogas Prices (US cpl) - *July/August*



Key Observations – Petrol Prices

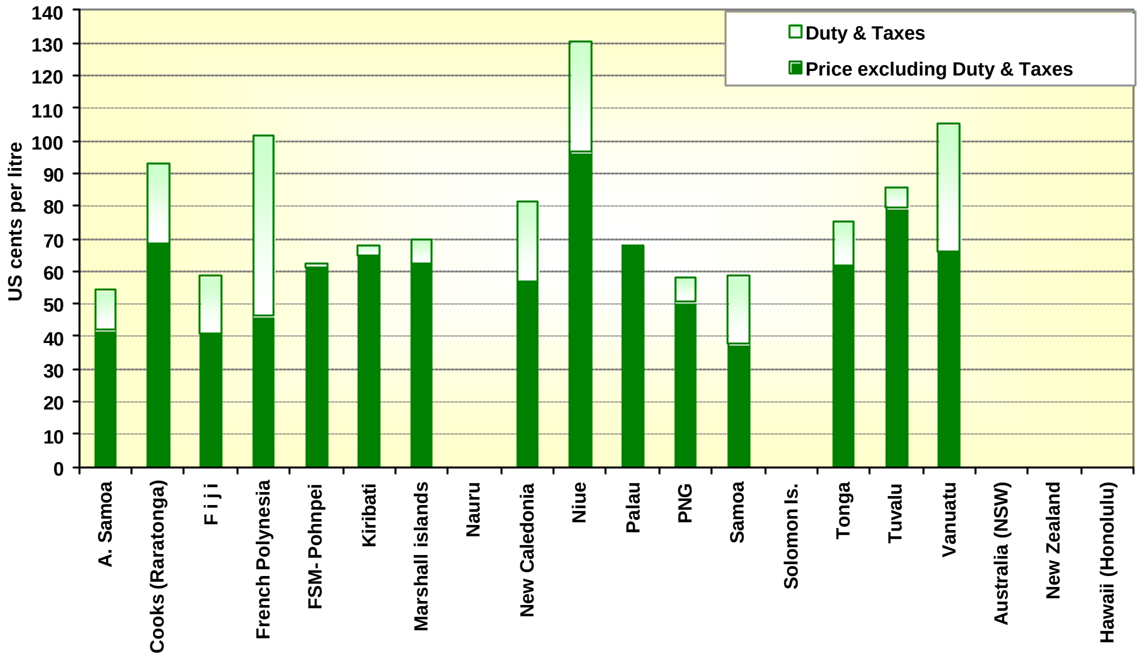
- Pre-tax and after-tax Pacific-wide average WHOLESALE prices for Petrol were US 47.3cpl and 76.1cpl, respectively.
- Pre-tax and after tax Pacific-wide average RETAIL prices for Petrol were US 58.1cpl and US 83.3cpl, respectively.
- Prices in French Polynesia, New Caledonia, Niue and Vanuatu were in the high range of above 100cpl mark for both retail and wholesale prices.

Figure 03: Regional Wholesale Mogas Prices (US cpl) - July/August



3. JULY/AUGUST ADO PRICES

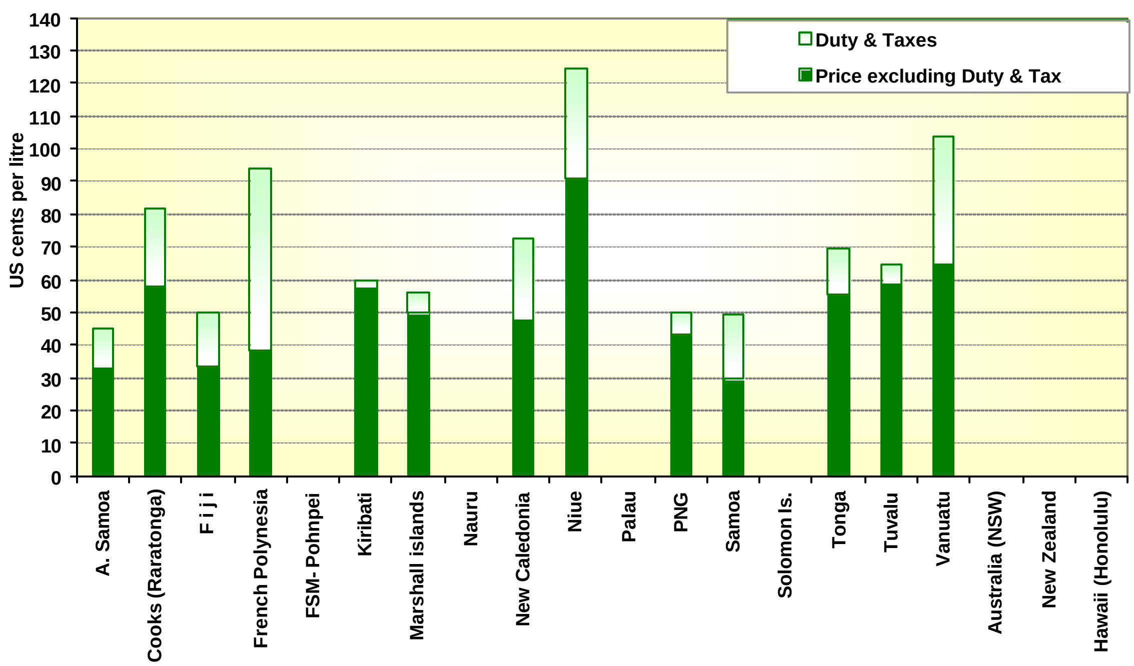
Figure 04: Regional Retail ADO Prices (US cpl) - *July/August*



