

Monthly Fuel Price Report

– May 2020



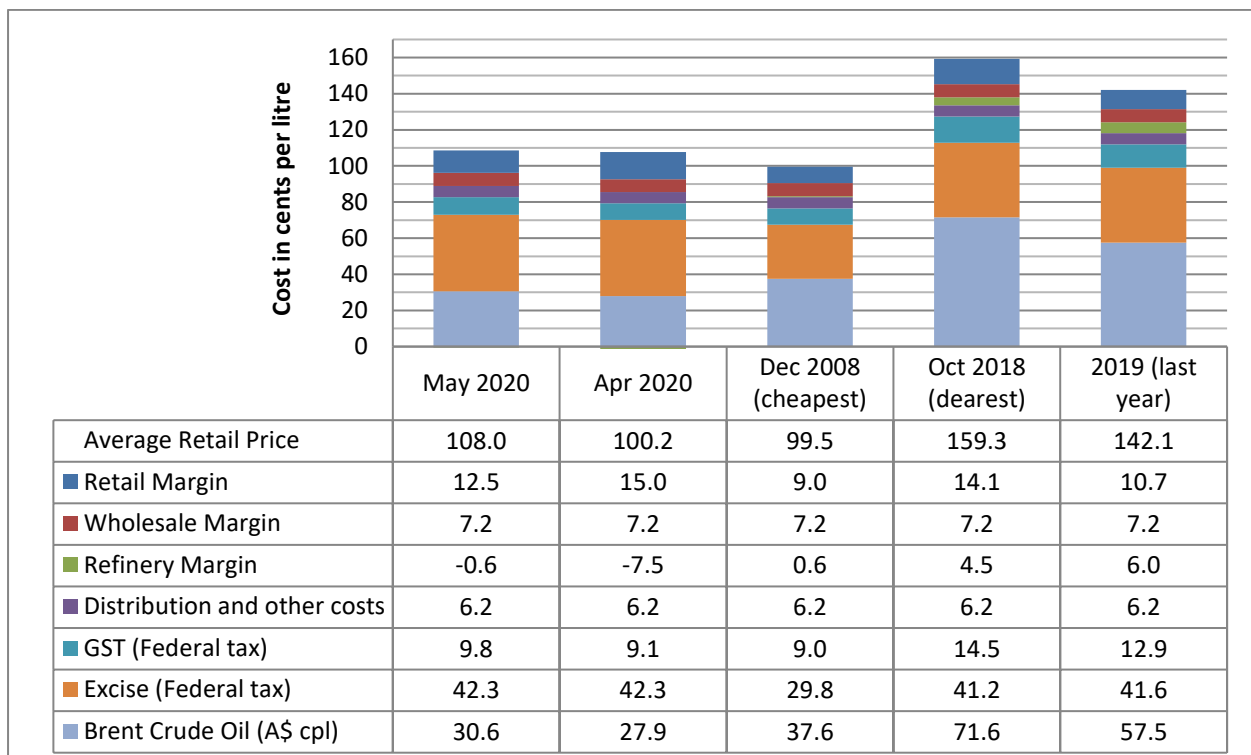
3 June 2020

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

Key points

- At 108.0 cpl, the average ULP price in Brisbane in May was 7.8 cpl higher than April. This increase was due to an increase in the oil price and fuel company margins.
- Brisbane and Sydney were the joint most expensive of the five large capital cities for ULP in May.
- At 117.5 cpl, the average Brisbane diesel price in May was 9.9 cpl cheaper than April.
- Brisbane was the third cheapest of the capital cities in May for diesel.
- The average ULP price in regional Queensland in May was 105.0 cpl, 12.1 cpl lower than April. The average diesel price in regional Queensland was down 11.5 cpl, at 118.8 cpl.
- Miles was the cheapest Queensland regional centre to buy ULP in May, with an average price of 91.5 cpl, 16.5 cpl cheaper than Brisbane.
- Whitsunday/Proserpine was the cheapest Queensland regional centre to buy diesel in May, with an average price of 109.1 cpl, 8.4cpl cheaper than Brisbane.
- Mount Isa is the most expensive regional centre for ULP. The average ULP price of 142.9 cpl returns an indicative retail margin of 35.1 cpl.
- The oil price rose strongly in May. The latest Brent price was double that observed in late April.
- Caltex closed their Lytton refinery in May for an extended inspection and maintenance programme.

