Monthly Fuel Price Report – July 2017

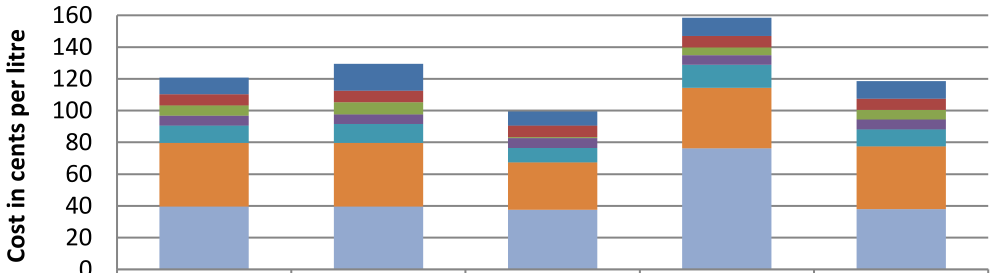
3 August 2017

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for July 2017.

Key points

- At 120.8 cpl, the average Brisbane ULP price for July was 8.7 cpl lower than June. This decrease was due to a decrease in fuel company margins. Indicative retail margins were 6.6 cpl lower at 10.4 cpl.
- Brisbane held its usual position as the most expensive of the five large capital cities in July. ULP sold in Adelaide, Sydney, Melbourne and Perth was cheaper than Brisbane by 4.3 cpl, 3.2 cpl, 1.9 cpl and 1.8 cpl respectively.
- Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 5.1 cpl, 2.4 cpl and 1.0 cpl, respectively.
- The average price of ULP across regional Queensland in July was 126.8 cpl, 4.0 cpl lower than the June average of 130.8 cpl. The average diesel price was 126.7 cpl, 1.3 cpl lower than June.
- Bundaberg had the cheapest average Queensland ULP price in regional Queensland in July, at 121.2 cpl. However, this was 0.4 cpl dearer than Brisbane, and 2.9 cpl dearer than Ipswich and Moreton Bay – the cheapest centres in Queensland in July.
- Maryborough and Miles jointly had the cheapest diesel in Queensland (5.4 cpl cheaper than Brisbane), followed by Childers (4.4 cpl cheaper than Brisbane).
- The average price of LPG in Brisbane was 74.4 cpl, 0.3 cpl lower than June. However, the price difference between the Brisbane LPG retail price and the Saudi CP reached a record high of 30.0 cpl.

ULP cost breakdown in Brisbane



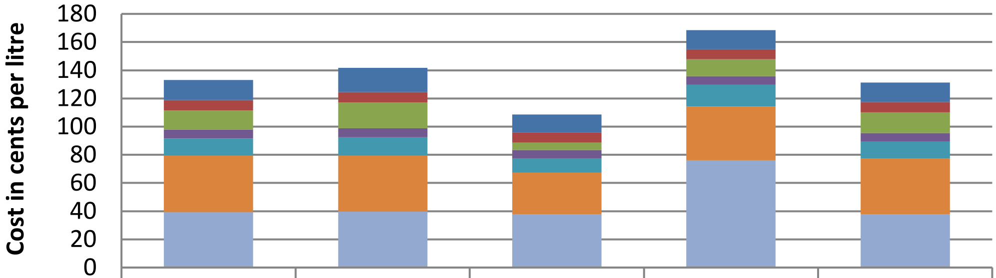
	July 2017	June 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	120.8	129.5	99.5	158.4	118.6
Retail Margin	10.4	17.0	9.0	11.4	11.1
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	6.4	7.6	0.6	4.8	6.0
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.0	11.8	9.0	14.4	10.8
Excise (Federal tax)	40.1	40.1	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	39.5	39.6	37.6	76.2	37.9

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 July 2017. 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 July was 120.8 cpl, 8.7 cpl lower than June. Indicative retail margins, at 10.4 cpl, were 6.6 cpl lower than June. Refiner margins decreased in July by 1.2 cpl.

