

Monthly Fuel Price Report – August 2018



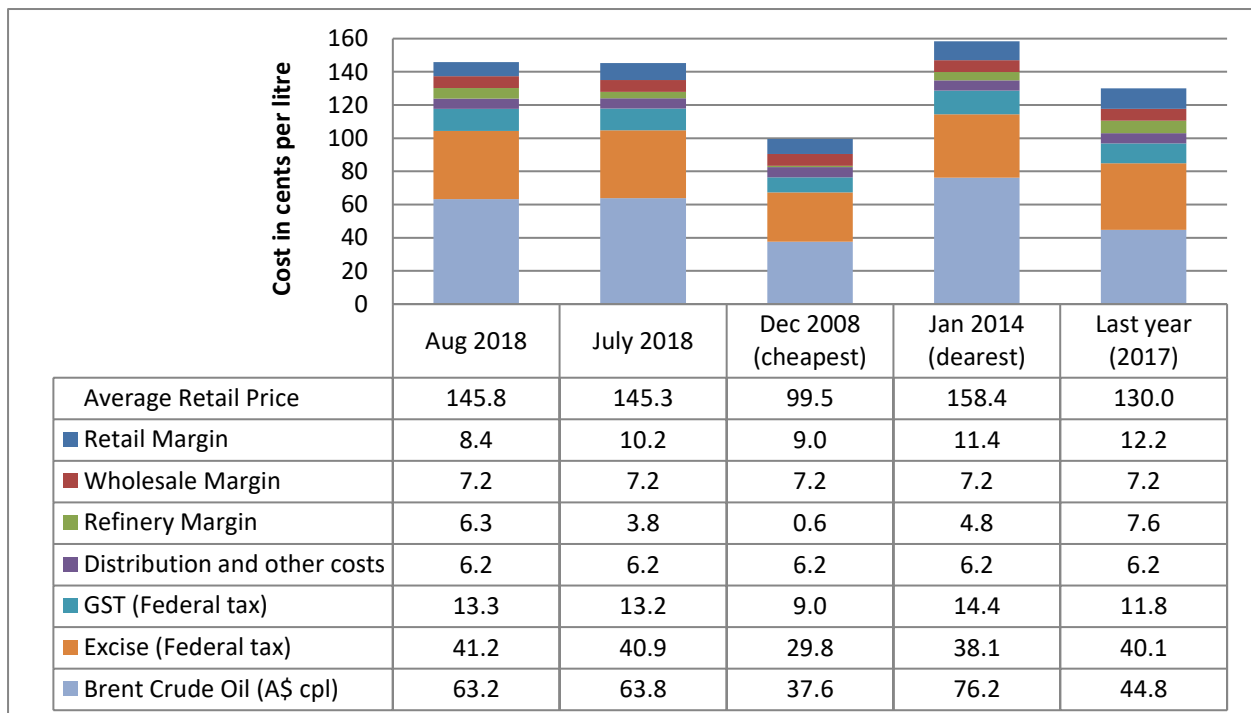
5 September 2018

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

Key points

- The average price of ULP in Brisbane in August was 145.8 cpl, 0.5 cpl higher than July. Retail prices increased despite a drop in the oil price and indicative retail margin. The price increase was due to a substantial increase in refinery margins.
- Brisbane ULP was more expensive than Adelaide, Melbourne and Perth by 6.2 cpl, 2.6 cpl and 2.2 cpl respectively. Usually, Brisbane was cheaper than Sydney by 0.3 cpl.
- The average Brisbane price of diesel in August was 3.1 cpl lower than July, at 151.5 cpl. The fall was due to a decrease in indicative retail margins and a slight drop in the oil price. While retail margins fell compared to July, refinery margins increased.
- The average Gold Coast ULP price was lowest in Queensland in August. At 141.8 cpl, it was 4.0 cpl lower than Brisbane and 0.2cpl lower than Miles – the cheapest regional centre.
- The average price of ULP across regional Queensland in August was 149.9 cpl, 2.5 cpl lower than July. The average diesel price in regional Queensland was 150.8 cpl, 1.3 cpl lower than July.
- Miles had the cheapest average ULP price and Gympie the cheapest diesel price in regional Queensland. At 142.0 cpl, ULP sold in Miles was 3.8 cpl cheaper than Brisbane. At 146.9 cpl, diesel sold in Gympie was 4.6 cpl cheaper than Brisbane.
- Fuel excise increased on 1 August 2018. Excise on petrol and diesel increased from 40.9 cpl to 41.2 cpl, from 36.8 cpl to 37.1 cpl on E10 and from 13.3 cpl to 13.4 cpl on LPG.