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 May. 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.

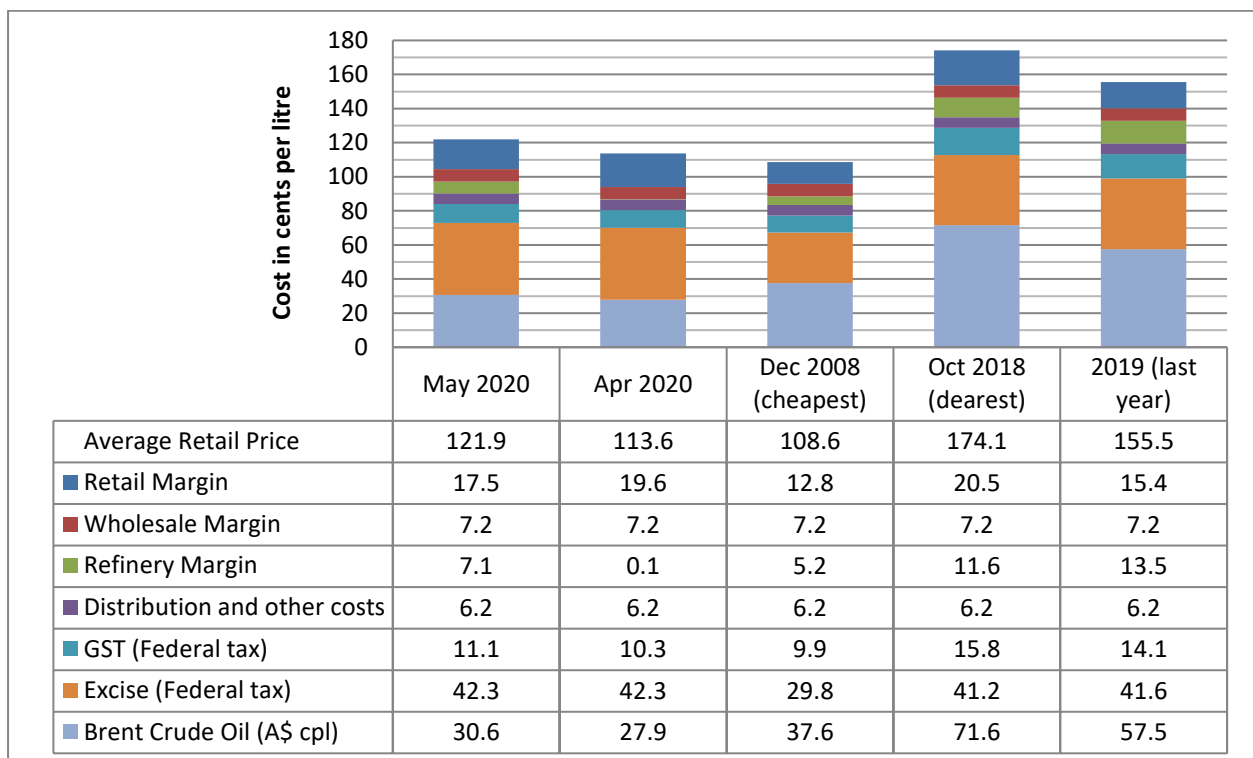
At 108.0 cpl, the average price of ULP in Brisbane in May was 7.8 cpl higher than the April average. Indicative retail margins, at 12.5 cpl, were 2.5 cpl lower than in April. Indicative ULP refinery margins recovered somewhat in May. At negative 0.6 cpl, the average indicative refinery margin was 6.9 cpl higher than April. Total margins (retail, wholesale and refinery) at 19.1 cpl were 4.4 cpl higher than April.

The increase in the May average ULP price was due to an increase in oil prices and refinery margins. 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.

The 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 May were 7.9 cpl, 1.5 cpl higher than the 6.4 cpl margin in April.

