

Monthly Fuel Price Report

– August 2020



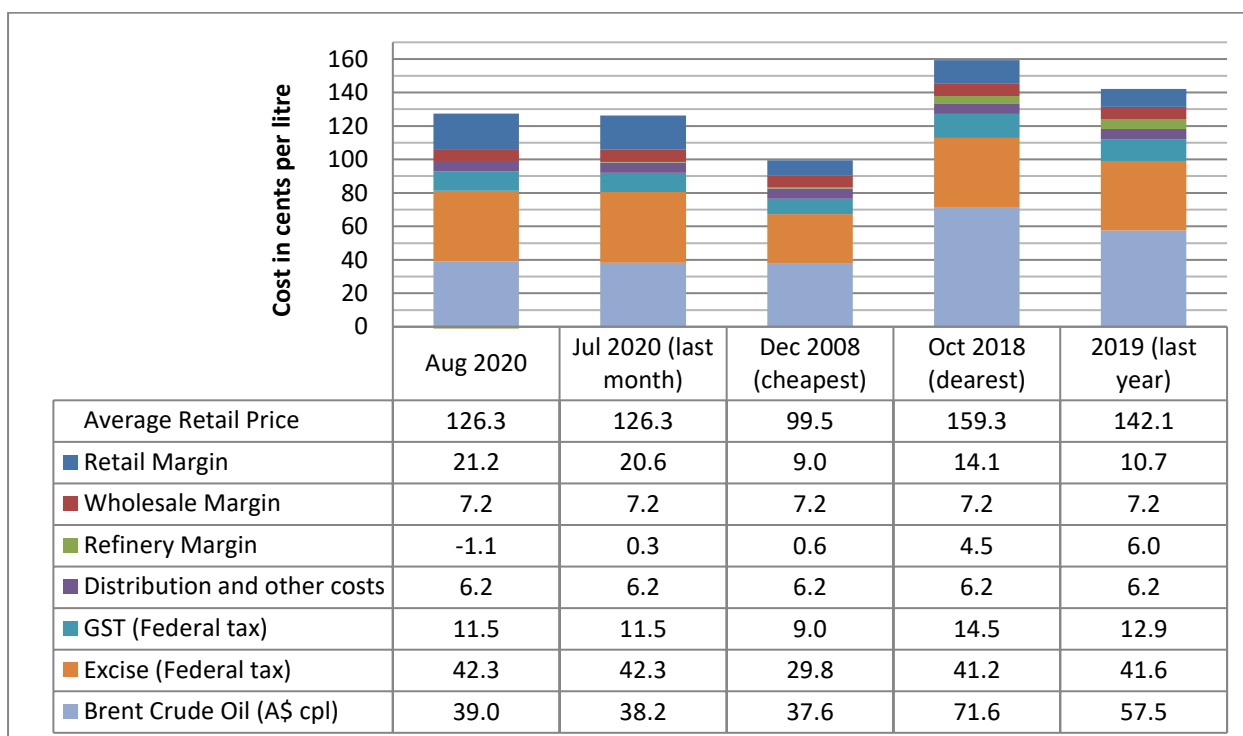
2 September 2020

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

Key points

- Indicative ULP retail margins in Brisbane in August, at 21.2 cpl, set a new all-time record high, breaking the previous record set last month (July 2020) by 0.6 cpl.
- At 126.3 cpl, the average ULP price in Brisbane in August was unchanged from July.
- Like in June and July, Brisbane was the most expensive Australian capital city in which to buy ULP.
- At 118.7 cpl, the average Brisbane diesel price in August was marginally (0.2 cpl) dearer than July.
- Brisbane was the second cheapest capital city for diesel, only Darwin, at 117.4 cpl, was cheaper than Brisbane.
- ULP prices in regional Queensland in August were cheap compared to SEQ. ULP indicative retail margins were lower than those charged in Brisbane in 34 out of 37 regional centres.
- The average ULP price in regional Queensland was 117.8 cpl, 1.4 cpl lower than July. The average diesel price in regional Queensland was down 0.5 cpl, at 118.6 cpl.
- Miles was the cheapest Queensland regional centre to buy ULP in August (as it was in May, June and July), with an average price of 103.1 cpl, 23.2 cpl cheaper than Brisbane.
- Whitsunday/Proserpine was the cheapest Queensland regional centre to buy diesel, with an average price of 113.4 cpl, 5.3 cpl cheaper than Brisbane.
- Mount Isa was the most expensive regional centre to buy ULP in August, with an average price of 142.9 cpl. Emerald had the most expensive diesel at 133.6 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 August. 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.

