

# Monthly Fuel Price Report – September 2017



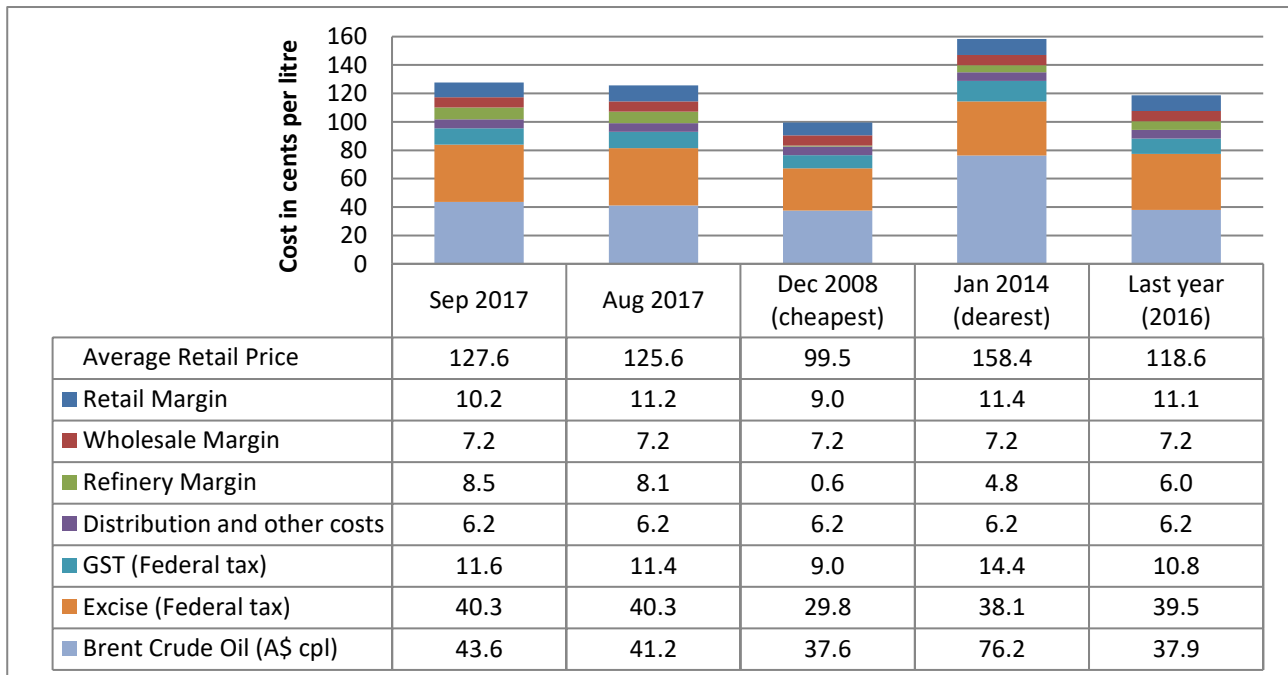
5 October 2017

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

## Key points

- The average price for both ULP and diesel in Brisbane in September was 127.6 cpl and Brisbane was the most expensive of the five largest capitals for both ULP and diesel.
- The average Brisbane ULP price for September of 127.6 cpl was 2.0 cpl higher than August. This rise was due to an increase in the price of oil rather than an increase in fuel company margins. Indicative retail margins were 1.0 cpl lower at 10.2 cpl and refiner margins were 0.4 cpl higher at 8.5 cpl.
- ULP sold in Sydney, Melbourne, Perth and Adelaide was cheaper than Brisbane by 3.3 cpl, 1.7 cpl, 0.7 cpl and 0.3 cpl respectively.
- The average price of diesel in Brisbane in September at 127.6 cpl was 1.2 cpl higher than August. Adelaide, Sydney, Melbourne and Perth was cheaper than Brisbane by 4.4 cpl, 2.2 cpl, 1.3 cpl and 0.4 cpl respectively.
- The average price of ULP across regional Queensland in September was 130.1 cpl, 1.1 cpl higher than the August average of 129.0 cpl. The average diesel price was 127.6 cpl, 0.8 cpl higher than August.
- Dalby had the cheapest average ULP price in regional Queensland in September, at 121.9 cpl and was second cheapest for diesel, 3.7 cpl cheaper than Brisbane. Like ULP the cheapest average diesel price was 121.9 cpl, and was available in Miles. This was price 5.7 cpl cheaper than Brisbane.
- The average price of LPG in Brisbane was 75.2 cpl, 1.1 cpl higher than August. The price difference between the Brisbane LPG retail price and the Saudi CP was 22.8 cpl, 2.3 cpl less than August.

