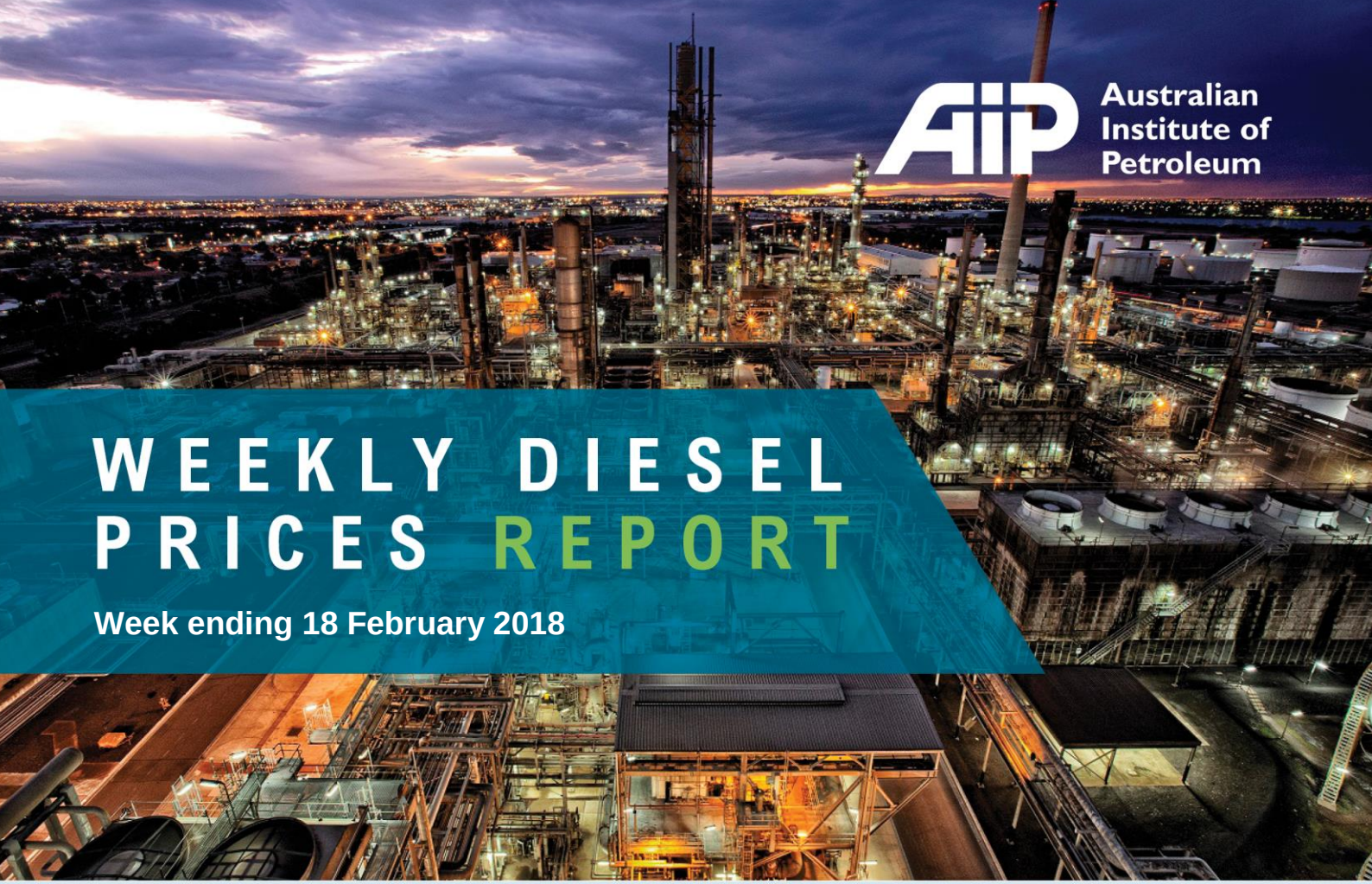


Australian Institute of Petroleum

WEEKLY DIESEL PRICES REPORT

Week ending 18 February 2018

Please find attached a copy of the latest AIP Weekly Diesel Prices Report.

All data, charts and tables in this Report are based on the latest available market data to **Sunday, 18 February 2018.**

For more detailed information on:

Pricing Facts – see
www.aip.com.au/pricing/facts.htm

Terminal Gate Prices (wholesale) – see
www.aip.com.au/pricing/tgp.htm

Pump Prices (retail) – see
www.aip.com.au/pricing/retail.htm

International Fuel Prices – see
www.aip.com.au/pricing/international.htm

In the AIP Weekly Diesel Prices Report:

- the data for international crude oil and diesel prices is supplied by S&P Global, Platts (see www.platts.com).
- the data for wholesale diesel prices is based on market data published by AIP member companies (BP, Viva Energy Australia, Mobil and Caltex) (see www.aip.com.au).
- the data for retail diesel prices is based on available market data supplied by MotorMouth (see www.motormouth.com.au).

