Monthly Fuel Price Report – January 2018

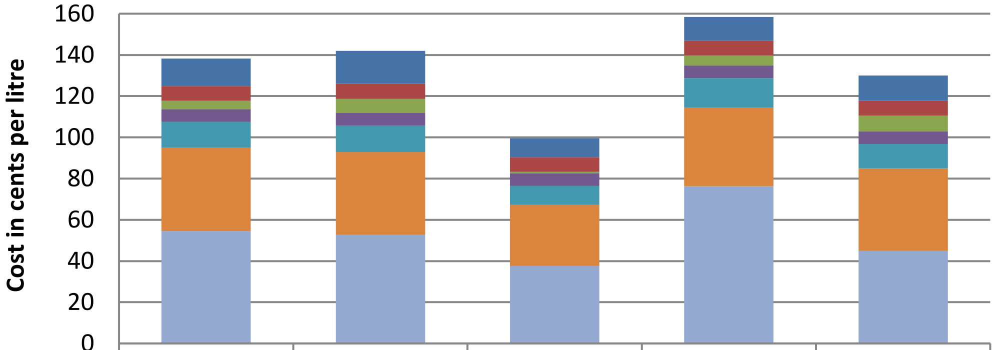
5 February 2018

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for January 2108.

Key points

- The average price of ULP in Brisbane in December was 138.2 cpl, 3.7 cpl lower than December. Indicative retail margins and refiner margins were both down 2.7 cpl.
- While indicative retail margins, at 13.3 cpl, were lower than December 2017, they were higher than the 2017 average of 12.2 cpl.
- Brisbane ULP was more expensive than Adelaide, Sydney and Melbourne (by 8.0 cpl, 2.7 cpl and 0.7 cpl respectively) and the same price as Perth.
- The average price of diesel in Brisbane in January at 138.8 cpl was 2.1 cpl higher than December. Brisbane was more expensive than Sydney and Adelaide by 2.3 cpl, and 1.6 cpl, respectively
- The average price of ULP across regional Queensland in January was 140.1 cpl, largely unchanged from December. The average diesel price was 137.7 cpl, 1.4 cpl higher than December.
- Miles had the cheapest average ULP and diesel price in regional Queensland in January. At 133.7 cpl, ULP sold in Miles was 4.5 cpl cheaper than Brisbane and diesel at 133.4 cpl was 5.4 cpl cheaper than Brisbane.
- The average price of LPG in Brisbane was 86.4 cpl, 0.6 cpl higher than December. The price difference between the Brisbane LPG retail price and the Saudi CP was 25.0 cpl, 0.6 cpl higher than December.

ULP cost breakdown in Brisbane



	Jan 2018	Dec 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2017)
Average Retail Price	138.2	141.9	99.5	158.4	130.0
Retail Margin	13.3	16.0	9.0	11.4	12.2
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	4.0	6.7	0.6	4.8	7.6
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	12.6	12.9	9.0	14.4	11.8
Excise (Federal tax)	40.3	40.3	29.8	38.1	40.1
Brent Crude Oil (A$ cpl)	54.6	52.6	37.6	76.2	44.8

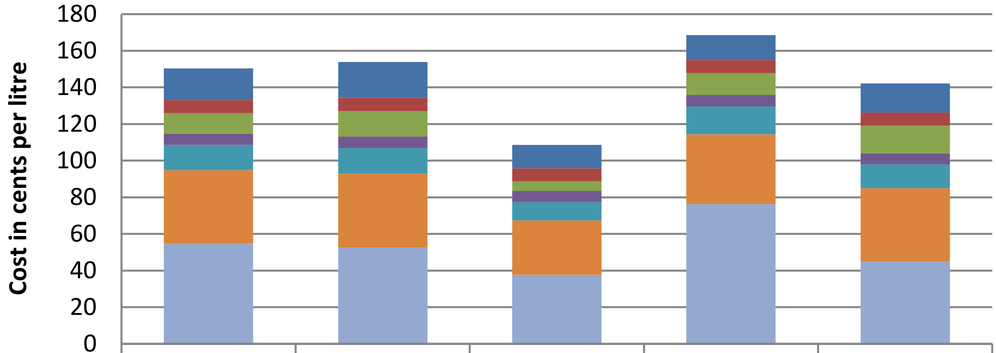
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for January 2018. 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 December was 138.2 cpl, 3.7 cpl lower than December. Indicative retail margins, at 13.3 cpl, were 2.7 cpl lower than December. Refiner margins were 2.7 cpl lower in January.

While indicative retail margins were lower than December 2017, they remained high than the 2017 average of 12.2 cpl.

