

Monthly Fuel Price Report – March 2020



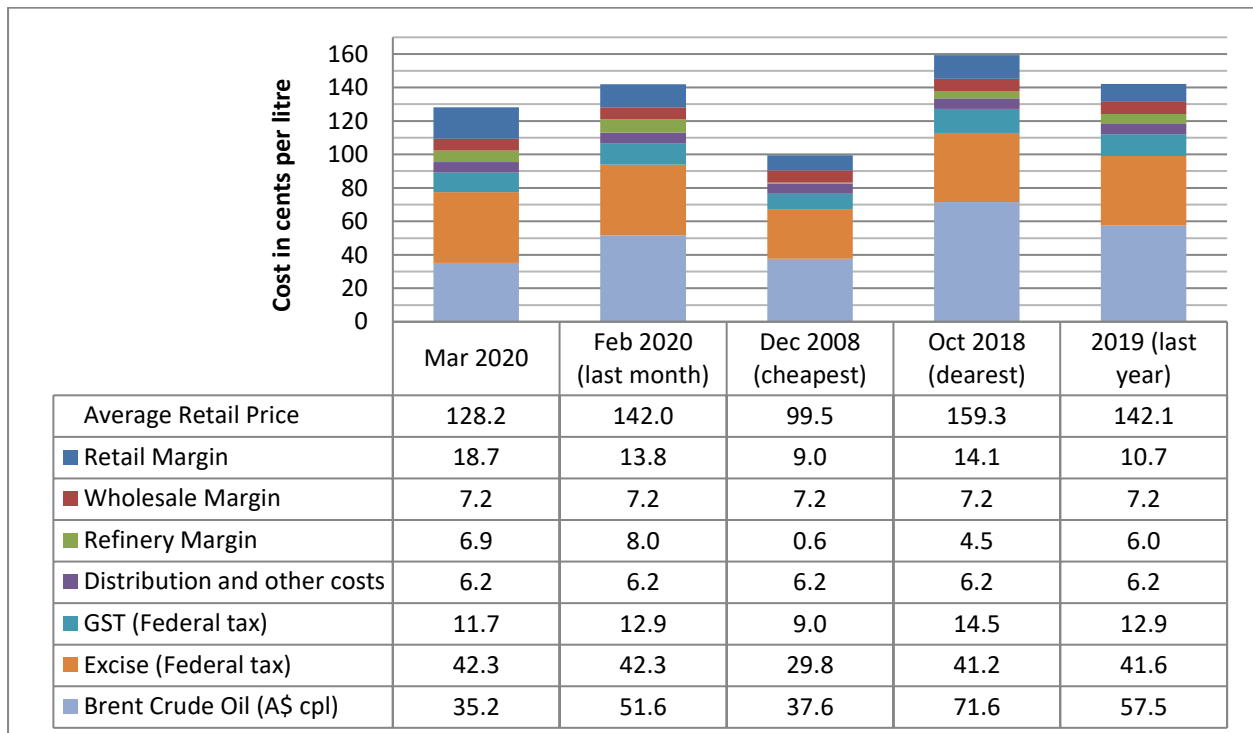
3 April 2020

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

Key points

- The COVID-19 crisis and Saudi/Russia oil price war led to a collapse in global oil prices. The Brent oil price fell by 47% in March and 56% since the beginning of 2020.
- Rather than pass these savings on to motorists, fuel companies used the fall in oil price to bolster indicative retail margins.
- At 128.2 cpl, the average ULP price in Brisbane in March was 13.8 cpl lower than February. This decrease was due to the fall in the oil price rather than a fall in fuel company margins.
- The monthly average indicative retail margin in Brisbane, at 18.7 cpl, was 4.9 cpl higher than February and a new record high. A daily average record high of 48.7cpl was observed on March 24.
- Brisbane was the fourth cheapest of the five large capital cities in March for ULP.
- At 140.5 cpl, the average Brisbane diesel price in March was 7.9 cpl cheaper than February.
- Brisbane was the third cheapest of the large capital cities in March for diesel.
- The average ULP price in regional Queensland in March was 135.4 cpl, 8.5 cpl lower than February. The average diesel price in regional Queensland was down 5.7 cpl, at 142.5 cpl.
- Toowoomba was the cheapest Queensland regional centre to buy ULP in March, with an average price of 123.6 cpl.
- Gympie was the cheapest Queensland regional centre to buy diesel in March, with an average price of 132.4 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 March. 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.