## ULP cost breakdown in Brisbane

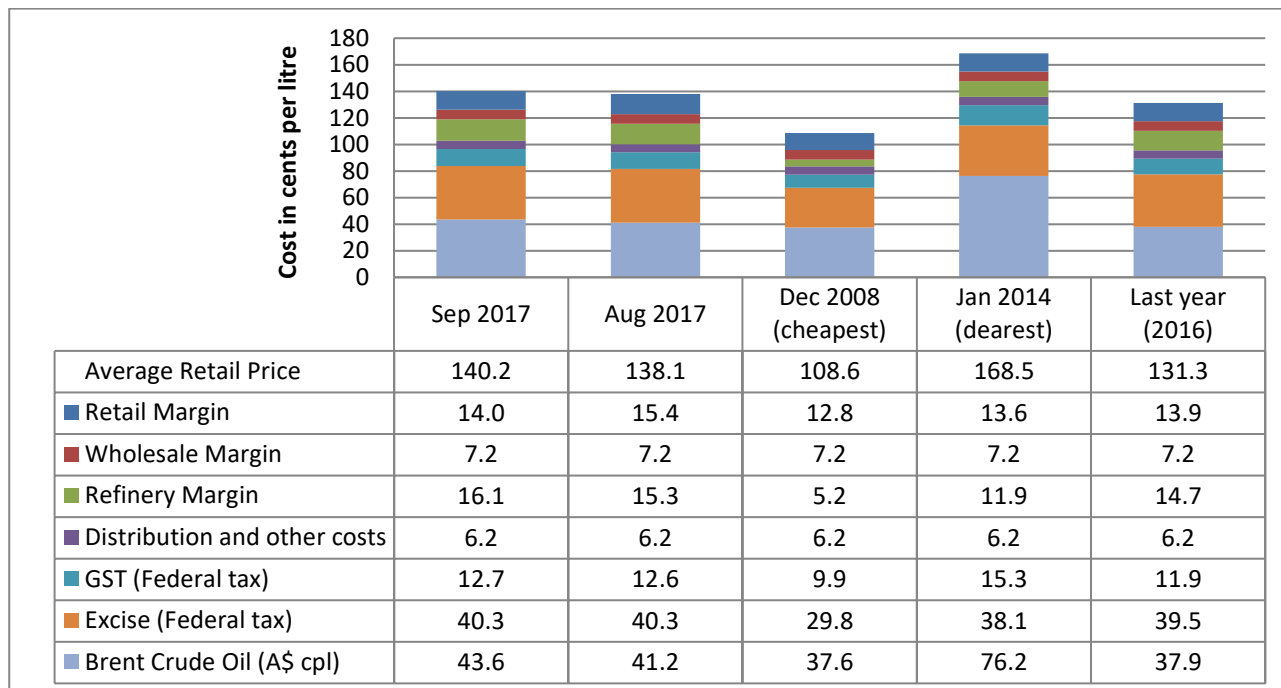


Note: 2008 prices included the 8.5cpl Queensland fuel excise subsidy

The chart above shows the cost breakdown for a litre of ULP sold in Brisbane for September 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 September was 127.6 cpl, 2.0 cpl higher than August. Indicative retail margins, at 10.2 cpl, were 1.0 cpl lower than August. Refiner margins were 0.4 cpl higher in September.

