Monthly Fuel Price Report – August 2017

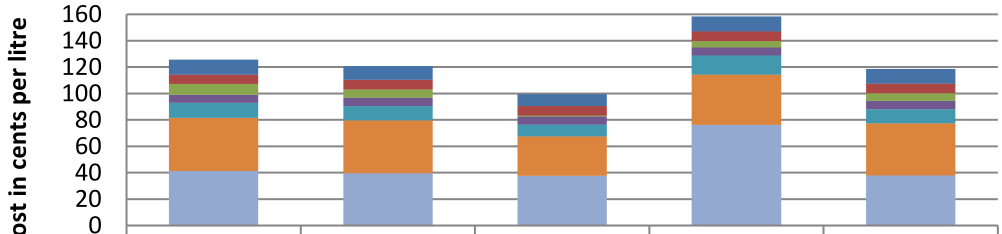
5 September 2017

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

Key points

- At 125.6 cpl, the average Brisbane ULP price for August was 4.8 cpl higher than July. This increase was largely due to an increase in fuel company margins. Indicative retail margins were 0.8 cpl higher at 11.2 cpl and refiner margins were 1.7 cpl higher at 8.1 cpl.
- Brisbane retained its usual position as the most expensive of the five large capital cities in August. ULP sold in Sydney, Perth, Adelaide and Melbourne was cheaper than Brisbane by 6.4 cpl, 2.5 cpl, 1.8 cpl and 1.5 cpl respectively.
- The average price of diesel in Brisbane in August was 126.4 cpl, 0.5 cpl higher than July. Adelaide, Sydney and Melbourne were cheaper than Brisbane by 4.6 cpl, 2.2 cpl and 0.9 cpl, respectively.
- The average price of ULP across regional Queensland in August was 128.3 cpl, 1.5 cpl higher than the July average of 126.8 cpl. The average diesel price was 126.9 cpl, 0.2 cpl higher than July.
- Bundaberg and Maryborough had the cheapest average Queensland ULP price in regional Queensland in August, at 122.0 cpl.
- Miles had the cheapest diesel in Queensland at 120.7 cpl (5.7 cpl cheaper than Brisbane), followed by Maryborough (4.8 cpl cheaper than Brisbane).
- The average price of LPG in Brisbane was 74.1 cpl, 0.3 cpl lower than July. The price difference between the Brisbane LPG retail price and the Saudi CP was 25.1 cpl, 4.9 less than July.
- On 1 August 2017 fuel excise on ULP and diesel was increased by 0.2 cpl, to 40.3 cpl.

ULP cost breakdown in Brisbane



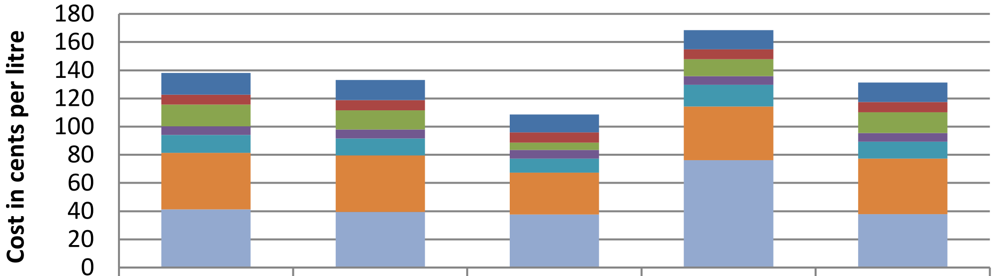
	Aug 2017	July 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	125.6	120.8	99.5	158.4	118.6
Retail Margin	11.2	10.4	9.0	11.4	11.1
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	8.1	6.4	0.6	4.8	6.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.4	11.0	9.0	14.4	10.8
Excise (Federal tax)	40.3	40.1	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	41.2	39.5	37.6	76.2	37.9

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 August 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 August was 125.6 cpl, 4.8 cpl higher than July. Indicative retail margins, at 11.2 cpl, were 0.8 higher than July. Refiner margins also increased in August by 1.7 cpl.

