

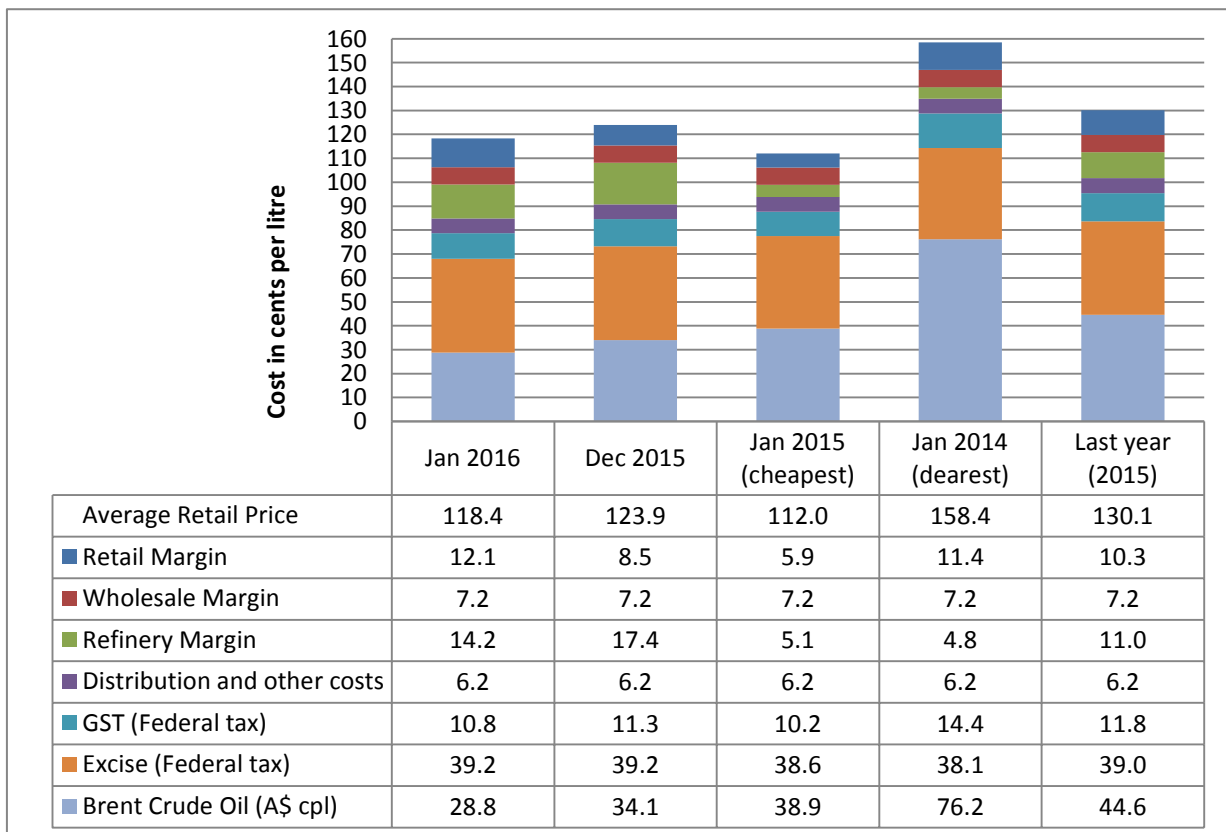
3 February 2016

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for January 2016.

Key points

- The average price of ULP in Brisbane was 118.4 cpl in January. Considering historic costs and margins, a reasonable price would have been 15.3 cents cheaper at 103.1 cpl. The inflated price is due to an increase in fuel company margins, up from 18.2 cpl in January 2015 to 33.5 cpl in January 2016.
- The average price of diesel in Brisbane was 120.5 cpl in January. Applying reasonable costs and margins, the price would have been 17.2 cents cheaper at 103.3 cpl.
- Following the reintroduction of fuel excise indexation by the Federal Government in 2014, on 1 February 2016 the excise charged on petrol and diesel increased from 39.2 cpl to 39.5 cpl.
- ULP sold in Brisbane was more expensive than Melbourne, Sydney and Adelaide (by 6.6 cpl, 6.1 cpl and 5.7 cpl, respectively).
- The diesel price in Brisbane was more expensive than Adelaide, Melbourne, Sydney and Canberra (by 10.0 cpl, 4.8 cpl, 4.5 cpl and 0.7 cpl, respectively).
- Retailers in Ayr were selling the cheapest ULP and diesel in Queensland (8.3 cpl and 16.4 cpl cheaper than Brisbane, respectively). Ayr has been the cheapest town in Queensland for eight consecutive months.
- The price of Brent crude oil fell to an eleven year low (in A\$) of A\$42 per barrel in January. The Brent price was last this low on 6 April 2004.
- Despite substantial falls in the Saudi CP, the retail price of LPG remained largely unchanged since December.

