

Monthly Fuel Price Report – July 2020



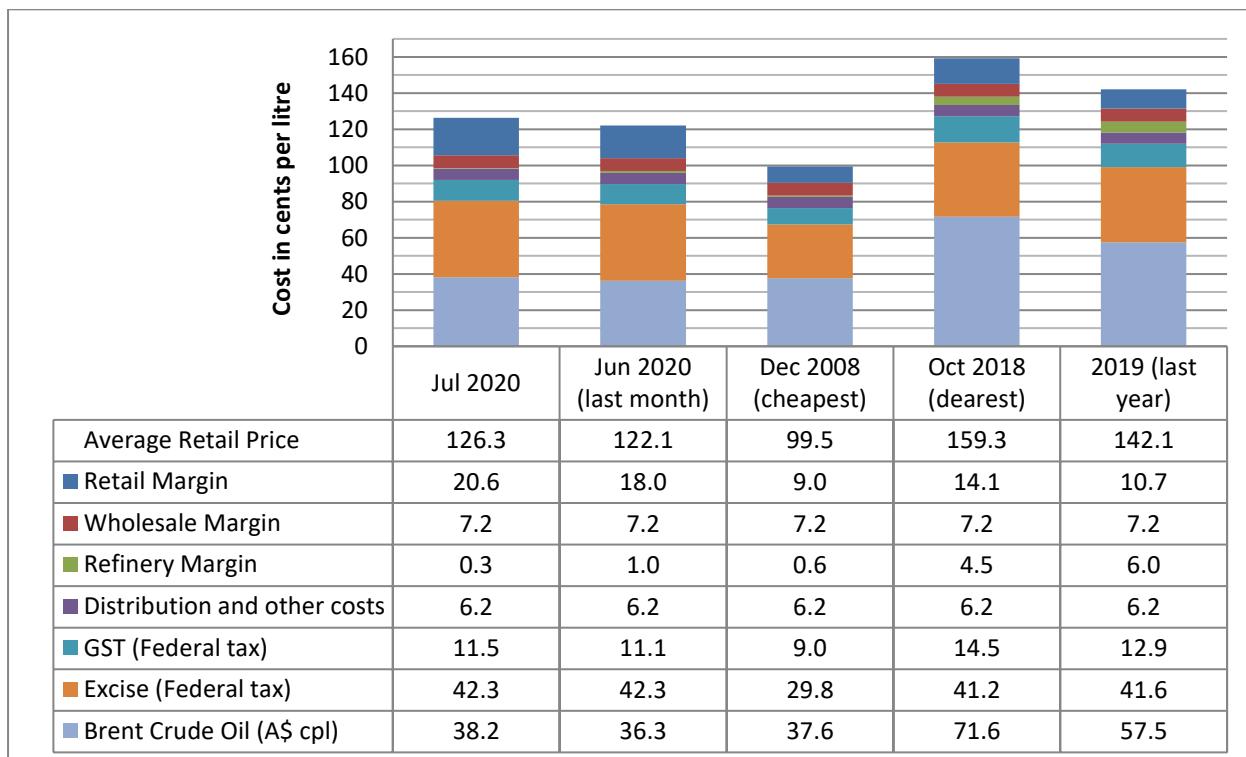
5 August 2020

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

Key points

- At 126.3 cpl, the average ULP price in Brisbane in July was 4.2 cpl higher than June. This increase was due to an increase in fuel company margins and an increase in the oil price.
- Like June, Brisbane was the most expensive Australian capital city in which to buy ULP.
- Indicative ULP retail margins in Brisbane in July, at 20.6 cpl, reached an all-time record high.
- At 118.5 cpl, the average Brisbane diesel price in July was 2.2 cpl dearer than June.
- Like June, Brisbane was the third cheapest capital city for diesel, only Darwin and Adelaide were cheaper than Brisbane, by 3.2 cpl and 0.1 cpl, respectively.
- The average ULP price in regional Queensland was 119.2 cpl, 3.7 cpl higher than June. The average diesel price in regional Queensland was up 0.8 cpl, at 119.1 cpl.
- Miles was the cheapest Queensland regional centre to buy ULP in July (as it was in May and June), with an average price of 105.4 cpl, 20.9 cpl cheaper than Brisbane.
