

Monthly Fuel Price Report

– May 2021



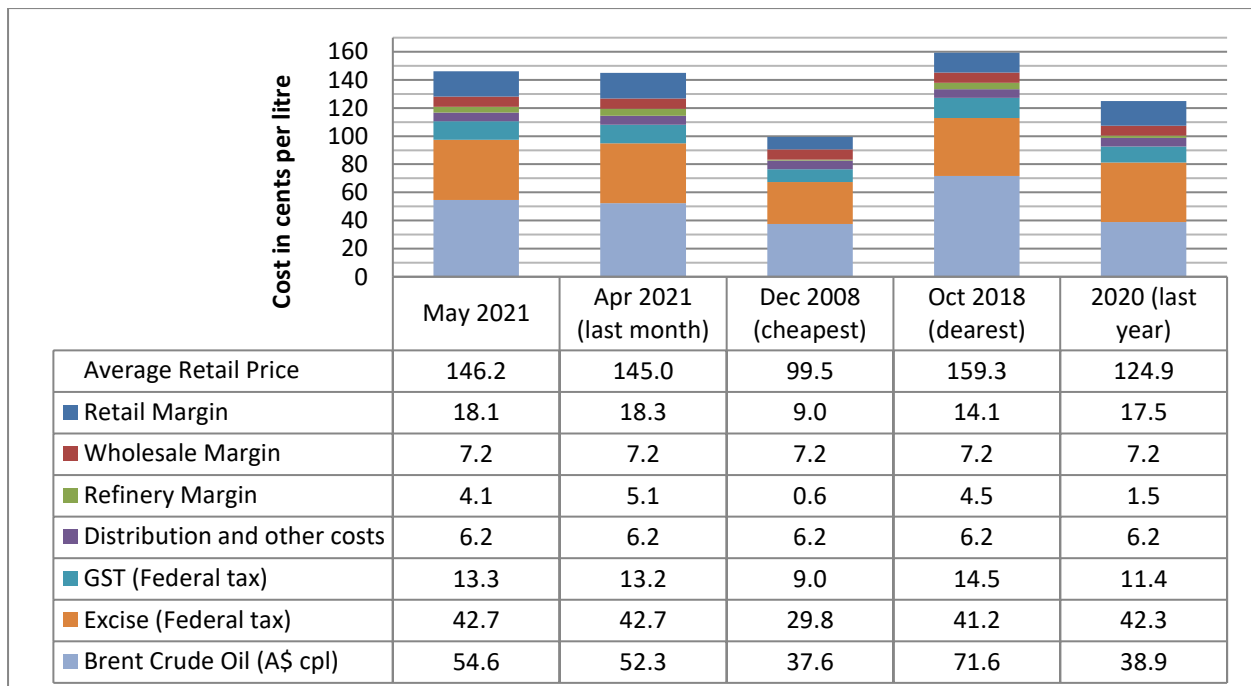
3 June 2021

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for May 2021.

Key points

- At 146.2 cpl, the average ULP price in Brisbane in May was 1.2 cpl higher than April.
- The Brisbane monthly average ULP price for May was a 16-month record high. The average price last exceeded 146 cpl in January 2020 during the onset of COVID-19 pandemic.
- At 18.1 cpl, indicative ULP retail margins in Brisbane in May were down slightly compared to April.
- ULP total margins (retail, wholesale and refinery) were also down, at 29.4 cpl.
- Brisbane was the most expensive Australian capital city to buy ULP. Closely followed by Melbourne and Sydney.
- At 136.5 cpl, the average Brisbane diesel price in May was 1.3 cpl dearer than April.
- Brisbane was the most expensive of the large capital cities for diesel. Only Canberra and Hobart were more expensive by 3.2 cpl and 7.5 cpl, respectively.
- ULP prices in regional Queensland in May were cheap compared to SEQ. Indicative retail margins on ULP were lower than in Brisbane in 36 out of 37 regional centres, and 34 out of 37 for diesel.
- The average ULP price in regional Queensland was 139.3 cpl, 1.1 cpl higher than April. The average diesel price in regional Queensland was up 1.6 cpl, at 137.0 cpl.
- Miles was again the cheapest Queensland regional centre to buy ULP in May. The average price of ULP was 127.8 cpl. Somerset was the cheapest regional centre to buy diesel, at 129.3 cpl.
- Noosa was the most expensive centre to buy ULP in May, with an average ULP price of 154.5 cpl and Longreach had the highest diesel price of 145.4 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 May 2021. 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.