ULP cost breakdown in Brisbane



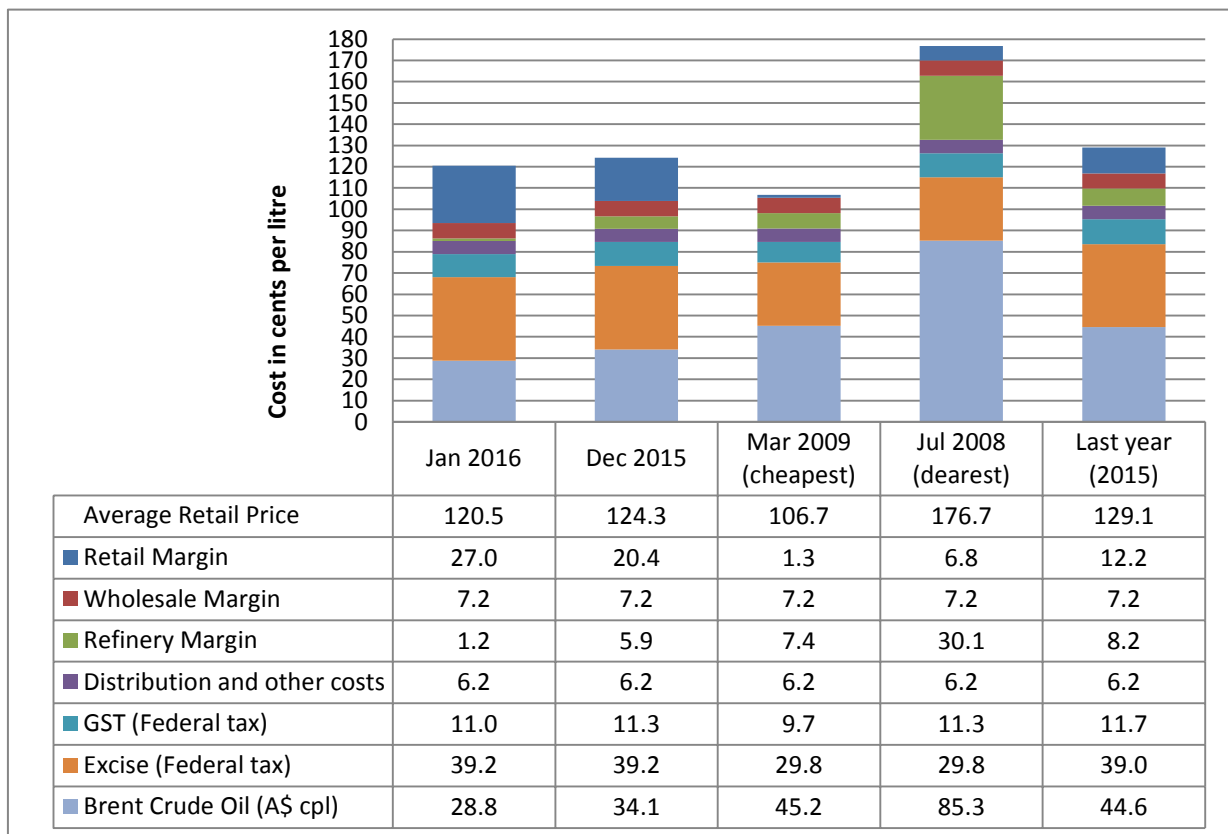


The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for January 2016. For comparison, the cost breakdown for last month, last year, January 2015 - the cheapest month - and January 2014 - the most expensive month observed in recent years (since 2008), is also displayed.

