

# Monthly Fuel Price Report

## – May 2018



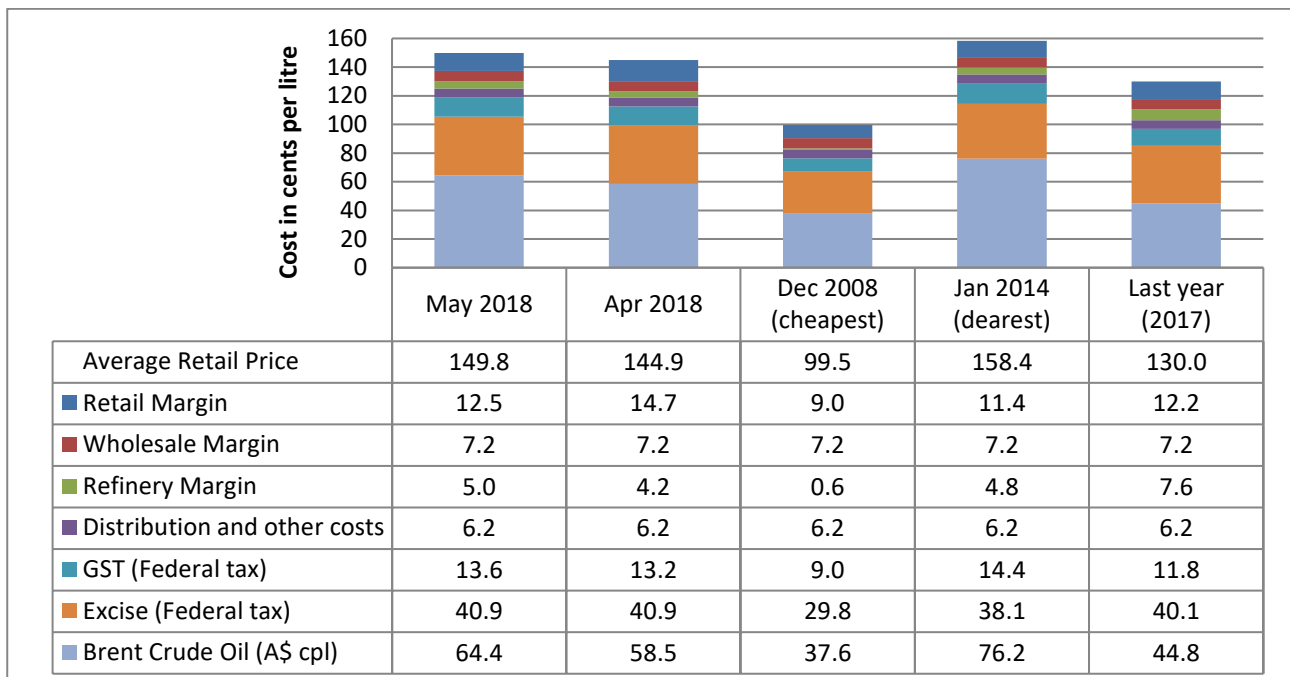
6 June 2018

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

### Key points

- The average price of Brent crude oil for May at A\$102.4/bbl per barrel was A\$9.3/bbl (or 5.9 cpl) higher than April. This is the first time Brent has exceeded A\$100/bbl since October 2014. The oil price increases have been primarily caused by the OPEC production cut, but also the US withdrawal from the Iran Nuclear deal and geopolitical unrest in the Middle East.
- The average price of diesel in Brisbane in May at 152.3 cpl, was 9.3 cpl higher than April. While most of the increase in the price of diesel was due to increase in the oil price, fuel company margins increased in May. Indicative retail margins were up by 1.8 cpl and refinery margins were up by 0.8 cpl.
- The average price of ULP in Brisbane in May was 149.8 cpl, 4.9 cpl higher than April. This increase was due to the increase in the oil price, indicative fuel company margins fell in May.
- Indicative retail margins on regular ULP at 12.5 cpl were down by 2.2 cpl, and refinery margins were up by 0.8 cpl at 5.0 cpl. Retail margins on PULP 95 at 16.0 cpl were 2.3 cpl lower than April, refiner margins at 12.8 cpl were up by 0.8 cpl.
- The average price of ULP across regional Queensland in May was 150.7 cpl, 6.7 cpl higher than April. The average diesel price in regional Queensland was 149.1 cpl, 7.8 cpl higher than April.
- Average ULP and diesel prices in many regional centres reached a three and a half to four-year record high, with a few centres approaching the record high ULP prices.
- Moranbah was the cheapest centre in regional Queensland for ULP and diesel. At 145.2 cpl ULP was 4.6 cpl cheaper than Brisbane, and diesel at 142.4 cpl was 9.9 cpl cheaper than Brisbane.