PULP 95 cost breakdown in Brisbane



	Jan 2018	Dec 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2017)
Average Retail Price	150.4	153.9	108.6	168.5	142.2
Retail Margin	17.4	19.7	12.8	13.6	15.9
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	11.1	14.0	5.2	11.9	15.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	13.7	14.0	9.9	15.3	12.9
Excise (Federal tax)	40.3	40.3	29.8	38.1	40.1
Brent Crude Oil (A$ cpl)	54.6	52.6	37.6	76.2	44.8

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

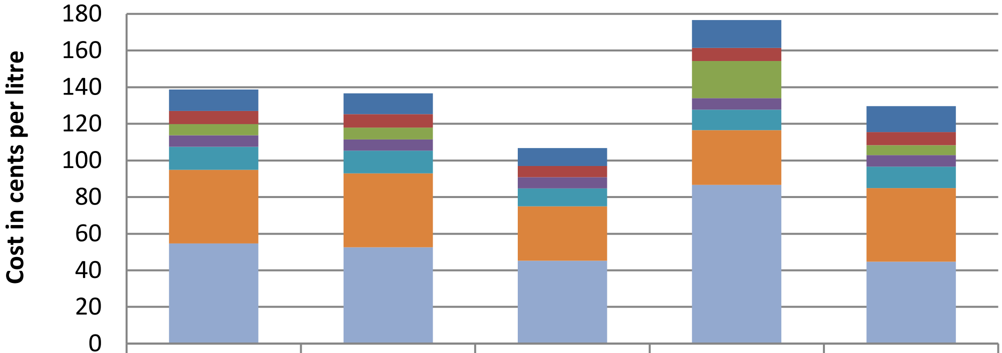
The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for January 2018. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of PULP 95 in Brisbane in January was 150.4 cpl, 3.5 cpl lower than December, and 12.2 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in December and November 2017 was 12.0 cpl and the average for 2017 was 12.2 cpl. Indicative retail margins for PULP 95, at 17.4 cpl, were 2.3 cpl lower than December. Refiner margins decreased by 2.9 cpl in January.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for January 2018. 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 January, at 138.8 cpl, was 2.1 cpl higher than December. Indicative retail margins increased in January by 0.3 cpl, but refinery margins decreased by 0.4 cpl.

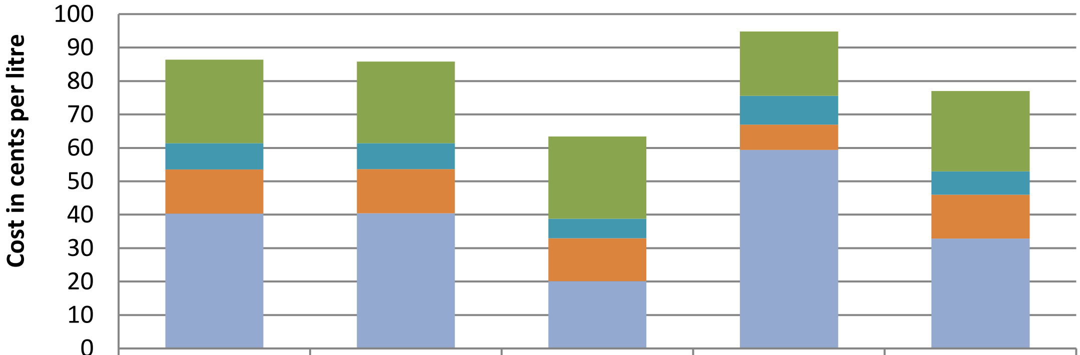


	Jan 2018	Dec 2017	Mar 2009 (cheapest)	Jul 2008 (dearest)	Last year (2017)
Average Retail Price	138.8	136.7	106.7	176.7	129.6
Retail Margin	11.8	11.5	9.8	15.3	14.1
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	6.1	6.5	0.0	20.2	5.5
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	12.6	12.4	9.7	11.3	11.8
Excise (Federal tax)	40.3	40.3	29.8	29.8	40.1
Brent Crude Oil (A$ cpl)	54.6	52.6	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 diesel sold in Brisbane for January 2018. 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.