ULP cost breakdown in Brisbane



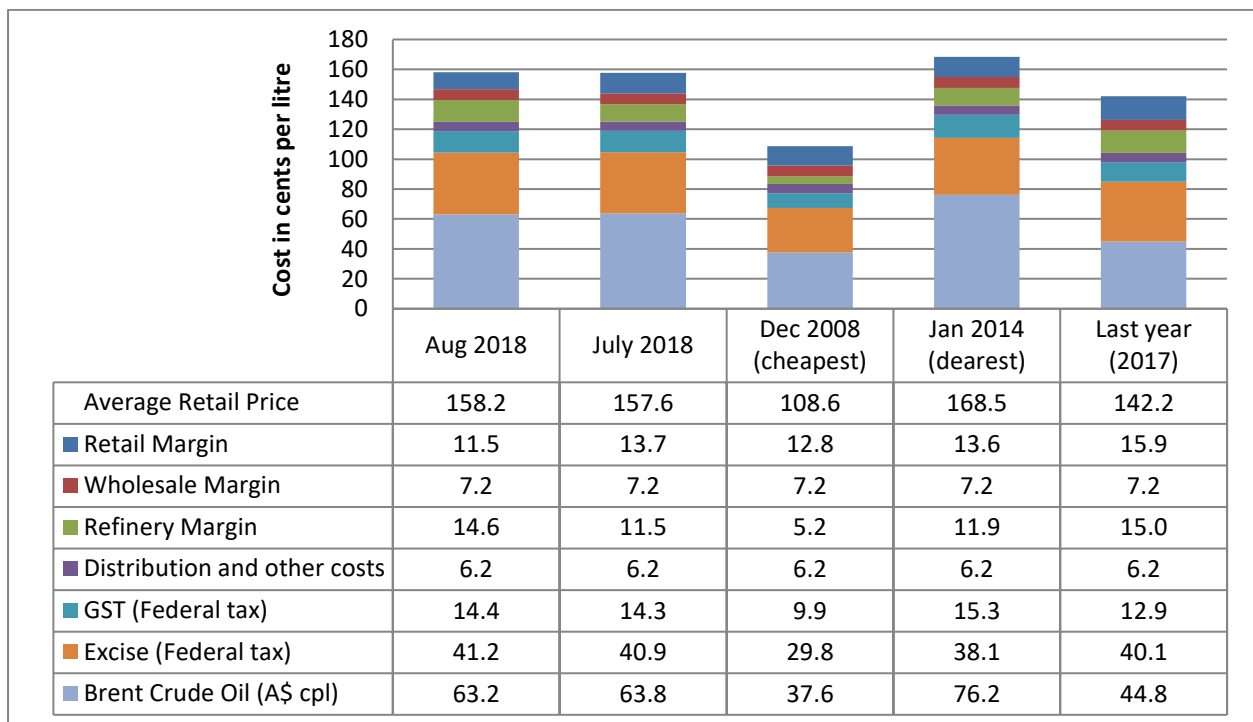
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for August. 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.

The average price of ULP in Brisbane in August was 145.8 cpl, 0.5 cpl higher than July. Indicative retail margins, at 8.4 cpl, were 1.8 cpl lower than July. However, indicative refinery margins were 2.5 cpl higher at 6.3 cpl. Despite a slight fall in the oil price and retail margins, retail prices increased in August, this was due to the increase in the indicative refinery margin.

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 August. 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.



