

# Monthly Fuel Price Report – November 2018



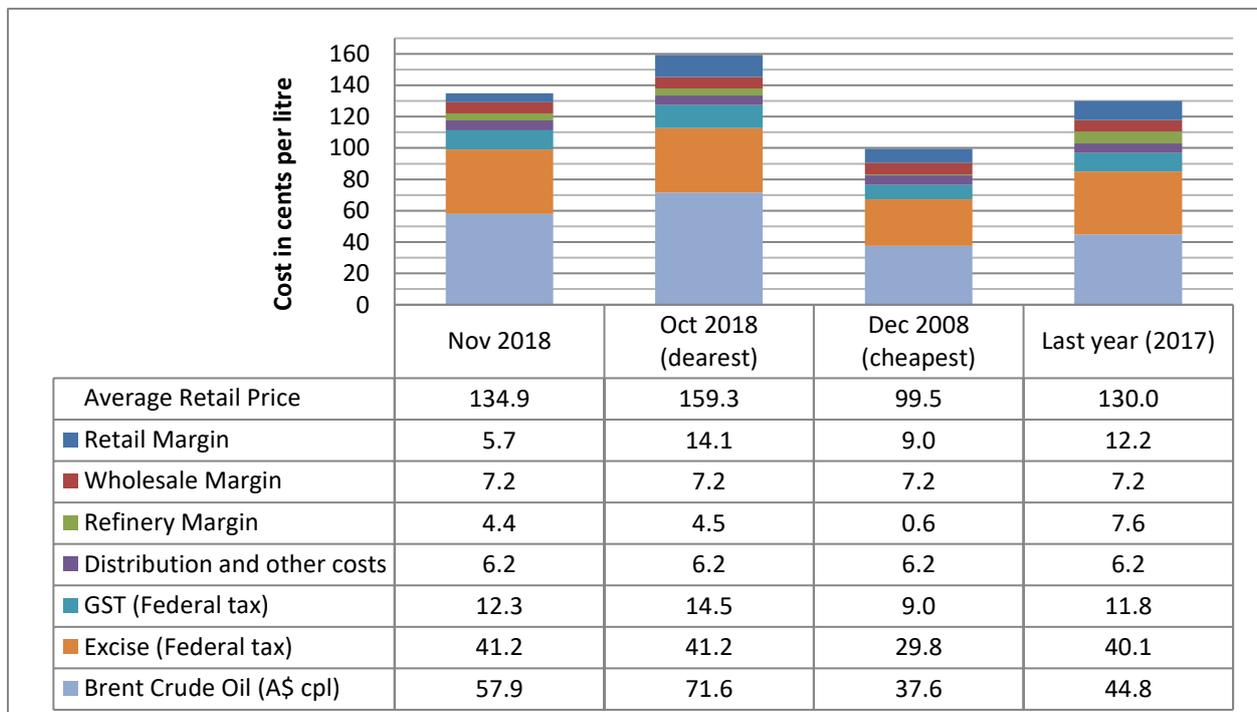
5 December 2018

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

## Key points

- Following the record high prices observed in October and the subsequent collapse in the oil price, the Brisbane average ULP price for November fell 24.4 cpl or 15% to 134.9 cpl. Indicative retail margins were also down on October, however this was largely due to the extended price cycle.
- Unusually, Brisbane was the second cheapest of the Australian capital cities. At 133.4 cpl, only Sydney was cheaper than Brisbane.
- The average Brisbane diesel price in November was 4.3 cpl lower than October, at 160.4 cpl. Similar to ULP, Brisbane was the second cheapest of all the capital cities. At 157.1 cpl, only Adelaide was cheaper than Brisbane.
- Indicative retail margins on diesel were excessively high at 18.5 cpl, 5.9 cpl higher than October and 10.5 cpl higher than RACQ considers reasonable.
- The average ULP price in regional Queensland in November was 151.1 cpl, 8.9 cpl lower than October. The average diesel price in regional Queensland was down 3.9 cpl, at 159.9 cpl.
- ULP sold in all regional centres was dearer than Brisbane. Maryborough had the cheapest regional average ULP at 142.4 cpl, 7.5 cpl dearer than Brisbane. At 151.6 cpl, diesel sold in Miles was the cheapest in Queensland and 8.8 cpl cheaper than Brisbane.
- Indicative retail margins across regional Queensland were elevated compared to October and higher than RACQ would consider fair.

