

Monthly Fuel Price Report

- June 2019



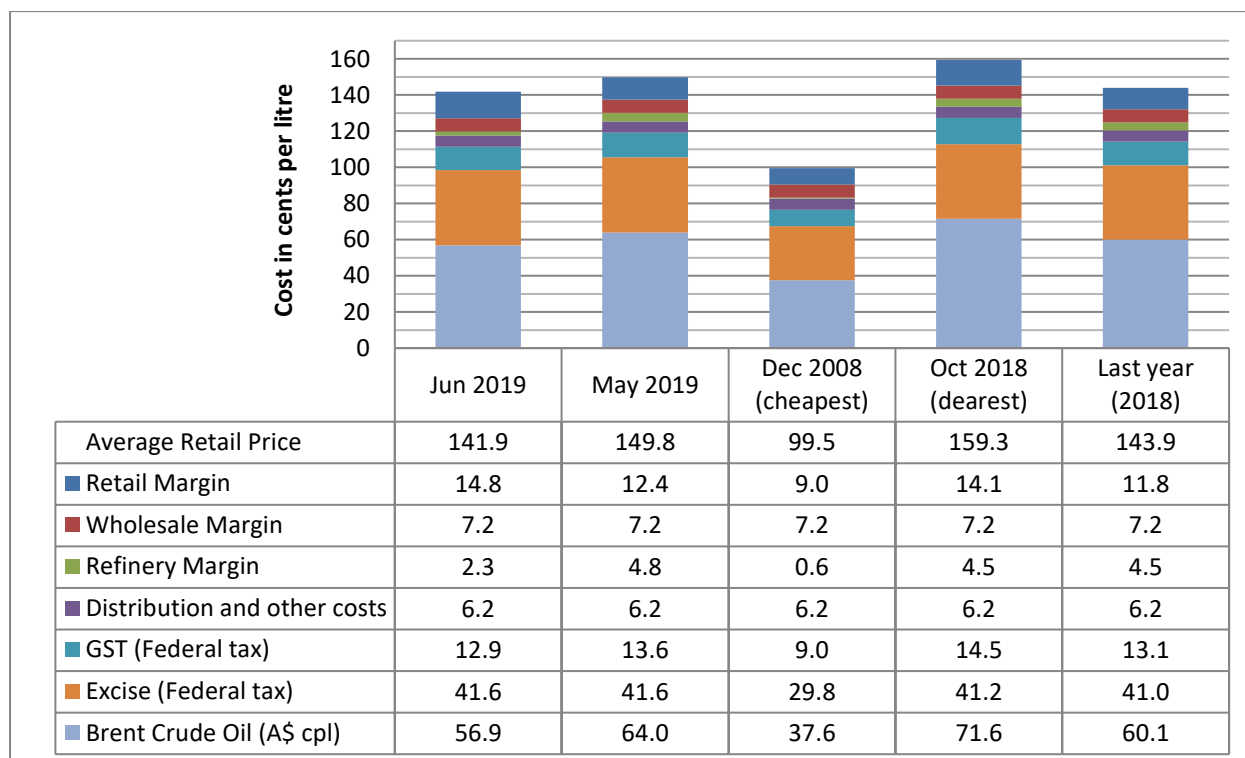
3 July 2019

The RACQ monthly fuel price report presents a summary of the fuel price trends in Queensland for June 2019.

Key points

- At 141.9 cpl, the average ULP price in Brisbane in June was 7.9 cpl lower than May.
- This decrease was due to a fall in the oil price, rather than a decrease in fuel company margins. Indicative retail ULP margins in Brisbane were up 2.4 cpl compared to May.
- Brisbane regained its usual position as the most expensive of the large capital cities in June. Perth was the cheapest capital city with a ULP price of at 137.6 cpl, 4.3 cpl cheaper than Brisbane.
- At 147.6 cpl, the average Brisbane diesel price in June was 3.1 cpl lower than May.
- Brisbane and Melbourne were the joint cheapest of the large capital cities for diesel. Adelaide, Darwin and Sydney were more expensive than Brisbane by 0.5 cpl, 0.5 cpl and 1.0 cpl, respectively.
- The average ULP price in regional Queensland in June was 142.4, 5.6 cpl lower than May. The average diesel price in regional Queensland was down 1.9 cpl, at 147.8 cpl.
- At 130.2 cpl, the cheapest ULP in regional Queensland was found in Goondiwindi. Like May, the cheapest diesel was found in Miles, where the average price for diesel was 138.7 cpl.
- Indicative retail margins increased in most centres in regional Queensland. This was due to a fall in the oil price and TGP, rather than an increase in retail prices.