PULP 95 cost breakdown in Brisbane



	Aug 2017	July 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	138.1	133.2	108.6	168.5	131.3
Retail Margin	15.4	14.5	12.8	13.6	13.9
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	15.3	13.6	5.2	11.9	14.7
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	12.6	12.1	9.9	15.3	11.9
Excise (Federal tax)	40.3	40.1	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	41.2	39.5	37.6	76.2	37.9

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

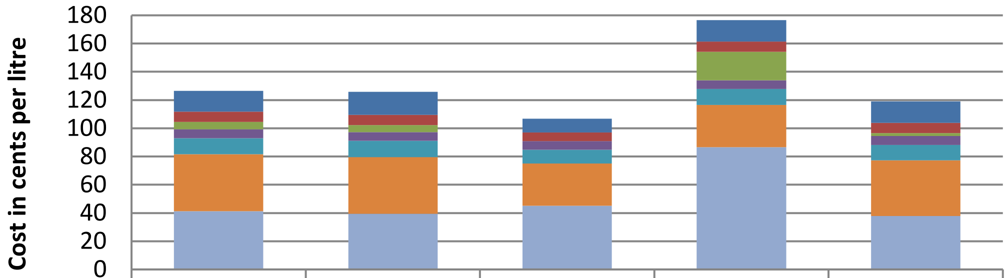
The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for August 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of PULP 95 in Brisbane in August was 138.1 cpl, 4.9 cpl higher than July, and 12.5 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in July was 12.4 cpl and the average for 2016 was 12.7 cpl. Indicative retail margins for PULP 95, at 15.4 cpl, were 0.9 cpl higher than July. Refiner margins increased by 1.7 cpl in August.

Diesel cost breakdown in Brisbane

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

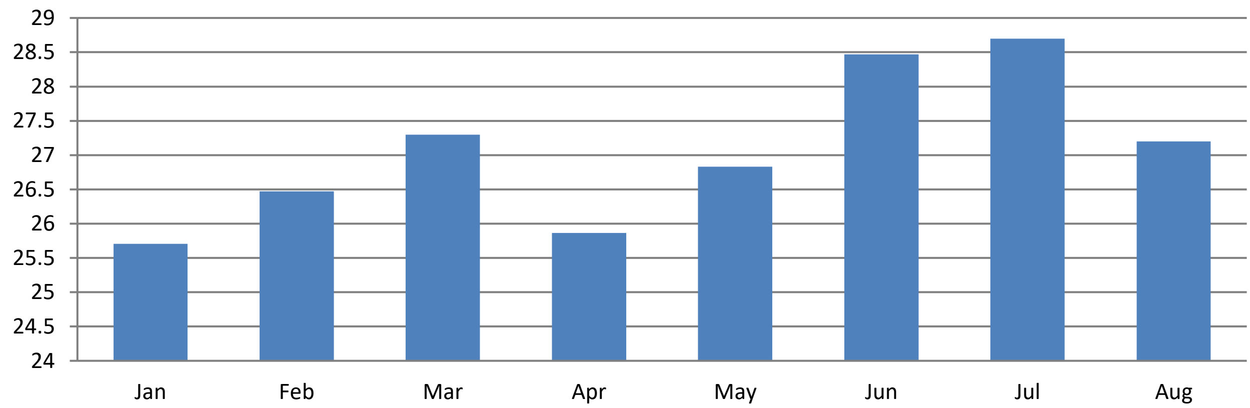
The average price of diesel in August, at 126.4 cpl, was 0.5 cpl higher than July. However, Indicative retail margins decreased in August by 1.8 cpl, but refinery margins increased by 0.3 cpl. At 14.7 cpl, indicative retail margins on diesel were substantially higher than RACQ considers to be reasonable.



