

# Monthly Fuel Price Report – April 2017



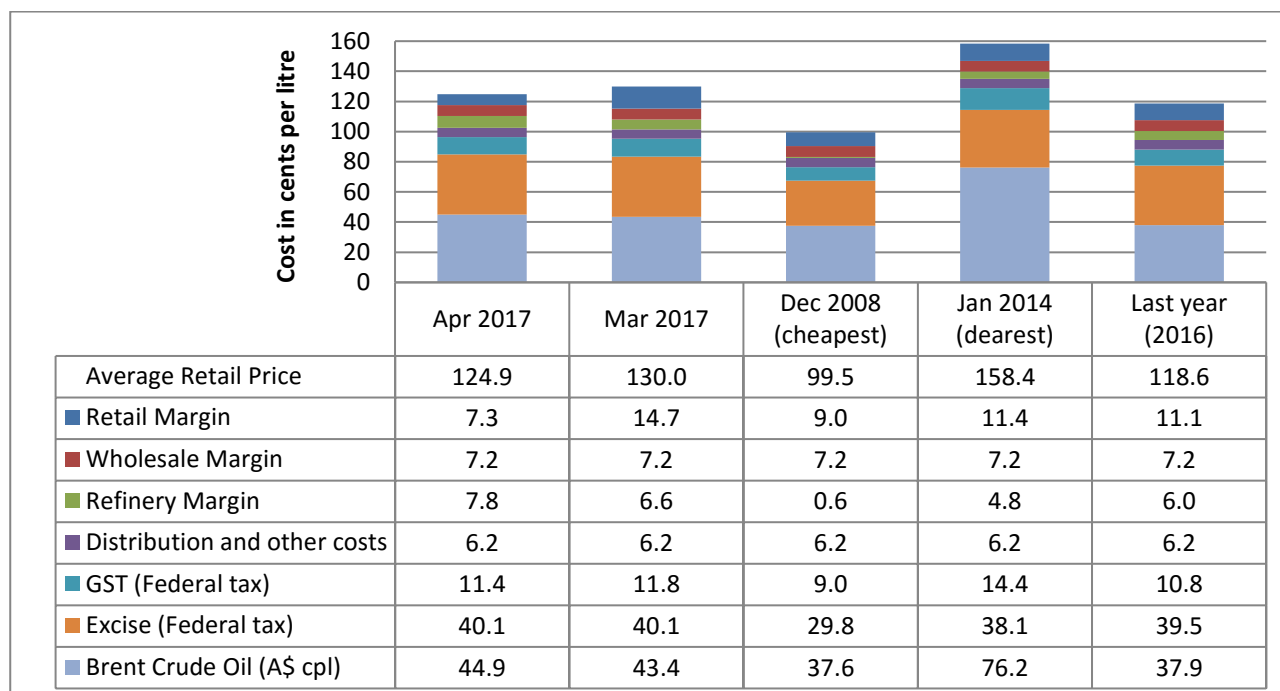
4 May 2017

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for April 2017.

## Key points

- At 124.9 cpl, the average Brisbane ULP price for April was 5.1 cpl lower than March, and indicative retail margins were 7.4 cpl lower at 7.3 cpl.
- In a reversal of fortune, Brisbane moved from the most expensive of the five large capital cities in March to the second cheapest in April. In April only Adelaide was cheaper than Brisbane.
- The low ULP price in Brisbane was due to the positioning of the price cycle, which was at cheaper points than the previous month.
- Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 5.6 cpl, 2.2 cpl and 0.2 cpl, respectively.
- The average price of ULP across regional Queensland in April was 131.0 cpl, 3.4 cpl lower than March. The average diesel price was 129.3 cpl, 1.0 cpl less expensive than the March.
- Miles had the cheapest average ULP price in Queensland in April, 7.3 cpl cheaper than Brisbane. All other non-SEQ regional centres were dearer than Brisbane.
- Miles had the cheapest diesel in Queensland (9.3 cpl cheaper than Brisbane), followed by Maryborough, Childers and Ayr.
- The average price of LPG in Brisbane was 75.6 cpl, 0.8 cpl higher than March, but fuel company margins on LGP increased again in April.

