Monthly Fuel Price Report – December 2018

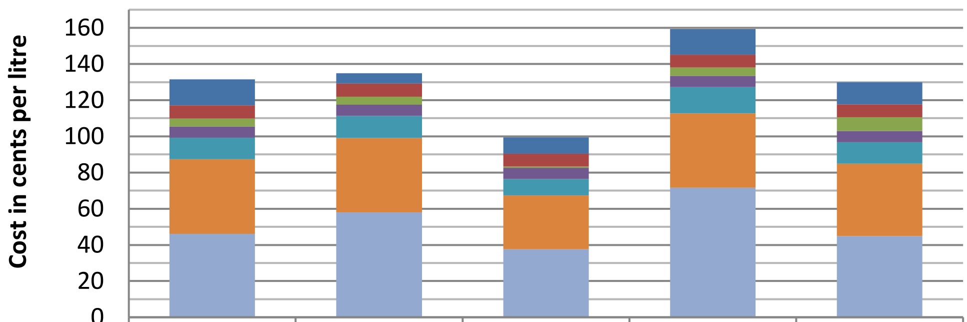
18 January 2019

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for December 2018.

Key points

- At 131.5 cpl, the average ULP price in Brisbane in December was 3.4 cpl lower than November and 27.8 cpl lower than the record high monthly average price of 159.3 cpl, observed in October.
- Brisbane returned to its usual spot as the most expensive of the five largest Australian capital cities. At 122.7 cpl, Adelaide was the cheapest capital, 8.8 cpl cheaper than Brisbane.
- At 144.5 cpl, the average Brisbane diesel price in December was 15.9 cpl lower than November. Brisbane was the second cheapest of all the capital cities. At 139.5 cpl, only Adelaide was cheaper than Brisbane.
- Indicative retail margins on diesel were excessively high at 17.8 cpl, 0.7 cpl lower than November and 9.8 cpl higher than RACQ considers reasonable.
- The average ULP price in regional Queensland in December was 137.6 cpl, 13.5 cpl lower than November. The average diesel price in regional Queensland was down 14.9 cpl, at 145.0 cpl.
- The cheapest ULP and diesel in December was found in Miles, where the average price for ULP and diesel was 123.4 cpl and 138.1 cpl respectively.
- Indicative retail margins on ULP and diesel across Queensland remained elevated and, in most centres, higher than RACQ would consider fair.

ULP cost breakdown in Brisbane



	Dec 2018	Nov 2018	Dec 2008 (cheapest)	Oct 2018 (dearest)	Last year (2017)
Average Retail Price	131.5	134.9	99.5	159.3	130.0
Retail Margin	14.4	5.7	9.0	14.1	12.2
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	4.3	4.4	0.6	4.5	7.6
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	12.0	12.3	9.0	14.5	11.8
Excise (Federal tax)	41.2	41.2	29.8	41.2	40.1
Brent Crude Oil (A$ cpl)	46.2	57.9	37.6	71.6	44.8

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

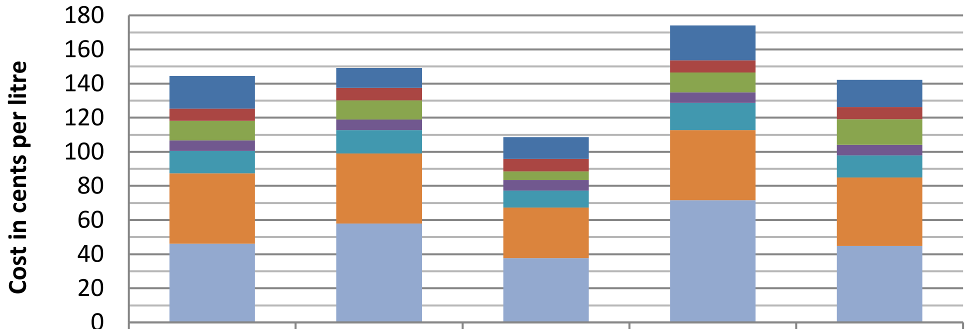
The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for December. For comparison, the cost breakdown for last month, last year, October 2018 - the most expensive month and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.