### ULP cost breakdown in Brisbane



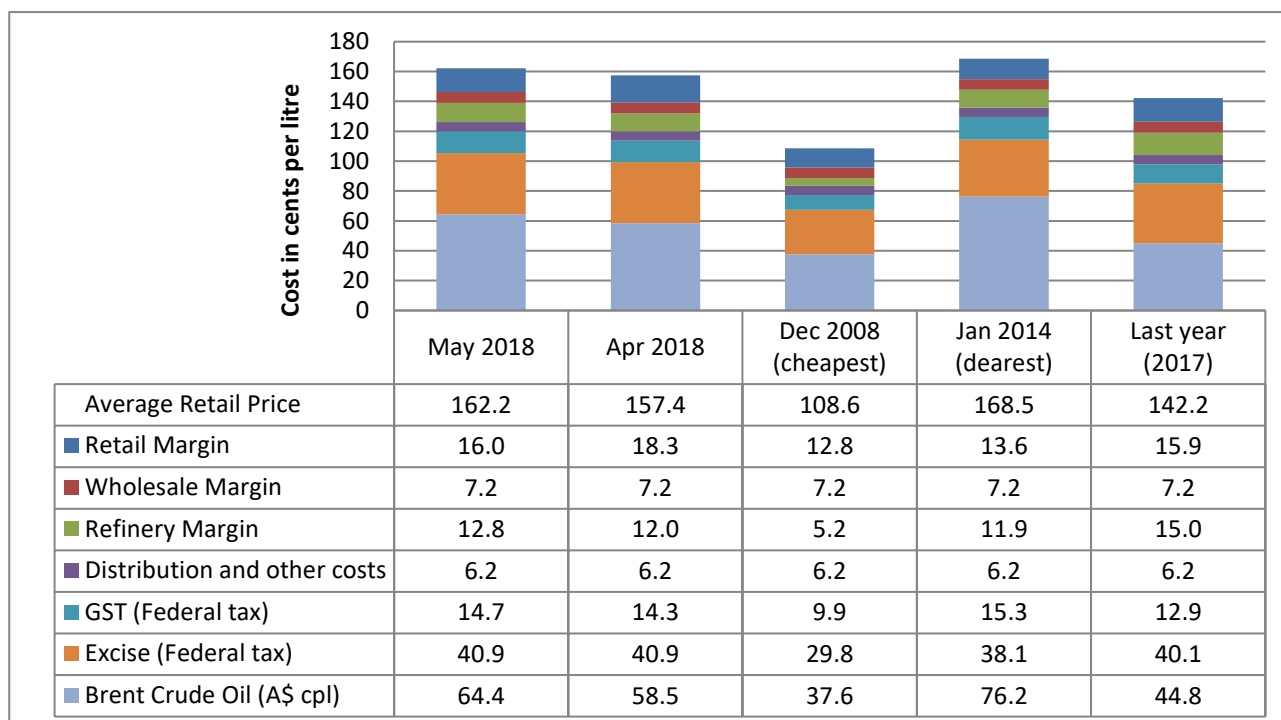
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for May. 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 May was 149.8 cpl, 4.9 cpl higher than April. Indicative retail margins, at 12.5 cpl, were 2.2 cpl lower than April. Indicative refinery margins were 0.8 cpl higher at 5.0 cpl. the increase in the retail price was due to the increase in the oil price (up 5.9 cpl) rather than an increase in fuel company margins.

### PULP 95 cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for May. 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.