ULP cost breakdown in Brisbane



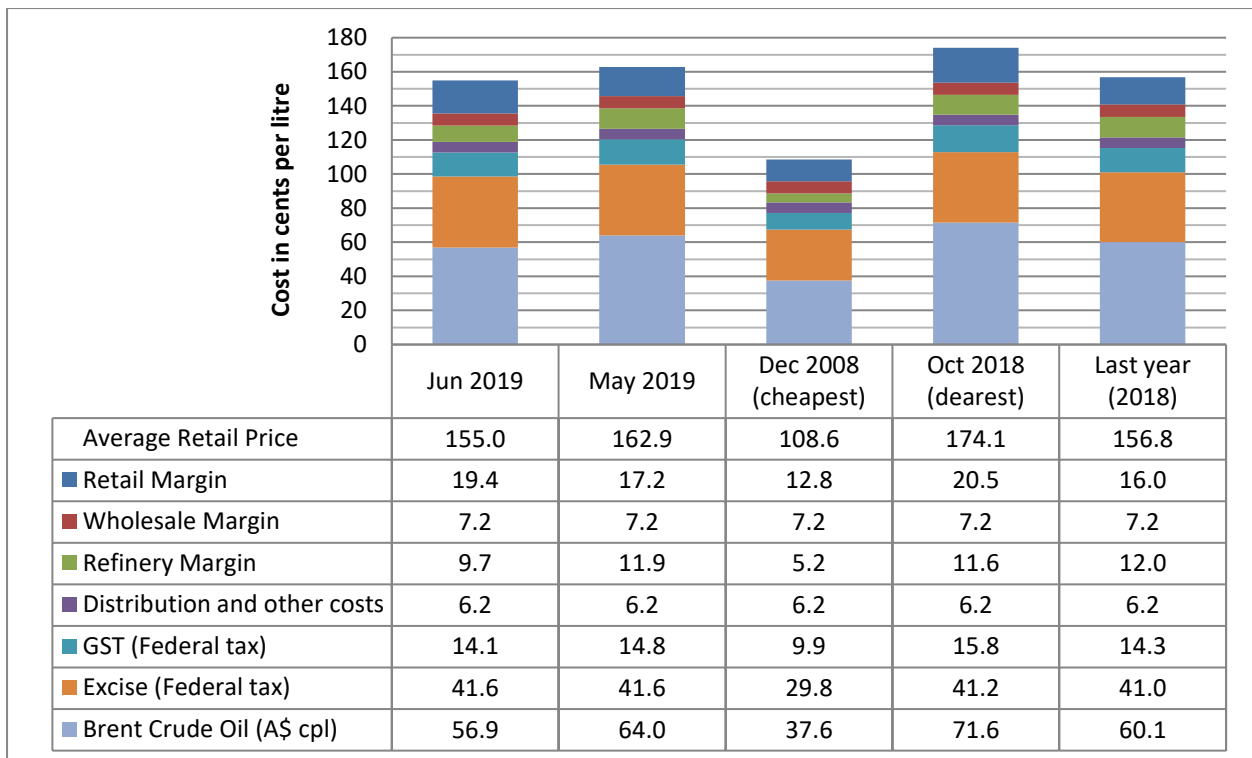
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for June. 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 141.9 cpl the average price of ULP in Brisbane in June was 7.9 cpl lower than the May average. Indicative retail margins, at 14.8 cpl, were 2.4 cpl higher than May. June was the second consecutive month in 2019 when retail margins exceeded the 2018 average. Indicative ULP refinery margins at 2.3 cpl were 2.5 cpl lower than May. Total margins (retail, wholesale and refinery) at 24.3 cpl, were largely unchanged from June, when they were 24.4 cpl.