## ULP cost breakdown in Brisbane



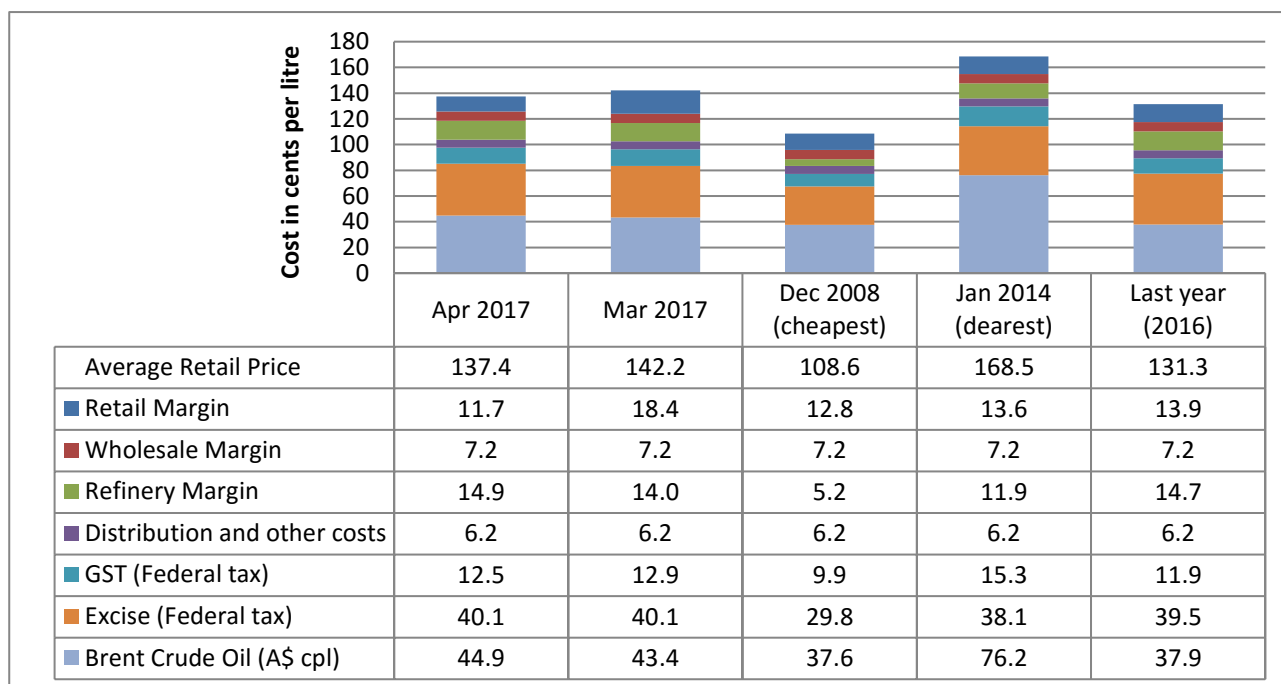
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for April 2017. For comparison, the cost breakdown for last month, last year, December 2008 – 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 Brisbane in April was 124.9 cpl, 5.1 cpl lower than March. Indicative retail margins, at 7.3 cpl, were 7.4 cpl lower than March. Refiner margins increased in April and were 1.2 cpl higher than March.

The difference between April and March in the average retail price is due to the positioning of the price cycle. The most expensive part of the cycle was in mid and late March, and the discounting and cheapest phases fell in April. The price hike at the end of the last cycle fell in the last few days of April. Subsequently, April was relatively cheap compared to March which was relatively expensive.