PULP 95 cost breakdown in Brisbane



	July 2017	June 2017	Dec 2008 (cheapest)	Jan 2014 (dearest)	Last year (2016)
Average Retail Price	133.2	141.8	108.6	168.5	131.3
Retail Margin	14.5	17.4	12.8	13.6	13.9
Wholesale Margin	7.2	7.2	7.2	7.2	7.2
Refinery Margin	13.6	18.5	5.2	11.9	14.7
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	12.1	12.9	9.9	15.3	11.9
Excise (Federal tax)	40.1	40.1	29.8	38.1	39.5
Brent Crude Oil (A$ cpl)	39.5	39.6	37.6	76.2	37.9

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

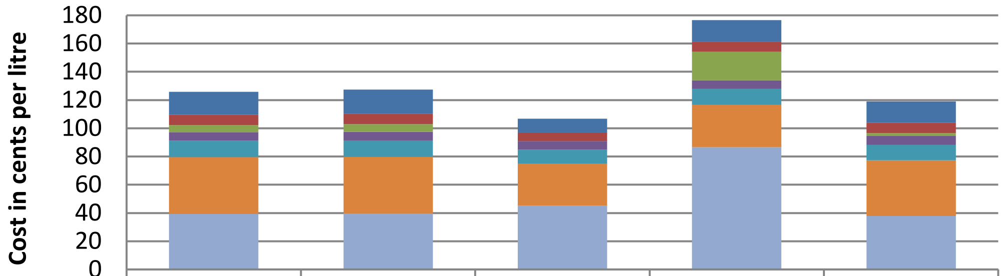
The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for July 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of PULP 95 in Brisbane in July was 133.2 cpl, 8.6 cpl lower than June, and 12.4 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in June was 12.3 cpl and the average for 2016 was 12.7 cpl. Indicative retail margins for PULP 95, at 14.5 cpl, were 2.9 cpl lower than June. Refiner margins decreased by 4.9 cpl in July.

Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for July 2017. 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 July, at 125.9 cpl, was 1.4 cpl lower than June. similarly, Indicative retail margins decreased in July by 0.7 cpl and refinery margins decreased by 0.4 cpl. At 16.5 cpl, indicative retail margins on diesel were twice as high as RACQ considers to be reasonable.