Key Observations – Diesel Prices

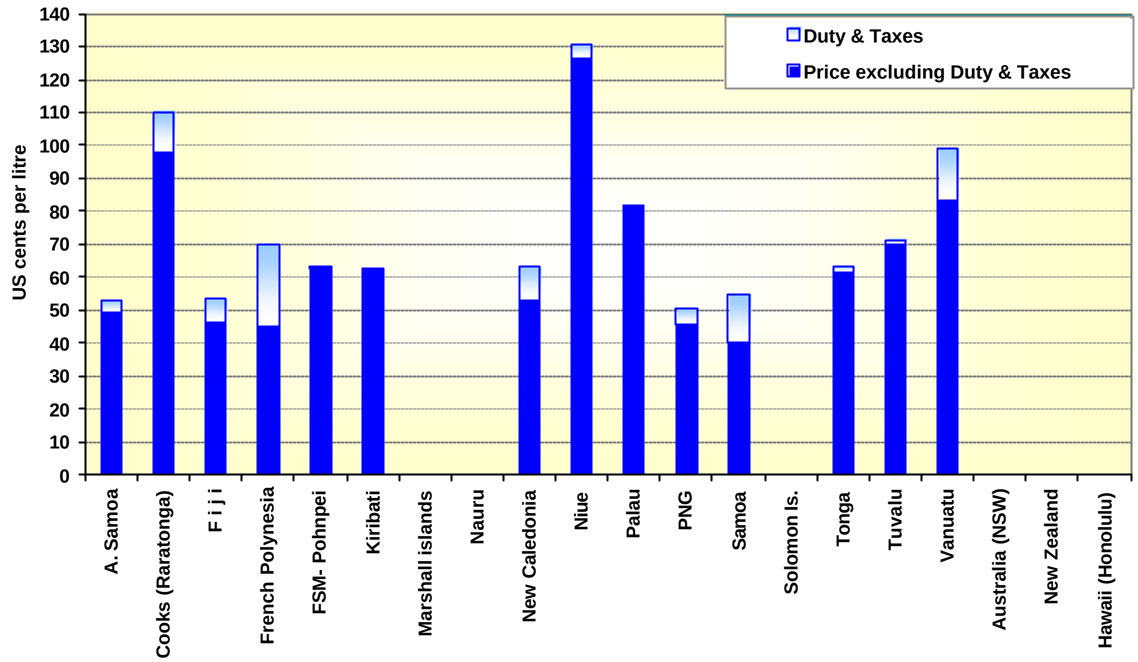
- Pre-tax and after-tax Pacific-wide average WHOLESALE prices for Diesel were US 47.4cpl and 68.2cpl, respectively.
- Pre-tax and after tax Pacific-wide average RETAIL prices for Diesel were US 58cpl and 74.3cpl, respectively.
- Other than Niue, Vanuatu also experienced prices above US$1.

