

# Monthly Fuel Price Report – Jan 2017



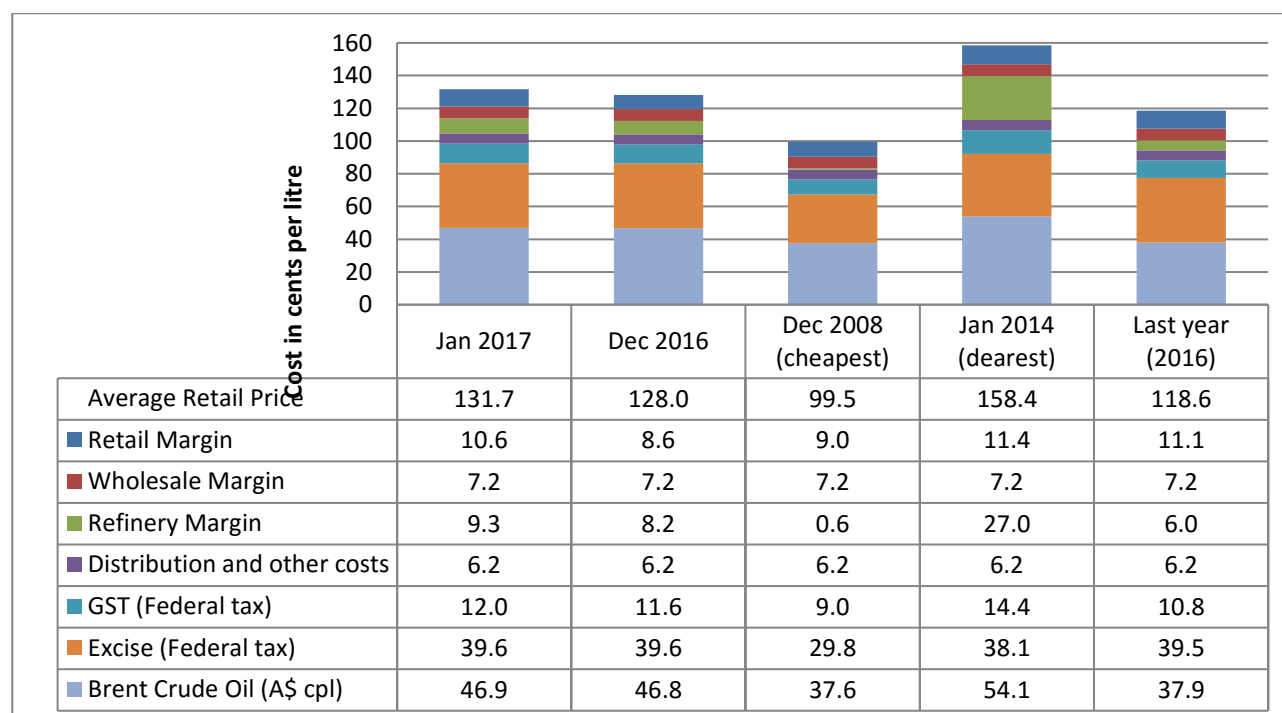
3 February 2017

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

## Key points

- At 131.7 cpl, the average Brisbane ULP price for January was 3.7 cpl higher than December and indicative retail margins were 2.0 cpl higher, at 10.6 cpl.
- Brisbane was relatively well priced compared to the other capital cities in January. Only Adelaide, Sydney and Melbourne were cheaper.
- Diesel sold in Sydney, Darwin, Melbourne and Canberra was cheaper than Brisbane.
- Ipswich had the cheapest average ULP price in Queensland in January and was the cheapest SEQ centre for diesel.
- Of the 36 regional centres monitored by RACQ, only three had a cheaper ULP price than Brisbane, and diesel sold in about half (17 centres) was cheaper than Brisbane.
- Outside SEQ, Moranbah, Whitsunday and Maryborough had the cheapest ULP prices (all cheaper than Brisbane), and Blackall had the cheapest Diesel.
- The ULP price increases observed in regional centres were excessively high compared to the increase in the oil price.
- The average price of LPG in Brisbane was 73.3 cpl, 3.5 cpl higher than December.
- On 1 February 2017 fuel excise on ULP and diesel was increased by 0.5cpl, to 40.1cpl.