- Miles was also the cheapest Queensland regional centre to buy diesel, with an average price of 109.9 cpl, 8.6 cpl cheaper than Brisbane.
- Mount Isa was the most expensive regional centre for ULP in July. The average ULP price of 143.7 cpl returned an indicative retail margin of 26.5 cpl. Blackwater had the most expensive diesel at 136.3 cpl, and an indicative retail margin of 24.3 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 July. 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.

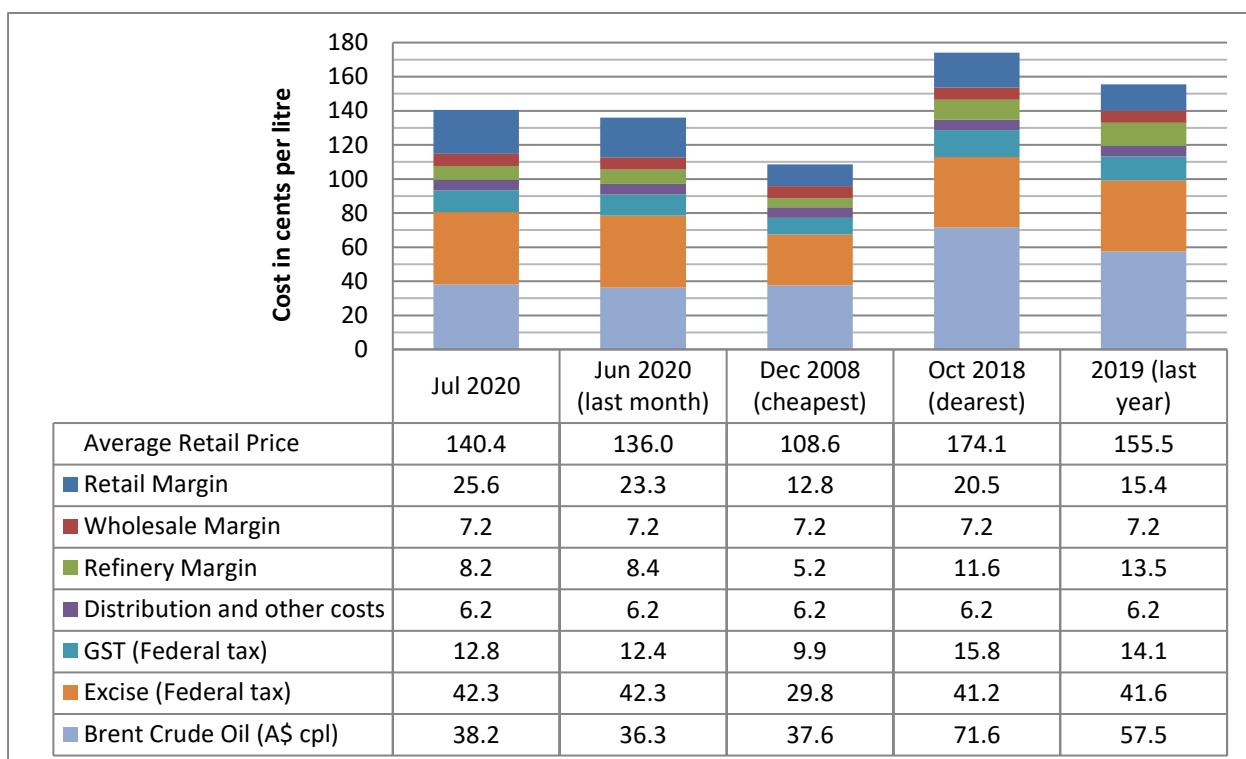
At 126.3 cpl, the average price of ULP in Brisbane in July was 4.2 cpl higher than the June average. This increase mostly due to an increase in retail margins, combined with an increase in oil prices. The monthly average indicative retail margin for July reached an all-time record high of 20.6 cpl, 2.6 cpl higher than in June. At 0.3 cpl, the average indicative refinery margin was down by 0.7 cpl. Total margins (retail, wholesale and refinery) at 28.1 cpl, were 1.9 cpl higher than June, and 4.2 cpl higher than the 2019 annual average of 23.9 cpl.