### PULP 95 cost breakdown in Brisbane



Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for April 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

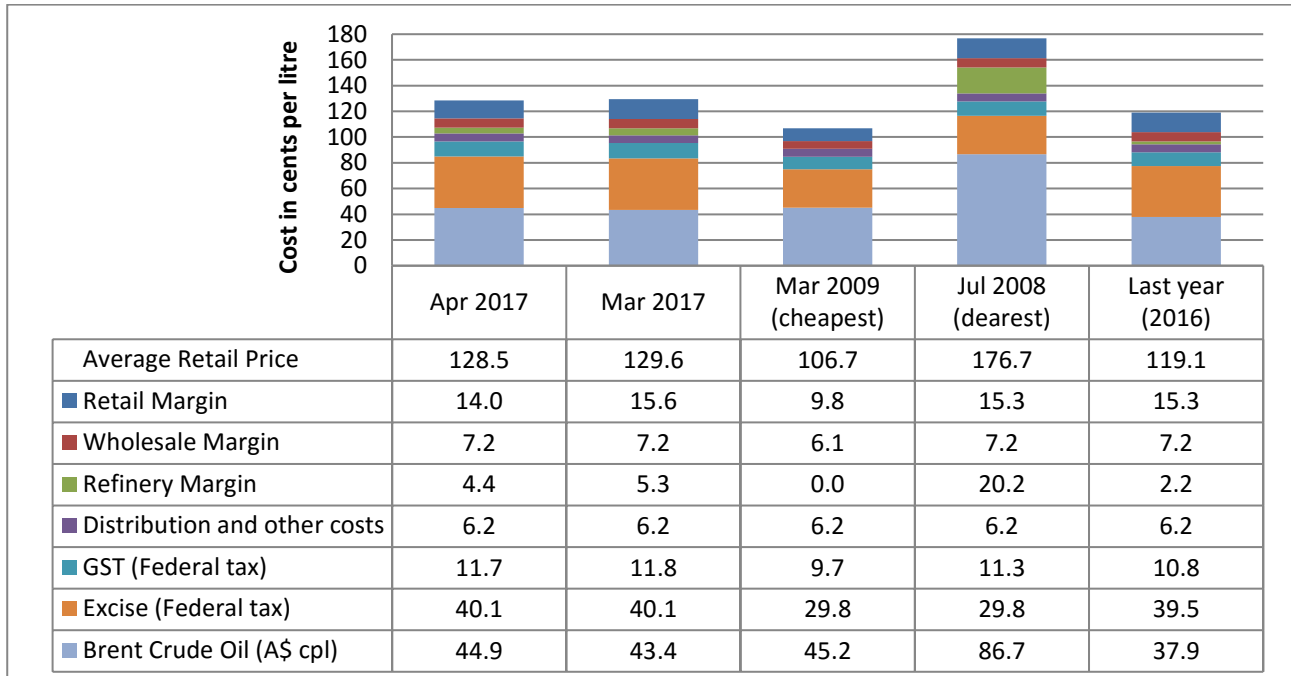
The average price of PULP 95 in Brisbane in April was 137.4 cpl, 4.8 cpl lower than March, and 12.5 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in March was 12.2 cpl and the average for 2016 was 12.7 cpl. Indicative retail margins for PULP 95, at 11.7 cpl, were 6.7 cpl lower than March. Refiner margins increased in April and were 0.9 cpl greater than March. The fall in retail price and retail margins was due to the alignment of the price cycle and not due to a change in retailer pricing practices.

### Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for April 2017. 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.