	Aug 2017	July 2017	Mar 2009 (cheapest)	Jul 2008 (dearest)	Last year (2016)
Average Retail Price	126.4	125.9	106.7	176.7	119.1
Retail Margin	14.7	16.5	9.8	15.3	15.3
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	5.3	5.0	0.0	20.2	2.2
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.5	11.4	9.7	11.3	10.8
Excise (Federal tax)	40.3	40.1	29.8	29.8	39.5
Brent Crude Oil (A$ cpl)	41.2	39.5	45.2	86.7	37.9

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

The chart below displays the total margin charged by fuel companies on a litre of diesel. The total margin includes the indicative retail, refiner and wholesale margins.



As can be observed the total margin charged on diesel sold in Brisbane has increased throughout 2017 reaching a peak of 28.7 cpl in July, before failing slightly in August to 27.2 cpl. While this is higher than RACQ would expect, it remains lower than the record high total margin of 42.7 cpl observed in July 2008.

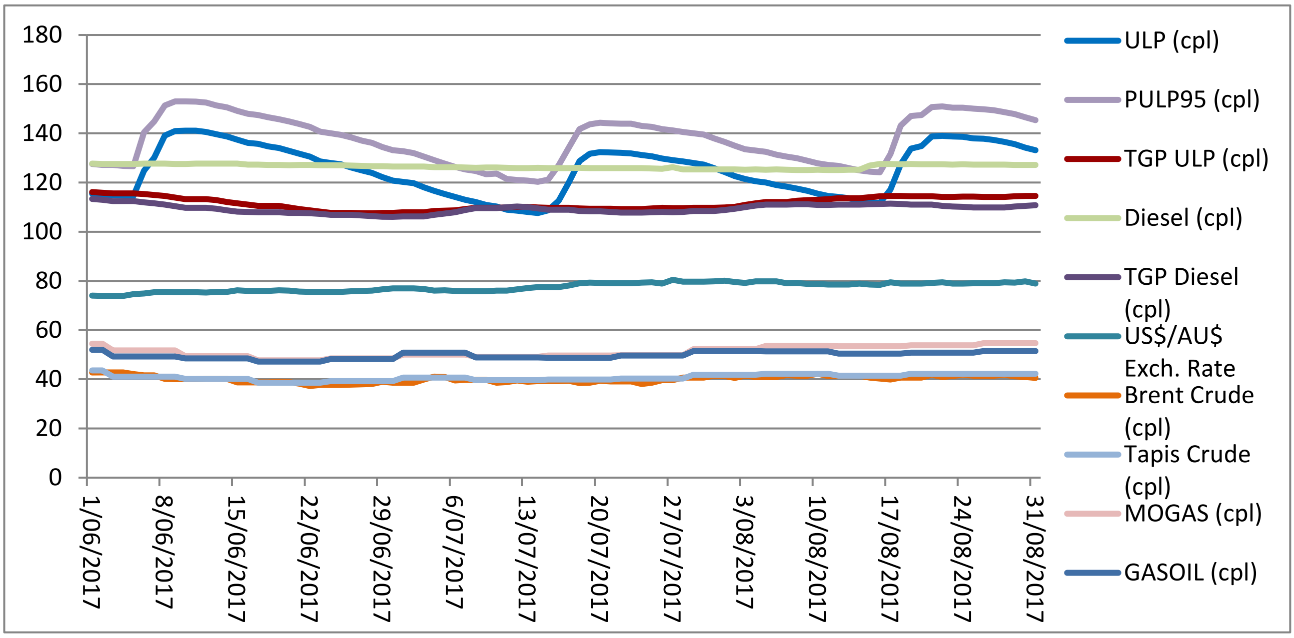
Fuel excise

In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly excise increases. As a result, on 1 August 2017 the excise charged on petrol and diesel increased from 40.1 cpl to 40.3 cpl, and from 13.1 cpl to 13.2 cpl on LPG.

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 AS$.



There were two partial price cycles observed in Brisbane in August 2017. The first cycle started on 15 July, prices peaked on 20 July, and the cycle ended on 15 August. The second cycle started on 16 August, peaked on 22 August before slowly falling for the rest of month. At the time of writing the Brisbane ULP market was in the discounting phase of the cycle.