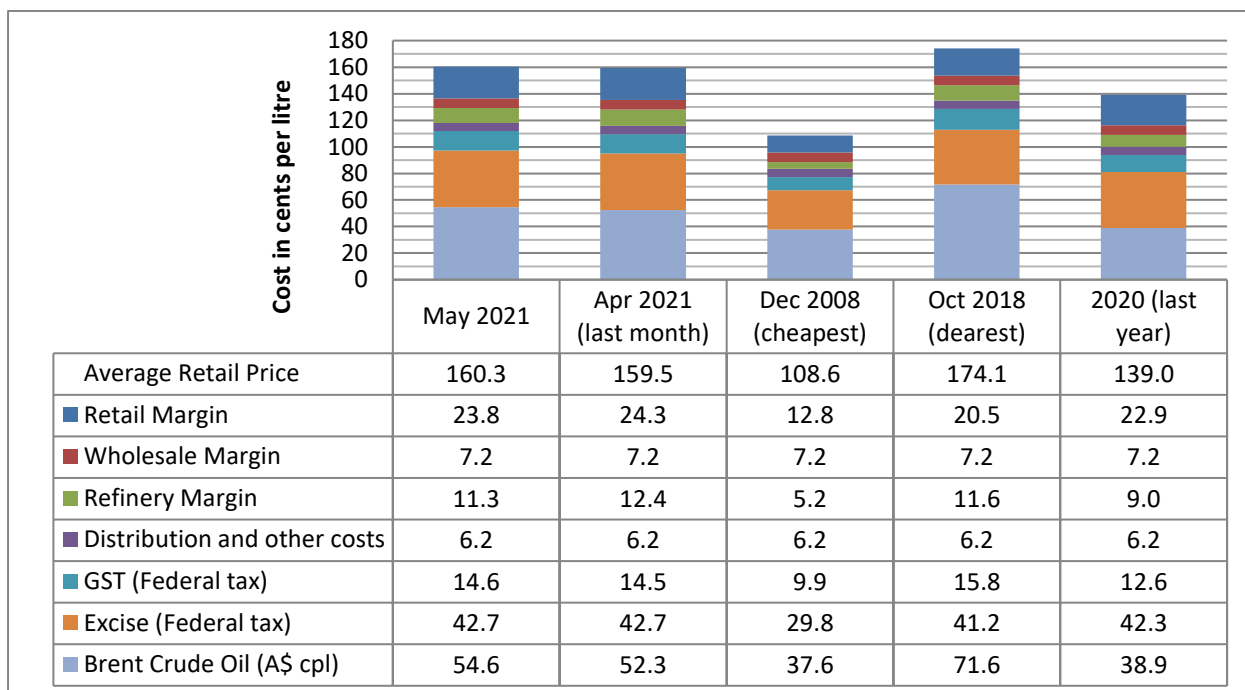
At 146.2 cpl, the average price of ULP in Brisbane in May was 1.2 cpl dearer than April and a 16-month record high. A monthly average ULP price exceeding 145 cpl was last observed in January 2020 during the onset of COVID-19 pandemic, when the monthly average was 147.9 cpl.

The monthly average indicative retail margin for May was largely unchanged, at 18.1 cpl. At 4.1 cpl, the average indicative refinery margin was down by 1.0 cpl. Total margins (retail, wholesale and refinery) at 29.4 cpl, were 1.2 cpl lower than the April average of 30.6 cpl, and 3.2 cpl higher than the 2020 annual average of 26.2 cpl.

The RACQ pricing model assumes that oil is imported into Australia and refined locally. However, Australia’s refinery capacity will be reduced with the imminent closure of two (of four) refineries. The two remaining refineries will be Ampol’s refinery in Lytton, Brisbane and Viva energy’s refinery in Geelong. 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 on ULP in May were 2.7 cpl, the same as 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 2021. 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.



