Monthly Fuel Price Report – Feb 2017

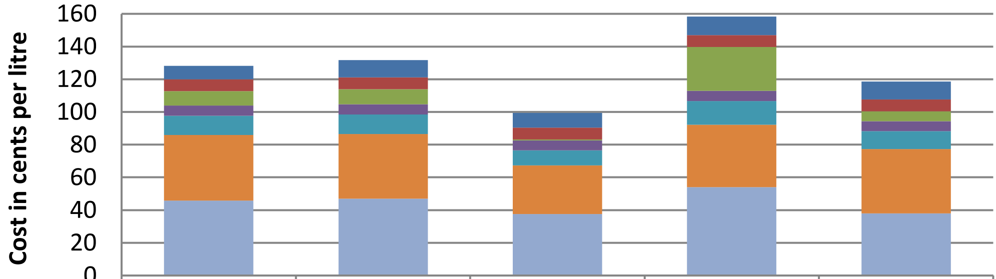
3 March 2017

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

Key points

- At 128.1 cpl, the average Brisbane ULP price for February was 3.6 cpl lower than January, and indicative retail margins were 2.4 cpl lower at 8.2 cpl.
- ULP in Brisbane was relatively well priced compared to the other capital cities in February. Only Melbourne and Sydney were cheaper.
- Diesel sold in Adelaide, Sydney, Melbourne and Darwin was cheaper than Brisbane.
- The average price of ULP across regional Queensland in February was 136.2 cpl, 0.3 cpl greater than January. The average diesel price was 131.4 cpl, 0.3 cpl more expensive than the January.
- Miles had the cheapest average ULP price in Queensland in February, 9.2 cpl cheaper than Brisbane.
- Of the 34 regional centres monitored by RACQ, only Miles had a cheaper ULP price than Brisbane, and diesel sold in 14 centres was cheaper than Brisbane.
- Miles had the cheapest diesel in Queensland (14.0 cpl cheaper than Brisbane), followed by Ayr, Goondiwindi and Maryborough.
- The average price of LPG in Brisbane was 75.5 cpl, 2.2 cpl higher than January.
- On 1 February 2017 fuel excise on ULP and diesel was increased by 0.5 cpl, to 40.1 cpl.

ULP cost breakdown in Brisbane



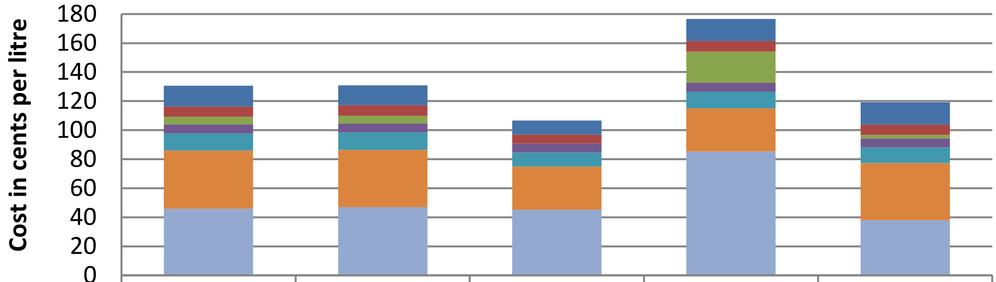
	Feb 2017	Jan 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	128.1	131.7	99.5	158.4	118.6
Retail Margin	8.2	10.6	9.0	11.4	11.1
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	8.9	9.3	0.6	27.0	6.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.6	12.0	9.0	14.4	10.8
Excise (Federal tax)	40.1	39.6	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	45.9	46.9	37.6	54.1	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 February 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 February was 128.1 cpl, 3.6 cpl lower than January. Indicative retail margins, at 8.2 cpl, were 2.4 cpl lower than January. Refiner margins decreased in February and were 0.4 cpl lower than January.