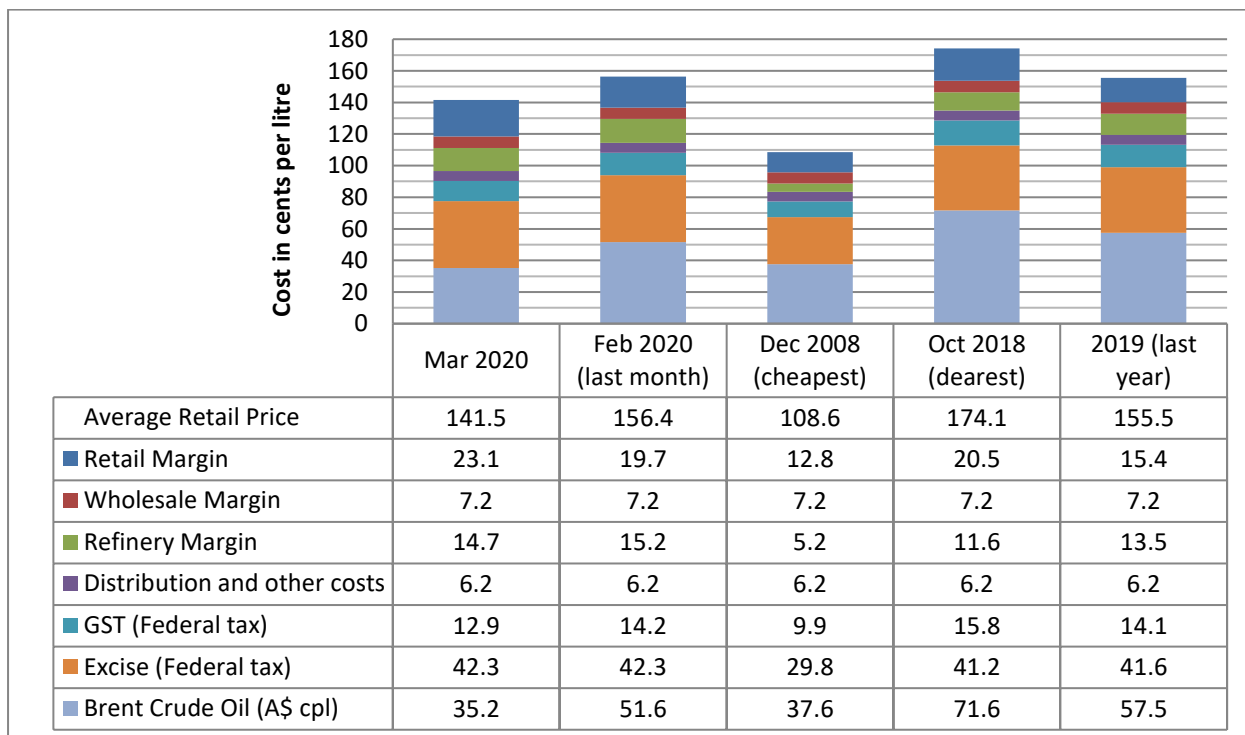
At 128.2 cpl, the average price of ULP in Brisbane in March was 13.8 cpl lower than the February average. Indicative retail margins, at 18.7 cpl, were 4.9 cpl higher than February. Indicative ULP refinery margins, at 6.9 cpl, were 1.1 cpl lower than February. Total margins (retail, wholesale and refinery) at 32.8 cpl, were 3.8 cpl higher than February.

The monthly average indicative retail margins for ULP in Brisbane, at 18.7 cpl recorded a new all-time record high. The previous record high of 17.9 cpl was observed in October 2019.

The decrease in the March average ULP price was due to a decrease in oil prices. Following the trend set by the oil price, the average terminal gate price (TGP) for ULP in Brisbane fell by 37.5 cpl in March. On March 1 the average ULP TGP was 127.0 cpl, by March 31 it had fallen to 89.5 cpl. Rather than pass these savings on to motorists, fuel companies in Brisbane (and throughout Queensland) used the fall in oil price and TGP to bolster margins.