## 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 November. For comparison, the cost breakdown for last month (the most expensive month observed in recent years), last year, and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.

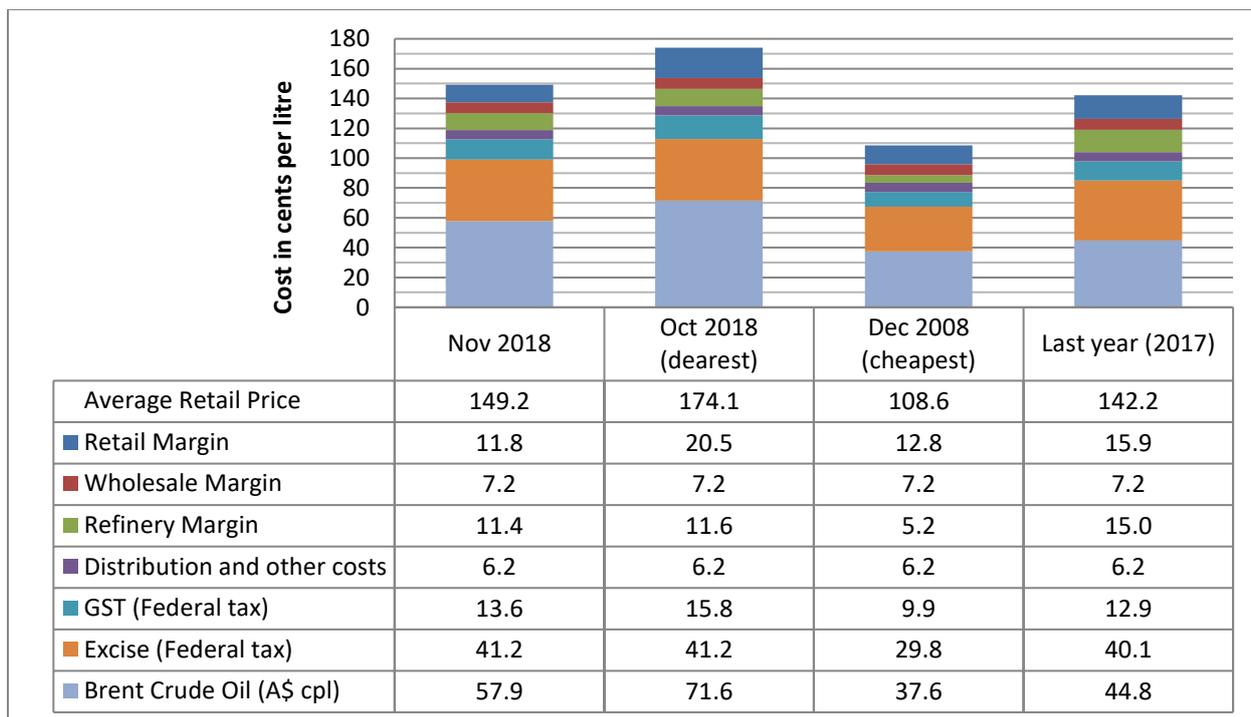
At 134.9 cpl the average price of ULP in Brisbane in November was 24.4 cpl lower than the October average. At 159.3 cpl the October average was the highest average price ever observed in Brisbane. Indicative retail margins, at 5.7 cpl, were 8.4 cpl lower than October.

The fall in the average price and indicative retail margins was due to the collapse in the oil price, rather than increased competition or other changes in the Brisbane ULP market.

Indicative refinery margins were largely unchanged at 4.4 cpl, 0.1 cpl lower than October. The average price of Brent crude oil at 57.9 cpl was 13.7 cpl lower than October.

### 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 November. For comparison, the cost breakdown for last month (the most expensive month observed in recent years), last year, and December 2008 – the cheapest month observed in recent years (since 2008), is also displayed.



