

Monthly Fuel Price Report

– June 2020



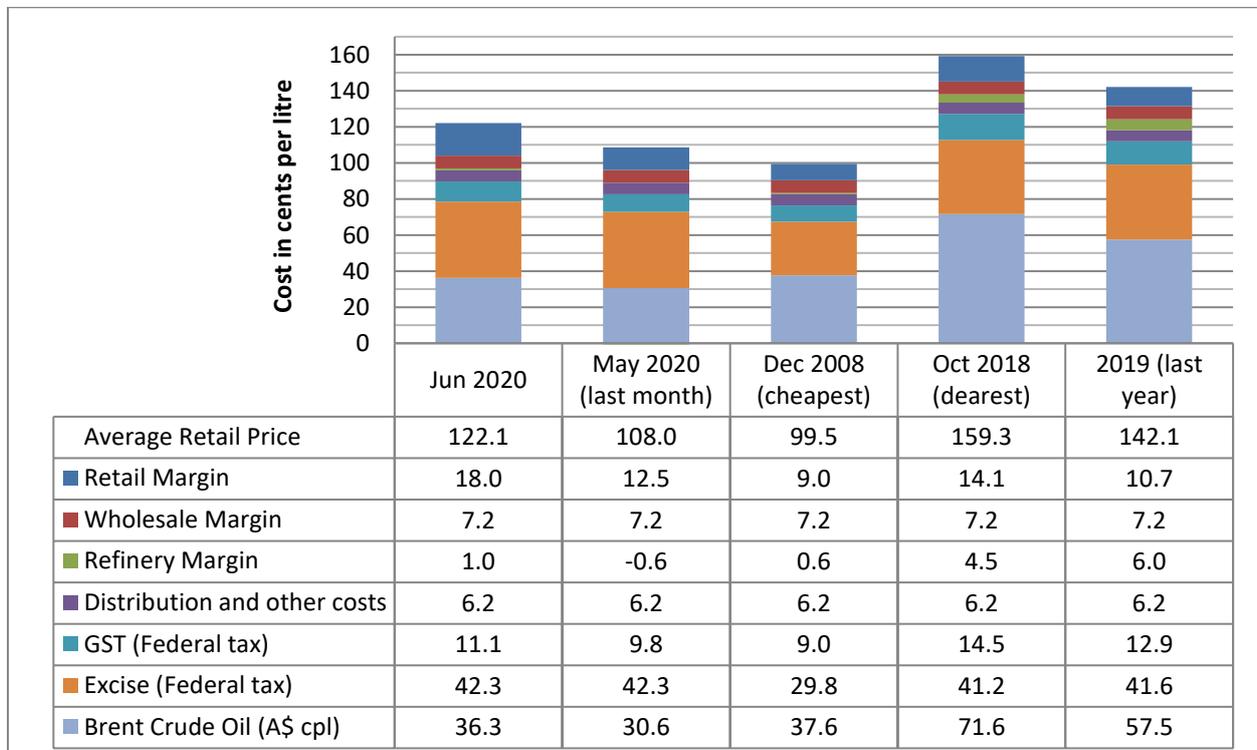
2 July 2020

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

Key points

- At 122.1 cpl, the average ULP price in Brisbane in June was 14.1 cpl higher than May. This increase was due to an increase in fuel company margins and the oil price.
- Brisbane was the most expensive Australian capital city in which to buy ULP in June.
- At 116.3 cpl, the average Brisbane diesel price in June was 1.2 cpl cheaper than May.
- Brisbane was the third cheapest capital city in June for diesel, only Adelaide and Darwin were cheaper than Brisbane.
- The average ULP price in regional Queensland in June was 115.5 cpl, 10.5 cpl higher than May. The average diesel price in regional Queensland was down 0.5 cpl, at 118.3 cpl.
- Miles was the cheapest Queensland regional centre to buy ULP in June, with an average price of 102.6 cpl, 19.5 cpl cheaper than Brisbane.
- Whitsunday/Proserpine was the cheapest Queensland regional centre to buy diesel in June, with an average price of 110.2 cpl, 6.1 cpl cheaper than Brisbane.
- Mount Isa was the most expensive regional centre for ULP in June. The average ULP price of 143.4 cpl returned an indicative retail margin of 27.3 cpl.
- The oil price rose strongly in June. Brent peaked at 61.8 A\$/bbl on 23 June, a three and a half month high.