The average price of Brent in August was A$2.7/bbl higher than July, at A$65.5/bbl (US$51.8/bbl) or 41.2 cpl. Brent started August at A$65.7 /bbl (US$52.7/bbl) and ended the month lower at A$64.4/bbl (US$50.9/bbl).

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	123.8 (7.3)	9.1 (3.2)	121.8 (1.0)	9.3 (-1.2)
Brisbane	125.6 (4.8)	11.2 (0.8)	126.4 (0.5)	14.7 (-1.8)
Canberra	127.1 (-0.6)	12.5 (-4.7)	129.5 (0.3)	17.1 (-2.0)
Darwin	128.0 (-2.0)	13.3 (-6.1)	129.4 (-0.1)	16.9 (-2.4)
Hobart	135.8 (-0.5)	21.2 (-4.6)	136.5 (-0.3)	24.0 (-2.5)
Melbourne	124.1 (5.2)	9.5 (1.1)	125.5 (0.5)	13.1 (-1.7)
Perth	123.1 (4.1)	8.4 (0.0)	127.1 (-1.1)	14.6 (-3.4)
Sydney	119.2 (1.6)	4.5 (-2.5)	124.2 (0.7)	11.8 (-1.6)

* 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 most expensive of five largest capitals in August. Brisbane was more expensive than Sydney, Perth, Adelaide and Melbourne by 6.4 cpl, 2.5 cpl, 1.8 cpl and 1.5 cpl respectively. Canberra, Darwin and Hobart were 1.5 cpl, 2.4 cpl and 10.2 cpl more expensive respectively.

Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 4.6 cpl, 2.2 cpl and 0.9 cpl, respectively. Perth, Darwin, Canberra and Hobart were more expensive by 0.7 cpl, 3.0 cpl, 3.1 cpl and 10.1 cpl, respectively.

Comparison of the SEQ metropolitan centres

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

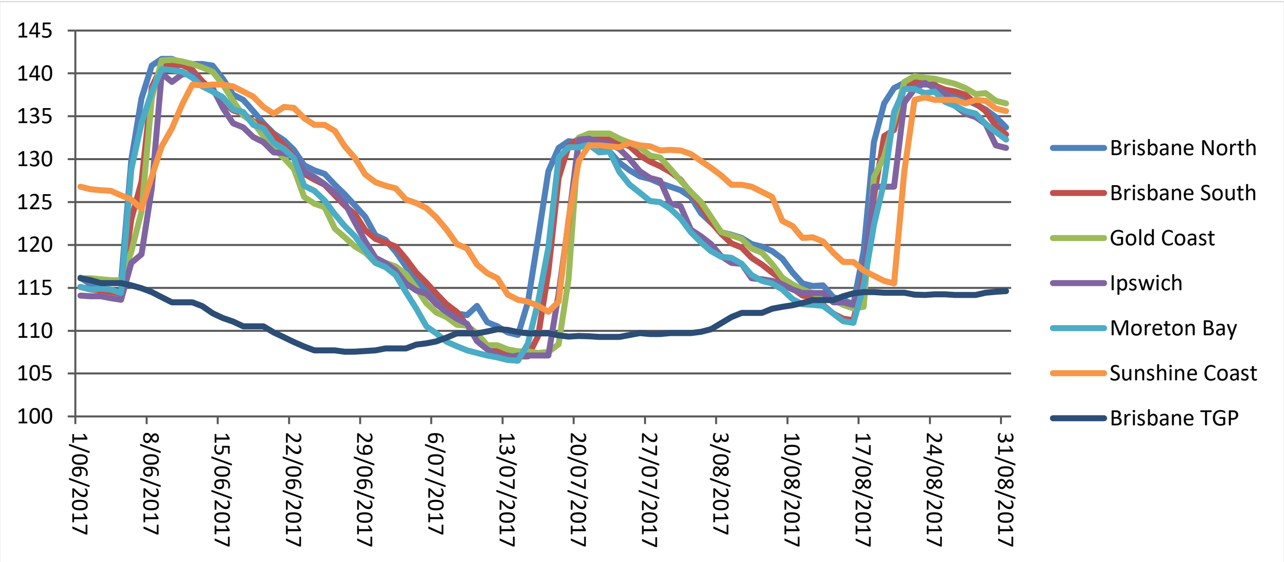
City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	126.6 (5.2)	9.5 (1.2)	127.4 (0.5)	15.8 (0.6)
Brisbane South	125.3 (4.7)	8.2 (0.7)	126.0 (0.4)	14.3 (0.5)
Gold Coast	126.1 (7.3)	8.4 (3.3)	127.3 (0.6)	15.0 (0.7)
Ipswich	124.0 (5.7)	6.7 (1.7)	124.0 (1.6)	12.0 (1.7)
Moreton Bay	123.9 (5.5)	6.5 (1.5)	126.6 (0.7)	14.6 (0.8)
Sunshine Coast	127.1 (3.3)	9.3 (-0.8)	127.8 (0.1)	15.4 (0.2)