Should you have any questions about the material in this report, please contact AIP at **aip@aip.com.au.**

This report has been prepared by ORIMA Research Pty Ltd on behalf of AIP. Whilst AIP has taken due care in ensuring the accuracy of the information or material in this report, the report is made available for general use only and is provided without any express or implied warranty as to its accuracy, completeness or currency.

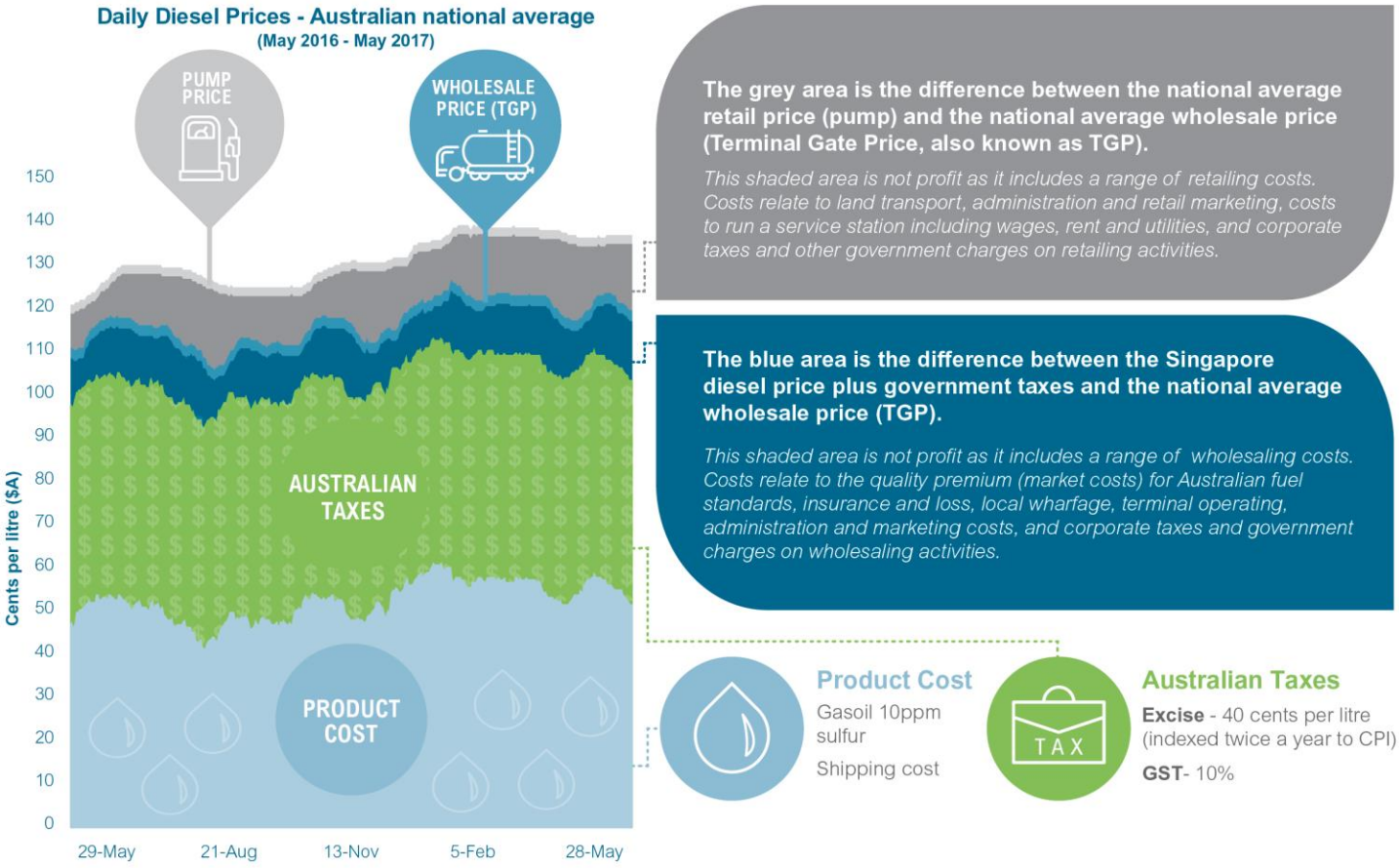
The Australian Fuel Market - An Overall Snapshot

Understanding Movements in Key Diesel Price Indicators

The Chart below provides an overall 'snapshot' of movements in key market indicators relevant to the price of diesel in Australia.