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

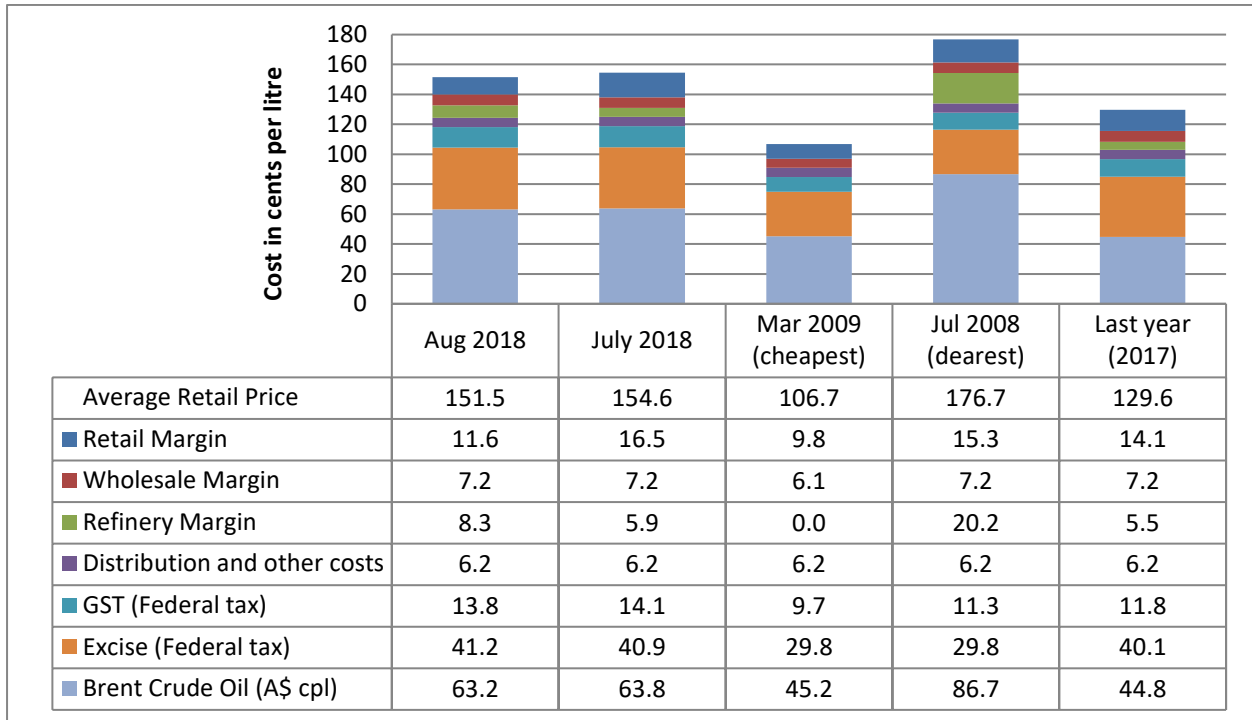
The average price of PULP 95 in Brisbane in August was 158.2 cpl, 0.6 cpl higher than July. The price difference between ULP and PULP 95 is unchanged from July at 12.4 cpl. Indicative retail margins for PULP 95, at 11.5 cpl, were 2.2 cpl lower than July. However, refinery margins increased by 3.1 cpl in August.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for August. For comparison, the cost breakdown for last month, last year, March 2009 – the cheapest month and August 2008 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of diesel in August, at 151.5 cpl, was 3.1 cpl lower than July. Indicative retail margins

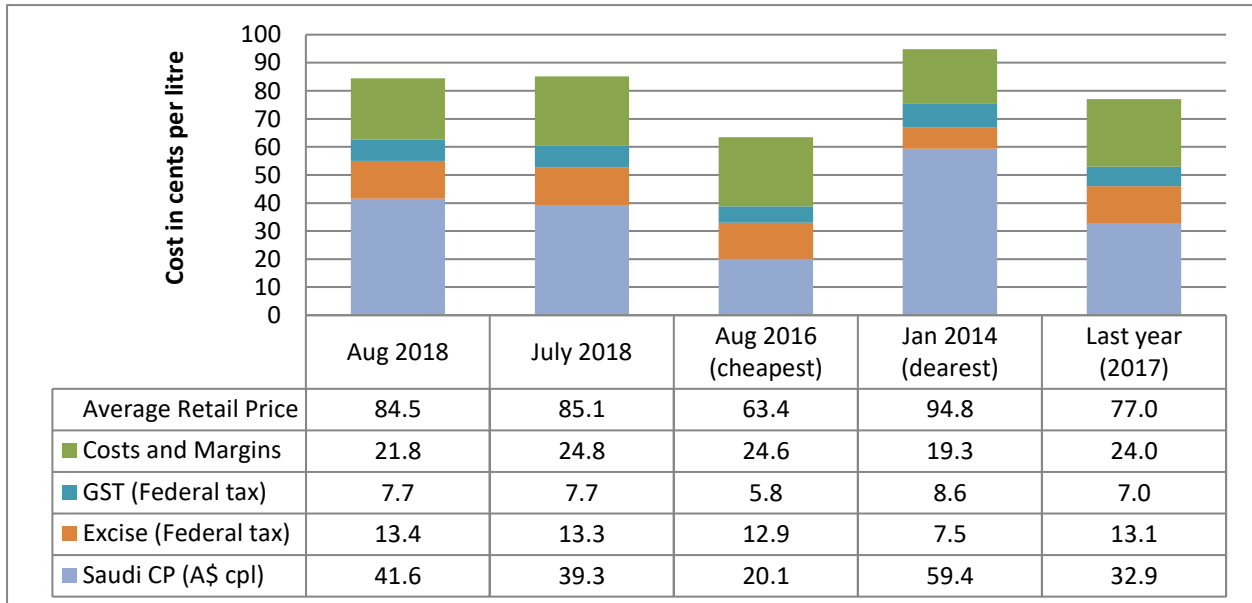
decreased by 4.9 cpl and refinery margins increased by 2.4 cpl, and total margins - the sum of retail, wholesale and refinery margins - decreased by 2.5 cpl.



