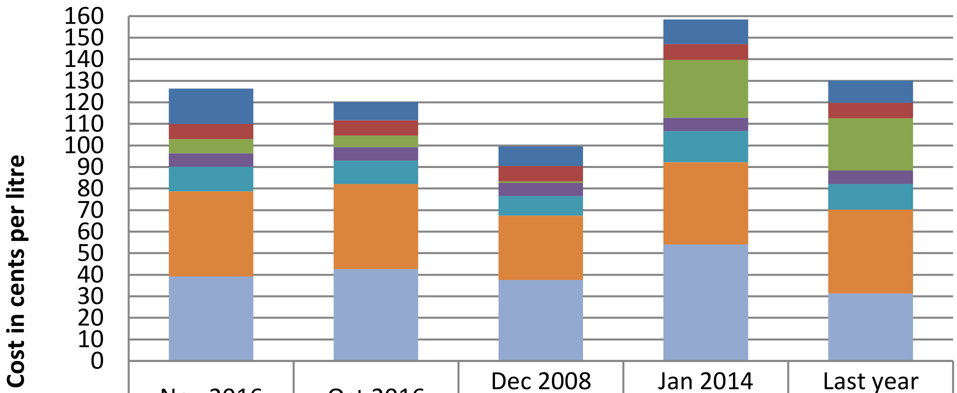
5 December 2016

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for November 2016.

## Key points

- At 126.4 cpl, the average Brisbane ULP price for November was 6.2 cpl greater than October (despite the oil price falling by 3.4 cpl) and indicative retail margins were 7.9 cpl higher, at 16.4 cpl.
- Brisbane was the most expensive of the large capital cities in November. Brisbane was 9.1 cpl more expensive than both Adelaide and Sydney.
- The average price of diesel in Brisbane was 124.1 cpl in November, 2.7 cpl more expensive than October. At 16.5 cpl, indicative retail diesel retail margins were 4.7 cpl higher than October.
- Diesel sold in Brisbane was more expensive than Sydney, Adelaide and Melbourne by 3.4 cpl, 3.2 cpl and 1.5 cpl, respectively.
- In SEQ, the Sunshine Coast had the cheapest average ULP for November and Ipswich was the cheapest city for diesel.
- There was an apparent collapse of the price cycle on the Sunshine Coast, with only a 5.7 cpl difference between the cheapest and dearest daily average price.
- Ayr had the cheapest ULP in Queensland, and Charters Towers had the cheapest Diesel (8.3 cpl and 6.6 cpl cheaper than Brisbane, respectively).
- The average price of LPG in Brisbane was 68.2 cpl, 3.9 cpl higher than October.

## ULP cost breakdown in Brisbane




| | Nov 2016 | Oct 2016 | Dec 2008 (cheapest) | Jan 2014 (dearest) | Last year (2015) |
|---|---|---|---|---|---|
| Average Retail Price | 126.4 | 120.2 | 99.5 | 158.4 | 130.1 |
| Retail Margin | 16.4 | 8.5 | 9.0 | 11.4 | 10.3 |
| Wholesale Margin | 7.2 | 7.2 | 7.2 | 7.2 | 7.2 |
| Refinery Margin | 6.5 | 5.3 | 0.6 | 27.0 | 24.3 |
| Distribution and other costs | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 |
| GST (Federal tax) | 11.5 | 10.9 | 9.0 | 14.4 | 11.8 |
| Excise (Federal tax) | 39.5 | 39.5 | 29.8 | 38.1 | 39.0 |
| Brent Crude Oil (A$ cpl) | 39.2 | 42.6 | 37.6 | 54.1 | 31.3 |