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 March. 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

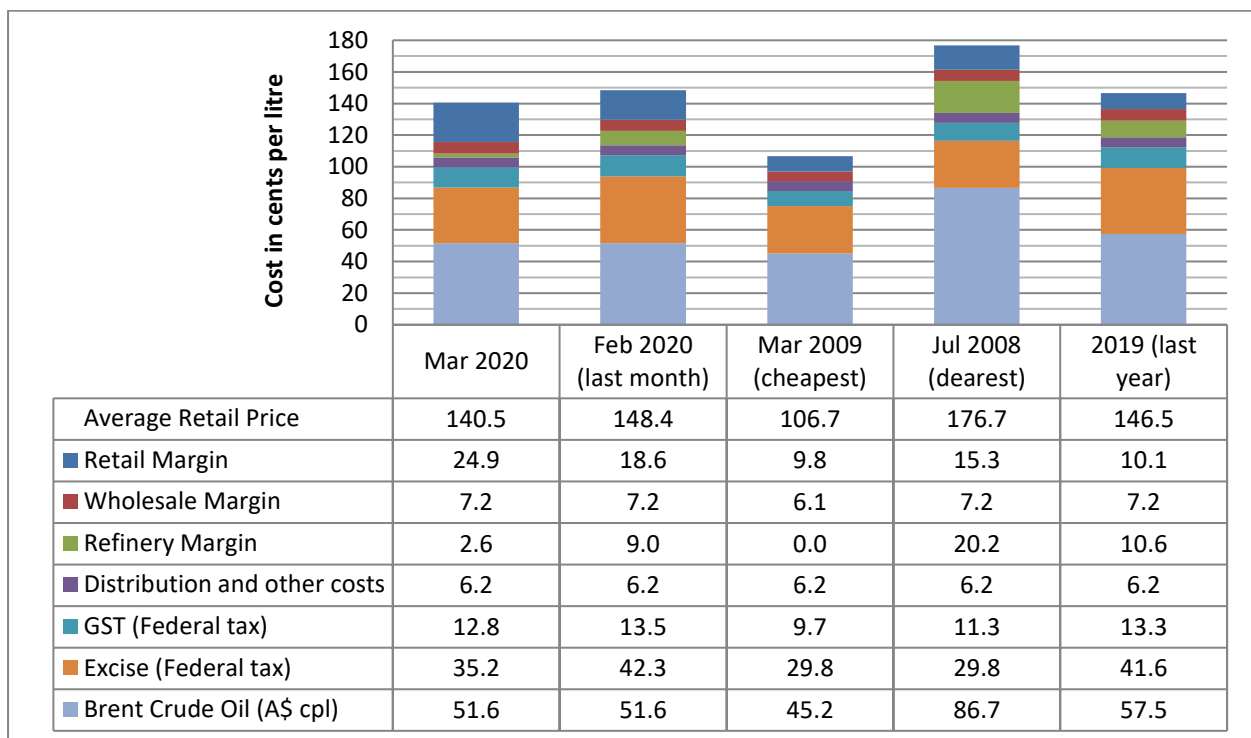
The average PULP 95 price in Brisbane in March was 141.5 cpl, 14.9 cpl lower than February. The price difference between ULP and PULP 95 was 13.3 cpl, 1.1 cpl lower than February (when it was 14.4 cpl).

Indicative retail margins for PULP 95, at 23.1 cpl, were 3.4 cpl higher than February. Refinery margins at 14.7 cpl, were 0.5 cpl lower than February. Total margins, at 45.0 cpl were 2.9 cpl higher than February when they were 42.1 cpl.

Diesel cost breakdown in Brisbane

The average price of diesel in March, at 140.5 cpl, was 7.9 cpl lower than February. Indicative retail margins at 24.9 cpl, were up by 6.3 cpl, and refinery margins were down by 6.4 cpl at 2.6 cpl. Total margins (retail, wholesale and refinery) in March at 34.7 cpl, were largely unchanged from February (34.8 cpl).