The RACQ pricing model assumes that oil is imported to Australia and refined locally. However, Caltex closed their Lytton refinery in May for an extended turnaround and inspection (a planned maintenance programme). Caltex are not planning to reopen the refinery until refinery margins increase. Since the closure of the Lytton refinery most fuel sold in Queensland has been refined overseas.

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 July were 2.2 cpl, largely unchanged from June, when they were 2.1 cpl.

PULP 95 cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of PULP 95 sold in Brisbane in July. 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.

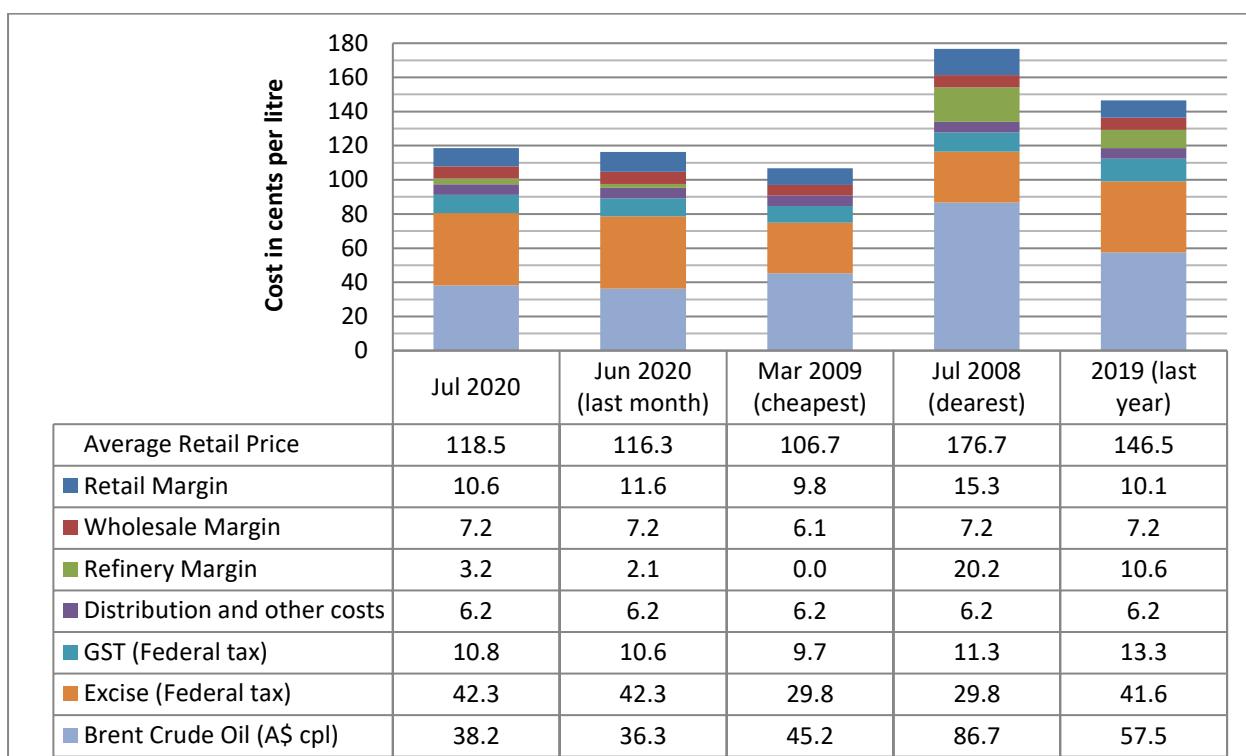


Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in July was 140.4 cpl, 4.4 cpl higher than June. The price difference between ULP and PULP 95 was 14.1 cpl, marginally higher than June when the difference was 13.9 cpl. Indicative retail margins for PULP 95, at 