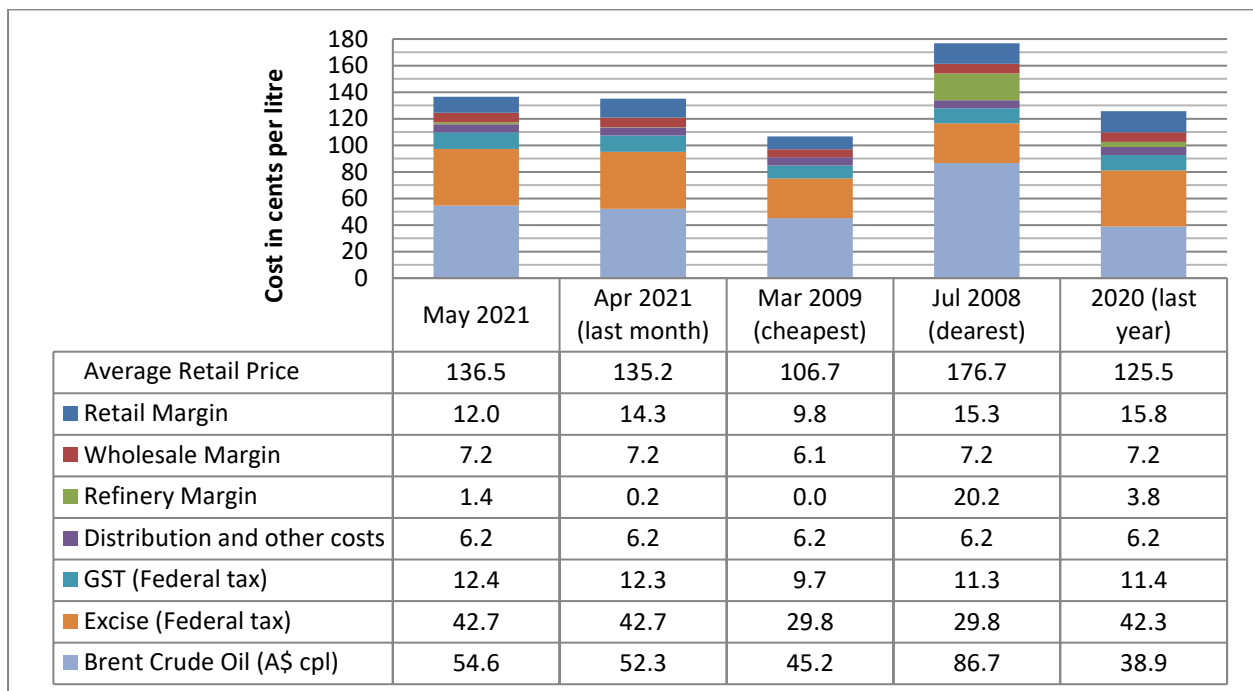
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in May was 160.3 cpl, 0.8 cpl higher than April. The price

difference between ULP and PULP 95 was 14.1 cpl, 0.4 cpl lower than April (14.5 cpl). Indicative retail margins for PULP 95, at 23.8 cpl, were 0.5 cpl lower than April, and 0.9 cpl higher than the average for 2020. Refinery margins at 11.3 cpl, were 1.1 cpl lower than April. Total margins, at 42.3 cpl, were 1.6 cpl lower than April, when they were 43.9 cpl.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for May 2021. 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

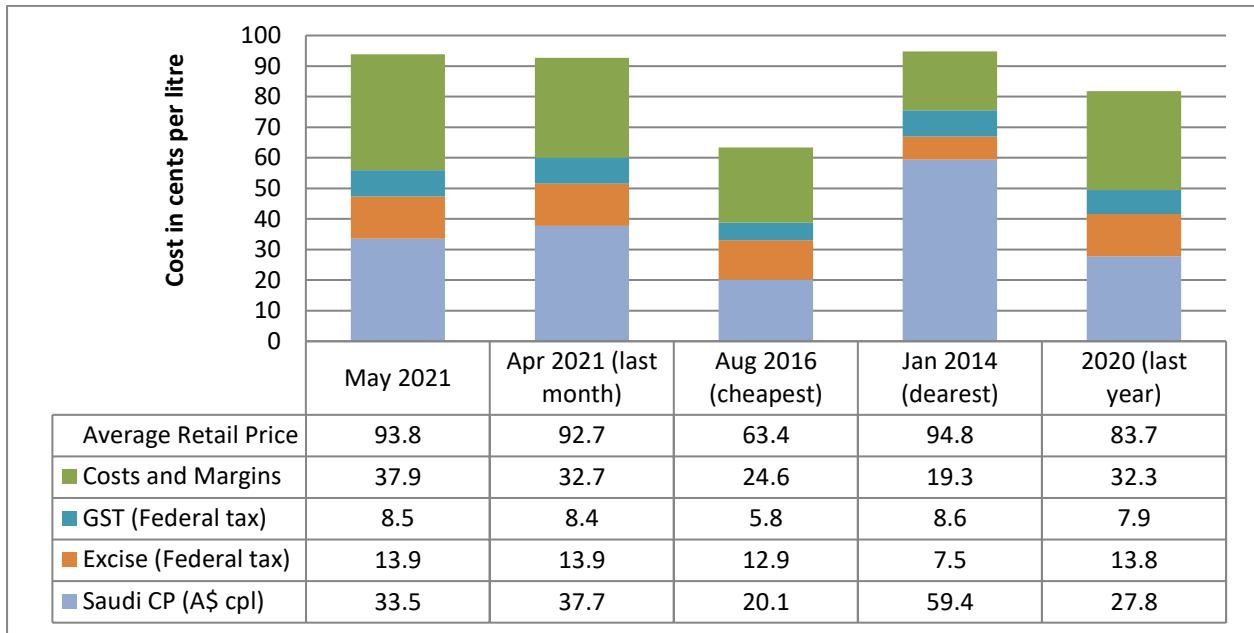
The average price of diesel in May, at 136.5 cpl, was 1.3 cpl higher than April. Indicative retail margins at 12.0 cpl were down 2.3 cpl, and refinery margins were up, at 1.4 cpl. Total margins (retail, wholesale and refinery) in May were 20.6 cpl, 1.1 cpl lower than April, when they were 21.7 cpl.