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

Liquid Petroleum Gas (LPG)

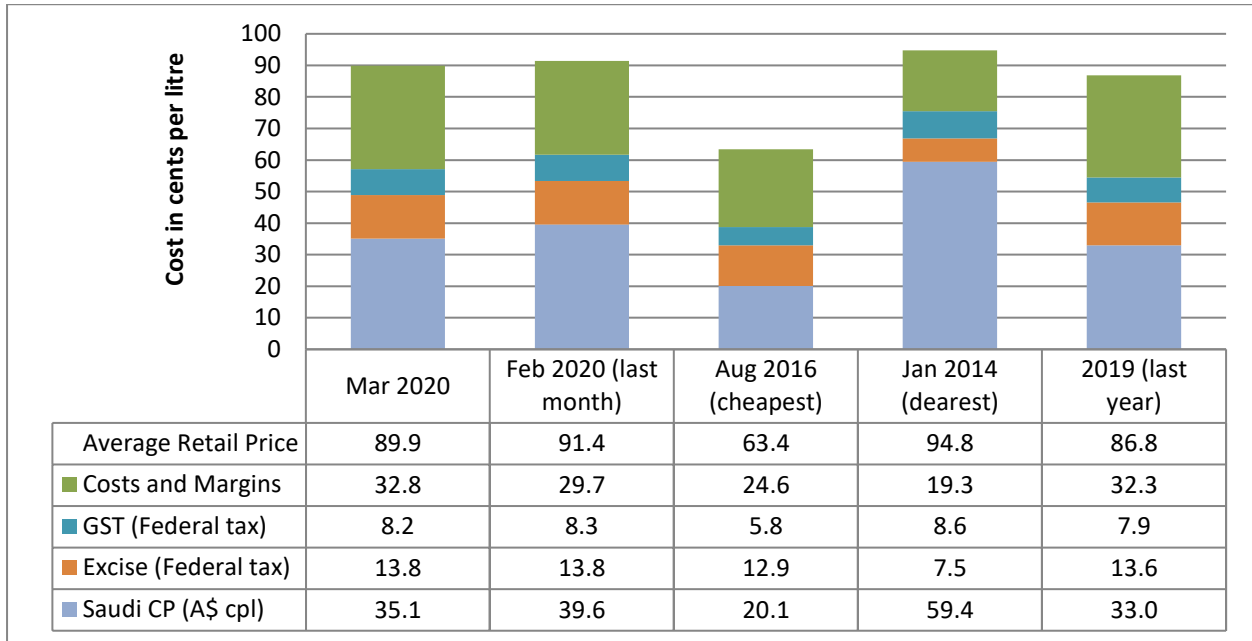
Data on LPG pricing is limited compared to petrol and diesel. Subsequently, it is not possible to calculate retail, wholesale and refinery margins. The alternative measure calculates the difference between the international benchmark price (the Saudi Aramco Contract Price – the Saudi CP) and the pre-tax retail price. This measure captures all fuel company margins and costs.

The average retail price of LPG in Brisbane in March was 89.9 cpl, 1.5 cpl lower than February. Fuel company margins and costs in March, at 32.8 cpl, were 3.1 cpl higher than February. While fuel companies passed some of the savings from a lower Saudi CP on to motorists, most of the savings have been used to bolster margins.

The recently published Saudi CP for March, at 19.7 cpl, was 15.4 cpl lower than March. This decrease