25.6 cpl, were 2.3 cpl higher than June, and 10.2 cpl higher than they were in 2019. Refinery margins at 8.2, were 0.2 cpl lower than June. Total margins, at 41.0 cpl were 2.1 cpl higher than June, when they were 38.9 cpl.

Diesel cost breakdown in Brisbane

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



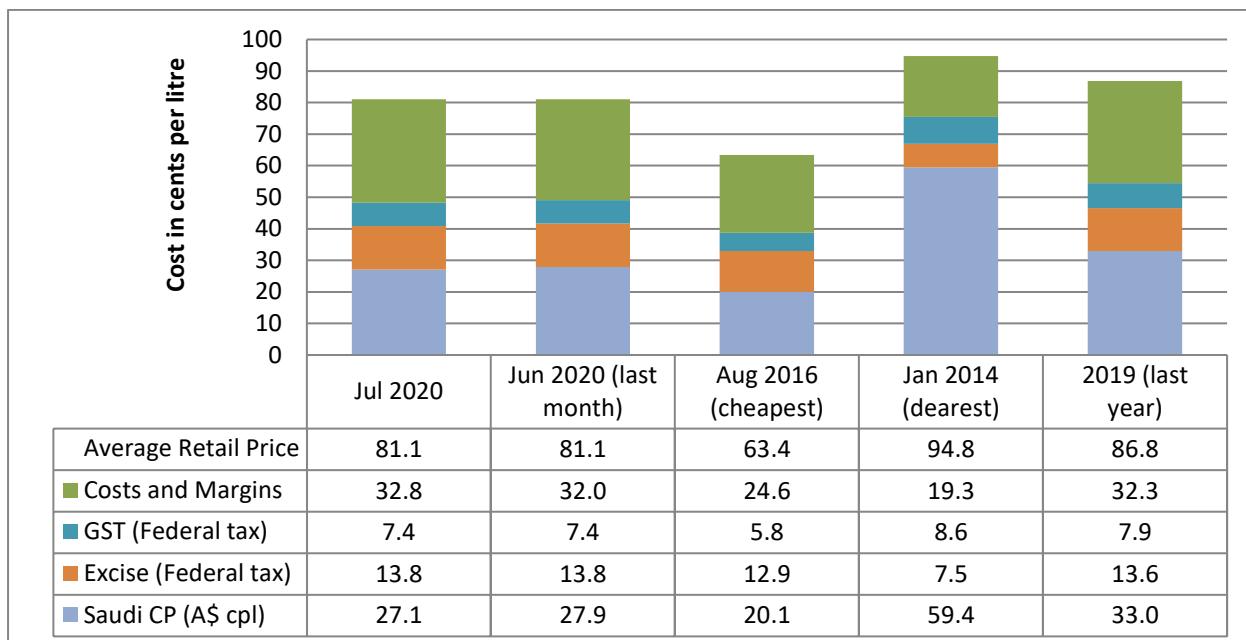
Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

The average price of diesel in July, at 118.5 cpl, was 2.2 cpl higher than June. Indicative retail margins at 10.6 cpl, were down by 1.0 cpl, and refinery margins increased by 1.1 cpl to 3.2 cpl. Total margins (retail, wholesale and refinery) in July were 21.0 cpl, largely unchanged from June, when they were 20.9 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 July. 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 July was 81.1 cpl, unchanged from June (81.1 cpl). Fuel company margins and costs in July, at 32.8 cpl, were 0.8 cpl higher than June.