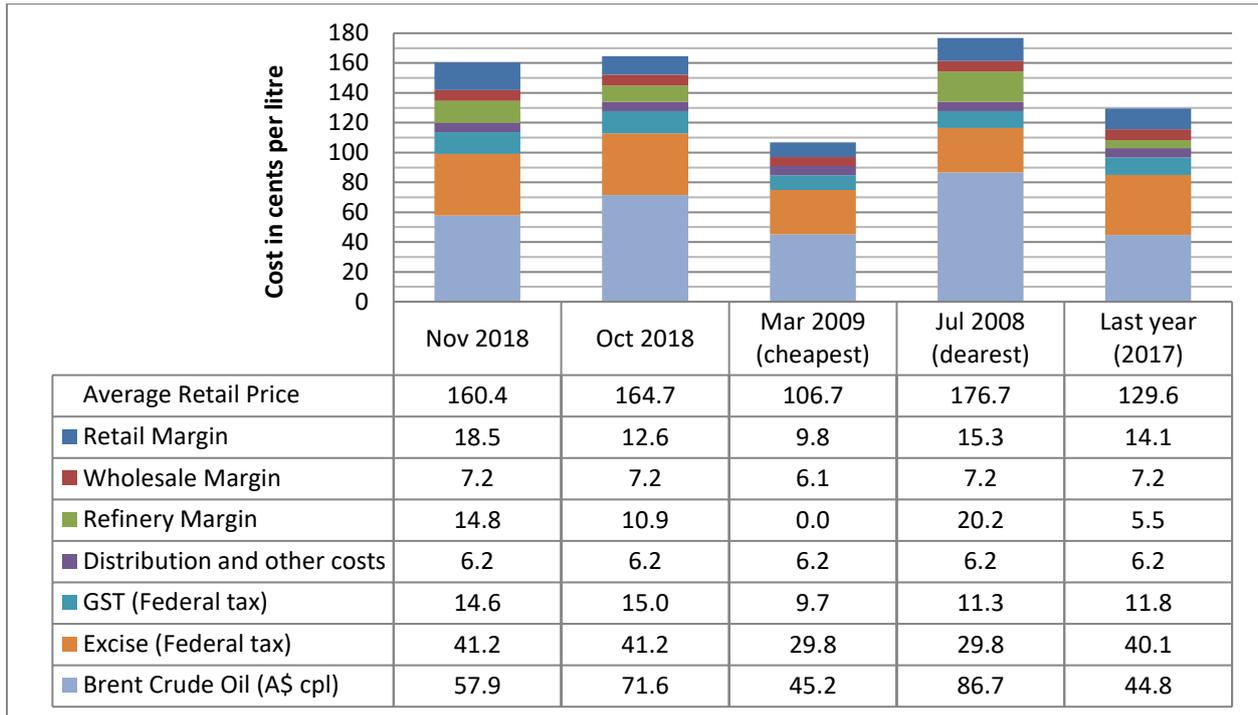
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average price in Brisbane in November was 149.2 cpl, 24.9 cpl lower than October. The price difference between ULP and PULP 95 was 14.3 cpl, 0.5 cpl narrower than in October, when it was 14.8 cpl. Indicative retail margins for PULP 95, at 11.8 cpl, were 8.7 cpl lower than October. Refinery margins were largely unchanged, falling by 0.2 cpl in November.

## Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for November. 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 November, at 160.4 cpl, was 4.3 cpl lower than October. Indicative retail margins increased by 5.9 cpl and refinery margins increased by 3.9 cpl. Total margins - the sum of retail, wholesale and refinery margins at 40.5 cpl were 9.8 cpl higher than October.