At 131.5 cpl the average price of ULP in Brisbane in December was 3.4 cpl lower than the November average. Indicative retail margins, at 14.4 cpl, were 8.7 cpl higher than November. The average ULP price in December was 17.5% or 27.8 cpl lower than the record high monthly average ULP price of 159.3 cpl observed in October.

Indicative refinery margins were largely unchanged at 4.3 cpl, 0.1 cpl lower than November. The average price of Brent crude oil at 46.2 cpl was 11.7 cpl lower than November.

PULP 95 cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane in December. 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.



	Dec 2018	Nov 2018	Dec 2008 (cheapest)	Oct 2018 (dearest)	Last year (2017)
Average Retail Price	144.4	149.2	108.6	174.1	142.2
Retail Margin	19.1	11.8	12.8	20.5	15.9
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	11.4	11.4	5.2	11.6	15.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	13.1	13.6	9.9	15.8	12.9
Excise (Federal tax)	41.2	41.2	29.8	41.2	40.1
Brent Crude Oil (A$ cpl)	46.2	57.9	37.6	71.6	44.8

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

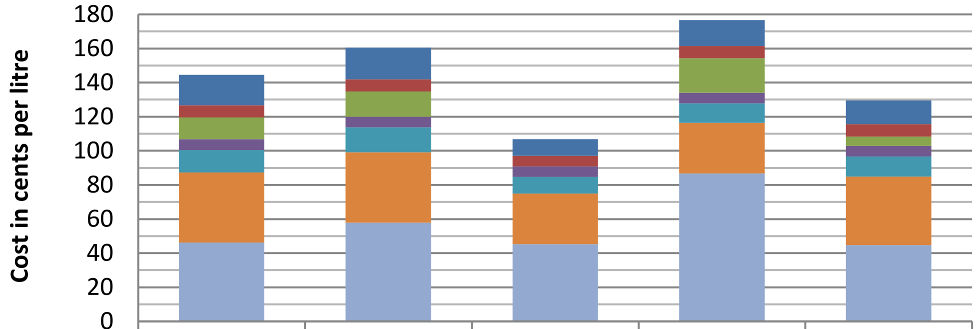
The average price in Brisbane in December was 144.4 cpl, 4.8 cpl lower than November. The price difference between ULP and PULP 95 was 12.9 cpl, 1.4 cpl narrower than in November, when it was 14.3 cpl. Indicative retail margins for PULP 95, at 19.1 cpl, were 7.3 cpl higher than November. Refinery margins were unchanged at 11.4 cpl.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for December. 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 December, at 144.5 cpl, was 15.9 cpl lower than November. Indicative retail margins decreased by 0.7 cpl and refinery margins decreased by 2.0 cpl.



	Dec 2018	Nov 2018	Mar 2009 (cheapest)	Jul 2008 (dearest)	Last year (2017)
Average Retail Price	144.5	160.4	106.7	176.7	129.6
Retail Margin	17.8	18.5	9.8	15.3	14.1
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	12.8	14.8	0.0	20.2	5.5
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	13.1	14.6	9.7	11.3	11.8
Excise (Federal tax)	41.2	41.2	29.8	29.8	40.1
Brent Crude Oil (A$ cpl)	46.2	57.9	45.2	86.7	44.8

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

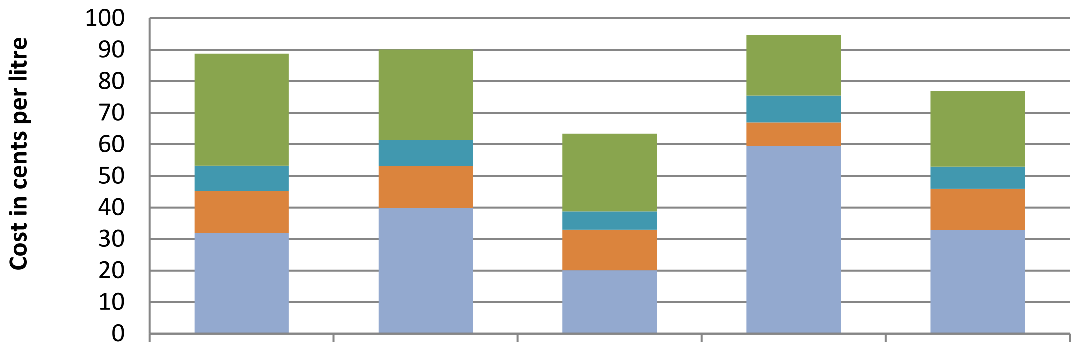
Liquid Petroleum Gas (LPG)

The chart below shows the cost breakdown for a litre of LPG sold in Brisbane for December. 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.