The recently published Saudi CP for August, at 27.0 cpl, was largely unchanged from July (27.1 cpl). The average LPG price in Brisbane is likely to remain stable 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. 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.

Prior to the recent excise update published by the ATO, it was unclear whether a fall in CPI would lead to a fall in excise. However, the ATO made the judgement that the indexation only occurs on an upward movement in CPI. Therefore, the recent downward movement in CPI did not lead to a reduction in excise.

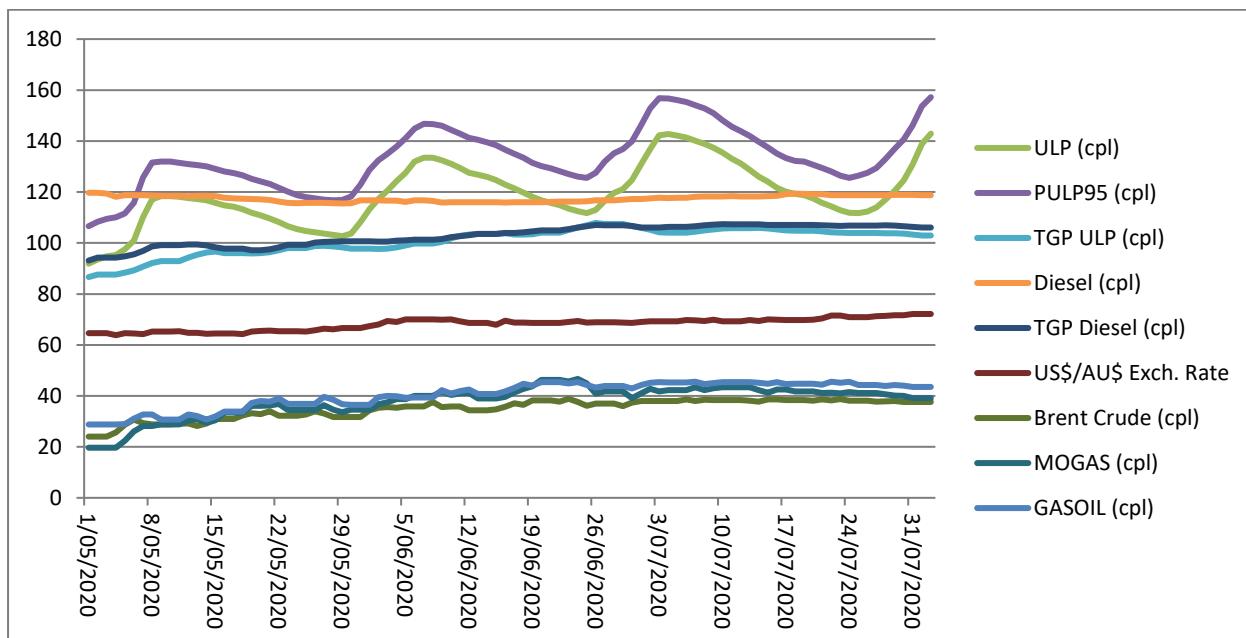
Price trends

Most of one price cycle and the start of a second cycle were observed in the Brisbane ULP market in July. The first price cycle started on 26 June and prices peaked at 142.8 cpl on 4 July. Prices then fell throughout the rest of July to a low point of 111.7 cpl on 25 July. The second/current price cycle started on 26 July and prices peaked at 143.5 cpl on 3 August. At the time of writing the Brisbane ULP market was in the expensive phase of the cycle.

The average price of Brent in July at 60.7 A\$/bbl (42.6 US\$/bbl) or 38.2 cpl, was 3.0 A\$/bbl higher than June (at 57.7 A\$/bbl or 39.8 US\$/bbl). Brent started July at 60.3 A\$/bbl (38.0 US\$/bbl). The Brent price in US\$ terms steadily increased in July. However, due to an increase in the value of the Australian dollar, oil in A\$ terms fell slightly in July. Brent ended the month at 59.8 A\$/bbl (43.2 US\$/bbl).