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 June. 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.

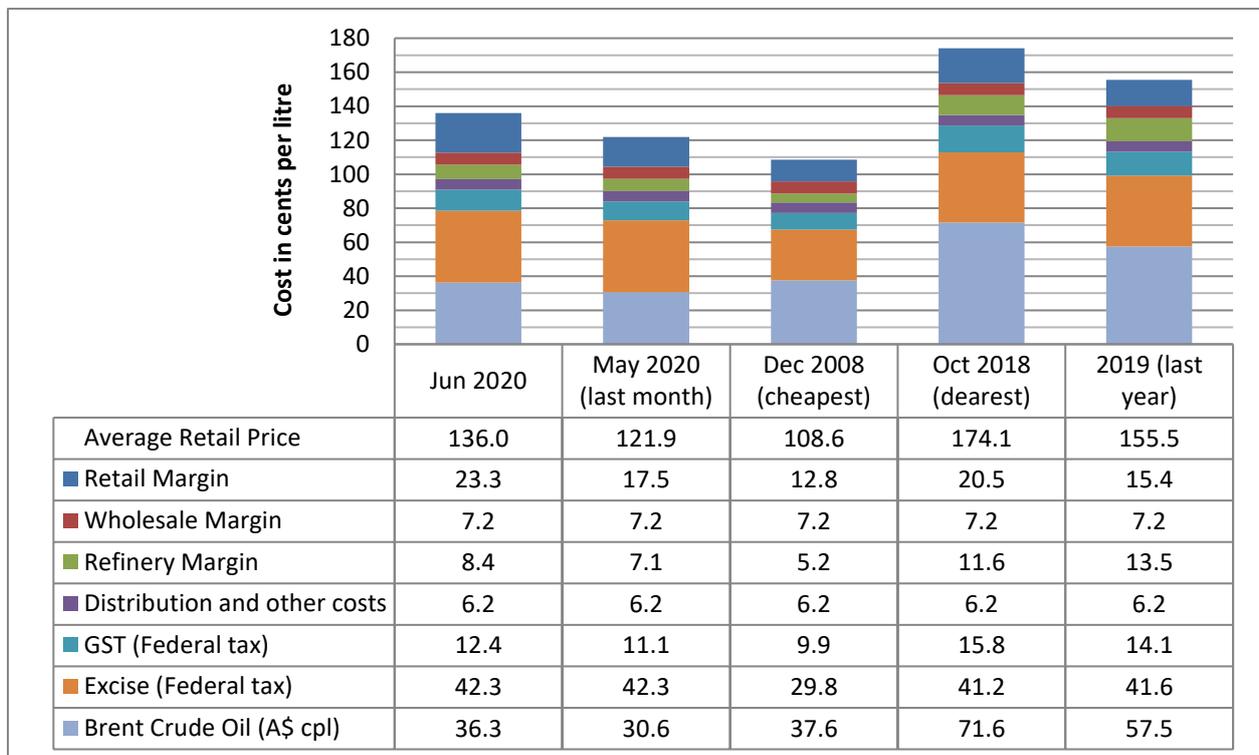
At 122.1 cpl, the average price of ULP in Brisbane in June was 14.1 cpl higher than the May average. This increase was due to an increase in fuel company margins, mostly due to an increase in retail margins, combined with an increase in oil prices. Indicative retail margins, at 18.0 cpl, were 5.5 cpl higher than in May. Indicative ULP refinery margins on ULP recovered somewhat in June. At 1.0 cpl, the average indicative refinery margin was 1.6 cpl higher than May. Total margins (retail, wholesale and refinery) at 26.2 cpl were 7.1 cpl higher than May, and 2.3 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 June were 2.1 cpl, 5.8 cpl lower than the 7.9 cpl margin in May.