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 average retail price of LPG in Brisbane in December was 88.8 cpl, 1.3 cpl lower than November. Fuel company margins and costs increased to 35.5 cpl, 6.8 cpl higher than November. This massive increase in margin follows a similarly large increase in November. These increases were due to the substantial falls in the Saudi CP (down 8.0 cpl), and the failure of fuel companies to pass on these savings.

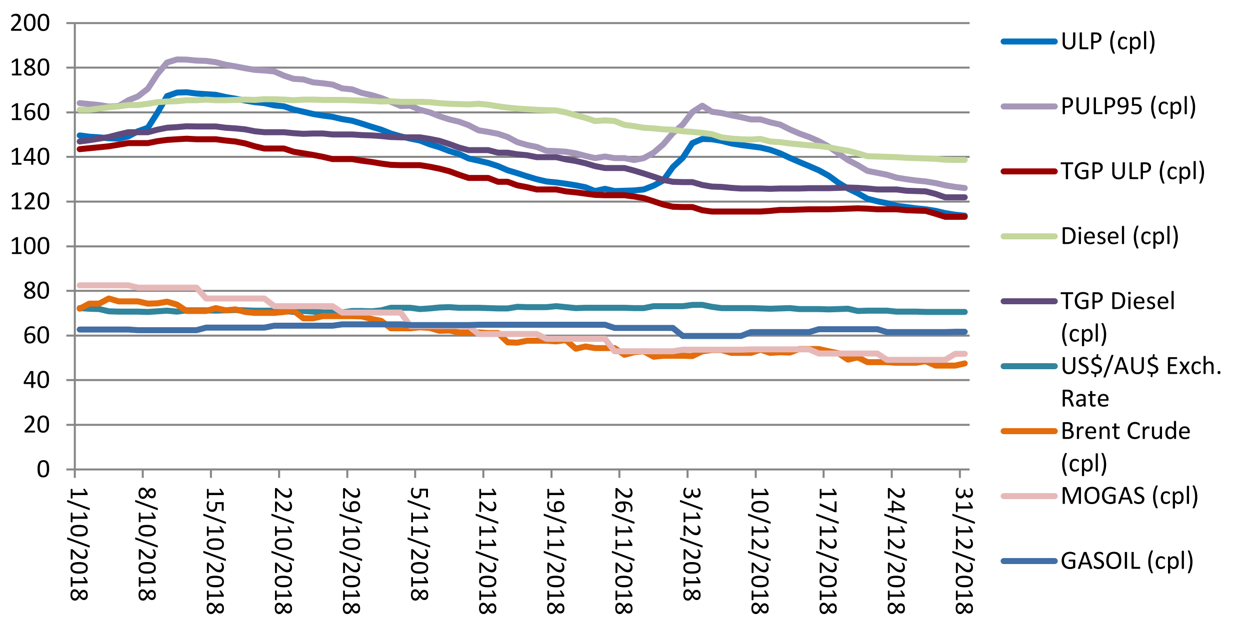
The Saudi CP for January 2019 is 31.3 cpl, 0.5 cpl lower than December. Following the substantial drop in the wholesale price of LPG observed in December and this addition drop, RACQ expects this will result in lower LPG retail prices. However, the evidence suggests fuel companies will use the fall in the Saudi CP to further bolster margins rather than pass savings on to motorists.



	Dec 2018	Nov 2018	Aug 2016 (cheapest)	Jan 2014 (dearest)	Last year (2017)
Average Retail Price	88.8	90.1	63.4	94.8	77.0
Costs and Margins	35.5	28.7	24.6	19.3	24.0
GST (Federal tax)	8.1	8.2	5.8	8.6	7.0
Excise (Federal tax)	13.4	13.4	12.9	7.5	13.1
Saudi CP (A$ cpl)	31.8	39.8	20.1	59.4	32.9

Price trends

Only one partial price cycle was observed in Brisbane in December. This cycle started on 26 November and prices peaked on 4 December. Prices then fell steadily throughout December, and the cycle continued in to the new year.