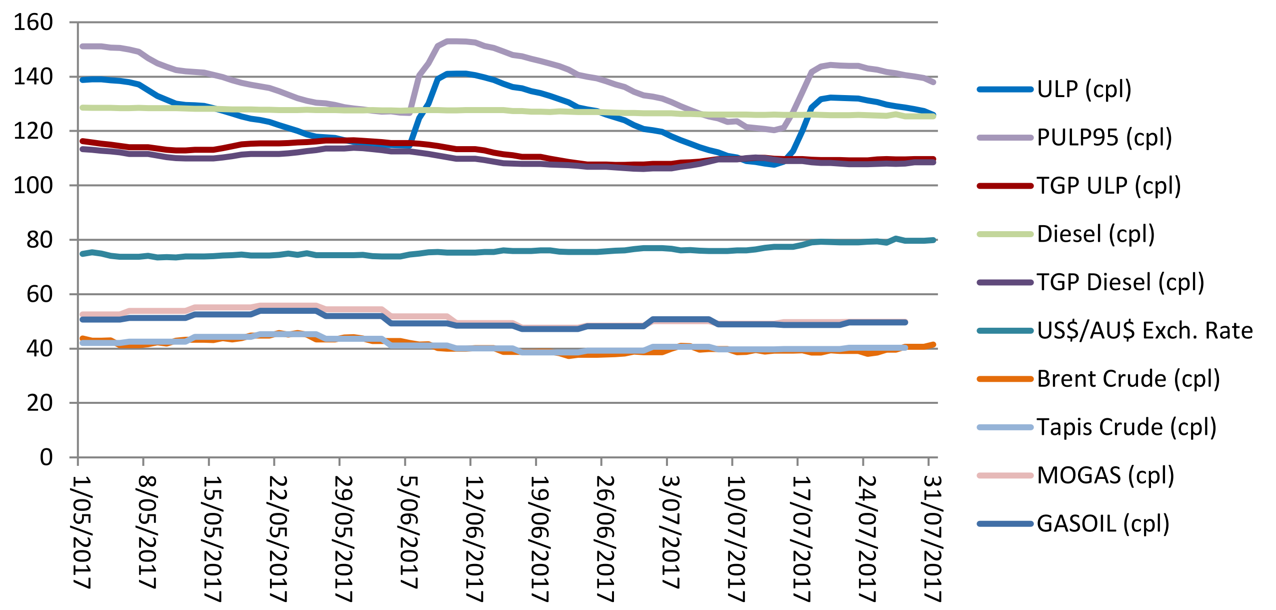


	July 2017	June 2017	Mar 2009 (cheapest)	Jul 2008 (dearest)	Last year (2016)
Average Retail Price	125.9	127.3	106.7	176.7	119.1
Retail Margin	16.5	17.2	9.8	15.3	15.3
Wholesale Margin	7.2	7.2	6.1	7.2	7.2
Refinery Margin	5.0	5.4	0.0	20.2	2.2
Distribution and other costs	6.2	6.2	6.2	6.2	6.2
GST (Federal tax)	11.4	11.6	9.7	11.3	10.8
Excise (Federal tax)	40.1	40.1	29.8	29.8	39.5
Brent Crude Oil (A$ cpl)	39.5	39.6	45.2	86.7	37.9

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

Price trends

The graph below 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$.



There were two partial price cycles observed in Brisbane in July 2017. The first cycle started on 6 June, prices peaked on 11 June, and the cycle ended on 14 July. The second cycle started on 15 July, peaked on 20 July before slowly falling for the rest of month. At the time of writing the Brisbane ULP market was in the discounting phase of the cycle.

The average price of Brent in July was A$2.8/bbl lower than June, at A$62.8/bbl (US$49.0/bbl) or 39.5 cpl. Brent started July at A$63.5/bbl (US$48.8/bbl) and ended the month higher at A$66.0/bbl (US$52.7/bbl). It fell to local low of A$61.4/bbl (US$46.7/bbl) on 10 July, before strengthening in the second half of July.

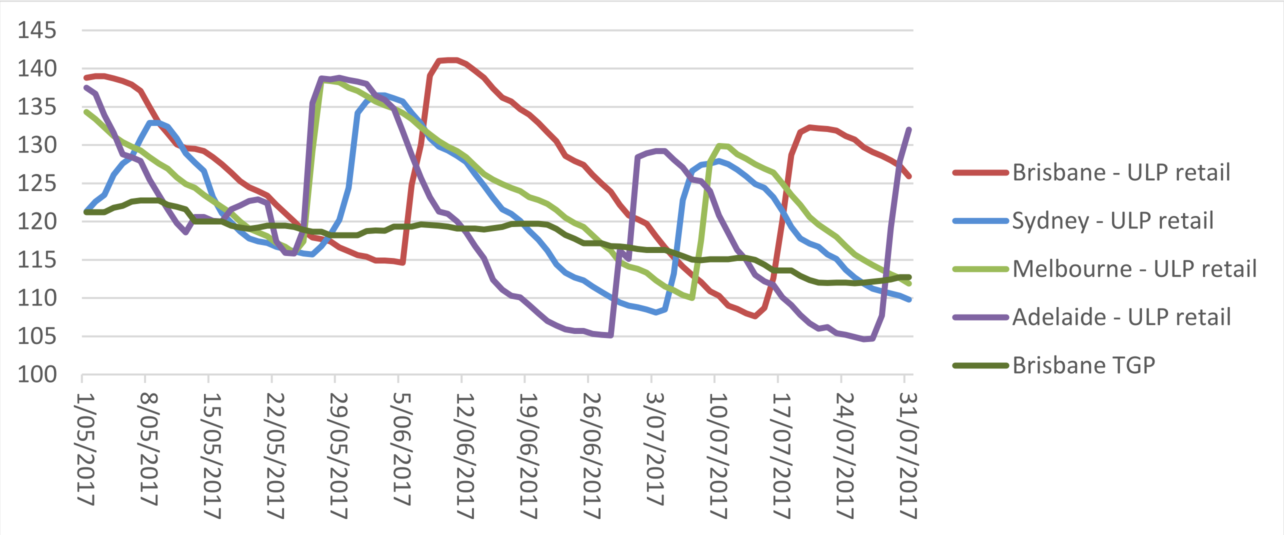
Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	116.5 (-0.4)	5.9 (0.9)	120.8 (-2.3)	10.6 (-2.3)
Brisbane	120.8 (-8.7)	10.4 (-6.6)	125.9 (-1.4)	16.5 (-0.7)
Canberra	127.7 (-0.9)	17.2 (0.4)	129.3 (-0.6)	19.1 (-0.5)
Darwin	130.0 (-0.3)	19.4 (1.0)	129.5 (-0.9)	19.3 (-0.8)
Hobart	136.3 (-1.4)	25.8 (-0.1)	136.7 (-0.6)	26.6 (-0.5)
Melbourne	118.9 (-6.9)	8.3 (-5.6)	124.9 (-2.0)	14.8 (-2.0)
Perth	119.0 (-4.5)	8.4 (-3.2)	128.2 (-1.8)	18.0 (-1.8)
Sydney	117.6 (-5.3)	7.1 (-4.0)	123.5 (-1.6)	13.3 (-1.6)