Diesel cost breakdown in Brisbane



	Feb 2017	Jan 2017	Mar 2009 (cheapest)	Jul 2008 (dearest)	Last year (2016)
Average Retail Price	130.7	130.9	106.7	176.7	119.1
Retail Margin	14.3	13.7	9.8	15.3	15.3
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	5.1	5.5	0.0	21.6	2.2
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.9	11.9	9.7	11.3	10.8
Excise (Federal tax)	40.1	39.6	29.8	29.8	39.5
Brent Crude Oil (A$ cpl)	45.9	46.9	45.2	85.3	37.9

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

The chart above shows the cost breakdown for a litre of diesel sold in Brisbane for February 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 February, at 130.7 cpl, was 0.2 cpl lower than January. Indicative retail margins increased in February by 0.6 cpl and refinery margins decreased by 0.4 cpl.

Fuel excise

In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly excise increases. As a result, on 1 February 2017 the excise charged on petrol and diesel increased from 39.6 cpl to 40.1 cpl, and from 12.9 cpl to 13.1 cpl on LPG.

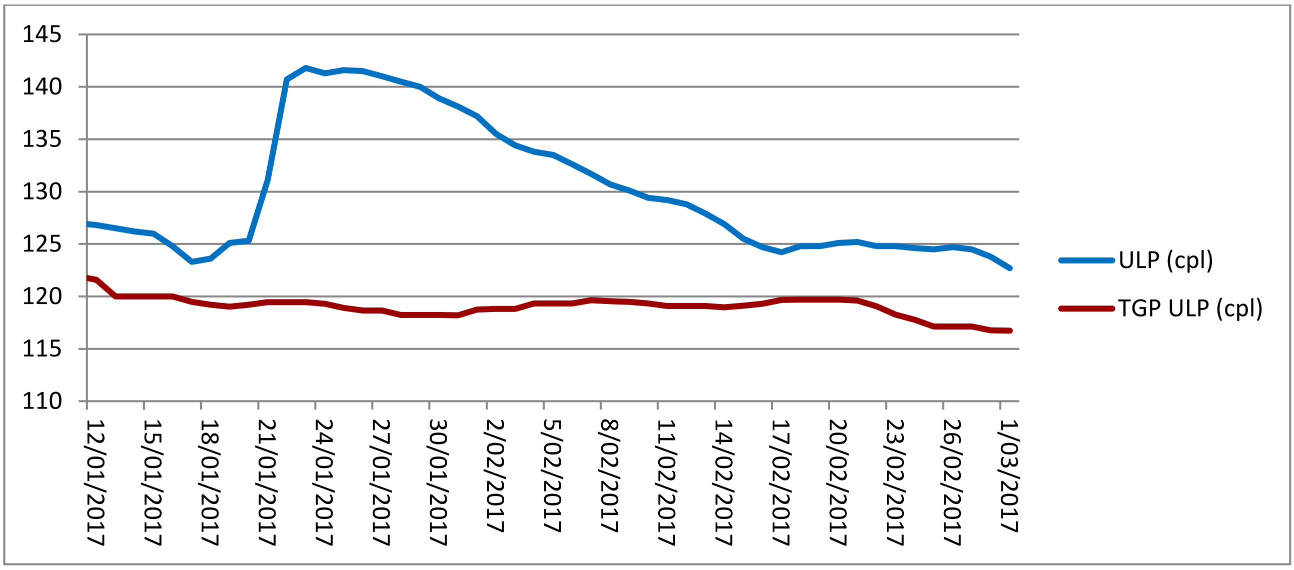
Price trends

There was one partial price cycle observed in Brisbane in February 2017. The cycle started on 18 January, the average price peaked on 23 January. Prices then fell slowly throughout February. At the time of writing the Brisbane ULP market was in the cheap phase of the cycle.

Throughout most of the price cycle, the market behaved as usual. Following the peak price observed on 23

January, the average ULP price in Brisbane slowly fell until 17 February. At this point discounting stopped and the average price increased slightly. Then the average price remained largely unchanged until 27 February when prices started to fall again.

The chart below shows the average ULP retail price and TGP in Brisbane for the February 2017 price cycle.