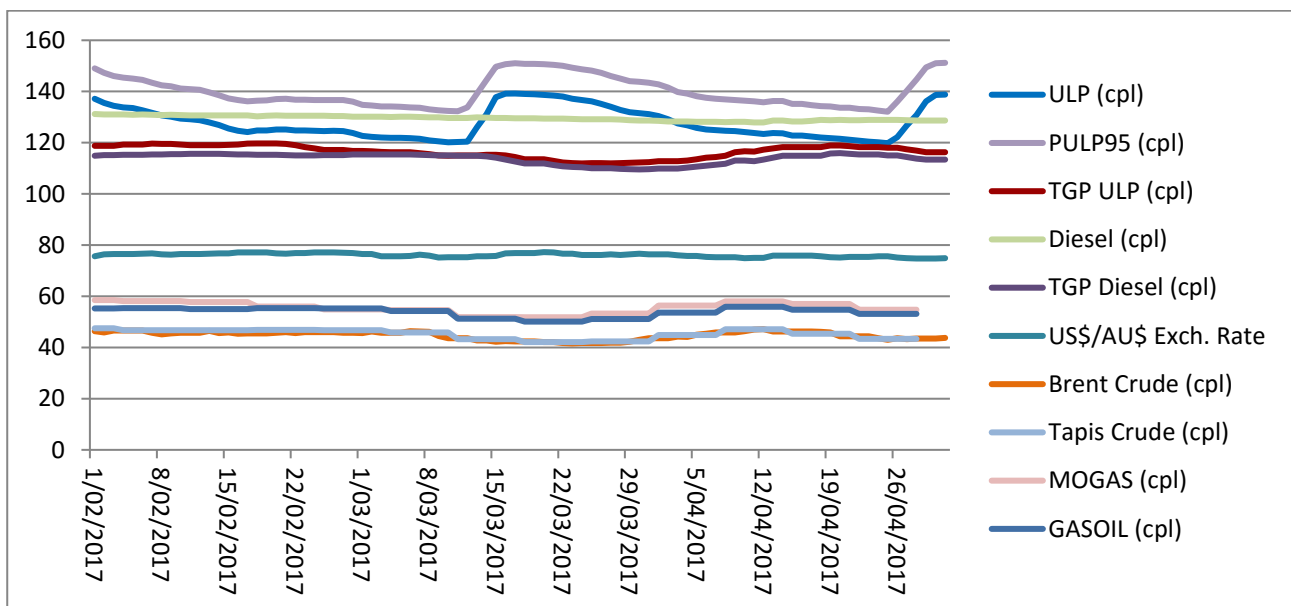
The average price of diesel in April, at 128.5 cpl, was 1.1 cpl lower than March. Indicative retail margins decreased in April by 1.6 cpl and refinery margins decreased by 0.9 cpl. At 14.0 cpl, indicative retail margins on diesel remained substantially higher than RACQ considers to be reasonable.



Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

## Price trends

The graph below displays the average Brisbane retail ULP, PULP95 and diesel prices, the ULP 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 US\$ cents per A\$.



There were two partial price cycles observed in Brisbane in April 2017. The first cycle started on 11 March, with the average price peaking on 17 March. Prices then fell slowly throughout the rest of March and most of April, with the cycle ending on 25 April. The second cycle started on 26 April, with prices peaking on 3 May. At the time of writing the Brisbane ULP market was in the most expensive phase of the cycle.

The average price of Brent in April was slightly higher than March at A\$71.4/bbl (US\$53.8/bbl) or 44.9 cpl. Brent started April at A\$70.4/bbl (US\$53.5/bbl) and ended the month at A\$69.1/bbl (US\$51.7/bbl). It rose to a local high point of A\$75.0/bbl (US\$56.3/bbl) on 14/04/2017, before softening for the rest of April.

The strength (or weakness) of the OPEC production cut deal continues to influence the oil price. It appears that the deal will be extended for another six months. During the month this news placed upward pressure on the oil price. However, due to poor compliance production cuts remain lower than the agreed amounts and this is limiting the upward pressure on the oil price. Only Sadia Arabia appears to be in full compliance with the agreement.