The Australian refining sector is a price taker. Domestic prices are closely linked to international prices. The Singapore benchmark price of diesel (Gasoil 10ppm sulfur) is the key diesel price benchmark for Australia. As the chart below shows:

- the Gasoil price plus shipping costs and Australian taxes represents almost the entire wholesale price of diesel (around 95%)
- there is no retail discounting cycle (i.e. sawtooth pattern) for diesel, as only 25% of diesel is sold through retail outlets and most of this goes to contract or fuel card customers rather than private motorists; most diesel is sold in bulk to commercial/industrial customers (e.g. mining, transport and farming) on long term contract; such contracts are subject to rigorous competition under regular market tenders.



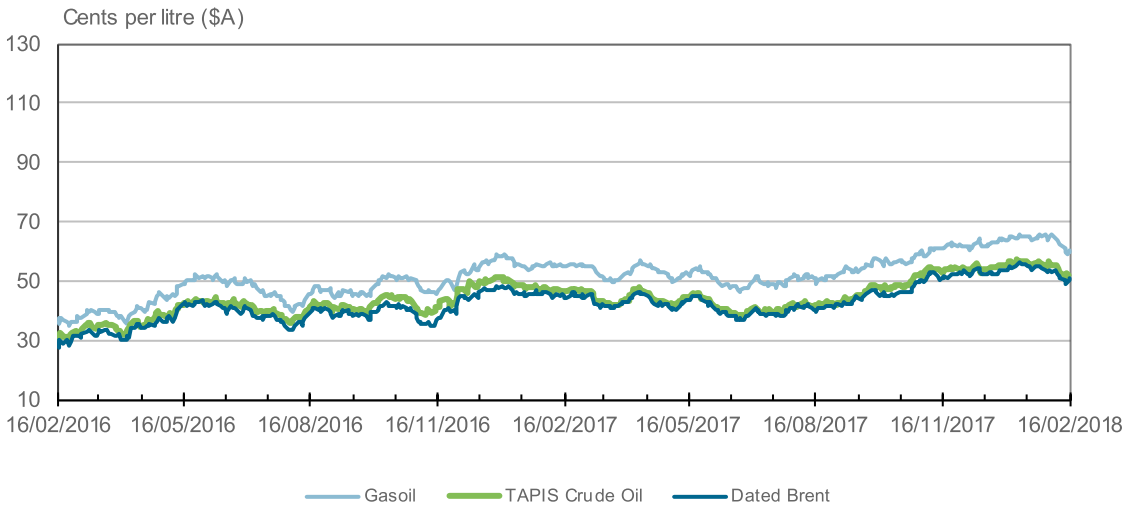
Average Diesel retail price this week: 139.1 cents
Average Diesel wholesale price this week: 124.9 cents

NOTES

(1) INTERNATIONAL DIESEL PRICE: the international diesel prices are provided by Platts (Copyright © 2017 S&P Global Platts, all rights reserved), and represent the end of day assessment for the price of Gasoil (50ppm sulfur from 1 January 2006, and 10ppm sulfur from 1 January 2009). No portion of the publication may be photocopied, reproduced, retransmitted, put into a computer system or otherwise redistributed, without prior written Authorisation from Platts. Platts is a trademark of S&P Global. Information has been obtained from sources believed reliable. However, because of the possibility of human or mechanical errors by sources, S&P Global or others, S&P Global does not guarantee the accuracy, adequacy or completeness of any such information and is not responsible for any errors or omissions or for results obtained from use of such information.
(2) SHIPPING: is the weighted average of daily market shipping rates (Australian cents per litre) for journeys from Singapore to major Australian ports (weighted by the volume of fuel sales in the relevant State). Source data include Platts, Worldscale, Australian Petroleum Statistics and the Reserve Bank of Australia.
(3) TAXES: is excise and GST less any relevant state rebates weighted by fuel volume consumed in each State.
(4) NATIONAL AVERAGE WHOLESALE PRICES: are derived from capital city prices weighted by fuel volume consumed in each State.
(5) NATIONAL AVERAGE RETAIL PRICES: are calculated as the weighted average of each State/Territory's metropolitan and non metropolitan retail diesel prices, with the weights based on the number of registered diesel vehicles in each of these regions.