PULP 95 cost breakdown in Brisbane

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

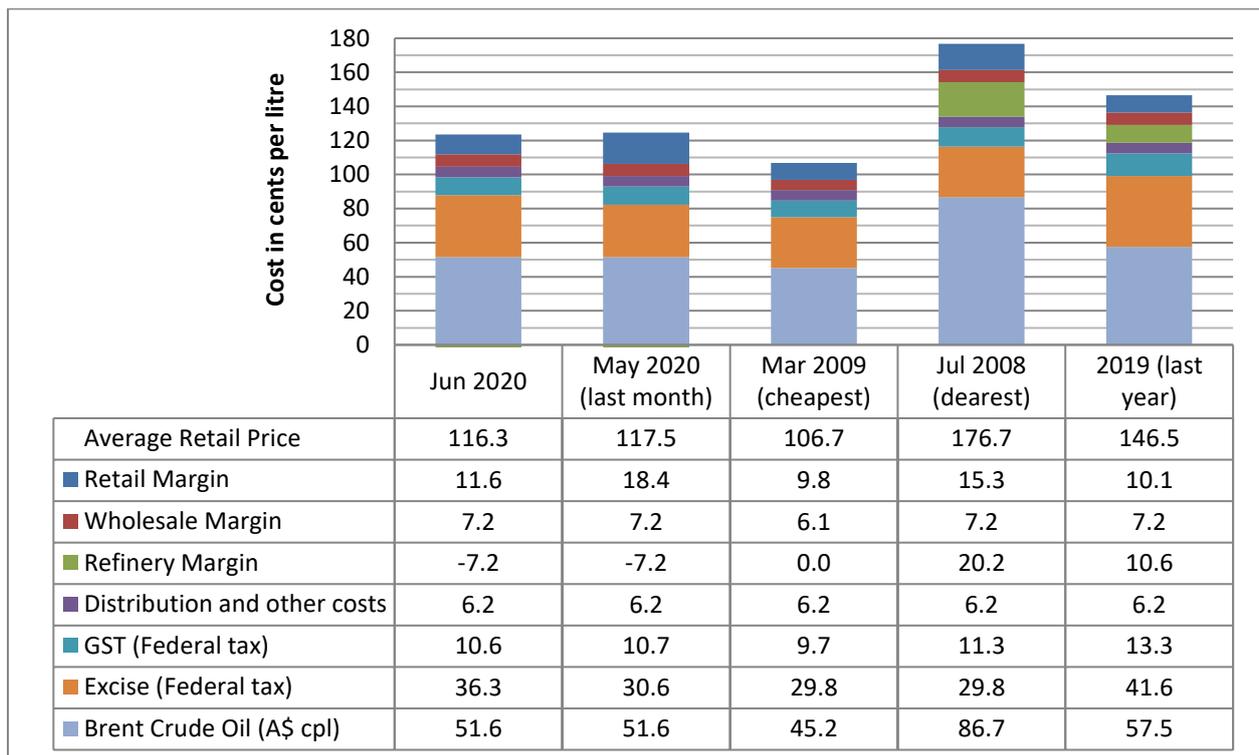


Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in June was 136.0 cpl, 14.1 cpl higher than May. The price difference between ULP and PULP 95 was 13.9 cpl, the same as May. Indicative retail margins for PULP 95, at 23.3 cpl, were 5.8 cpl higher than May. Refinery margins at 8.4, were 1.3 cpl higher than May. Total margins, at 38.9 cpl were 7.1 cpl higher than May when they were 31.8 cpl.