Starting in mid-October, the Brent price fell dramatically and continued to fall throughout November and December. The average price of Brent in December at A$81.2/bbl (US$58.4/bbl) or 46.2 cpl, was 11.7% or A$10.8/bbl lower than November. This substantial fall follows a 19.2% or A$21.9/bbl fall in November compared to October. Compared to the October average Brent price the December price was down by 30.9% or A$32.7/bbl. Brent started December at A$80.7/bbl (US$59.5/bbl), fell throughout December and ended the month at A$75.6/bbl (US$53.4/bbl). These substantial falls followed a 4 years and 4 months record high of A$121.8/bbl (US$86.3/bbl) observed on 4 October. At the end of

December, the average Brent price of A$75.6/bbl (US$53.4/bbl) was 37.9% down from the October peak.

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	131.5 (-3.4)	14.4 (8.7)	144.5 (-15.9)	17.8 (-0.7)
Adelaide	122.7 (-20.7)	5.9 (-9.1)	139.5 (-17.5)	12.9 (-2.9)
Canberra	149.7 (-11.1)	33.5 (0.8)	154.2 (-11.5)	27.9 (3.5)
Darwin	141.4 (-14.1)	20.3 (-1.6)	150.8 (-12.5)	20.1 (3.0)
Hobart	152.9 (-9.2)	30.2 (2.7)	163.0 (-7.4)	30.3 (7.6)
Melbourne	130.8 (-9.0)	14.6 (3.2)	146.2 (-15.2)	20.0 (0.1)
Perth	128.7 (-16.0)	12.4 (-3.7)	149.2 (-14.0)	22.8 (1.4)
Sydney	129.6 (-3.8)	13.4 (8.2)	146.2 (-14.7)	19.9 (0.3)

* 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 regained its usual position as the most expensive of the large five capitals for ULP in December. Adelaide, Perth, Sydney and Melbourne were cheaper than Brisbane by 8.8 cpl, 2.8 cpl, 1.9 cpl and 0.7 cpl, respectively. Darwin, Canberra and Hobart were more expensive than Brisbane by 9.9 cpl, 18.2 cpl and 21.4 cpl, respectively.

Diesel sold in Brisbane was more expensive than Adelaide (by 5.0 cpl) and cheaper than the other capitals. Sydney, Melbourne, Perth, Darwin, Canberra and Hobart, were more expensive than Brisbane by 1.7 cpl, 1.7 cpl, 4.7 cpl, 6.3 cpl, 9.7 cpl and 18.5 cpl, respectively.

Comparison of the SEQ metropolitan centres

The table below presents the average December prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to November 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	132.3 (-4.4)	15.2 (7.8)	146.8 (-16.2)	20.0 (-1.0)
Brisbane North	131.9 (-2.7)	14.9 (9.5)	144.3 (-16.6)	17.5 (-1.4)
Brisbane South	131.2 (-3.3)	14.1 (8.8)	145.0 (-15.6)	18.3 (-0.4)
Brisbane Bayside/ Redlands	135.4 (-1.4)	18.4 (10.8)	146.7 (-15.1)	19.9 (0.1)
Logan	131.2 (-2.7)	14.1 (9.5)	145.6 (-16.1)	18.8 (-0.9)
Ipswich	129.1 (-8.0)	11.8 (4.2)	143.2 (-15.8)	16.2 (-0.6)
Moreton Bay	133.2 (-1.9)	15.8 (10.3)	143.3 (-16.3)	16.2 (-1.1)
Gold Coast	131.3 (-2.2)	13.6 (9.9)	144.2 (-16.0)	16.8 (-0.7)
Sunshine Coast	137.9 (-7.9)	20.0 (4.3)	146.2 (-12.2)	18.6 (3.0)

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

Ipswich was the cheapest centre in SEQ to buy ULP (and diesel) in December, with an average price of 129.1 cpl. It was followed by Brisbane South, Logan and Gold Coast with average prices of 131.2 cpl, 131.2 cpl and 131.3 cpl, respectively. The Sunshine Coast was the most expensive SEQ centre at 137.9 cpl, 8.8 cpl dearer than Ipswich.