International Market Trends

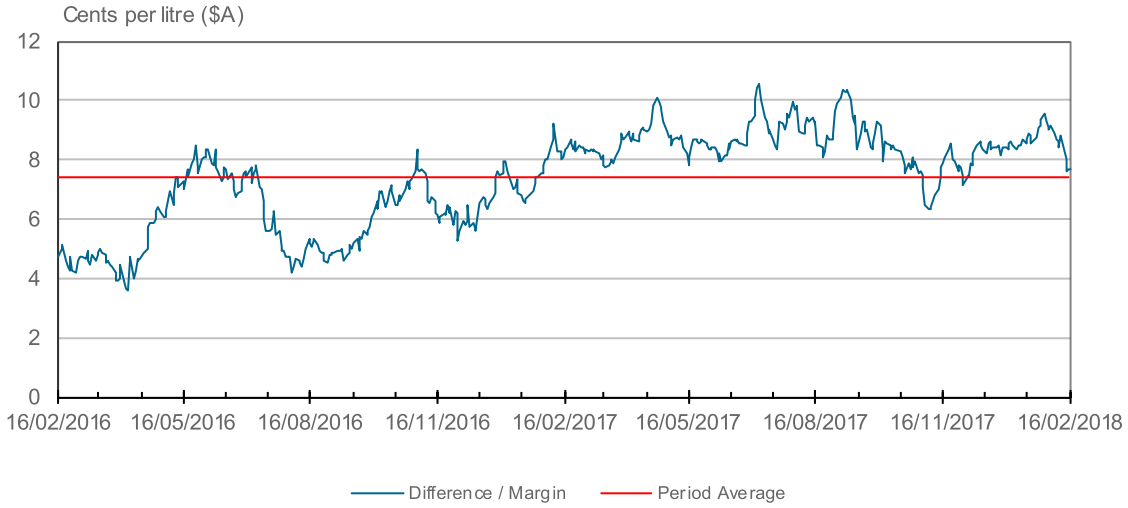
Figure 1: Comparison of Singapore Diesel Price (Gasoil) with Crude Oil Prices



***NOTE**: Australia is part of the Asia Pacific fuel market (Singapore is the regional refining/distribution centre) and the relevant pricing benchmarks in this market are Singapore prices for diesel (Gasoil 10ppm sulfur) and Tapis and Dated Brent for crude oil. Prices for Gasoil 10ppm sulfur diesel and for Tapis and Dated Brent crude oil are provided by S&P Global, Platts. Platts have publicly reported that countries across the Asia-Pacific region including Australia are increasingly moving to using Dated Brent as the relevant crude pricing benchmark for crude oil contract purposes and spot transactions. Caltex Australia has also indicated in public statements a shift to Dated Brent crude pricing. For information on crude oil pricing and Dated Brent pricing in Asia see http://www.aip.com.au/pricing/crude.htm.*

Figure 2: Difference Between Market Prices

Singapore Diesel price minus Tapis Crude Oil price



***NOTE:** The refiner margin above is the difference between market prices for Gasoil and Tapis. It is not a figure determined by refiners.*

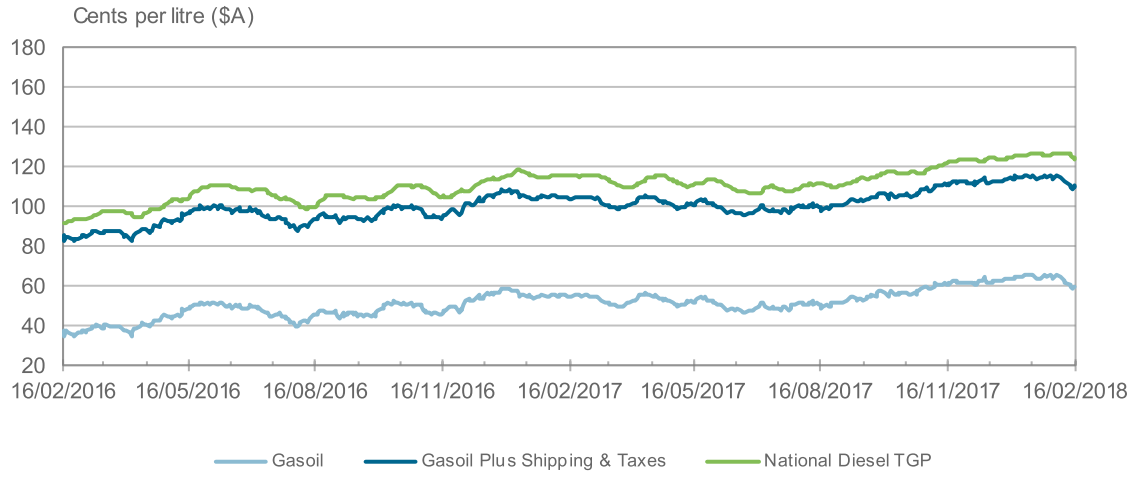
Cents per litre (A$)	TAPIS CRUDE OIL	DATED BRENT CRUDE OIL	GASOIL
Average: Last Week (to Friday 16/02/18)	51.9	50.0	59.8
Average: Previous Week (to Friday 09/02/18)	54.7	52.5	63.4
Average: Last 4 Weeks	54.7	52.6	63.4
Average: Last 12 Weeks	54.9	53.3	63.3
Average: Last 12 Months	47.0	45.5	55.6

PLEASE NOTE

*Differences/margins between market prices or benchmarks are used as indicators of general trends in the petroleum market, **they do not represent profits** accruing to oil companies at the refining, wholesale or retail segments of the market. For each market segment, a range of costs would need to be deducted to determine actual profits.*