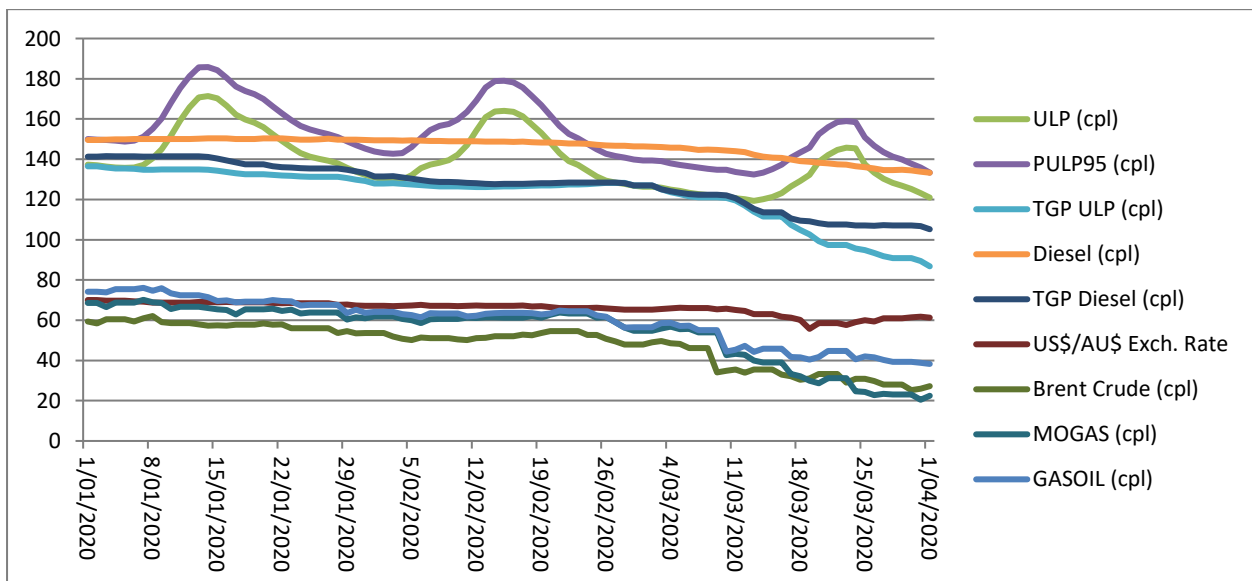
should lead to a substantial fall in the average LPG price in Brisbane. However, recent evidence suggests that fuel companies will use this fall to bolster margins, rather than pass the savings on to motorists.

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



Price trends

Two partial price cycles were observed in the Brisbane ULP market in March – the end of February cycle and the beginning of the March/current cycle. The February cycle started on 5 February and prices peaked at 164.0 cpl on 15 February. Prices then fell until mid-March. The second price cycle started on 14 March and prices peaked at 145.8 cpl on 23 March. At the time of writing the Brisbane ULP market was in the discounting phase of the cycle, however prices remained substantially higher than they usually would be at this point in the cycle.



When fuel companies first initiated the price hike on March 14, they moved their ULP retail prices to a new high of 159.9 cpl, 48.4 cpl higher than the average TGP on that day. However, fuel companies were quick to discount this price, or move to a lower price as the hike progressed. When the average peaked on March 23, it peaked at 145.8 cpl, 15.1 cpl lower than the common high price at the start of the hike. This difference was unusually large, historically prices peaked within 1 cpl of the common new high price.

On March 23, the peak average ULP price in Brisbane returned an indicative retail margin of 47.3 cpl. A new record high daily average indicative retail margin of 48.7 cpl, was observed on the following day, March 24.

The falling oil price and TGP has led to longer price cycles. The February price cycle lasted for 38 days, whereas cycles so far in 2020 have lasted between 20 and 30 days. At the time of writing, the current price cycle was 20 days old and indicative retail margins remained in excess of 30 cpl.

The average price of Brent in March at 56.0 A\$/bbl (35.2 US\$/bbl) or 35.2 cpl, was 26.0 A\$/bbl lower than February. Brent started March at 77.8 A\$/bbl (50.8 US\$/bbl). After the breakdown of the OPEC+ alliance on March 6 and the start of a price war between Saudi Arabia and Russia, the oil price collapsed. In A\$ terms the Brent price fell by 36.5 A\$/bbl or 46.9% in March. Brent ended the month at 41.3 A\$/bbl (25.5 US\$/bbl) – the lowest price (in A\$) observed since January 2016. In US\$ terms the Brent price was last this low in September 2003.

The collapse of the oil price was due to the massive economic slowdown caused by the outbreak of COVID-19 and the related restrictions on personal movement, and the Saudi/Russian oil price war.