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



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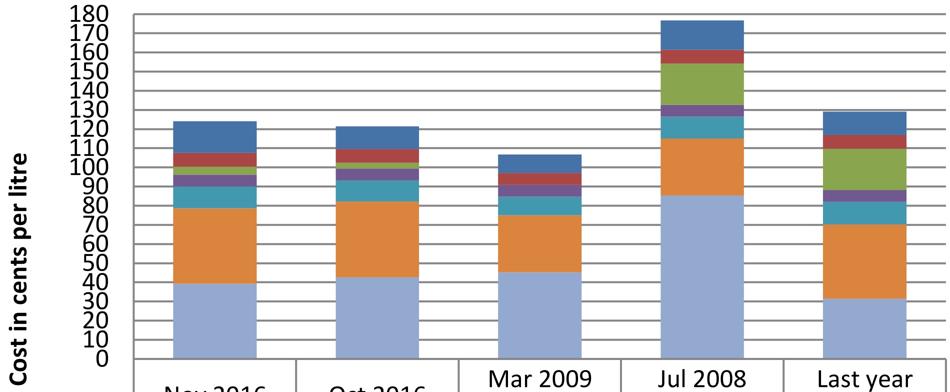
The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for November 2016. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

Despite a 3.4 cpl (A$) fall in the price of oil in November, retail prices increased. The average price of ULP in Brisbane in November was 126.4 cpl, 6.2 cpl more than October. Indicative retail margins, at 16.4 cpl, were 7.9 cpl higher than October. Refiner margins also increased in November, and were 1.2 cpl higher than October.

## Diesel cost breakdown in Brisbane




| | Nov 2016 | Oct 2016 | Mar 2009 (cheapest) | Jul 2008 (dearest) | Last year (2015) |
|---|---|---|---|---|---|
| Average Retail Price | 124.1 | 121.4 | 106.7 | 176.7 | 129.1 |
| Retail Margin | 16.5 | 11.8 | 9.8 | 15.3 | 12.2 |
| Wholesale Margin | 7.2 | 7.2 | 6.1 | 7.2 | 7.2 |
| Refinery Margin | 4.3 | 3.1 | 0.0 | 21.6 | 21.5 |
| Distribution and other costs | 6.2 | 6.2 | 6.2 | 6.2 | 6.2 |
| GST (Federal tax) | 11.3 | 11.0 | 9.7 | 11.3 | 11.7 |
| Excise (Federal tax) | 39.5 | 39.5 | 29.8 | 29.8 | 39.0 |
| Brent Crude Oil (A$ cpl) | 39.2 | 42.6 | 45.2 | 85.3 | 31.3 |

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

The chart above shows the cost breakdown for a litre of diesel sold in Brisbane for November 2016. 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.

Despite a drop in the oil price, the average price of diesel in November, at 124.1 cpl, was 2.7 cpl higher than October. The increase was due to an increase in fuel company margins. Indicative retail margins increased in November by 4.7 cpl and refiner margins increased by 1.2 cpl.

