

Monthly Fuel Price Report – April 2020



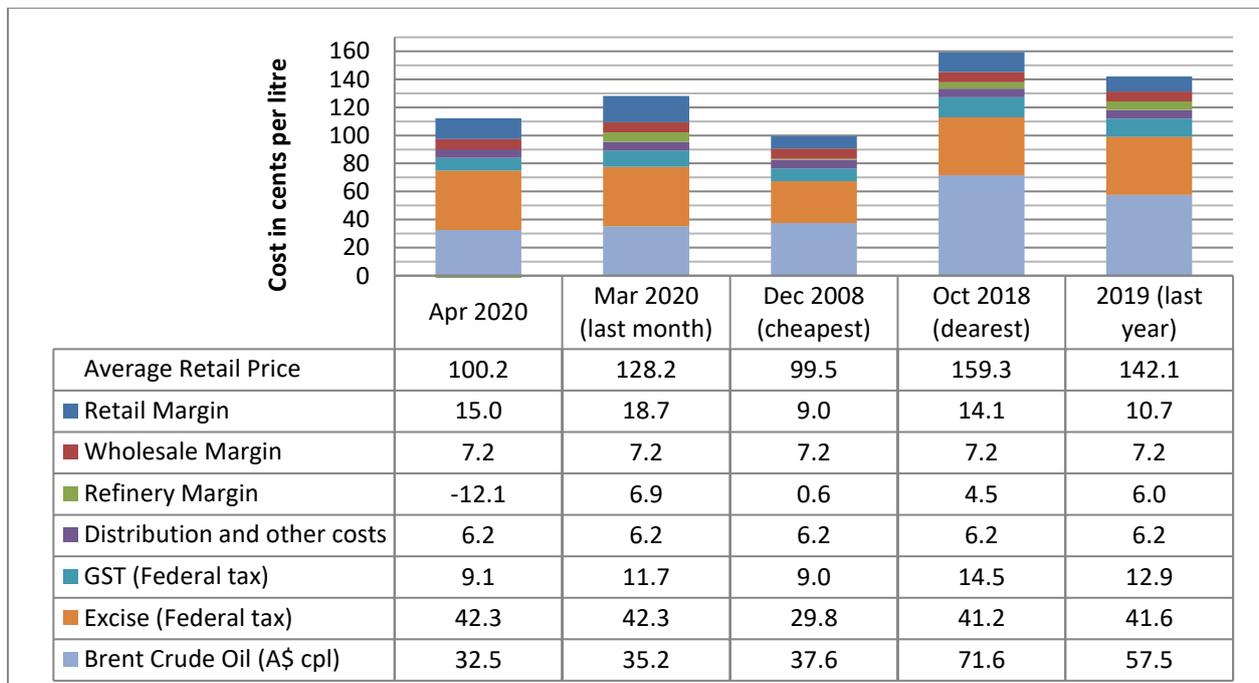
6 May 2020

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for April 2020.

Key points

- The COVID-19 crisis and Saudi/Russia oil price war led to on-going falls in the global oil prices. The Brent oil price in A\$ fell by 12% in April and 59% since the beginning of 2020.
- In the last five months the monthly average ULP price in Brisbane has fallen by almost 50 cpl, from 150.0cpl in December 2019 to 100.2cpl in April 2020.
- On 27 April the daily average ULP price in Brisbane recorded a 11-year record low of 88.4cpl.
- At 100.2 cpl, the average ULP price in Brisbane in April was 28.0 cpl lower than March. This decrease was due to the fall in the oil price and fuel company margins.
- Brisbane was the second cheapest capital cities in April, after Perth.
- At 127.4 cpl, the average Brisbane diesel price in April was 13.1 cpl cheaper than March.
- Brisbane was the third cheapest of the large capital cities in April for diesel.
- The average ULP price in regional Queensland in April was 117.7 cpl, 17.7 cpl lower than March. The average diesel price in regional Queensland was down 12.2 cpl, at 130.3 cpl.
- Bundaberg was the cheapest Queensland regional centre to buy ULP in April, with an average price of 102.2 cpl, 2.0 cpl more expensive than Brisbane.
- Gympie was the cheapest Queensland regional centre to buy diesel in April, with an average price of 119.0 cpl.
- Mount Isa is the most expensive regional centre. The average ULP price of 149.0 cpl returns a massive indicative retail margin of 51.5 cpl.

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. For comparison, the cost breakdown for last month, last year, October 2018 - the most expensive month and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.