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

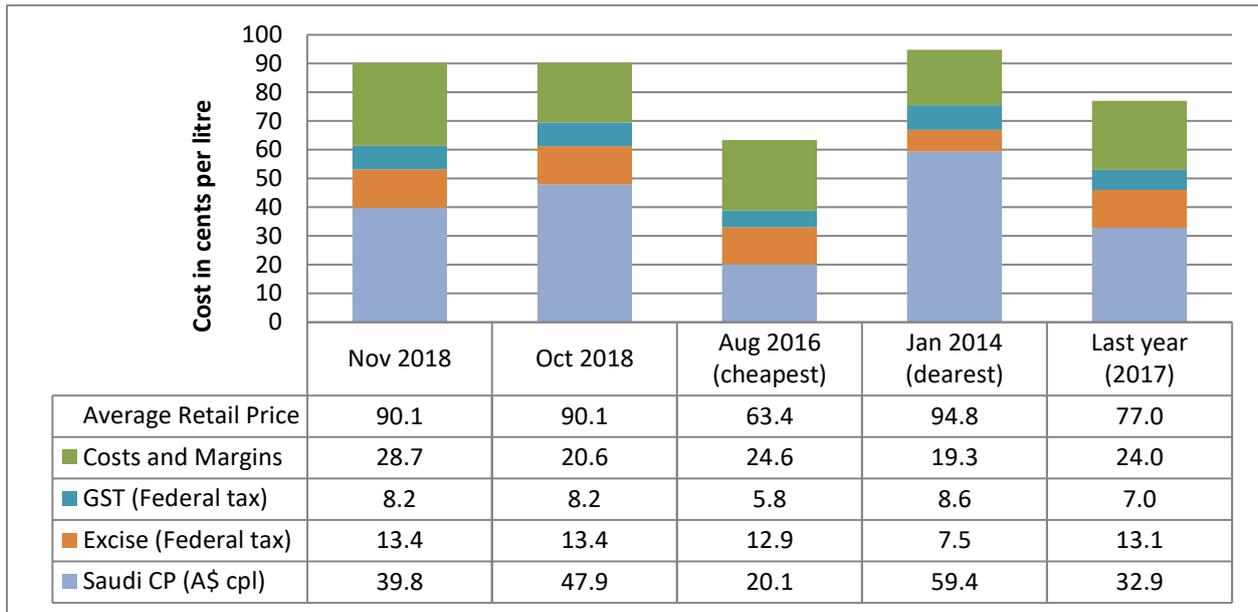
## Liquid Petroleum Gas (LPG)

The chart below shows the cost breakdown for a litre of LPG sold in Brisbane for November. 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 November was unchanged at 90.1 cpl. Fuel company margins and costs increased to 28.7 cpl, 8.1 cpl higher than October. This massive increase in margin was due to the substantial fall in the Saudi CP (down 8.1 cpl). Fuel companies used the fall in the Saudi CP to bolster retail margins, rather than passing the savings on to motorists by dropping retail prices.

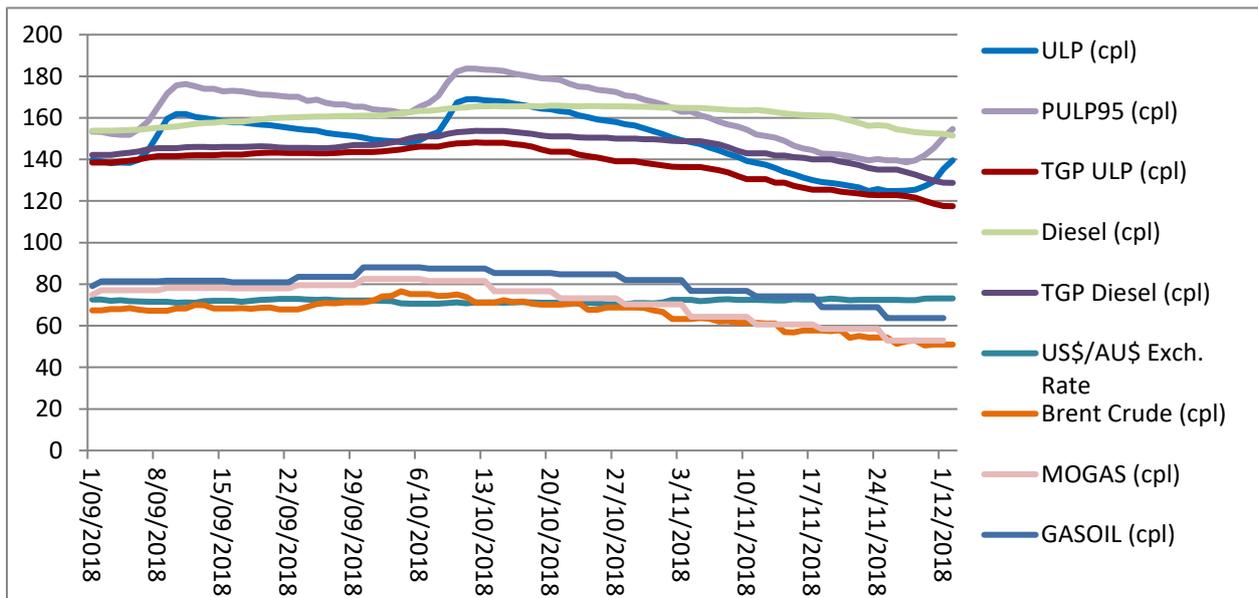
The Saudi CP for November is 31.9 cpl, 8.0 cpl lower than November. This is a substantial drop in the wholesale price of LPG and RACQ expects this will result in lower LPG retail prices.