## Comparison to other capital cities

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

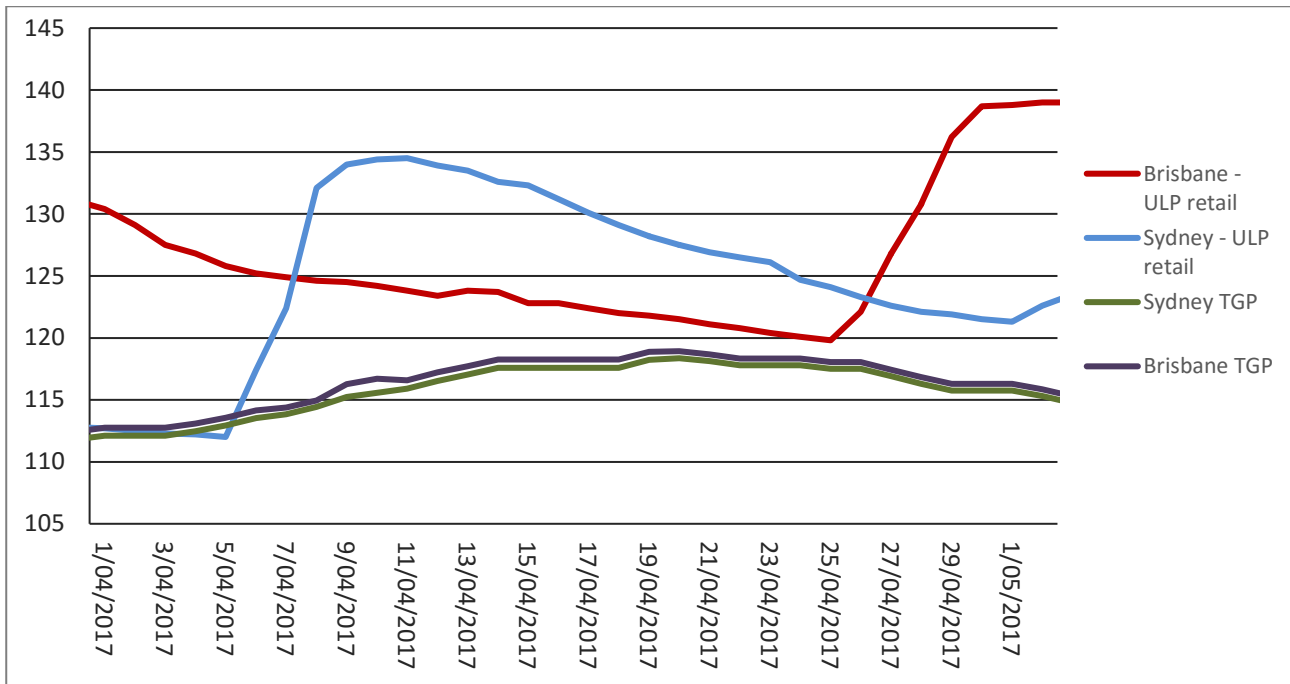
City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	123.7 (0.8)	6.7 (-1.6)	122.9 (-0.6)	8.2 (-1.2)
Brisbane	124.9 (-5.0)	7.3 (-7.5)	128.5 (-1.1)	14.0 (-1.6)
Canberra	129.2 (-8.0)	12.2 (-10.4)	130.0 (-1.7)	15.4 (-2.3)
Darwin	130.4 (-5.6)	13.4 (-8.1)	129.9 (-0.1)	15.3 (-0.7)
Hobart	140.5 (-1.6)	23.5 (-4.0)	138.2 (0.2)	23.5 (-0.4)
Melbourne	126.1 (-3.2)	9.1 (-5.6)	128.3 (-0.4)	13.6 (-1.0)
Perth	125.9 (-2.9)	8.9 (-5.4)	131.0 (-1.2)	16.4 (-1.8)
Sydney	125.2 (4.6)	8.2 (2.2)	126.3 (-1.3)	11.7 (-1.9)

\* The retail margin is the average retail price minus the average local TGP and local freight costs (assumed to be the same as Brisbane: 1.04cpl). The TGP varies between cities.

Brisbane moved from the most expensive of the five large capitals for ULP in March, to the second cheapest in April. Only Adelaide was cheaper than Brisbane, with an average ULP price 123.7 cpl. Sydney was 0.3 cpl dearer than Brisbane, Perth 1.0 cpl dearer, Melbourne was 1.2 cpl, and Canberra, Darwin and Hobart were 4.3 cpl, 5.5 cpl and 15.6 cpl more expensive respectively.

Much of the price difference between the capital cities is due to the alignment of the price cycles rather than due to a change in retailer pricing policy. The average Brisbane ULP price was cheaper than the average Sydney price because Brisbane was in the discounting and cheap phases for most of April and Sydney was in the expensive and discounting phases. However, during the cheap phase and the most expensive phase of the Sydney cycle prices were lower than those in Brisbane during the same phase. Taking an average across the whole price cycle Sydney was cheaper than Brisbane.