At 100.2 cpl, the average price of ULP in Brisbane in April was 28.0 cpl lower than the March average. Indicative retail margins, at 15.0 cpl, were 3.7 cpl lower than in March. Indicative ULP refinery margins collapsed in late March and April. At negative 12.1 cpl, the average indicative refinery margins in April were 19.0 cpl lower than March. Total margins (retail, wholesale and refinery) at 10.1 cpl were 22.7 cpl lower than March.

The decrease in the April average ULP price was due to a decrease in oil prices and a massive reduction in fuel company margins led primarily by the reduction in refinery margins. The RACQ pricing model assumes that oil is imported to Australia and refined locally. However, on Monday 6 April Caltex announced they would be closing their Lytton refinery for an extended turnaround and inspection (a planned maintenance programme), and that the refinery would not reopen until refinery margins increased. This would lead to all fuel sold in Queensland being refined overseas.

The alternate pricing model assumes that fuel consumed in Queensland is refined in overseas refineries and imported into Australia as refined product. In this model indicative importer margins replace refinery margins. Gross indicative importer margins in April 2020 were 6.4 cpl, marginally higher than the 6.0 cpl margins in March.

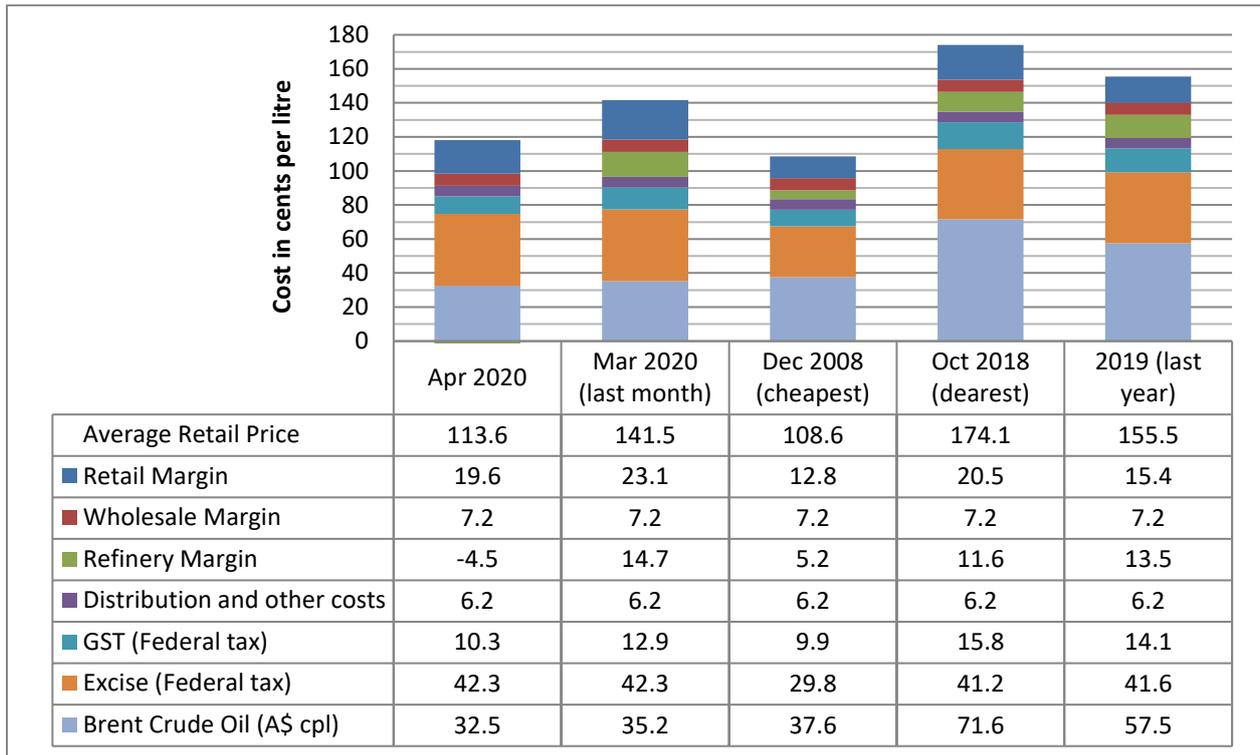
Record highs to record lows

In the last five months the daily average ULP price in Brisbane has moved from an all-time record high of 172.5cpl (observed on 12/12/2019) and by the end of April 2020 the daily average ULP in Brisbane was close to half this price, recording an 11-year record low of 88.4cpl (observed 27/04/2020). The daily average ULP price in Brisbane was last this low in January 2009, during the aftermath of the Global Financial Crisis. The comparison between the record high and the record low compares a peak price with trough price and is not an accurate reflection of the cost of fuel during these months. The monthly average ULP price in December 2019 was 150.0cpl, in April 2020 the average was almost 50 cpl lower at 100.2cpl.