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

Moreton Bay was the cheapest centre in SEQ to buy ULP in August, with an average price of 123.9 cpl. It was closely followed by Ipswich, with an average price of 124.0 cpl. SEQ average ULP prices in August were 3.3 cpl to 7.3 cpl higher than in July. The Sunshine Coast was the most expensive SEQ centre, 3.2 cpl dearer than Moreton Bay.

Ipswich was the cheapest SEQ centre to buy diesel, with an average price of 124.0 cpl, followed by Brisbane South and Moreton Bay, 2.0 cpl and 2.6 cpl dearer than Ipswich, respectively. As with ULP, the Sunshine Coast was the most expensive, 3.8 cpl dearer than Ipswich.

The graph below displays the average retail ULP in the six regions in South East Queensland, and the average TGP in Brisbane for June, July and August.



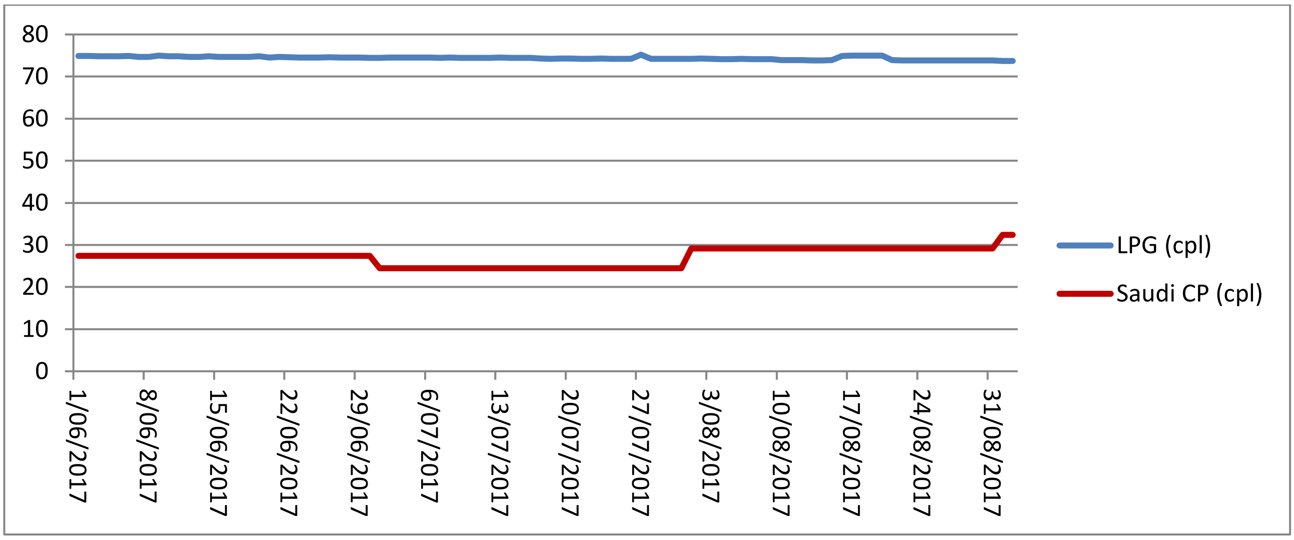
As can be observed in the graph, most of the centres in SEQ follow a distinct price cycle. A higher level of discounting can be observed in Ipswich and Moreton Bay, reflecting the more competitive nature of these markets. In contrast, ULP prices on the Sunshine Coast were substantially higher through most of the price cycle, reflecting the lower level of competition on the Sunshine Coast. During the mid-August price hike, Sunshine Coast retailers were often the last to increase their prices, and the average price does not reach the same high point as is observed in the rest of SEQ. However, as can be observed in the monthly average price, the Sunshine Coast is the most expensive metropolitan region in SEQ to buy ULP because competition does not drive the price as low as other regions at the bottom of the price cycle.