The chart below displays the average retail ULP price in Brisbane and Sydney and the average TGP in Brisbane and Sydney.



Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 5.6 cpl, 2.2 cpl and 0.2 cpl, respectively. Darwin, Canberra, Perth and Hobart were more expensive by 1.4 cpl, 1.5 cpl, 2.5 cpl and 9.7 cpl, respectively.

### Comparison of the SEQ metropolitan centres

Ipswich was the cheapest centre in SEQ to buy ULP in April, with an average price of 119.9 cpl, 6.5 cpl lower than the March average. The Gold Coast was the second cheapest centre in SEQ, 1.6 cpl dearer than Ipswich. The Sunshine Coast was the most expensive SEQ centre, 14.2 cpl dearer than Ipswich. The Sunshine Coast was the only SEQ centre that was more expensive in April compared to March.

Ipswich was also the cheapest SEQ centre to buy diesel, with an average price of 127.2 cpl, followed by Moreton Bay and Brisbane South, 0.7 cpl and 1.1 cpl dearer than Ipswich, respectively. As with ULP, the Sunshine Coast was the most expensive, with diesel selling for 130.1 cpl.

The table below presents the average April prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to March in parentheses.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	124.0 (-6.9)	3.6 (-9.3)	129.1 (-1.3)	12.2 (-1.9)
Brisbane South	125.3 (-4.3)	5.0 (-6.8)	128.3 (-1.0)	11.4 (-1.5)
Gold Coast	121.5 (-7.2)	0.6 (-9.6)	129.0 (-0.5)	11.5 (-1.1)
Ipswich	119.9 (-6.5)	-0.7 (-9.0)	127.2 (-0.2)	10.0 (-0.8)
Moreton Bay	121.5 (-6.2)	0.8 (-8.7)	127.9 (-1.2)	10.6 (-1.8)
Sunshine Coast	134.1 (1.3)	13.0 (-1.1)	130.1 (-0.1)	12.4 (-0.7)

\* The retail margin is the average retail price minus the average Brisbane TGP and varying local freight costs.

### Fuel prices across Queensland

The average price of ULP across regional Queensland in April was 131.0 cpl, 3.4 cpl lower than the March

average of 134.4 cpl. The average diesel price was 129.3 cpl, 0.8 cpl less expensive than the March average of 130.1 cpl.

Miles was the cheapest centre to buy ULP in April, and was 7.3 cpl cheaper than Brisbane. The average price of ULP in Miles was 117.6 cpl. Retailers in Miles were selling ULP at below cost and indicative retail margins in Miles were less than zero, at negative 6.0 cpl. No other regional centres (centres outside of SEQ) were cheaper than Brisbane.

The most expensive regional centres listed were Blackwater and Innisfail, with an average price of 144.5 cpl and 144.9 cpl respectively in April. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices<sup>1</sup>.