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 August. 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 August was 84.5 cpl, 0.6 cpl lower than July. Fuel company margins and costs decreased to 21.8 cpl, 3.0 cpl lower than July.

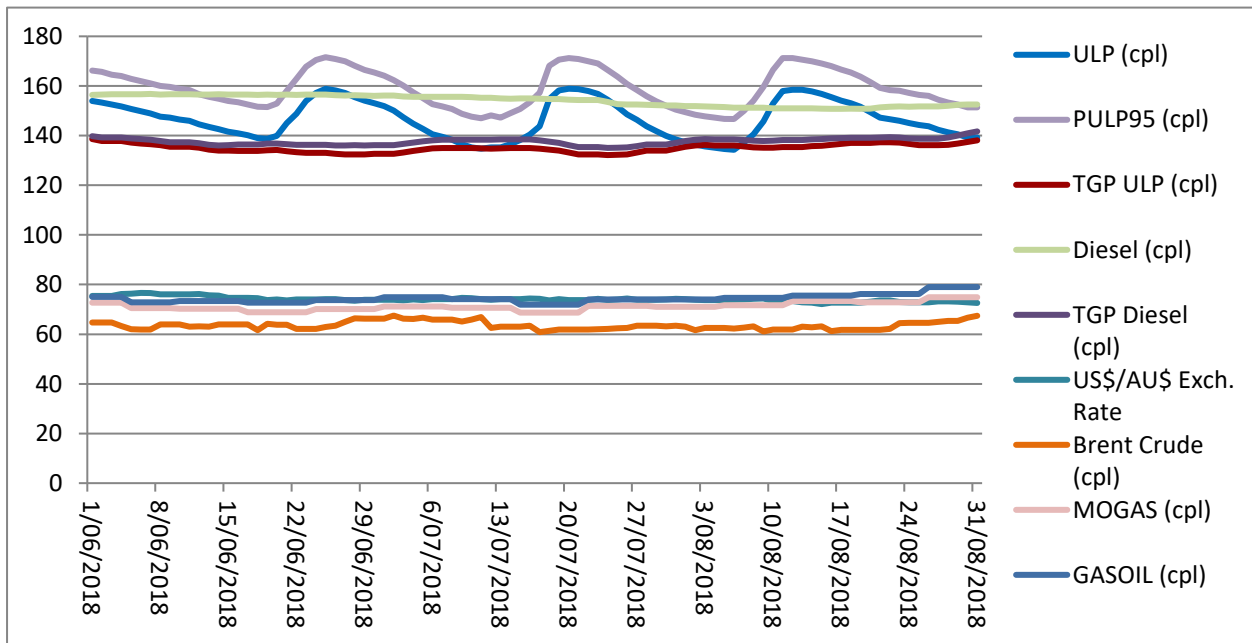
The Saudi CP for August is 43.9 cpl, 2.3 cpl higher than August.