### PULP 95 cost breakdown in Brisbane



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

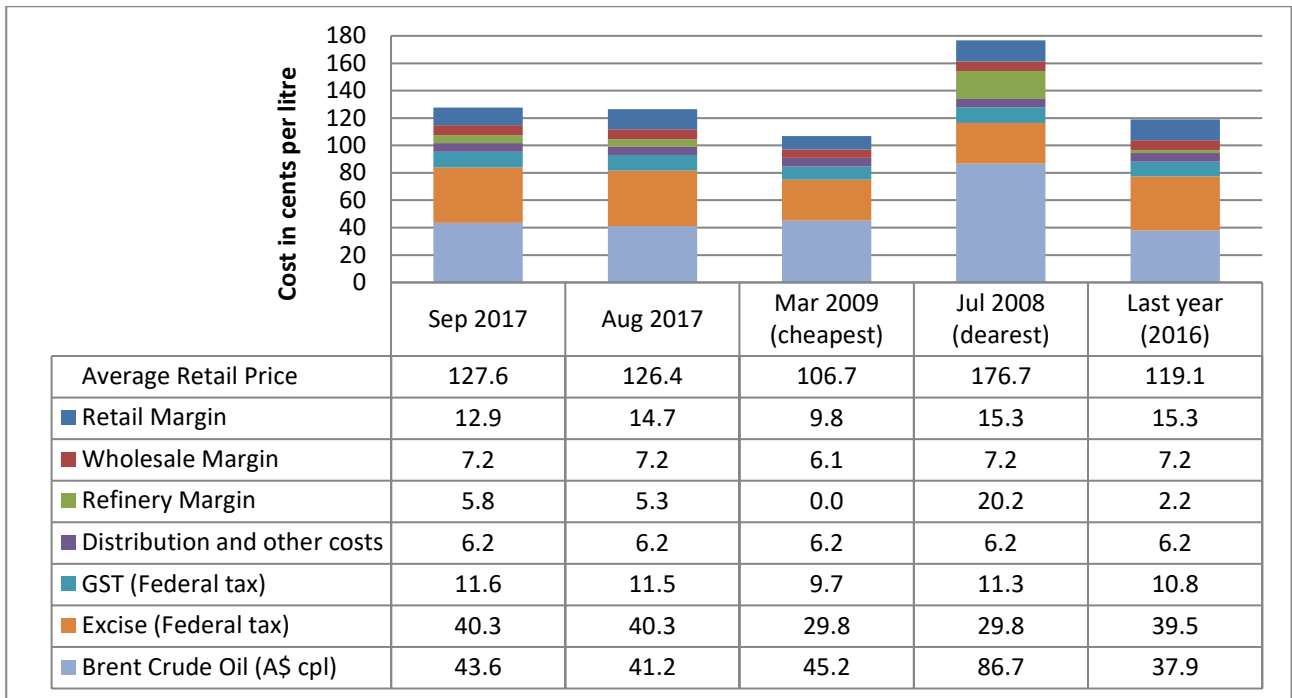
The chart above shows the cost breakdown for a litre of 95 RON Premium ULP sold in Brisbane for September 2017. For comparison, the cost breakdown for last month, last year, December 2008 – the cheapest month and January 2014 – the most expensive month observed in recent years (since 2008), is also displayed.

The average price of PULP 95 in Brisbane in September was 140.2 cpl, 2.1 cpl higher than August, and 12.6 cpl more expensive than the ULP 91 price. The price difference between ULP and PULP 95 in August was 12.5 cpl and the average for 2016 was 12.7 cpl. Indicative retail margins for PULP 95, at 14.0 cpl, were 1.4 cpl lower than August. Refiner margins increased by 0.8 cpl in September.

### Diesel cost breakdown in Brisbane

The chart below shows the cost breakdown for a litre of diesel sold in Brisbane for September 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 September, at 127.6 cpl, was 1.2 cpl higher than August. However, Indicative retail margins decreased in September by 1.8 cpl, but refinery margins increased by 0.5 cpl.