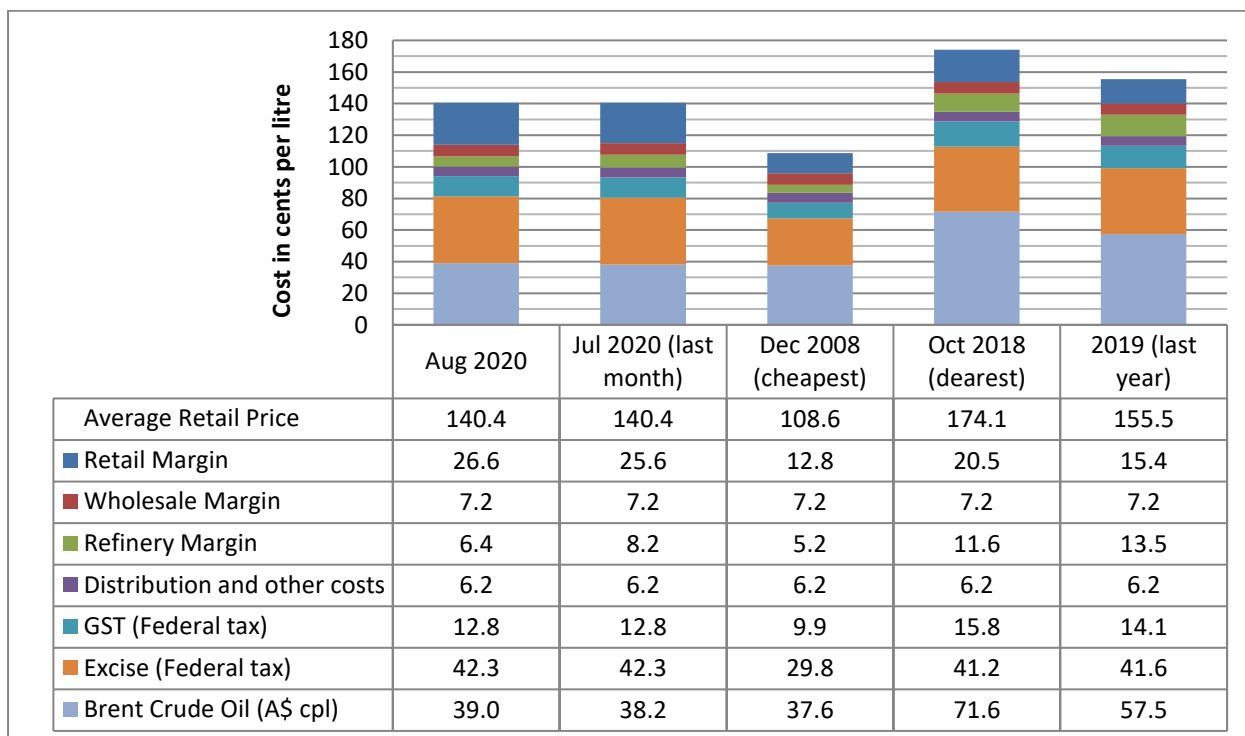
At 126.3 cpl, the average price of ULP in Brisbane in August was unchanged from July. The monthly average indicative retail margin for August reached a new all-time record high of 21.2 cpl, 0.6 cpl higher than the previous record high observed in July. At negative 1.1 cpl, the average indicative refinery margin was down by 1.4 cpl. Total margins (retail, wholesale and refinery) at 27.3 cpl, were 0.8 cpl lower than July, and 3.4 cpl higher than the 2019 annual average of 23.9 cpl.

On 11 August, Ampol (previously Caltex Australia) announced the reopening of their Lytton refinery. Ampol planned to restart the refinery in early September and return to full operational capacity by early October.

The Ampol refinery closed in May for an extended turnaround and inspection (a planned maintenance programme). The turnaround and inspection were undertaken over a longer period of time to save costs, to avoid the worst of the demand slow down, and to ensure a COVID safe work environment.