Liquid Petroleum Gas (LPG)

The average retail price of LPG in Brisbane in August was 74.1 cpl, 0.3 cpl lower than July. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in August was 25.1 cpl, 4.9 cpl lower than July, but 7.4 cpl higher than February.

The Saudi CP for September 2017, at 32.4 cpl, is 3.2 cpl higher than August 2017. As fuel company margins on LPG are excessively high, there is no valid reason for fuel companies to pass this increase on to motorists.

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



Fuel prices across Queensland

The average price of ULP across regional Queensland in August was 128.3 cpl, 1.5 cpl higher than the July average of 126.8 cpl. The average diesel price was 126.9 cpl, 0.2 cpl higher than July.

Bundaberg and Maryborough were jointly the cheapest centres in Queensland to buy ULP in August. Both were 3.6 cpl cheaper than Brisbane. Dalby, Toowoomba, Gladstone, Townsville, Miles, Whitsunday, Gympie, Roma, Childers and Hervey Bay were also cheaper than Brisbane. The most expensive regional centre listed was Longreach, with an average price of 144.0 cpl in August. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices[1].

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

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[1] 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.

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	125.6 (4.9)	11.2 (0.8)	126.4 (0.4)	14.7 (-1.8)
Gold Coast	126.1 (7.3)	8.2 (0.4)	127.3 (0.6)	15.0 (-1.7)
Sunshine Coast	127.1 (3.3)	8.4 (-4.3)	127.8 (0.1)	15.4 (-2.1)
Atherton	137.9 (-1.4)	19.9 (-5.4)	131.9 (-1.6)	17.0 (-3.9)
Ayr	nd	Nd	122.2 (-3.8)	7.6 (-6.0)
Biloela	132.5 (-1.2)	14.3 (-5.2)	131.4 (0.4)	16.2 (-1.9)
Blackwater	138.1 (-5.8)	18.1 (-9.8)	130.5 (-0.4)	13.6 (-2.6)
Bowen	129.9 (0.0)	11.1 (-4.0)	123.8 (-0.9)	8.1 (-3.1)
Bundaberg	122.0 (0.9)	1.6 (-3.1)	125.7 (-1.1)	8.3 (-3.3)
Cairns	138.1 (-0.5)	20.8 (-4.6)	131.0 (-0.8)	16.9 (-3.0)
Charleville	132.5 (0.0)	8.2 (-4.0)	133.2 (-0.2)	11.9 (-2.5)
Charters Towers	127.4 (-0.3)	9.3 (-4.3)	125.2 (0.0)	10.2 (-2.2)
Childers	125.3 (0.5)	5.3 (-3.5)	122.7 (1.3)	5.8 (-1.0)
Cunnamulla	nd	Nd	130.9 (-2.9)	8.7 (-5.1)
Dalby	122.6 (-1.2)	3.6 (-5.2)	122.8 (-1.6)	6.9 (-3.9)
Emerald	138.3 (-4.0)	17.5 (-8)	128.2 (-0.5)	10.5 (-2.7)
Gladstone	123.8 (1.2)	6.8 (-2.8)	124.2 (0.1)	10.2 (-2.2)
Goondiwindi	133.0 (0.1)	12.6 (-3.9)	126.0 (-0.8)	8.7 (-3.1)
Gympie	124.9 (1.3)	6.4 (-2.7)	125.7 (0.9)	10.3 (-1.3)
Hervey Bay	125.4 (1.2)	5.6 (-2.8)	123.9 (0.5)	7.2 (-1.7)
Ingham	133.0 (-0.7)	15.1 (-4.8)	123.8 (-0.6)	9.0 (-2.8)