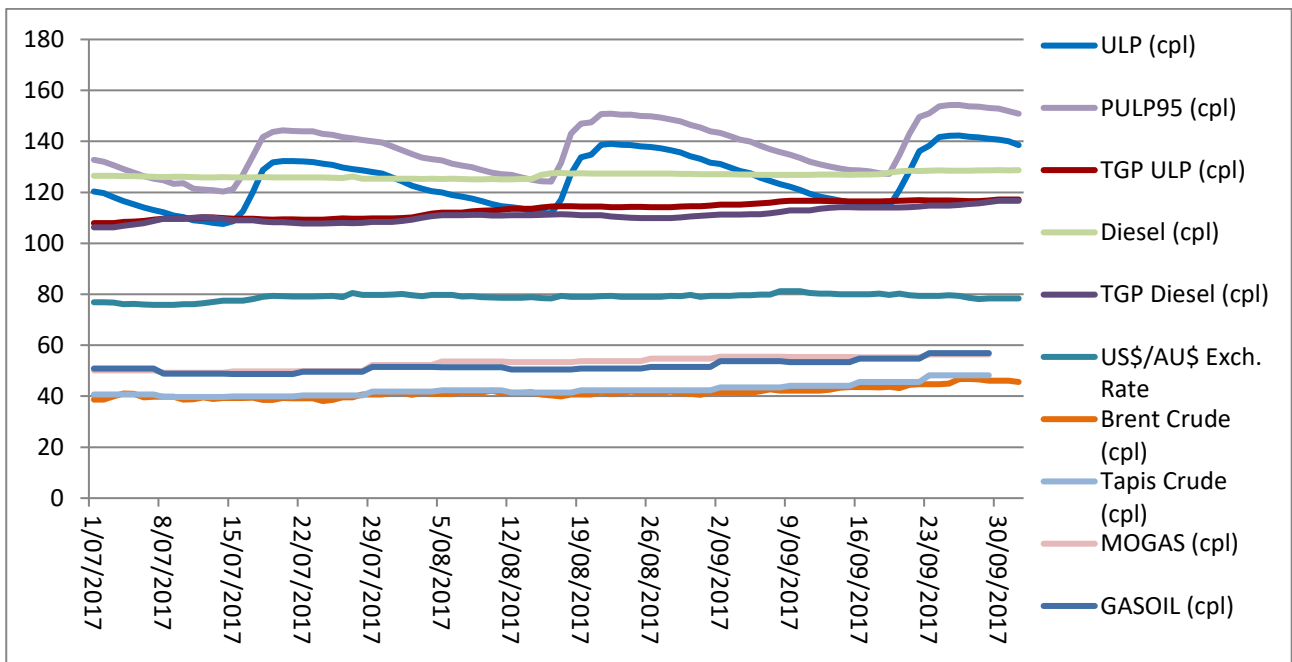


Note: 2008 and 2009 prices included the 8.5cpl Queensland fuel excise subsidy

## Price trends

There were two partial price cycles observed in the Brisbane ULP market in September 2017. The first cycle started on 17 August, prices peaked on 22 August, and the cycle ended on 19 September. The second cycle started on 20 September, peaked on 26 September and remained high for the rest of month. At the time of writing the Brisbane ULP market was in the discounting phase of the cycle.

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 A\$.



The average price of Brent in September was A\$3.8/bbl higher than August, at A\$69.3/bbl (US\$55.3/bbl) or 43.6 cpl. Brent started September at A\$66.0 /bbl (US\$52.4/bbl) and steadily strengthened throughout most of September. Brent ended the month A\$7.2 higher at A\$73.2/bbl (US\$57.4/bbl). On September 28 OPEC extended their 1.8 million barrel per day production cut to March 2018. Following this announcement oil prices jumped by 3.7%. However, this price increase was short lived, at the time of writing prices had reverted to pre-announcement levels.

