Monthly Fuel Price Report – June 2017

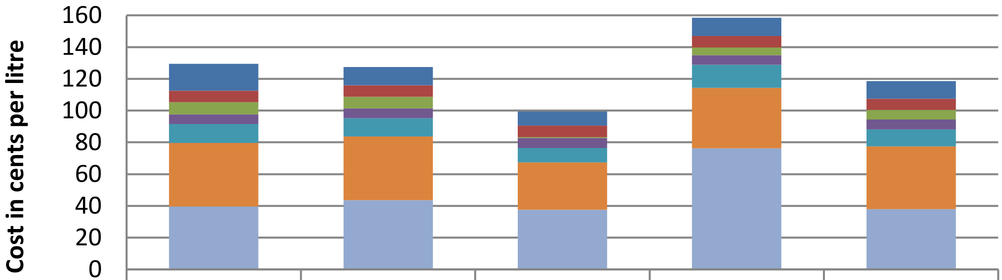
5 July 2017

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

Key points

- At 129.5 cpl, the average Brisbane ULP price for May was 2.1 cpl higher than May. This increase was due to an increase in fuel company margins rather than an increase in input costs. Indicative retail margins were 5.5 cpl higher at 17.0 cpl.
- Brisbane retained its usual position as the most expensive of the five large capital cities in June, after being the second cheapest in April. ULP sold in Adelaide, Sydney, Perth, Melbourne and Canberra was cheaper than Brisbane by 12.6 cpl, 6.6 cpl, 6.0 cpl, 3.7 cpl and 0.8 cpl respectively.
- Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 4.2 cpl, 2.1 cpl and 0.3 cpl, respectively.
- The average price of ULP across regional Queensland in June was 130.8 cpl, 0.7 cpl lower than the May average of 131.5 cpl. The average diesel price was 128.0 cpl, 1.3 cpl lower than May.
- Miles had the cheapest average Queensland ULP price in June at 8.0 cpl cheaper than Brisbane. Toowoomba, Roma, Bundaberg, Maryborough, Whitsunday, Ayr, Dalby, Gympie, Gladstone, Childers, Townsville and Charters Towers were also cheaper than Brisbane.
- Miles had the cheapest diesel in Queensland (6.5 cpl cheaper than Brisbane), followed by Maryborough and Childers.
- The average price of LPG in Brisbane was 74.7 cpl, 0.5 cpl lower than May.

ULP cost breakdown in Brisbane



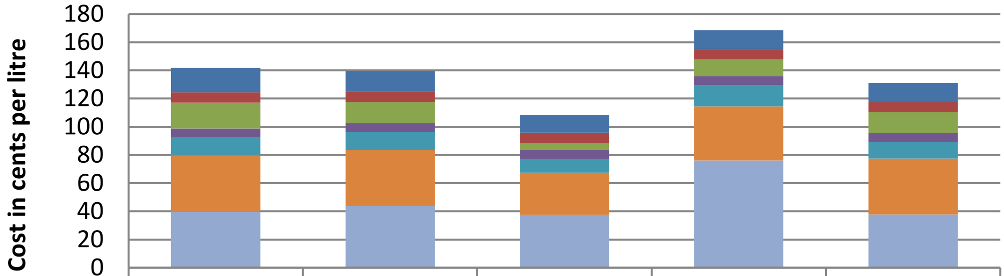
	June 2017	May 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	129.5	127.4	99.5	158.4	118.6
Retail Margin	17.0	11.5	9.0	11.4	11.1
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	7.7	7.2	0.6	4.8	6.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.8	11.6	9.0	14.4	10.8
Excise (Federal tax)	40.1	40.1	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	39.6	43.6	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 June 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 June was 129.5 cpl, 2.1 cpl higher than May. However, due to a fall in the oil price and the TGP there was a large increase in retail margins. Indicative retail margins, at 17.0 cpl, were 5.5 cpl higher than May. Refiner margins increased in June and were unchanged from May.

