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[2025

*Prices Regulation Act (Chapter 320)*

## PETROLEUM PRODUCTS PRICES ORDER 2025

MADE by the Independent Consumer and Competition Commission ('Commission') under Section 21 of the *Prices Regulation Act* (Chapter 320), to apply as of 8th January 2025, in place of the previous Prices Order for these products.

### FORMULAS AND CONDITIONS FOR PRICE APPROVAL

In this Order:

All definitions in "NOTICE OF DECLARED MONITORED GOODS AND SERVICES" as published in *National Gazette* No.G548 of 8th August 2016, will remain unchanged in this Order.

### PETROL, DISTILLATE, AND KEROSENE – MAXIMUM WHOLESALE MARGIN

For the purpose of Section 21(2)(f) of the Prices Regulation Act (Chapter 320), the maximum prices at which petrol, distillate or kerosene may be sold by wholesale is, in respect of each calendar year specified in Column A of Schedule 1:

- (a) The cost into store, or landed cost, of petrol, distillate or kerosene, as the case may be; plus
- (b) The cost of freight from wholesaler's store (depot gate) to the delivery point, if applicable; plus
- (c) The wholesale margin of 28.6 toea per litre or the wholesale margin as calculated in accordance with Column B of Schedule 1.

### SCHEDULE 1

Maximum Wholesale Margin for Petrol, Distillate and Kerosene

Column A Year	Column B Wholesale Margin per litre
2025, from 8th January	28.6 toea
2026, from 8th January	$NWM = OWM \times (1 + CPI) - 0.0085$
2027, from 8th January	$NWM = OWM \times (1 + CPI) - 0.0085 + ACS$

Petroleum Products Prices Order 2025—*continued*SCHEDULE 1—*continued*Maximum Wholesale Margin for Petrol, Distillate and Kerosene—*continued*

Column A Year	Column B Wholesale Margin per litre
2028, from 8th January	$NWM = OWM \times (1 + CPI) - 0.0085$
2029, from 8th January	$NWM = OWM \times (1 + CPI) - 0.0085$

Where;

- NWM = New Wholesale Margin (Current year).
- OWM = Old Wholesale Margin (Previous year).
- CPI = Underlying Consumer Price Index (excluding alcoholic drinks, tobacco and betel nut) published by the National Statistical Office.
- -0.0085 = the X factor.
- ACS = Additional capital spending factor, to be determined as described under “MID-TERM REVIEW OF CAPITAL EXPENDITURE” in this Prices Order.

## PETROL, DISTILLATE, AND KEROSENE – MAXIMUM DRUM FILLING MARGIN

The maximum wholesale margin referred to in this Prices Order may be increased by any amount up to 10.3 toea per litre for petrol, distillate and kerosene which is supplied in drums rather than in bulk. Such amount will be adjusted as provided in Column B of Schedule 2.

## SCHEDULE 2

## Maximum Drum-Filling Margin for Petrol, Distillate and Kerosene

Column A – Year Year	Column B Drum-Filling Margin per litre
2025, from 8th January	10.3 toea
2026, from 8th January	$NDFM = ODFM \times (1 + CPI)$
2027, from 8th January	$NDFM = ODFM \times (1 + CPI)$
2028, from 8th January	$NDFM = ODFM \times (1 + CPI)$
2029, from 8th January	$NDFM = ODFM \times (1 + CPI)$

Where;

- NDFM = New Drum-Filling Margin (Current year).
- ODM = Old Drum-Filling Margin (Previous year).
- CPI = Underlying Consumer Price Index published by the National Statistical Office.

## PETROL, DISTILLATE, AND KEROSENE – MAXIMUM RETAIL MARGINS

For the purpose of Section 21(2)(f) of the Prices Regulation Act (Chapter 320), the maximum prices at which petrol, distillate or kerosene may be sold by retail sale in various centres from 8th January 2025, is specified in Column B of Schedule 3; or in respect of each calendar year specified in Column A of Schedule 4:

- (a) the cost into store at delivery by wholesale; plus
- (b) The retail margins specified on Column B of Schedule 3 or as calculated in accordance with Column B of Schedule 4.

Petroleum Products Prices Order 2025—*continued*Petrol, Distillate, and Kerosene - Maximum Retail Margins—*continued*

## SCHEDULE 3

## Maximum Retail Margin for Petrol, Distillate, and Kerosene for 2025

Column A	Column B
Area	New Retail Margin
Alotau	39.8
Bulolo	40.0
Goroka/Bena/Asaro	41.3
Kainantu	38.1
Kavieng	38.4
Kimbe	52.7
Kokopo	43.1
Kundiawa	38.0
Lae	51.9
Madang	44.8
Mendi/Ialibu	52.0
Banz/Minj/Kindeng/Kumdi/Kaupena/Togoba	52.4
Mt.Hagen	51.5
11Mile/Nadzab/40Mile/Markham	42.0
Namatanai	53.4
Popondetta	41.1
Port Moresby/Kwikila	45.3
Rabaul	50.5
Ramu	37.8
Tari	60.7
Toma/Kerevat	41.8
Wabag/ Wapenamanda/Porgera	45.5
Wewak	51.5

## SCHEDULE 4

## Maximum Retail Margin for Petrol, Distillate and Kerosene

Column A – Year Year	Column B Retail Margin per litre
2025, from 8th January	Retail margins specified in Column B of Schedule 3
2026, from 8th January	$NRM = ORM \times IAF$
2027, from 8th January	$NRM = ORM \times IAF$
2028, from 8th January	$NRM = ORM \times IAF$
2029, from 8th January	$NRM = ORM \times IAF$

Where;

- NRM = New Retail Margin (Current year).
- ORM = Old Retail Margin (Previous year).
- IAF = Inflation Adjustment Factor, as described under “RETAIL MARGIN INFLATION ADJUSTMENT” in this Prices Order.