The Brent oil price hit a four-month high of 44.1 US\$/bbl on 23 July. Prices were last this high in early

March 2020, during the onset of COVID-19 movement restrictions.



Comparison to other capital cities

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

City	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	126.3 (4.2)	20.6 (2.5)	118.5 (2.2)	10.6 (-1.0)
Adelaide	122.2 (4.4)	16.8 (2.8)	118.4 (4.5)	10.6 (1.4)
Canberra	121.4 (7.2)	16.4 (5.4)	122.4 (1.2)	14.7 (-2.0)
Darwin	118.9 (7.1)	8.8 (5.4)	115.3 (0.6)	3.3 (-2.5)
Hobart	122.9 (2.6)	11.4 (1.3)	135.4 (1.6)	21.8 (-1.2)
Melbourne	123.2 (4.6)	18.5 (3.2)	118.8 (0.9)	11.2 (-2.2)
Perth	121.0 (6.8)	16.1 (5.1)	120.1 (1.1)	12.3 (-2.3)
Sydney	123.6 (3.7)	18.6 (1.9)	119.1 (2.0)	11.4 (-1.2)

* 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.

Like in June, Brisbane was the most expensive of all capital cities in July. The average ULP prices in Darwin, Perth, Canberra, Adelaide, Hobart, Melbourne and Sydney were cheaper than Brisbane by 7.4 cpl, 5.3 cpl, 4.9 cpl, 4.1 cpl, 3.4 cpl, 3.1 and 2.7 cpl, respectively.

For diesel, Brisbane was the third cheapest capital city in July. The average diesel prices in Darwin and Adelaide were cheaper than Brisbane by 3.2 cpl and 0.1 cpl, respectively. Melbourne, Sydney, Perth, Canberra and Hobart were more expensive than Brisbane by 0.3 cpl, 0.6 cpl, 1.6 cpl, 3.9 cpl and 16.9 cpl, respectively.

Comparison of the SEQ metropolitan centres

The table below presents the average July prices and retail margins on ULP and diesel for SEQ

metropolitan centres, with the change compared to June 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	128.0 (4.8)	22.3 (3.2)	119.9 (1.1)	12.0 (-2.0)
Brisbane North	126.8 (5.4)	21.1 (3.7)	117.9 (2.8)	10.0 (-0.3)
Brisbane South	125.0 (4.6)	19.3 (2.9)	117.9 (2.8)	10.0 (-0.4)
Brisbane Bayside/Redlands	131.1 (5.8)	25.4 (4.1)	119.8 (1.3)	12.0 (-1.8)
Logan	125.7 (4.1)	20.0 (2.4)	118.4 (3.4)	10.5 (0.3)
Ipswich	123.0 (4.0)	17.0 (2.3)	117.3 (2.4)	9.2 (-0.7)
Moreton Bay	126.5 (3.6)	20.5 (2.0)	119.0 (1.2)	10.8 (-1.9)
Gold Coast	121.8 (4.4)	15.4 (2.7)	117.9 (1.2)	9.4 (-1.9)
Sunshine Coast	121.9 (3.8)	15.3 (2.2)	118.5 (1.6)	9.9 (-1.5)

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

Like April, May and June, the Gold Coast was the cheapest centre in SEQ to buy ULP in July, with an average price of 121.8 cpl. A close second was the Sunshine Coast at 121.9 cpl. Brisbane Bayside/Redlands was the most expensive area in SEQ at 131.1 cpl, 9.3 cpl dearer than the Gold Coast.

Average ULP prices in SEQ centres were approximately 3 to 6 cpl higher than June. Indicative retail margins increased by approximately 2 to 4 cpl.