Innisfail	131.2 (-0.6)	13.2 (-4.6)	131.3 (-1.1)	16.3 (-3.4)
Kingaroy	131.9 (-0.9)	12.9 (-4.9)	125.2 (-0.2)	9.3 (-2.4)
Longreach	144.0 (0.4)	19.1 (-3.6)	131.4 (-0.1)	9.5 (-2.3)
Mackay	128.6 (0.8)	11.6 (-3.2)	129.7 (0.1)	15.7 (-2.1)
Mareeba	129.4 (0.0)	11.6 (-4.0)	127.4 (0.0)	12.6 (-2.2)
Maryborough	122.0 (0.1)	2.6 (-4.0)	121.6 (1.1)	5.2 (-1.2)
Miles	124.5 (0.6)	4.2 (-3.4)	120.7 (0.2)	3.5 (-2.0)
Moranbah	130.0 (-0.6)	11.1 (-4.6)	129.4 (-0.3)	13.5 (-2.5)
Mount Isa	140.5 (0.0)	14.7 (-4.0)	126.0 (0.4)	3.2 (-1.9)
Rockhampton	133.1 (-1.0)	15.0 (-5.0)	127.9 (0.3)	12.8 (-2.0)
Roma	125.0 (0.1)	3.3 (-3.9)	134.6 (-0.3)	16.0 (-2.5)
Toowoomba	122.9 (1.3)	4.7 (-2.7)	125.1 (1.0)	10.0 (-1.2)
Townsville	124.3 (-0.1)	7.5 (-4.1)	125.8 (1.7)	12.1 (-0.6)
Tully	129.9 (-6.9)	11.3 (-10.9)	124.7 (-0.6)	9.2 (-2.8)
Warwick	127.6 (-0.8)	9.1 (-4.8)	121.9 (-0.5)	6.5 (-2.8)
Whitsunday	124.6 (0.2)	6.3 (-3.8)	134.5 (0.5)	19.2 (-1.8)
Yeppoon	133.2 (-1.3)	14.6 (-5.3)	129.8 (0.2)	14.2 (-2.0)

* 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.

Nineteen of the 36 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (5.7 cpl cheaper than Brisbane), followed by Maryborough (4.8 cpl cheaper than Brisbane). Warwick, Ayr, Childers, Dalby, Bowen, Ingham, Hervey Bay, Gladstone, Tully, Toowoomba, Charters Towers, Kingaroy, Bundaberg, Gympie, Townsville, Goondiwindi and Mount Isa were also cheaper than the Brisbane. Roma was the most expensive regional centre for diesel, at 134.6 cpl[1].

Outlook

The balance of OPEC production cuts and increases in US shale oil production continue to be the dominant factors influencing the price of oil. Combined these factors have contributed to the price of Brent trading in a range between 44 US$/bbl and 57 US$/bbl in 2017 to date. This trend looks set to continue.

The impact of Hurricane Harvey is likely to place upward pressure on the price of oil and has seen some upward pressure on the price of refined product in the US. This has been offset by releases of oil from the US Strategic Reserves. The Gulf area is home to half of the US oil refining capacity, with 25% shut down due the hurricane.

Considering the price of Brent and WTI over the last week of August, there is no sign that Hurricane Harvey has had a substantial impact on the price of oil so far. Both Brent and WTI finished August at a lower price than at the start of August.

Looking forward the best estimate predicts oil will continue to trade in a range between US$50/bbl and US$55/bbl.

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

Data sources

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