Fuel excise

In 2014 the Federal Government reintroduced fuel excise indexation and mandated twice-yearly excise increases in line with CPI. As a result, on 1 August 2018 the excise charged on petrol and diesel increased from 40.9 cpl to 41.2 cpl, from 36.8 cpl to 37.1 cpl on E10 and from 13.3 cpl to 13.4 cpl on LPG.

Price trends

There were two partial price cycles observed in the Brisbane ULP market in August. The first cycle started on 11 July, prices peaked on 20 July, and the cycle ended on 6 August. The second cycle started on 7 August and prices peaked on 12 and 13 August. At the time of writing the Brisbane ULP market was in the cheap phase of the cycle.



The graph above displays the average Brisbane retail ULP, PULP95 and diesel prices, the ULP TGP, the daily Brent crude oil price, the weekly MOGAS and GASOIL prices in cents per litre (A\$), and the US\$/A\$ exchange rate in US\$ cents per A\$.

The average price of Brent in August was A\$0.9/bbl lower than July, at A\$100.6/bbl (US\$73.7/bbl) or 63.2 cpl. Brent started August at A\$100.2/bbl (US\$74.5/bbl), after remaining relatively stable in the first week and half of August, Brent softened to a local low point on 16 August of A\$97.3/bbl US\$70.8/bbl). Brent strengthened in the second half of August, ending the month at A\$107.1/bbl (US\$77.8/bbl) the second highest observed in 2018. On 2 July 2018 the Brent price reached A\$107.3/bbl. Prior to July, Brent last exceeded A\$107/bbl in October 2014.

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	145.8 (0.5)	8.4 (-1.8)	151.5 (-3.1)	11.6 (-4.9)
Adelaide	139.6 (-3.3)	2.1 (-5.8)	145.1 (-1.7)	4.5 (-3.5)
Canberra	151.4 (-2.7)	14.1 (-5.2)	155.4 (-1.0)	15.1 (-2.8)
Darwin	155.4 (-1.3)	13.9 (-3.7)	155.4 (-0.8)	11.8 (-2.6)
Hobart	158.2 (-0.2)	16.2 (-2.6)	160.5 (0.0)	15.9 (-1.9)
Melbourne	143.2 (-1.8)	6.2 (-4.2)	149.7 (-2.9)	9.8 (-4.7)
Perth	143.6 (-3.1)	6.8 (-5.5)	154.5 (-1.5)	14.8 (-3.3)
Sydney	146.1 (5.3)	8.9 (2.8)	150.7 (-1.1)	10.4 (-2.9)

* 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.

Adelaide was the cheapest capital to buy ULP and diesel. Adelaide had an average ULP price 6.2 cpl lower than Brisbane. ULP sold in Brisbane was also more expensive than Melbourne and Perth by 2.6 cpl and 2.2 cpl respectively. Usually, Brisbane was cheaper than Sydney by 0.3 cpl. Canberra, Darwin and Hobart were 5.6 cpl, 9.6 cpl and 12.4 cpl more expensive than Brisbane respectively.

Diesel sold in Brisbane was more expensive than Adelaide, Melbourne and Sydney by 6.4 cpl, 1.8 cpl and 0.8 cpl, respectively. Perth, Darwin, Canberra and Hobart were more expensive by 3.0 cpl, 3.9 cpl, 3.9 cpl and 9.0 cpl, respectively.

Comparison of the SEQ metropolitan centres

The table below presents the average August prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to July in parentheses. This analysis separates Brisbane into northern and southern regions.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	147.9 (0.0)	10.6 (-2.3)	153.3 (-3.1)	13.4 (-4.9)
Brisbane South	144.9 (0.7)	7.6 (-1.6)	150.8 (-3.1)	10.9 (-4.9)
Gold Coast	141.8 (-0.5)	3.9 (-2.9)	151.2 (-1.9)	10.6 (-3.7)
Ipswich	144.9 (-1.9)	7.3 (-4.3)	149.5 (-2.6)	9.3 (-4.4)
Moreton Bay	146.9 (1.4)	9.2 (-0.9)	150.8 (-2.8)	10.6 (-4.6)
Sunshine Coast	145.6 (-1.0)	7.5 (-3.4)	150.7 (-0.4)	9.9 (-2.2)

* 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 August, with an average price of 141.8 cpl. It was followed by Brisbane South and Ipswich with an average price of 144.9 cpl, 3.1 cpl higher than the Gold Coast. Brisbane North was the most expensive SEQ centre, at 6.1 cpl dearer than the Gold Coast and 3.0 cpl dearer than Brisbane South.