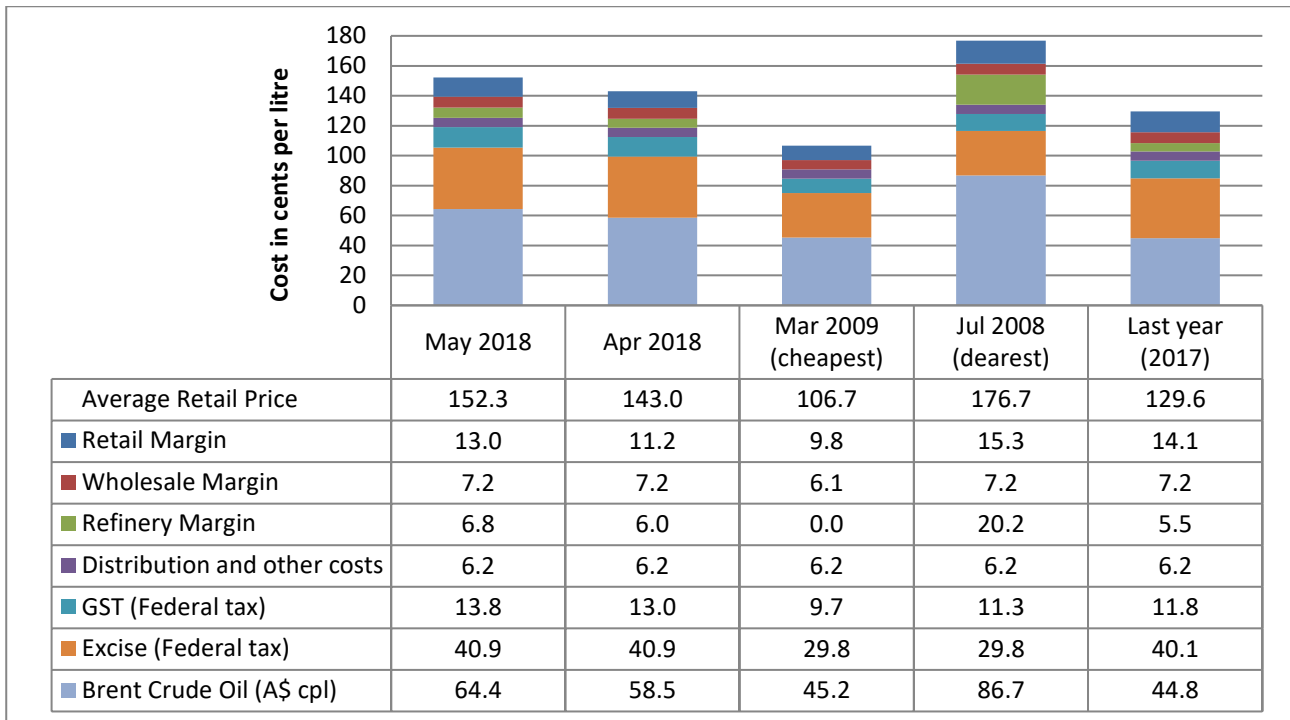
Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The average price of PULP 95 in Brisbane in May was 162.2 cpl, 4.8 cpl higher than April, and 12.4 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 is 0.1 cpl lower than April, when it was 12.5 cpl. Indicative retail margins for PULP 95, at 16.0 cpl, were 2.3 cpl lower than April. Refinery margins increased by 0.8 cpl in May.