Diesel cost breakdown in Brisbane

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



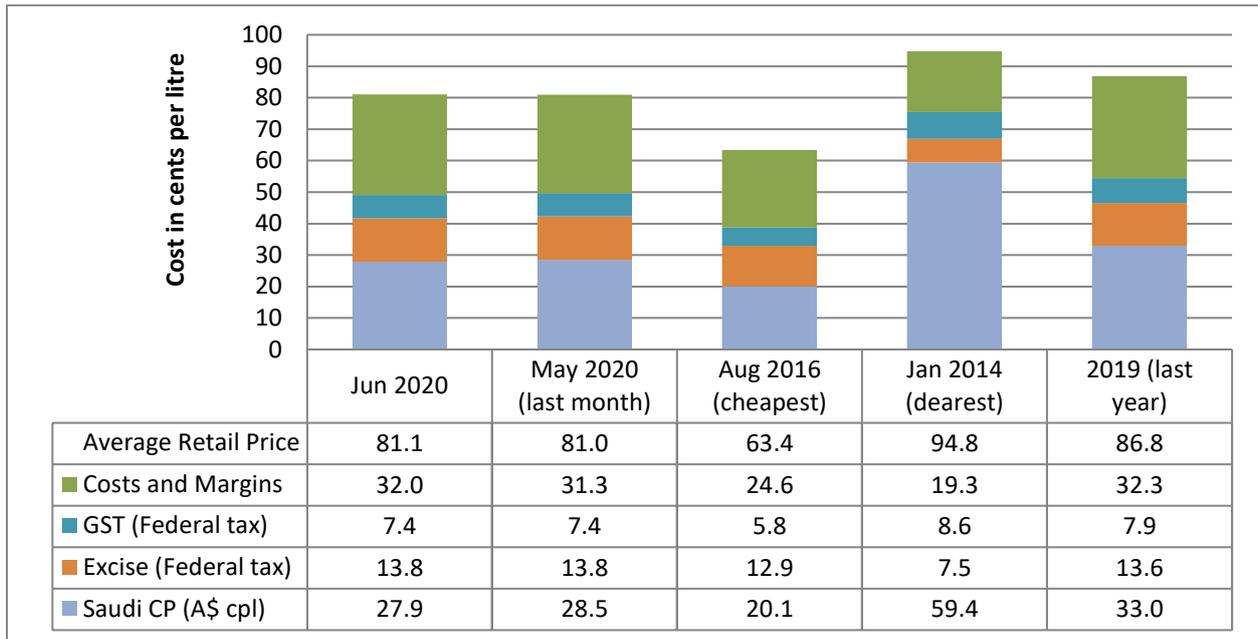
Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

The average price of diesel in June, at 116.3 cpl, was 1.2 cpl lower than May. Indicative retail margins at 11.6 cpl, were down by 6.8 cpl, and refinery margins were unchanged at negative 7.2 cpl. Total margins (retail, wholesale and refinery) in June at 11.6 cpl, were 6.8 cpl lower than May (18.4 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 June. 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 June was 81.1 cpl, largely unchanged from May (81.0 cpl). Fuel company margins and costs in June, at 32.0 cpl, were marginally higher (0.7 cpl) than May.

The recently published Saudi CP for July, at 27.1 cpl, was 0.8 cpl lower than June. This is unlikely to lead to a substantial change in the average LPG price in Brisbane.