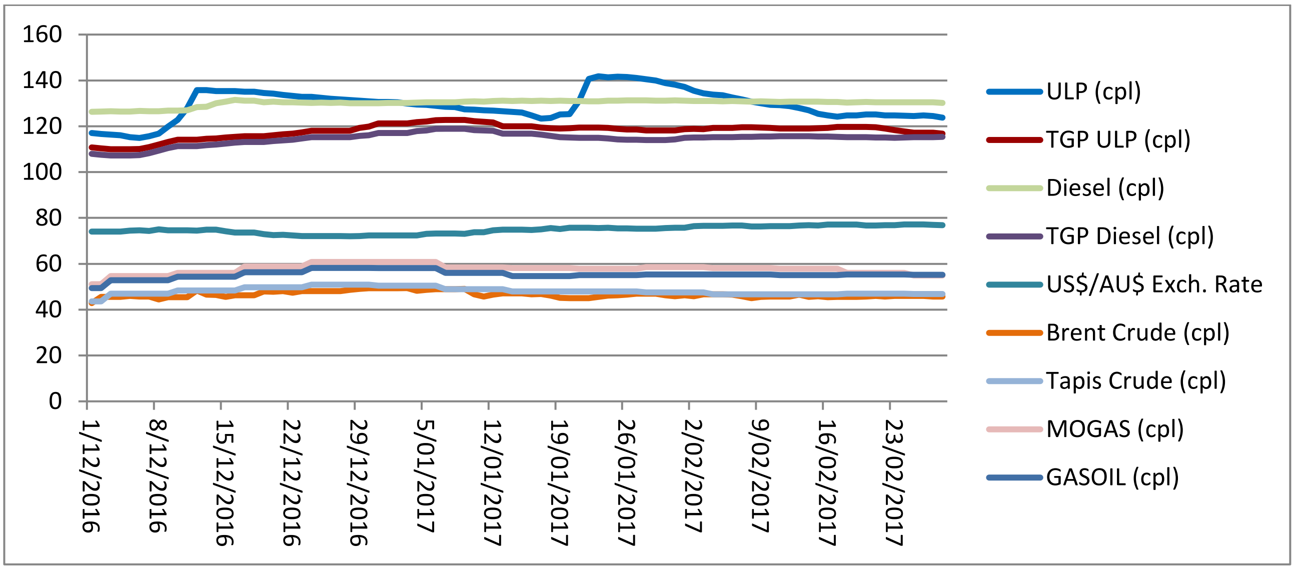
The pause in the price cycle appears to be due a change in pricing strategy by 7-Eleven. Up until 17 February 7-Eleven followed the usual strategy of pricing sites similar to their neighbours. On 17 February, 7-Eleven moved the ULP price of all their sites in Brisbane to 123.9 cpl. While in many cases this was a price increase (of up to 8 cpl), this price was relatively cheap and returned an indicative retail margin of about 4 cpl. On 27 February 7-Eleven appears to have reverted to their usual strategy of pricing individual sites similar to neighbouring retailers. After this the average Brisbane price returned to a downward trend.

The table below shows the site count for the different brands in Brisbane.

Brand	Number of sites in BNE
7-Eleven	63
Caltex	56
BP	55
Coles Express	51
Caltex/Woolworths	40
Freedom	20
Puma	20
Others	16
Matilda	15
Liberty	3

As the brand with the highest number of sites in Brisbane, a change in the 7-Eleven pricing strategy can have a large effect on the average price in Brisbane and on the behaviour of the other retailers. It is likely that the action of 7-Eleven extended the cheap phase of the cycle and increased the opportunities for motorists to buy cheaper fuel.

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$.



The average price of Brent in February was lower than January at A$72.9/bbl (US$55.9/bbl) or 45.9 cpl. Following a sharp price increase in December, the price of Brent crude softened throughout January and February. Brent started February at A$73.5/bbl (US$55.5/bbl) and ended the month at A$72.7/bbl (US$55.9/bbl). The oil price increase in December was the result of production cuts agreed between OPEC producers and some non-OPEC producers, most notably Russia. It is common for markets to over react following production cuts. The price softening observed in January was the market correcting itself and adjusting the overly high prices observed in late December. Nonetheless, the January and February price remains elevated compared to prices prior to the OPEC production cut.