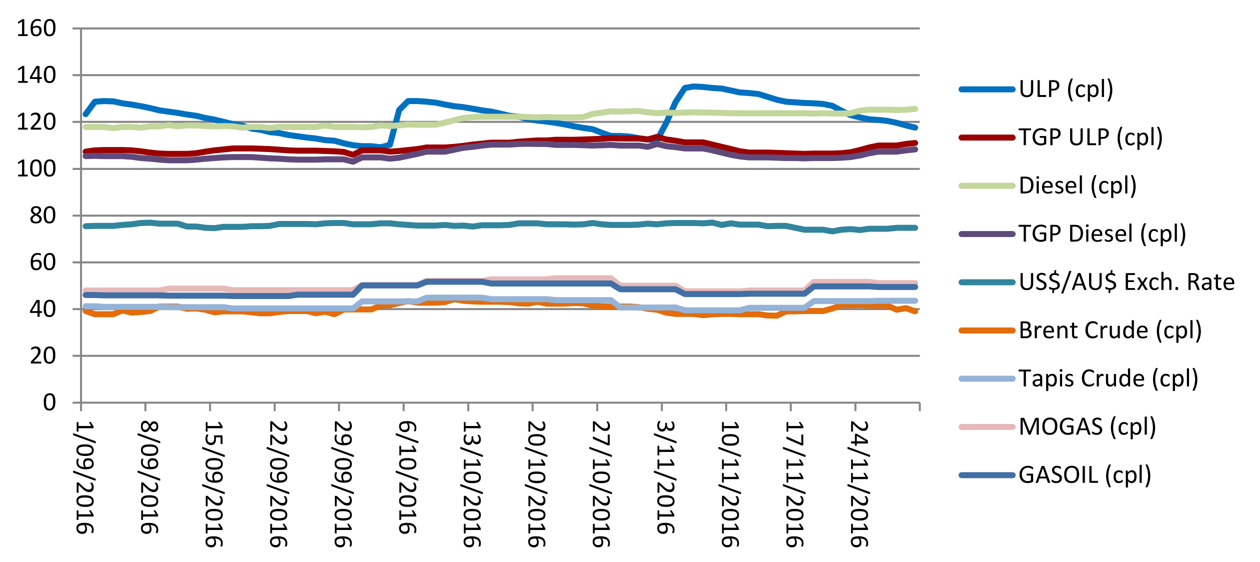
## Price trends

There was one price cycle observed in Brisbane in November 2016. This cycle started on 3 November and the average price peaked on 6 November. Prices fell slowly throughout the rest of November. At the time of writing the Brisbane ULP market was in the cheapest phase of the cycle and indicative ULP retail margins remained at a healthy 5 cpl.

The average price of Brent in November was A$62.4/bbl (US$47.0/bbl) or 39.2 cpl, A$5.2 or 3.4 cpl lower than October. The price of Brent crude softened in the first half of November 2016, and strengthened in the second half. Brent started the month at A$63.8/bbl (US$48.9/bbl) and decreased to a local low of A$59.1/bbl (US$44.7/bbl) on 15 November. The Brent price then increased, ending the month at A$62.1/bbl (US$46.4/bbl). Following OPEC announcing a production cut, the Brent price rose strongly on 1 December to A$68.3/bbl (US$50.5/bbl).

The Tapis crude oil price followed the same trend as Brent. Singapore MOGAS and GASOIL prices were softer in the first half of November, increasing in the third week and falling slightly in the last week. MOGAS started November at A$79.5/bbl and ended the month at A$81.3/bbl.

The graph below displays the average Brisbane retail ULP and diesel prices, the 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 A$ cents per US$.




## Comparison to other capital cities

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

| City | Average ULP Price (cpl) | ULP Retail Margin* (cpl) | Average Diesel Price (cpl) | Diesel Retail Margin* (cpl) |
|---|---|---|---|---|
| Adelaide | 117.3 (-1.0) | 8.0 (0.7) | 120.9 (1.8) | 13.3 (3.9) |
| Brisbane | 126.4 (6.2) | 16.4 (7.9) | 124.1 (2.7) | 16.5 (4.8) |
| Canberra | 128.5 (4.0) | 19.2 (5.7) | 125.0 (2.8) | 17.4 (4.9) |
| Darwin | 129.2 (11.2) | 19.9 (12.9) | 124.2 (3.2) | 16.6 (5.3) |
| Hobart | 125.8 (3.3) | 16.5 (5.0) | 125.9 (3.1) | 18.3 (5.2) |
| Melbourne | 121.7 (2.1) | 12.4 (3.8) | 122.6 (3.3) | 15.0 (5.4) |
| Perth | 123.3 (8.1) | 14.1 (9.8) | 126.4 (3.9) | 18.8 (6.0) |
| Sydney | 117.3 (-1.8) | 8.0 (-0.1) | 120.7 (2.2) | 13.1 (4.4) |

* The retail margin is the average retail price minus the average local TGP and local freight costs (assumed to be the same as Brisbane: 1.12cpl). The TGP varies between cities.