Fuel excise

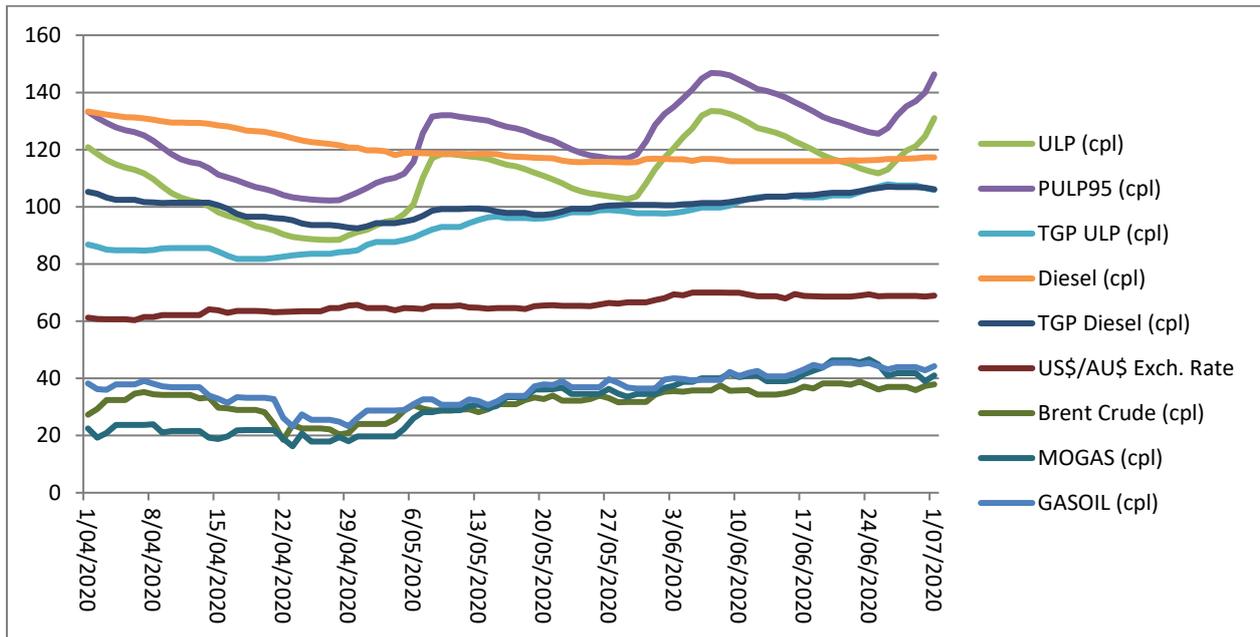
In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly increases. As a result, on 1 August 2020 the excise charged on petrol (including E10), diesel and LPG will increase in line with CPI.

On 1 July, the excise on ethanol (for use as an automotive fuel) increased from 11.1 cpl to 13.9 cpl, subsequently the excise on E10 increased from 39.2 cpl to 39.5 cpl. The excise on E10 will increase again on 1 August as per the fuel excise indexation regime.

Price trends

Most of one price cycle and the start of a second cycle were observed in the Brisbane ULP market in June. The June price cycle started on 30 May and prices peaked at 133.5 cpl on 7 June. Prices then fell throughout the rest of June to a low point of 111.7 cpl on 25 June. The second/current price cycle started on 26 June and at the time of writing the Brisbane ULP market was entering the expensive phase of the cycle.

The average price of Brent in June at 57.7 A\$/bbl (39.8 US\$/bbl) or 36.3 cpl, was 9.1 A\$/bbl higher than May. Brent started June at 54.5 A\$/bbl (36.8 US\$/bbl). With the on-going lifting of international COVID-19 restrictions and the subsequent increase in demand, combined with the global production cuts, the price of oil increased in the first three weeks of June. The Brent price increased to a local high point of 61.8 A\$/bbl (42.6 US\$/bbl) on 23 June, a three and a half month high. Brent was last this high in early March 2020. Brent softened slightly in the last week of June, to end the month at 59.4 A\$/bbl (40.8 US\$/bbl).