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 June. 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.



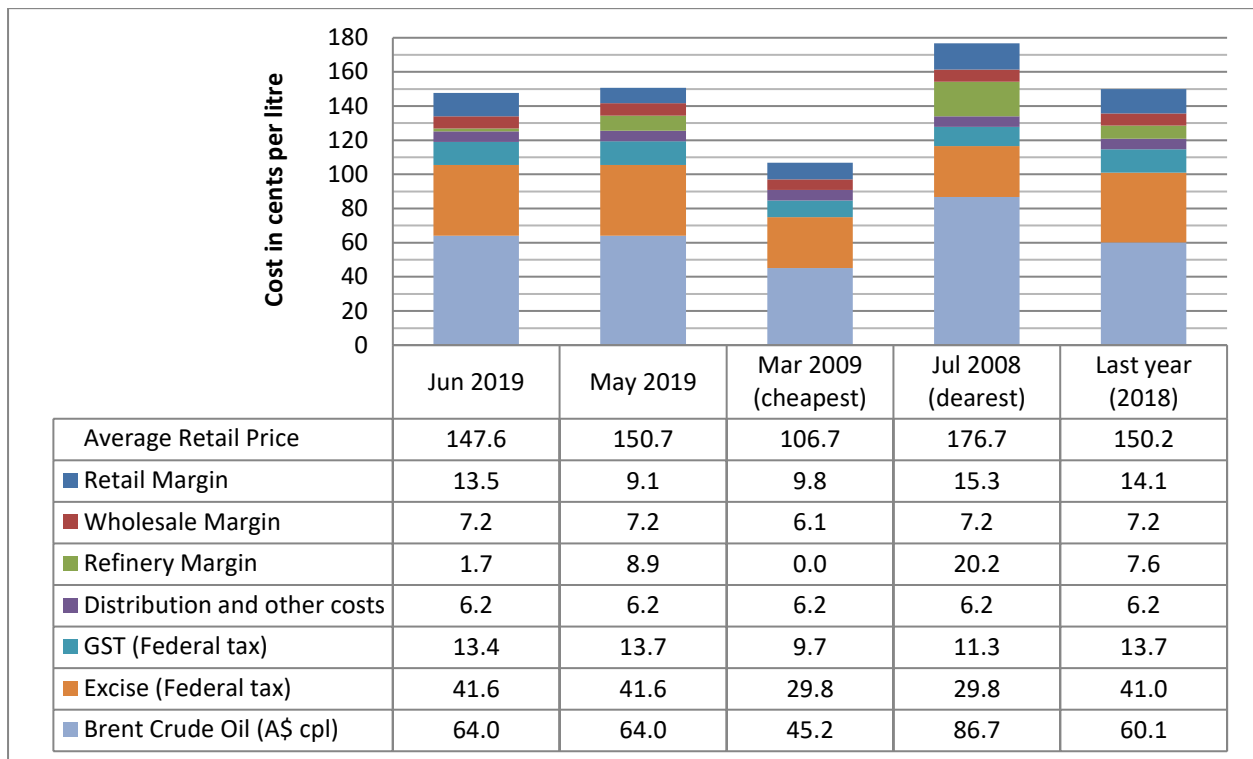
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average PULP 95 price in Brisbane in June was 155.0 cpl, 7.9 cpl lower than May. The price difference between ULP and PULP 95 was 13.1 cpl, the same as May. Indicative retail margins for PULP 95, at 19.4 cpl, were 2.2 cpl higher than May. Refinery margins at 9.7 cpl, 2.2 cpl lower than May, balancing out the increase in retail margins.