PULP 95 cost breakdown in Brisbane



	June 2017	May 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	141.8	139.6	108.6	168.5	131.3
Retail Margin	17.4	14.8	12.8	13.6	13.9
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	18.5	15.1	5.2	11.9	14.7
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	12.9	12.7	9.9	15.3	11.9
Excise (Federal tax)	40.1	40.1	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	39.6	43.6	37.6	76.2	37.9

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

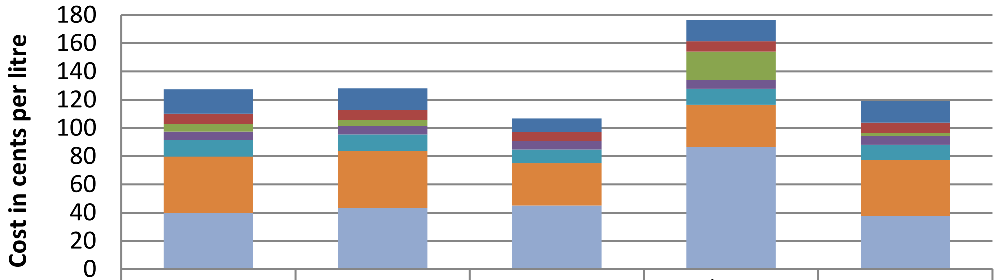
The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for June 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of PULP 95 in Brisbane in June was 141.8 cpl, 2.2 cpl higher than May, and 12.3 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in May was 12.2 cpl and the average for 2016 was 12.7 cpl. Indicative retail margins for PULP 95, at 17.4 cpl, were 2.6 cpl higher than May. Refiner margins increased by 3.4 cpl in June.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for June 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 June, at 127.3 cpl, was 0.8 cpl lower than May. However, Indicative retail margins increased in June by 2.0 cpl and refinery margins increased by 1.0 cpl. At 17.2 cpl, indicative retail margins on diesel were substantially higher than RACQ considers to be reasonable.



	June 2017	May 2017	Mar 2009 (cheapest)	Jul 2008 (dearest)	Last year (2016)
Average Retail Price	127.3	128.1	106.7	176.7	119.1
Retail Margin	17.2	15.2	9.8	15.3	15.3
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	5.4	4.2	0.0	20.2	2.2
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.6	11.6	9.7	11.3	10.8
Excise (Federal tax)	40.1	40.1	29.8	29.8	39.5
Brent Crude Oil (A$ cpl)	39.6	43.6	45.2	86.7	37.9

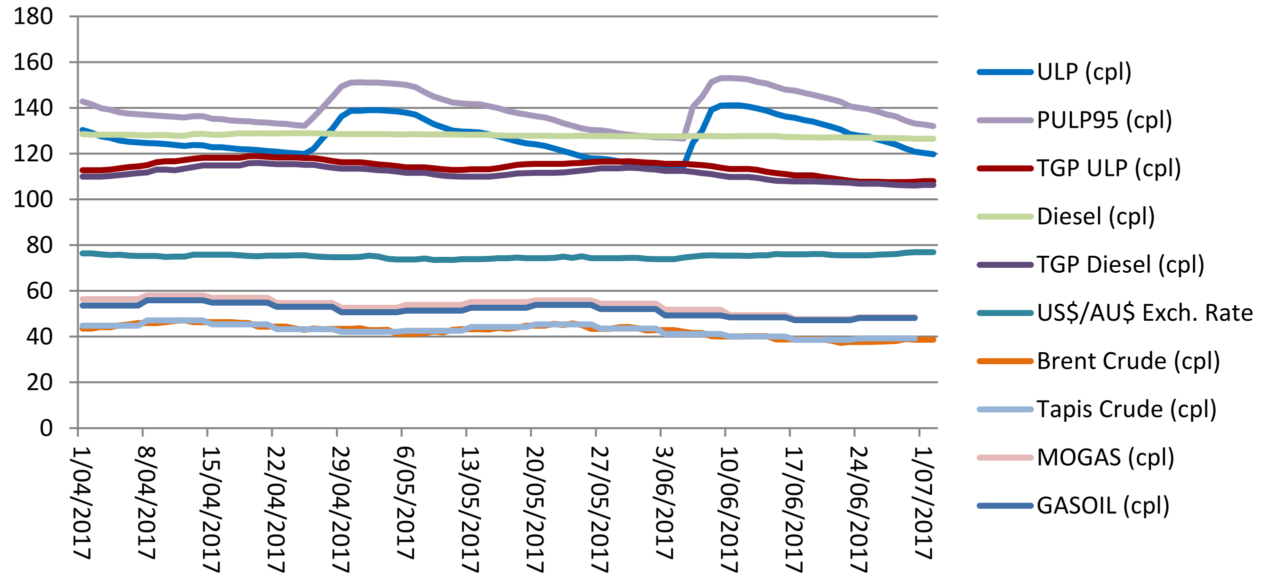
Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