The average price of ULP in January was 118.4 cpl, 5.5 cpl lower than December. RACQ considers that this price was inflated. For example, replacing current costs and margins with average fuel company costs and margins from January 2015 would see the average ULP price 15.3 cpl lower, at 103.1 cpl.

The price of Brent oil in January 2016 was 28.8 cpl (A\$). This was lower than January 2015 (38.9 cpl A\$) when retail prices were cheapest. Due to excessively high margins the average retail price in January 2016 was higher despite the very low crude oil price.

Diesel cost breakdown in Brisbane



The chart above shows the cost breakdown for a litre of diesel sold in Brisbane for January 2016. For comparison the cost breakdown for last month, last year, March 2009 - the cheapest month - and July 2008 - the most expensive month observed in recent years (since 2008), is also displayed.

The average price of ULP in January was 120.5 cpl, 3.8 cpl lower than December. RACQ considers that this price was inflated. For example, replacing current costs and margins with reasonable fuel company costs and margins would see the average diesel price 17.2 cpl lower, at 103.3 cpl.

Fuel excise indexation

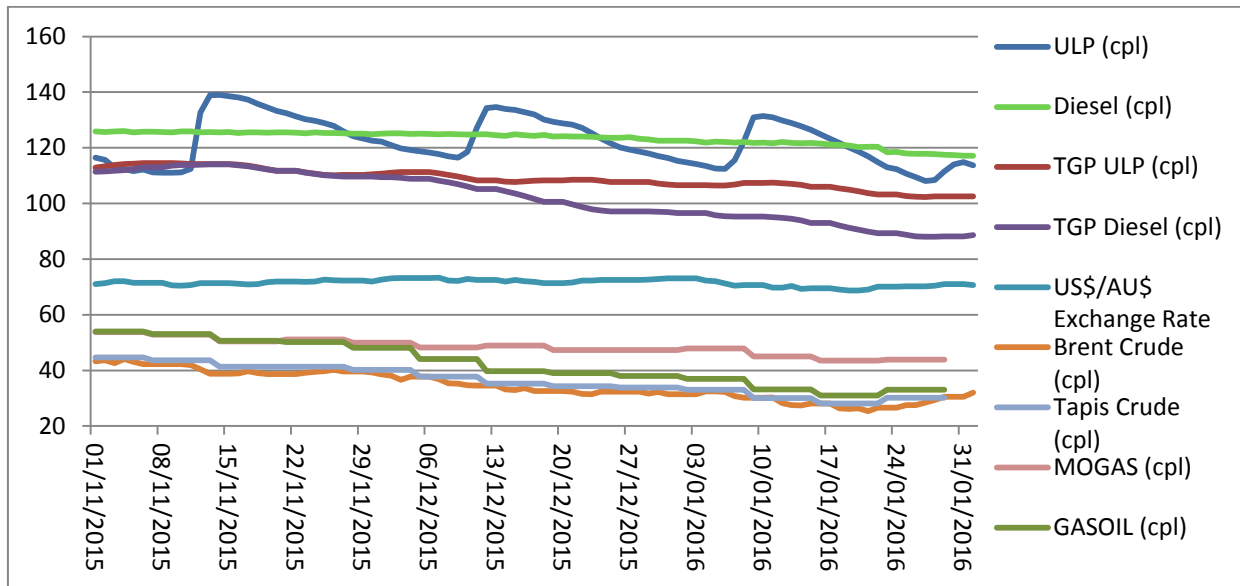
Following the reintroduction of fuel excise indexation by the Federal Government in 2014, the excise charged on petrol and diesel increased from 39.2 cpl to 39.5 cpl, and from 12.8 cpl to 12.9 cpl on LPG on 1 February 2016.

Price trends

There was one price cycle observed in January 2016. The cycle started on 6 January, the average price then peaked on 10 January. At the time of writing the Brisbane ULP market was in the price hike phase of the cycle, about half of the market had moved to a new high price on 31 January when the average price peaked. Moving into February the price hike appeared to falter and the average price fell slightly.



The graph below displays the average Brisbane retail ULP and diesel prices, the TGP, the daily Brent crude oil price, the weekly Tapis crude oil, the weekly MOGAS and GASOIL prices in cents per litre (A\$), and the US\$/A\$ exchange rate in A\$ cents per US\$.



