



14 May 2013 The Competent Authority has approved the new petroleum prices for May-June 2013 to be effective from Thursday 16th May 2013 and therefore wish to notify the public accordingly.

Wholesale and Retail price for Diesel, kerosene and Petrol for May-June 2013 have significantly decreased compared to the price for April-May 2013. The retail prices for May-June 2013 for Petrol have decreased by 15.37 seniti per litre to \$2.72 seniti per litre (equivalent to 5.3% decrease), kerosene have decreased by 11.93 seniti per litre to \$2.14 seniti per litre (equivalent to 5.3% decrease) and Diesel have decreased by 11.40 seniti per litre to \$2.77 seniti per litre (equivalent to 3.9% decrease). All changes including consumption tax.

Petroleum price for May-June 2013 is mainly determined by the movement of FOB prices in the Singapore market based on April 2013 average prices of the daily published Means of Platt's Singapore (MOPS) benchmark prices. Recommended wholesale prices have been calculated using the new Tonga Fuel Price Template (TFPT) based on the TCA decisions on the Annual Petroleum Price Review 2012. Template has been updated and corrected to reflect TCA decisions during the Special TCA Meeting No.2/13 on Wednesday 3rd April 2013. Submission from the Oil Companies for May-June 2013 was corrected to reflect TCA decisions.

The significant decrease in the price of Kerosene, Diesel and Petrol for May-June 2013 is attributed to the following reasons:

- Crude continued to decline during April from the February peak with Dated Brent falling below the key US\$100/bbl on 15th April - the lowest in the last nine months. The market reacted to slowing demand (especially from OCED countries and China), rising stock and plentiful supplies from refineries returning from maintenance.

- Lower crude demand is usual at this time of the year as refines carry out maintenance. However compared to last year where prices peaked in February-March 2012 and fell from late April, this year crude prices started falling earlier (March). The market is reflecting lower product demand and plentiful supplies. This is having a positive impact for consumers in price reductions.

- Singapore product prices fell more than crude (Dated Brent April average price was nearly US\$7.30/bbl and diesel down by US\$6.87/bbl. Petrol prices fell more than any other product as the demand from the US to meet the start of their driving season is yet to eventuate.

- The freight rate has also weakened and the Tongan Pa'anga appreciated against the US dollar which further contributed to lowering the local prices.

- The net result is another significant decrease in all three product prices. Wholesale petrol decreases by 15.37 seniti/litre, kerosene by 11.93 seniti/litre and diesel by 11.40 seniti/litre respectively. All changes include consumption tax.

Outlook

Crude price has been hovering around US\$100/bbl and it is expected to be around this level in May and June but is exposed to upward risk. These include possible action by OPEC members (crude producing countries) to safeguard price over US\$100/bbl, as well as the threat of conflict in oil producing regions (Syria). Singapore product prices are expected to be steady in the next few months with upward pressure as demand is expected to pick up during the northern hemisphere summer.

Ends

New Petroleum prices for May-June 2013

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