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 2021. 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.

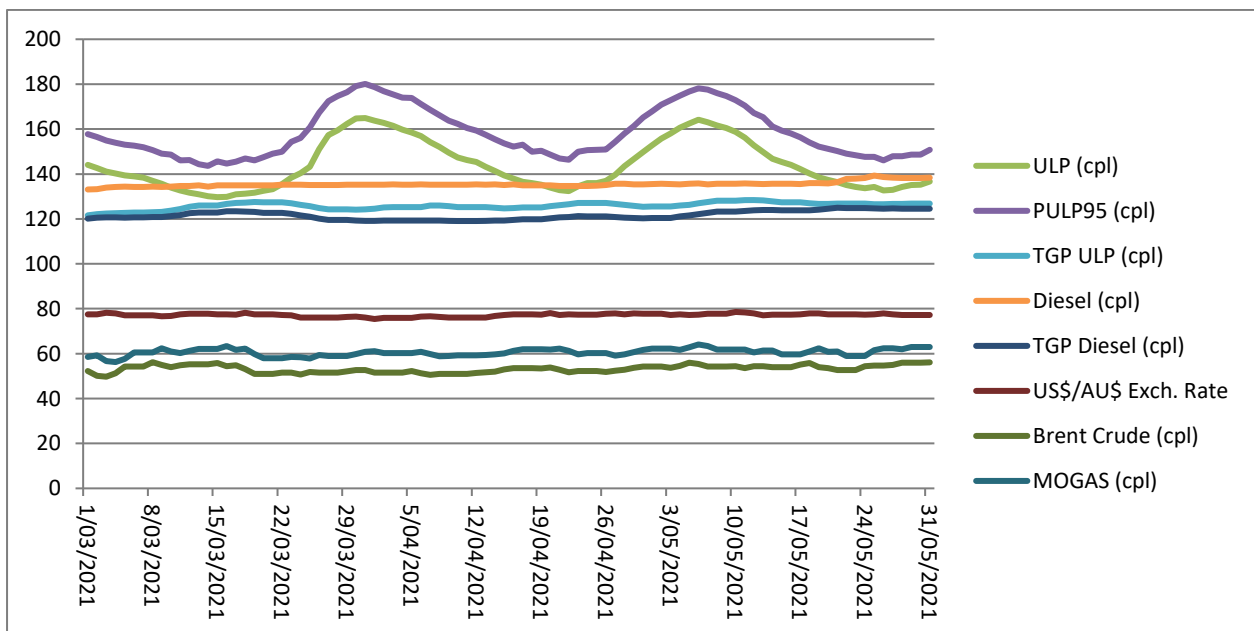
The average retail price of LPG in Brisbane in May was 93.8 cpl, 1.1 cpl higher than April (92.7 cpl). Fuel company margins and costs in May increased by 5.2 cpl, to 37.9 cpl.



The recently published Saudi CP for June, at 35.9 cpl, was 2.4 cpl Higher than May (33.5 cpl). This should not lead to increases in the retail LPG price as fuel company margins and cost are at record high levels. However, fuel companies have been quick to pass on increases in the wholesale price, but slow to pass on savings, preferring to bolster their margins.

Price trends

Most of a single price cycle and the early days of a second were observed in the Brisbane ULP market in May. The first price cycle started on 23 April and prices peaked at 164.1 cpl on 6 May. Prices then slowly fell through most of May, falling to a low of 132.7 cpl on 26 May. The second price cycle started on 27 May and at the time of writing the Brisbane ULP market was in the price hike phase of the cycle.