Australian Wholesale Market Trends

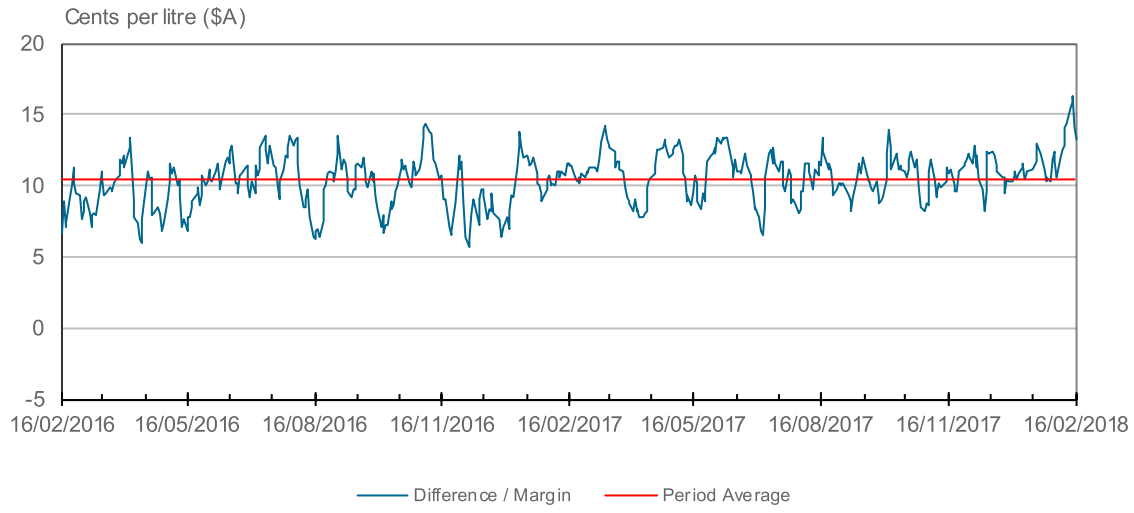
Figure 3: Comparison Of Australian Diesel TGP (Or 'Wholesale Price') With Singapore Diesel Price (Gasoil)



NOTE: *The Gasoil prices and Shipping rates are provided by S&P Global, Platts, see Notes on page 2.*

Figure 4: Difference Between Market Prices

National Average Diesel TGP minus Singapore Diesel Price (plus shipping & taxes)



GASOIL	Cents per litre (A$)
Average: Last Week (to Friday 16/02/18)	59.8
Average: Previous Week (to Friday 09/02/18)	63.4
Average: Last 4 Weeks	63.4
Average: Last 12 Weeks	63.3
Average: Last 12 Months	55.6

DIESEL TGP (National Average)	Cents per litre (A$)
Average: Last Week (to Friday 16/02/18)	124.9
Average: Previous Week (to Friday 09/02/18)	126.6
Average: Last 4 Weeks	126.0
Average: Last 12 Weeks	125.0
Average: Last 12 Months	115.9

PLEASE NOTE

Differences/margins between market prices or benchmarks are used as indicators of general trends in the petroleum market, ***they do not represent profits*** *accruing to oil companies at the refining, wholesale or retail segments of the market.*
For each market segment, a range of costs would need to be deducted to determine actual profits.
For example, ***at the wholesale level,*** *a range of costs (including 'landed costs' and 'wholesaling costs') would need to be deducted to determine actual profits at the wholesale level. These 'landed costs' include the costs of the quality premium (market cost) for Australian fuel standards, insurance and loss, and local wharfage costs. The standard 'wholesaling costs' include terminal operating costs, administration and wholesale marketing costs and corporate taxes and government charges on wholesaling activities.*

Average Diesel Terminal Gate Prices (TGP's) Across Australian States/Territories

Week ended 16 February 2018

DIESEL (cents per litre $A)

	Monday 12 February 2018	Tuesday 13 February 2018	Wednesday 14 February 2018	Thursday 15 February 2018	Friday 16 February 2018
Sydney	126.0	125.4	124.8	123.9	122.9
Melbourne	125.6	124.9	124.4	123.5	122.4
Brisbane	126.1	125.4	124.9	124.0	122.9
Adelaide	126.3	125.7	125.1	124.2	123.2
Perth	126.2	125.8	125.4	124.8	124.0
Darwin	130.1	129.4	128.9	128.0	126.9
Hobart	130.6	129.8	129.2	128.3	127.2