## ULP cost breakdown in Brisbane

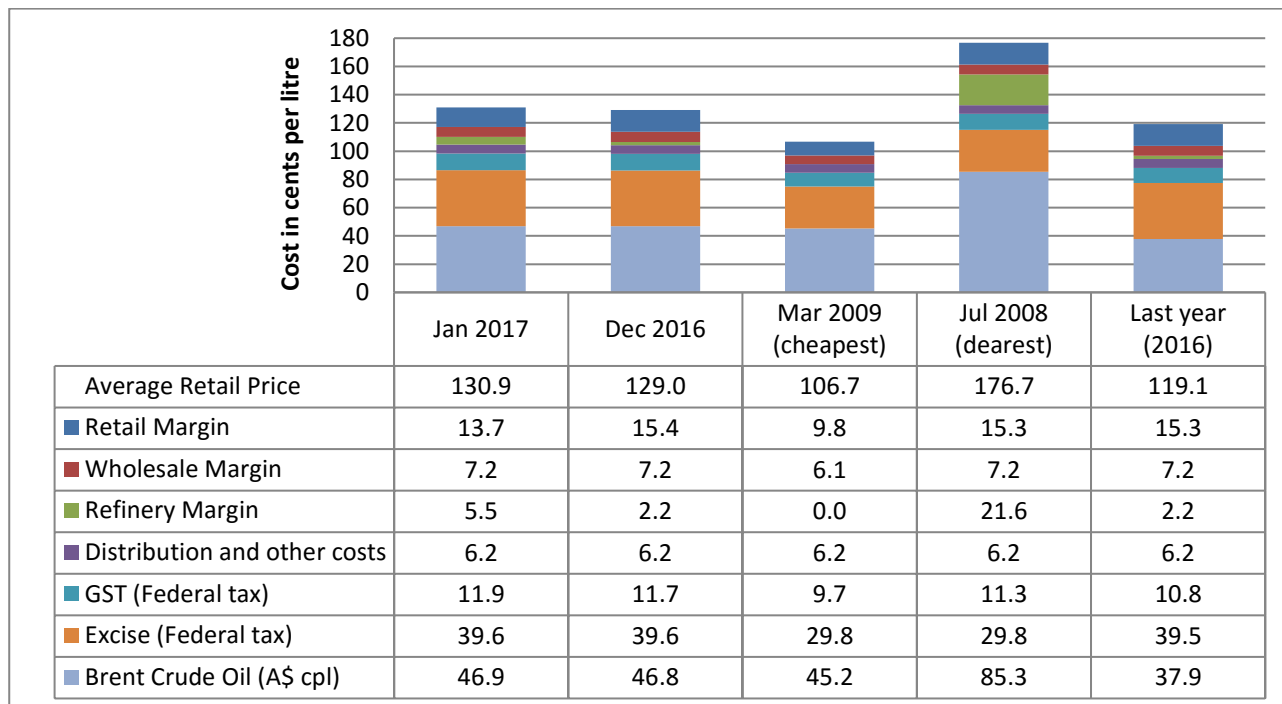


Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for January 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 January was 131.7 cpl, 3.7 cpl more than December. Indicative retail margins, at 10.6 cpl, were 2.0 cpl higher than December. Refiner margins increased in January and were 1.1 cpl higher than December.

## Diesel cost breakdown in Brisbane



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 January 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 January, at 130.9 cpl, was 1.9 cpl higher than December. Indicative retail margins decreased in January by 1.7 cpl and refinery margins increased by 3.3 cpl.