### Price trends

Two partial price cycles were observed in Brisbane in November. The first cycle started on 6 October and prices peaked on 12 October. Prices then fell steadily throughout October and November. This cycle ended on 25 November. The second price cycle started on 26 November. At the time of writing the Brisbane ULP market was in the most expensive phase of the cycle.

The October/November price cycle lasted for 51 days and was amongst the longest on record. In recent years a few cycles have lasted 51 or 52 days. The longest Brisbane cycle on record lasted for 83 days from 11 November 2104 to 2 February 2015.



Starting in mid-October, the Brent price fell dramatically and continued to fall throughout November. The average price of Brent in November at A\$92.0/bbl (US\$66.7/bbl) or 57.9 cpl, was 19.2% or A\$21.9/bbl lower than October. Brent started November at A\$105.9/bbl (US\$75.5/bbl), fell throughout

November and ended the month at A\$81.0/bbl (US\$59.3/bbl).

These substantial falls followed a 4 years and 9 months record high of A\$121.79/bbl (US\$86.29/bbl) observed on 4 October. At the end of November, the average Brent price of A\$81.0/bbl (US\$59.3/bbl) was 33.4% down from the local peak observed on 4 October.

## 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)
Brisbane	134.9 (-24.4)	5.7 (-8.4)	160.4 (-4.3)	18.5 (5.9)
Adelaide	143.4 (-14.6)	15.1 (1.9)	157.1 (-5.5)	15.8 (5.2)
Canberra	160.8 (-2.9)	32.7 (13.1)	165.6 (-1.6)	24.4 (8.6)
Darwin	155.5 (-6.0)	22.0 (10.2)	163.2 (-3.6)	17.1 (6.6)
Hobart	162.0 (-1.5)	27.5 (14.6)	170.4 (0.0)	22.7 (10.2)
Melbourne	139.8 (-18.0)	11.4 (-2.0)	161.4 (-2.9)	19.9 (7.2)
Perth	144.7 (-12.5)	16.2 (3.6)	163.1 (-2.6)	21.4 (7.6)
Sydney	133.4 (-23.2)	5.2 (-7.2)	160.9 (-3.1)	19.6 (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.

ULP sold in Sydney was cheaper than Brisbane by 1.5 cpl. All the other capitals were dearer than Brisbane. Melbourne, Adelaide, Perth, Darwin, Canberra and Hobart were more expensive than Brisbane by 4.9 cpl, 8.5 cpl, 9.8 cpl, 20.6 cpl, 25.9 cpl and 27.1 cpl, respectively. Diesel sold in Brisbane was more expensive than Adelaide (by 3.3 cpl) and cheaper than the other capitals. Sydney, Melbourne, Perth, Darwin, Canberra and Hobart, were more expensive than Brisbane by 0.5 cpl, 1.0 cpl, 2.7 cpl, 2.8 cpl, 5.2 cpl and 10.0 cpl, respectively.

## Comparison of the SEQ metropolitan centres

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. 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	136.6 (-24.6)	7.4 (-8.5)	163.0 (-3.1)	21.0 (7.0)
Brisbane North	134.6 (-26.2)	5.4 (-10.1)	160.9 (-4.0)	18.9 (6.2)
Brisbane South	134.5 (-24.3)	5.3 (-8.3)	160.6 (-3.9)	18.7 (6.3)
Brisbane Bayside/ Redlands	136.8 (-24.4)	7.6 (-8.4)	161.8 (-2.9)	19.8 (7.3)
Logan	133.9 (-25.9)	4.7 (-9.9)	161.7 (-4.2)	19.7 (6.0)
Ipswich	137.1 (-20.1)	7.6 (-4.1)	159.0 (-4.1)	16.8 (6.0)
Moreton Bay	135.1 (-22.9)	5.5 (-6.9)	159.6 (-4.8)	17.3 (5.4)
Gold Coast	133.5 (-24.9)	3.7 (-8.9)	160.1 (-4.1)	17.5 (6.1)
Sunshine Coast	145.7 (-13.0)	15.7 (3.0)	158.4 (-4.2)	15.6 (5.9)

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

The Gold Coast was the cheapest centre in SEQ to buy ULP in November, with an average price of 133.5 cpl. It was followed by Logan, Brisbane South and Brisbane North with average prices of 133.9 cpl, 134.5 cpl and 134.6 cpl, respectively. The Sunshine Coast was the most expensive SEQ centre at 145.7 cpl, 12.2 cpl dearer than the Gold Coast.