The price difference between Brisbane North and Brisbane South widened as ULP prices fell. On August 13, the most expensive day of the cycle, the Brisbane South was slightly more expensive (0.3 cpl) than

the Northside. Aggressive discounting on the Southside led to the price difference increasing as the cycle progressed. The greatest difference was observed on August 23, when the Southside was 5.8 cpl cheaper than the North. The difference decreased somewhat as the market moved in to the cheap phase. At the end of August, Brisbane North was 4.1 cpl dearer than Brisbane South.

The Ipswich was the cheapest SEQ centre to buy diesel with an average price of 149.5 cpl, followed by the Sunshine Coast, which was 1.2 cpl dearer than Ipswich. Brisbane North was the most expensive, at 3.8 cpl dearer than Ipswich.

ULP price movements compared to July were mixed. ULP sold in Ipswich in August was on average 1.9 cpl cheaper than July, in contrast ULP sold in Moreton Bay was 1.4 cpl dearer. Indicative retail margins in all SEQ centres were down compared to July. At 3.9cpl, the lowest average retail margin was observed on the Gold Coast. Diesel price across SEQ were up to 3.1 cpl cheaper than July. Diesel indicative retail margins were two to five cents lower in August compared to July.

Fuel prices across Queensland

The average price of ULP across regional Queensland in August was 149.9 cpl, 2.5 cpl lower than July, when the average price was 152.4. The average diesel price was 150.8 cpl, 1.3 cpl lower than July when the average price was 152.1 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	145.8 (0.5)	8.4 (-1.8)	151.5 (-3.1)	11.6 (-4.9)
Gold Coast	141.8 (-0.5)	3.9 (-2.9)	151.2 (-1.9)	10.6 (-3.7)
Sunshine Coast	145.6 (-1.0)	7.5 (-3.4)	150.7 (-0.4)	9.9 (-2.2)
Atherton	152.9 (-1.5)	10.9 (-4.0)	153.9 (-1.5)	10.0 (-3.3)
Biloela	155.9 (-0.1)	14.3 (-2.6)	158.9 (-1.0)	14.9 (-2.8)
Blackwater	nd	nd	151.0 (-4.2)	5.3 (-6.0)
Bowen	147.9 (-3.8)	4.7 (-6.4)	149.4 (-2.2)	5.1 (-4.0)
Bundaberg	143.7 (-2.6)	3.0 (-5.0)	148.6 (-1.8)	5.3 (-3.6)
Cairns	152.8 (-2.1)	11.5 (-4.6)	152.3 (-1.6)	9.2 (-3.3)
Charters Towers	151.7 (-2.3)	9.2 (-4.9)	155.5 (-1.1)	11.8 (-2.9)
Childers	147.7 (-2.0)	7.5 (-4.4)	150.2 (-1.2)	7.5 (-3.0)
Cunnamulla	nd	nd	159.6 (0.7)	11.5 (-1.1)
Dalby	149.3 (-4.9)	10.0 (-7.3)	153.6 (-0.7)	11.8 (-2.5)
Emerald	155.9 (-0.9)	11.9 (-3.3)	151.8 (-1.2)	5.3 (-3.0)
Gladstone	148.0 (-4.5)	7.6 (-7.0)	148.8 (-1.0)	6.1 (-2.8)
Goondiwindi	153.9 (-0.1)	13.3 (-2.5)	149.7 (-1.9)	6.5 (-3.7)
Gympie	143.3 (-1.8)	4.5 (-4.2)	146.9 (-0.5)	5.5 (-2.3)
Hervey Bay	151.9 (-2.5)	11.9 (-4.9)	152.4 (-1.3)	9.8 (-3.1)
Ingham	154.1 (-1.1)	11.8 (-3.7)	153.2 (0.2)	9.7 (-1.6)
Innisfail	157.9 (0.0)	15.8 (-2.4)	157.9 (0.0)	13.9 (-1.8)
Kingaroy	150.0 (-1.7)	10.7 (-4.0)	152.9 (-0.9)	11.1 (-2.7)
Longreach	157.6 (-1.4)	9.4 (-3.9)	155.2 (-0.8)	4.7 (-2.6)