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	129.7 (0.5)	10.5 (1.8)	125.1 (-6.3)	8.6 (-5.4)
Brisbane	128.1 (-3.5)	8.2 (-2.2)	130.7 (-0.2)	14.3 (0.7)
Canberra	138.7 (1.0)	19.5 (2.2)	131.6 (1.9)	15.2 (2.9)
Darwin	140.1 (1.5)	20.9 (2.8)	129.7 (0.7)	13.3 (1.6)
Hobart	143.3 (3.5)	24.1 (4.7)	136.7 (2.0)	20.2 (3.0)
Melbourne	126.3 (-4.9)	7.1 (-3.7)	129.5 (0.2)	13.0 (1.2)
Perth	132.4 (-1.6)	13.2 (-0.3)	133.3 (-1.0)	16.9 (-0.1)
Sydney	127.0 (-3.8)	7.8 (-2.5)	128.7 (-0.1)	12.2 (0.9)

* 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 was relatively well priced compared to the other capital cities in February. Only Melbourne and Sydney were cheaper than Brisbane. Melbourne was 1.8 cpl cheaper and Sydney was 1.1 cpl cheaper.

Adelaide, Perth, Canberra, Darwin and Hobart were more expensive by 1.6 cpl, 4.3 cpl, 10.6 cpl, 12 cpl and 15.2 cpl, respectively.

Diesel sold in Adelaide, Sydney, Melbourne and Darwin was cheaper than Brisbane by 5.6 cpl, 2.0 cpl, 1.2 cpl and 1.0 cpl, respectively. Canberra, Perth and Hobart were more expensive by 0.9 cpl, 2.6 cpl and 6.0 cpl, respectively.

Comparison of the SEQ metropolitan centres

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	130.3 (-2.3)	7.7 (-1.2)	131.7 (-0.1)	12.9 (0.7)
Brisbane South	127.3 (-4.0)	4.7 (-2.9)	130.3 (-0.3)	11.6 (0.5)
Gold Coast	126.2 (-4.8)	3.0 (-3.7)	130.3 (-0.6)	10.9 (0.2)
Ipswich	121.2 (-4.0)	-1.7 (-2.9)	128.7 (-0.5)	9.7 (0.3)
Moreton Bay	125.6 (-4.3)	2.7 (-3.2)	130.2 (-0.4)	11.2 (0.4)
Sunshine Coast	133.7 (-0.5)	10.3 (0.6)	130.2 (0.7)	10.6 (1.5)

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

Ipswich was the cheapest centre in Queensland (and SEQ) to buy ULP in February, with an average price of 121.2 cpl, 4.0 cpl lower than the January average for Ipswich. Morton Bay was the second cheapest centre in SEQ, 4.4 cpl dearer than Ipswich. The Sunshine Coast was the most expensive SEQ centre, 12.5 cpl dearer than Ipswich.

Ipswich was also the cheapest SEQ centre to buy diesel, with an average price of 128.7 cpl, followed by the Sunshine Coast and Moreton Bay (both 1.5 cpl dearer). Brisbane North was the most expensive, with diesel selling for 131.7 cpl.

Fuel prices across Queensland

The average price of ULP across regional Queensland in February was 136.2 cpl, 0.3 cpl greater than the January average of 135.9 cpl. The average diesel price was 131.4 cpl, 0.3 cpl more expensive than the January average of 131.1 cpl.

Similar to January, centres in SEQ were among the cheapest places to buy ULP in Queensland. In February, only one regional (non-SEQ) centre - Miles - was cheaper than Brisbane. The average price of ULP in Miles was 118.9 cpl. Retailers in Miles were selling ULP at below cost and indicative retail margins in Miles were less than zero, at negative 6.9 cpl.

The change in relative cost of ULP (SEQ verses regional Qld) is due to the increase in the oil price and different reaction times between markets. The SEQ markets react more quickly and regional markets more slowly. In SEQ, a retail price increase was observed in December 2016. Whereas in regional Queensland, this increase was observed in January 2017.