Liquid Petroleum Gas (LPG)

The average retail price of LPG in Brisbane in June was 74.7 cpl, 0.5 cpl lower than May.

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 cycle observed in Brisbane in June 2017. The first cycle started on 25 April, continued throughout all of May and ended on 5 June. The second cycle started on 6 June, peaked on 10 and 11 June before slowly falling for the rest of month. At the time of writing the Brisbane ULP market was nearing the end of the discounting phase and about to enter the cheapest phase of the cycle.

The average price of Brent in June was A$9.3/bbl lower than May, at A$60.0/bbl (US$47.6/bbl) or 39.2 cpl. Brent started June at A$68.0/bbl (US$50.3/bbl) and ended the month lower at A$61.5/bbl (US$47.3/bbl). It fell to local low of A$59.3/bbl (US$44.8/bbl) on 22 June (the lowest A$ price for seven months), before strengthening slightly in the last week of June.

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	116.9 (-9.7)	5.0 (-6.3)	123.1 (-1.1)	12.9 (1.6)
Brisbane	129.5 (2.1)	17.0 (5.5)	127.3 (-0.7)	17.2 (2.0)
Canberra	128.7 (-0.3)	16.8 (3.1)	129.9 (-0.3)	19.6 (2.5)
Darwin	130.3 (0.3)	18.4 (3.6)	130.4 (-0.2)	20.1 (2.5)
Hobart	137.7 (-1.3)	25.9 (2.1)	137.3 (-0.2)	27.1 (2.5)
Melbourne	125.8 (-1.0)	13.9 (2.4)	127.0 (-0.8)	16.7 (1.9)
Perth	123.5 (-2.8)	11.6 (0.6)	130.0 (-0.8)	19.8 (2.0)
Sydney	122.9 (-0.4)	11.0 (3.0)	125.2 (-0.6)	14.9 (2.1)

* 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.

After being the second cheapest of the five large capitals in April, Brisbane regained its usual position as the most expensive in May and retained this position in June. Brisbane was more expensive than Adelaide, Sydney, Perth, Melbourne and Canberra by 12.6 cpl, 6.6 cpl, 6.0 cpl, 3.7 cpl and 0.8 cpl respectively. Darwin and Hobart were 0.8 cpl and 8.2 cpl more expensive respectively.

Much of the price difference between the capital cities is due to the alignment of the price cycles rather than due to a change in retailer pricing policy. During June, the Brisbane price cycle was in the expensive and discounting phases of the cycle, in contrast the other cities were in the discounting and cheap phase of the cycle.

Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 4.2 cpl, 2.1 cpl and 0.3 cpl, respectively. Canberra, Perth, Darwin and Hobart were more expensive by 2.6 cpl, 2.7 cpl, 3.1 cpl and 10.0 cpl, respectively.

Comparison of the SEQ metropolitan centres

Ipswich was the cheapest centre in SEQ to buy ULP in June, with an average price of 127.5 cpl, 5.1 cpl higher than the May average. The Gold Coast was the second cheapest centre in SEQ, 0.8 cpl dearer than Ipswich. The Sunshine Coast was the most expensive SEQ centre, 5.0 cpl dearer than Ipswich.