The price of Brent crude oil increased in May (to 86.8 A\$/bbl) hitting a 16-month record high in Australian dollar terms. Oil prices in Australian dollars were last this high in January 2020. In US dollar

terms the average price of Brent in May (67.4 US\$/bbl) was a 2-year record high, the Brent oil price in US\$-terms was last this high in May 2019.

The average price of Brent in May at 86.8 A\$/bbl (67.4 US\$/bbl) or 54.6 cpl-A\$, was 3.7 A\$/bbl or 2.3 cpl-A\$ higher than April (at 83.1 A\$/bbl, 63.9 US\$/bbl, 52.3 cpl-A\$).

Brent started May at 82.1 A\$/bbl (61.9 US\$/bbl) on an upward trend. At that time prices were increasing from a local low in late April. Oil prices continued this upward trend in early May, reaching a local high of 89.1 A\$/bbl (68.8 US\$/bbl) on 5 May. Oil prices dipped slightly in the first half of May, before reverting to an upward trend and hitting a second local high of 88.8 A\$/bbl (69.2 US\$/bbl) on 18 May. Oil prices briefly fell for a second time in the second half of May, but soon returned to an upward trend to end the month at 89.2 A\$/bbl (68.9 US\$/bbl). This upward trend continued into early June.

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)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	146.2 (1.2)	18.1 (-0.2)	136.5 (1.3)	12.0 (-2.3)
Adelaide	136.9 (5.0)	8.5 (3.6)	135.5 (1.5)	10.8 (-2.1)
Canberra	140.0 (0.0)	12.2 (-1.4)	139.7 (0.3)	15.1 (-3.3)
Darwin	139.8 (0.0)	6.8 (-1.4)	133.6 (1.3)	4.7 (-2.4)
Hobart	144.2 (0.8)	10.2 (-0.6)	144.0 (1.5)	13.4 (-2.1)
Melbourne	144.4 (-3.7)	16.9 (-5.1)	135.2 (-0.2)	10.7 (-3.8)
Perth	138.3 (-1.2)	10.0 (-2.7)	133.8 (0.2)	8.9 (-3.5)
Sydney	144.9 (-1.6)	17.0 (-3.0)	136.2 (1.1)	11.6 (-2.4)

* 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.

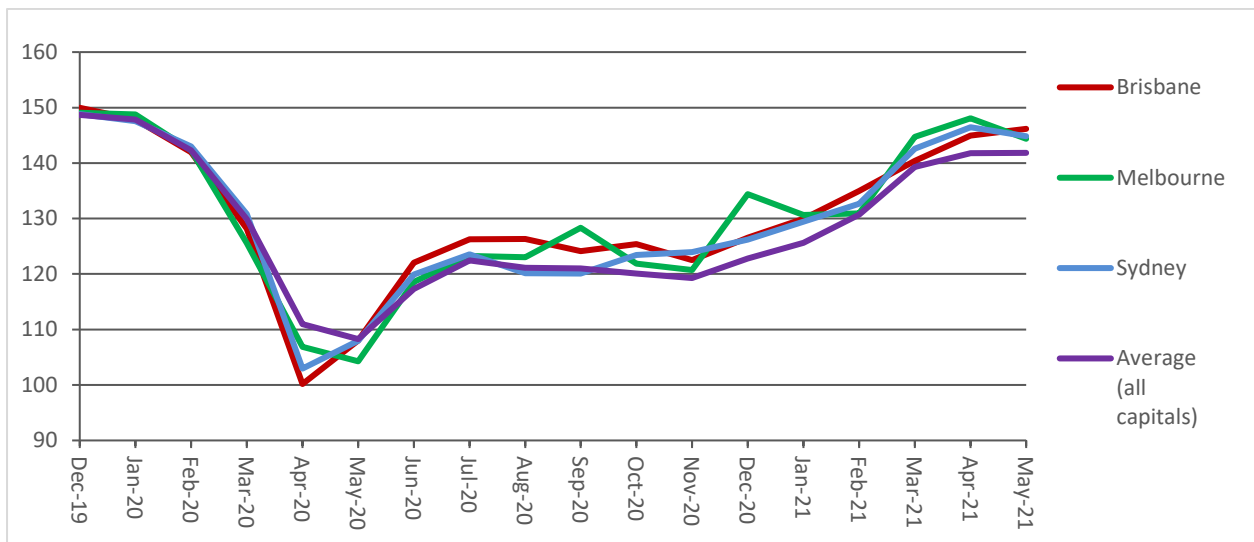
Brisbane was the most expensive of all capital cities in May. The average ULP prices in Adelaide, Perth, Darwin, Canberra, Hobart, Melbourne and Sydney were cheaper than Brisbane by 9.3 cpl, 7.9 cpl, 6.4 cpl, 6.2 cpl, 2.0 cpl, 1.8 cpl and 1.3 cpl, respectively.