	Jan 2018	Dec 2017	Aug 2016 (cheapest)	Jan 2014 (dearest)	Last year (2017)
Average Retail Price	86.4	85.8	63.4	94.8	77.0
Costs and Margins	25.0	24.4	24.6	19.3	24.0
GST (Federal tax)	7.9	7.8	5.8	8.6	7.0
Excise (Federal tax)	13.2	13.2	12.9	7.5	13.1
Saudi CP (A$ cpl)	40.3	40.4	20.1	59.4	32.9

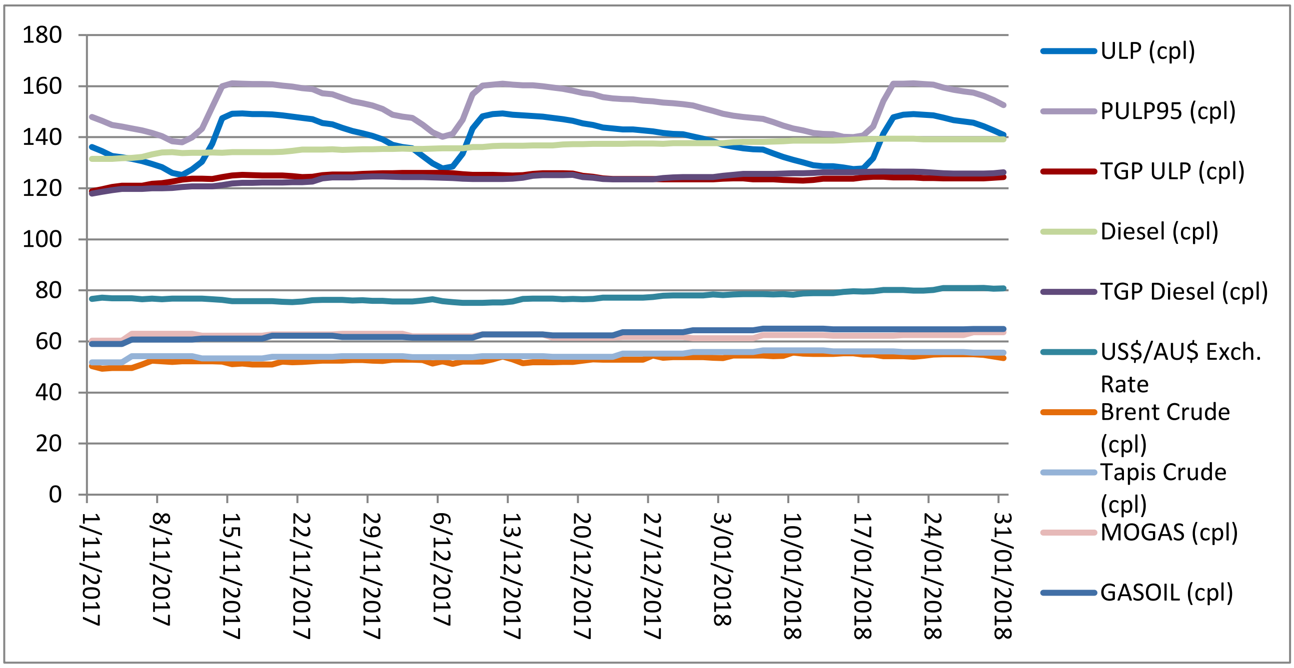
Data on LPG pricing is limited compared to petrol and diesel. Subsequently, it is not possible to calculate retail, wholesale and refinery margins. The alternative measure calculates the difference between the international benchmark price (the Saudi Aramco Contract Price – the Saudi CP) and the pre-tax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

The average retail price of LPG in Brisbane in January was 86.4 cpl, 0.6 cpl higher than December. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in January was 25.0 cpl, 0.6 cpl higher than December.

The Saudi CP for February is 34.5 cpl, 5.8 cpl lower than January. There is no good reason for retailers not to pass this savings on to consumers, and the retail LPG price should fall.

Price trends

There were two partial price cycles observed in the Brisbane ULP market in January 2018. The first cycle started on 6 December, prices peaked on 12 December, and the cycle ended on 15 January. The second cycle started on 16 January and peaked on 22 January. At the time of writing the Brisbane ULP market was in the discounting 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 Tapis crude oil, the weekly MOGAS and GASOIL prices in cents per litre (A$), and the US$/A$ exchange rate in US$ cents per AS$.

The average price of Brent in December was A$3.0/bbl higher than November, at A$86.7/bbl (US$68.9/bbl) or 54.6 cpl. Brent started December at A$85.3/bbl (US$66.9/bbl), strengthening in the first week of January, before flattening in mid-January. A local peak price was observed on 16 January of A$88.1/bbl (US$70.2/bbl). Brent softened slightly in the last week of January, ending the month at A$85.0/bbl (US$68.6/bbl).