Diesel cost breakdown in Brisbane

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

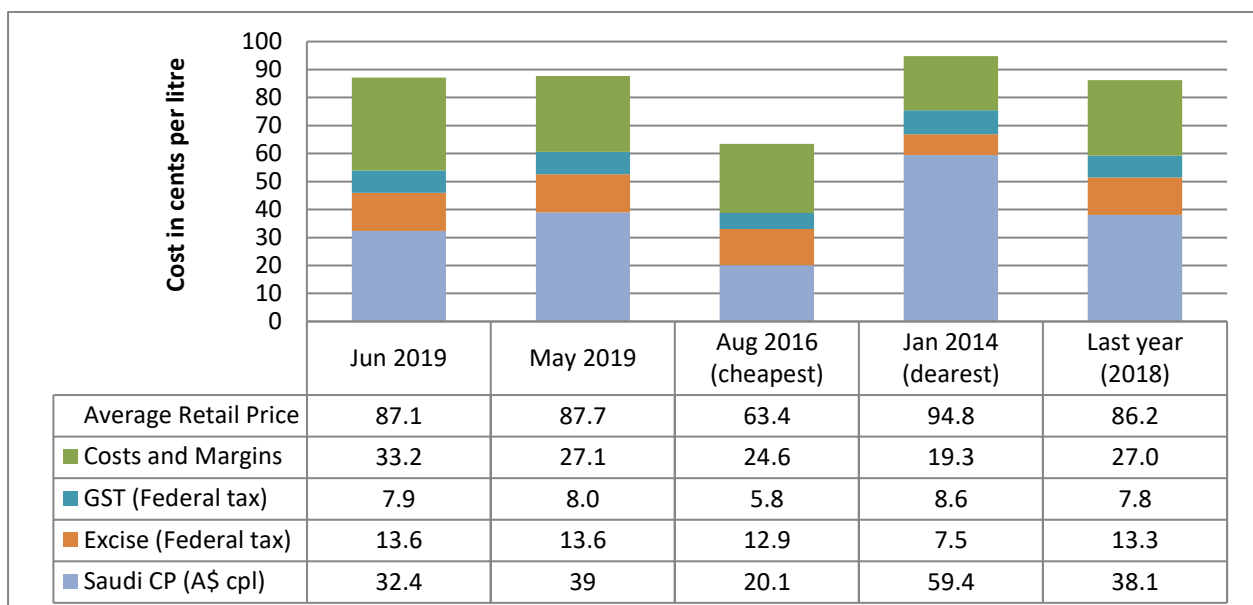
The average price of diesel in June, at 147.6 cpl, was 3.1 cpl lower than May. Indicative retail margins, at 13.5 cpl, were up by 4.4cpl and refinery margins were down by 7.2 cpl at 1.7 cpl. Total margins (retail, wholesale and refinery) in June at 22.4 cpl, where 2.8 cpl lower than the those in May (25.2 cpl).



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.