## Comparison to other capital cities

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Adelaide	127.3 (3.5)	9.7 (0.6)	123.2 (1.4)	7.7 (-1.6)
Brisbane	127.6 (2.0)	10.2 (-1.0)	127.6 (1.2)	12.9 (-1.8)
Canberra	128.5 (1.4)	10.9 (-1.5)	129.6 (0.0)	14.1 (-3.0)
Darwin	128.7 (0.7)	11.1 (-2.2)	129.3 (0.0)	13.9 (-3.0)
Hobart	135.3 (-0.5)	17.7 (-3.4)	136.3 (-0.2)	20.8 (-3.2)
Melbourne	125.9 (1.8)	8.3 (-1.1)	126.3 (0.8)	10.9 (-2.2)
Perth	126.9 (3.8)	9.3 (0.9)	127.2 (0.1)	11.8 (-2.9)
Sydney	124.3 (5.1)	6.7 (2.2)	125.4 (1.2)	10.0 (-1.8)

\* 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 was the most expensive of five largest capitals in September for both ULP and diesel. ULP sold in Brisbane was more expensive than Sydney, Melbourne, Perth and Adelaide by 3.3 cpl, 1.7 cpl, 0.7 cpl and 0.3 cpl respectively. Canberra, Darwin and Hobart were 0.9 cpl, 1.1 cpl and 7.7 cpl more expensive respectively.

Diesel sold in Adelaide, Sydney, Melbourne and Perth was cheaper than Brisbane by 4.4 cpl, 2.2 cpl, 1.3 cpl and 0.4 cpl, respectively. Darwin, Canberra and Hobart were more expensive by 1.7 cpl, 2.0 cpl and 8.7 cpl respectively.

## Comparison of the SEQ metropolitan centres

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

City	Average ULP Price (cpl)	ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Diesel Retail Margin* (cpl)
Brisbane North	129.0 (2.4)	9.0 (-0.6)	128.8 (1.3)	14.1 (-1.7)
Brisbane South	127.1 (1.8)	7.1 (-1.1)	127.1 (1.1)	12.5 (-1.9)
Gold Coast	129.1 (2.9)	8.4 (0.0)	128.6 (1.3)	13.3 (-1.7)
Ipswich	127.8 (3.7)	7.5 (0.8)	125.6 (1.7)	10.7 (-1.3)
Moreton Bay	126.5 (2.6)	6.1 (-0.4)	127.6 (1.0)	12.6 (-2.0)
Sunshine Coast	129.1 (2.0)	8.3 (-1.0)	128.6 (0.8)	13.2 (-2.2)

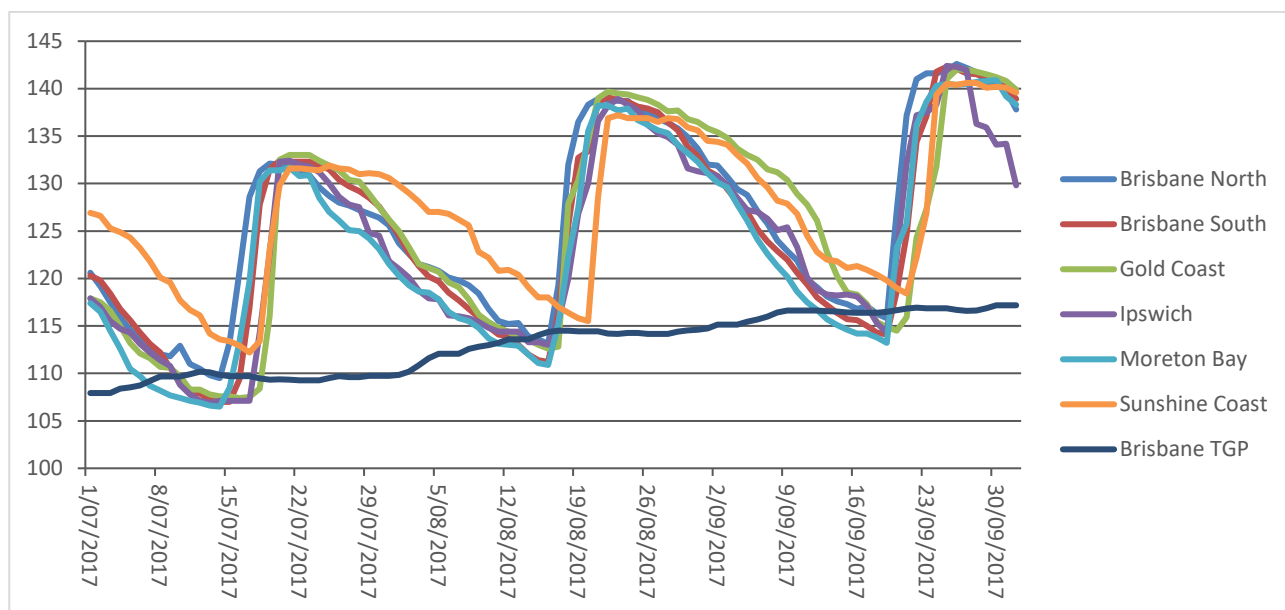
\* The retail margin is the average retail price minus the average Brisbane TGP and varying local freight costs.