Brent started January at A\$51.6/bbl (US\$37.3/bbl) and ended the month at A\$48.6/bbl (US\$34.5/bbl). The trend observed in Brent price was also observed in the Tapis, MOGAS and GASOIL prices. The price of Brent in A\$ fell to a low of A\$42.0/bbl (US\$28.6/bbl) on 19 January. The Brent price was last this low on 6 April 2004, when the price was A\$41.5/bbl (US\$31.5/bbl).

The low oil price observed in January 2016 was due to an oversupply of oil and soft demand. China's economic slowdown has resulted in falling oil and gas prices. The price of diesel is particularly correlated to Chinese economic performance. The slowdown has led to falls in the GASOIL and diesel TGP. However, fuel companies did not pass these savings on to motorists, preferring to bolster their margins.

The price increase observed in the last week of January followed rumours of a deal between Russia and Saudi Arabia to reduce oil output. The rumours have subsequently been denied by Saudi Arabia.

Comparison to other capital cities

The table below presents the average January 2016 prices and retail margins on ULP and diesel for Australia's capital cities, with the change compared to December 2015 in parentheses.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	112.7 (-7.5)	7.2 (-3.9)	110.5 (-8.5)	17.0 (1.7)
Brisbane	118.4 (-5.5)	12.1 (2.3)	120.5 (-3.8)	27.0 (6.6)
Canberra	122.2 (-1.8)	16.3 (2.0)	119.8 (-2.7)	26.3 (7.7)
Darwin	125.3 (-1.4)	15.4 (1.7)	132.6 (-3.9)	35.3 (5.9)
Hobart	128.9 (-4.1)	18.1 (-0.8)	129.3 (-4.2)	32.0 (6.9)
Melbourne	111.8 (-9.4)	6.3 (-5.5)	115.7 (-2.8)	22.8 (7.5)
Perth	118.8 (-4.8)	13.1 (-1.2)	122.4 (-4.9)	29.1 (5.2)
Sydney	112.3 (-6.3)	6.4 (-2.5)	116.0 (-5.3)	22.5 (5.1)

* The retail margin is the average retail price minus the average local TGP and local freight costs (assumed to be the same as Brisbane: 1.12cpl). The TGP varies between cities.

In January 2016, ULP sold in Brisbane was more expensive than Melbourne, Sydney and Adelaide. All the other capitals were more expensive than Brisbane.



Melbourne was the cheapest capital for ULP, 6.6 cpl cheaper than Brisbane. Sydney and Adelaide were 6.1 cpl and 5.7 cpl cheaper than Brisbane, respectively. Hobart was the most expensive capital for ULP, 10.5 cpl more expensive than Brisbane.

Diesel sold in Adelaide, Melbourne, Sydney and Canberra was cheaper than Brisbane. Adelaide was 10.0 cpl cheaper than Brisbane, Melbourne was 4.8 cpl cheaper, Sydney was 4.5 cpl cheaper and Canberra was 0.7 cpl cheaper.

Fuel prices across Queensland

Ayr had Queensland's cheapest ULP in January 2016, 8.3 cpl cheaper than Brisbane. Ayr has been the cheapest town in Queensland for the last eight months, since June 2015. Indicative retail margins in Ayr, at negative 0.2 cpl, remain exceptionally low. Ayr is substantially cheaper than neighbouring Townsville, where the average ULP price in January was 119.7 cpl.

ULP sold in Moranbah, Mackay, Ipswich, Maryborough and Yeppoon was also cheaper than Brisbane. All other centres were more expensive than Brisbane.

Ayr also had the cheapest diesel in Queensland (16.4 cpl cheaper than Brisbane), followed by Gympie and Moranbah (11.9 cpl and 11.0 cpl cheaper, respectively). Charters Towers, Bowen, Maryborough, Bundaberg, Townsville, Miles, Dalby, Kingaroy, Gladstone, Mackay, Childers, Rockhampton, Yeppoon, Charleville and Biloela were also cheaper than Brisbane. All the other centres were more expensive.

The table below presents the average January 2016 prices and retail margins on ULP and diesel for Queensland localities, with the change compared to December 2015 in parentheses.