Brisbane was the most expensive large capital city in November, only Canberra and Darwin were more expensive. Adelaide and Sydney were 9.1 cpl cheaper than Brisbane, Melbourne was 4.7 cpl cheaper, Perth was 3.1 cpl cheaper and Hobart was 0.6 cpl cheaper. Canberra and Darwin were more expensive than Brisbane by 2.1 cpl and 2.8 cpl, respectively.

Diesel sold in Sydney, Adelaide and Melbourne was cheaper than Brisbane by 3.4 cpl, 3.2 cpl and 1.5 cpl, respectively. Perth was the most expensive capital, at 2.3 cpl more than Brisbane.

## Comparison of the SEQ metropolitan centres

The Sunshine Coast was the cheapest centre in SEQ to buy ULP in November, with an average price of 120.8 cpl. Moreton Bay was the second cheapest, 2.2 cpl dearer than the Sunshine Coast The Gold Coast was the most expensive SEQ centre, 7.6 cpl dearer than the Sunshine Coast.



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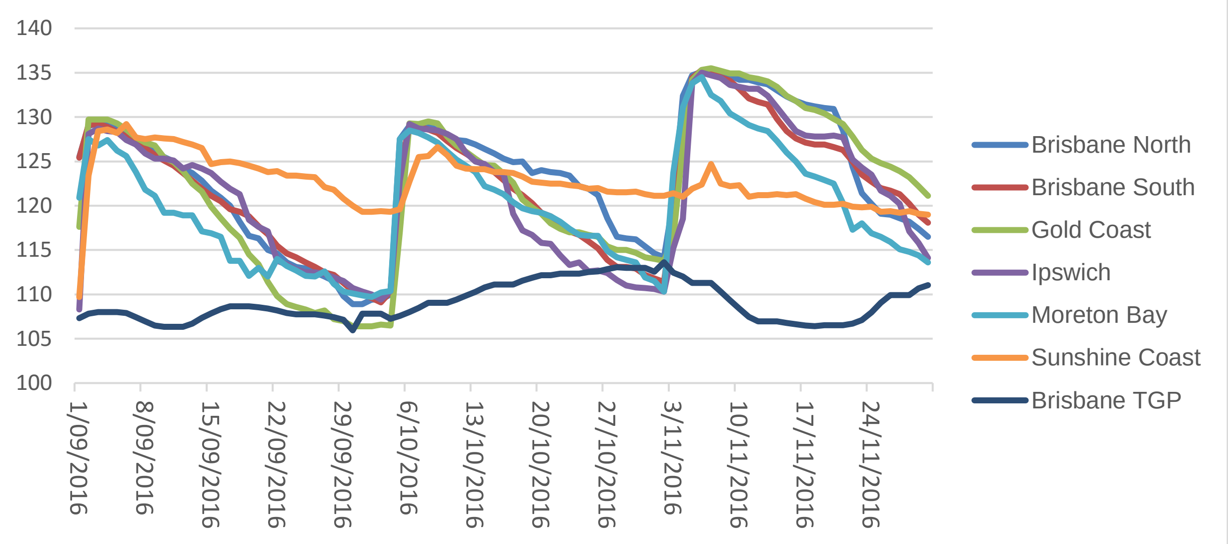
Ipswich was the cheapest SEQ centre to buy diesel, with an average price of 122.5 cpl, followed by the Sunshine Coast 1.0 cpl dearer. Brisbane North and the Gold Coast were the most expensive, with diesel selling for 125.0 cpl and 124.8 cpl respectively.