Comparison to other capital cities

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

City	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	122.1 (14.0)	18.0 (5.5)	116.3 (-1.2)	11.6 (-6.8)
Adelaide	117.8 (11.0)	14.0 (2.2)	113.9 (0.9)	9.1 (-5.0)
Canberra	114.2 (9.5)	11.0 (0.9)	121.2 (0.9)	16.7 (-4.9)
Darwin	111.8 (-0.5)	3.4 (-10.8)	114.6 (-6.6)	5.9 (-14.3)
Hobart	120.3 (0.9)	10.1 (-6.5)	133.8 (-1.0)	23.0 (-5.4)
Melbourne	118.6 (14.3)	15.3 (5.6)	117.9 (-1.0)	13.3 (-6.8)
Perth	114.2 (11.3)	11.0 (1.1)	119.1 (-1.5)	14.6 (-9.0)
Sydney	119.9 (11.9)	16.7 (3.3)	117.1 (0.1)	12.6 (-5.7)

* 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 the most expensive of all capital cities in June. The average ULP prices in Darwin, Canberra, Perth, Adelaide, Melbourne, Sydney and Hobart were cheaper than Brisbane by 10.3 cpl, 7.9 cpl, 7.9 cpl, 4.3 cpl, 3.5 cpl, 2.2 and 1.8 cpl, respectively.

For diesel, Brisbane was the third cheapest capital city in June. The average diesel prices in Adelaide and Darwin were cheaper than Brisbane by 2.4 cpl and 1.7 cpl, respectively. Sydney, Melbourne, Perth, Canberra and Hobart were more expensive than Brisbane by 0.8 cpl, 1.6 cpl, 2.8 cpl, 4.9 cpl and 17.5 cpl, respectively.

Comparison of the SEQ metropolitan centres

Like April and May, the cheapest centre in SEQ to buy ULP was the Gold Coast, with an average price of

117.4 cpl, followed by the Sunshine Coast at 118.0 cpl. Brisbane Bayside/Redlands was the most expensive area in SEQ at 125.3 cpl, 7.9 cpl dearer than the Gold Coast. Average ULP prices in SEQ centres were approximately 9 to 16 cpl higher than May. Indicative retail margins increased by approximately 1 to 8 cpl in SEQ centres.

Like May, Ipswich was the cheapest SEQ centre to buy diesel with an average price of 114.9 cpl, closely followed by Brisbane North and Logan both at 115.0 cpl. Central Brisbane was the most expensive at 118.9 cpl, 4.0 cpl dearer than Ipswich. The price difference between the cheapest and dearest diesel price at 4.0 cpl was lower than ULP, for which the difference was 7.9 cpl. Diesel prices in SEQ in June were up to 2.6 cpl lower than the May averages.

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. 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	123.2 (16.0)	19.1 (7.5)	118.9 (-1.6)	14.1 (-7.3)
Brisbane North	121.4 (13.0)	17.3 (4.5)	115.0 (-1.0)	10.3 (-6.7)
Brisbane South	120.5 (14.6)	16.4 (6.1)	115.1 (-1.0)	10.3 (-6.7)
Brisbane Bayside/Redlands	125.3 (9.7)	21.2 (1.2)	118.5 (-1.6)	13.8 (-7.2)
Logan	121.7 (15.0)	17.6 (6.5)	115.0 (-2.6)	10.3 (-8.2)
Ipswich	119.0 (12.5)	14.7 (4.0)	114.9 (-0.6)	9.9 (-6.3)
Moreton Bay	122.9 (14.5)	18.5 (6.0)	117.8 (-0.4)	12.7 (-6.0)
Gold Coast	117.4 (14.1)	12.8 (5.6)	116.7 (-0.9)	11.3 (-6.5)
Sunshine Coast	118.0 (10.7)	13.1 (2.2)	117.0 (-1.7)	11.4 (-7.3)

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

Fuel prices across Queensland

The average price of ULP across regional Queensland in June was 115.5 cpl, 10.5 cpl higher than May when the average price was 105.0 cpl. The average diesel price was 118.3 cpl, 0.5 cpl lower than May when the average price was 118.8 cpl.