## Fuel excise

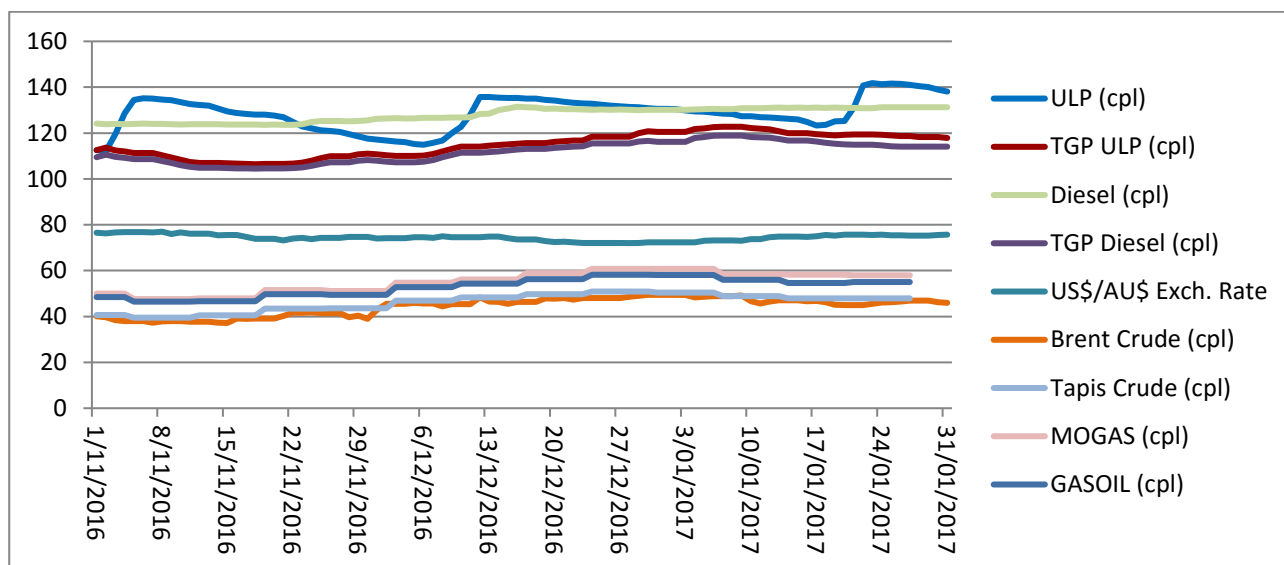
In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly excise increases. As a result, on 1 February 2017 the excise charged on petrol and diesel increased from 39.5 cpl to 40.1 cpl, and from 12.9 cpl to 13.1 cpl on LPG.

## Price trends

There were two partial price cycles observed in Brisbane in January 2017. The first cycle started on 7 December and ended on 17 January. The second cycle started on 18 January, the average price peaked on 23 January, prices then fell slowly throughout the rest of January. At the time of writing the Brisbane ULP market was in the discounting phase of the cycle.

The average price of Brent in January was similar to December at A\$74.5/bbl (US\$55.5/bbl) or 46.9 cpl. Following a sharp price increase in December, the price of Brent crude softened throughout January. Brent started the month at A\$78.6/bbl (US\$56.8/bbl) and ended the month at A\$73.0/bbl (US\$55.2/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 price remains elevated compared to prices prior to the OPEC production cut.

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\$.



## Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	129.2 (5.0)	8.8 (0.2)	131.4 (2.0)	14 (-1.9)
Brisbane	131.7 (3.6)	10.5 (-1.1)	130.9 (1.9)	13.6 (-1.8)
Canberra	137.7 (9.8)	17.3 (5.0)	129.7 (3.9)	12.3 (0.0)
Darwin	138.5 (9.3)	18.1 (4.5)	129.0 (3.0)	11.6 (-0.9)
Hobart	139.9 (12.9)	19.5 (8.1)	134.6 (7.4)	17.2 (3.4)
Melbourne	131.2 (6.0)	10.8 (1.2)	129.3 (1.3)	11.8 (-2.6)
Perth	133.9 (6.9)	13.5 (2.1)	134.3 (3.6)	16.9 (-0.4)
Sydney	130.8 (5.5)	10.4 (0.7)	128.7 (4.1)	11.3 (0.2)