Adelaide was the cheapest capital city to buy ULP in May, at 136.9 cpl. Adelaide was a massive 9.3 cpl cheaper than Brisbane.

While Brisbane was the most expensive capital in May, ULP prices in Melbourne and Sydney remained elevated compared to the average across all Australian capitals. This is a new and unusual trend with Melbourne and Sydney usually among the cheaper capital cities, and Darwin and Hobart usually amongst the more expensive.

In early 2020, the average ULP prices in Melbourne, Sydney and Brisbane were consistently priced close to the all-capitals average. However, from May 2020 onwards, as ULP prices trended up after the COVID-19 induced price crash, the average price in Brisbane, Sydney and Melbourne increased compared to average. Since September 2020, the monthly average price in Brisbane, Sydney and Melbourne has been consistently higher than the average of all capitals.

The chart below shows the monthly average ULP price in Brisbane, Sydney and Melbourne compared to the average price of all the Australian capital cities.



For diesel, Brisbane was the most expensive of the five largest capital cities and the third most expensive of all capital cities in May. Canberra and Hobart were more expensive than Brisbane by 3.2 cpl and 7.5 cpl, respectively. The average diesel prices in Darwin, Perth, Melbourne, Adelaide and Sydney were cheaper than Brisbane by 2.9 cpl, 2.7 cpl, 1.3 cpl, 1.0 cpl and 0.3 cpl, respectively.

Comparison of the SEQ metropolitan centres

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)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Central Brisbane	150.3 (1.4)	22.2 (0.0)	139.1 (0.5)	14.5 (-3.1)
Brisbane North	142.9 (1.6)	14.8 (0.3)	136.2 (1.7)	11.7 (-2.0)
Brisbane South	143.7 (1.8)	15.7 (0.5)	137.0 (1.9)	12.4 (-1.7)
Brisbane Bayside/Redlands	150.9 (2.6)	22.8 (1.3)	136.2 (0.5)	11.7 (-3.2)
Logan	144.3 (-2.0)	16.2 (-3.3)	135.2 (0.7)	10.6 (-3.0)
Ipswich	142.9 (-0.7)	14.6 (-2.1)	135.8 (1.0)	10.9 (-2.7)
Moreton Bay	147.3 (2.0)	18.9 (0.7)	136.4 (1.8)	11.5 (-1.8)
Gold Coast	144.8 (0.2)	16.1 (-1.2)	137.7 (2.2)	12.5 (-1.5)
Sunshine Coast	142.0 (0.3)	13.1 (-1.1)	135.6 (1.0)	10.2 (-2.7)

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

The Sunshine Coast was the cheapest centre in SEQ to buy ULP in May, with an average price of 142.0 cpl. The joint second cheapest were Brisbane North and Ipswich both at 142.9 cpl. Brisbane Bayside/Redlands was the most expensive area in SEQ at 150.9 cpl, 8.9 cpl dearer than the Sunshine Coast. The average ULP price increased in all SEQ centres, except Logan and Ipswich, compared to April.

The changes ranged from an increase of 2.6 cpl in Brisbane Bayside/Redlands, to a fall of 2.0 cpl in Logan.

Logan was the cheapest SEQ centres to buy diesel in May, at 135.2 cpl. The Sunshine Coast was second at 135.6 cpl. Central Brisbane was the most expensive area in SEQ to buy diesel at 139.1 cpl, 3.9 cpl dearer than Logan. Average diesel prices were up in all SEQ centres compared to April, by up to 2.2 cpl. The average price on the Gold Coast was up 2.2 cpl, and Central Brisbane and Brisbane Bayside/Redlands were up by 0.5 cpl.

The price difference between the cheapest and dearest diesel price in SEQ, at 3.9 cpl, was lower than ULP, for which the difference was 8.9 cpl.