PULP 95 cost breakdown in Brisbane

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



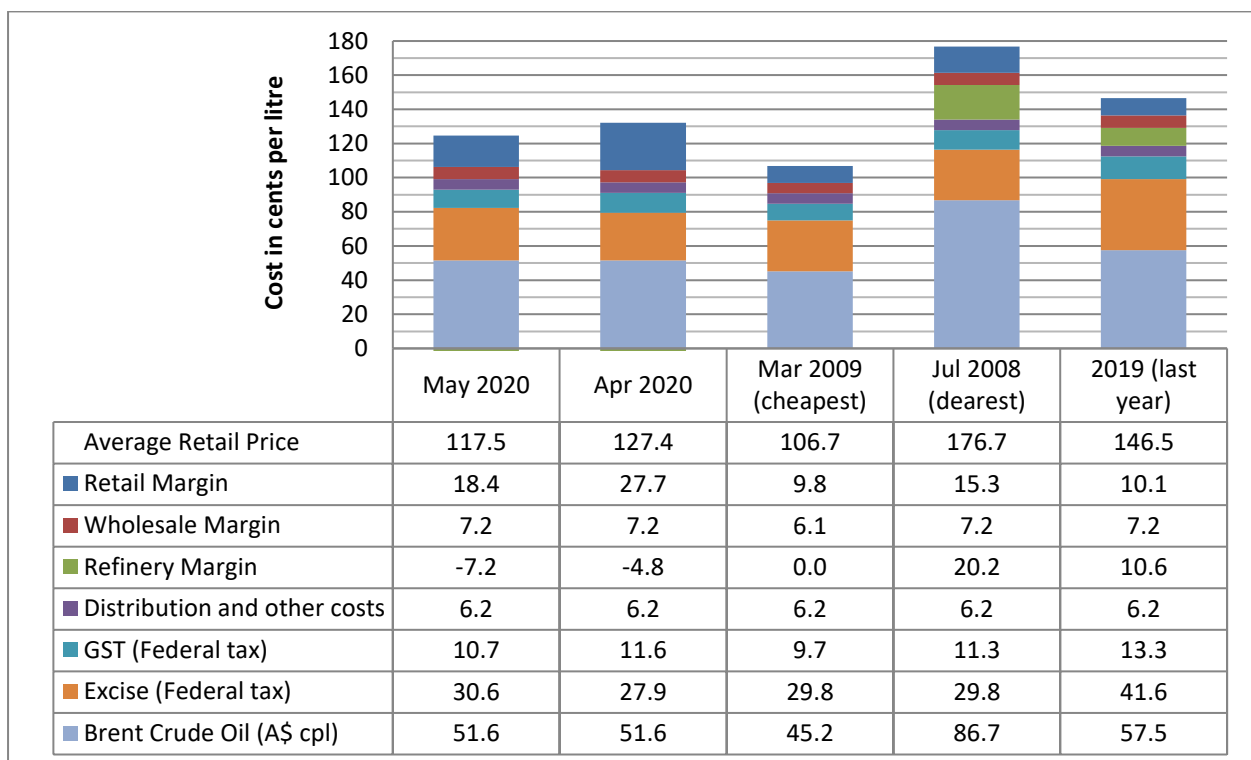
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in May was 121.9 cpl, 8.3 cpl higher than April. The price

difference between ULP and PULP 95 was 13.9 cpl, slightly higher than April (when it was 13.4 cpl). Indicative retail margins for PULP 95, at 17.5 cpl, were 2.1 cpl lower than April. Refinery margins at 7.1, were 7.0 cpl higher than April. Total margins, at 31.8 cpl were 4.9 cpl higher than April when they were 26.9 cpl.