PULP 95 cost breakdown in Brisbane

The average PULP 95 price in Brisbane in April was 113.6 cpl, 27.9 cpl lower than March. The price difference between ULP and PULP 95 was 13.4 cpl, largely unchanged from March (when it was 13.3 cpl). Indicative retail margins for PULP 95, at 19.6 cpl, were 3.5 cpl lower than March. Refinery margins at negative 4.5 cpl, were 19.2 cpl lower than March. Total margins, at 22.3 cpl were 22.7 cpl lower than March when they were 45.0 cpl.

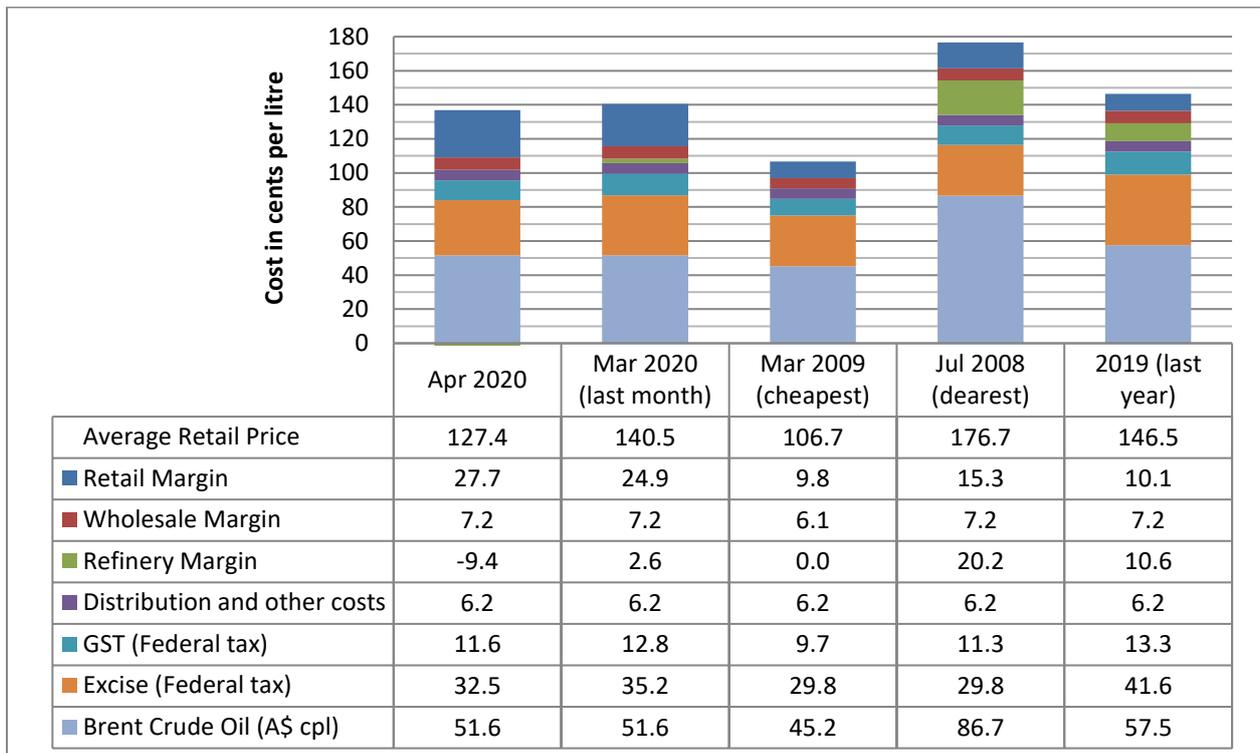
The chart below shows the cost breakdown for a litre of PULP 95 sold in Brisbane in April. For comparison, the cost breakdown for last month, last year, October 2018 – the most expensive month and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.



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

Diesel cost breakdown in Brisbane

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



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

The average price of diesel in April, at 127.4 cpl, was 13.1 cpl lower than March. Indicative retail margins at 27.7 cpl, were up by 2.8 cpl, and refinery margins were down by 12.0 cpl at negative 9.4 cpl. Total margins (retail, wholesale and refinery) in April at 25.5 cpl, were 9.2 cpl lower than March (34.7 cpl).

