

17 June 2013, **The Compelent Authority has approved the new petroleum prices for June-July 2013 to be effective from Monday 17th June 2013 and therefore wish to notify the public accordingly.**

Wholesale and Retail price for Diesel, Kerosene and Petrol for June-July 2013 have slightly increased compared to the price for May-June 2013. The retail prices for June-July 2013 for Petrol have **increase by 3.19 seniti per litre to \$2.75 seniti per litre** (equivalent to 1.2% increase), Diesel have

increased by 2.65 seniti per litre to \$2.80 seniti per litre

(equivalent to 0.9% increase) and Kerosene have

increased by 1.64 seniti per litre to \$2.16 seniti per litre

(equivalent to 0.8% increase). All changes including consumption tax.

Petroleum price for June-July 2013 is mainly determined by the movement of FOB prices in the Singapore market based on May 2013 average prices of the daily published Means of Platt's Singapore (MOPS) benchmark prices. Recommended wholesale prices has been calculated using the new Tonga Fuel Price Template (TFPT) base 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 June-July 2013 was corrected to reflect TCA decisions.

The slight increase in the price of Kerosene, Diesel and Petrol for June-July 2013 is attributed to the following reasons:

- Crude prices were steady after declining for the last three months. The Date Brent was below US\$100/bbl on the 1st of May but rose the following day and traded in the narrow range, averaging US\$102/bbl marginally higher than April. Rising production from both OPEC and non OPEC (mainly US) countries has helped meet higher crude demand as regional refineries returned from maintenance, preventing a price spike.

- Rising oil production in North America has altered the structure of the oil market

suggesting OPEC may need to cut their output or prices could drop due to plentiful supplies. The OPEC countries, mainly Saudi Arabia, had also increased their output in May as refinery maintenance ended and demand rose in the Mideast. Some OPEC members had raised concern that that plentiful supplies and weakening demand (continuing Eurozone crisis) have weighted on prices (crude prices fell from February high of US\$119/bbl to below US\$100/bbl early May). Saudi Arabia has taken the lead responsibility for balancing the market and has indicated that it will cut production to defend prices at current levels (US\$100/bbl).

- The refinery disruptions balanced the market and hence the Singapore product prices on a monthly average has been flat, although petrol increased slightly with the onset of US Driving season and stock building ahead of Ramadan holiday. Comparing May month average prices to April, petrol prices were up by US\$0.31/bbl while kerosene and diesel down by US\$0.83 and US\$0.05/bbl respectively.

- The freight rate weakened as the month of May is usually quite due to the end seasonal demand (Northern Hemisphere) and refinery maintenance.

- The Tongan Pa'anga weakened to a two year low against the US dollar which was the main contributor to an increase in prices locally.

Outlook

Crude is expected to continue trading in a narrow range between US\$100 and US\$105/bbl with upward pressure with the onset of the third quarter demand. Singapore product prices are expected follow crude however China's emergence as a significant exporter due to slowing domestic diesel demand and ample supply availability in the region could cap any diesel price increase. On the other hand, petrol prices may increase with firm demand expected from Ramadan Holiday and demand picking up with the US diving season.

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