The RACQ pricing model assumes that oil is imported to Australia and refined locally. However, as Ampol’s Lytton refinery was closed in August, RACQ’s 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 August were 1.9 cpl, 0.3 cpl lower than July.

PULP 95 cost breakdown in Brisbane



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

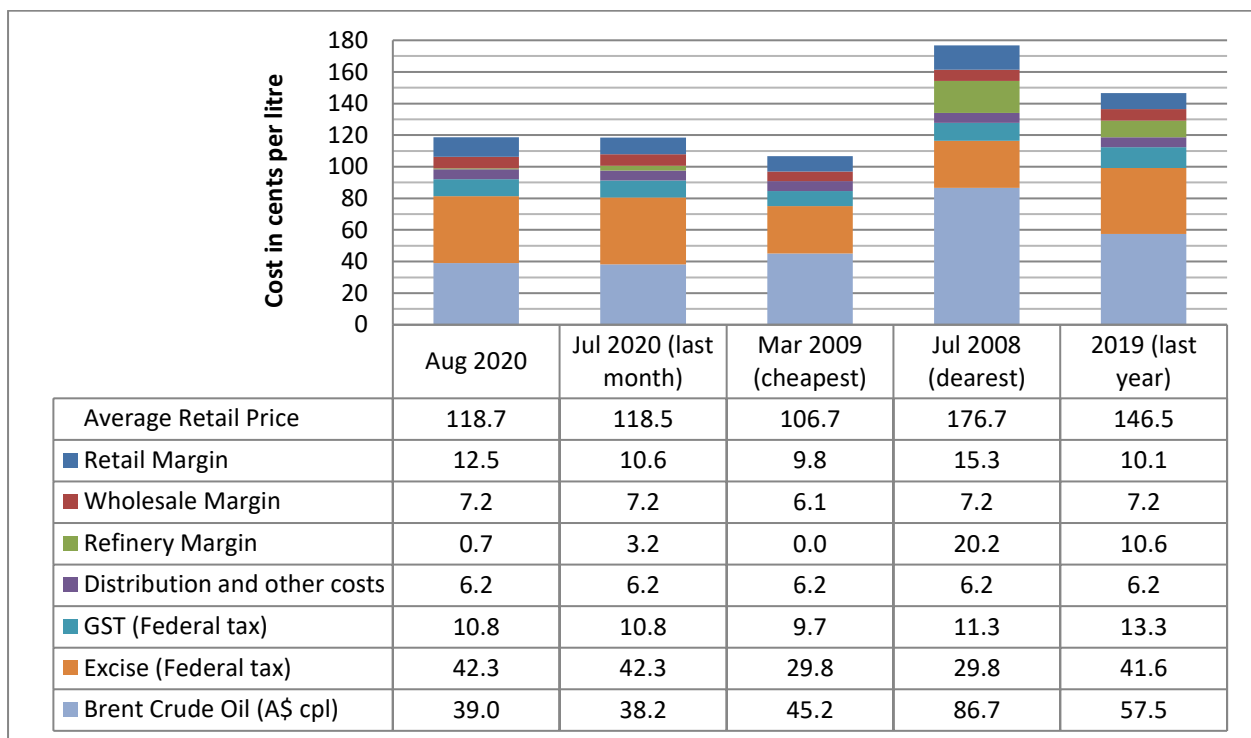
The chart above shows the cost breakdown for a litre of PULP 95 sold in Brisbane in August. For

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.

The average PULP 95 price in Brisbane in August was 140.4 cpl, unchanged from July. The price difference between ULP and PULP 95 was 14.1 cpl, the same as July. Indicative retail margins for PULP 95, at 26.6 cpl, were 1.0 cpl higher than July, and 11.2 cpl higher than the average for 2019. Refinery margins at 6.4, were 1.8 cpl lower than July. Total margins, at 40.1 cpl were 0.8 cpl lower than July, when they were 40.9 cpl.