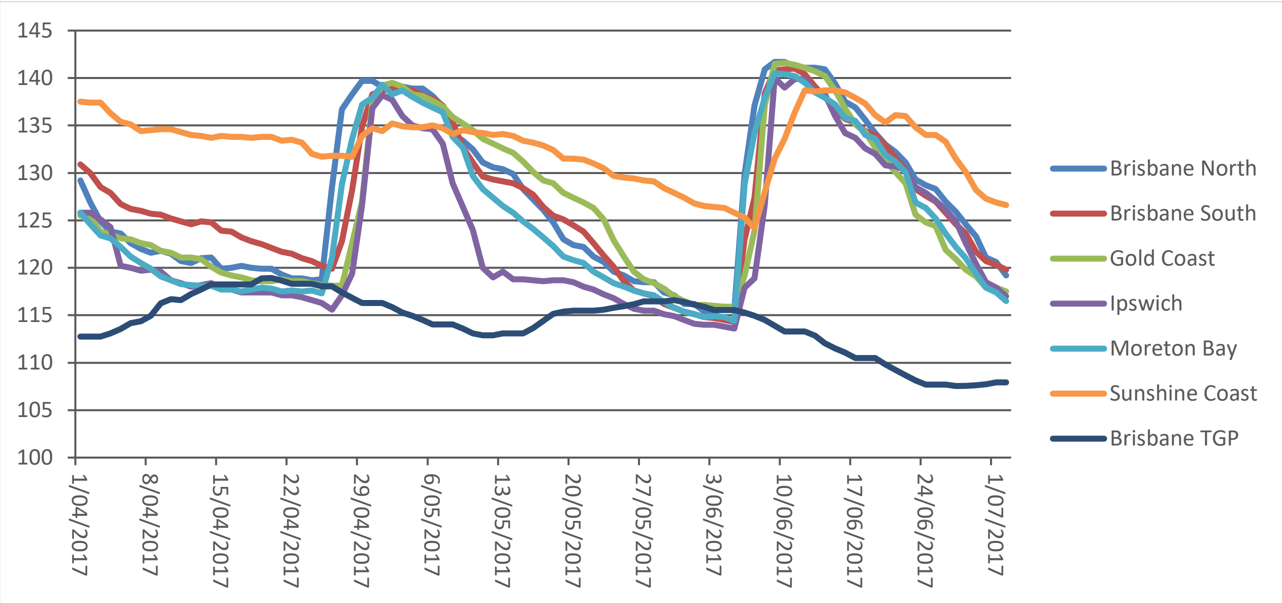
Ipswich was also the cheapest SEQ centre to buy diesel, with an average price of 126.5 cpl, followed by Brisbane South and Moreton Bay, 1.8 cpl and 1.9 cpl dearer than Ipswich, respectively. As with ULP, the Sunshine Coast was the most expensive, 4.3 cpl dearer than Ipswich.

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	130.7 (3.2)	15.5 (6.6)	128.5 (-0.3)	16.1 (2.5)
Brisbane South	129.1 (1.7)	13.8 (5.1)	126.9 (-0.9)	14.4 (1.9)
Gold Coast	128.3 (-1.1)	12.4 (2.3)	128.2 (-0.7)	15.1 (2)
Ipswich	127.5 (5.1)	12.0 (8.5)	125.1 (-1.3)	12.4 (1.4)
Moreton Bay	128.8 (3.0)	13.2 (6.3)	127.0 (-0.1)	14.3 (2.6)
Sunshine Coast	132.5 (0.2)	16.5 (3.6)	129.4 (-0.8)	16.2 (2.0)

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

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



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, reflecting the more competitive nature of this market. In contrast, ULP prices on the Sunshine Coast were largely unchanged until mid-May. During May and June a more noticeable price cycle is evident on the Sunshine Coast. However, discounting on the Sunshine Coast was limited compared to the rest of SEQ, and some parts of the Sunshine Coast did not experience a price cycle or any price discounting.

