

Pacific Power Association Teams With Pacific Islands Forum Secretariat To Cut Fuel Costs

The Pacific Power Association (PPA) and the Pacific Islands Forum Secretariat (PIFS) are planning a joint-fuel buying initiative for small companies across the region to lower their fuel costs.

The escalating cost of fuel is a regional problem and impacts on the economic development of the islands, says the PPA Executive Director Tony Neil.

His comments follow his remarks to Radio New Zealand that the Macquarie Bank, an Associate member of the PPA, had offered to assist the Forum Secretariat and the PPA to conduct a simulated fuel price hedging with the power utilities over a period of one year.

Mr. Neil said the process would permit them to get a better appreciation of how the process works, and could see whether it is an appropriate solution for the utilities.

This would allow all parties to gain experience and better appreciation of this method, and also to provide this outcome and knowledge to the Forum Leaders in one year's time at their Meeting in 2008, Mr. Neil said.

It should be noted that fuel price hedging is used by a majority of the major airlines, if not all, in regards to the procurement of jet fuel, he said.

Mr. Neil said in the case of the companies the basic idea was the economy of scale.

"However this is a complex situation which during investigation needs to take into account some of the following considerations: existing shipping routes for oil delivery-are they appropriate for joint procurement; the existing variation in the fuel oil specifications used by the utilities-they don't all use the same oil specification.

"The needs to assess the issue of fuel storage-the small utilities does not have large storage facilities, so the larger utilities/islands may need to be part of the investigation; in some islands the fuel storage facilities are owned by the oil companies," Mr. Neil said.

He said it was difficult to put a figure on the percentage that the fuel price would be reduced, because of the complexities of the issue.

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