Diesel cost breakdown in Brisbane

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

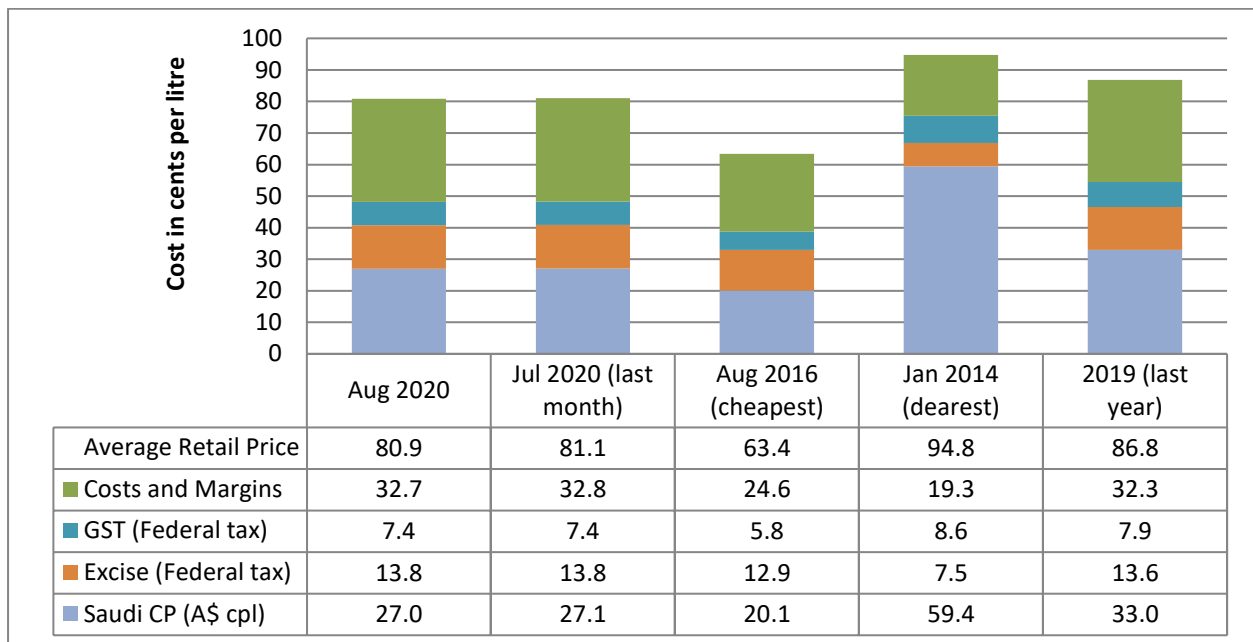
The average price of diesel in August, at 118.7 cpl, was 0.2 cpl higher than July. Indicative retail margins at 12.5 cpl, were up by 1.9 cpl, and refinery margins decreased by 2.5 cpl to 0.7 cpl. Total margins (retail, wholesale and refinery) in August were 20.4 cpl, were 0.6 cpl lower than July, when they were 21.0 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 chart below shows the cost breakdown for a litre of LPG sold in Brisbane for August. 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.



The average retail price of LPG in Brisbane in August was 80.9 cpl, largely unchanged from July (81.1 cpl). Fuel company margins and costs in August were also large unchanged at 32.7 cpl.

The recently published Saudi CP for September, at 26.5 cpl, was 0.5 cpl lower than August (27.0 cpl). The average LPG price in Brisbane is likely to remain stable, or trend slightly down, in the coming month.

Fuel excise

In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly increases. As a result, on 3 August 2020 the excise charged on petrol, diesel and LPG was due to be increased in line with CPI. However, as the CPI for the June Quarter fell by 1.9%, the excise rate was not increased. Excise on ULP and DSL remained unchanged at 42.3cpl, E10 at 39.5cpl and LPG at 13.8cpl.

Price trends

The end of one price cycle and the start of a second cycle were observed in the Brisbane ULP market in August. The first price cycle started on 26 July and prices peaked at 143.5 cpl on 3 August. Prices then slowly fell to a low point of 112.5 cpl on 20 August. The second/current price cycle started on 21 August and prices peaked at 144.7 cpl on 31 August. At the time of writing the Brisbane ULP market was in the expensive phase of the cycle.

Like in the July price cycle, the August price hike started exceptionally early. Usually indicative retail margins fall close to zero before the start of the price hike. However, in August margins only fell to 6.4 cpl before the market turned, in July the market turned when margins were 6.8 cpl.