\* 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 January. Only Adelaide, Sydney and Melbourne were cheaper than Brisbane. Adelaide was 2.5 cpl cheaper, Sydney was 0.9 cpl cheaper and

Melbourne was 0.5 cpl cheaper. Perth, Canberra, Darwin and Hobart were more expensive by 2.2 cpl, 6.0 cpl, 6.8 cpl and 8.2 cpl, respectively. In December Brisbane was more expensive than every other capital except Darwin.

Diesel sold in Sydney, Darwin, Melbourne and Canberra was cheaper than Brisbane by 2.2 cpl, 1.9 cpl, 1.6 cpl and 1.2 cpl, respectively. Adelaide, Perth and Hobart were more expensive by 0.5 cpl, 3.4 cpl and 3.7 cpl, respectively.

## Comparison of the SEQ metropolitan centres

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	132.6 (4.0)	11.4 (-0.8)	131.8 (2.3)	14.5 (-1.5)
Brisbane South	131.3 (3.5)	10.1 (-1.3)	130.6 (1.8)	13.3 (-1.9)
Gold Coast	131.0 (1.3)	9.2 (-3.5)	130.9 (1.6)	13.0 (-2.1)
Ipswich	125.2 (0.3)	3.8 (-4.5)	129.2 (2.1)	11.7 (-1.6)
Moreton Bay	129.9 (4.3)	8.4 (-0.5)	130.6 (2.0)	13.1 (-1.8)
Sunshine Coast	134.2 (5.2)	12.2 (0.5)	129.4 (2.7)	11.4 (-1.0)

\* 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 January, with an average price of 125.2 cpl. Moreton Bay was the second cheapest centre in SEQ, 4.7 cpl dearer than Ipswich. The Sunshine Coast was the most expensive SEQ centre, 9.0 cpl dearer than Ipswich.

Ipswich was also the cheapest SEQ centre to buy diesel, with an average price of 129.2 cpl, followed by the Sunshine Coast at 0.2 cpl dearer. Brisbane North was the most expensive, with diesel selling for 131.8.

## Fuel prices across Queensland

In contrast to December, centres in SEQ were among the cheapest places to buy ULP in Queensland. In December, 32 of the 36 regional centres monitored by RACQ were cheaper than Brisbane for ULP. In January, only three regional (non-SEQ) centres were cheaper than Brisbane. These were: Moranbah, Whitsunday and Maryborough, at 4.3 cpl, 2.3 cpl and 2.1 cpl cheaper than Brisbane, respectively.

The change in relative cost of ULP (SEQ versus 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. Whereas in regional Queensland, this increase was observed in January. In addition, some regional retailers used the oil price increase to increase their retail price over and above what was due. From November 2016 to January 2017, the oil price increased by about 7 cpl, whereas the average increase in regional prices was 11.3 cpl, with five centres experiencing a price increase of greater than 15 cpl (Dalby, Mount Isa, Roma, Toowoomba and Ingham).

The most expensive regional centre listed was Yeppoon, with an average price of 141.7 cpl in January. However, the list of regional centres is not exhaustive<sup>1</sup> and prices in other centres are likely to exceed the

<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.

price in Yeppoon.

Just under half (17) of the 36 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Blackall had the cheapest diesel in Queensland (7.1 cpl cheaper than Brisbane), followed by Moranbah and Goondiwindi (5.2 cpl and 4.2 cpl cheaper than Brisbane, respectively). Kingaroy, Warwick, Maryborough, Mount Isa, Childers, Bowen, Hervey Bay, Ingham, Ipswich, Charters Towers, Sunshine Coast, Bundaberg, Dalby, Gladstone, Charleville and Emerald were also cheaper than the Brisbane price in January. Biloela and Cairns were the most expensive listed regional centres for diesel, at 136.6 cpl and 136.3 cpl.