### Diesel cost breakdown in Brisbane

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

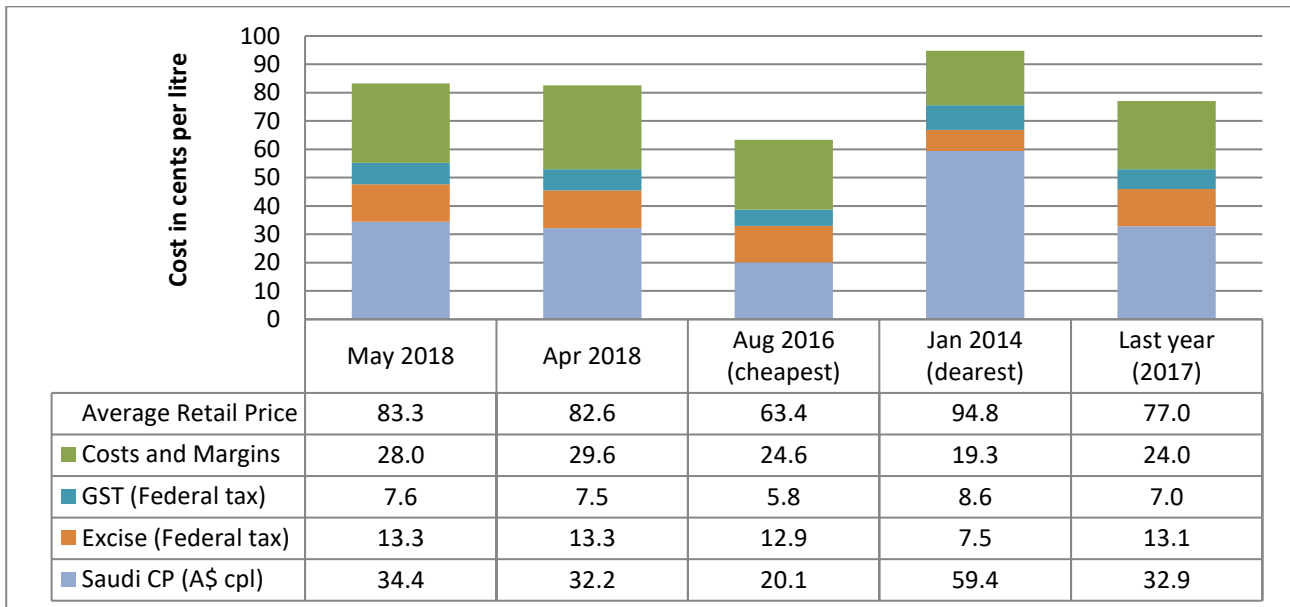
The average price of diesel in May, at 152.3 cpl, was 9.3 cpl higher than April. Indicative retail margins increased by 1.8 cpl and refinery margins increased by 0.8 cpl.



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 May. 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.



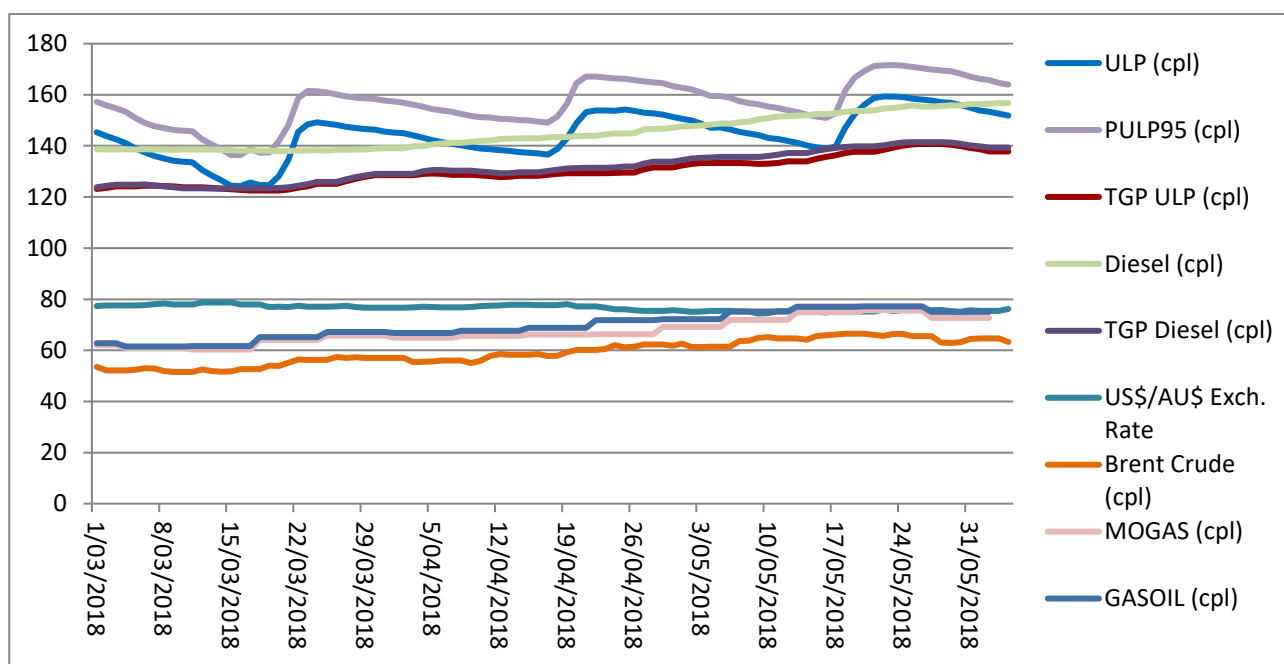
Data on LPG pricing is limited compared to petrol and diesel. Subsequently, it is not possible to calculate retail, wholesale and refinery margins. The alternative measure calculates the difference between the international benchmark price (the Saudi Aramco Contract Price – the Saudi CP) and the pre-tax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

