

Released under FOI

From: [REDACTED]
Sent: Tuesday, 14 June 2022 4:30 PM
To: Claudia.crawford@treasury.gov.au; [REDACTED]@treasury.gov.au; [REDACTED]@treasury.gov.au; ChalmersDLO@treasury.gov.au
Cc: acccbriefstreasurydistribution@treasury.gov.au; !
 EO_Parliamentary&GovernmentLiaison&Advocacy; Ayres, Lisa Anne
Subject: Embargo - ACCC Petrol Monitoring Report March quarter 2022 [SEC=OFFICIAL] [ACCC-ACCANDAER.FID2013678]
Attachments: Embargo - ACCC - Petrol Quarterly Report - March 2022.pdf; ACCC - Executive Minute - Petrol Monitoring Report March Quarter 2022 and Fuel Excise Monitoring - June 2022.pdf

OFFICIAL

Good afternoon,

Under embargo please find attached the ACCC's March quarter report on the Australian petroleum market and accompanying Executive Minute for the Treasurer.

In accordance with 95ZE of the *Competition and Consumer Act*, the ACCC must make copies of the report available for public inspection as soon as practicable after it gives the Minister the report. The ACCC will release the report tomorrow, 15 June. We will send a copy of the media release when it is finalised.

The ACCC does not routinely provide an Executive Minute for its quarterly reports on the petroleum market. The ACCC provided this Executive Minute as it is the first quarterly monitoring report provided to this government, and to highlight the ACCC's monitoring of the cut in fuel excise in Australia.

Key Points

- Following the cut in fuel excise, ACCC monitoring found significant falls in retail fuel prices in all capital cities and the vast majority of regional locations.
- The influence of the lag between changes in wholesale prices and changes in retail prices had been incorporated into retail price movements after 6 weeks (i.e. by 10 May 2022), and the cuts to fuel excise had clearly been passed on to a large extent.
- There are other factors that also contributed to price falls around the time of the cuts, such as a decrease in international refined petrol and diesel prices in early April. From mid-April higher international refined petrol prices stemming from Russia's war in Ukraine again pushed up prices at the bowser in Australia.
- There were a relatively small number of locations in regional areas where the decrease in petrol and diesel prices was smaller than the cut in excise.
 - We undertook further analysis and are writing to retailers in a handful of locations seeking an explanation for why they did not decrease their prices by the full amount of the cut in excise.

Background:

- On 16 December 2019, the Treasurer issued a new Direction to the ACCC to monitor the prices, costs and profits relating to the supply of petroleum products in the petroleum industry in Australia and produce a report every quarter.

Released under FOI

- This is the tenth quarterly petrol monitoring report under the new Direction. This report looks at the December quarter 2022.
- On 29 March 2022, the Australian Government announced in the 2022-23 Budget its intention to halve the excise and excise-equivalent customs duty rate on petrol and diesel for 6 months from 30 March 2022.
- The ACCC does not have a role in setting the price of petrol.

Kind regards,

[REDACTED]

[REDACTED]

Senior Policy Officer | Government Relations and Advocacy

Australian Competition & Consumer Commission

Level 17 | 2 Lonsdale St Melbourne VIC 3000

T: [REDACTED] | M: [REDACTED]

IMPORTANT: This email from the Australian Competition and Consumer Commission (ACCC), and any attachments to it, may contain information that is confidential and may also be the subject of legal, professional or other privilege. If you are not the intended recipient, you must not review, copy, disseminate, disclose to others or take action in reliance on, any material contained within this email. If you have received this email in error, please let the ACCC know by reply email to the sender informing them of the mistake and delete all copies from your computer system. For the purposes of the Spam Act 2003, this email is authorised by the ACCC www.accc.gov.au

Released under FOI



Report on the Australian petroleum market

March quarter 2022

June 2022

Released under FOI

Australian Competition and Consumer Commission
23 Marcus Clarke Street, Canberra, Australian Capital Territory, 2601

© Commonwealth of Australia 2022

This work is copyright. In addition to any use permitted under the *Copyright Act 1968*, all material contained within this work is provided under a Creative Commons Attribution 3.0 Australia licence, with the exception of:

- the Commonwealth Coat of Arms
- the ACCC and AER logos
- any illustration, diagram, photograph or graphic over which the Australian Competition and Consumer Commission does not hold copyright, but which may be part of or contained within this publication.

The details of the relevant licence conditions are available on the Creative Commons website, as is the full legal code for the CC BY 3.0 AU licence.