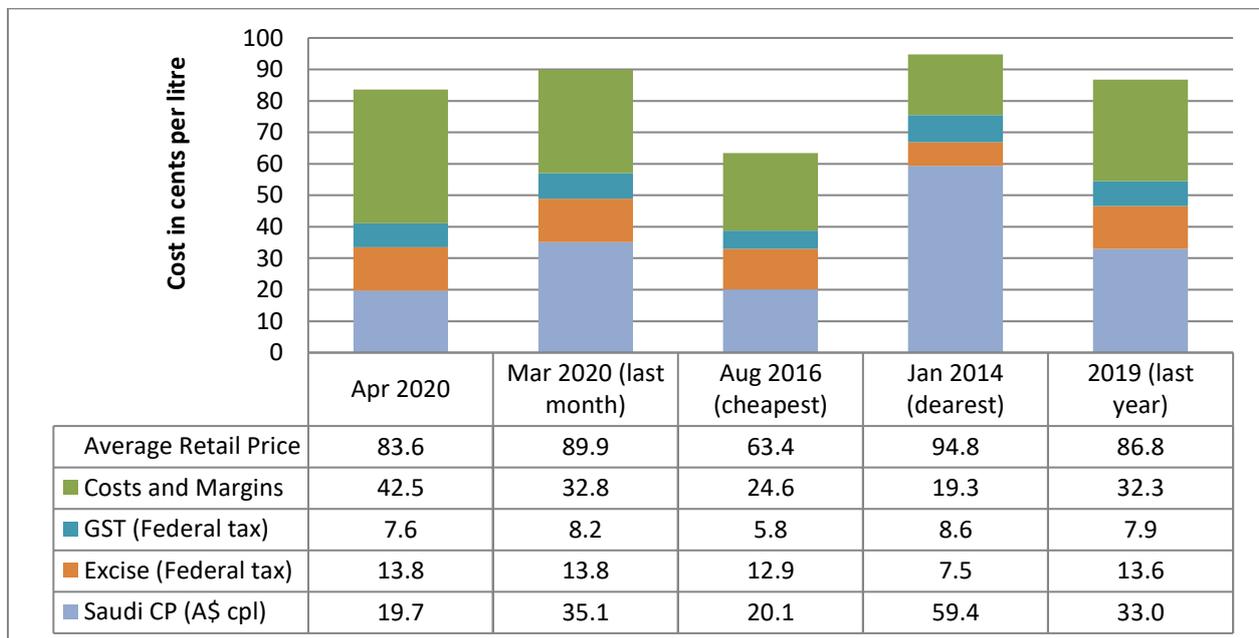
Liquid Petroleum Gas (LPG)

Data on LPG pricing is limited compared to petrol and diesel. Subsequently, it is not possible to calculate retail, wholesale and refinery margins. The alternative measure calculates the difference between the international benchmark price (the Saudi Aramco Contract Price – the Saudi CP) and the pre-tax retail price. This measure captures all fuel company margins and costs.

The average retail price of LPG in Brisbane in April was 83.6 cpl, 6.3 cpl lower than March. Fuel company margins and costs in April, at 42.5 cpl, were 9.7 cpl higher than March and the highest on record. While fuel companies passed some of the savings from a lower Saudi CP on to motorists, most of the savings have been used to bolster margins.