Diesel cost breakdown in Brisbane

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



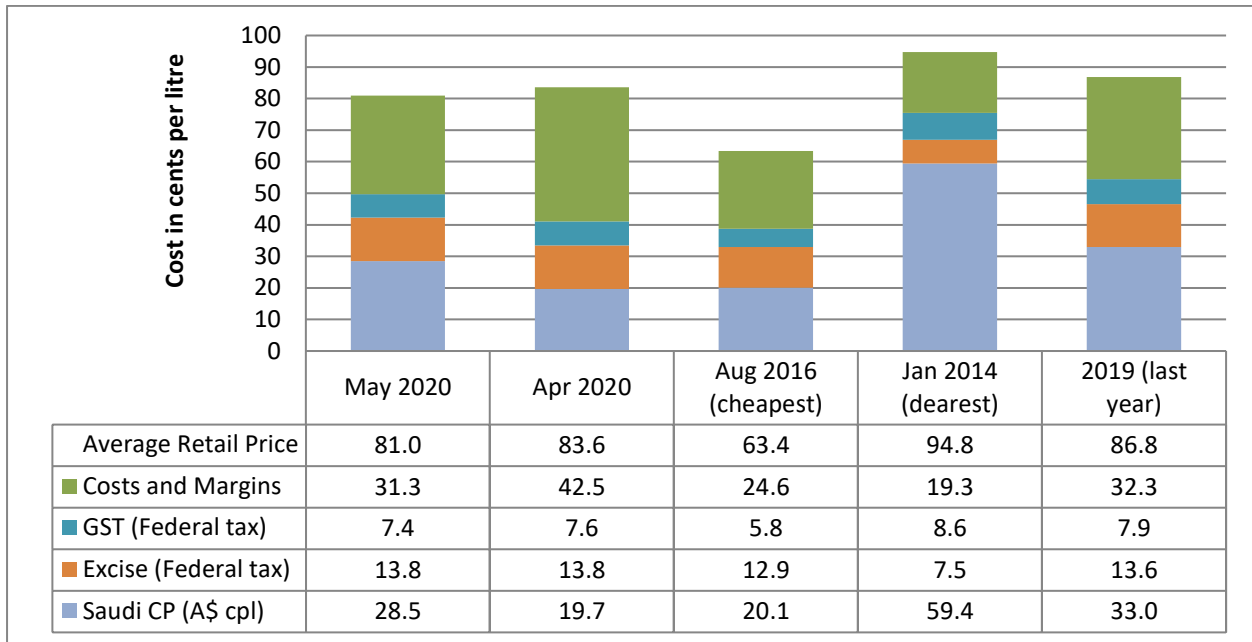
Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

The average price of diesel in May, at 117.5 cpl, was 9.9 cpl lower than April. Indicative retail margins at 18.4 cpl, were down by 9.3 cpl, and refinery margins were down by 2.4 cpl at negative 7.2 cpl. Total margins (retail, wholesale and refinery) in May at 18.4 cpl, were 11.7 cpl lower than April (30.1 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 May. 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.