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin*	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	118.4 (-5.5)	12.1 (2.3)	120.5 (-3.8)	27.0 (6.6)
Gold Coast	119.2 (-6.6)	12.5 (1.2)	122.1 (-3.1)	28.2 (7.2)
Sunshine Coast	119.0 (-7.1)	11.6 (0.7)	118.8 (-5.0)	24.1 (5.3)
Atherton	127.7 (-5.4)	18.7 (-2.1)	125.2 (nd)	29.4 (nd)
Ayr	110.1 (-4.4)	-0.2 (-1.0)	104.1 (-9.9)	7.7 (0.6)
Biloela	127.3 (-3.8)	17.1 (-0.4)	118.5 (-11.3)	21.3 (-1.5)
Blackall	147.7 (-1.2)	nd	129.2 (-5.1)	nd
Blackwater	131.7 (-1.2)	19.0 (2.2)	122.7 (-5.8)	23.1 (4.0)
Bowen	118.4 (-8.1)	7.7 (-4.7)	111.2 (-7.4)	14.4 (3.1)
Bundaberg	119.5 (-2.4)	10.0 (5.4)	111.9 (-8.9)	15.1 (1.4)
Cairns	128.8 (-5.5)	20.1 (-2.2)	127.5 (-5.7)	32.0 (5.7)
Charleville	125.5 (-4.6)	10.9 (3.3)	118.0 (-12.0)	16.2 (-1.7)
Charters Towers	123.3 (-6.2)	12.6 (-2.8)	110.4 (-10.0)	13.5 (0.5)
Childers	119.6 (-4.7)	nd	116.8 (-5.6)	nd
Cloncurry	137.4 (-5.2)	21.3 (-1.7)	135.6 (-6.7)	33.3 (3.7)
Cunnamulla	146.4 (-1.9)	32.2 (5.9)	145.3 (-2.9)	43.9 (7.4)
Dalby	120.7 (-5.2)	12.8 (2.6)	113.2 (-6.3)	18.1 (4.1)
Emerald	132.6 (-0.1)	21.1 (3.3)	123.6 (-4.8)	25.1 (5.0)
Gladstone	118.8 (-4.3)	9.1 (-0.8)	115.6 (-7.2)	19.0 (2.7)
Goondiwindi	124.8 (-7.0)	14.5 (0.8)	119.7 (-5.2)	22.1 (5.2)
Gympie	119.3 (-3.5)	11.6 (4.4)	108.6 (-10.7)	13.7 (-0.4)
Hervey Bay	125.2 (-3.9)	17.0 (3.9)	119.4 (-7.3)	24.0 (3.0)
Ingham	124.6 (-9.6)	nd	120.5 (-8.5)	nd
Innisfail	127.7 (-5.6)	18.3 (-2.3)	127.2 (-4.4)	31.0 (6.9)
Ipswich	117.7 (-5.8)	11.0 (2.0)	119.1 (-2.6)	25.1 (7.7)
Kingaroy	124.1 (-5.8)	15.2 (2.1)	114.1 (-7.5)	17.9 (2.8)
Longreach	131.3 (-6.0)	12.8 (-2.5)	129.3 (-3.8)	24.0 (6.0)



Mackay	115.1 (-6.1)	5.5 (-2.7)	116.3 (-6.7)	20.5 (3.1)
Mareeba	125.9 (-5.3)	16.3 (-2.0)	124.4 (-2.7)	28.0 (8.7)
Maryborough	117.9 (-3.8)	9.5 (4.0)	111.4 (-7.8)	15.7 (2.5)
Miles	124.3 (-4.9)	nd	113.1 (-10.2)	nd
Moranbah	114.5 (-4.0)	1.8 (-0.6)	109.5 (-8.4)	10.7 (1.5)
Mt Isa	132.1 (-5.5)	15.1 (-2.0)	131.3 (-3.2)	28.2 (7.3)
Rockhampton	119.0 (-2.4)	8.8 (1.1)	117.3 (-8.3)	20.1 (1.6)
Roma	129.2 (-4.1)	19.0 (3.8)	122.8 (-2.9)	25.3 (7.4)
Toowoomba	121.3 (-4.6)	13.8 (3.3)	120.8 (0.1)	26.1 (10.4)
Townsville	119.7 (-8.4)	10.6 (-4.9)	113.0 (-16.2)	17.8 (-5.7)
Tully	126.8 (-5.9)	nd	124.3 (4.2)	nd
Warwick	119.3 (-3.7)	11.7 (4.1)	118.8 (-10.7)	24.0 (-0.3)
Yeppoon	118.1 (-2.6)	7.2 (0.8)	117.8 (-6.2)	19.9 (3.7)