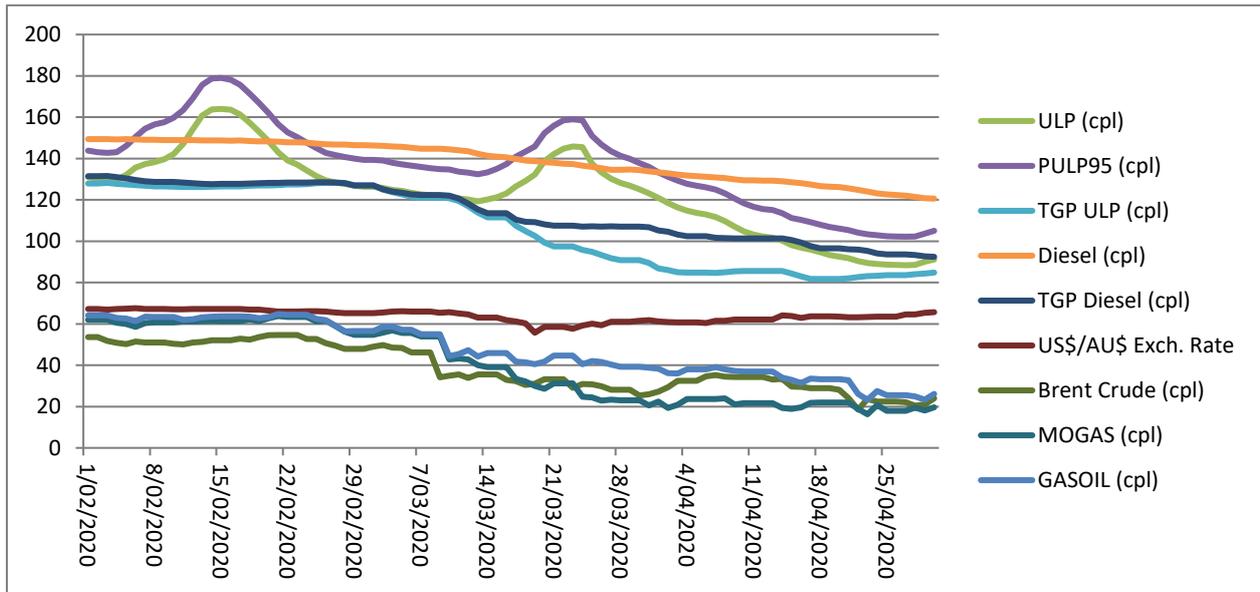
The recently published Saudi CP for May, at 28.5 cpl, was 8.8 cpl higher than April. As fuel company margins on LPG are at record high levels this increase should not lead to an increase in the average LPG price in Brisbane.

The chart below shows the cost breakdown for a litre of LPG sold in Brisbane for April. For comparison, the cost breakdown for last month, last year, August 2016 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2012), is also displayed.



Price trends

Two partial price cycles were observed in the Brisbane ULP market in April – the end of March/April cycle and the beginning of the current cycle. The March/April cycle started on 14 March and prices peaked at 145.8 cpl on 23 March. Prices then fell throughout the rest of March and the majority of April, to a low point of 88.4 cpl on 27 April. The second/current price cycle started on 28 April and at the time of writing the Brisbane ULP market was in the price hike phase of the cycle.



The falling oil price and TGP has led to longer price cycles. The March/April price cycle lasted for 45 days, whereas cycles in early 2020 lasted between 20 and 30 days.

The average price of Brent in April at 51.7 A\$/bbl (31.6 US\$/bbl) or 32.5 cpl, was 4.3 A\$/bbl lower than March. Brent started April at 43.3 A\$/bbl (24.7 US\$/bbl). With the on-going demand destruction caused by the COVID-19 restrictions, the price war between Saudi Arabia and Russia, and concerns the global oil storages where reaching capacity, the oil prices fell in mid-April 2020, before recovering towards the end of the month. In A\$ terms the Brent price fell by 5.1 A\$/bbl or 11.8% in April, this follows a 46.9% fall in March. Brent ended the month largely unchanged at 38.2 A\$/bbl (25.1 US\$/bbl) – the lowest price (in A\$) observed since January 2016. In US\$ terms the Brent price was last this low in September 2003.

Comparison to other capital cities

The table below presents the average April prices and retail margins on ULP and diesel for Australian 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) |
|-----------|-------------------------|--------------------------|----------------------------|-----------------------------|
| Brisbane | 100.2 (-28.0) | 15.0 (-3.7) | 127.4 (-13.1) | 27.7 (2.7) |
| Adelaide | 104.2 (-7.9) | 19.3 (16.4) | 122.8 (-12.6) | 23.0 (3.0) |
| Canberra | 121.3 (-17.4) | 36.6 (6.3) | 128.0 (-17.8) | 28.4 (-2.4) |
| Darwin | 123.3 (-9.4) | 34.6 (15.3) | 131.8 (-7.7) | 29.1 (8.4) |
| Hobart | 129.4 (-19.1) | 37.4 (4.4) | 141.1 (-14.4) | 34.5 (0.8) |
| Melbourne | 106.9 (-18.7) | 22.2 (5.3) | 128.3 (-13.1) | 28.5 (2.4) |
| Perth | 99.7 (-23.0) | 15.9 (1.3) | 130.9 (-11.4) | 32.2 (4.5) |
| Sydney | 103.0 (-27.9) | 18.2 (-4.2) | 124.9 (-14.5) | 25.3 (0.8) |

* 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 was the second cheapest capital city in April, only Perth at 99.7cpl was cheaper (by 0.5 cpl). The average ULP prices in Sydney, Adelaide and Melbourne were dearer than Brisbane by 2.8 cpl, 4.0 cpl and 6.7 cpl, respectively. Canberra, Darwin and Hobart were also more expensive than Brisbane by 21.1

cpl, 23.1 cpl and 29.2 cpl, respectively.