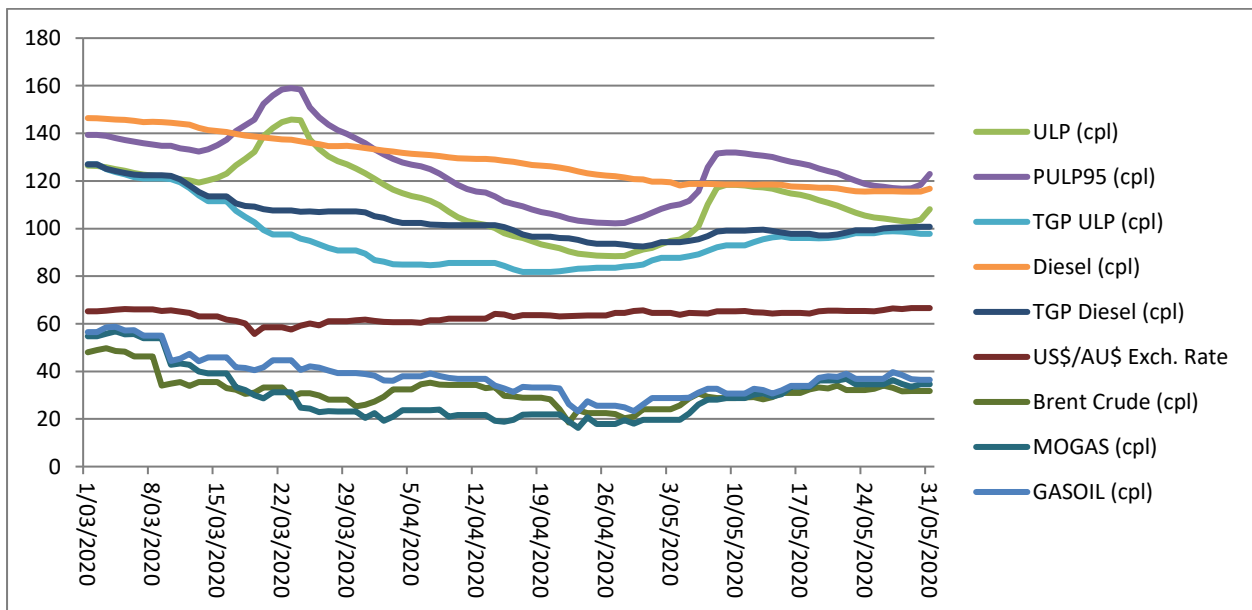


The average retail price of LPG in Brisbane in May was 81.0 cpl, 2.6 cpl lower than April. Fuel company margins and costs in May, at 31.3 cpl, were 11.2 cpl lower than April.

The recently published Saudi CP for June, at 27.9 cpl, was 0.6 cpl lower than May. This is unlikely to lead to a substantial change in the average LPG price in Brisbane.

Price trends

The majority of one price cycle and the start of a second cycle were observed in the Brisbane ULP market in May. The May cycle started on 28 April and prices peaked at 118.4 cpl on 9 & 10 May. Prices then fell throughout the rest of May to a low point of 102.7 cpl on 29 May. The second/current price cycle started on 30 May and at the time of writing the Brisbane ULP market was in the price hike phase of the cycle.



The average price of Brent in May at 48.6 A\$/bbl (31.6 US\$/bbl) or 30.6 cpl, was 4.2 A\$/bbl higher than April. Brent started May at 38.2 A\$/bbl (24.7 US\$/bbl). With the lifting of international COVID-19 restrictions and the subsequent increase in demand, combined with the global production cuts, the price of oil increased in May. The Brent price increased to a local high point of 54.1 A\$/bbl (35.6 US\$/bbl) on 27 May, before softening slightly to end the month at 50.5 A\$/bbl (33.6 US\$/bbl).

Comparison to other capital cities

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

| City | Average ULP Price (cpl) | ULP Retail Margin* (cpl) | Average Diesel Price (cpl) | Diesel Retail Margin* (cpl) |
|-----------|-------------------------|--------------------------|----------------------------|-----------------------------|
| Brisbane | 108.0 (7.8) | 12.5 (-2.5) | 117.5 (-9.9) | 18.4 (-9.3) |
| Adelaide | 106.7 (2.6) | 11.8 (-7.5) | 113.0 (-9.8) | 14.1 (-8.8) |
| Canberra | 104.7 (-16.7) | 10.2 (-26.5) | 120.3 (-7.7) | 21.6 (-6.8) |
| Darwin | 112.3 (-11.0) | 14.1 (-20.5) | 121.2 (-10.5) | 20.2 (-8.9) |
| Hobart | 119.3 (-10.1) | 16.6 (-20.8) | 134.8 (-6.3) | 28.5 (-6.1) |
| Melbourne | 104.3 (-2.6) | 9.6 (-12.6) | 118.9 (-9.3) | 20.1 (-8.4) |
| Perth | 102.9 (3.2) | 9.9 (-6.0) | 120.6 (-10.3) | 23.5 (-8.6) |
| Sydney | 108.0 (5.0) | 13.4 (-4.8) | 116.9 (-8.0) | 18.2 (-7.1) |

* 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.

Brisbane, along with Sydney, was the joint most expensive of the five large capital cities in May. Considering all the capitals, only Darwin and Hobart were more expensive. The average ULP prices in Perth, Melbourne, Canberra and Adelaide were cheaper than Brisbane by 5.1cpl, 3.7 cpl, 3.3 cpl and 1.3 cpl, respectively. Darwin and Hobart were more expensive than Brisbane by 4.3 cpl and 11.3 cpl, respectively.

For diesel, Brisbane was the third cheapest capital city in May. The average diesel prices in Adelaide and Sydney were cheaper than Brisbane by 4.5 cpl and 0.6 cpl, respectively. Melbourne, Canberra, Perth, Darwin and Hobart were more expensive than Brisbane by 1.4 cpl, 2.8 cpl, 3.1 cpl, 3.7 cpl and 17.3 cpl respectively.