* 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 most expensive of five largest capitals in July. Brisbane was more expensive than Adelaide, Sydney, Melbourne and Perth by 4.3 cpl, 3.2 cpl, 1.9 cpl and 1.8 cpl respectively. Canberra, Darwin and Hobart were 6.9 cpl, 9.2 cpl and 15.5 cpl more expensive respectively.



Much of the price difference between the capital cities is due to the alignment of the price cycles rather than due to a change in retailer pricing policy. As can be observed in the chart above in mid-July when Brisbane was in the most expensive phase of the cycle, Adelaide was in cheap phase, and Sydney and Melbourne were in the discounting phase. That said, considering the whole of cycle average price Brisbane is more expensive than the other large capitals. In July, the most expensive daily average price in Brisbane was higher than the other large capitals and so were the cheapest prices.

Diesel sold in Adelaide, Sydney and Melbourne was cheaper than Brisbane by 5.1 cpl, 2.4 cpl and 1.0 cpl, respectively. Perth, Canberra, Darwin and Hobart were more expensive by 2.3 cpl, 3.4 cpl, 3.6 cpl and 10.8 cpl, respectively.

Comparison of the SEQ metropolitan centres

Ipswich and Moreton Bay were jointly the cheapest centres in SEQ to buy ULP in July, with an average price of 118.3 cpl, nine or ten cents lower than the June averages. Ipswich and Moreton Bay were also the cheapest centres in Queensland. The Gold Coast was the next cheapest centre in SEQ, 0.5 cpl dearer than Ipswich and Moreton Bay. The Sunshine Coast was the most expensive SEQ centre, 5.6 cpl dearer than Ipswich and Moreton Bay.

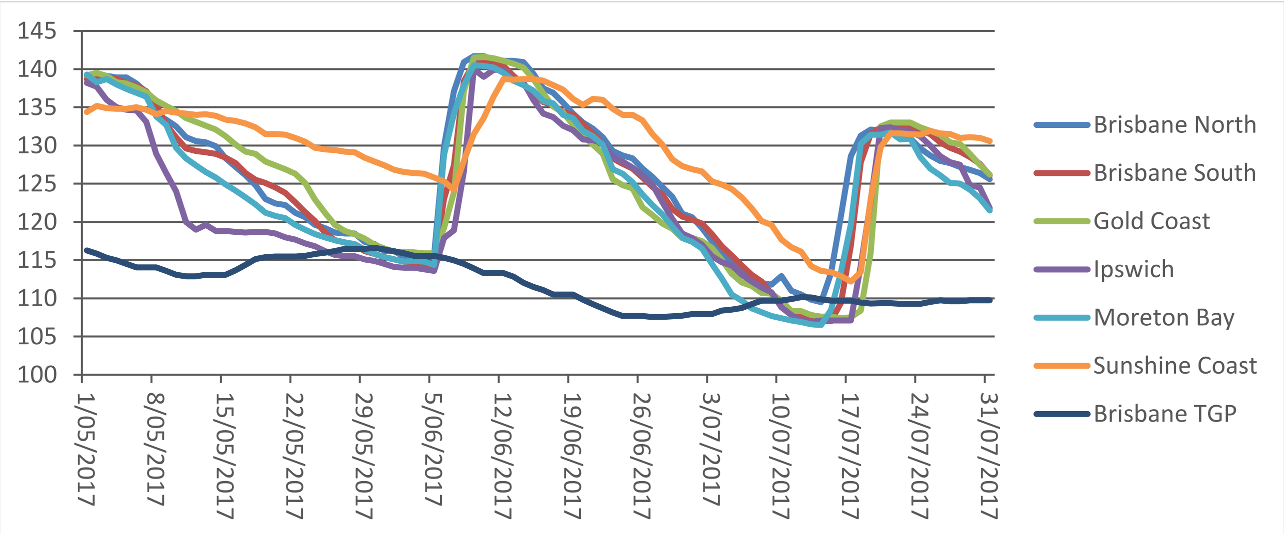
Ipswich was the cheapest SEQ centre to buy diesel, with an average price of 122.4 cpl, followed by Brisbane South and Moreton Bay, 3.2 cpl and 3.4 cpl dearer than Ipswich, respectively. As with ULP, the Sunshine Coast was the most expensive, 5.3 cpl dearer than Ipswich.