Fifteen of the 34 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (9.3 cpl cheaper than Brisbane), followed by Maryborough (3.7 cpl cheaper than Brisbane). Childers, Ayr, Mount Isa, Warwick, Gladstone, Bowen, Charters Towers, Goondiwindi, Townsville, Kingaroy, Ingham, Gympie and Hervey Bay were also cheaper than the Brisbane price in April. Roma was the most expensive listed regional centre for diesel, at 136.5 cpl<sup>3</sup>. Travelling 140km west from Miles to Roma, the price of ULP increases by 12.3 cpl and the price of diesel increases by 17.3 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	124.9 (-5.0)	7.3 (-7.5)	128.5 (-1.1)	14.0 (-1.6)
Gold Coast	121.5 (-7.2)	3.2 (-9.6)	129.0 (-0.5)	13.8 (-1.0)
Sunshine Coast	134.1 (1.3)	15.6 (-1.1)	130.1 (-0.1)	14.8 (-0.7)
Atherton	141.1 (-2.4)	19.9 (-4.8)	134.9 (-1.0)	17.1 (-1.6)
Ayr	130.8 (0.3)	9.8 (-2.1)	125.7 (-0.2)	8.2 (-0.8)
Biloela	137.9 (-1.7)	16.4 (-4.1)	134.1 (1.1)	16.0 (0.6)
Blackwater	144.5 (-0.4)	21.2 (-2.9)	133.5 (-2.4)	13.7 (-3.0)
Bowen	133.7 (-5.1)	11.7 (-7.5)	126.6 (-1.6)	8.0 (-2.2)
Bundaberg	126.9 (-3.3)	3.2 (-5.7)	130.8 (-0.8)	10.5 (-1.4)
Cairns	140.2 (-3.8)	19.7 (-6.3)	135.5 (-1.9)	18.5 (-2.5)
Charleville	129.3 (-1.3)	1.7 (-3.7)	129.9 (0.0)	5.7 (-0.6)
Charters Towers	130.9 (-5.0)	9.5 (-7.4)	126.7 (-2.7)	8.8 (-3.3)
Childers	128.2 (-2.0)	5.0 (-4.5)	125.2 (-1.3)	5.4 (-1.9)
Dalby	134.4 (-5.6)	12.1 (-8.0)	129.3 (-1.7)	10.4 (-2.2)
Emerald	142.9 (-0.5)	18.9 (-3.0)	128.7 (-1.1)	8.1 (-1.7)
Gladstone	128.4 (-4.9)	8.0 (-7.3)	126.5 (-1.4)	9.6 (-1.9)
Goondiwindi	135.2 (-1.1)	11.5 (-3.5)	126.8 (-0.4)	6.6 (-1.0)
Gympie	128.0 (-1.2)	6.2 (-3.7)	128.1 (-1.7)	9.8 (-2.3)
Hervey Bay	136.5 (-3.2)	13.5 (-5.6)	128.3 (-1.2)	8.7 (-1.8)
Ingham	136.9 (-2.0)	15.7 (-4.5)	127.9 (-0.3)	10.2 (-0.9)
Innisfail	144.9 (0.0)	23.6 (-2.4)	134.9 (0.0)	17.0 (-0.6)
Kingaroy	135.9 (-0.7)	13.7 (-3.1)	127.1 (-0.2)	8.3 (-0.8)

<sup>1</sup> RACQ does not have an exhaustive list of regional centres in Queensland. In discussing the cheapest or dearest centre in Queensland, it is implied that this only refers to the centres listed in the table. There may be other centres, not listed, that are more or less expensive.

Longreach	143.4 (0.3)	15.2 (-2.1)	130.1 (0.0)	5.4 (-0.6)
Mackay	130.7 (-2.5)	10.4 (-5.0)	130.5 (-0.7)	13.7 (-1.2)
Mareeba	130.5 (-9.7)	9.5 (-12.2)	128.7 (-3.5)	11.1 (-4.1)
Maryborough	126.8 (-1.1)	4.1 (-3.5)	124.8 (-1.1)	5.6 (-1.6)
Miles	117.6 (-0.4)	-6.0 (-2.8)	119.2 (0.6)	-0.9 (0.0)
Moranbah	129.6 (0.0)	7.4 (-2.4)	129.6 (0.0)	10.8 (-0.6)
Mount Isa	143.2 (-1.7)	14.2 (-4.1)	126.1 (-0.3)	0.5 (-0.8)
Rockhampton	139.5 (-3.2)	18.0 (-5.6)	129.8 (-1.2)	11.8 (-1.8)
Roma	129.9 (-3.5)	5.0 (-6.0)	136.5 (0.3)	15 (-0.3)
Toowoomba	130.9 (-3.2)	9.4 (-5.6)	129.7 (-2.4)	11.7 (-3.0)
Townsville	130.5 (-3.4)	10.4 (-5.8)	127.0 (-0.6)	10.4 (-1.2)
Tully	140.1 (-3.0)	18.3 (-5.5)	131.5 (-2.7)	13.1 (-3.3)
Warwick	132.2 (-7.6)	10.5 (-10.0)	126.1 (-1.3)	7.8 (-1.9)
Whitsunday	126.6 (-1.1)	5.0 (-3.5)	134.9 (-1.7)	16.8 (-2.3)
Yeppoon	139.9 (-4.2)	18.1 (-6.6)	130.9 (-4.4)	12.5 (-5.0)