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	138.2 (-3.7)	13.3 (-2.7)	138.8 (2.1)	11.8 (0.3)
Adelaide	130.2 (-6.3)	5.3 (-5.3)	137.2 (1.8)	9.6 (0.1)
Canberra	148.1 (0.3)	23.2 (1.3)	142.0 (1.5)	14.7 (-0.4)
Darwin	150.4 (0.9)	21.4 (1.5)	146.6 (2.0)	15.9 (-0.1)
Hobart	145.9 (1.7)	16.6 (2.8)	144.4 (2.5)	12.8 (1.1)
Melbourne	137.5 (-2.3)	13.0 (-1.4)	139.2 (1.6)	12.1 (-0.2)
Perth	138.2 (1.3)	13.9 (2.1)	141.9 (2.4)	15.1 (0.6)
Sydney	135.5 (-0.8)	10.6 (0.1)	136.5 (1.5)	9.3 (-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.

ULP sold in Brisbane was more expensive than Adelaide, Sydney and Melbourne by 8.0 cpl, 2.7 cpl and 0.7 cpl respectively. Perth was the same price as Brisbane. Hobart, Canberra and Darwin were 7.7 cpl, 9.9 cpl and 12.2 cpl more expensive than Brisbane respectively.

Diesel sold in Brisbane was more expensive than Sydney and Adelaide by 2.3 cpl, and 1.6 cpl, respectively. Melbourne, Perth, Canberra, Hobart and Darwin were more expensive by 0.4 cpl, 3.1 cpl, 3.2 cpl, 5.6 cpl and 7.8 cpl respectively.

Comparison of the SEQ metropolitan centres

The table below presents the average January prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to December in parentheses. This analysis considers Brisbane North separate to Brisbane South.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	141.2 (-2.5)	16.3 (-1.5)	140.1 (1.7)	13.2 (-0.1)
Brisbane South	137.1 (-4.1)	12.2 (-3.1)	138.3 (2.2)	11.4 (0.4)
Gold Coast	139.3 (-3.1)	13.8 (-2.1)	137.2 (1.2)	9.6 (-0.6)
Ipswich	136.4 (-4.3)	11.2 (-3.3)	136.3 (2.1)	9.1 (0.4)
Moreton Bay	135.8 (-5.1)	10.7 (-4.1)	138.1 (0.7)	10.9 (-1.0)
Sunshine Coast	140.7 (-1.7)	15.0 (-0.7)	138.5 (1.2)	10.7 (-0.5)

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

Moreton Bay was the cheapest centre in SEQ to buy ULP in January, with an average price of 135.8 cpl. It was followed by Ipswich, with an average price of 136.4 cpl. SEQ average ULP prices in January were one to five cents higher than in December. Brisbane North was the most expensive SEQ centre, at 5.4 cpl dearer than Moreton Bay.

Ipswich was also the cheapest SEQ centre to buy diesel with an average price of 136.3 cpl, followed by the Gold Coast, which was 0.9 cpl dearer than Ipswich. Brisbane North was the most expensive, at 3.8 cpl dearer than Ipswich.

Fuel prices across Queensland

The average price of ULP across regional Queensland in January was 140.1 cpl, largely unchanged from December when the average price was 140.0 cpl. The average diesel price was 137.7 cpl, 1.4 cpl higher than December.

Nine of the 33 regional centres monitored by RACQ were cheaper than Brisbane for ULP, compared to 28 being cheaper than Brisbane in December. The difference was due to a decrease in the Brisbane price rather than an increase in regional prices.

Miles was the cheapest centre in Queensland to buy ULP (and diesel) in January, at 4.5 cpl less than Brisbane. Charters Towers, Gympie, Maryborough, Whitsunday, Moranbah, Innisfail, Childers and Mareeba. The most expensive regional centre listed was Mount Isa with an average price of 148.2 cpl in December 10.0 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[1].