The average retail price of LPG in Brisbane in May was 83.3 cpl, 0.7 cpl higher than April. Fuel company margins and costs decreased to 28.0 cpl, 1.6 cpl lower than April. This remains close to record breaking margins and costs observed in February and March.

The Saudi CP for June is 39.2 cpl, 4.8 cpl higher than May.

## Price trends

There were two partial price cycles observed in the Brisbane ULP market in May. The first cycle started on 18 April, prices peaked on 25 April, and the cycle ended on 15 May. The second cycle started on 16 May and prices peaked on 22 and 23 May. 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 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 May was A\$9.3/bbl higher than April, at A\$102.4/bbl (US\$77.0/bbl) or 64.4 cpl. This the first time the average monthly Brent price has exceeded A\$100/bbl since October 2014, when the price was A\$100.6/bbl. In October 2014 the Australian dollar was substantially stronger buying 87.8 US cents, in May 2018 it could buy 75.3 US cents. Brent started May at A\$99.7/bbl (US\$75.2/bbl), strengthen to local high point on 24 May of A\$105.5/bbl (US\$79.8/bbl) a 3.5 year high. Brent was last this high on 7 October 2014 when it was A\$105.9/bbl (US\$92.8/bbl). Brent softened slightly in late May ending the month at A\$102.5/bbl (US\$77.5/bbl).

## Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane	149.8 (4.9)	12.5 (-2.2)	152.3 (9.3)	13.0 (1.8)
Adelaide	144.9 (5.6)	7.5 (-1.5)	151.1 (7.5)	11.0 (-0.1)
Canberra	148.3 (1.0)	11.1 (-6.1)	152.7 (7.6)	13.0 (0.0)
Darwin	151.2 (2.3)	9.9 (-4.8)	150.7 (2.0)	7.7 (-5.7)
Hobart	153.1 (4.6)	11.3 (-2.5)	154.9 (6.8)	10.7 (-0.7)
Melbourne	146.6 (6.0)	9.8 (-1.0)	151.2 (8.7)	11.9 (1.1)
Perth	147.2 (7.6)	10.6 (0.5)	153.3 (8.2)	14.2 (0.6)
Sydney	147.0 (6.6)	9.8 (-0.5)	148.8 (7.9)	9.1 (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.

Adelaide was the cheapest capital, with an average ULP price 4.9 cpl lower than Brisbane. ULP sold in Brisbane was more expensive than Adelaide, Melbourne, Sydney, Perth and Canberra by 4.9 cpl, 3.2 cpl, 2.8 cpl, 2.6 cpl and 1.5 cpl respectively. Darwin and Hobart were 1.4 cpl and 3.3 cpl more expensive than Brisbane respectively.

Diesel sold in Brisbane was more expensive than Sydney, Darwin, Adelaide, Melbourne and Melbourne by 3.5 cpl, 1.6 cpl, 1.2 cpl and 1.1 cpl, respectively. Canberra, Perth and Hobart were more expensive by 0.4 cpl, 1.0 cpl and 2.6 cpl, respectively.