The table below presents the average July prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to June in parentheses.

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	121.4 (-9.3)	8.4 (-7.1)	126.9 (-1.6)	15.2 (-0.9)
Brisbane South	120.6 (-8.5)	7.5 (-6.3)	125.6 (-1.3)	13.9 (-0.6)
Gold Coast	118.8 (-9.5)	5.2 (-7.3)	126.7 (-1.5)	14.3 (-0.8)
Ipswich	118.3 (-9.2)	5.0 (-7.0)	122.4 (-2.7)	10.3 (-2.1)
Moreton Bay	118.3 (-10.4)	5.0 (-8.2)	125.8 (-1.2)	13.7 (-0.5)
Sunshine Coast	123.9 (-8.6)	10.0 (-6.4)	127.7 (-1.7)	15.1 (-1.0)

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

The graph below displays the average retail ULP in the six regions in South East Queensland, and the average TGP in Brisbane for May, June and July.

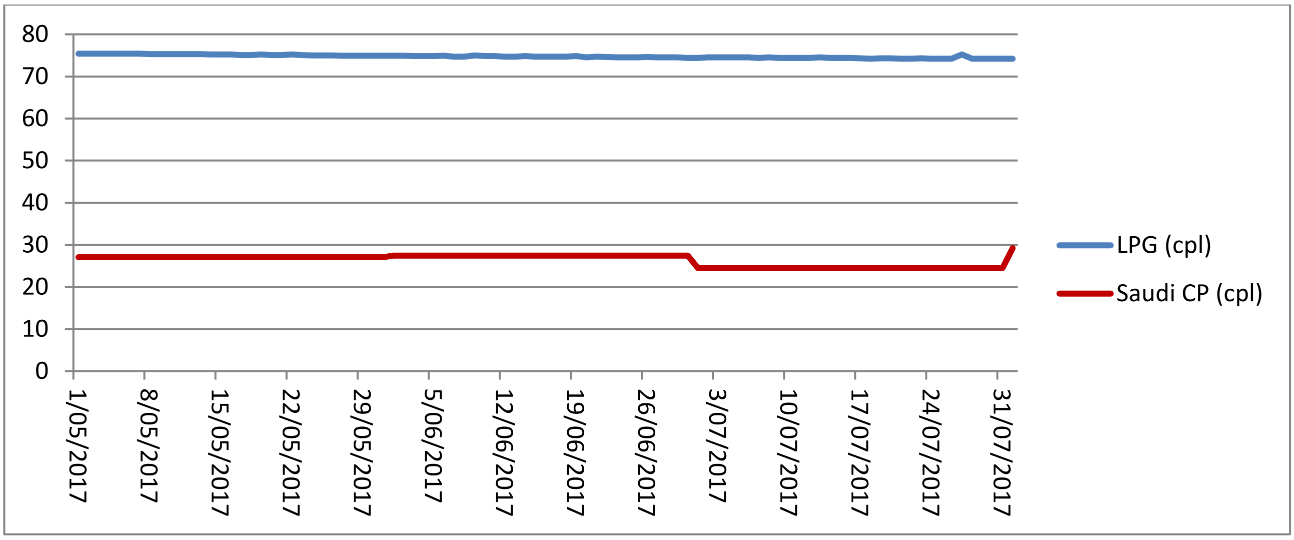


As can be observed in the graph, most of the centres in SEQ follow a distinct price cycle. A higher level of discounting can be observed in Ipswich and Moreton Bay, reflecting the more competitive nature of these markets. In contrast, ULP prices on the Sunshine Coast were substantially higher through most of the price cycle.