Retailer behaviour during the price hike suggested that the early start of the August price hike was too soon for many fuel companies. Subsequently, the price hike progressed exceptionally slowly. While prices had hiked in some areas of Greater Brisbane, discounting and price competition continued in other areas. One week into the price hike, the average ULP price in Brisbane had only increased by 8.5 cpl, at the same point in July hike the average price had increased by 27.2 cpl. On day 7 of the August

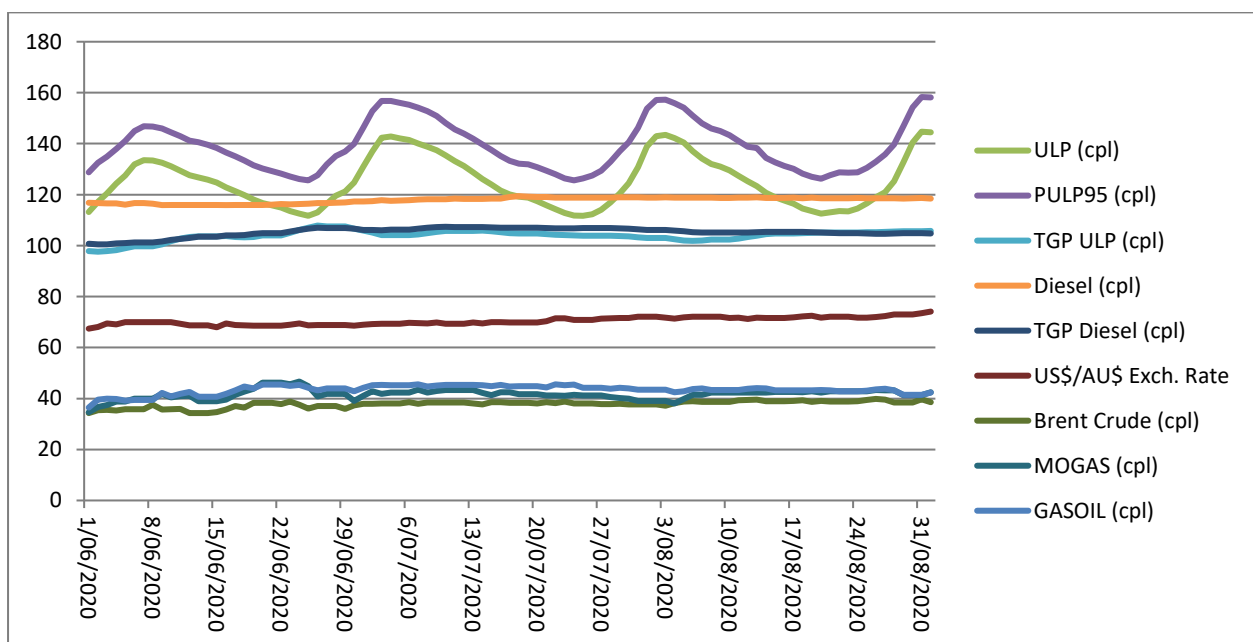
hike 31% of sites in Greater Brisbane had increased their ULP price, on the same day of the July price hike 73% of sites had increased their price.

The August price hike ended with a sharp increase in prices on the weekend of 29 and 30 August. In contrast during the July price hike, prices increased steadily over the duration of the hike. The August hike at 11 days long, was slightly longer than the July hike at 9 days. The longest price hike in the Greater Brisbane market, at 12 days, was observed in late April and early May 2020, as oil price started to increase after the end of COVID demand crash and the end of the Saudi/Russian oil price war.

The average price of Brent in August at 62.0 A\$/bbl (44.6 US\$/bbl) or 39.0 cpl, was 1.3 A\$/bbl higher than July (at 60.7 A\$/bbl or 42.6 US\$/bbl). Brent started August at 60.3 A\$/bbl (38.0 US\$/bbl). The Brent price in US\$-terms steadily increased in August. However, the increase in the oil price in A\$-terms, was offset somewhat by the increase in the value of the Australian dollar. Brent ended the month at 63.1 A\$/bbl (46.4 US\$/bbl).

The Australian dollar hit a two-year high of 74.12 US cents on 1 September. The Australian dollar was last this strong August 2018.

The Brent oil price hit a five-month high of 46.4 US\$/bbl on 31 August. Prices were last this high in early March 2020, during the onset of COVID-19 movement restrictions.