Fuel prices across Queensland

The average price of ULP across regional Queensland in May was 139.3 cpl, 1.1 cpl higher than April when the average price was 138.2 cpl. The average diesel price was 137.0 cpl, 1.6 cpl higher than April when the average price was 135.4 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* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	146.2 (1.2)	18.1 (-0.2)	136.5 (1.3)	12.0 (-2.3)
Atherton	139.9 (0.0)	8.2 (-1.3)	139.8 (0.4)	11.1 (-3.3)
Beaudesert	139.9 (0.0)	11.0 (-1.3)	139.4 (1.3)	14.0 (-2.4)
Biloela	135.8 (1.9)	4.7 (0.5)	133.2 (1.7)	5.9 (-2.0)
Blackwater	139.3 (2.4)	6.5 (1.0)	139.3 (0.0)	10.4 (-3.7)
Bowen	135.2 (-0.3)	2.4 (-1.6)	134.6 (0.7)	5.8 (-2.9)
Bundaberg	132.1 (2.1)	0.6 (0.8)	133.4 (0.8)	5.5 (-2.8)
Cairns	139.9 (2.2)	8.9 (0.9)	139.6 (2.5)	11.7 (-1.1)
Charters Towers	142.6 (1.2)	10.4 (-0.1)	139.6 (0.6)	11.4 (-3.0)
Childers	139.9 (0.0)	8.9 (-1.3)	135.5 (1.2)	8.0 (-2.5)
Dalby	142.2 (0.9)	12.2 (-0.4)	137.0 (1.3)	10.5 (-2.4)
Emerald	146.4 (1.6)	12.9 (0.2)	140.0 (-0.3)	10.3 (-3.9)
Gladstone	135.4 (1.2)	5.6 (-0.2)	134.6 (0.9)	8.5 (-2.7)
Goondiwindi	137.3 (2.2)	5.9 (0.8)	137.6 (3.3)	9.7 (-0.4)
Gympie	139.8 (0.2)	10.3 (-1.2)	135.6 (4.0)	9.5 (0.3)
Hervey Bay	139.5 (2.7)	8.7 (1.3)	133.6 (-0.1)	6.3 (-3.8)
Ingham	136.7 (1.4)	4.7 (0.2)	139.5 (2.6)	11.5 (-1.0)
Innisfail	142.1 (0.7)	10.4 (-0.5)	140.7 (-0.1)	11.9 (-3.8)
Kingaroy	135.6 (1.9)	5.6 (0.5)	133.6 (0.7)	7.1 (-3.0)
Lockyer Valley	137.0 (-0.5)	8.0 (-1.8)	134.4 (-0.9)	8.8 (-4.6)
Longreach	149.0 (2.4)	11.4 (1.1)	145.4 (0.8)	11.5 (-2.9)
Mackay	141.6 (0.8)	11.2 (-0.5)	139.8 (1.5)	13.3 (-2.2)
Mareeba	142.9 (0.0)	11.3 (-1.3)	139.2 (0.5)	10.6 (-3.1)
Maryborough	133.5 (1.6)	3.1 (0.2)	133.3 (1.2)	6.4 (-2.4)

Miles	127.8 (1.2)	-3.4 (-0.2)	132.7 (2.3)	4.9 (-1.4)
Moranbah	132.0 (2.8)	-0.3 (1.5)	134.1 (4.1)	5.7 (0.5)
Mount Isa	152.4 (2.4)	12.6 (1.1)	144.4 (0.8)	8.5 (-2.8)
Nambour	140.5 (3.6)	11.6 (2.3)	136.0 (1.7)	10.6 (-2.0)
Noosa	154.5 (1.1)	25.5 (-0.2)	133.1 (2.1)	7.5 (-1.6)
Rockhampton	137.2 (1.1)	6.3 (-0.3)	138.5 (2.1)	11.4 (-1.5)
Roma	131.9 (1.0)	-0.8 (-0.4)	131.4 (1.5)	2.2 (-2.2)
Somerset	133.1 (0.7)	4.1 (-0.6)	129.3 (-1.2)	3.7 (-4.8)
Toowoomba	144.0 (-1.6)	14.9 (-3.0)	135.7 (2.3)	10.1 (-1.4)
Townsville	141.6 (1.7)	10.7 (0.4)	136.4 (1.4)	9.5 (-2.3)
Tully	139.8 (0.5)	7.6 (-0.8)	139.8 (1.0)	10.5 (-2.7)
Warwick	134.3 (1.8)	4.9 (0.4)	135.5 (2.4)	9.5 (-1.2)
Whitsunday/Proserpine	133.9 (3.6)	2.3 (2.3)	132.4 (1.0)	4.6 (-2.7)
Yeppoon	139.8 (1.5)	8.5 (0.2)	139.9 (1.8)	12.4 (-1.8)