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	128.2 (-13.8)	18.7 (4.9)	140.5 (-7.9)	24.9 (6.3)
Adelaide	112.0 (-28.7)	2.9 (-9.7)	135.4 (-9.5)	20.0 (5.2)
Canberra	138.7 (-5.7)	30.3 (13.6)	145.8 (-6.9)	30.8 (8.0)
Darwin	132.7 (-4.0)	19.3 (15.1)	139.4 (-2.9)	20.6 (11.8)
Hobart	148.5 (-6.1)	33.0 (12.6)	155.5 (-6.1)	33.8 (8.3)
Melbourne	125.5 (-16.7)	17.0 (2.3)	141.3 (-6.1)	26.1 (8.4)
Perth	122.7 (-12.1)	14.6 (7.1)	142.3 (-5.3)	27.7 (9.5)
Sydney	130.8 (-12.2)	22.4 (7.2)	139.4 (-8.7)	24.4 (6.1)

* 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 was the fourth cheapest of the five large capital cities in March, of the large five only Sydney was more expensive. The average ULP prices in Adelaide, Perth and Melbourne were cheaper than Brisbane by 16.2 cpl, 5.5 cpl and 2.7 cpl, respectively. Sydney was 2.6 cpl dearer than Brisbane. Darwin, Canberra and Hobart were also more expensive than Brisbane by 4.5 cpl, 10.5 cpl and 20.3 cpl, respectively.

For diesel, Brisbane was the third cheapest large capital city in March. Considering all capitals, it was the fourth cheapest. The average diesel prices in, Adelaide, Darwin and Sydney were cheaper than Brisbane by 5.1 cpl, 1.1 cpl and 1.1 cpl, respectively. Melbourne, Perth, Canberra and Hobart were more expensive than Brisbane by 0.8 cpl, 1.8 cpl, 5.3 cpl and 15.0 cpl respectively.

Comparison of the SEQ metropolitan centres

The cheapest centre in SEQ to buy ULP was Gold Coast, with an average price of 124.3 cpl, followed by Brisbane South and Ipswich both at 125.8 cpl. Central Brisbane was the most expensive area in SEQ at 130.4 cpl, 6.1 cpl dearer than the Gold Coast. ULP prices in SEQ centres were approximately 13 to 15 cpl lower than February. Despite the fall in retail price, indicative retail margins increased by approximately 3 to 6 cpl in SEQ centres.

The Sunshine Coast was the cheapest SEQ centre to buy diesel with an average price of 138.3 cpl, followed by Ipswich at 139.5 cpl and Moreton bay at 139.6 cpl. Central Brisbane was the most expensive at 142.8 cpl, 4.5 cpl dearer than the Sunshine Coast. The price difference between the cheapest and dearest diesel price at 4.5 cpl was lower than ULP, for which the difference was 6.1 cpl. Diesel prices in SEQ in March were approximately 6 to 9 cpl lower than the February averages.

The table below presents the average March prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to February 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	130.4 (-13.9)	21.0 (4.8)	142.8 (-7.8)	27.2 (6.4)
Brisbane North	129.2 (-14.6)	19.7 (4.1)	141.8 (-6.9)	26.3 (7.4)
Brisbane South	125.8 (-14.7)	16.4 (4.0)	140.6 (-7.6)	25.0 (6.6)
Brisbane Bayside/ Redlands	129.6 (-13.2)	20.1 (5.5)	141.7 (-7.6)	26.1 (6.7)
Logan	127.2 (-15.4)	17.7 (3.3)	140.2 (-8.4)	24.6 (5.8)
Ipswich	125.8 (-13.1)	16.0 (5.6)	139.5 (-7.5)	23.7 (6.7)
Moreton Bay	129.8 (-12.4)	20.0 (6.3)	139.6 (-8.1)	23.7 (6.1)
Gold Coast	124.3 (-14.4)	14.2 (4.4)	142.3 (-6.1)	26.1 (8.1)
Sunshine Coast	126.3 (-15.1)	16.0 (3.7)	138.3 (-9.2)	21.9 (5.1)

* 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 March was 135.4 cpl, 8.5 cpl lower than February when the average price was 143.9 cpl. The average diesel price was 142.5 cpl, 5.7 cpl lower than February when the average price was 148.2 cpl. While these falls are welcome, the fall in the TGP far outstrips the falls in the retail prices.

With an average ULP price of 123.6 cpl, Toowoomba was the cheapest regional centre in March, 4.6 cpl cheaper than Brisbane. Maryborough was the second cheapest and Gympie third, with an average ULP price of 124.7 cpl and 125.7 cpl, respectively. Lockyer Valley, Nambour and Bundaberg were also cheaper than Brisbane. At 156.4 cpl, the most expensive regional centre for ULP was Mount Isa¹, 28.2

cpl more expensive than Brisbane.