Moreton Bay was the cheapest centre in SEQ to buy ULP in September, with an average price of 126.5 cpl.

It was followed by Brisbane South, with an average price of 127.1 cpl. SEQ average ULP prices in September were 1.8 cpl to 3.7 cpl higher than in August. The Sunshine and Gold Coasts were jointly the most expensive SEQ centres, at 2.6 cpl dearer than Moreton Bay.

Ipswich was the cheapest SEQ centre to buy diesel with an average price of 125.6 cpl, followed by Brisbane South and Moreton Bay, that were 1.5 cpl and 2.0 cpl dearer than Ipswich respectively. As with ULP the Sunshine Coast was the most expensive, at 3.0 cpl dearer than Ipswich.

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



As can be observed in the graph above, all 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, reflecting the lower level of competition on the Sunshine Coast. Sunshine Coast retailers were often the last to increase their prices, and the average price did not reach the same high point as was observed in the rest of SEQ.

The Sunshine Coast and Gold Coast were jointly the highest priced SEQ centres. However, the graph above suggests the pricing practices were different. The average price on the Sunshine Coast was not as high as the other centres, but it also didn't fall as low as the other centres during the cheap phase, and this led to a high average price. The pattern was different on the Gold Coast. Following the price hike in late August, Gold Coast retailers were slow to discount their prices and held expensive prices throughout most of the cycle. It was not until the last week of the price cycle that Gold Coast retailers started discounting heavily. At this time the average Gold Coast ULP price fell rapidly to a level similar to Brisbane, Ipswich and Moreton Bay.

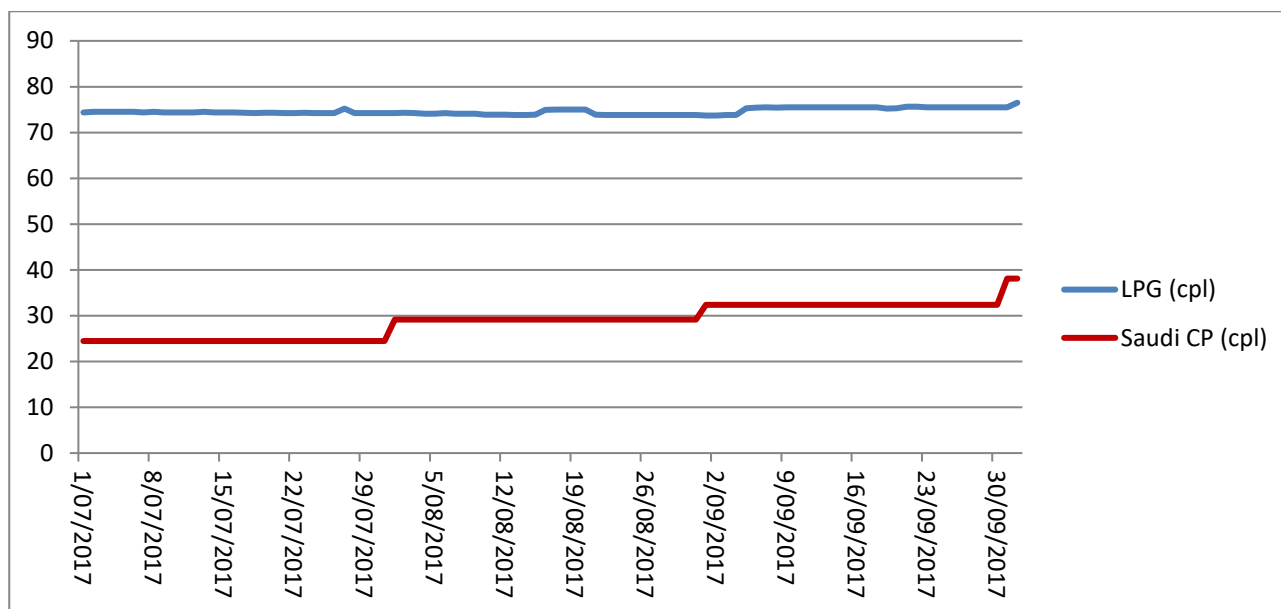
## Liquid Petroleum Gas (LPG)