* 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 127.8 cpl, Miles retained its usual position as the cheapest regional centre in May, as it was in April, March, February and January (albeit sharing the honours with Bundaberg). Miles was 18.4 cpl cheaper than Brisbane. Roma was the second cheapest with an average ULP price of 131.9 cpl, and Moranbah was the third cheapest at 132.0 cpl. Bundaberg, Somerset, Maryborough, Whitsunday/Proserpine, Warwick, Bowen, Gladstone, Kingaroy, Biloela, Ingham, Lockyer Valley, Rockhampton, Goondiwindi, Blackwater, Hervey Bay, Gympie, Tully, Yeppoon, Atherton, Beaudesert, Cairns, Childers, Nambour, Mackay, Townsville, Innisfail, Dalby, Charters Towers, Mareeba and Toowoomba were also cheaper than Brisbane. Only Emerald, Longreach, Mount Isa and Noosa were more expensive than Brisbane¹. At 154.5 cpl, the most expensive centre for ULP was Noosa (8.3 cpl more expensive than Brisbane).

The Somerset region had the cheapest diesel in Queensland in May, at 129.3 cpl, 7.2 cpl cheaper than Brisbane. Roma, at 131.4 cpl, was the second cheapest regional centre in May and Whitsunday/Proserpine, at 132.4 cpl was third. Miles, Noosa, Biloela, Maryborough, Bundaberg, Hervey Bay, Kingaroy, Moranbah, Lockyer Valley, Bowen, Gladstone, Childers, Warwick, Gympie, Toowoomba, Nambour and Townsville were also cheaper than Brisbane. Longreach¹ was the most expensive regional centre for diesel at 145.4 cpl, 8.9 cpl higher than Brisbane.

Of the 37 regional centres monitored by RACQ, 36 had an average indicative ULP retail margin lower than that charged in Brisbane. The lowest indicative retail margin on ULP, at negative 3.4 cpl, was charged in Miles, 21.5 cpl lower than Brisbane. Only in Noosa were indicative retail margins higher than Brisbane, where they reached a massive 25.5 cpl.

Diesel indicative retail margins were lower than Brisbane in 34 out of 37 regional centres. At 2.2 cpl, the lowest diesel indicative retail margin was observed in Roma, 9.8 cpl lower than Brisbane. Beaudesert had the highest indicative retail margin, at 14.0 cpl, 2.0 cpl higher than Brisbane. Diesel indicative retail margins in Yeppoon and Mackay were also higher 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.

Outlook

The on-going COVID-19 pandemic is having mixed impact on oil prices. On one hand the rapid vaccinations programs in the US and Europe have led to, and are likely to continue to, lead to an increase in demand for oil and subsequent price increases. However, new waves of COVID-19 are surging in many countries, notably India, and have dampened demand for oil and placed downward pressure on prices. Although the optimistic upward sentiment has been dominant and oil prices are increasing.

Optimism about a return of demand for oil was confirmed in several reports by government agencies, international agencies and investment banks. This was conformed by OPEC's technical committee which forecasted strong growth in oil demand in second half of 2021.

News of a potential new deal between the US and Iran and a return of Iranian oil production placed downward pressure on oil prices. An end to sanction against Iran would lead to an increase in oil supply. The original US-Iran deal was negotiated by the Obama US administration in 2015, under which Iran curtailed their nuclear weapons program in return for sanction relief. The deal was abandoned by the Trump administration but appears to have been revived by Biden. This deal will allow Iran to export oil but most importantly will hopefully deescalate conflict in the Middle East.

COVID-19 remains the major threat to economic growth and oil demand. A resurgence of COVID-19, especially one of the new strains, could significantly reduce demand and lead to falls in the oil price. However, if vaccine rollouts continue and become more widespread, and COVID retreats, the oil price will continue to strengthen.

A strengthening oil price will place upward pressure on local retail prices. Substantial increases in fuel company margins are already leading to close to record high retail prices in parts of Queensland, especially in SEQ. A sustained oil price rally could lead to new record high retail prices in the coming months.

In mid-May the International Energy Agency released its *Net Zero by 2050* report which indicated that to reach a target of net zero CO2 emission by 2050 would require no new oil, gas or coal projects. This report was unexpected by the oil producers and consumers, and the implications on oil and liquid fuel markets is yet to determined.

The next monthly fuel price report will be released in early July 2021.

Data sources

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