Fuel prices across Queensland

The average price of ULP across regional Queensland in June was 130.8 cpl, 0.7 cpl lower than the May average of 131.5 cpl. The average diesel price was 128.0 cpl, 1.3 cpl lower than May.

Miles was the cheapest centre to buy ULP in June, and was 8.0 cpl cheaper than Brisbane. The average price of ULP in Miles was 121.5 cpl. ULP sold in Toowoomba, Roma, Bundaberg, Maryborough, Whitsunday, Ayr, Dalby, Gympie, Gladstone, Childers, Townsville and Charters Towers was also cheaper than Brisbane.

The most expensive regional centre listed was Blackwater, with an average price of 144.0 cpl in June.

However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices[1].

Sixteen of the 36 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (6.5 cpl cheaper than Brisbane), followed by Maryborough (3.6 cpl cheaper than Brisbane). Childers, Warwick, Hervey Bay, Toowoomba, Ayr, Mount Isa, Charters Towers, Gladstone, Townsville, Gympie, Kingaroy, Bowen, Goondiwindi and Ingham were also cheaper than the Brisbane price in June. Innisfail was the most expensive listed regional centre for diesel, at 135.2 cpl[1].

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	129.5 (2.1)	17.0 (5.5)	127.3 (-0.7)	17.2 (2.0)
Gold Coast	128.3 (-1.1)	15.1 (2.3)	128.2 (-0.7)	17.4 (2.0)
Sunshine Coast	132.5 (0.2)	19.2 (3.6)	129.4 (-0.8)	18.5 (1.9)
Atherton	139.9 (0.0)	23.8 (3.4)	135.1 (0.2)	21.8 (3.0)
Ayr	126.5 (-3.4)	10.7 (-0.1)	125.6 (0.6)	12.6 (3.3)
Biloela	135.8 (-2.0)	19.3 (1.4)	132.8 (-2.3)	19.1 (0.5)
Blackall	nd	nd	127.8 (nd)	8.3 (nd)
Blackwater	144.0 (-0.4)	25.8 (3.0)	131.3 (-1.2)	15.9 (1.6)
Bowen	131.2 (-0.7)	14.2 (2.7)	126.6 (0.0)	12.4 (2.8)
Bundaberg	125.2 (-0.5)	6.5 (2.9)	129.3 (-0.9)	13.5 (1.9)
Cairns	139.9 (-0.2)	24.5 (3.2)	132.8 (-0.8)	20.2 (2.0)
Charleville	131.5 (2.1)	9.0 (5.5)	132.9 (3.0)	13.1 (5.7)
Charters Towers	128.2 (-0.1)	11.9 (3.3)	125.9 (-0.2)	12.4 (2.6)
Childers	127.3 (-0.5)	9.2 (2.9)	124.1 (-0.6)	8.8 (2.1)
Cunnamulla	nd	nd	133.2 (2.3)	12.5 (5.1)
Dalby	126.5 (-4.3)	9.3 (-0.9)	127.9 (-0.7)	13.5 (2.1)
Emerald	142.9 (0.0)	24.0 (3.4)	128.7 (0.0)	12.6 (2.8)
Gladstone	126.7 (-0.7)	11.4 (2.7)	126.0 (-0.8)	13.6 (2.0)
Goondiwindi	132.4 (-0.6)	13.8 (2.8)	126.6 (0.2)	10.8 (3.0)
Gympie	126.6 (-1.0)	9.9 (2.4)	126.3 (-1.3)	12.4 (1.5)
Hervey Bay	129.6 (-4.3)	11.6 (-0.9)	125.1 (-1.8)	9.9 (1.0)
Ingham	135.5 (-0.9)	19.4 (2.5)	126.8 (-0.4)	13.5 (2.3)
Innisfail	139.8 (-5.1)	23.6 (-1.7)	135.2 (0.0)	21.8 (2.8)
Kingaroy	135.1 (-0.8)	17.9 (2.6)	126.5 (-0.5)	12.2 (2.3)
Longreach	143.6 (0.4)	20.5 (3.8)	131.2 (1.0)	10.9 (3.8)
Mackay	129.9 (-0.1)	14.7 (3.3)	130.6 (0.0)	18.2 (2.8)
Mareeba	129.5 (0.0)	13.5 (3.4)	127.9 (-0.9)	14.7 (1.9)
Maryborough	126.1 (-0.5)	8.5 (2.8)	123.7 (-1.0)	8.9 (1.7)
Miles	121.5 (1.6)	3.1 (5.0)	120.8 (0.6)	5.2 (3.3)
Moranbah	131.5 (1.7)	14.4 (5.1)	129.6 (-0.1)	15.3 (2.7)
Mount Isa	142.5 (-0.7)	18.5 (2.7)	125.6 (0.0)	4.4 (2.8)
Rockhampton	137.4 (-1.7)	21.1 (1.6)	128.5 (-0.6)	15.0 (2.2)