Comparison of the SEQ metropolitan centres

Like April, the cheapest centre in SEQ to buy ULP was the Gold Coast, with an average price of 103.3 cpl, followed by Brisbane South at 105.8 cpl. Brisbane Bayside/ Redlands was the most expensive area in SEQ at 115.5 cpl, 12.2 cpl dearer than the Gold Coast. Average ULP prices in SEQ centres were approximately 2 to 11 cpl higher than April. Indicative retail margins decreased in most centres by approximately 1 to 8 cpl in SEQ centres. However, margins in Brisbane Bayside and Redlands increased by 0.7 cpl.

Ipswich was the cheapest SEQ centre to buy diesel with an average price of 115.5 cpl, followed by Brisbane North and Brisbane South both at 116.1 cpl. Central Brisbane was the most expensive at 120.5 cpl, 5.0 cpl dearer than Ipswich. The price difference between the cheapest and dearest diesel price at 5.0 cpl was lower than ULP, for which the difference was 12.2 cpl. Diesel prices in SEQ in May were

approximately 6 to 12 cpl lower than the April averages.

The table below presents the average May prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to April in parentheses. This analysis separates Brisbane into central, northern, southern, and bayside regions.

| City | Average ULP Price (cpl) | ULP Retail Margin* (cpl) | Average Diesel Price (cpl) | Diesel Retail Margin* (cpl) |
|----------------------------|-------------------------|--------------------------|----------------------------|-----------------------------|
| Central Brisbane | 107.1 (7.2) | 11.6 (-3.1) | 120.5 (-10.0) | 21.4 (-9.4) |
| Brisbane North | 108.3 (9.2) | 12.8 (-1.2) | 116.1 (-11.4) | 17.0 (-10.9) |
| Brisbane South | 105.8 (6.6) | 10.3 (-3.8) | 116.1 (-11.2) | 17.0 (-10.6) |
| Brisbane Bayside/ Redlands | 115.5 (11.0) | 20.0 (0.7) | 120.1 (-9.7) | 21.0 (-9.1) |
| Logan | 106.7 (7.0) | 11.1 (-3.3) | 117.6 (-8.3) | 18.5 (-7.7) |
| Ipswich | 106.6 (4.2) | 10.7 (-6.1) | 115.5 (-11.7) | 16.1 (-11.1) |
| Moreton Bay | 108.4 (6.7) | 12.5 (-3.6) | 118.2 (-9.0) | 18.7 (-8.5) |
| Gold Coast | 103.3 (5.3) | 7.2 (-5.0) | 117.6 (-11.1) | 17.8 (-10.6) |
| Sunshine Coast | 107.3 (2.3) | 10.9 (-8.1) | 118.7 (-6.1) | 18.7 (-5.6) |

* 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 May was 105.0 cpl, 12.1 cpl lower than April when the average price was 117.1 cpl. The average diesel price was 118.8 cpl, 11.5 cpl lower than April when the average price was 130.3 cpl.