Comparison to other capital cities

Like in June and July, Brisbane was the most expensive of all capital cities in August. The average ULP prices in Perth, Darwin, Adelaide, Sydney, Canberra, Hobart and Melbourne were cheaper than Brisbane by 9.6 cpl, 8.2 cpl, 6.3 cpl, 6.2 cpl, 4.6 cpl, 3.3 and 3.3 cpl, respectively.

For diesel, Brisbane was the second cheapest capital city in August. The average diesel prices in Darwin was cheaper than Brisbane by 1.3 cpl. Adelaide, Melbourne, Sydney, Perth, Canberra and Hobart were more expensive than Brisbane by 0.2 cpl, 0.5 cpl, 0.6 cpl, 1.1 cpl, 3.8 cpl and 16.6 cpl, respectively.

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

City	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	126.3 (0.0)	21.2 (0.6)	118.7 (0.2)	12.5 (1.9)
Adelaide	120.0 (-2.2)	15.2 (-1.6)	118.9 (0.5)	12.5 (1.9)
Canberra	121.7 (0.3)	17.3 (0.8)	122.5 (0.2)	16.4 (1.7)
Darwin	118.1 (-0.8)	8.1 (-0.7)	117.4 (2.2)	6.8 (3.5)
Hobart	123.0 (0.2)	11.8 (0.4)	135.3 (-0.1)	23.2 (1.4)
Melbourne	123.0 (-0.2)	18.8 (0.4)	119.2 (0.4)	13.0 (1.9)
Perth	116.7 (-4.2)	12.4 (-3.7)	119.8 (-0.3)	13.6 (1.3)
Sydney	120.1 (-3.4)	15.7 (-2.9)	119.3 (0.3)	13.2 (1.8)

* 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.

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

City	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Central Brisbane	127.9 (-0.1)	22.7 (0.4)	120.4 (0.5)	14.2 (2.1)
Brisbane North	125.5 (-1.2)	20.4 (-0.7)	117.8 (0.0)	11.6 (1.6)
Brisbane South	124.2 (-0.8)	19.1 (-0.3)	118.8 (1.0)	12.6 (2.6)
Brisbane Bayside/Redlands	133.5 (2.4)	28.3 (3.0)	120.3 (0.4)	14.0 (2.1)
Logan	125.5 (-0.2)	20.4 (0.3)	118.5 (0.1)	12.3 (1.8)
Ipswich	123.4 (0.4)	18.0 (0.9)	117.8 (0.5)	11.3 (2.1)
Moreton Bay	125.7 (-0.8)	20.2 (-0.2)	118.8 (-0.2)	12.2 (1.4)
Gold Coast	123.7 (1.9)	17.9 (2.5)	118.5 (0.6)	11.6 (2.2)
Sunshine Coast	122.2 (0.4)	16.3 (0.9)	118.7 (0.2)	11.7 (1.8)

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

The Sunshine Coast was the cheapest centre in SEQ to buy ULP in August, with an average price of 122.2 cpl. The second cheapest was Ipswich at 123.4 cpl. Brisbane Bayside/Redlands was the most expensive area in SEQ at 133.5 cpl, 11.3 cpl dearer than the Sunshine Coast.

The average ULP price fell in some SEQ centres and rose in others. The changes compared to July ranged from a fall of 1.2 cpl in Brisbane North, to an increase of 2.4 cpl in Brisbane Bayside/Redlands.

Like May, June and July, Ipswich was the cheapest SEQ centre to buy diesel in August, however it also shared this title with Brisbane North in August. With an average price of 117.8 cpl, Ipswich and Brisbane North were closely followed by Logan and Gold Coast both at 118.5 cpl. Central Brisbane was the most expensive at 120.4 cpl, 2.6 cpl dearer than Ipswich and Brisbane North. The price difference between the cheapest and dearest diesel price at 2.6 cpl was lower than ULP, for which the difference was 11.3 cpl. Diesel prices in SEQ in August were similar to those observed in July.

