

HOW ARE PETROL PRICES DETERMINED IN AUSTRALIA?

Fuel prices around the world are largely determined by regional markets and the benchmark prices for those markets.



Australia's regional market for petroleum products is Asia-Pacific. The trading centre for this market is located in Singapore.

The Singapore price of unleaded petrol, known as MOGAS95 Petrol, is the key pricing benchmark for Australian petrol. Diesel and other fuels have their own pricing benchmarks.

Changes in Singapore prices can take around two weeks to work their way through the supply chain in Australian cities and longer in regional areas (Source: ACCC).

Australian petrol prices are low compared to overseas and are the tax component is the lowest of the OECD nations in the Asia-Pacific market.

Australia imports petroleum products primarily from Asia. In 2023-24, the breakdown was:

30%	South Korea	23%	Singapore
13%	Malaysia	8%	Taiwan
26%	Other (including China, India, Brunei Darussalam, Japan, UAE, USA, Belgium, Thailand, Indonesia, and Saudi Arabia)		

Source: Australian Petroleum Statistics

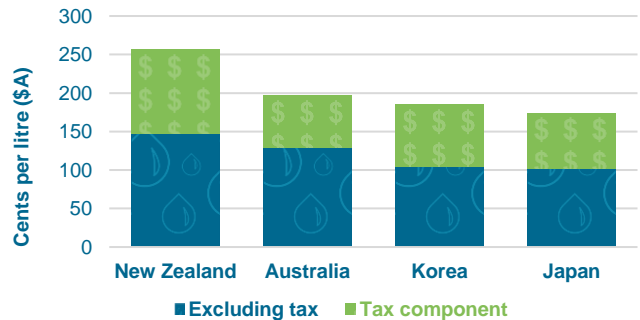
Petrol is either produced at Australian refineries or shipped by tankers from across Asia to import terminals around the Australian coastline.

From these locations, it is transported by pipeline to storage facilities and terminals. Trucks then deliver the petrol to service stations.

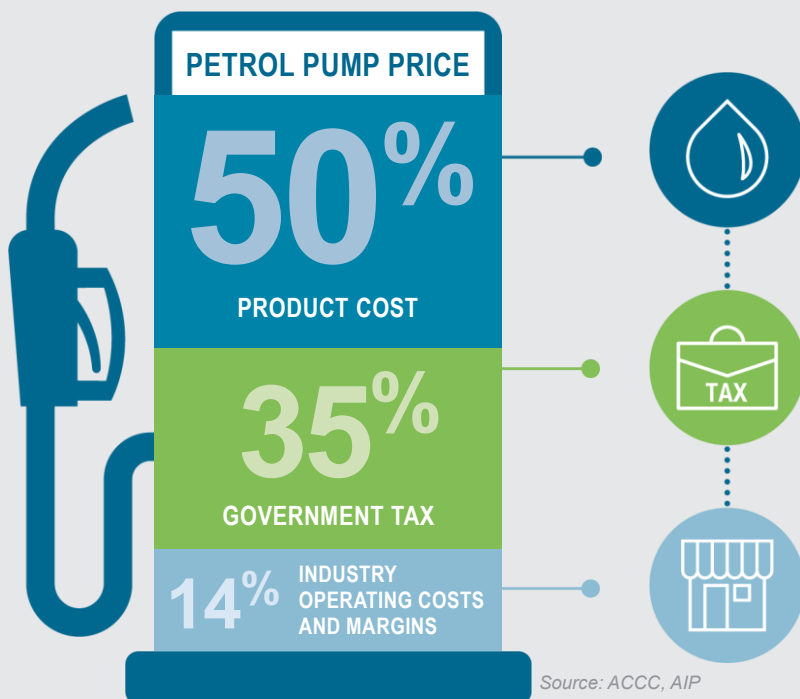
Typically, petrol prices within Australia tend to be higher the further the petrol must travel to get to the pump.

Petrol prices in regional locations are generally higher and more stable than those in the capital cities (Source: ACCC).

Petrol prices and taxes in OECD Asian countries (March Quarter 2024 - June Quarter 2024)



Source: Australian Petroleum Statistics



Source: ACCC, AIP

Refined product cost or landed cost

- Singapore petrol price (MOGAS95)
- Shipping cost
- Other costs
 - Quality premium for Australian fuel standards
 - Insurance and loss
 - Wharfage costs

Excise – 51 cents per litre (indexed twice a year to CPI)