Twenty two of the 33 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (at 133.4 cpl, 5.4 cpl cheaper than Brisbane). Mareeba, Kingaroy, Maryborough, Gladstone, Warwick, Goondiwindi, Tully, Ingham, Moranbah, Toowoomba, Hervey Bay, Cairns, Gympie, Cunnamulla, Childers, Townsville, Dalby, Innisfail, Mackay, Bowen and Yeppoon were also cheaper than the Brisbane. Whitsunday was the most expensive regional centre for diesel, at 144.2 cpl[1], 5.4 cpl higher than Brisbane.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	138.2 (-3.7)	13.3 (-2.7)	138.8 (2.1)	11.8 (0.3)
Gold Coast	139.3 (-3.1)	13.8 (-2.1)	137.2 (1.2)	9.6 (-0.6)
Sunshine Coast	140.7 (-1.7)	15.0 (-0.7)	138.5 (1.2)	10.7 (-0.5)
Atherton	139.8 (-0.2)	11.4 (0.9)	139.9 (0.4)	9.7 (-1.3)
Biloela	141.9 (-0.1)	13.0 (0.9)	140.2 (0.3)	9.4 (-1.3)
Blackwater	140.6 (0.6)	10.0 (1.6)	139.2 (0.7)	6.6 (-1)
Bowen	141.8 (0.1)	11.7 (0.7)	138.7 (-0.3)	7.6 (-2.3)
Bundaberg	138.6 (1.4)	10.3 (2.4)	139.0 (2.9)	8.7 (1.2)
Cairns	139.3 (-0.3)	11.6 (0.8)	137.7 (0.3)	8.2 (-1.4)
Charters Towers	135.9 (-0.5)	6.4 (0.1)	139.5 (0.5)	9.1 (-1.5)
Childers	138.0 (0.4)	10.2 (1.4)	138.3 (2.4)	8.4 (0.6)
Cunnamulla	nd	nd	137.9 (2.3)	2.8 (0.5)
Dalby	139.9 (-0.5)	13.1 (0.5)	138.4 (1.8)	9.5 (0.0)
Emerald	140.9 (1.1)	9.5 (2.1)	138.9 (1.6)	5.7 (-0.1)
Gladstone	139.5 (-1.2)	11.8 (-0.2)	136.3 (1.7)	6.6 (0.0)
Goondiwindi	139.7 (0.2)	11.5 (1.2)	136.7 (2.2)	6.5 (0.4)
Gympie	136.3 (-0.2)	9.9 (0.9)	137.7 (1.5)	9.3 (-0.3)
Hervey Bay	140.5 (0.6)	12.9 (1.6)	137.5 (2.2)	7.8 (0.5)
Ingham	141.2 (0.8)	11.9 (1.4)	137.1 (0.3)	6.9 (-1.7)

[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.

Innisfail	137.5 (-0.1)	9.0 (1.0)	138.5 (2.5)	8.2 (0.9)
Kingaroy	141.1 (0.2)	14.3 (1.2)	135.3 (0.7)	6.5 (-1.1)
Longreach	146.4 (-0.2)	10.9 (0.8)	140.4 (0.9)	2.9 (-0.8)
Mackay	141.0 (-0.1)	12.5 (0.7)	138.5 (1.2)	9.0 (-0.6)
Mareeba	138.1 (-0.4)	9.9 (0.7)	134.4 (0.3)	4.4 (-1.4)
Maryborough	136.7 (1.0)	9.5 (2.0)	136.1 (3.3)	6.8 (1.6)
Miles	133.7 (0.8)	5.6 (1.8)	133.4 (2.9)	3.3 (1.2)
Moranbah	137.1 (1.3)	6.8 (2.1)	137.1 (3.2)	5.7 (1.4)
Mount Isa	148.2 (0.0)	11.0 (0.7)	139.5 (1.0)	1.4 (-1.0)
Rockhampton	141.3 (0.2)	12.6 (1.2)	138.9 (1.5)	8.2 (-0.2)
Roma	139.9 (-0.1)	10.4 (0.9)	143.8 (0.6)	12.2 (-1.1)
Toowoomba	140.7 (1.6)	14.7 (2.6)	137.1 (1.4)	9.0 (-0.3)
Townsville	140.8 (-0.8)	12.6 (-0.1)	138.3 (0.9)	9.2 (-1.1)
Tully	139.9 (-0.3)	10.9 (0.7)	137.0 (1.6)	6.2 (-0.1)
Warwick	139.8 (-0.6)	13.5 (0.4)	136.5 (1.1)	8.1 (-0.7)
Whitsunday	136.7 (-0.4)	7.0 (0.4)	144.2 (0.3)	13.5 (-1.5)
Yeppoon	142.0 (0.1)	12.8 (1.1)	138.7 (1.4)	7.6 (-0.2)

* 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.

Outlook

The latest data on US oil production saw production exceed 10 million barrels per day. The highest observed since November 1970. Russia has the highest production levels at about 11 million barrels per day, with Saudi Arabia third at about 10 ½ million barrels per day.

Despite record high production the oil price remains stubbornly high, with Brent oil selling at close to US$70/bbl. Brent prices last exceeded US$70/bbl in December 2014.

Balanced against increases in US Shale oil production is the OPEC cut and increasing demand for oil. The increase in demand for oil is partly due to strong economic growth in emerging economies. It was these factors that have recently led Goldman Sachs to increase their Brent forecast for the next six months to US$82.50. They also forecast that Brent will exceed US$75 in the next three months. The Goldman Sachs outlook is bullish compared to the US EIA, which is forecasting an average Brent price of US$60 in 2018.

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

Data sources

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