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

| Locality | Average ULP Price (cpl) | Indicative ULP Retail Margin* | Average Diesel Price (cpl) | Indicative Diesel Retail Margin* |
|-----------------|-------------------------|-------------------------------|----------------------------|----------------------------------|
| Brisbane | 108.0 (7.8) | 12.5 (-2.5) | 117.5 (-9.9) | 18.4 (-9.3) |
| Atherton | 117.7 (-14.2) | 17.8 (-24.6) | 120.4 (-13.4) | 17.7 (-12.8) |
| Beaudesert | 106.2 (-1.4) | 9.8 (-11.7) | 119.9 (-9.2) | 20.0 (-8.6) |
| Biloela | 119.9 (-12.3) | 21.0 (-22.7) | 123.7 (-11.9) | 22.1 (-11.4) |
| Blackwater | 99.9 (-32.2) | -0.8 (-42.6) | 138.7 (-4.6) | 35.2 (-4.1) |
| Bowen | 104.3 (-15.1) | 3.5 (-25.4) | 115.1 (-13.8) | 12.3 (-13.0) |
| Bundaberg | 94.0 (-8.2) | -5.0 (-18.5) | 114.1 (-7.6) | 11.6 (-7.0) |
| Cairns | 106.9 (-17.2) | 7.8 (-27.6) | 120.5 (-15.6) | 18.5 (-15.0) |
| Charters Towers | 112.3 (-14.5) | 12.2 (-24.8) | 125.7 (-9.8) | 23.5 (-9.0) |
| Childers | 103.9 (-7.4) | 5.5 (-17.7) | 119.9 (-6.4) | 17.9 (-5.8) |
| Dalby | 107.1 (-10.1) | 9.6 (-20.5) | 120.7 (-13.2) | 19.6 (-12.6) |
| Emerald | 133.9 (-1.8) | 32.5 (-12.2) | 135.3 (-7.4) | 31.2 (-6.8) |
| Gladstone | 97.8 (-8.8) | 0.0 (-19.2) | 111.9 (-12.4) | 11.4 (-11.9) |
| Goondiwindi | 94.5 (-17.0) | -4.4 (-27.4) | 115.9 (-9.5) | 13.5 (-9.0) |
| Gympie | 100.1 (-7.9) | 3.1 (-18.2) | 114.2 (-4.8) | 13.7 (-4.2) |
| Hervey Bay | 109.1 (-7.7) | 10.8 (-18.0) | 118.7 (-11.3) | 16.9 (-10.7) |
| Ingham | 107.4 (-15.8) | 7.5 (-26.1) | 122.8 (-10.9) | 20.8 (-10.1) |

| | | | | |
|-----------------------|---------------|--------------|---------------|--------------|
| Innisfail | 108.2 (-19.7) | 8.3 (-30.0) | 123.7 (-17.1) | 20.9 (-16.5) |
| Kingaroy | 100.0 (-12.8) | 2.5 (-23.2) | 110.9 (-11.1) | 9.9 (-10.5) |
| Lockyer Valley | 103.1 (-1.4) | 6.6 (-11.7) | 118.4 (-9.4) | 18.4 (-8.8) |
| Longreach | 131.9 (-3.9) | 26.4 (-14.3) | 131.8 (-12.1) | 23.5 (-11.6) |
| Mackay | 104.3 (-16.2) | 5.7 (-26.7) | 117.5 (-11.3) | 16.7 (-10.7) |
| Mareeba | 123.8 (-7.7) | 24.1 (-18.1) | 120.0 (-12.5) | 17.5 (-11.8) |
| Maryborough | 99.5 (-4.3) | 1.7 (-14.6) | 116.7 (-9.7) | 15.3 (-9.2) |
| Miles | 91.5 (-19.9) | -7.3 (-30.3) | 116.5 (-11.0) | 14.2 (-10.4) |
| Moranbah | 102.0 (-18.9) | 1.4 (-29.4) | 117.6 (-10.1) | 15.0 (-9.5) |
| Mount Isa | 142.9 (-6.1) | 35.1 (-16.4) | 131.2 (-7.2) | 21.4 (-6.4) |
| Nambour | 108.0 (4.5) | 11.6 (-5.8) | 113.9 (-8.5) | 14.0 (-7.9) |
| Noosa | 111.5 (4.6) | 15.0 (-5.7) | 112.9 (-6.9) | 12.8 (-6.3) |
| Rockhampton | 101.2 (-19.0) | 2.3 (-29.4) | 116.8 (-12.6) | 15.3 (-12.0) |
| Roma | 108.4 (-11.5) | 8.3 (-21.8) | 123.1 (-10.1) | 19.3 (-9.5) |
| Somerset | 102.7 (-5.2) | 6.2 (-15.6) | 113.5 (-10.0) | 13.5 (-9.4) |
| Toowoomba | 104.5 (2.3) | 7.9 (-8.1) | 117.3 (-9.9) | 17.1 (-9.4) |
| Townsville | 103.5 (-15.5) | 4.7 (-25.8) | 119.8 (-12.8) | 19.0 (-11.9) |
| Tully | 108.8 (-20.4) | 8.3 (-30.8) | 124.1 (-16.2) | 20.8 (-15.5) |
| Warwick | 105.1 (-14.8) | 8.1 (-25.1) | 117.8 (-9.1) | 17.2 (-8.5) |
| Whitsunday/Proserpine | 93.9 (-16.6) | -6.0 (-27.0) | 109.1 (-12.0) | 7.0 (-11.3) |
| Yeppoon | 108.9 (-17.6) | 9.6 (-28.0) | 122.9 (-13.3) | 20.9 (-12.7) |