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

| City | Average ULP Price (cpl) | ULP Retail Margin* (cpl) | Average Diesel Price (cpl) | Diesel Retail Margin* (cpl) |
|---|---|---|---|---|
| Brisbane North | 127.2 (5.1) | 17.2 (6.8) | 125.0 (2.9) | 17.4 (5.0) |
| Brisbane South | 126.1 (6.7) | 16.1 (8.4) | 123.8 (2.7) | 16.2 (4.8) |
| Gold Coast | 128.4 (9.1) | 17.7 (10.8) | 124.8 (2.6) | 16.6 (4.7) |
| Ipswich | 125.7 (7.5) | 15.3 (9.1) | 122.5 (2.8) | 14.6 (4.9) |
| Moreton Bay | 123.0 (3.8) | 12.6 (5.4) | 123.6 (2.8) | 15.6 (4.9) |
| Sunshine Coast | 120.8 (-1.8) | 10.0 (-0.1) | 123.5 (1.7) | 15.0 (3.7) |

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

The chart below shows the daily average retail ULP price for Brisbane North, Brisbane South, the Gold Coast, Ipswich, Moreton Bay and the Sunshine Coast, and the Brisbane TGP as benchmark.




Up until early September 2016 all the six regions in SEQ followed a similar fuel price cycle. At the beginning of September all six SEQ markets experienced a price hike, prices peaking at a similar high price. Over the following three months the price cycle continued in five regions, but not in the Sunshine Coast. Since September there has been little or no discounting on the Sunshine Coast and only very small price hikes. If this trend continues we might see the Sunshine Coast transition from a cycling market to a flat market.

## Fuel prices across Queensland

Ayr had Queensland's cheapest ULP, 8.3 cpl cheaper than Brisbane. Roma was 6.8 cpl cheaper and Dalby was 6.6 cheaper than Brisbane. Bundaberg, October's cheapest town, slipped to joint fourth (with Miles) and was 6.5 cpl cheaper than Brisbane. Goondiwindi, Moranbah, Childers, Kingaroy, Mount Isa, Maryborough, Ingham, Toowoomba, Mareeba, Whitsunday, Mackay, Tully, Innisfail and Emerald were also cheaper than Brisbane. The most expensive regional centre listed was Blackall, with an average price of 137.0 cpl in November. However, the list of regional centres is not exhaustive[1].

[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.



