



Ministry of Commerce, Tourism & Labour
GOVERNMENT OF TONGA

PRESS RELEASE

New Petroleum Prices for January – February 2016

The Ministry of Commerce, Tourism & Labour wishes to advise that the Tonga Competent Authority (TCA) has approved the new petroleum prices for January – February 2016 to be effective from **Monday 18th January 2016**.

All petroleum consumers are notified that wholesale/retail prices for Petrol, Diesel and Kerosene will continue to decrease for the month of January – February 2016. The retail price for Diesel will lead the decrease by 21.01 seniti/litre to a new price of 205.09 seniti/litre. The retail price for Kerosene will also decrease by 20.08 seniti/litre to a new price of 138.23 seniti/litre. Finally, the retail price for Petrol will decrease by 8.18 seniti/litre to a new price of 218.83 seniti/litre. The local diesel prices are now at the lowest level since 2009. Please note that all changes include consumption tax.

The petroleum prices for January – February 2016 is mainly determined by the movement of FOB prices in the Singapore market based on December 2015 average prices of the daily published Means of Platt's Singapore (MOPS) benchmark prices.

Crude oil prices fell below USD 40/bbl, lowest since 2008, following OPEC's inability to agree on production cuts in its recent meeting (4th December 2015). Dated Brent ended the month around USD 36/bbl (it averaged USD 38.21 bbl for December).

The previous crude price low point in late 2008/early 2009 was as a result of a sharp decline in demand due to the Global Financial Crisis. That dip was short lived with prices quickly climbing again to over USD 60/bbl. This price decline is supply driven, with the excess in supply expected to continue for the whole of this year. As a result prices are expected to be lower for longer although ultimately the sharp pull back in investment in new exploration will have an impact on future supplies.

Comparing the December month average prices with November, crude oil (Dated Brent) is down by USD 6.08/bbl (13.7%). Kerosene and diesel prices fell more than crude, down by USD 9.80/bbl and USD 10.61/bbl respectively, as refining margins weakened with a slowdown in Chinese demand and limited opportunities to export those products out of the region. Petrol prices fell less than crude due to strong regional demand capping the price drop. The freight rate weakened and the Tonga Pa'anga strengthened which helped further reduce landed costs locally.

On the outlook, crude oil prices are expected to continue to reduce with abundant supply although renewed tensions in the Middle East (between Saudi Arabia and Iran) may put some upward pressure on prices. Dated Brent spiked briefly to USD 39/bbl on Monday 4th January following the geopolitical tensions but again declined below USD 35/bbl (6th January 2016) which is the lowest for a decade as global crude supply glut weighs on prices. Product prices are expected to follow crude except petrol prices which is supported by strong regional demand.

For further information please contact the Ministry of Commerce & Labour at telephone 23688.

Ministry of Commerce, Tourism & Labour
15th January 2016