Liquid Petroleum Gas (LPG)

The average retail price of LPG in Brisbane in July was 74.4 cpl, 0.3 cpl lower than June. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in July was 30.0 cpl, 2.6 cpl higher than June and 12.3 cpl higher than February. The price difference between the retail price and the Saudi CP observed in July was the record highest observed in Brisbane.

The chart below displays the average retail price of LPG in Brisbane and the Saudi CP.



Fuel prices across Queensland

The average price of ULP across regional Queensland in July was 126.8 cpl, 4.0 cpl lower than the June average of 130.8 cpl. The average diesel price was 126.7 cpl, 1.3 cpl lower than June.

Bundaberg was the cheapest non-SEQ regional centre to buy ULP in July. However, all non-SEQ regional centres were more expensive than Brisbane. Bundaberg was 0.4 cpl dearer than Brisbane. The next cheapest centres were Toowoomba, Maryborough and Gladstone, 0.8 cpl, 1.1 cpl and 1.8 cpl dearer than Brisbane, respectively. Ipswich and Moreton Bay were the jointly the cheapest centres in Queensland, with an average ULP price of 118.3 cpl.

The most expensive regional centre listed was Blackwater, with an average price of 143.9 cpl in July. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices[1].

Sixteen of the 36 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Maryborough and Miles had the joint cheapest diesel in Queensland (5.4 cpl cheaper than Brisbane), followed by Childers (4.4 cpl cheaper than Brisbane). Warwick, Hervey Bay, Gladstone, Toowoomba, Townsville, Ingham, Dalby, Bowen, Gympie, Charters Towers, Tully, Kingaroy and Mount Isa were also cheaper than the Brisbane in July. Roma was the most expensive listed regional centre for diesel, at 134.9 cpl[1].

The table below presents the average July prices and retail margins on ULP and diesel for Queensland

[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.

localities, with the change compared to June in parentheses.