## Comparison of the SEQ metropolitan centres

The table below presents the average May prices and retail margins on ULP and diesel for SEQ metropolitan centres, with the change compared to April 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	151.7 (5.3)	14.5 (-1.8)	153.1 (9.2)	13.7 (1.6)
Brisbane South	149.0 (4.7)	11.8 (-2.3)	152.1 (9.4)	12.7 (1.9)
Gold Coast	146.6 (2.7)	8.7 (-4.4)	151.6 (8.4)	11.6 (0.9)
Ipswich	149.4 (5.3)	11.8 (-1.7)	151.3 (10.2)	11.6 (2.6)
Moreton Bay	148.5 (6.6)	10.9 (-0.5)	151.4 (9.3)	11.7 (1.8)
Sunshine Coast	150.9 (7.0)	12.8 (-0.1)	150.8 (9.5)	10.7 (2.0)

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

Gold Coast was the cheapest centre in SEQ to buy ULP in May, with an average price of 146.6 cpl. It was followed by Moreton Bay, with an average price of 148.5 cpl. Brisbane North was the most expensive SEQ centres, at 5.1 cpl dearer than the Gold Coast.

Sunshine Coast was the cheapest SEQ centre to buy diesel with an average price of 150.8. cpl, followed by the Ipswich, which was 0.5 cpl dearer than the Sunshine Coast. Brisbane North was the most expensive, at 2.3 cpl dearer than the Sunshine Coast.

ULP prices across SEQ were three to seven cents dearer than April. ULP indicative retail margins were up to five cents per litre lower than April. Indicative retail margins on the Gold Coast were 8.7 cpl, 4.4 cpl lower than April. Diesel prices were eight to ten cents dearer than April, and margins were up by one to two

cents.

## Fuel prices across Queensland

The average price of ULP across regional Queensland in May was 150.7 cpl, 6.7 cpl higher than April when the average price was 144.0 cpl. The average diesel price was 149.1 cpl, 7.8 cpl higher than April when the average price was 141.3 cpl.

Moranbah was the cheapest centre in Queensland to buy ULP (and diesel) in May, at 145.2 cpl, was 4.6 cpl cheaper than Brisbane. Miles, Gympie, Bundaberg, Maryborough and Whitsunday were also cheaper than Brisbane. The most expensive regional centre listed was Longreach with an average price of 155.0 cpl in May, 5.2 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>.

Moranbah also had the cheapest diesel in Queensland (at 142.4 cpl, 9.9 cpl cheaper than Brisbane). Of the 33 regional centres monitored by RACQ, 29 were cheaper than Brisbane. These centres were: Moranbah, Gympie, Roma, Mount Isa, Mareeba, Maryborough, Ingham, Miles, Blackwater, Gladstone, Goondiwindi, Whitsunday, Cairns, Tully, Mackay, Warwick, Bundaberg, Childers, Emerald, Hervey Bay, Toowoomba, Townsville, Sunshine Coast, Rockhampton, Bowen, Kingaroy, Atherton, Gold Coast, Charters Towers, Innisfail and Dalby. Cunnamulla was the most expensive regional centre for diesel, at 156.3 cpl<sup>1</sup>, 4.0 cpl higher than Brisbane.

With exception of Warwick and Toowoomba, retail margins throughout regional Queensland on ULP were lower than those charged in Brisbane. Diesel retail margins in all regional centres were lower than Brisbane.