Ipswich was also was the cheapest SEQ centre to buy diesel with an average price of 143.2 cpl, followed closely by Moreton Bay, which was 0.1 cpl dearer. Central Brisbane was the most expensive at 146.8 cpl, 3.6 cpl dearer than Ipswich.

ULP and diesel prices in all SEQ centres were lower than those observed in November. Average ULP prices in SEQ were 1 cpl to 8 cpl lower than November. Diesel sold in SEQ in December was 12 cpl to 17 cpl cheaper than November.

Fuel prices across Queensland

The average price of ULP across regional Queensland in December was 137.6 cpl, 13.5 cpl lower than November when the average price was 151.1 cpl. The average diesel price was 145.0 cpl, 14.9 cpl lower than November when the average price was 159.9 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	131.5 (-3.4)	14.4 (8.7)	144.5 (-15.9)	17.8 (-0.7)
Atherton	147.1 (-13.2)	26.2 (-1.1)	149.2 (-12.7)	19.1 (2.5)
Beaudesert	133.2 (-13.6)	15.3 (-1.4)	147.5 (-13.1)	19.9 (2.2)
Biloela	149.2 (-13.8)	29.0 (-1.7)	152.9 (-12.5)	23.2 (2.6)
Blackwater	159.8 (-4.7)	37.9 (7.4)	153.9 (-11.0)	22.6 (4.2)
Bowen	138.9 (-18.7)	16.4 (-6.6)	140.9 (-17.5)	10.3 (-2.3)
Bundaberg	129.5 (-18.0)	9.1 (-5.8)	141.2 (-15.8)	11.1 (-0.5)
Cairns	145.1 (-16.1)	24.9 (-4.0)	150.7 (-12.1)	21.3 (3.1)
Charters Towers	143.7 (-15.6)	21.9 (-3.5)	143.8 (-16.1)	13.8 (-0.9)
Childers	130.9 (-20.3)	11.0 (-8.1)	142.4 (-15.8)	12.8 (-0.6)
Dalby	144.5 (-10.4)	25.5 (1.8)	148.2 (-13.2)	19.6 (2.0)
Emerald	152.0 (-12.2)	29.3 (-0.1)	153.3 (-11.6)	21.2 (3.6)
Gladstone	134.4 (-18.1)	15.3 (-6.0)	140.2 (-15.5)	11.7 (-0.4)
Goondiwindi	159.5 (-2.3)	39.1 (9.9)	145.8 (-13.6)	15.7 (1.6)
Gympie	127.4 (-18.5)	8.8 (-6.3)	139.8 (-16.4)	11.5 (-1.2)
Hervey Bay	134.1 (-22.5)	14.4 (-10.3)	146.6 (-13.3)	17.1 (1.9)
Ingham	152.6 (-7.4)	31.0 (4.7)	151.0 (-11.1)	21.2 (4.1)
Innisfail	153.3 (-9.8)	32.3 (2.3)	160.5 (-5.8)	30.3 (9.4)
Kingaroy	128.3 (-24.5)	9.4 (-12.3)	140.8 (-18.8)	12.1 (-3.6)
Lockyer Valley	132.2 (-14.5)	14.3 (-2.4)	146.4 (-13.9)	18.7 (1.3)
Longreach	154.9 (-12.1)	28.0 (0.0)	156.8 (-12.8)	20.5 (2.3)
Mackay	137.7 (-16.4)	17.7 (-4.4)	148.4 (-11.3)	19.8 (3.8)
Mareeba	148.2 (-15.0)	27.4 (-2.8)	151.8 (-12.5)	21.8 (2.7)
Maryborough	124.8 (-17.5)	5.5 (-5.3)	139.7 (-13.2)	10.6 (2.0)