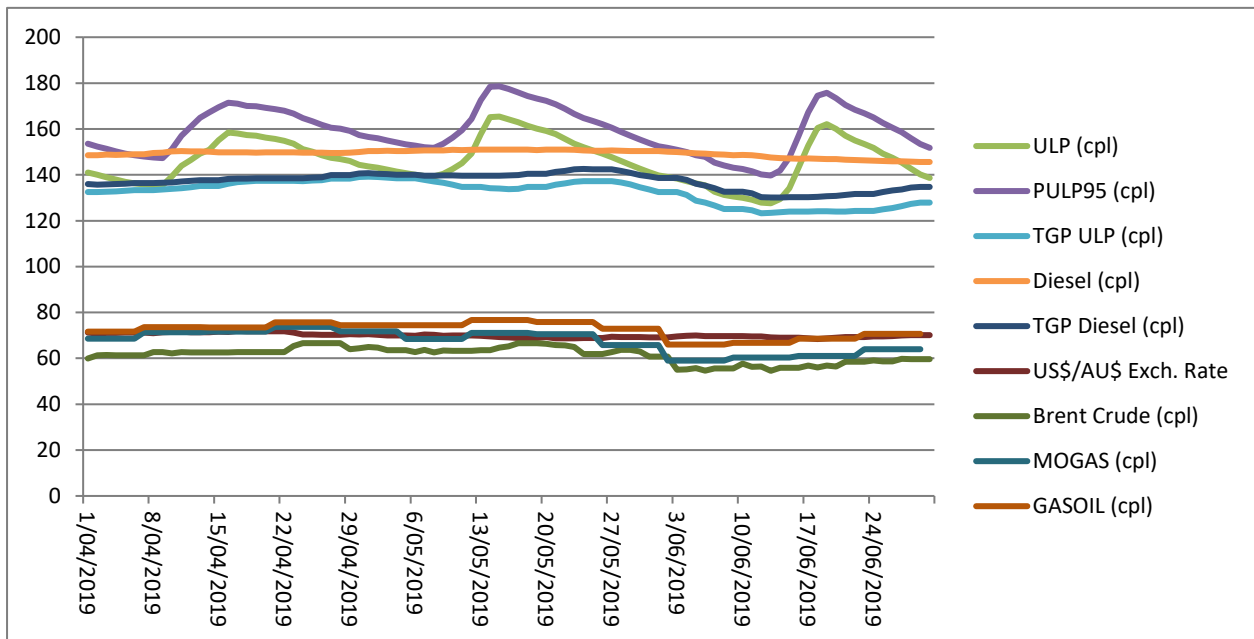
The chart above shows the cost breakdown for a litre of LPG sold in Brisbane for June. For comparison, the cost breakdown for last month, last year, August 2016 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2012), is also displayed.

The average retail price of LPG in Brisbane in June was 87.1 cpl, 0.6 cpl lower than May. The fall in the retail price is modest compared to the fall in the Saudi CP. Rather than passing these savings on to motorists, fuel companies have used the fall in the wholesale costs of LPG to bolster margins. Fuel company margins and costs at 33.2 cpl, were 6.1 cpl higher than May.

The Saudi CP for July was 28.1 cpl, 4.3 cpl lower than June. This substantial fall in the Saudi CP follows similar falls observed in May and should lead to a fall in retail LPG prices. However, past fuel company behaviour suggests they will use this fall in the Saudi CP to bolster their margins, rather than pass these savings onto motorists.

Price trends

Two partial price cycles were observed in Brisbane in June. The first cycle started on 9 May and prices peaked on 14 May. Prices then fell steadily through the rest of May and into June. The second cycle started on 14 June and prices peaked on 19 June. Average ULP prices then fell steadily for the rest of June and into early July. At the time of writing the Brisbane ULP market was in the cheap phase of the cycle.



The average price of Brent in June at A\$90.4/bbl (US\$62.8/bbl) or 56.9cpl, was A\$3.2/bbl lower than May, and a four-month low. The monthly average oil price was last this low in February 2019.

Brent started June at A\$87.5/bbl (US\$60.8/bbl) and remained relatively low and stable for the first three weeks of June. The oil price spiked on June 21 to A\$93.0/bbl (US\$64.5/bbl), and continued to strengthen for the rest of month, ending June at A\$94.9/bbl (US\$66.6/bbl). The spike in the oil price followed the shooting down of a US drone by Iran. On-going tension in the Middle East caused the oil price to strengthen for the rest of June.

Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	141.9 (-7.9)	14.8 (2.2)	147.6 (-3.1)	13.5 (4.4)
Adelaide	138.5 (-13.1)	11.6 (-3.2)	148.1 (-3.7)	13.7 (3.6)
Canberra	144.0 (-3.0)	17.7 (6.9)	153.0 (-1.5)	19.1 (5.9)
Darwin	144.6 (0.0)	13.4 (10.0)	148.1 (-0.4)	10.0 (6.9)
Hobart	152.6 (-1.9)	20.0 (8.1)	160.2 (-0.8)	20.5 (6.7)
Melbourne	141.0 (-6.5)	14.7 (3.4)	147.6 (-2.2)	13.6 (5.1)
Perth	137.6 (-11.1)	11.1 (-1.2)	149.8 (-1.5)	15.7 (5.8)
Sydney	140.9 (-6.6)	14.6 (3.3)	148.6 (-2.5)	14.7 (4.8)