For diesel, Brisbane was the third cheapest capital city in April. The average diesel prices in Adelaide and Sydney were cheaper than Brisbane by 4.6 cpl and 2.5 cpl, respectively. Canberra, Melbourne, Perth, Darwin and Hobart were more expensive than Brisbane by 0.6 cpl, 0.9 cpl, 3.5 cpl, 4.4 cpl and 13.7 cpl respectively.

Comparison of the SEQ metropolitan centres

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. This analysis separates Brisbane into central, northern, southern and bayside regions.

| City | Average ULP Price (cpl) | ULP Retail Margin* (cpl) | Average Diesel Price (cpl) | Diesel Retail Margin* (cpl) |
|----------------------------|-------------------------|--------------------------|----------------------------|-----------------------------|
| Central Brisbane | 99.9 (-30.5) | 14.7 (-6.3) | 130.5 (-12.3) | 30.8 (3.5) |
| Brisbane North | 99.1 (-30.0) | 13.9 (-5.8) | 127.5 (-14.3) | 27.8 (1.5) |
| Brisbane South | 99.3 (-26.5) | 14.1 (-2.3) | 127.3 (-13.3) | 27.6 (2.6) |
| Brisbane Bayside/ Redlands | 104.5 (-25.0) | 19.3 (-0.8) | 129.8 (-11.8) | 30.1 (4.0) |
| Logan | 99.7 (-27.5) | 14.5 (-3.2) | 126.0 (-14.2) | 26.3 (1.7) |
| Ipswich | 102.3 (-23.4) | 16.8 (0.8) | 127.2 (-12.3) | 27.2 (3.5) |
| Moreton Bay | 101.7 (-28.1) | 16.1 (-3.9) | 127.2 (-12.4) | 27.2 (3.5) |
| Gold Coast | 98.0 (-26.3) | 12.2 (-2.0) | 128.7 (-13.5) | 28.4 (2.3) |
| Sunshine Coast | 105.0 (-21.3) | 19.0 (3.0) | 124.8 (-13.5) | 24.3 (2.4) |

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

The cheapest centre in SEQ to buy ULP was Gold Coast, with an average price of 98.0 cpl, followed by Brisbane North at 99.1 cpl. The Sunshine Coast was the most expensive area in SEQ at 105.0 cpl, 7.0 cpl dearer than the Gold Coast. Average ULP prices in SEQ centres were approximately 21 to 30 cpl lower than March. Indicative retail margins decreased in most centres by approximately 2 to 6 cpl in SEQ centres. Margins in Ipswich were up by 0.8 cpl, and the Sunshine Coast by 3.0 cpl.

The Sunshine Coast was the cheapest SEQ centre to buy diesel with an average price of 124.8 cpl, followed by Logan at 126.0 cpl. Central Brisbane was the most expensive at 130.5 cpl, 5.7 cpl dearer than the Sunshine Coast. The price difference between the cheapest and dearest diesel price at 5.7 cpl was lower than ULP, for which the difference was 7.0 cpl. Diesel prices in SEQ in April were approximately 12 to 14 cpl lower than the March averages.

Fuel prices across Queensland

The average price of ULP across regional Queensland in April was 117.7 cpl, 17.7 cpl lower than March when the average price was 135.4 cpl. The average diesel price was 130.3 cpl, 12.2 cpl lower than March when the average price was 142.5 cpl. While these falls were welcome, the fall in the TGP far outstripped the falls in the retail prices.