NOTES

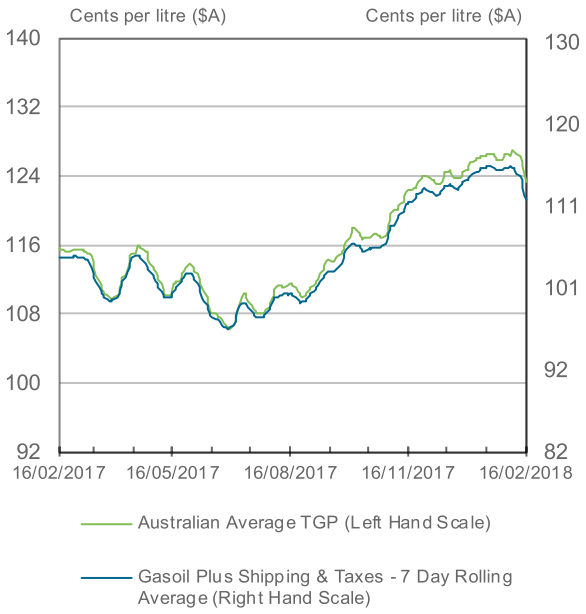
Daily TGP data are published by all wholesale fuel suppliers. AIP's website presents average TGP data for each weekday – see www.aip.com.au/pricing/tgp.htm. This data has been prepared by ORIMA Research Pty Ltd on behalf of AIP, using information from BP Australia, Caltex, Viva Energy Australia, and ExxonMobil Australia. Prices shown are the average TGP for diesel across each of these companies for the day.

Explaining The Time Lag Between Changes in Singapore Prices and Changes in Australian Wholesale Diesel Prices

Generally, there is a short time lag of 1-2 weeks between changes in Singapore prices and changes in Australian prices.

- The lag can be seen in FIGURE 3 on the previous page. That is, see the slight delay in the peaks and troughs in the pink line (National Average TGP) compared to the **purple line** (Gasoil 50ppm sulfur plus Shipping & Taxes).
- Importantly, this time lag occurs whether: prices are going up (when the lag slows price rises to consumers) or prices are going down (when the lag delays price falls).
- The lag is a result of using a rolling average of Singapore prices as part of the wholesale pricing methodology (very similar to that used by the ACCC when wholesale prices were regulated by government). The pricing methodology is called import parity pricing (IPP).
- The use of rolling averages smooths day-to-day price volatility.
- Not accounting for this lag, introduced by the rolling average, leads to incorrect conclusions about how Singapore prices flow through to prices in Australia.

The very close relationship between changes in Gasoil prices and changes in Australian TGPs can be seen by applying a rolling average to the Gasoil price data (a 7 day rolling average is used in the Chart to the right to illustrate this).



Australian Retail Market Trends For Diesel

Figure 5: Comparison Of Australian Pump Price With Australian TGP

Average Retail Diesel Price versus Average Wholesale Diesel Price

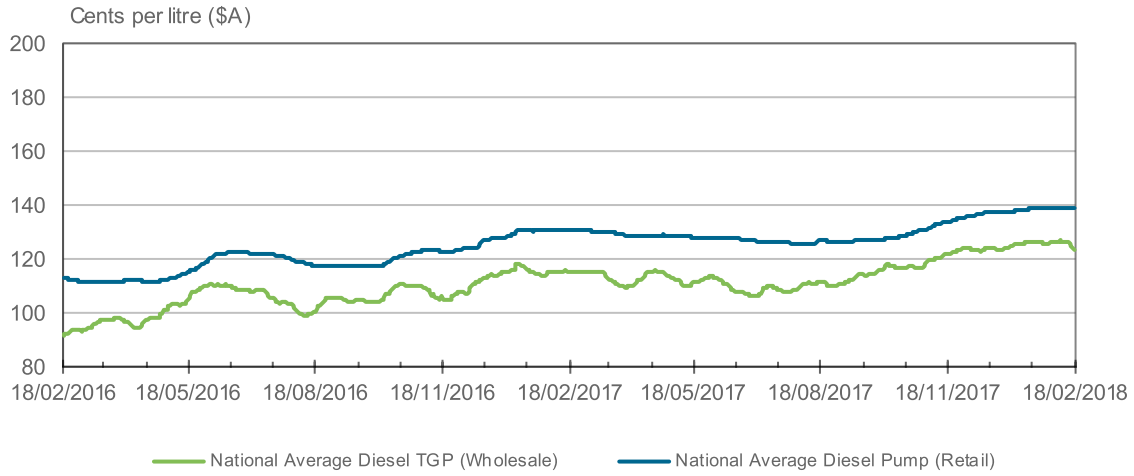
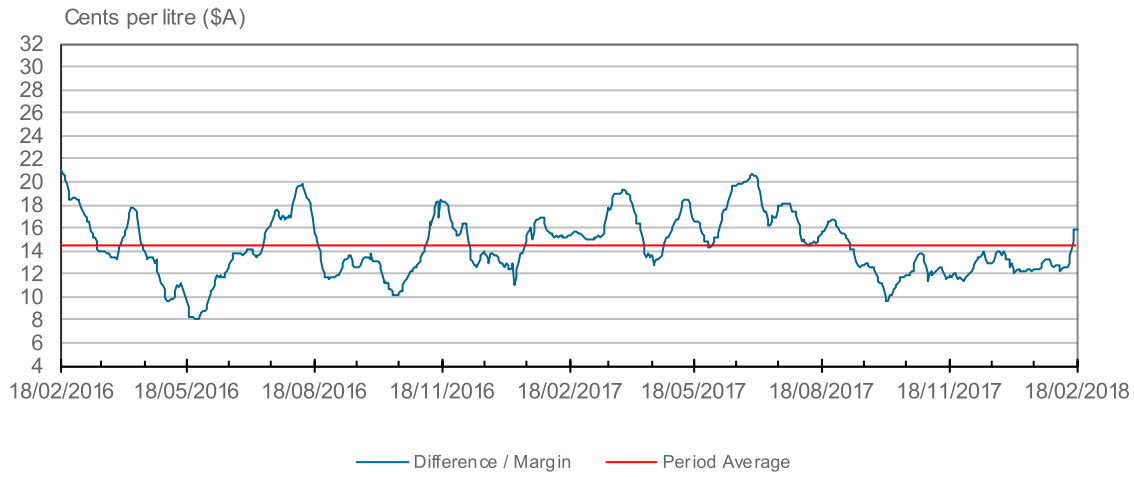