The average retail price of LPG in Brisbane in September was 75.2 cpl, 1.1 cpl higher than August. The average difference between the Brisbane retail LPG price (excluding excise and GST) and the Saudi CP in

September was 22.8 cpl, 2.3 cpl lower than August, but 5.1 cpl higher than February.

The Saudi CP for October 2017, at 38.1 cpl, is 5.7 cpl higher than September 2017. As fuel company margins on LPG are already excessively high, there is no valid reason for fuel companies to pass this increase on to motorists.

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 September was 130.1 cpl, 1.1 cpl higher than the August. The average diesel price was 127.6 cpl, 0.8 cpl higher than August.

Dalby was the cheapest centre in Queensland to buy ULP in September, at 5.7 cpl less than Brisbane. Maryborough, Miles, Whitsunday, Roma, Townsville, Gladstone, Bundaberg, Childers, Toowoomba, Gympie and Hervey Bay were also cheaper than Brisbane. The most expensive regional centre listed was Longreach, with an average price of 144.2 cpl in September. However, the list of regional centres is not exhaustive and prices in other centres are likely to exceed these prices<sup>1</sup>.

Seventeen of the 33 regional centres monitored by RACQ were cheaper than Brisbane for diesel. Miles had the cheapest diesel in Queensland (5.7 cpl cheaper than Brisbane), followed by Dalby (3.7 cpl cheaper than Brisbane). Ingham, Warwick, Maryborough, Childers, Charters Towers, Tully, Bowen, Gladstone, Goondiwindi, Bundaberg, Toowoomba, Mareeba, Mount Isa, Hervey Bay and Kingaroy were also cheaper than the Brisbane. Whitsunday was the most expensive regional centre for diesel, at 136.2 cpl<sup>1</sup>.

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

<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.