Miles	123.4 (-20.5)	3.1 (-8.4)	138.1 (-13.4)	8.2 (1.8)
Moranbah	150.9 (-9.9)	28.9 (2.2)	151.7 (-9.4)	21.2 (5.8)
Mount Isa	153.9 (-12.6)	24.4 (-0.5)	146.4 (-15.0)	8.7 (0.2)
Nambour	139.4 (-5.4)	21.5 (6.8)	146.9 (-12.1)	19.4 (3.1)
Noosa	137.0 (-14.2)	19.0 (-2.0)	145.1 (-13.8)	17.4 (1.4)
Rockhampton	140.5 (-16.4)	20.4 (-4.3)	139.7 (-19.0)	10.2 (-3.9)
Roma	144.7 (-10.7)	23.1 (1.5)	148.5 (-9.7)	17.2 (5.6)
Somerset	132.2 (-12.8)	14.2 (-0.6)	141.2 (-18.8)	13.5 (-3.6)
Toowoomba	124.6 (-23.9)	6.4 (-11.8)	142.9 (-16.4)	15.1 (-1.2)
Townsville	137.6 (-18.4)	17.1 (-6.3)	139.4 (-19.3)	10.7 (-4.0)
Tully	150.3 (-4.2)	28.8 (7.9)	153.6 (-8.4)	22.9 (6.8)
Warwick	132.6 (-23.1)	14.2 (-10.9)	140.8 (-17.6)	12.6 (-2.4)
Whitsunday	147.8 (-11.7)	26.5 (0.4)	151.2 (-11.3)	21.3 (3.9)
Yeppoon	140.9 (-18.4)	20.3 (-6.3)	142.5 (-21.0)	12.6 (-5.8)

* 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 123.4 cpl, Miles was the cheapest Queensland regional centre to buy ULP (and diesel) in December. Miles was 8.1 cpl Cheaper than Brisbane. Toowoomba, Maryborough, Gympie, Kingaroy, Bundaberg and Childers were also cheaper than Brisbane. The most expensive regional centre for ULP listed was Blackwater[1]. With an average ULP price of 159.8 cpl, Blackwater was 28.3 cpl more expensive than Brisbane.

Miles also had the cheapest diesel in Queensland at 138.1 cpl, 6.4 cpl cheaper than Brisbane. Townsville, Maryborough, Rockhampton, Gympie, Gladstone, Kingaroy, Warwick, Bowen, Bundaberg, Somerset, Childers, Yeppoon, Toowoomba and Charters Towers were also cheaper than Brisbane. Innisfail was the most expensive regional centre for diesel at 160.5 cpl[1], 16.0 cpl higher than Brisbane.

In ten out of the 37 regional centres monitored by RACQ, ULP retail margins were lower than those charged in Brisbane. The lowest indicative retail margin was observed in Miles (3.1 cpl), 11.3 lower than Brisbane, and the highest in Goondiwindi (39.1 cpl), 24.7 cpl higher than Brisbane. Diesel indicative retail margins were lower than Brisbane in 20 out of 37 regional centres. As with ULP, the lowest diesel margins were observed in Miles (8.2 cpl). At 30.3 cpl, indicative retail margins in Innisfail were the highest of the monitored centres and 12.5 cpl higher than Brisbane.

Indicative retail margins on ULP were higher than RACQ would consider in all centres except Miles, Maryborough and Toowoomba. With an indicative diesel retail margins of 8.2 cpl and 8.7 cpl respectively, margins in Miles and Mount Isa and marginally higher than RACQ would consider fair. However, these centres had the lowest indicative diesel retail margins in Queensland.

Outlook

In the last three months the underlying market fundamentals have shifted, with supply now exceeding demand, and global oil and gasoline inventories increasing and subsequently the oil price has collapsed. After hitting a high of A$121.8/bbl in early October, by the end of December the Brent price had fallen

[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.

by 37.9% or A$46.2/bbl.

At their meeting in early December, OPEC+ (the OPEC members countries, plus Russia and others) agreed to a one million bbl/day production cut starting in January 2019. This cut appears to have led to increased bullish sentiment in the oil markets and price increases. However, the impact of the OPEC+ production cut does not appear to have reduced the high levels of oil and refined product inventories (the overhang) that accumulated in the second half of 2018. The latest EIA data shows that US inventories have remained steady so far this year. While the overhang remains, oil prices are likely to remain subdued.

The next monthly fuel price report will be released in early February 2019.

Data sources

All data presented in this report are RACQ calculations using OPIS, FUELtrac, RBA, AIP and Bloomberg.com data.