Fuel prices across Queensland

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	126.3 (0.0)	21.2 (0.6)	118.7 (0.2)	12.5 (1.9)
Atherton	119.9 (2.4)	11.2 (2.8)	119.9 (0.0)	9.6 (1.3)
Beaudesert	124.9 (0.0)	18.9 (0.6)	120.1 (0.2)	13.1 (1.8)
Biloela	119.9 (0.0)	12.2 (0.5)	121.9 (0.0)	13.2 (1.5)
Blackwater	119.9 (0.8)	10.5 (1.3)	128.8 (-7.5)	18.4 (-6.0)
Bowen	119.9 (0.0)	10.1 (0.4)	117.8 (0.5)	7.4 (2.1)
Bundaberg	108.9 (0.2)	0.3 (0.8)	117.1 (1.3)	7.4 (3.0)
Cairns	118.9 (-0.3)	10.9 (0.1)	119.3 (-1.0)	9.8 (0.4)
Charters Towers	119.9 (0.0)	10.8 (0.4)	121.2 (-0.6)	11.5 (0.9)
Childers	118.9 (-0.1)	10.8 (0.4)	119.9 (0.0)	10.8 (1.6)
Dalby	120.6 (-0.9)	13.5 (-0.3)	120.4 (-0.4)	12.2 (1.2)
Emerald	133.8 (0.0)	23.7 (0.5)	133.6 (-1.1)	22.3 (0.5)
Gladstone	110.4 (-0.3)	3.9 (0.2)	115.7 (1.1)	8.2 (2.6)
Goondiwindi	109.8 (-0.2)	1.3 (0.3)	115.1 (1.7)	5.5 (3.3)
Gympie	119.8 (0.1)	13.1 (0.6)	116.1 (0.0)	8.4 (1.6)
Hervey Bay	115.9 (-2.6)	8.0 (-2.0)	117.5 (-1.9)	8.5 (-0.3)
Ingham	119.8 (-0.3)	10.9 (0.1)	126.6 (2.3)	17.1 (3.9)
Innisfail	119.9 (-0.1)	11.2 (0.3)	120.9 (0.0)	10.6 (1.3)
Kingaroy	113.8 (1.7)	6.7 (2.3)	116.0 (0.1)	7.8 (1.7)
Lockyer Valley	116.4 (0.3)	10.3 (0.8)	119.8 (0.4)	12.6 (2.0)
Longreach	132.4 (-0.3)	18.1 (0.2)	126.9 (-2.2)	11.5 (-0.6)
Mackay	118.1 (-1.0)	11.0 (-0.3)	117.9 (-0.8)	10.0 (0.8)
Mareeba	124.8 (0.4)	16.3 (0.8)	121.7 (-0.3)	11.6 (1.0)
Maryborough	113.4 (-0.2)	6.0 (0.4)	115.7 (-1.3)	7.1 (0.3)
Miles	103.1 (-2.3)	-5.3 (-1.7)	113.9 (4.0)	4.4 (5.6)
Moranbah	116.3 (1.9)	7.2 (2.7)	119.0 (0.4)	9.1 (2.0)
Mount Isa	142.9 (-0.8)	26.1 (-0.4)	128.1 (-1.7)	10.7 (-0.1)
Nambour	119.3 (0.2)	13.4 (0.7)	116.1 (0.3)	9.0 (1.9)
Noosa	129.9 (0.2)	23.8 (0.7)	116.3 (0.7)	9.1 (2.3)
Rockhampton	115.7 (-1.9)	8.1 (-1.4)	116.7 (-0.2)	8.1 (1.3)
Roma	117.6 (-0.3)	7.8 (0.3)	119.6 (-1.9)	8.7 (-0.2)
Somerset	113.3 (1.2)	7.2 (1.7)	116.0 (1.1)	8.8 (2.7)
Toowoomba	123.7 (-7.8)	17.4 (-7.2)	118.5 (-0.6)	11.1 (1.0)
Townsville	115.4 (-2.6)	7.6 (-2.2)	117.1 (-1.9)	8.7 (-0.3)
Tully	119.9 (2.1)	10.6 (2.5)	119.9 (0.0)	9.0 (1.3)
Warwick	117.8 (-1.9)	11.2 (-1.3)	118.8 (2.1)	11.2 (3.8)
Whitsunday/Proserpine	109.5 (0.5)	1.1 (1.3)	113.4 (1.2)	4.2 (2.8)
Yeppoon	121.3 (0.0)	13.3 (0.5)	121.2 (-1.7)	12.1 (-0.1)

* 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.

The table above presents the average August prices and retail margins on ULP and diesel for Queensland

localities, with the change compared to July in parentheses.

The average price of ULP across regional Queensland in August was 117.8 cpl, 1.4 cpl lower than July when the average price was 119.2 cpl. The average diesel price was 118.6 cpl, 0.5 cpl lower than July when the average price was 119.1 cpl.