* 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 regained its usual position as the most expensive of the large capital cities in June. At 141.9 cpl, Brisbane was 4.3 cpl more expensive than Perth, and more expensive than Adelaide, Sydney and Melbourne 3.4 cpl, 1.0 cpl and 0.9 cpl, respectively. Canberra, Darwin and Hobart were dearer than Brisbane by 2.1 cpl, 2.7 cpl and 10.7 cpl, respectively. Darwin and Canberra returned to their usual position among the most expensive capital cities. The average price in Darwin was unchanged from May, with retailers retaining the savings from lower oil prices and TGP, rather than passing them on to motorists.

Brisbane and Melbourne had the joint cheapest diesel in June, at 147.6 cpl. Diesel sold in Brisbane and Melbourne was cheaper than Adelaide, Darwin, Sydney, Perth, Canberra and Hobart by 0.5 cpl, 0.5 cpl, 1.0 cpl, 2.2 cpl, 5.4 cpl and 12.6 cpl, respectively.

Comparison of the SEQ metropolitan centres

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Central Brisbane	142.1 (-11.3)	14.9 (-1.2)	149.6 (-2.4)	15.5 (5.1)
Brisbane North	141.6 (-8.2)	14.4 (1.9)	147.4 (-3.0)	13.3 (4.5)
Brisbane South	142.4 (-7.6)	15.3 (2.5)	147.4 (-3.3)	13.3 (4.1)
Brisbane Bayside/ Redlands	145.6 (-5.6)	18.4 (4.5)	150.7 (-1.7)	16.6 (5.8)
Logan	141.6 (-7.0)	14.5 (3.1)	145.6 (-6.2)	11.5 (1.3)
Ipswich	140.0 (-7.5)	12.6 (2.6)	147.5 (-2.2)	13.1 (5.2)
Moreton Bay	142.2 (-7.5)	14.7 (2.6)	147.0 (-2.5)	12.6 (4.9)
Gold Coast	138.1 (-8.1)	10.3 (2.0)	147.0 (-1.8)	12.3 (5.6)
Sunshine Coast	142.6 (-11.0)	14.6 (-0.9)	146.4 (-3.7)	11.5 (3.8)

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

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

Like every month so far in 2019, the Gold Coast was the cheapest centre in SEQ to buy ULP in June, with an average price of 138.1 cpl. It was followed by Ipswich, Brisbane North, Logan, Central Brisbane, Moreton Bay, Brisbane South and Sunshine Coast. Brisbane Bayside/Redlands was the most expensive SEQ centre at 145.6 cpl, 7.5 cpl dearer than the Gold Coast.

Logan was the cheapest SEQ centre to buy diesel with an average price of 145.6 cpl, followed by Sunshine Coast, Moreton Bay, Gold Coast, Brisbane North, Brisbane South, Ipswich and Central Brisbane. Brisbane Bayside/Redlands was the most expensive at 150.7 cpl, 5.1 cpl dearer than the Gold Coast.

ULP and diesel prices in all SEQ centres were lower than those observed in May. Average ULP prices in SEQ were 5 cpl to 11 cpl lower than May. Diesel sold in SEQ in June was 1 cpl or 6 cpl lower than May.