Figure 6: Difference Between Market Prices

Australian Average Retail Price minus Average Wholesale Price



Wholesale: Diesel TGP (National Average)	Cents per litre (A$)
Average: Last Week (to Friday 16/02/18)	124.9
Average: Last Week (to Friday 09/02/18)	126.6
Average: Last 4 Weeks	126.0
Average: Last 12 Weeks	125.0
Average: Last 12 Months	115.9

Retail: Diesel Pump Price (National Average)	Cents per litre (A$)
Average: Last Week (to Sunday 18/02/18)	139.1
Average: Last Week (to Sunday 11/02/18)	139.1
Average: Last 4 Weeks	139.1
Average: Last 12 Weeks	137.9
Average: Last 12 Months	130.7

PLEASE NOTE

*(1) The data for **retail diesel prices** is based on available market data supplied by MotorMouth (see www.motormouth.com.au).*
*(2) There is a **time lag** between changes in Australian wholesale (TGP) diesel prices and the change in retail diesel prices which needs to be taken into account when comparing relative price movements. According to the ACCC, this time lag can be longer during times of significant volatility in international and wholesale diesel prices.*
*(3) Differences/margins between market prices or benchmarks are used as indicators of general trends in the petroleum market, **they do not represent profits** accruing to oil companies at the refining, wholesale or retail segments of the market.*
*For each market segment, a range of costs would need to be deducted to determine actual profits. For example **at the retail level,** a range of standard retailing costs would need to be deducted to determine actual profits. These costs include:*

- *land transport costs (of getting fuel from the terminal gate to the petrol bowser)*
- *administration and retail marketing costs*
- *the costs of running service stations like wages, rent and utilities*
- *corporate taxes and other government charges on retailing activities*

Retail Diesel Price Trends Across States/Territories

Week ended 18 February 2018

'NATIONAL AND STATE' AVERAGE DIESEL PRICES (cents per litre $A)

	Weekly Average	Weekly Change	Low	High
National Average	139.1	0.0	139.0	139.2
NSW / ACT	137.3	0.0	136.9	137.5
Victoria	138.4	-0.1	138.4	138.5
Queensland	137.9	-0.1	137.7	138.0
South Australia	136.3	0.1	136.2	136.4
Western Australia	143.3	0.0	143.3	143.3
Northern Territory	158.1	0.3	157.9	158.5
Tasmania	144.4	0.1	144.1	144.5

'METROPOLITAN' AVERAGE DIESEL PRICES (cents per litre $A)

	Weekly Average	Weekly Change	Low	High
National Metropolitan Average	139.8	0.0	139.7	139.9
Five Major Capital City Average	138.8	0.0	138.6	139.0
Sydney	135.7	0.0	135.0	136.0
Canberra	142.5	-0.2	142.5	142.6
Melbourne	139.9	-0.1	139.9	139.9
Brisbane	139.3	-0.1	139.0	139.6
Adelaide	136.2	-0.3	135.8	136.9
Perth	142.8	0.0	142.8	142.8
Darwin	148.0	0.3	147.7	148.6
Hobart	143.7	0.0	143.4	144.2

'REGIONAL' AVERAGE DIESEL PRICES (cents per litre $A)