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

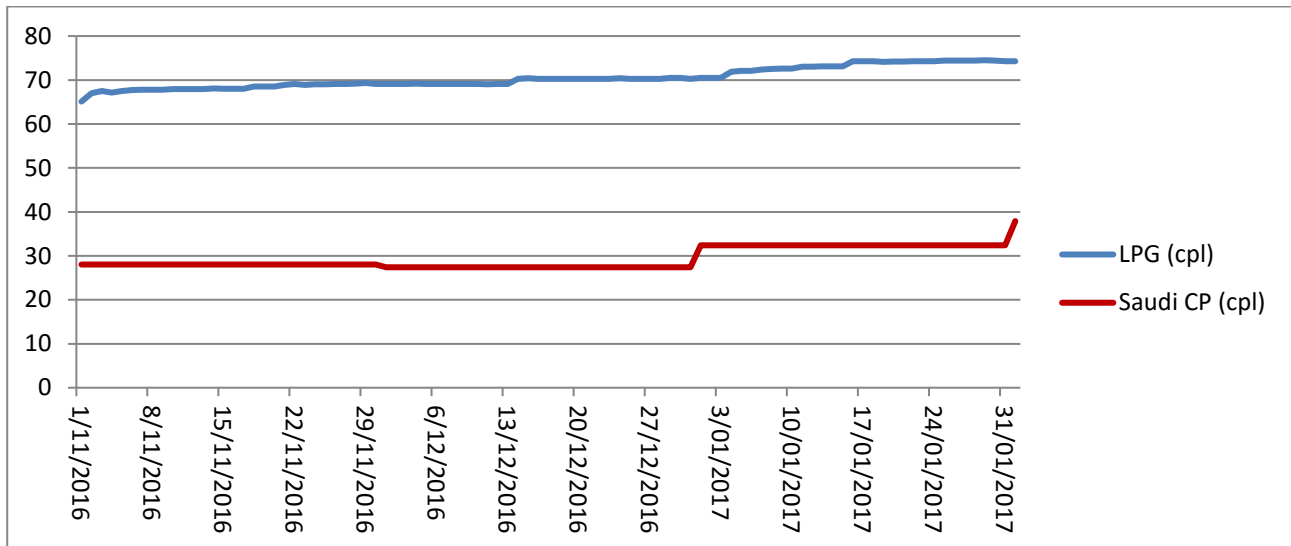
Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	131.7 (3.6)	10.5 (-1.1)	130.9 (1.9)	13.6 (-1.8)
Gold Coast	131.0 (1.3)	9.2 (-3.5)	130.9 (1.6)	13 (-2.1)
Sunshine Coast	134.2 (5.2)	12.2 (0.5)	129.4 (2.7)	11.4 (-1.0)
Atherton	139.7 (9.8)	15.1 (5.1)	134.6 (8.0)	14.2 (4.3)
Ayr	131.7 (14.2)	7.4 (9.5)	134.2 (11.6)	14.1 (7.8)
Biloela	138.2 (8.5)	13.3 (3.7)	136.6 (4.0)	15.9 (0.2)
Blackall	139.2 (0.6)	8.4 (-4.1)	123.8 (1.7)	-2.9 (-2.1)
Blackwater	139.6 (11.7)	12.9 (7.0)	134.3 (7.9)	11.8 (4.2)
Bowen	140.9 (11.1)	15.5 (6.4)	128.6 (5.2)	7.3 (1.5)
Bundaberg	135.4 (14.6)	8.3 (9.8)	129.5 (6.1)	6.5 (2.4)
Cairns	140.3 (9.3)	16.4 (4.6)	136.3 (3.3)	16.6 (-0.4)
Charleville	132.7 (3.3)	1.7 (-1.4)	130.3 (2.6)	3.5 (-1.1)
Charters Towers	136.7 (8.6)	11.9 (3.8)	129.1 (9.2)	8.5 (5.5)
Childers	133.4 (11.2)	6.7 (6.4)	128.0 (5.1)	5.6 (1.4)
Dalby	137.8 (18.0)	12.1 (13.3)	129.7 (10.0)	8.3 (6.3)
Emerald	138.9 (13.5)	11.5 (8.8)	130.7 (7.4)	7.5 (3.6)
Gladstone	138.4 (10.4)	14.6 (5.6)	130.1 (2.4)	10.5 (-1.3)
Goondiwindi	135.1 (14.2)	8.0 (9.4)	126.7 (4.6)	3.9 (0.9)
Gympie	134.6 (9.2)	9.4 (4.5)	131.1 (4.7)	10.1 (1.0)
Hervey Bay	137.8 (9.7)	11.3 (5.0)	128.7 (3.6)	6.4 (-0.1)
Ingham	138.0 (15.6)	13.4 (10.9)	129.0 (5.8)	8.6 (2.1)
Innisfail	139.9 (13.2)	15.2 (8.5)	132.7 (9.3)	12.1 (5.6)
Ipswich	125.1 (0.3)	1.1 (-4.4)	129.0 (2.4)	9.2 (-1.3)
Kingaroy	134.4 (11.9)	8.7 (7.1)	127.0 (3.9)	5.6 (0.1)
Longreach	141.4 (9.3)	9.8 (4.5)	131.5 (3.9)	4.1 (0.2)
Mackay	138.8 (12.8)	15.1 (8.1)	132.4 (7.1)	12.9 (3.4)
Mareeba	136.2 (11.5)	11.7 (6.8)	131.3 (5.2)	11.1 (1.5)
Maryborough	129.6 (7.0)	3.5 (2.2)	127.2 (4.8)	5.3 (1.1)
Moranbah	127.4 (5.8)	1.7 (1.1)	125.7 (5.6)	4.3 (1.8)
Mount Isa	138.0 (17.5)	5.5 (12.7)	127.4 (3.9)	-0.8 (0.2)
Rockhampton	139.7 (12.6)	14.9 (7.8)	134.1 (4.2)	13.4 (0.5)
Roma	137.2 (17.3)	8.8 (12.6)	133.5 (6.8)	9.4 (3.0)
Toowoomba	136.9 (16.7)	12.1 (12.0)	131.3 (8.5)	10.6 (4.7)