Fuel prices across Queensland

The average price of ULP across regional Queensland in June was 142.4 cpl, 5.6 cpl lower than May when the average price was 148.0 cpl. The average diesel price was 147.8 cpl, 1.9 cpl lower than May when the average price was 149.7 cpl.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	141.9 (-7.9)	14.8 (2.2)	147.6 (-3.1)	13.5 (4.4)
Atherton	148.6 (-1.3)	17.6 (8.8)	150.5 (-1.4)	13.0 (6.2)
Beaudesert	142.7 (-6.3)	14.7 (3.8)	150.1 (-2.0)	15.2 (5.4)
Biloela	149.7 (-0.2)	19.4 (9.8)	153.9 (1.9)	16.9 (9.4)
Blackwater	159.9 (0.0)	27.9 (10.0)	149.9 (-4.2)	11.2 (3.3)
Bowen	145.6 (-3.7)	13.1 (6.4)	148.2 (-1.7)	10.1 (5.8)
Bundaberg	135.3 (-5.6)	4.8 (4.5)	142.8 (-1.2)	5.3 (6.3)
Cairns	146.4 (-4.9)	16.1 (5.2)	149.0 (-1.6)	12.2 (5.9)
Charters Towers	146.5 (-3.1)	14.8 (7.0)	150.0 (-0.9)	12.6 (6.6)
Childers	140.3 (-9.2)	10.3 (0.9)	147.8 (-3.4)	10.8 (4.1)
Dalby	145.2 (-2.8)	16.1 (7.3)	150.0 (-1.7)	14.0 (5.8)
Emerald	152.1 (-5.5)	19.3 (4.5)	151.0 (-2.3)	11.6 (5.2)
Gladstone	134.1 (-9.1)	5.0 (1.0)	145.1 (-2.7)	9.3 (4.8)
Goondiwindi	130.2 (-6.1)	-0.3 (4.0)	145.6 (-4.0)	8.1 (3.5)
Gympie	135.3 (-12.4)	6.6 (-2.3)	145.1 (-1.3)	9.6 (6.2)
Hervey Bay	145.0 (-6.5)	15.1 (3.6)	151.4 (-3.1)	14.6 (4.4)
Ingham	143.1 (0.1)	11.5 (10.1)	146.5 (-0.2)	9.2 (7.2)
Innisfail	149.9 (-5.7)	18.8 (4.4)	150.4 (-5.4)	12.9 (2.1)
Kingaroy	134.5 (-8.1)	5.4 (2.0)	145.6 (-4.3)	9.6 (3.2)
Lockyer Valley	140.9 (-7.1)	12.8 (2.9)	149.1 (0.8)	14.1 (8.2)
Longreach	157.1 (-1.6)	20.2 (8.5)	157.3 (1.6)	13.8 (9.1)
Mackay	147.2 (-4.2)	17.3 (5.8)	149.7 (-1.5)	13.7 (5.9)
Mareeba	148.7 (-0.9)	17.8 (9.2)	151.8 (0.3)	14.5 (7.8)
Maryborough	137.6 (-9.3)	8.1 (0.8)	145.1 (-4.7)	8.7 (2.8)

Miles	134.6 (-1.6)	4.2 (8.5)	138.7 (-3.4)	1.4 (4.1)
Moranbah	142.1 (-3.0)	10.2 (7.0)	147.1 (-2.2)	9.2 (5.2)
Mount Isa	157.0 (-2.9)	17.5 (7.2)	150.8 (-1.6)	5.7 (5.9)
Nambour	143.3 (-12.6)	15.4 (-2.5)	146.2 (-3.3)	11.3 (4.2)
Noosa	140.7 (-12.6)	12.6 (-2.5)	144.0 (-5.2)	8.9 (2.3)
Rockhampton	140.5 (-6.6)	10.3 (3.5)	145.8 (-1.7)	9.0 (5.8)
Roma	135.4 (-3.6)	3.7 (6.5)	144.5 (-1.3)	5.8 (6.2)
Somerset	140.0 (-4.8)	11.9 (5.3)	145.9 (-0.1)	10.8 (7.4)
Toowoomba	135.2 (-8.1)	6.9 (2.0)	147.7 (-1.9)	12.5 (5.6)
Townsville	142.9 (-6.2)	12.4 (3.9)	147.4 (-2.6)	11.3 (4.9)
Tully	148.6 (-10.)	17.0 (9.1)	150.8 (1.3)	12.7 (8.8)
Warwick	141.8 (-6.6)	13.2 (3.4)	145.5 (-3.8)	10.0 (3.7)
Whitsunday	138.4 (-3.0)	7.2 (6.9)	144.7 (-0.8)	7.5 (6.6)
Yeppoon	141.5 (-4.4)	10.9 (5.6)	144.5 (-1.7)	7.2 (5.8)