	Weekly Average	Weekly Change	Low	High
National Regional Average	138.5	-0.1	138.4	138.6
NSW / ACT	137.9	0.0	137.6	138.1
Victoria	136.6	0.0	136.5	136.7
Queensland	136.5	-0.2	136.3	136.6
South Australia	136.3	0.1	136.2	136.4
Western Australia	143.9	-0.1	143.9	144.0
Northern Territory	173.8	0.3	173.6	173.9
Tasmania	144.7	0.1	144.5	145.0

For more information on average weekly retail (pump) prices for diesel and petrol across Australia, please see **www.aip.com.au/pricing/retail.htm**

NOTES

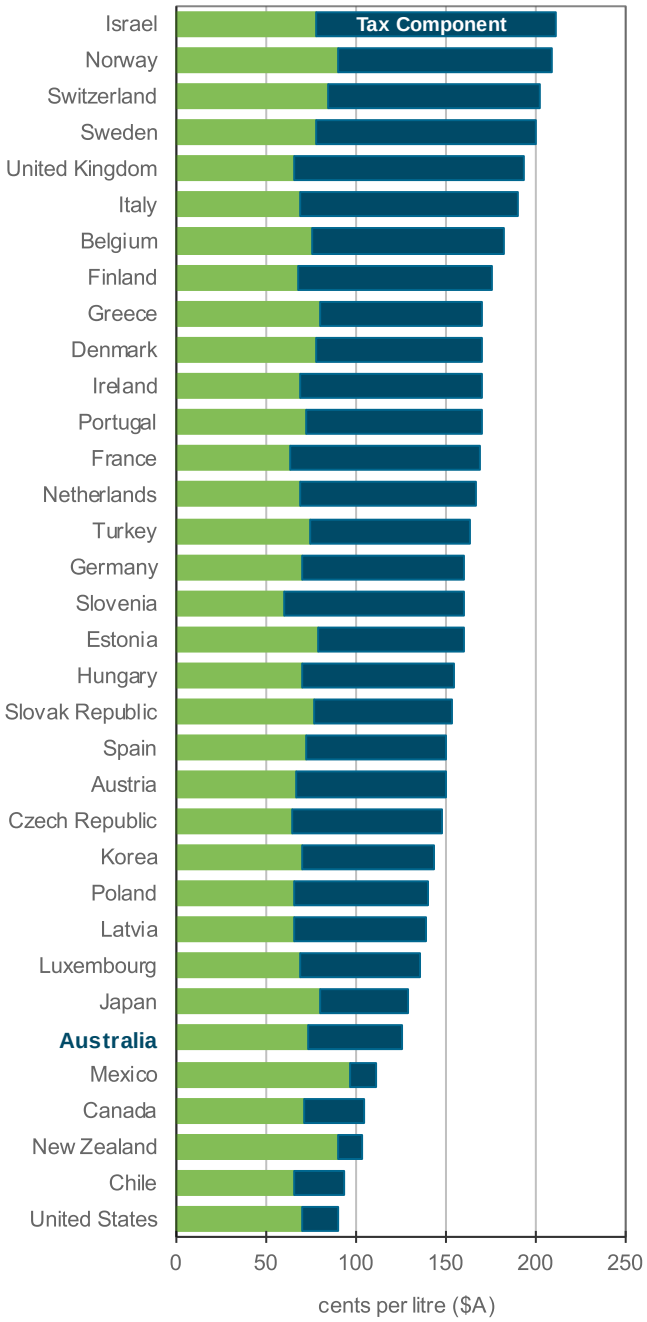
(1) The data for **retail diesel fuel prices** is based on available market data supplied by MotorMouth (see www.motormouth.com.au).
(2)The National Average Retail price is calculated as the weighted average of each State/Territory's metropolitan and non metropolitan retail diesel prices, with the weights based on the number of registered diesel vehicles in each of these regions.
(3) The National Metropolitan Average price is calculated as the weighted average of the retail diesel prices across each capital city, where the weights are based on the number of vehicles using diesel registered in each city.
(4) The Five Major Capital City Average is the unweighted average of the prices for Sydney, Melbourne, Brisbane, Adelaide and Perth.
(5) The Regional Average prices (including the National Regional Average) are calculated as the weighted average of the retail diesel prices for the non-metropolitan regions in each State/Territory, where the weights are based on the number of vehicles using diesel.
(6) The vehicle data source is *ABS Motor Vehicle Census, 2011, Cat No 9309.0*.
(7) 'Weekly Low' and 'Weekly High' are based on the lowest and the highest average daily prices in the relevant area.
(8) Weekly Average prices are a straight average of the seven days.
(9) Weekly Change is the change compared with the Weekly Average last week.
For more information on data methodology, please see the AIP Website (www.aip.com.au/pricing/retail.htm).

Diesel Prices & Taxes in OECD Countries

September Quarter 2017

The Charts below shows Australia has among the lowest diesel prices of all OECD countries.

Diesel Prices and Taxes in OECD Countries



Source: Australian Petroleum Statistics, Office of the Chief Economist