Gympie had the cheapest diesel in Queensland at 132.4 cpl, 8.1 cpl cheaper than Brisbane. Bundaberg, Miles, Somerset, Whitsunday, Gladstone, Noosa, Maryborough, Childers, Nambour, Bowen, Warwick and Lockyer Valley were also cheaper than Brisbane. Longreach¹ was the most expensive regional centre for diesel at 156.0 cpl, 15.5 cpl higher than Brisbane.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	128.2 (-13.8)	18.7 (4.9)	140.5 (-7.9)	24.9 (6.3)
Atherton	146.5 (-3.1)	33.2 (16.2)	144.8 (-4.3)	25.7 (10.3)
Beaudesert	134.6 (-12.7)	24.4 (6.1)	140.8 (-9.7)	24.4 (4.6)
Biloela	145.1 (-4.6)	32.4 (14.3)	145.5 (-6.2)	27.5 (8.4)
Blackwater	150.9 (-8.5)	36.6 (10.4)	149.7 (-2.8)	29.9 (11.8)
Bowen	137.4 (-6.9)	23 (12.6)	138.9 (-8.1)	19.7 (6.7)
Bundaberg	127.3 (-8.9)	14.4 (9.9)	134.9 (-10.1)	16.0 (4.2)
Cairns	139.6 (-5.1)	27.0 (14.2)	146.3 (-3.0)	28.0 (11.5)
Charters Towers	146.3 (-3.5)	32.6 (16.1)	147.7 (-3.7)	29.2 (11.1)
Childers	133.4 (-14.2)	21.1 (4.6)	138.1 (-10.7)	19.7 (3.5)
Dalby	138.1 (-5.7)	26.7 (13.0)	145.3 (-2.6)	27.8 (11.6)
Emerald	145.5 (-4.4)	30.4 (14.6)	147.3 (-2.1)	26.7 (12.4)
Gladstone	128.5 (-12.2)	17.0 (6.7)	136.8 (-10.0)	19.9 (4.5)
Goondiwindi	132.6 (-5.3)	19.8 (13.4)	140.6 (-5.7)	21.7 (8.5)
Gympie	125.7 (-12.6)	14.8 (6.2)	132.4 (-11.3)	15.3 (2.9)
Hervey Bay	134.3 (-3.6)	22.2 (15.2)	142.3 (-6.6)	24.1 (7.7)
Ingham	134.6 (-6.4)	21.1 (13.2)	142.6 (-3.7)	24.3 (11.2)
Innisfail	142.5 (-2.4)	29.1 (16.9)	149.1 (-1.8)	30.0 (12.8)
Kingaroy	137.6 (-7.6)	26.2 (11.1)	140.6 (-5.2)	23.2 (9.0)
Lockyer Valley	126.1 (-15.8)	15.7 (2.9)	139.7 (-8.8)	23.2 (5.4)
Longreach	149.6 (-5.6)	30.3 (13.3)	156.0 (-6.3)	31.3 (8.3)
Mackay	140.4 (-6.0)	28.0 (13.0)	143.6 (-6.4)	26.2 (8.1)
Mareeba	146.7 (-3.1)	33.5 (16.2)	148.2 (-2.9)	29.2 (11.7)
Maryborough	124.7 (-10.7)	12.9 (8.1)	137.9 (-6.1)	20.0 (8.1)
Miles	129.9 (-5.6)	17.3 (13.2)	135.6 (-6.3)	16.8 (7.9)
Moranbah	142.8 (-1.1)	28.5 (17.9)	145.3 (-2.0)	26.1 (12.5)
Mount Isa	156.4 (0.0)	35.0 (19.5)	146.4 (-2.4)	20.2 (12.4)
Nambour	126.5 (-10.1)	16.2 (8.7)	138.4 (-9.0)	22.1 (5.2)
Noosa	130.6 (-15.8)	20.2 (3.0)	137.2 (-10.5)	20.7 (3.7)
Rockhampton	139.1 (-5.9)	26.5 (13.1)	141.5 (-6.9)	23.6 (7.7)
Roma	130.4 (-6.2)	16.4 (12.6)	140.6 (-4.9)	20.4 (9.3)
Somerset	129.9 (-10.6)	19.5 (8.2)	135.6 (-9.8)	19.1 (4.4)
Toowoomba	123.6 (-24.1)	13.0 (-5.3)	141.1 (-6.5)	24.5 (7.7)
Townsville	136.0 (-5.5)	23.6 (14.0)	144.1 (-4.8)	26.8 (10.0)

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.