* 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 130.2 cpl, Goondiwindi was the cheapest Queensland regional centre to buy ULP in June. Goondiwindi was 11.7 cpl cheaper than Brisbane. Gladstone was the second cheapest at 134.1 cpl, 3.9 cpl dearer than Goondiwindi, and 7.8 cpl cheaper than Brisbane. For the first time in six months, Miles lost the title as the cheapest centre in regional Queensland, falling to fourth place. Kingaroy, Toowoomba, Bundaberg, Gympie, Roma, Maryborough, Whitsunday, Somerset, Childers, Rockhampton, Noosa, Lockyer Valley, Yeppoon and Warwick were also cheaper than Brisbane. The most expensive regional centres for ULP was Blackwater¹. With an average ULP price of 159.9 cpl, Blackwater was 18.0 cpl more expensive than Brisbane.

Miles had the cheapest diesel in Queensland at 138.7 cpl, 8.9 cpl cheaper than Brisbane. Bundaberg, Noosa, Roma, Yeppoon, Whitsunday, Gladstone, Gympie, Maryborough, Warwick, Goondiwindi, Kingaroy, Rockhampton, Somerset, Nambour, Ingham, Moranbah and Townsville were also cheaper than Brisbane. Longreach was the most expensive regional centre for diesel at 157.3 cpl¹, 9.7 cpl higher than Brisbane.

Indicative retail increased in most regional centres. However, in the more competitive centres margins remained low. This is likely to be due to a combination of competitive tension and the time lag between movements in the oil price and TGP, and movements in the retail price.

In 22 out of the 37 regional centres monitored by RACQ, ULP retail margins were lower than those charged in Brisbane. The lowest indicative retail margin was observed in Goondiwindi (negative 0.3 cpl), 15.1 cpl lower than Brisbane, and the highest margins were observed in Blackwater (27.9 cpl), 13.1 cpl higher than Brisbane.

Diesel indicative retail margins were lower than Brisbane in 29 out of 37 regional centres. The lowest diesel indicative retail margins were observed in Miles (1.4 cpl), 12.1 cpl lower than Brisbane. Biloela had the highest indicative retail margin (16.9 cpl), 3.4 cpl greater than Brisbane.

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.

Outlook

The balance between reduced oil supply and reduced demand, tipped slightly towards reduced demand in the first half of June. This led to a relatively low and stable oil price.

Two events heralded an increase in tension between the US and Iran. Firstly, on June 13, was the bombing of a Norwegian and Japanese oil tanker off the coast of Oman, widely blamed on Iran or Iranian proxies. While this was not the first attack on oil infrastructure in the Gulf in recent months, it was the first attack on western owned assets. Previous attacks had been limited to assets of other Gulf nations.

The second incident was on June 20, when Iran shot down a US military drone allegedly in Iranian airspace. It was reported at the time that the US President first ordered, and then rescinded, retaliatory strikes on Iran. This incident caused an immediate 4% increase in the oil price. The oil price then remained at this elevated level for the rest of June.

Prior to June 20, concerns about the health of the global economy and the resulting drop in oil demand dominated the oil market in the first three weeks of June. Dampeners on the global economy included the US/China trade war, the short-lived threat of a US/Mexico trade war and general uncertainty about US trade policy. Weak demand was evident by an increase in inventories of oil and refined produce, in the US and other large economies. Subsequently oil prices were relatively subdued.

In early July oil ministers from OPEC and the OPEC+ group met and decided to continue the production cut deal negotiated in late 2018. This result was widely anticipated by commentators and the market appears to have factored in the extension in current prices. There was little reaction from oil markets following the OPEC and OPEC+ announcements.

With concerns about the economic health of the global economy finely balanced against supply restrictions, oil prices could be highly volatile in July. A sudden escalation in conflict in the Middle East see oil prices spike dramatically. Direct conflict between the US and Iran would likely cause the oil price to spike to 100 US\$/bbl. If tension remain at the current level, it is most likely that the balance of supply-side restriction and demand-side weakness would balance out leading the Brent oil price sitting at about 65 US\$/bbl.

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

Data sources

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