The most expensive regional centre listed was Yeppoon, with an average price of 145.6 cpl in February, 4.0 cpl greater than the January average price. However, the list of regional centres is not exhaustive[1] and

[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

prices in other centres are likely to exceed the price in Yeppoon.

Fourteen of the 34 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (14.0 cpl cheaper than Brisbane), followed by Ayr, Goondiwindi and Maryborough (3.3 cpl, 3.2 cpl and 3.2 cpl cheaper than Brisbane, respectively). Kingaroy, Mount Isa, Bowen, Childers, Warwick, Moranbah, Gladstone, Hervey Bay, Ingham and Charleville were also cheaper than the Brisbane price in February. Cairns was the most expensive listed regional centre for diesel, at 137.4 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	128.1 (-3.5)	8.2 (-2.2)	130.7 (-0.2)	14.3 (0.7)
Gold Coast	126.2 (-4.8)	3.0 (-3.7)	130.3 (-0.6)	10.9 (0.2)
Sunshine Coast	133.7 (-0.5)	10.3 (0.6)	130.2 (0.7)	10.6 (1.5)
Atherton	144.2 (4.5)	20.7 (5.6)	136.0 (1.4)	16.3 (2.2)
Ayr	133.9 (2.2)	10.7 (3.3)	127.4 (-6.7)	8.1 (-6.0)
Biloela	139.9 (1.6)	16.0 (2.8)	135.2 (-1.4)	15.3 (-0.6)
Blackwater	144.9 (5.3)	19.4 (6.4)	136.0 (1.7)	14.3 (2.5)
Bowen	143.1 (2.2)	18.8 (3.3)	128.6 (0.1)	8.2 (0.9)
Bundaberg	135.6 (0.2)	9.6 (1.3)	132.6 (3.1)	10.5 (3.9)
Cairns	144.2 (3.9)	21.4 (5.0)	137.4 (1.1)	18.5 (1.8)
Charleville	131.6 (-1.1)	1.7 (0.0)	129.9 (-0.4)	3.9 (0.4)
Charters Towers	139.7 (2.9)	16 (4.1)	130.8 (1.7)	11.0 (2.5)
Childers	133.5 (0.2)	8.0 (1.3)	128.6 (0.6)	6.9 (1.4)
Dalby	143.3 (5.5)	18.8 (6.6)	132.6 (2.9)	11.9 (3.7)
Emerald	144.9 (6.0)	18.6 (7.1)	131.3 (0.5)	8.9 (1.3)
Gladstone	139.8 (1.5)	17.2 (2.6)	129.4 (-0.7)	10.6 (0.1)
Goondiwindi	137.4 (2.3)	11.5 (3.4)	127.5 (0.8)	5.4 (1.5)
Gympie	133.5 (-1.1)	9.5 (0.0)	131.2 (0.1)	11.0 (0.8)
Hervey Bay	140.8 (3.0)	15.5 (4.1)	129.4 (0.7)	8.0 (1.5)
Ingham	144.0 (5.9)	20.5 (7.1)	129.6 (0.6)	10.0 (1.4)
Innisfail	144.9 (5.0)	21.3 (6.1)	134.9 (2.2)	15.2 (3.0)
Kingaroy	137.9 (3.5)	13.4 (4.6)	127.7 (0.7)	7.0 (1.5)
Longreach	143.4 (2.1)	13.0 (3.2)	130.9 (-0.6)	4.3 (0.2)
Mackay	139.4 (0.6)	16.8 (1.7)	133.9 (1.5)	15.2 (2.3)
Mareeba	140.4 (4.2)	17.1 (5.4)	133.0 (1.6)	13.5 (2.4)
Maryborough	128.5 (-1.0)	3.6 (0.1)	127.5 (0.3)	6.4 (1.1)
Miles	118.9 (3.2)	-6.9 (4.3)	116.7 (2.4)	-5.2 (3.2)
Moranbah	129.6 (2.2)	5.1 (3.4)	129.3 (3.6)	8.7 (4.4)
Mount Isa	144.9 (6.9)	13.6 (8.0)	127.7 (0.3)	0.3 (1.1)
Rockhampton	144.0 (4.2)	20.3 (5.3)	133.2 (-0.9)	13.3 (-0.2)
Roma	142.3 (5.1)	15.0 (6.2)	135.6 (2.1)	12.3 (2.8)
Toowoomba	136.7 (-0.3)	12.9 (0.8)	132.7 (1.4)	12.8 (2.2)
Townsville	139.7 (-0.3)	17.4 (0.8)	131.6 (-0.9)	13.1 (-0.1)