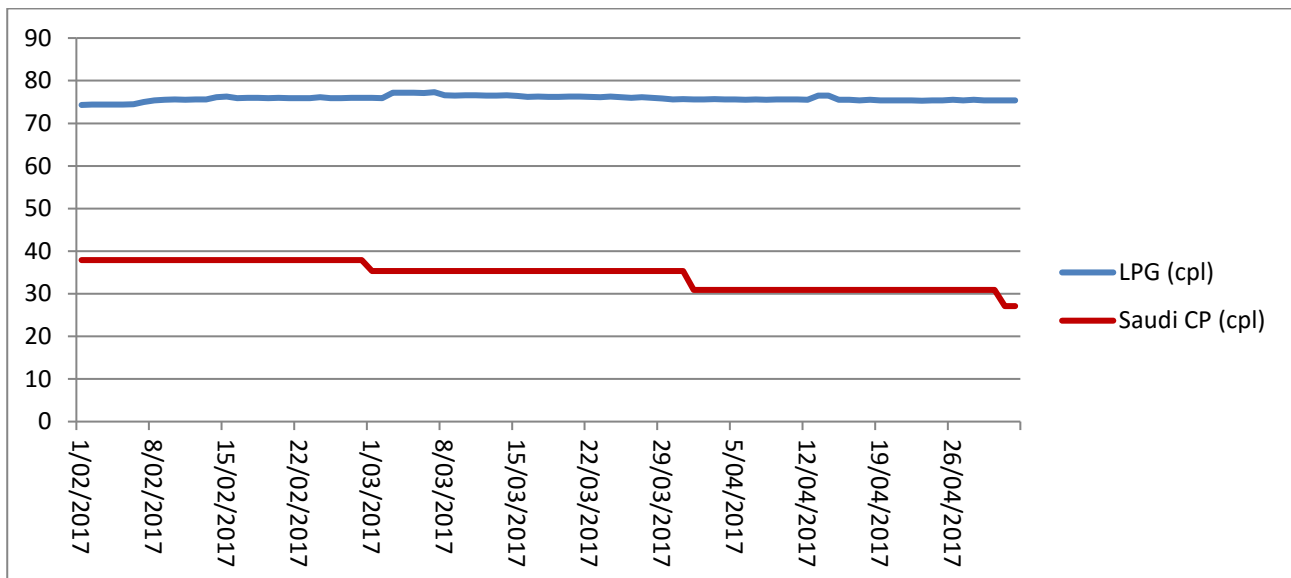
\* The retail margin is the average retail price minus the average local TGP and local freight costs. The TGP and freight costs vary between cities. This indicative margin is calculated on the monthly average TGP and retail price.

## Liquid Petroleum Gas (LPG)

The average retail price of LPG in Brisbane in April was 75.6 cpl, 0.8 cpl lower than March. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in April was 24.7 cpl, 3.7 cpl higher than March.

The Saudi CP for May 2017, at 27.1 cpl, is 3.8 cpl lower than April 2017. This should lead to a fall in the retail LPG price. However, in recent months fuel companies have used the fall in the Saudi CP to bolster margins, rather than passing the savings on to motorists.

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



## Outlook

Since February 2017 the price of WTI has traded in a range between US\$50 and US\$55 per barrel, with Brent two or three dollars more expensive. The market dynamics suggest oil will continue to trade in this

price band. The OPEC production cut is placing upward pressure on the price, but this is limited by poor compliance. Price increases also appear to be limited by a potential increase in oil production elsewhere in the world. In April an increase in Libyan oil production and US shale oil production both placed downward pressure on the oil price.

The next monthly fuel price report will be released in early June 2017.

### **Data sources**

All data presented in this report are RACQ calculations using Informed Sources (Australia), FUELtrac, RBA, AIP and Bloomberg.com data.