Figure 05: Regional Wholesale ADO Prices (US cpl) - *July/August*



4. JULY/AUGUST KEROSENE PRICES

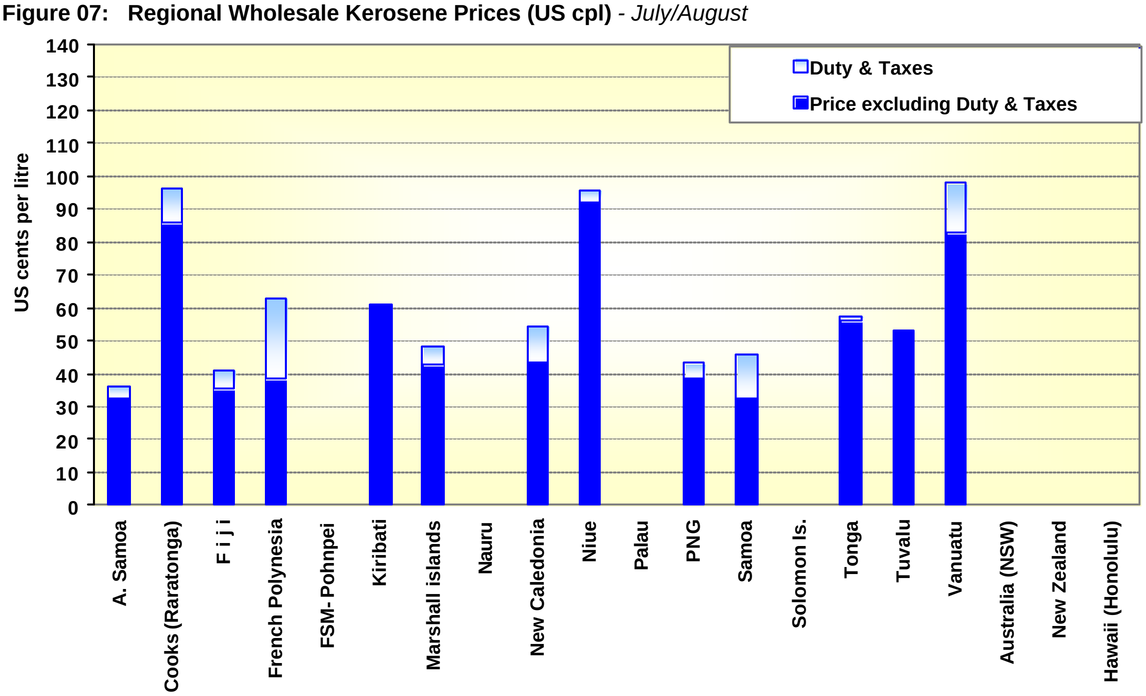
Figure 06: Regional Retail Kerosene Prices (US cpl) *- July/August*



Key Observations – Kerosene Prices

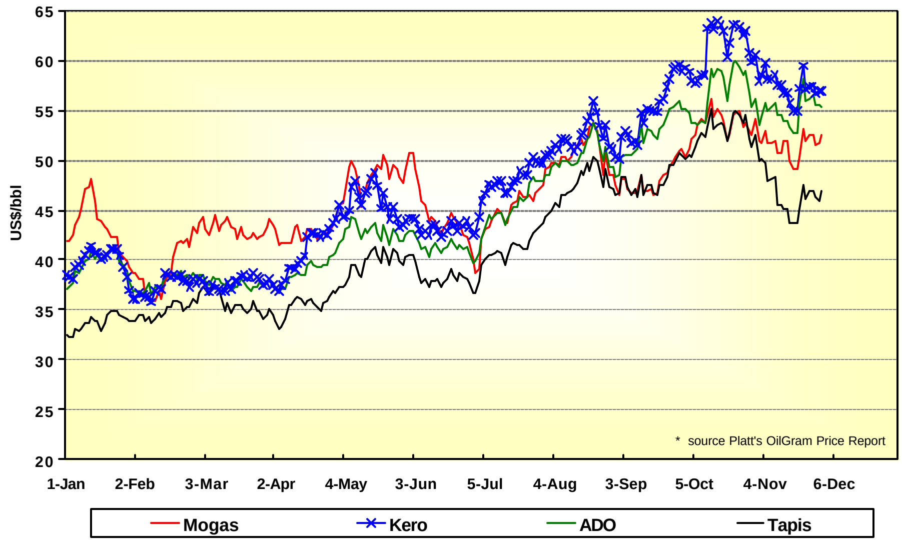
- ❖ Pre-tax and after-tax Pacific-wide average WHOLESALE prices for Kerosene were US 50.1cpl and 56.5cpl, respectively.
- ❖ Pre-tax and after tax Pacific-wide average RETAIL prices for Kerosene were US 59.3cpl and 66.6cpl, respectively.