The Sunshine Coast was the cheapest SEQ centre to buy diesel with an average price of 158.4 cpl, followed by Ipswich, which was 0.6 cpl dearer. Central Brisbane was the most expensive at 163.0 cpl, 4.6 cpl dearer than the Sunshine Coast.

ULP prices in all SEQ centres were lower than those observed in October. Average ULP prices in SEQ were 13 cpl to 26 cpl lower than October. Diesel sold in SEQ in November was only 3 cpl to 5 cpl cheaper than October.

## Fuel prices across Queensland

The average price of ULP across regional Queensland in November was 151.1 cpl, 8.9 cpl lower than October when the average price was 160.0 cpl. The average diesel price was 159.9 cpl, 3.9 cpl lower than October when the average price was 163.8 cpl.

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* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	134.9 (-24.4)	5.7 (-8.4)	160.4 (-4.3)	18.5 (5.9)
Atherton	160.3 (-1.6)	27.2 (14.5)	161.9 (-2.4)	16.6 (7.9)
Beaudesert	146.7 (-11.6)	16.7 (4.4)	160.6 (-6.1)	17.8 (4.0)
Biloela	163.0 (-1.3)	30.7 (14.8)	165.4 (-0.8)	20.6 (9.4)
Blackwater	164.5 (2.2)	30.4 (18.3)	164.9 (-1.1)	18.4 (9.2)
Bowen	157.6 (-2.1)	23.1 (14.1)	158.5 (-3.9)	12.6 (6.4)
Bundaberg	147.5 (-7.8)	14.9 (8.3)	157.0 (-4.1)	11.6 (6.1)
Cairns	161.2 (-1.2)	28.9 (14.9)	162.8 (-1.8)	18.2 (8.4)
Charters Towers	159.3 (-0.7)	25.3 (15.4)	159.9 (-2.1)	14.7 (8.2)
Childers	151.2 (-5.4)	19.1 (10.6)	158.2 (-4.9)	13.4 (5.3)
Dalby	154.8 (-3.7)	23.7 (12.4)	161.5 (-0.8)	17.6 (9.4)
Emerald	164.2 (0.3)	29.4 (16.4)	164.8 (-1.3)	17.6 (9.0)
Gladstone	152.5 (-8.0)	21.4 (8.1)	155.7 (-7.0)	12.1 (3.2)
Goondiwindi	161.8 (-2.7)	29.3 (13.4)	159.5 (-3.9)	14.2 (6.2)
Gympie	145.8 (-11.5)	15.2 (4.5)	156.1 (-6.0)	12.7 (4.2)
Hervey Bay	156.6 (-4.7)	24.7 (11.4)	159.9 (-3.8)	15.2 (6.3)
Ingham	160.0 (0.1)	26.3 (16.2)	162.0 (0.1)	17.0 (10.4)
Innisfail	163.1 (1.4)	29.9 (17.5)	166.2 (1.7)	20.8 (11.9)
Kingaroy	152.9 (-5.6)	21.7 (10.4)	159.6 (-2.2)	15.7 (7.9)
Lockyer Valley	146.8 (-10.9)	16.6 (5.2)	160.3 (-2.7)	17.4 (7.5)
Longreach	167.0 (-0.2)	28.0 (15.9)	169.6 (-0.4)	18.2 (9.9)
Mackay	154.1 (-8.4)	22.1 (7.7)	159.7 (-4.6)	16.0 (5.7)
Mareeba	163.1 (-0.4)	30.2 (15.8)	164.2 (-0.1)	19.1 (10.2)
Maryborough	142.4 (-11.4)	10.8 (4.6)	153.0 (-6.7)	8.6 (3.5)