Locality	Average ULP Price (cpl)	Indicative ULP Retail Margin* (cpl)	Average Diesel Price (cpl)	Indicative Diesel Retail Margin* (cpl)
Brisbane	127.6 (2.0)	10.2 (-1.0)	127.6 (1.2)	12.9 (-1.8)
Gold Coast	129.1 (2.9)	11.0 (0.0)	128.6 (1.3)	13.3 (-1.7)
Sunshine Coast	129.1 (2.0)	10.9 (-1.0)	128.6 (0.8)	13.2 (-2.2)
Atherton	137.9 (0.0)	17.0 (-3.0)	131.9 (0.0)	13.9 (-3.1)
Biloela	132.8 (0.3)	11.5 (-2.7)	132.8 (1.4)	14.5 (-1.6)
Blackwater	137.9 (-0.2)	14.9 (-3.2)	130.5 (0.0)	10.5 (-3.1)
Bowen	129.9 (0.0)	8.1 (-3.0)	125.8 (2.0)	7.1 (-1.1)
Bundaberg	126.0 (4.0)	2.6 (1.0)	126.6 (0.8)	6.1 (-2.2)
Cairns	138.0 (0.0)	17.8 (-3.0)	131.3 (0.3)	14.1 (-2.8)
Charters Towers	128.3 (0.9)	7.2 (-2.1)	125.3 (0.1)	7.2 (-3.0)
Childers	126.2 (1.0)	3.3 (-2.0)	124.9 (2.2)	4.9 (-0.9)
Cunnamulla	nd	Nd	133.9 (0.0)	5.3 (-3.3)
Dalby	121.9 (-0.7)	-0.1 (-3.6)	123.9 (1.2)	1.6 (-2.1)
Emerald	137.9 (-0.4)	14.2 (-3.4)	129.2 (0.6)	5.2 (-2.7)
Gladstone	125.8 (2.0)	5.8 (-1.0)	126.0 (1.7)	5.6 (-1.6)
Goondiwindi	133.1 (0.1)	9.8 (-2.8)	126.3 (0.1)	2.6 (-3.2)
Gympie	127.3 (2.4)	5.8 (-0.6)	129.2 (1.9)	7.4 (-1.4)
Hervey Bay	127.3 (1.9)	4.5 (-1.1)	127.0 (2.3)	3.9 (-1.0)
Ingham	133.0 (0.1)	12.1 (-2.9)	124.5 (0.1)	3.3 (-3.2)
Innisfail	131.2 (0.0)	10.2 (-3.0)	131.9 (0.6)	10.6 (-2.7)
Kingaroy	131.9 (0.0)	10.0 (-3.0)	127.0 (1.4)	4.7 (-1.9)
Longreach	144.2 (0.2)	16.3 (-2.7)	131.5 (0.0)	3.3 (-3.3)
Mackay	129.3 (0.7)	9.3 (-2.3)	130.7 (0.9)	10.4 (-2.4)
Mareeba	129.4 (0.0)	8.6 (-3.0)	126.9 (0.0)	5.8 (-3.3)
Maryborough	123.6 (1.7)	1.3 (-1.3)	124.8 (1.4)	2.1 (-1.9)
Miles	124.5 (0.1)	1.3 (-2.9)	121.9 (0.4)	-1.7 (-2.9)
Moranbah	130.2 (0.2)	8.3 (-2.8)	129.6 (0.0)	7.4 (-3.3)
Mount Isa	140.2 (-0.3)	11.4 (-3.2)	126.9 (0.3)	-2.2 (-3.0)
Rockhampton	132.7 (-0.5)	11.5 (-3.4)	128.7 (0.3)	7.2 (-2.9)
Roma	124.9 (-0.1)	0.3 (-3.1)	135.7 (0.6)	10.7 (-2.6)
Toowoomba	126.7 (3.8)	5.5 (0.8)	126.7 (0.5)	5.2 (-2.8)
Townsville	125.2 (0.8)	5.4 (-2.2)	128.2 (0.4)	8.1 (-2.8)
Tully	129.9 (0.0)	8.4 (-3.0)	125.3 (0.1)	3.4 (-3.1)
Warwick	127.9 (0.3)	6.4 (-2.7)	124.7 (1.9)	2.9 (-1.4)
Whitsunday	124.5 (-0.1)	3.2 (-3.1)	136.2 (0.7)	14.6 (-2.6)
Yeppoon	131.5 (-1.7)	9.9 (-4.7)	130.2 (0.5)	8.3 (-2.8)

\* 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.

## Outlook

While OPEC's announcement on the continuation of its production cuts to March 2018 caused a 4% jump in the oil price, this price increase was short-lived. A week after OPEC's announcement prices had reverted to their previous value.

There are several factors that counter balance the OPEC production cut and place downward pressure on

prices. There is an on-going over-supply of oil in the market and inventories have not fallen as fast as expected. US shale oil production continues to increase faster than expected. The technology used to extract unconventional oil continues to evolve and production costs continue to fall.

Looking forward there may be further local spikes in the oil price as the market responds to new information (such as the recent announcement from OPEC), however the market conditions of supply outstripping demand are unlikely to change in the short term. Estimates suggest that oil will continue to trade in a range between US\$50/bbl and US\$60/bbl.

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

### **Data sources**

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