Figure 07: Regional Wholesale Kerosene Prices (US cpl) *- July/August*



5. MOPS: Singapore Fuel Price Updates

Figure 08 2004 Means of Platts Singapore (MOPS) vs Tapis Crude



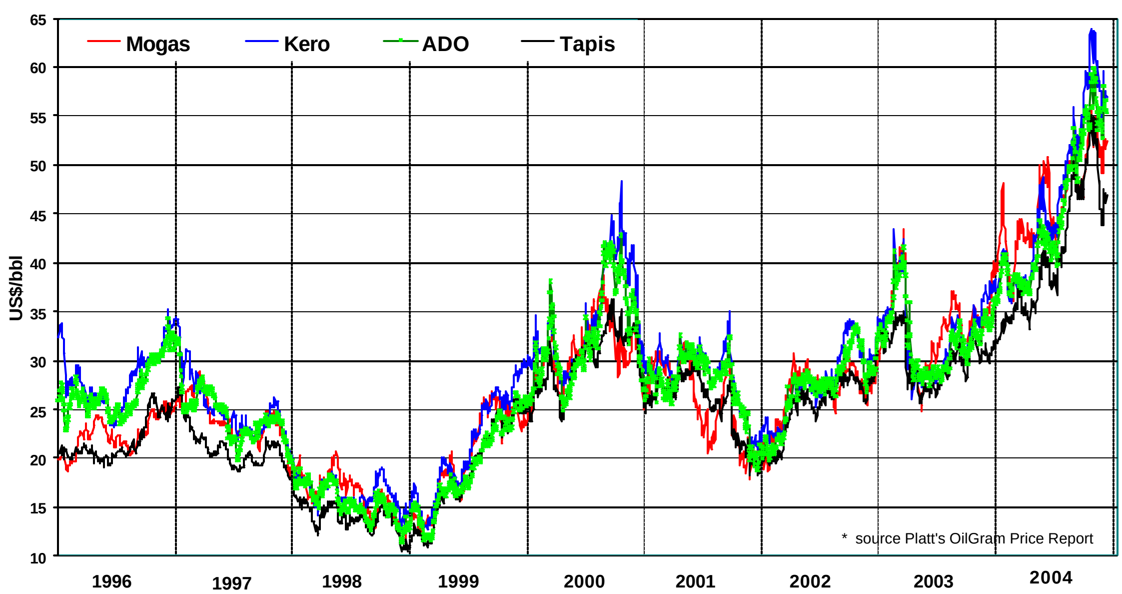
Tapis crude oil prices have declined slowly after continued periods of soaring prices that peaked in October to US$55/barrel.

Though decreasing crude prices were observed over the last four weeks, it continues to display volatility with daily changes of around US$1 per barrel.

The recent hike in crude prices, unlike over the past year, was highly due to demand than supply issues. The surge in demand from China, USA and India impacted world prices throughout 2004. Factors including OPEC's intention to cut production, market uncertainty, and disruptions to pipelines in Iraq contributed significantly to high prices.

From mid 2003 till October 2004, world fuel prices increased steadily. The prices in October 2004 were the highest ever experienced by the world. Some analysts believe that when taking into account inflation, the October prices are still below the prices that existed during the oil crisis in 1970s.

Figure 10 Trends in Singapore Spot Prices (1996 – 2004)



6. GLOSSARY AND CONVERSIONS

ABBREVIATION AND DEFINITION OF KEY TERMS

ADO/Automotive Diesel	Gas oil 0.5% Sulphur max.
After-Tax Price	Price including Sales Tax and Duty
bbl	Barrel
Entrepot	MR intermediate distribution point
FICs	Forum Island Countries, being members of the Pacific Islands Forum
FOB	Free on Board at supply point
PFPM	Pacific FuelPrice Monitor (formerly called FuelPrice Monitor)
kl	kilolitres
LCT	Local Coastal Tanker, generally 1-5,000 Metric tonnes
Mogas	92 RON ULP
MOPS	Mean of Platts Singapore
MR	Medium Range Tanker, generally 20-30,000 Metric Tonnes
Pacific-wide	All surveyed Pacific Island Countries (excluding Australia, New Zealand, Hawaii). Just for this edition of the PFPM, Niue's prices were also excluded because of its exceptionally high fuel prices.
Pump Price	Refer to retail price
Pre-Tax Price	Price excluding Sales Tax and Duty
Retail price	Fuel price paid at retail outlets, also called Pump price.
RON	Research Octane Number
Spot prices	Product Market (not restricted to fuel) Price traded on any given day.
Tax	In this context, Tax is the Sales Tax charged on fuel by the government.
ULP	Unleaded Petrol
US cpl	US cents per litre