Miles	143.9 (-12.2)	11.5 (3.8)	151.6 (-8.3)	6.4 (1.9)
Moranbah	160.7 (0.7)	26.7 (16.7)	161.1 (0.0)	15.4 (10.3)
Mount Isa	166.5 (-0.7)	24.9 (15.5)	161.4 (-5.3)	8.5 (5.0)
Nambour	144.8 (-13.5)	14.8 (2.5)	159.1 (-2.5)	16.3 (7.6)
Noosa	151.2 (-9.9)	21.1 (6.2)	158.9 (-3.0)	16.0 (7.2)
Rockhampton	156.9 (-6.1)	24.7 (10.0)	158.7 (-5.1)	14.0 (5.1)
Roma	155.4 (-0.5)	21.6 (15.6)	158.2 (-2.2)	11.6 (8.0)
Somerset	145.0 (-12.6)	14.8 (3.4)	160.0 (-2.0)	17.0 (8.1)
Toowoomba	148.5 (-8.7)	18.2 (7.4)	159.3 (-4.6)	16.3 (5.6)
Townsville	156.1 (-4.7)	23.5 (11.5)	158.6 (-5.1)	14.7 (5.2)
Tully	154.6 (-2.7)	20.9 (13.5)	162.0 (-2.5)	16.1 (7.8)
Warwick	155.7 (-1.9)	25.1 (14.2)	158.4 (-4.4)	15.0 (5.8)
Whitsunday	159.4 (0.2)	26.1 (16.2)	162.4 (-1.2)	17.4 (9.0)
Yeppoon	159.2 (-3.0)	26.6 (13.1)	163.4 (-1.6)	18.3 (8.6)

\* 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.

With an average ULP price of 142.4 cpl, Maryborough was the cheapest Queensland regional centre to buy ULP in November. Maryborough was 7.5 cpl dearer than Brisbane. Unusually, all regional centres were dearer than Brisbane. The most expensive regional centre for ULP (and diesel) listed was Longreach. With an average ULP price of 167.0 cpl, Longreach was 32.1 cpl more expensive than Brisbane. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices<sup>1</sup>.

Miles had the cheapest diesel in Queensland at 151.6 cpl, 8.8 cpl cheaper than Brisbane. Maryborough, Gladstone, Gympie, Bundaberg, Childers, Roma, Warwick, Bowen, Townsville, Rockhampton, Noosa, Nambour, Toowoomba, Goondiwindi, Kingaroy, Mackay, Charters Towers, Hervey Bay, Somerset and Lockyer Valley were also cheaper than Brisbane. Longreach was also the most expensive regional centre for diesel at 169.6 cpl<sup>1</sup>, 9.2 cpl higher than Brisbane.

In all the regional centres monitored by RACQ, ULP retail margins were higher than those charged in Brisbane. Outside of SEQ, the lowest indicative retail margin was observed in Maryborough (10.8 cpl) and the highest in Biloela (30.7 cpl), 25.0 cpl higher than Brisbane. Diesel indicative retail margins were lower than Brisbane in 34 out of 37 regional centres. At 19.1 cpl, 20.6 cpl and 20.8 cpl respectively, indicative retail margins in Mareeba, Biloela and Innisfail exceeded those charged in Brisbane (at 18.5 cpl).

## Outlook

In the last two months the underlying market fundamentals appear to have shifted, with supply now exceeding demand, and global oil and gasoline inventories increasing. Subsequently the oil price has collapsed. After hitting a four year and nine-month record high in early October, by the end of November the Brent price had fallen by 33%. The average price in November was 19.2% lower than October's average, and a price fall of this magnitude was last observed late 2008 during the onset of the Global Financial Crisis.

<sup>1</sup> 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.

It appears likely that OPEC will attempt to reassert some control over oil prices at its forthcoming meeting on 6 December in Vienna and will announce a new production cut deal. It is believed that Saudi Arabia and Russia, meeting on the G20 fringe, have already agreed to extend their production cut with the aim of pushing up prices. As two of the three largest oil producers, Saudi Arabia and Russia have the combined power to effect global supplies.

The final of the three largest producers is the US. In the US, President Trump has already expressed a wish for (and claimed responsibility for) lower oil prices. In recent months US output has sharply increased as some of the supply bottlenecks have been rectified.

Concerns about the reduction in Iranian oil output have been eased with the US granting sanction exemptions to eight countries including Japan, China, India, South Korea and others. This exemption will maintain supplies of Iranian oil to refiners in the Asia Pacific region. Japan, China, India and South Korea are among the largest exporters of refined product for consumption in Australia.

The next monthly fuel price report will be released in mid-January 2019, after the release of the 2018 Annual Report.

### **Data sources**

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