Like May and June, Ipswich was the cheapest SEQ centre to buy diesel in July. With an average price of 117.3 cpl, Ipswich was closely followed by Brisbane North, Brisbane South and Gold Coast all at 117.9 cpl. Central Brisbane was the most expensive at 119.9 cpl, 2.6 cpl dearer than Ipswich. The price difference between the cheapest and dearest diesel price at 2.6 cpl was lower than ULP, for which the difference was 9.3 cpl. Diesel prices in SEQ in July were up by approximately 1 to 4 cpl, compared to June.

Fuel prices across Queensland

The average price of ULP across regional Queensland in July was 119.2 cpl, 3.7 cpl higher than June when the average price was 115.5 cpl. The average diesel price was 119.1 cpl, 0.8 cpl higher than June when the average price was 118.3 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	126.3 (4.2)	20.6 (2.5)	118.5 (2.2)	10.6 (-1.0)
Atherton	117.5 (3.3)	8.5 (2.5)	119.9 (0.2)	8.3 (-2.9)
Beaudesert	124.8 (7.5)	18.3 (5.9)	119.9 (1.9)	11.2 (-1.2)
Biloela	119.9 (0.0)	11.7 (-1.3)	121.9 (0.0)	11.6 (-3.0)
Blackwater	119.1 (5.1)	9.2 (3.8)	136.3 (-2.4)	24.3 (-5.4)
Bowen	119.9 (4.9)	9.7 (3.8)	117.3 (2.3)	5.4 (-0.8)

Bundaberg	108.6 (0.7)	-0.5 (-1.0)	115.7 (2.3)	4.5 (-0.8)
Cairns	119.1 (3.7)	10.8 (2.9)	120.3 (0.5)	9.4 (-2.6)
Charters Towers	119.9 (3.0)	10.4 (2.0)	121.9 (0.0)	10.6 (-3.1)
Childers	119.0 (2.9)	10.4 (1.2)	119.9 (0.0)	9.2 (-3.1)
Dalby	121.5 (4.9)	13.8 (3.2)	120.8 (0.2)	11.0 (-2.9)
Emerald	133.8 (0.0)	23.2 (-1.3)	134.6 (-0.4)	21.9 (-3.4)
Gladstone	110.7 (0.3)	3.7 (-1.0)	114.6 (2.1)	5.5 (-0.8)
Goondiwindi	110.0 (2.6)	1.0 (1.0)	113.4 (1.1)	2.2 (-2.0)
Gympie	119.7 (3.1)	12.5 (1.5)	116.1 (1.0)	6.7 (-2.2)
Hervey Bay	118.5 (1.7)	10.1 (0.0)	119.4 (1.7)	8.8 (-1.4)
Ingham	120.2 (5.0)	10.8 (3.9)	124.3 (1.5)	13.2 (-1.6)
Innisfail	120.0 (6.2)	10.9 (5.3)	120.9 (0.0)	9.2 (-3.1)
Kingaroy	112.0 (4.2)	4.4 (2.6)	115.9 (3.9)	6.1 (0.8)
Lockyer Valley	116.1 (4.2)	9.5 (2.6)	119.4 (1.8)	10.6 (-1.3)
Longreach	132.7 (0.5)	17.9 (-0.8)	129.0 (1.3)	12.1 (-1.7)
Mackay	119.1 (3.8)	11.3 (2.6)	118.7 (0.5)	9.2 (-2.4)
Mareeba	124.4 (0.6)	15.5 (-0.3)	122.0 (1.6)	10.6 (-1.5)
Maryborough	113.6 (0.9)	5.6 (-0.7)	117.0 (0.2)	6.8 (-2.9)
Miles	105.4 (2.8)	-3.5 (1.1)	109.9 (-3.6)	-1.2 (-6.7)
Moranbah	114.4 (5.9)	4.6 (4.7)	118.5 (1.1)	7.1 (-1.9)
Mount Isa	143.7 (0.2)	26.5 (-0.8)	129.8 (0.3)	10.8 (-2.8)
Nambour	119.2 (1.5)	12.7 (-0.1)	115.8 (3.2)	7.1 (0.1)
Noosa	129.7 (6.0)	23.1 (4.4)	115.6 (4.6)	6.8 (1.5)
Rockhampton	117.6 (2.1)	9.5 (0.8)	116.9 (1.1)	6.8 (-1.8)
Roma	117.8 (2.9)	7.5 (1.3)	121.4 (-0.7)	9.0 (-3.8)
Somerset	112.2 (4.5)	5.5 (2.8)	114.9 (3.2)	6.1 (0.1)
Toowoomba	131.5 (10.2)	24.7 (8.5)	119.1 (0.8)	10.1 (-2.4)
Townsville	118.0 (3.3)	9.8 (2.3)	119.0 (0.0)	9.1 (-3.1)
Tully	117.7 (6.2)	8.0 (5.4)	119.9 (0.0)	7.7 (-3.1)
Warwick	119.6 (1.8)	12.5 (0.1)	116.7 (-0.2)	7.4 (-3.3)
Whitsunday/Proserpine	109.0 (1.2)	-0.2 (-0.1)	112.2 (2.0)	1.4 (-0.9)
Yeppoon	121.3 (6.3)	12.8 (5.0)	122.8 (0.0)	12.3 (-3.0)