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

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	149.8 (4.9)	12.5 (-2.2)	152.3 (9.4)	13.0 (1.8)
Gold Coast	146.6 (2.7)	8.7 (-4.4)	151.6 (8.4)	11.6 (0.9)
Sunshine Coast	150.9 (7.0)	12.8 (-0.1)	150.8 (9.5)	10.7 (2.0)
Atherton	151.0 (8.1)	10.2 (1.1)	151.5 (10.6)	8.7 (3.0)
Biloela	152.3 (4.9)	10.9 (-2.1)	153.4 (9.6)	10.0 (2.1)
Blackwater	150.9 (4.0)	7.8 (-3.1)	149.1 (6.6)	3.9 (-1.0)
Bowen	151.9 (5.8)	9.2 (-1.3)	151.1 (8.6)	7.4 (1.0)
Bundaberg	148.8 (7.1)	8.2 (0.1)	150.2 (7.4)	7.4 (-0.1)
Cairns	151.3 (10.3)	11.2 (3.2)	149.9 (9.1)	7.9 (1.5)
Charters Towers	150.7 (8.3)	8.7 (1.2)	151.6 (9.9)	8.6 (2.3)
Childers	149.9 (6.9)	9.7 (-0.2)	150.2 (7.8)	7.9 (0.3)
Cunnamulla	nd	nd	156.3 (7.2)	8.7 (-0.4)
Dalby	151.9 (6.0)	12.7 (-1.0)	151.9 (9.8)	10.6 (2.3)
Emerald	151.8 (5.2)	7.9 (-1.8)	150.2 (7.6)	4.3 (0.1)
Gladstone	150.2 (7.1)	10.0 (0.0)	149.3 (8.9)	7.1 (1.4)
Goondiwindi	150.8 (6.9)	10.2 (-0.2)	149.4 (9.3)	6.7 (1.8)
Gympie	146.9 (6.4)	8.1 (-0.7)	146.2 (6.5)	5.3 (-1.1)

<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.

Hervey Bay	150.5 (5.5)	10.6 (-1.5)	150.4 (8.8)	8.4 (1.3)
Ingham	151.1 (6.0)	9.3 (-1.2)	148.3 (7.1)	5.5 (-0.5)
Innisfail	152.4 (10.3)	11.6 (3.2)	151.7 (8.8)	8.9 (1.3)
Kingaroy	151.2 (7.7)	12.1 (0.7)	151.3 (12.2)	10.1 (4.7)
Longreach	155.0 (6.0)	7.0 (-1.0)	152.5 (5.4)	2.5 (-2.2)
Mackay	151.8 (6.3)	10.6 (-0.8)	150.1 (8.5)	7.8 (0.9)
Mareeba	151.2 (9.0)	10.5 (1.9)	148.0 (9.6)	5.4 (2.0)
Maryborough	149.0 (6.5)	9.4 (-0.5)	148.2 (7.9)	6.5 (0.3)
Miles	146.1 (8.1)	5.7 (1.1)	148.5 (9.6)	6.0 (2.0)
Moranbah	145.2 (6.3)	2.0 (-0.7)	142.4 (1.8)	-1.8 (-5.7)
Mount Isa	152.9 (3.2)	3.1 (-4.0)	147.6 (3.2)	-3.1 (-4.4)
Rockhampton	151.4 (5.4)	10.2 (-1.7)	150.8 (7.8)	7.5 (0.2)
Roma	150.6 (4.6)	8.7 (-2.4)	147.5 (4.5)	3.6 (-3.0)
Toowoomba	151.1 (7.0)	12.7 (0.0)	150.4 (9.1)	9.9 (1.6)
Townsville	151.7 (5.7)	10.9 (-1.4)	150.6 (8.2)	8.9 (0.6)
Tully	151.1 (7.6)	9.7 (0.5)	150.0 (9.2)	6.7 (1.7)
Warwick	152.1 (5.8)	13.4 (-1.2)	150.1 (9.1)	9.3 (1.6)
Whitsunday	149.4 (7.5)	6.9 (0.4)	149.4 (4.3)	5.9 (-3.2)
Yeppoon	151.9 (4.6)	10.2 (-2.4)	154.0 (9.3)	10.3 (1.8)

\* 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.

## Record High Prices

The table below presents the record high monthly average ULP and diesel price observed in Queensland.