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

| Locality | Average ULP Price (cpl) | Indicative ULP Retail Margin* | Average Diesel Price (cpl) | Indicative Diesel Retail Margin* (cpl) |
|---|---|---|---|---|
| Brisbane | 126.4 (6.2) | 16.4 (7.9) | 124.1 (2.8) | 16.5 (4.8) |
| Gold Coast | 128.4 (9.1) | 17.7 (10.8) | 124.8 (2.6) | 16.6 (4.7) |
| Sunshine Coast | 120.8 (-1.8) | 10.0 (-0.1) | 123.5 (1.7) | 15.0 (3.7) |
| Atherton | 129.9 (2.9) | 16.3 (4.6) | 124.9 (2.9) | 14.1 (5.0) |
| Ayr | 118.1 (-3.1) | 4.8 (-1.3) | 119.9 (1.1) | 9.4 (3.2) |
| Biloela | 129.8 (0.9) | 15.9 (2.6) | 129.8 (4.9) | 18.6 (7.0) |
| Blackall | 137.0 (-1.0) | 17.2 (0.7) | 123.8 (-0.1) | 6.8 (2.0) |
| Blackwater | 128.1 (0.2) | 12.5 (1.9) | 121.5 (4.4) | 8.7 (6.5) |
| Bowen | 129.9 (1.6) | 15.5 (3.3) | 121.4 (1.6) | 9.8 (3.7) |
| Bundaberg | 119.9 (2.3) | 3.9 (4.0) | 122.2 (2.7) | 8.9 (4.9) |
| Cairns | 130.6 (0.2) | 17.7 (1.9) | 130.0 (4.8) | 19.9 (6.9) |
| Charleville | 128.2 (3.2) | 8.2 (5.0) | 125.2 (1.3) | 7.9 (3.4) |
| Charters Towers | 128.1 (1.0) | 14.4 (2.7) | 117.5 (0.2) | 6.5 (2.3) |
| Childers | 120.5 (0.9) | 5.0 (2.6) | 121.1 (1.7) | 8.3 (3.8) |
| Dalby | 119.8 (-0.4) | 5.2 (1.3) | 118.6 (0.2) | 6.8 (2.4) |
| Emerald | 125.6 (-0.3) | 9.2 (1.4) | 118.9 (2.0) | 5.3 (4.2) |
| Gladstone | 127.0 (2.9) | 14.3 (4.6) | 126.0 (4.9) | 16.0 (7.0) |
| Goondiwindi | 120.1 (1.4) | 4.1 (3.1) | 121.4 (2.3) | 8.1 (4.4) |
| Gympie | 127.5 (1.9) | 13.4 (3.6) | 123.8 (0.4) | 12.4 (2.6) |
| Hervey Bay | 127.4 (2.0) | 12.1 (3.8) | 126.7 (2.0) | 14.0 (4.1) |
| Ingham | 122.1 (0.2) | 8.6 (1.9) | 121.5 (3.4) | 10.7 (5.5) |
| Innisfail | 125.2 (0.3) | 11.5 (2.0) | 120.7 (0.7) | 9.8 (2.8) |
| Ipswich | 125.2 (7.5) | 12.2 (9.2) | 122.1 (3.0) | 11.8 (5.1) |
| Kingaroy | 120.9 (0.3) | 6.3 (2.0) | 121.7 (1.4) | 9.9 (3.6) |
| Longreach | 132.5 (2.5) | 12.0 (4.2) | 127.1 (3.0) | 9.4 (5.1) |
| Mackay | 124.3 (-0.2) | 11.7 (1.5) | 123.6 (0.8) | 13.7 (3.0) |
| Mareeba | 124.0 (0.1) | 10.6 (1.8) | 124.3 (4.1) | 13.6 (6.2) |
| Maryborough | 121.0 (2.6) | 6.0 (4.3) | 120.8 (2.2) | 8.6 (4.4) |
| Miles | 119.9 (1.8) | 4.0 (3.5) | 120.1 (0.5) | 7.0 (2.6) |
| Moranbah | 120.4 (0.0) | 5.9 (1.7) | 120.5 (3.4) | 8.7 (5.6) |
| Mount Isa | 120.9 (1.1) | -0.4 (2.9) | 122.9 (3.3) | 4.3 (5.4) |
| Rockhampton | 126.8 (0.0) | 13.0 (1.7) | 127.2 (3.6) | 16.2 (5.8) |
| Roma | 119.6 (-0.5) | 2.3 (1.2) | 126.3 (-0.8) | 11.7 (1.4) |
| Toowoomba | 122.3 (1.2) | 8.5 (2.9) | 122.5 (2.0) | 11.5 (4.2) |
| Townsville | 129.6 (2.5) | 17.2 (4.2) | 122.7 (2.2) | 13.0 (4.3) |
| Tully | 124.9 (-0.2) | 10.7 (1.5) | 130.2 (-2.2) | 18.8 (-0.1) |
| Warwick | 129.9 (2.1) | 15.8 (3.8) | 118.2 (0.3) | 6.8 (2.4) |
| Whitsunday | 124.1 (2.2) | 10.2 (3.9) | 131.3 (1.6) | 20.1 (3.7) |
| Yeppoon | 127.9 (0.0) | 13.7 (1.7) | 129.9 (3.4) | 18.4 (5.6) |

* 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. A time lag is not included in this calculation.