Requests and inquiries concerning reproduction and rights should be addressed to the Director, Content and Digital Services, ACCC, GPO Box 3131, Canberra ACT 2601.

Important notice

The information in this publication is for general guidance only. It does not constitute legal or other professional advice, and should not be relied on as a statement of the law in any jurisdiction. Because it is intended only as a general guide, it may contain generalisations. You should obtain professional advice if you have any specific concern.

The ACCC has made every reasonable effort to provide current and accurate information, but it does not make any guarantees regarding the accuracy, currency or completeness of that information.

The ACCC obtains confidential proprietary data from Argus Media under licence, from which data the ACCC conducts and publishes its own calculations and forms its own opinions. Argus Media does not make or give any warranty, express or implied, as to the accuracy, currency, adequacy or completeness of its data and it shall not be liable for any loss or damage arising from any party's reliance on, or use of, the data provided or the ACCC's calculations.

Parties who wish to re-publish or otherwise use the information in this publication must check this information for currency and accuracy prior to publication. This should be done prior to each publication edition, as ACCC guidance and relevant transitional legislation frequently change. Any queries parties have should be addressed to the Director, Content and Digital Services, ACCC, GPO Box 3131, Canberra ACT 2601.

ACCC 06/22_22-42

www.accc.gov.au

Released under FOI

Contents

March quarter 2022 – Petrol snapshot	1
Key messages	2
1. ACCC monitoring of the cut in fuel excise	12
1.1 Background	12
1.2 Time lags between wholesale and retail price changes	12
1.3 The ACCC increased its monitoring activities	12
1.4 There were significant falls in retail fuel prices in all capital cities and the vast majority of regional locations	13
1.5 Next steps	16
1.6 Excise cut and price cycles	17
2. Developments in the petroleum industry	20
2.1 The Australian Government halved the rate of fuel excise for 6 months	20
2.2 Fuel prices were a significant contributor to the increase in the Consumer Price Index	20
2.3 Demand for petrol decreased marginally	20
2.4 The Australian Government announced fuel security payments to refineries for the first half of 2021–22	21
2.5 The Australian Government announced that Australia would release oil stocks in support of action by the International Energy Agency	22
2.6 The Royal Automobile Association of South Australia commenced a 3 month discount trial with EG Australia	22
2.7 The New South Wales Government promoted the use of its FuelCheck app at a time of high retail prices	22
2.8 Viva Energy announced it had finalised the terms of its grant to build additional diesel storage at its Geelong refinery	23
2.9 Aramco Trading Company and United announced they had entered into a supply agreement	23
2.10 Ampol announced that it had rebranded 1,000 retail sites	23
3. ACCC Activities	24
3.1 ACCC and the petrol industry	24
3.2 Activities in the quarter	24
4. Retail petrol price movements in the 5 largest cities	26
4.1 Retail prices in the 5 largest cities increased to their highest level since 2008 in real terms	26
4.2 Price cycles in each of the 5 capital cities vary	28
4.3 Retail prices in Brisbane were higher than the other 4 largest cities in aggregate	31
4.4 Retail petrol prices in Australia were lower than in most OECD countries due to lower taxes	32
4.5 The price differential between PULP 95 and RULP decreased	34

Released under FOI

5.	Components of petrol prices in the 5 largest cities	36
5.1	Mogas 95 was the largest component of average retail petrol prices	36
5.2	Changes in Mogas 95 prices continued to drive retail prices	37
5.3	The AUD-USD exchange rate was marginally lower	38
5.4	Average GIRDs in the 5 largest cities were lower in the quarter	39
5.5	Average GIRDs in the 5 largest cities decreased over the past 6 quarters	41
5.6	Decreases in GIRDs in the 5 largest cities likely reflect 2 main factors	42
5.7	The increase in Mogas 95 prices was the predominant contributor to higher retail prices	43
6.	Retail petrol price movements in the smaller capital cities and in regional locations	45
6.1	Retail prices in Canberra, Hobart and Darwin were higher than prices across the 5 largest cities	45
6.2	Average regional prices were higher than prices in the 5 largest cities	46
6.3	Relatively lower regional prices in past quarters may have reflected more stable petrol demand in regional locations, and lagged effects from increasing wholesale prices	47
6.4	The difference between regional and city prices varied between jurisdictions	47
7.	Crude oil and refined petrol price movements	53
7.1	Crude oil and refined petrol prices increased significantly	53
7.2	The OPEC cartel, COVID-19 and the conflict in Ukraine were the main factors influencing crude oil prices	54
7.3	Refiner margins decreased to below the 10-year average	56
7.4	Crude oil prices in March 2022 were the highest since 2014	56
8.	Diesel and LPG prices	58
8.1	Retail diesel prices increased significantly	58
8.2	Gasoil 10 ppm was the largest component of average diesel prices	59
8.3	Retail LPG prices increased	59
8.4	Saudi CP were the largest component of average LPG prices	60
Appendix A:	Petrol and diesel price decreases following the cut in fuel excise on 30 March 2022	62
Appendix B:	Caltex/Milemaker section of the ex post review of ACCC merger decisions report - February 2022	68
Appendix C:	Petrol price data for monitored locations	73
Appendix D:	Petrol prices and GIRDs in regional market study locations	78