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 | 100.2 (-28.0) | 15.0 (-3.7) | 127.4 (-13.1) | 27.7 (2.7) |
| Atherton | 131.9 (-14.6) | 42.4 (9.2) | 133.8 (-11.0) | 30.4 (4.7) |
| Beaudesert | 107.6 (-27.1) | 21.5 (-2.9) | 129.1 (-11.7) | 28.6 (4.1) |
| Biloela | 132.2 (-12.9) | 43.7 (11.3) | 135.6 (-9.9) | 33.4 (6.0) |
| Blackwater | 132.0 (-18.9) | 41.8 (5.3) | 143.3 (-6.4) | 39.3 (9.4) |
| Bowen | 119.4 (-18.0) | 28.9 (5.9) | 128.9 (-10.0) | 25.3 (5.6) |
| Bundaberg | 102.2 (-25.1) | 13.6 (-0.9) | 121.7 (-13.2) | 18.6 (2.6) |
| Cairns | 124.1 (-15.5) | 35.3 (8.3) | 136.1 (-10.2) | 33.5 (5.5) |
| Charters Towers | 126.9 (-19.5) | 37.0 (4.4) | 135.5 (-12.3) | 32.5 (3.4) |
| Childers | 111.3 (-22.1) | 23.2 (2.2) | 126.3 (-11.8) | 23.7 (4.0) |
| Dalby | 117.2 (-20.9) | 30.1 (3.3) | 133.9 (-11.4) | 32.2 (4.4) |
| Emerald | 135.7 (-9.9) | 44.7 (14.3) | 142.7 (-4.6) | 38.0 (11.2) |
| Gladstone | 106.6 (-21.9) | 19.3 (2.3) | 124.3 (-12.5) | 23.2 (3.3) |
| Goondiwindi | 111.5 (-21.1) | 23.0 (3.2) | 125.5 (-15.2) | 22.4 (0.7) |
| Gympie | 108.0 (-17.7) | 21.3 (6.5) | 119.0 (-13.3) | 17.9 (2.5) |
| Hervey Bay | 116.7 (-17.6) | 28.8 (6.6) | 130.0 (-12.3) | 27.6 (3.5) |
| Ingham | 123.2 (-11.4) | 33.6 (12.5) | 133.7 (-8.9) | 31.0 (6.7) |
| Innisfail | 127.9 (-14.6) | 38.3 (9.2) | 140.8 (-8.3) | 37.3 (7.4) |
| Kingaroy | 112.8 (-24.8) | 25.7 (-0.5) | 122.0 (-18.7) | 20.4 (-2.8) |
| Lockyer Valley | 104.5 (-21.6) | 18.4 (2.6) | 127.9 (-11.8) | 27.2 (4.0) |
| Longreach | 135.8 (-13.8) | 40.7 (10.3) | 143.9 (-12.2) | 35.0 (3.7) |
| Mackay | 120.6 (-19.8) | 32.3 (4.3) | 128.8 (-14.8) | 27.4 (1.1) |
| Mareeba | 131.6 (-15.1) | 42.2 (8.7) | 132.5 (-15.7) | 29.3 (0.0) |
| Maryborough | 103.8 (-20.9) | 16.3 (3.3) | 126.5 (-11.5) | 24.4 (4.4) |
| Miles | 111.4 (-18.5) | 23.0 (5.8) | 127.5 (-8.0) | 24.6 (7.8) |
| Moranbah | 120.9 (-21.9) | 30.8 (2.3) | 127.8 (-17.5) | 24.4 (-1.6) |
| Mount Isa | 149.0 (-7.4) | 51.5 (16.5) | 138.4 (-8.0) | 27.8 (7.6) |
| Nambour | 103.5 (-23.0) | 17.5 (1.3) | 122.4 (-16.0) | 21.9 (-0.2) |
| Noosa | 106.8 (-23.8) | 20.7 (0.5) | 119.8 (-17.4) | 19.2 (-1.5) |
| Rockhampton | 120.2 (-18.9) | 31.8 (5.2) | 129.4 (-12.1) | 27.3 (3.7) |
| Roma | 119.9 (-10.5) | 30.1 (13.7) | 133.2 (-7.4) | 28.9 (8.5) |
| Somerset | 107.9 (-22.0) | 21.7 (2.3) | 123.5 (-12.1) | 22.9 (3.8) |
| Toowoomba | 102.3 (-21.3) | 15.9 (2.9) | 127.3 (-13.9) | 26.5 (2.0) |
| Townsville | 119.0 (-17.0) | 30.5 (6.9) | 132.6 (-11.5) | 30.9 (4.1) |
| Tully | 129.2 (-13.4) | 39.1 (10.4) | 140.3 (-7.7) | 36.3 (8.0) |
| Warwick | 119.9 (-17.3) | 33.2 (7.0) | 126.9 (-12.4) | 25.7 (3.5) |
| Whitsunday | 110.5 (-20.3) | 21.0 (3.9) | 121.0 (-15.6) | 18.3 (0.3) |
| Yeppoon | 126.4 (-15.4) | 37.6 (8.8) | 136.2 (-12.2) | 33.7 (3.6) |

* 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.