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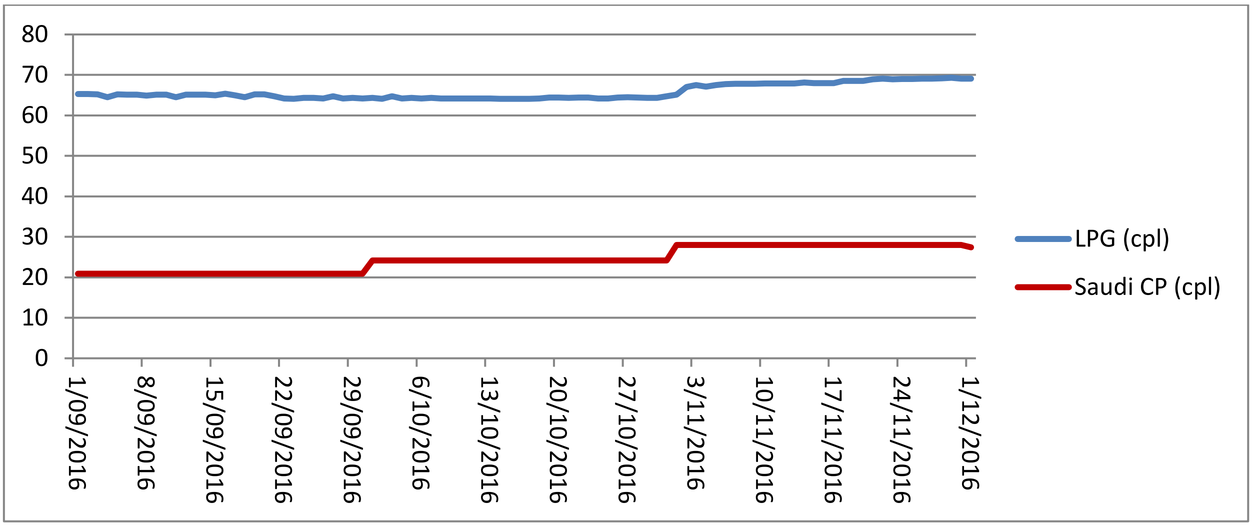
Charters Towers had the cheapest diesel in Queensland (6.6 cpl cheaper than Brisbane), followed by Warwick, Dalby and Emerald (5.9 cpl, 5.5 cpl and 5.2 cpl cheaper than Brisbane, respectively). Ayr, Miles, Moranbah, Innisfail, Maryborough, Childers, Bowen, Goondiwindi, Blackwater, Ingham, Kingaroy, Bundaberg, Toowoomba, Townsville, Mount Isa, Mackay, Blackall and Gympie were also cheaper than the Brisbane price in November. The Whitsunday region was the most expensive listed regional centre for diesel, at 131.3 cpl.

## Liquid Petroleum Gas (LPG)

The chart below displays the average retail price of LPG in Brisbane and Saudi CP.




The average retail price of LPG in Brisbane in November was 68.2 cpl, 3.9 cpl higher than October. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in November was 21.1 cpl, largely unchanged from October.

The Saudi CP for December 2016 is 0.6 cpl lower than November at 27.4 cpl. This is unlikely to lead to a change in the retail LPG price. Retail margins and retail prices are currently substantially higher than historic prices relative to the Saudi CP.

## Outlook

OPEC nations met on 30 November and conditionally agreed to cut oil production by 1.2 million bbl/day. This will be the first production cut in eight years. The deal is conditional on non-OPEC producers cutting 600,000 bbl/day. OPEC and non-OPEC producers (including Russia) are due to meet on 9 December to discuss these production cuts. Russia is expected to cut production by 300,000 bbl/day, which leaves another 300,000 bbl/day of reductions from other countries.

Following the news of this deal, the price of oil rose sharply. In opening trade on 1 December, the Brent price rose by 8.8% to 50.5 US$/bbl.

If this deal succeeds the price of oil is likely to increase further, but it is not expected to exceed US60/bbl in the next few years. There are limiting factors, such as shale oil production in the USA, that should restrict price increases. At US$50/bbl only the most efficient shale oil production is financially viable. However, as the oil price increases more shale oil wells will become viable and the supply of oil will increase, which in turn will limit further price increases.

The next monthly fuel price report will be released in early January 2017 and the 2016 annual fuel price report will be released mid-January 2017.

## Data sources

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