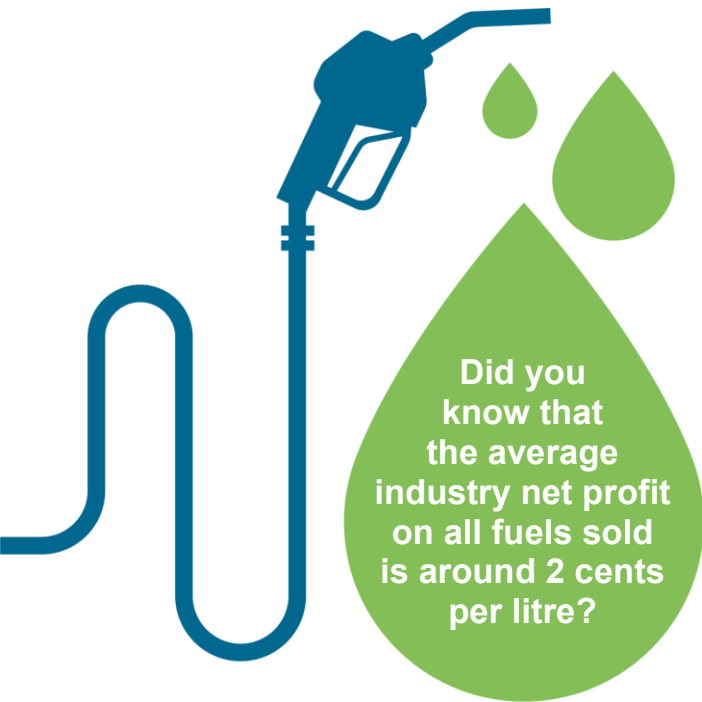
GST – 10%

Wholesale operating – Terminal operating costs, admin and wholesale marketing costs, government company taxes and charges on wholesaling activities.

Retail operating costs – Admin and retail marketing costs, the costs of running service stations (including wages, rent and utilities), government company taxes and charges on retailing activities.

Land transport costs – Getting fuel from the fuel terminal or refinery to the bowser.

Percentages do not add to 100% due to rounding



Australia's highly competitive market means the profit made by fuel suppliers is typically a very small share of pump prices. Pump prices are also influenced by local factors and competition between retailers.

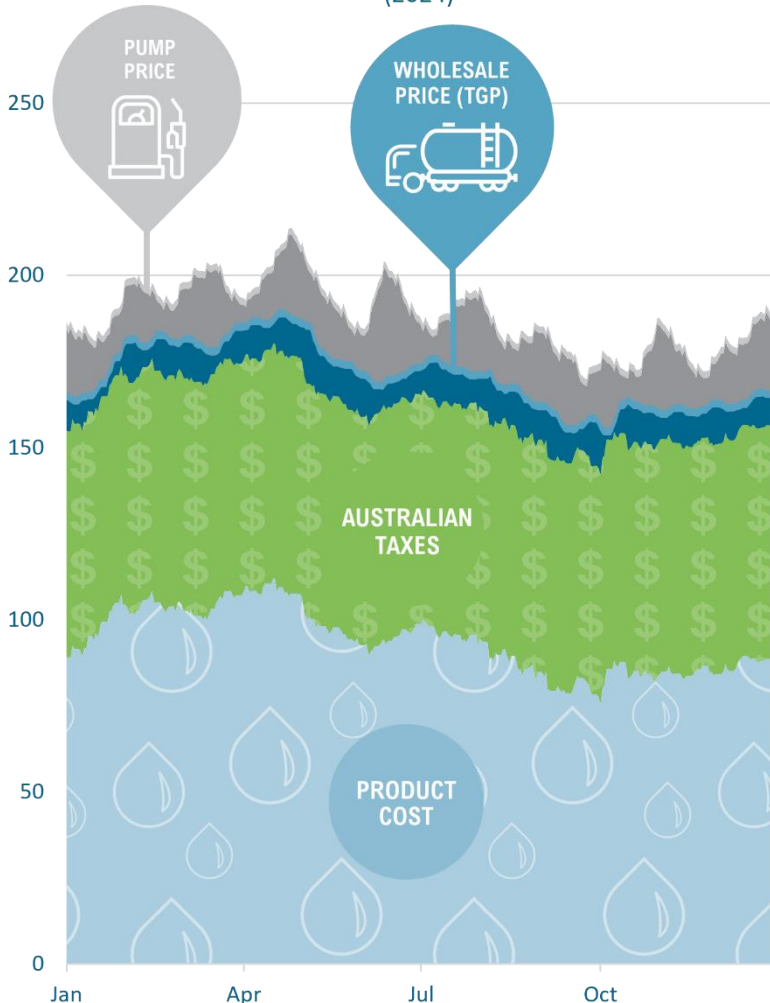
Retail prices in capital and larger cities typically follow a discounting cycle. Highly visible price boards and a range of independent price comparison apps enable motorists to take advantage of price discounting and easily find the best pump price in their local area.

Retailing costs and pump prices can vary greatly between towns, reflecting differences in local competition and population, freight and handling differences, as well as different operating conditions depending on the volumes of fuel sold and convenience store turnover at specific sites.

While the major oil company brand names appear on the majority of service stations, most of these businesses are actually owned and/or operated by supermarkets and independent operators who set the prices at these sites.

Understanding the relationship between market prices is important to understanding the petrol market in Australia.

Daily Unleaded Petrol Prices – Australian National Average (2024)



The grey area is the difference between the national average retail price (pump) and the national average wholesale price (Terminal Gate Price, also known as TGP).

This shaded area is not profit as it includes a range of retailing costs. Costs relate to land transport, administration and retail marketing, running a service station (including wages, rent and utilities), and corporate taxes and other government charges on retailing activities.

The blue area is the difference between the Singapore petrol price plus government taxes and the national average wholesale price (TGP).

This shaded area is not profit as it includes a range of wholesaling costs. Costs relate to the quality premium (market costs) for Australian fuel standards, insurance and loss, local wharfage, terminal operating, administration and marketing costs, and corporate taxes and government charges on wholesaling activities.

As a consumer at the bowser, when you notice the price of petrol rise and fall, this can be attributed to changes in petrol prices internationally and/or due to competition and discounting between service stations in your local area to attract new customers. Government taxes are around 67 cents per litre or around 35% of the total retail cost.

AIP and its member companies publish comprehensive market prices on a daily and weekly basis.