



THE GOVERNMENT OF NORFOLK ISLAND

MEDIA RELEASE

Government acts on diesel price fluctuations

Minister for Finance Neville Christian said today that the Norfolk Island Government was very conscious of the effect of escalating fuel prices on the cost of generating electricity in Norfolk Island.

Mr Christian said that in an attempt to stabilise diesel fuel prices the Government has decided to participate in the Commonwealth Bank Diesel Index Cap, which is a form of insurance offered to small consumers of diesel fuel who wish to hedge against the risk of future price rises. He said that the Diesel Index Cap covers the period from 2 January 2008 to 30 June 2008 and is available for purchase in six monthly blocks.

The Minister said that the Administration of Norfolk Island had insured 1.25 million litres of diesel at an agreed strike price per litre based on the Platts Singapore Gasoil 0.5% swap price in Australian Dollars that was determined on 12th December 2007. If the average monthly diesel index is higher than the strike price, the bank will refund the difference to the Administration. In effect, the Administration will be protected against excessive rises in the price of diesel, while nothing in the arrangement will prevent it benefitting from price falls.

Mr Christian said that the Diesel Index Cap does not provide protection against increased government charges in Singapore or Noumea, greater transportation costs or variations in wholesale or retail margins.

Neville Christian
Minister for Finance

14th December 2007