## RETAIL MARGIN INFLATION ADJUSTMENT

The retail margins will be adjusted annually to reflect the level of inflation, but will not consider any X-factor adjustment.

Inflation will be adjusted for using the following formula;

$$IAF = 0.185 \times OIAF + 0.815 \times CPI$$

Petroleum Products Prices Order 2025—continued

Retail Margin Inflation Adjustment—continued

Where;

- . IAF = Inflation adjustment factor.
- . OIAF = Overseas Inflation adjustment factor as described below.
- . CPI = Underlying Consumer Price Index published by the National Statistical Office.
- . 0.185 = the weighting on the retail margin which is estimated to be imported.
- . 0.815 = the weighting on the retail margin which is estimated to be domestic.

The OIAF will only apply to the portion of the retail asset cost which is imported. This is estimated to be 18.5% of the total retail margin. The remaining 81.5% of the total retail margin will be adjusted using only the CPI published by the National Statistics Office.

$$\text{Exchange rate factor} = \frac{(\text{USD to Kina exchange rate Year-1})}{(\text{USD to Kina exchange rate Year 0})}$$

Where;

- . USD to Kina exchange rate Year 0 = the average daily exchange rate for the most recent 12 months (ending 30th Sept).
- . USD to Kina exchange rate Year-1 = the average daily exchange rate for the 12 months prior to Year 0 (ending 30th Sept).

The exchange rates will be obtained from Westpac Bank.

The source of the US Producer Price Index (PPI) will be the producers price index for “Industrial Machinery Manufacturing”. A PPI change factor will be calculated each month using the following formula;

$$\text{PPI factor} = \frac{\text{PPI Sept Current year}}{\text{PPI Sept Previous year}}$$

The two factors will then be combined using the following formula;

Overseas Inflation Adjustment Factor (OIAF) = Exchange rate factor x PPI Factor.

**CONSUMER PRICE INDEX**

CPI or CPI<sub>t</sub> is the Underlying Consumer Price Index that is calculated by the Commission using the formula below.

$$\text{CPI}_t = \frac{\text{CPI}_{\text{Mar}(t-1)} + \text{CPI}_{\text{Jun}(t-1)} + \text{CPI}_{\text{Sept}(t-1)} + \text{CPI}_{\text{Dec}(t-2)}}{\text{CPI}_{\text{Mar}(t-2)} + \text{CPI}_{\text{Jun}(t-2)} + \text{CPI}_{\text{Sept}(t-2)} + \text{CPI}_{\text{Dec}(t-3)}} - 1$$

CPI<sub>Mar(t-1)</sub>, CPI<sub>Jun(t-1)</sub>, CPI<sub>Sep(t-1)</sub>, CPI<sub>Dec(t-2)</sub>, CPI<sub>Mar(t-2)</sub>, CPI<sub>Jun(t-2)</sub>, CPI<sub>Sep(t-2)</sub>, and CPI<sub>Dec(t-3)</sub> are the quarterly CPI indices published by the National Statistics Office, where t-1 is the year prior to year t, t-2 is two years prior to year t, t-3 is three years prior to year t, and year t is the year in which the margin adjustment is performed.

**Petroleum Products Prices Order 2025—continued****Consumer Price Index—continued**

The quarterly underlying CPI indices represent the All Groups Weighting CPI for Urban Areas and adjusted by excluding alcoholic beverages, tobacco and betel nut, as published by the National Statistics Office for the 12 months ending 30th September in the year preceding the year in Column A of Schedule 1, Schedule 2, and Schedule 4, expressed as a number, minus 1. The resulting number (using the formula above) will be percentage by which the margins can be adjusted annually.

The Commission will inform the industry by or before 31st December of each subsequent year, or such date otherwise notified by the Commission, of new wholesale, retail, and drum-filling margins to take effect from 8th January of each year of the regulatory period.

**MID-TERM REVIEW OF CAPITAL EXPENDITURE**

The Commission will conduct a mid-term review between 1st October 2026 and 31st December 2026. Depending upon the findings, the Commission will include an ACS adjustment to the wholesale margin which will apply from 8th January 2027. The ACS will be determined using the formula described below.

$$\text{ACS} = \frac{(\text{Actual capital spending} - \text{Base line capital spending})}{\text{K215 million}} \times 4.73 \text{ toea per litre}$$

Where:

- ACS = Additional capital spending.
- Actual capital spending = all wholesalers capital spending between 1st January 2024 and 30th September 2026.
- Base line capital spending = K102.3 million inflated using CPI.

The following process will be followed;

- In October 2026, the Commission will request actual capital spending data from all the wholesalers.
- The Commission will assess in nominal terms, how much capital spending has been made by the industry from 1st January 2024 to 30th September 2026, in addition to the base level spending of K102.3 million.
- The Commission will calculate this as a percentage of the additional capital spending values to the initial capital expenditure forecast of K215 million.
- This percentage will be multiplied by 4.73 toea per litre.
- The resultant value will be the increment, or ACS, which will be added to the wholesale margin from 8th January 2027.
- Neither of the values of K215 million additional spending or 4.73 toea will be adjusted for inflation at the time of evaluation (that is, on 1st October 2026). However, they will be adjusted for inflation in subsequent years.

The annual adjustment to the wholesale margin is describe in Column B of Schedule 1. This includes a description of how the ACS will be factored into the wholesale margin.

The prices referred to in this Price Order are exclusive of the Goods and Services Taxes (GST).

Dated this 2nd day of January, 2025.

P. AIN,  
Commissioner and Chief Executive Officer,  
On behalf of the Independent Consumer and Competition Commission.