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	122.1 (14.0)	18.0 (5.5)	116.3 (-1.2)	11.6 (-6.8)
Atherton	114.2 (-3.5)	6.0 (-11.8)	119.7 (-0.6)	11.2 (-6.4)
Beaudesert	117.3 (11.1)	12.5 (2.6)	118.1 (-1.8)	12.5 (-7.5)
Biloela	119.9 (0.0)	13.0 (-8.0)	121.9 (-1.8)	14.6 (-7.5)
Blackwater	114.0 (14.1)	5.4 (6.2)	138.8 (0.1)	29.7 (-5.5)
Bowen	115.0 (10.8)	5.9 (2.5)	115.0 (-0.1)	6.1 (-6.2)
Bundaberg	108.0 (14.0)	0.5 (5.5)	113.5 (-0.6)	5.3 (-6.3)

Cairns	115.4 (8.5)	7.9 (0.2)	119.8 (-0.7)	12.0 (-6.5)
Charters Towers	116.9 (4.5)	8.4 (-3.8)	121.9 (-3.8)	13.7 (-9.9)
Childers	116.2 (12.2)	9.2 (3.7)	119.9 (0.0)	12.3 (-5.6)
Dalby	116.6 (9.5)	10.6 (1.0)	120.6 (0.0)	13.9 (-5.7)
Emerald	133.9 (0.0)	24.5 (-8.0)	135.1 (-0.2)	25.3 (-5.8)
Gladstone	110.4 (12.6)	4.7 (4.6)	112.5 (0.6)	6.4 (-5.0)
Goondiwindi	107.4 (12.9)	0.0 (4.4)	112.4 (-3.6)	4.3 (-9.2)
Gympie	116.6 (16.4)	11.0 (7.9)	115.1 (0.9)	8.9 (-4.8)
Hervey Bay	116.8 (7.7)	10.0 (-0.8)	117.7 (-1.0)	10.2 (-6.6)
Ingham	115.2 (7.7)	6.9 (-0.6)	122.8 (0.0)	14.8 (-6.0)
Innisfail	113.9 (5.6)	5.6 (-2.7)	120.9 (-2.8)	12.3 (-8.5)
Kingaroy	107.8 (7.9)	1.9 (-0.6)	112.0 (1.1)	5.3 (-4.6)
Lockyer Valley	111.9 (8.8)	6.9 (0.3)	117.6 (-0.9)	11.9 (-6.5)
Longreach	132.1 (0.2)	18.6 (-7.7)	127.7 (-4.0)	13.8 (-9.6)
Mackay	115.3 (11.0)	8.7 (3.0)	118.2 (0.7)	11.6 (-5.1)
Mareeba	123.8 (0.0)	15.7 (-8.3)	120.4 (0.4)	12.1 (-5.4)
Maryborough	112.7 (13.1)	6.3 (4.6)	116.8 (0.0)	9.7 (-5.6)
Miles	102.6 (11.1)	-4.6 (2.7)	113.5 (-3.1)	5.5 (-8.7)
Moranbah	108.4 (6.4)	-0.1 (-1.5)	117.5 (-0.2)	9.0 (-6.0)
Mount Isa	143.4 (0.5)	27.3 (-7.8)	129.5 (-1.7)	13.6 (-7.7)
Nambour	117.6 (9.6)	12.8 (1.1)	112.6 (-1.3)	7.0 (-7.0)
Noosa	123.7 (12.3)	18.7 (3.8)	111.0 (-1.9)	5.3 (-7.5)
Rockhampton	115.5 (14.3)	8.7 (6.3)	115.8 (-1.0)	8.6 (-6.7)
Roma	114.9 (6.5)	6.3 (-2.0)	122.2 (-0.9)	12.8 (-6.5)
Somerset	107.7 (5.0)	2.7 (-3.5)	111.7 (-1.8)	6.0 (-7.5)
Toowoomba	121.3 (16.8)	16.1 (8.3)	118.3 (1.0)	12.4 (-4.7)
Townsville	114.7 (11.2)	7.5 (2.9)	119.1 (-0.8)	12.2 (-6.8)
Tully	111.5 (2.7)	2.7 (-5.6)	119.9 (-4.2)	10.8 (-10.0)
Warwick	117.9 (12.8)	12.4 (4.3)	116.9 (-0.9)	10.7 (-6.5)
Whitsunday/Proserpine	107.8 (13.8)	-0.1 (5.9)	110.2 (1.2)	2.3 (-4.7)
Yeppoon	115.0 (6.2)	7.9 (-1.8)	122.8 (-0.1)	15.2 (-5.7)