* The retail margin is the average retail price minus the average local TGP and local freight costs. The TGP and freight costs vary between cities. This indicative margin is calculated on the monthly average TGP and retail price. A time lag is not included in this calculation.

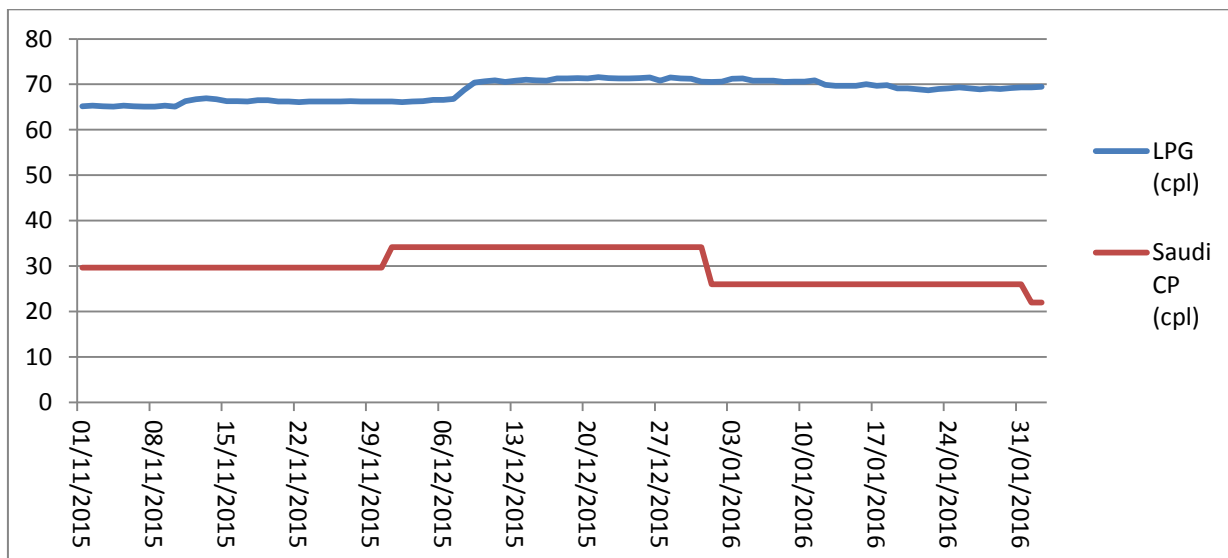
Liquid Petroleum Gas (LPG)

The average price of LPG in Brisbane decreased by 0.2 cpl in January 2016 to 69.8 cpl. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the international benchmark price – the Saudi Aramco Contract Price (the Saudi CP) – in January 2016 was 24.7 cpl, 8.1 cpl greater than December.

The substantial fall in the Saudi CP observed in January was not passed on to motorists, instead fuel companies bolstered their margins.

The new Saudi CP for February 2016 is 22.0 cpl, 4.0 cpl lower than in January and 12.2 cpl lower than December 2015. This should lead to a similar fall in the retail price of LPG in Queensland. The Saudi CP was last this low 12 years ago, in April 2004.

The chart below displays the retail price of LPG in Brisbane and Saudi CP.



Outlook

The price of crude oil is likely to stay relatively low in February. Although the record lows observed in January are unlikely to be repeated. An oversupply of oil and weak demand due to poor economic growth, especially in China, are likely to dominate the oil market for some time yet.



The next monthly fuel price report will be released in early March. For more information about recent movements in retail fuel prices, please view RACQ's Fair Fuel Price service at www.racq.com.au.

Data sources

All data presented in this report are RACQ calculations using MotorMouth.com.au, FUELtrac, RBA, AIP, Bloomberg.com, BP, Viva Energy, Caltex, Mobil, United, Freedom and Puma data.