Tully	142.6 (-2.5)	28.7 (16.8)	148.0 (-1.5)	28.4 (13.1)
Warwick	137.1 (-6.2)	26.3 (12.6)	139.3 (-7.5)	22.3 (6.7)
Whitsunday	130.8 (-6.8)	17.1 (12.2)	136.7 (-3.0)	18.1 (11.5)
Yeppoon	141.8 (-4.0)	28.9 (15.0)	148.4 (-1.4)	30.0 (13.1)

* 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.

In 10 out of the 37 regional centres monitored by RACQ, ULP indicative retail margins were lower than those charged in Brisbane. The lowest indicative retail margin was observed in Maryborough (12.9 cpl), 5.8 cpl lower than Brisbane, and the highest margins were observed in Blackwater (36.6 cpl), 17.9 cpl higher than Brisbane.

Indicative retail margins on ULP increased in every Queensland centre except Toowoomba, where margins fell by 5.3. However, this follows a massive increase in indicative retail margins observed in Toowoomba in February. Indicative retail margins on ULP in regional Queensland were 3 to 20 cpl higher in March compared to February.

Diesel indicative retail margins were lower than Brisbane in 22 out of 37 regional centres. The lowest diesel indicative retail margin was observed in Gympie (15.3 cpl), 9.6 cpl lower than Brisbane. Longreach had the highest indicative retail margin (31.3 cpl), 6.4 cpl greater than Brisbane.

Diesel indicative retail margins increased in March in every centre monitored by RACQ. Diesel indicative retail margins across regional Queensland in March were 3 to 13 cpl greater than those observed in February.

Outlook

The oil price collapsed in March recording some of the largest falls since 2008 and the onset of the GFC. The collapse in the oil price was caused by two factors. The first was a dramatic fall in demand caused by the government's restriction on personal movement in response to the COVID-19 pandemic.

The second factor was the breakdown of the OPEC/OPEC+ production cut deal. OPEC and OPEC+ last met on March 6, ahead of this meeting it was widely expected that OPEC/OPEC+ would agree to a further production cut in an attempt to shore up prices faced with the COVID-19 crisis. These talks failed to reach an agreement with Russia unwilling to further cut their production. It is understood that Russia, with some justification, felt that the production cut was overly benefitting US shale oil producers.

Following the collapse of the OPEC+ alliance Saudi Arabia announced it would flood the market with cheap oil. Subsequently Saudi Arabia has increased to maximum production and slashed their prices, leading to a massive oversupply of oil and the oil price collapse. Over the last month the Brent crude oil price (in A\$) has fallen by 47%. Since the beginning of 2020 the price of Brent has fallen by 56%.

The collapse in the oil price has led a glut of oil and refined product. With the storage close to capacity, the oil industry has reduced rig numbers and sealed off oil wells, leading to the largest shut down in 35 years. The oil industry recently saw the first of potentially many bankruptcies. On April 1, the US shale oil producer Whiting Petroleum filed for bankruptcy protection.

In the longer-term this shut down in oil production is likely to lead to supply restrictions when the COVID-19 crisis has passed and the global economy starts to recover. While oil prices in US\$ are

currently at the lowest levels since 2003, when demand returns, we may see a massive and rapid increase in the oil price to mirror the recent price collapse.

On April 3, there were early indications that oil prices were starting to increase following an announcement from US President Trump that the US had brokered a deal with Russia and Saudi Arabia to cut oil production. At the time of writing, it was unclear whether the deal has the agreement of Saudi Arabia or Russia.

In the next month the underlying fundamentals of reduced demand and increased supply should see oil prices continue to fall. It is widely reported that oil prices will remain low at least for the next two quarters.

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

Data sources

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