Townsville	140.0 (10.5)	16.6 (5.7)	132.4 (8.3)	13.2 (4.5)
Tully	139.6 (14.6)	14.4 (9.8)	133.8 (10.4)	12.8 (6.7)
Warwick	140.1 (10.3)	14.9 (5.6)	127.0 (7.4)	6.0 (3.7)
Whitsunday	129.4 (4.8)	4.5 (0.1)	135.1 (3.8)	14.3 (0.1)
Yeppoon	141.7 (13.7)	16.4 (8.9)	136.0 (4.3)	14.9 (0.6)

\* 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.

## 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 January was 73.3 cpl, 3.5 cpl higher than December. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in January was 21.3 cpl, 1.9 cpl lower than December.

The Saudi CP for February 2017 is 5.5 cpl higher than January 2017 at 37.9 cpl. This is likely to lead to an increase in the retail LPG price. Retail margins and retail prices are currently substantially higher than historic prices relative to the Saudi CP.

## Outlook

Following last year's OPEC agreement to cut oil production by 1.2 million bbl/day and non-OPEC producers (notably Russia) agreeing to cuts totalling 600,000 bbl/day, the price of oil rose sharply in late 2016. The price of oil stabilised and softened slightly in January. The average price of Brent in January was A\$74.5/bbl (US\$55.5/bbl). In the next few months the oil price is likely to stabilise around this level.

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

## Data sources

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