Locality	Record High Monthly ULP Price (cpl)	Observed	Record High Monthly Diesel Price (cpl)	Observed
Brisbane	158.4	January 2014	176.7	July 2008
Gold Coast	158.4	January 2014	177.7	July 2008
Sunshine Coast	157.5	January 2014	177.6	July 2008
Atherton	159.9	June 2014 and July 2014	nd	
Biloela	160.2	January 2014	nd	
Blackwater	159.1	January 2014	nd	
Bowen	160.2	January 2014	178.6	July 2008
Bundaberg	157.4	July 2008	178.3	July 2008
Cairns	160.9	March 2014	178	July 2008
Charters Towers	160.5	June 2014	180.7	July 2008
Childers	157.1	August 2013 and January 2014	nd	
Cloncurry	174.1	August 2013	nd	
Cunnamulla	166.4	July 2008	187.1	July 2008
Dalby	160.3	April 2014	nd	
Emerald	158.6	July 2008	179.7	July 2008
Gladstone	159.4	March 2014	178.9	July 2008
Goondiwindi	159.8	January 2014	179.3	July 2008



Gympie	155.5	August 2013	nd	
Hervey Bay	156.5	August 2013	178.8	July 2008
Ingham	159.1	January 2014	nd	
Innisfail	159.9	January 2014 to August 2014	nd	
Ipswich	157.0	January 2014	176.9	July 2008
Kingaroy	158.4	September 2013	177.7	July 2008
Longreach	168.4	February 2014	185.9	July 2008
Mackay	158	January 2014	177.1	July 2008
Mareeba	158.7	June 2014	nd	
Maryborough	157	August 2013	177.5	July 2008
Miles	164.4	January 2014 and March 2014	nd	
Moranbah	165.7	February 2014	nd	
Mt Isa	162.5	September 2014	181.2	July 2008
Rockhampton	159.5	January 2014	181.2	July 2008
Roma	163.2	July 2008	180.7	July 2008
Toowoomba	154.5	July 2008	179.2	July 2008
Townsville	156.2	January 2014	177.9	July 2008
Tully	159.9	January 2014 to August 2014	nd	
Warwick	155.2	July 2008	178.4	July 2008
Yeppoon	158	March 2014	nd	

Average ULP and diesel price across Queensland reached a three and a half to four-year record high. Toowoomba and Warwick came closest to breaking their all-time record highs.

In Toowoomba the average ULP price for May at 151.1 cpl was only 3.4 cpl lower than the record high of 154.5 cpl observed in July 2008, and 2.2 cpl lower than the 2014 high price of 153.3 cpl observed in January 2014. Prices as high as the May average were last observed in July 2014. Last month's average ULP price in Toowoomba was an almost 4-year record high.

In Warwick the average ULP price for May at 152.1 cpl was only 3.1 cpl lower than the record high of 155.2 cpl observed in July 2008, and 0.8 cpl lower than the 2014 high price of 152.9 cpl observed in January 2014. The May average for Warwick is an almost 4.5-year record high.

The average diesel prices observed in May 2108, while high compared to recent years, were substantially lower than the records highs observed in July 2008 (on average 30 cpl lower) and the high point observed in early 2014 (on average 15 cpl lower).

## Outlook

Geopolitical conflict and uncertainty in the Middle East, including the US's decision to withdraw from the Iran nuclear deal and reimpose sanctions, has led to significant increases in the oil price. In addition, political unrest and a drop in oil production in Venezuela has added to the upward pressure on the oil price.

The OPEC production cuts have been the single largest upward influence on the oil price. In late May signs of disunity started to appear in the group of OPEC producers and non-OPEC producers, notably Russia and



Saudi Arabia. In the last week of May reports that Russia and Saudi Arabia were discussing an increase led to a US\$4.3 fall in the price of a barrel of Brent. Any increase in Saudi Arabian and Russian oil production may only offset the production lost by the reintroduction of US sanctions on Iran and loss of Venezuelan production. This would lead to no net increase in oil production and would not place downward pressure on oil prices.

Cracks are starting to appear in the production cut deal. The emphatic speech by the OPEC Secretary General in Azerbaijan stating that the production cut deal was strong and would be enforced until the end of 2018, sounded they were trying to prop up the deal. Additionally, the Energy Ministers from Saudi Arabia, UAE, Kuwait, Algeria and Oman met in the first weekend of June for an unofficial meeting in Kuwait City to discuss production levels.

The OPEC production cuts, increases in US shale oil production and strong demand remain significant influences on oil prices. The threat of a global trade war remains possible. A trade war would lead to lower oil prices as the global economy would suffer and demand of oil would fall.

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

## **Data sources**

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