Mackay	151.4 (-4.4)	9.9 (-6.9)	151.8 (-2.3)	9.0 (-4.1)
Mareeba	151.3 (-1.7)	9.4 (-4.1)	151.3 (-1.0)	7.5 (-2.7)
Maryborough	145.2 (-4.2)	5.5 (-6.6)	148.0 (-2.6)	5.8 (-4.4)
Miles	142.0 (-4.7)	1.4 (-7.1)	148.7 (-0.1)	5.6 (-1.9)
Moranbah	148.6 (-1.3)	5.1 (-3.9)	150.2 (-0.8)	5.5 (-2.6)
Mount Isa	157.9 (-1.5)	7.7 (-4.1)	149.9 (0.2)	-1.5 (-1.6)
Rockhampton	152.3 (-2.6)	10.8 (-5.1)	152.5 (-2.7)	8.7 (-4.5)
Roma	153.6 (-1.5)	11.7 (-3.9)	147.1 (-2.2)	2.6 (-4.0)
Toowoomba	142.9 (-4.1)	4.4 (-6.4)	151.2 (-1.4)	10.2 (-3.2)
Townsville	149.8 (-4.1)	8.5 (-6.7)	151.3 (-2.1)	8.9 (-3.9)
Tully	155.9 (0.0)	13.3 (-2.4)	154.3 (-1.5)	9.7 (-3.2)
Warwick	147.1 (-3.2)	8.4 (-5.6)	150.7 (-0.9)	9.4 (-2.7)
Whitsunday	150.1 (-2.1)	7.3 (-4.6)	151.3 (-2.0)	7.2 (-3.8)
Yeppoon	151.0 (-3.5)	9.1 (-5.9)	153.2 (-1.5)	8.9 (-3.3)

* 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.

Miles was the cheapest Queensland regional centre (outside SEQ) to buy ULP (and diesel) in August. Although the Gold Coast was cheapest centre considering all of Queensland. At 142.0 cpl, Miles was 3.8 cpl cheaper than Brisbane. Toowoomba, Gympie, Bundaberg and Maryborough were also cheaper than Brisbane. The most expensive regional centres listed were Mount Isa and Innisfail, both with an average price of 157.9 cpl in August. These centres were 12.1 cpl more expensive than Brisbane. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices¹.

Gympie had the cheapest diesel in Queensland (146.9 cpl, 4.6 cpl cheaper than Brisbane). Roma, Maryborough, Bundaberg, Miles, Gladstone, Bowen, Goondiwindi, Mount Isa, Childers, Moranbah, Sunshine Coast, Warwick, Blackwater, Gold Coast, Toowoomba, Mareeba, Townsville and Whitsunday were also cheaper than Brisbane. Cunnamulla was the most expensive regional centre for diesel at 159.6 cpl¹, 8.1 cpl higher than Brisbane.

Of 33 centres monitored by RACQ, ULP retail margins were higher than those charged in Brisbane in 20 centres and lower in 13. The lowest indicative retail margin was observed in Miles (1.4 cpl) and the highest in Innisfail (15.8 cpl). Diesel prices were collected in 35 centres, indicative retail margins were lower than Brisbane in 31 centres, only Charters Towers, Dalby, Innisfail and Biloela recorded higher diesel margins than Brisbane.

Outlook

The underlying market fundamentals of demand exceeding supply have led, and are likely to continue to lead, to oil price increases. It is not clear at which price markets will stabilise, but commentators are again talking about US\$100/bbl prices. The Brent price last exceeded US\$100/bbl in September 2014.

In September 2014 the Australian dollar was buying 90 US cents, making the Brent price in Australian dollars about A\$110/bbl. Since then the Australian dollar has lost 20% of its value and is currently buying 72 US cents. At the current exchange rate, the Brent price at the end of August was A\$107.1/bbl (US\$77.8/bbl) and close to a four-year high. Today a Brent price of US\$100/bbl would translate to

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.

almost A\$140/bbl or 88 cpl. This oil price would lead to a monthly average ULP retail price in Brisbane of 173 cpl.

The main factor contributing to the weak supply of oil is the OPEC production cut. Other factors include: the US reintroduction of sanctions against Iran, the collapse of Venezuela's oil economy and a fall in exports, and infrastructure constraints for US shale oil exports.

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

Data sources

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