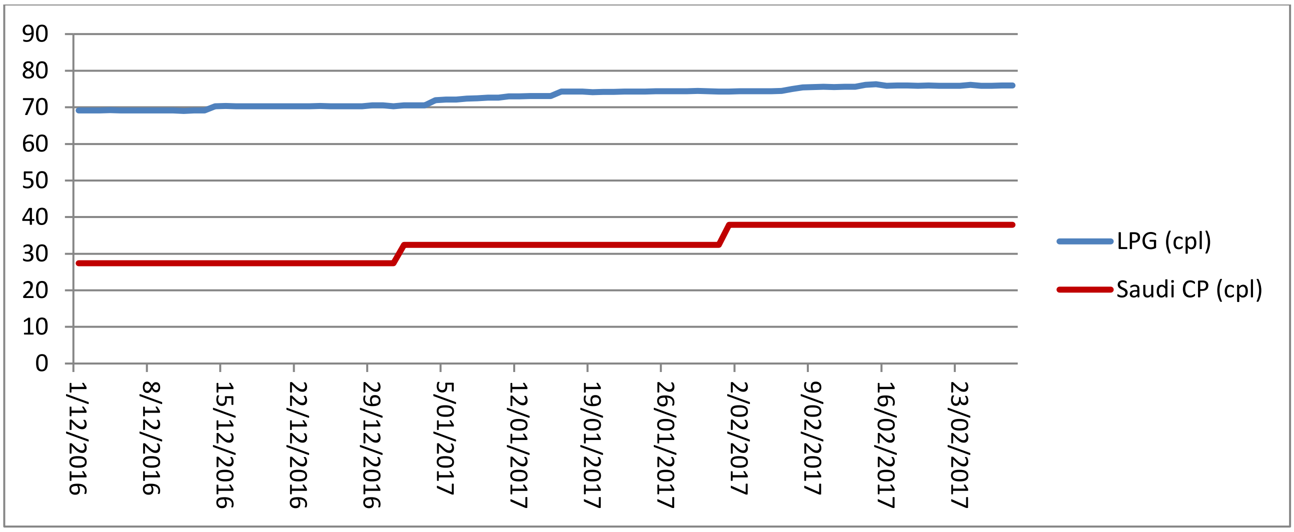
more or less expensive.

Tully	144.9 (5.2)	20.8 (6.4)	136.6 (2.8)	16.4 (3.6)
Warwick	142.8 (2.7)	18.8 (3.8)	129.1 (2.1)	9.0 (2.9)
Whitsunday	128.6 (-0.9)	4.7 (0.2)	135.6 (0.5)	15.6 (1.3)
Yeppoon	145.6 (4.0)	21.5 (5.1)	136.4 (0.4)	16.1 (1.2)

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



The average retail price of LPG in Brisbane in February was 75.5 cpl, 2.2 cpl higher than January. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in February was 17.7 cpl, 4.6 cpl lower than January.

The Saudi CP for March 2017 is 2.6 cpl lower than February 2017 at 35.3 cpl. This should lead to a fall in the retail LPG price.

Outlook

Despite the production cut enforced by OPEC and some non-OPEC countries, the price of Brent is not expected to exceed US$60/bbl in 2017. A potential upturn in production of shale oil in the US is likely to limit any price increases. In recent months, the number of shale oil rigs in the US has steadily increased, however the rig count remains substantially lower than the peak number of rigs observed in late 2014.

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

Data sources

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