

DOWNSTREAM PETROLEUM



FINANCIAL PERFORMANCE OF AIP MEMBERS



KEY MESSAGES

- Refining is a highly cyclical business.
- There is a direct correlation between Australian refining industry profitability and international refiner margins.
- The depressed refiner margins since the start of the GFC have meant largely negative refining profits over the following six years.
- Combined with a strong Australian dollar this led to the closure of three Australian refineries, Clyde and Kurnell in Sydney and Bulwer Island in Brisbane.
- ACCC data highlights the different net profitability performance of the domestic refining sector over a decade where the average ranged from around 2.5 cents per litre (cpl) in the early part of the last decade, with average losses through to 2014 of around 0.5 cpl.
- While improved financial performance is expected due to an upturn in the cycle, excess supply in the Asian region will continue to present a challenging environment for the Australian refining industry
- The profitability in the wholesale and retail sectors of the industry have largely been constant given the strong competitive nature of the industry.
- Despite this overall poor financial performance within the industry, there has been continued investment in refineries of over \$2 billion over the last 5 years.
- Any significant investment required in coming years, over and above operating and maintenance investment, will be tested against the potential for a return.
- Australian refiners are expected to continue to seek ways to remain competitive through productivity improvements, technological innovation and a strong focus on cost containment.

ACCC FINANCIAL REPORTING ON THE PETROLEUM INDUSTRY

The Australian Competition and Consumer Commission (ACCC) formally monitors and reports on the prices, costs and profits relating to the supply of fuel in the petroleum industry in Australia. The ACCC's monitoring role is by Ministerial direction under the Competition and Consumer Act 2010.

The ACCC financial reporting has covered the three major sectors of the downstream petroleum industry: total supply (refining and importing), wholesaling and retailing across all major market operators. For each sector, ACCC reporting presents detailed cost, revenue and profitability data.

The extensive industry data required for these ACCC Reports is supplied under legal requirement each year by AIP member companies and other major fuel suppliers operating in the Australian market.

The ACCC has not published financial performance data for the petroleum industry since the December 2014 ACCC Monitoring Report.

[Click here to see the report](#)



This means 2013-14 is the latest industry financial data available. The ACCC intends to publish financial performance data for subsequent years next year. As soon as it is available, AIP will publish the ACCC's financial performance data in Downstream Petroleum.

AUSTRALIAN REFINERY PROFITABILITY

Refinery sector real unit net profit, all products: 2002-03 to 2013-14



Source: ACCC Annual Price Monitoring Report, Dec 2014



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