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	120.8 (-8.7)	10.4 (-6.6)	125.9 (-1.4)	16.5 (-0.7)
Gold Coast	118.8 (-9.5)	7.8 (-7.3)	126.7 (-1.5)	16.7 (-0.8)
Sunshine Coast	123.9 (-8.6)	12.7 (-6.5)	127.7 (-1.7)	17.5 (-1.0)
Atherton	139.3 (-0.6)	25.3 (1.6)	133.5 (-1.6)	20.9 (-0.9)
Ayr	nd	nd	125.9 (0.3)	13.6 (1.0)
Biloela	133.7 (-2.0)	19.5 (0.2)	131.0 (-1.8)	18.0 (-1.1)
Blackwater	143.9 (-0.1)	27.9 (2.1)	130.9 (-0.4)	16.2 (0.3)
Bowen	129.9 (-1.3)	15.1 (0.9)	124.7 (-1.9)	11.3 (-1.2)
Bundaberg	121.2 (-4.0)	4.7 (-1.8)	126.8 (-2.5)	11.7 (-1.8)
Cairns	138.6 (-1.3)	25.4 (0.9)	131.8 (-1.0)	19.9 (-0.4)
Charleville	132.5 (1.0)	12.2 (3.2)	133.4 (0.6)	14.4 (1.2)
Charters Towers	127.8 (-0.5)	13.6 (1.7)	125.2 (-0.7)	12.4 (0.0)
Childers	124.8 (-2.5)	8.8 (-0.3)	121.5 (-2.6)	6.8 (-2.0)
Cunnamulla	nd	nd	133.8 (0.6)	13.8 (1.3)
Dalby	123.7 (-2.8)	8.7 (-0.6)	124.5 (-3.4)	10.8 (-2.7)
Emerald	142.3 (-0.6)	25.6 (1.6)	128.7 (0.0)	13.3 (0.7)
Gladstone	122.6 (-4.1)	9.5 (-1.9)	124.1 (-1.9)	12.3 (-1.2)
Goondiwindi	132.9 (0.6)	16.5 (2.8)	126.8 (0.2)	11.7 (0.9)
Gympie	123.6 (-3.0)	9.1 (-0.8)	124.8 (-1.5)	11.6 (-0.8)
Hervey Bay	124.2 (-5.4)	8.4 (-3.2)	123.4 (-1.7)	9.0 (-1.0)
Ingham	133.7 (-1.8)	19.8 (0.4)	124.4 (-2.3)	11.8 (-1.6)
Innisfail	131.9 (-7.9)	17.8 (-5.7)	132.4 (-2.8)	19.7 (-2.1)
Kingaroy	132.8 (-2.3)	17.8 (-0.1)	125.4 (-1.2)	11.7 (-0.5)
Longreach	143.6 (0.0)	22.7 (2.2)	131.4 (0.2)	11.8 (0.9)
Mackay	127.8 (-2.1)	14.8 (0.1)	129.5 (-1.0)	17.8 (-0.4)
Mareeba	129.4 (-0.2)	15.6 (2.0)	127.4 (-0.6)	14.8 (0.1)
Maryborough	121.9 (-4.2)	6.5 (-2.0)	120.5 (-3.2)	6.4 (-2.5)
Miles	123.8 (2.3)	7.6 (4.5)	120.5 (-0.4)	5.5 (0.3)
Moranbah	130.6 (-0.9)	15.7 (1.3)	129.7 (0.1)	16.0 (0.8)
Mount Isa	140.4 (-2.1)	18.7 (0.1)	125.6 (0.0)	5.1 (0.7)
Rockhampton	134.2 (-3.3)	20.0 (-1.1)	127.6 (-0.9)	14.8 (-0.2)
Roma	124.9 (-0.2)	7.2 (2.0)	134.9 (0.1)	18.5 (0.8)
Toowoomba	121.6 (-2.5)	7.4 (-0.3)	124.1 (-1.4)	11.2 (-0.7)
Townsville	124.4 (-3.5)	11.6 (-1.3)	124.1 (-1.9)	12.6 (-1.2)
Tully	136.8 (-2.7)	22.3 (-0.5)	125.3 (-2.7)	12.0 (-2.0)
Warwick	128.4 (-1.1)	13.9 (1.1)	122.4 (-1.9)	9.3 (-1.2)
Whitsunday	124.4 (-1.7)	10.1 (0.5)	134.0 (-1.0)	21.0 (-0.3)
Yeppoon	134.5 (-3.9)	19.9 (-1.7)	129.6 (-1.0)	16.3 (-0.3)

* 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.

The Cairns Petrol Market

In May 2017, the ACCC released its fourth regional market study on the Cairns petrol market. The ACCC concluded that ULP prices in Cairns were substantially higher than other markets in Queensland and the rest of Australia.

The table below shows the average ULP retail price for Cairns and the average for regional centres across Queensland (excluding SEQ) - the rest of Queensland (RoQ).

Month	Average ULP Price (cpl)	
	Cairns	RoQ
Jan-17	140.3	135.9
Feb-17	144.2	136.2
Mar-17	144.0	134.4
Apr-17	140.2	131.0
May-17	140.1	131.5
Jun-17	139.9	130.8
Jul-17	138.6	126.8

In January 2017 ULP in Cairns was 4.4 cpl more expensive than the rest of Queensland average. This difference increased to 8.6 cpl in May, the month the ACCC's report was released. Since the release of the ACCC's report the price difference between Cairns and the rest of Queensland increased to 9.1 cpl in June and further again to 11.8 cpl in July.

Outlook

In the last week of July, the price of Brent reached a two-month high. Several factors have contributed to the recent increases. The threat of sanctions on Venezuela has placed upward on the oil price. This is despite Venezuela being a relatively small oil producer, and one of the OPEC countries not bound by the production cut. Increased US consumption of refined products and a decrease in US oil inventories have placed upward pressure on the oil price.

Increases in US shale oil production have limited oil price increases. However, recently the number of new rigs has slowed in the US and Canada. This has limited North American production capacity and limited the impact of shale oil production in restraining price increases.

Looking forward there is no foreseeable end to the current volatility. The best estimate predicts oil continuing to trade in a range between US$45/bbl and US$55/bbl.

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.