With an average ULP price of 102.2 cpl, Bundaberg was the cheapest regional centre in April, 2.0 cpl more expensive than Brisbane. Toowoomba was a close second cheapest at 102.3 cpl. At 149.0 cpl, the most expensive regional centre for ULP was Mount Isa¹, 48.8 cpl more expensive than Brisbane.

Gympie had the cheapest diesel in Queensland at 119.0 cpl, 8.4 cpl cheaper than Brisbane. Noosa, Whitsunday, Bundaberg, Kingaroy, Nambour, Somerset, Gladstone, Goondiwindi, Childers, Maryborough, Warwick and Toowoomba were also cheaper than Brisbane. Longreach¹ was the most expensive regional centre for diesel at 143.9 cpl, 16.5 cpl higher than Brisbane.

Out of the 37 regional centres monitored by RACQ, only Bundaberg had an average indicative retail margin lower than that charged in Brisbane. The indicative retail margin on ULP in Bundaberg was 13.6 cpl, 1.4 cpl lower than Brisbane. The highest margins were observed in Mount Isa at 51.5 cpl, 36.5 cpl higher than Brisbane.

Indicative retail margins on ULP increased in the majority of Queensland regional centres. Indicative retail margins on ULP were up to 16.5 cpl higher in April compared to March (this increase was observed in Mount Isa).

Diesel indicative retail margins were lower than Brisbane in 20 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Gympie (17.9 cpl), 9.8 cpl lower than Brisbane. Blackwater had the highest indicative retail margin (39.3 cpl), 11.6 cpl greater than Brisbane.

Diesel indicative retail margins increased in April in most centres monitored by RACQ. Diesel indicative retail margins in regional Queensland in April were up to 11.2 cpl greater than those observed in March (this increase was observed in Emerald).

Outlook

The oil price collapse that started in late February continued through March and April recording some of the largest falls since 2008 and the onset of the GFC. The collapse in the oil price was caused by two factors. The first was a dramatic fall in demand caused by governments across the globe restricting personal movement in response to the COVID-19 pandemic. The second was the price war between Saudi Arabia and Russia.

On Friday April 10, OPEC+ agreed to the largest production cut in history, pledging to reduce output by 10 million barrels per day starting on May 1 and lasting until the end of June, with smaller cuts in the subsequent months. Despite this cut being substantially larger than the previous cut of 1.2 million barrels per day, it was insufficient to slow the collapse of the oil price.

Concerns that global oil storages were approaching full capacity caused further falls in the oil price in late April. Storage concerns coupled with an idiosyncrasy of the North American oil market caused the West Texas Intermediate (WTI) benchmark to fall negative on April 20.

On April 20, the North American benchmark crude oil WTI fell into negative territory hitting a low of negative 37.6 US\$/bbl. The negative prices were partly due to the peculiar nature of WTI future contracts. These contracts expire on the 21st day of the month, at which point the contract holder is required to take possession of the oil at the Cushing oil facility in Oklahoma. The second factor that led to the negative prices was the limited availability of storage in North America. Faced with the prospect of being forced to take possession of the oil and being required to find some spare storage, the oil futures contracts became a liability and traders were forced to pay others to take them off their hands, and subsequently the benchmark fell negative. The negative prices were limited to April 20, and prices

¹ RACQ does not monitor in all regional centres in Queensland. In discussing the cheapest or dearest centre, it is implied that this only refers to the centres listed in the table. Other centres may be more or less expensive.

returned positive the following day. This marked the low point for global oil prices. Benchmark prices steadily increased for the rest of April.

While the world has been focused on COVID-19, tension between the US and Iran increased. This caused a brief increase in oil prices after Trump tweeted he had instructed the US Navy to “shoot down and destroy any and all Iranian gunboats if they harass our ships at sea”. Any further increase in conflict in the Middle East could lead to a rapid increase in the price of oil.

The trade war between US and China appeared to flare up again in late April. Any escalation in the trade war will further dampen the global economy at a time it should be recovering from the COVID-19 lockdown and is likely to place downward pressure on oil prices.

In the next month, the underlying fundamentals of a steady return of demand and increased supply restrictions should see oil prices start to increase. While oil prices may slowly trend up, it is widely reported that oil prices will remain low at least for the next two quarters.

The next monthly fuel price report will be released in early June 2020.

Data sources

All data presented in this report are RACQ calculations using OPIS data.