[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.

Roma	125.1 (-2.5)	5.3 (0.9)	134.8 (-0.9)	17.7 (1.9)
Toowoomba	124.1 (2.1)	7.8 (5.5)	125.5 (-0.9)	11.9 (1.8)
Townsville	127.9 (-0.9)	12.9 (2.5)	126.0 (-0.4)	13.8 (2.4)
Tully	139.5 (0.0)	22.8 (3.4)	128.0 (-2.3)	14.1 (0.5)
Warwick	129.5 (-0.4)	12.8 (3.0)	124.4 (-1.7)	10.5 (1.1)
Whitsunday	126.2 (0.0)	9.7 (3.3)	135.0 (0.1)	21.3 (2.8)
Yeppoon	138.4 (-1.5)	21.6 (1.9)	130.5 (0.6)	16.6 (3.4)

* 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 Cairns Petrol Market

In April 2016, the ACCC announced it was undertaking it's fourth regional market study on the Cairns petrol market. This report was published on 29 May 2017. The ACCC concluded that ULP prices in Cairns were substantially higher than the five large capital city markets. In 2016 Cairns motorists were paying 11 cpl more than motorists in the five large capitals. In addition, petrol stations in Cairns were more profitable than the Australian average. The average net profit per site was 38% higher than the national average. The high price was attributed to weak competition.

The table below shows the average ULP retail price and indicative retail margins for Cairns for the last year.

Locality	Average ULP Price (cpl)	Average TGP (cpl)	Indicative ULP Retail Margin (cpl)
July 2016	130.6	107.0	22.4
August 2016	129.9	108.0	20.7
September 2016	130.2	109.0	20.0
October 2016	130.4	110.0	19.2
November 2016	130.6	111.0	18.4
December 2016	131.0	112.0	17.8
January 2017	140.3	122.7	16.5
February 2017	144.2	121.5	21.4
March 2017	144.0	116.9	26.0
April 2017	140.2	119.3	19.7
May 2017	140.1	117.6	21.3
June 2017	139.9	114.2	24.5

Throughout the period of the ACCC's investigation and in the month since it was released retailers in Cairns have continued to charge retail margins substantially higher than other comparable cities, and substantially higher than RACQ would consider reasonable. Since the release of the ACCC's Cairns market study the monthly average retail price in Cairns has fallen by 0.2 cpl, however the TGP has fallen by 3.4 cpl. Subsequently indicative retail margins have increased by 3.2 cpl to 24.5 cpl. At 24.5 cpl, the average monthly indicative retail margin for June 2017 was the second highest on record. The record highest monthly average retail margin was observed in March 2017.

Outlook

Conflicting trends and data continue to be the cause of volatility in the oil price.

The extension of the OPEC production cut is placing upward pressure on the oil price. In contrast, increases in production in Libya and Nigeria offset the OPEC cuts somewhat.

In the last week of June the softening trend observed for several weeks ended and prices started to increase. This upward trend followed the US Energy Information Agency's weekly data showing that US oil production dropped by 100,000 barrels per day.

Looking forward there is no foreseeable end to the current volatility. The best estimate predicts oil continuing to trade in a range between US$45/bbl and US$55/bbl.

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

Data sources

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