With an average ULP price of 103.1 cpl, Miles was the cheapest regional centre in August (as it was in May, June and July), 23.2 cpl cheaper than Brisbane. Most centres in regional Queensland were cheaper than Brisbane. Bundaberg, Whitsunday, Goondiwindi, Gladstone, Somerset, Maryborough, Kingaroy, Townsville, Rockhampton, Hervey Bay, Moranbah, Lockyer Valley, Roma, Warwick, Mackay, Cairns, Childers, Nambour, Gympie, Ingham, Atherton, Biloela, Blackwater, Bowen, Charters Towers, Innisfail, Tully, Dalby, Yeppoon, Toowoomba, Mareeba and Beaudesert were also cheaper than Brisbane. Only Noosa, Longreach, Emerald and Mount Isa were more expensive than Brisbane¹. At 142.9 cpl, the most expensive regional centre for ULP was Mount Isa (16.6 cpl more expensive than Brisbane), followed by Emerald at 133.8 cpl.

Whitsunday/Proserpine had the cheapest diesel in Queensland at 113.4 cpl, 5.3 cpl cheaper than Brisbane. Miles, Goondiwindi, Gladstone, Maryborough, Kingaroy, Somerset, Gympie, Nambour, Noosa, Rockhampton, Bundaberg, Townsville, Hervey Bay, Bowen, Mackay and Toowoomba were also cheaper than Brisbane. Emerald¹ was the most expensive regional centre for diesel at 133.6 cpl, 14.9 cpl higher than Brisbane. Blackwater was the second most expensive centre to buy diesel (128.8 cpl).

Out of the 37 regional centres monitored by RACQ, 34 had an average indicative ULP retail margin lower than that charged in Brisbane. The lowest indicative retail margin on ULP, at negative 5.3 cpl, was charged in Miles, 26.5 cpl lower than Brisbane. The highest margins were observed in Mount Isa at 26.1 cpl, 4.9 cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 31 out of 37 regional centres. At 4.2 cpl, the lowest diesel indicative retail margin was observed in Whitsunday/Proserpine, 8.3 cpl lower than Brisbane. Emerald had the highest indicative retail margin (22.3 cpl), 9.8 cpl greater than Brisbane.

Outlook

Following the oil price collapse of late February, March and April, oil prices rose strongly in May and June, before stabilising in July and August. The increase was due to an increase in demand as governments across the globe lifted COVID-19 restrictions, coupled with a substantial drop in oil supply. The fall in supply was due to the production cuts agreed to by OPEC+ and cuts due to commercial considerations in other countries.

Since late June, the price of Brent has been stable in the 43 to 45 US\$/bbl price range. Brent was last this high in early March 2020. At that time, the Brent price was falling fast as economies around the globe were locked down to slow the spread of COVID-19.

Conflicting data has pulled oil prices in opposite directions in August and appears to have resulted in little or no movement. The most prominent data pushing oil prices up was the US inventory data. Data published by the American Petroleum Institute and the US Energy Information Agency both reported

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 this report. Other centres may be more or less expensive.

falls in US inventories. In normal circumstances US inventory levels are an indicator of US demand. Falls in inventories indicate an increase in demand and therefore the oil price increases. However, the expected price increases did not eventuate in August. This may be because inventory levels are not a pure measure of demand, as fuel companies will actively manage inventories to minimise costs. The recent falls in inventories may be a result of selling down of inventories after the price collapse and storage crisis earlier in 2020.

Other data indicating the poor state of the US economy, such as the unemployment data, weighed on oil prices. These indicators suggest on-going weakness in demand for oil and petroleum products.

A brief increase in oil prices was observed due to Hurricane Laura in the Gulf of Mexico. Hurricane Laura made landfall in the US states of Texas and Louisiana, the location of substantial US oil and petroleum infrastructure. However, prices retreated as damage was substantially less than feared.

In the coming month there is unlikely to be any substantial change in the underlying fundamentals of a steady return of demand and on-going reductions in supply. Oil prices are likely to be stable or trend slightly up, with Brent selling in the mid 40 US\$/bbl price range. However, if there is resurgence in COVID-19 cases and governments reimpose restrictions (like has been observed in Victoria), oil demand and prices will fall again.

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

Data sources

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