CONVERSIONS

Litres/USG	3.785
Litres/BBL	159
USG/BBL	42

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SUPPLEMENT : TUVALU PETROLEUM/ IMPORT MANAGEMENT WORKSHOP

An in-country workshop on Petroleum and Import Management was held at the Vaiaku Hotel in Funafuti, Tuvalu from 02nd to 04th November, 2004. Twenty-two officials from various public and private sectors participated in the workshop. This was the second in-country workshop conducted by the Petroleum/Import Management Advisory Services of the Pacific Islands Forum Secretariat after it started in Kiribati in 2002.

The focus areas of the three-day workshop were Petroleum Health/Safety/Security/Environment, Petroleum Pricing/Distribution/Regulations, and Import Management.

The workshop objectives were:

- *To raise awareness and build capacity within Tuvalu in Petroleum and Import Management areas that are clearly aligned with the National Priorities identified at their recent National Sustainable Development Summit;*
- *To identify "gaps" in the current process, systems and develop action plans to bridge the gaps in a SMART manner;*
- *To identify opportunities available for further assistance and capacity building within the islands on petroleum and general import management issues; and*
- *To promote open discussions and wider stakeholder consultation and coordination on petroleum and import management issues and in the due course highlight areas for improvement and stimulate thought and discussion regarding means of improvement.*

The three-day event raised awareness on number of petroleum and import management issues both on domestic and international arena. It built a discussion platform among a wider range of stakeholders to share information and dialogue on Petroleum and General Import Management issues.

Each day event included presentations followed by hands-on training in focus groups. Delegates were divided into small working groups to discuss on issues highlighted during the workshop, and work on case studies prepared for each group.

The first day's workshop was on Petroleum Health, Safety, Security and Environment. It was emphasized that the government, the petroleum company and related authorities play a key role in ensuring protection of environment from petroleum based pollution. Delegates were informed of precautionary measures and procedures that need to be employed while storing and handling petroleum products. Emergency response planning in the case of oil spills and fire were also discussed. An action plan developed by the entire team indicates the need for the government to ensure that the oil company and other petroleum wholesalers and retailers comply with key health, safety and environmental standards.

Day two was dedicated to Petroleum Pricing and Supply Chain Analysis. The delegates were provided information on the movement of petroleum products from the upstream to the down stream sector, costs involved in each sector, fuel pricing on the world and Pacific market and details of Fuel Price Templates. After the workshop, all the delegates confirmed that they had a better understanding of the petroleum pricing templates. Similarly, industry regulators seemed more familiar with the petroleum supply economics in Tuvalu and the Pacific market.

Day three concentrated on General Import Management issues in Tuvalu. A snapshot of trade performance in Tuvalu, best procurement management practices and other import related information was provided. The workshop investigated opportunities for Joint Purchasing Schemes for petroleum and basic food commodities. Recent regional initiatives like the Joint Purchase Scheme for Pharmaceuticals, and the Regional Sugar Agreement have identified potential for countries to benefit from a combined purchasing agreement. For some of our small island states, this is the only option available to break through issues of economies of scale, and to move to a position to leverage purchasing power and break sole agency trading. The Import Management Services of the Pacific Islands Forum Secretariat plays a major role in investigating regional commodity purchasing options, and monopoly operations and Consumer Protection for Pacific Island Countries.

The result of the workshop was a complete petroleum industry review and a summary of action plans to address Tuvalu Government issues on the current monopoly supplier. For major importers, the process of analysing supply markets, developing supply and negotiation strategies was covered. Key areas of focus remain outer island supply logistics, strengthened performance of state owned enterprises and implementation of fair economic regulation mechanisms on market monopolies and oligopolies for consumer protection. The workshop concluded with some site visits and was regarded a success.

Workshop Attendees:
Top *(left to right)*: Talaga, Launiu, Molipi, Taape, Loresio, Valelei
Bottom *(left to right)*: Nilesh, Falani, Isaia, Jared, Tipelu, Nielu, Teo
Missing: Vete, Tawaieta, Evi, Malaki, Pugameau, Pepetua, Katarake, Ese, Uale, Tia, Pusibelli,