* 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 91.5 cpl, Miles was the cheapest regional centre in May, 16.5 cpl cheaper than Brisbane. Whitsunday/Proserpine was second cheapest at 93.9 cpl. Bundaberg, Goondiwindi, Gladstone, Maryborough, Blackwater, Kingaroy, Gympie, Rockhampton, Moranbah, Somerset, Lockyer Valley, Townsville, Childers, Bowen, Mackay, Toowoomba, Warwick, Beaudesert, Cairns, Dalby and Ingham were also cheaper than Brisbane. At 142.9 cpl, the most expensive regional centre for ULP was Mount Isa¹ (34.9 cpl more expensive than Brisbane), followed by Emerald at 133.9 cpl.

In late April and throughout May, ULP prices in Blackwater fell dramatically, with Blackwater moving from consistently the most expensive town for ULP in regional Queensland to one of the cheapest. This was due to the opening of a new retail site and a massive boost in competitive tension in Blackwater. The average ULP in Blackwater in May fell by 32.2 cpl compared to April, and the indicative retail margin fell by 42.6 cpl. However, Blackwater remained the most expensive regional town for diesel¹.

Whitsunday/Proserpine had the cheapest diesel in Queensland at 109.1 cpl, 8.4 cpl cheaper than Brisbane. Kingaroy, Gladstone, Noosa, Somerset, Nambour, Bundaberg, Gympie, Bowen, Goondiwindi, Miles, Maryborough, Rockhampton and Toowoomba were also cheaper than Brisbane. Blackwater¹ was the most expensive regional centre for diesel at 138.7 cpl, 21.2 cpl higher than Brisbane. Like ULP, Emerald was the second most expensive centre to buy diesel.

Out of the 37 regional centres monitored by RACQ, 30 had an average indicative retail margin lower than that charged in Brisbane. The lowest indicative retail margin on ULP at negative 7.3 cpl was charged in Miles, 19.8 cpl lower than Brisbane. The highest margins were observed in Mount Isa at 35.1 cpl, 22.6

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 the table. Other centres may be more or less expensive.

cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 21 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Whitsunday/Proserpine (7.0 cpl), 11.4 cpl lower than Brisbane. Blackwater had the highest indicative retail margin (35.2 cpl), 16.8 cpl greater than Brisbane.

Outlook

Following the oil price collapse of late February, March and April, oil prices rose strongly in May. 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. In late May, the market information company IHS Market, reported that demand for oil in China had reached 90% of the pre-COVID levels.

The fall in supply was due to the production cuts agreed to by OPEC+ and cuts due to commercial considerations in other countries. Additionally, in late May, there was an increasing anticipation that OPEC+ would extend their current cut until the end of September (it was due to expire at the end of July).

There was a significant reduction in US shale oil production, with production falling below 5 million barrels per day (from a high of 13 million barrels per day, observed in January). Additionally, the oil rig count in US and Canada fell to the lowest levels since records began in 1940. It is possible that shale oil production will never recover, and the extended period of low oil prices has critically damaged the US shale oil industry. In recent months, several shale oil companies have filed for bankruptcy protection. In addition, the recent falls in the oil price have led to questions about the on-going financial viability of offshore oil extraction. Limited new offshore extraction will further constrain supply.

The US/China trade war resurfaced in late May and, at times, concerns over an increase in tension temporarily subdued oil prices. In the coming months, this trade war is likely to assert a greater influence on oil prices as global economies start to recover and economic activity restarts.

At the time of writing, the Brent price was nudging 40 US\$/bbl. Up from lows dipping below 20 US\$/bbl in late April. Over the last six weeks Brent has doubled in price.

In the next month, the underlying fundamentals of a steady return of demand and further 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.

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

Data sources

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