



## **THE GOVERNMENT OF NORFOLK ISLAND**

### **MEDIA RELEASE**

#### **Norfolk Energy commences operations**

Minister for Finance Neville Christian has announced the commencement of operations by Norfolk Energy, the new fully government-owned fuel distribution service. With the withdrawal from Norfolk Island of Mobil Oil Australia, Norfolk Energy will become the Island's distributor for petrol, diesel, kerosene and aviation fuels effective from Friday 5<sup>th</sup> October.

“Mobil announced over two years ago that it was discontinuing its bulk fuel delivery services to a range of destinations in the South Pacific”, Mr Christian said. “Initially, Mobil held negotiations with a number of private businesses about sale of the entire distribution system for fuel including transport by sea, ownership of the land-based fuel depot and wholesale/retail sales. The Norfolk Island Government became involved when Mobil was unable to find a private operator for the Ball Bay fuel facility”.

Mr Christian said that after a lengthy process of negotiation, satisfactory agreement had been reached comprising a complex series of interlocking contracts involving several private businesses and the Norfolk Island Government. In essence, the new arrangements will mean that Norfolk Energy (a government business enterprise) will own the Ball Bay facility and will purchase the fuel from the point at which it is landed in Norfolk Island. Norfolk Energy has engaged a local contractor to make deliveries of fuels sold on a wholesale basis as well as to Administration users such as the works depot and power station.

The Minister said that the public would not notice any change in the distribution of petrol and diesel, which would continue to be through existing retailers. Because the Government would now be importing fuel, customs duty and fuel levy would no longer apply. However, petrol and diesel sales would be subject to Goods and Services Tax from Tuesday 9<sup>th</sup> October, when Norfolk Energy was due to commence bulk fuel deliveries to retailers. Mr Christian said that the new arrangements would mean that fuel costs to the community would be at lower levels that they would have been under the old system, due to the removal of duty and fuel levy and a lower wholesale margin included in the overall price.

“The community will be aware that current prices for crude oil are at all time record levels”, Mr Christian said. “This means that the latest shipment of fuels received in Norfolk Island has been landed at significantly higher prices than earlier consignments. While this will mean some increase in retail prices, we will be able to limit this to much less than it would have been if the new Norfolk Energy arrangements had not been put in place”.

“The increase in landed cost of the last shipment was around 20 cents per litre. Taking into account all of the changed factors, Norfolk Energy has set wholesale prices at \$1.64 per litre

for unleaded petrol and \$1.68 per litre for diesel. Retail prices will be a matter for the market to determine, but I expect that any increases in the price at the pump will be about six cents per litre less than they would have been under the previous arrangements”.

Mr Christian said that he had met with fuel retailers to discuss the new arrangements and was satisfied that the transition to the new distribution arrangement could be accomplished without significant problems.

Neville Christian  
**Minister for Finance**

5<sup>th</sup> October 2007