* 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 102.6 cpl, Miles was the cheapest regional centre in June (as it was in May), 19.5 cpl cheaper than Brisbane. Most centres in regional Queensland were cheaper than Brisbane. These centres include Goondiwindi, Somerset, Kingaroy, Whitsunday/Proserpine, Bundaberg, Moranbah, Gladstone, Tully, Lockyer Valley, Maryborough, Innisfail, Blackwater, Atherton, Townsville, Roma, Bowen, , Yeppoon, Ingham, Mackay, Cairns, Rockhampton, Childers, Dalby, Gympie, Hervey Bay, Charters Towers, Beaudesert, Nambour, Warwick, Biloela and Toowoomba. At 143.4 cpl, the most expensive regional centre for ULP was Mount Isaⁱ (21.3 cpl more expensive than Brisbane), followed by Emerald at 133.9 cpl.

Like May, Whitsunday/Proserpine had the cheapest diesel in Queensland at 110.2 cpl, 6.1 cpl cheaper than Brisbane. Noosa, Somerset, Kingaroy, Goondiwindi, Gladstone, Nambour, Bundaberg, Miles, Bowen, Gympie and Rockhampton were also cheaper than Brisbane. Blackwaterⁱ was the most expensive regional centre for diesel at 138.8 cpl, 22.5 cpl higher than Brisbane. Like ULP, Emerald was

the second most expensive centre to buy diesel (135.1 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 4.6 cpl was charged in Miles, 22.6 cpl lower than Brisbane. The highest margins were observed in Mount Isa at 27.3 cpl, 9.3 cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 18 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Whitsunday/Proserpine at 2.3 cpl, 9.3 cpl lower than Brisbane. Blackwater had the highest indicative retail margin (29.7 cpl), 18.1 cpl greater than Brisbane.

Outlook

Following the oil price collapse of late February, March and April, oil prices rose strongly in May and June. This 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. An increase in demand was evident in the US oil refined product inventories and stocks held at sea which, on average, fell in June.

At the time of writing, the Brent price was sitting in the low 40 US\$/bbl price range, as it had for much of June. Brent was last this high in early March. At that time the Brent price was falling fast as economies around the globe were locked down to slow the spread of COVID-19.

The next key event for oil prices is the OPEC+ meeting scheduled for 15 July, the last meeting before OPEC+'s current deep cuts are due to expire at the end of July. At this point it is unclear whether the cuts will be extended at the current level, or possibly reduced, or even abandoned. The outcome of this meeting will set the trajectory for oil price in the third quarter of 2020.

US foreign policy, especially their trade relations with China, could weigh heavily on global growth and oil demand. A worsening in US/China trade relations will lead to a reduction in global economic activity and oil demand, and subsequently oil prices would fall.

In the next month, the underlying fundamentals of a steady return of demand and on-going reductions in supply are likely to lead to a slow and steady increase in oil prices. However, if there is resurgence in COVID-19 cases and governments reimpose restrictions, oil demand and prices will fall again. Similarly, if OPEC+ abandon their massive production cut, oil supply would increase, and prices would fall.

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

Data sources

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

ⁱ 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.