* 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.

With an average ULP price of 105.4 cpl, Miles was the cheapest regional centre in July (as it was in May and June), 20.9 cpl cheaper than Brisbane. Most centres in regional Queensland were cheaper than Brisbane. These centres include Bundaberg, Whitsunday/Proserpine, Goondiwindi, Gladstone, Kingaroy, Somerset, Maryborough, Moranbah, Lockyer Valley, Atherton, Rockhampton, Tully, Roma, Townsville, Hervey Bay, Childers, Blackwater, Cairns, Mackay, Nambour, Warwick, Gympie, Biloela, Bowen, Charters Towers, Innisfail, Ingham, Yeppoon, Dalby, Mareeba and Beaudesert. At 143.7 cpl, the most expensive regional centre for ULP was Mount Isa¹ (17.4 cpl more expensive than Brisbane), followed by Emerald at 133.8 cpl.

Like ULP, Miles had the cheapest diesel in Queensland at 109.9 cpl, 8.6 cpl cheaper than Brisbane.

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.

Whitsunday/Proserpine, Goondiwindi, Gladstone, Somerset, Noosa, Bundaberg, Nambour, Kingaroy, Gympie, Warwick, Rockhampton, Maryborough and Bowen were also cheaper than Brisbane.

Blackwater¹ was the most expensive regional centre for diesel at 136.3 cpl, 17.8 cpl higher than Brisbane. Like ULP, Emerald was the second most expensive centre to buy diesel (134.6 cpl).

Out of the 37 regional centres monitored by RACQ, 33 had an average indicative ULP retail margin lower than that charged in Brisbane. The lowest indicative retail margin on ULP, at negative 3.5 cpl, was charged in Miles, 24.1 cpl lower than Brisbane. The highest margins were observed in Mount Isa at 26.5 cpl, 5.9 cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 25 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Miles at negative 1.2 cpl, 11.8 cpl lower than Brisbane. Blackwater had the highest indicative retail margin (24.3 cpl), 13.7 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. 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 stabilised at about 43 US\$/bbl. 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.

In their latest Oil Market Report, the International Energy Agency reported that global oil production in June fell to a nine-year low of 86.9 million barrels per day (mb/d). The fall was led by the US and Canada with production down by 14 mb/d since April.

Meeting on 15 July, OPEC+ (the OPEC cartel and their allies, most notably Russia) announced that from 1 August, their production cut would be reduced from 9.7 to 7.7 mb/d. Although, due to the enforcement of historic compliance measures the actual production cut now sits at about 8.5 mb/d.

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 to low 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 September 2020.

Data sources

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