Released under FOI

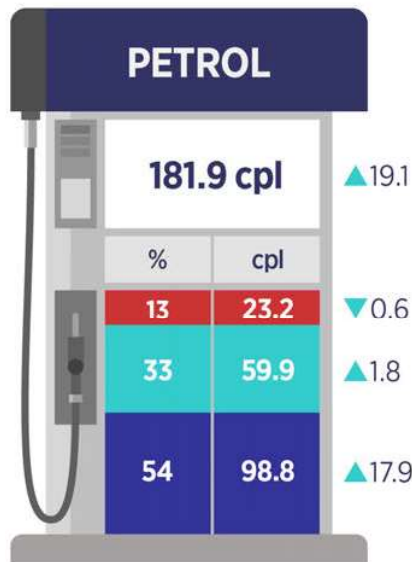
March quarter 2022 - Petrol snapshot

AVERAGE RETAIL PETROL PRICES



COMPONENTS OF RETAIL PETROL PRICES

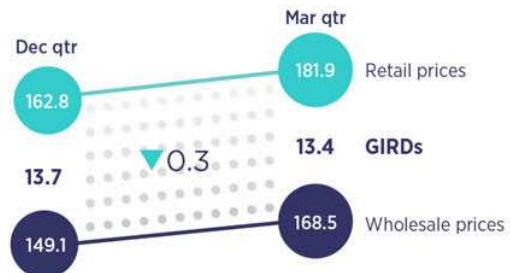
Breakdown of average petrol prices in the 5 largest cities.



- International cost of refined petrol (Mogas 95)
- Taxes (excise and GST)
- Other costs and margins (wholesale and retail)

GROSS INDICATIVE RETAIL DIFFERENCES

GIRDs are the difference between average retail petrol prices and indicative wholesale prices in the 5 largest cities. They are a broad indicator of gross retail margins.



DIFFERENCE BETWEEN CITY AND REGIONAL PRICES

The difference between average retail petrol prices in the 5 largest cities and average prices in over 190 regional locations.



Prices are shown in cents per litre (cpl). ▲▼ cpl change from previous quarter.

'Petrol' means regular unleaded petrol (RULP) in all locations.

The reduction in excise announced on 29 March 2022 had minimal effect on the average wholesale and retail prices in the March quarter 2022.

Released under FOI

Key messages

The cut in excise in late March 2022 was passed on in the vast majority of locations

On 29 March 2022, the Australian Government announced in the 2022–23 Budget its intention to halve the excise and excise-equivalent customs duty rate on petrol and diesel for 6 months from 30 March 2022.¹ The Australian Government also announced that the Australian Competition and Consumer Commission (ACCC) would monitor the price behaviour of retailers to ensure that the lower excise rate was fully passed on.

The rate of excise and excise-equivalent customs duty applying to petrol and diesel on 29 March was 44.2 cents per litre (cpl). The budget measure reduced the rate to 22.1 cpl. Taking into consideration the reduction in Goods and Services Tax (GST) associated with the halving of the excise rate, the impact on petrol and diesel prices would be a reduction of 24.3 cpl.

The ACCC's monitoring focussed on the capital cities and regional locations included in the ACCC's monitoring program.² It examined movements in daily average petrol and diesel prices in those locations since the announcement of the excise cut on 29 March 2022.³

Excise is imposed on producers (i.e. refiners) and importers of petrol and diesel, who pass the cost on to buyers of refined products. Excise is a major component of the wholesale price of fuel. Changes in wholesale prices significantly influence retail prices, but the changes can take time to flow through. This is largely because it is generally only when fuel is replenished at a retail site that the lower wholesale price is reflected in retail prices. This lag in the adjustment of wholesale prices is shorter in larger cities and retail sites with faster turnover, and often longer in regional locations that sell comparatively lower volumes of petrol and replenish stocks less frequently. The lag in the larger cities is generally between 1 and 2 weeks and a few weeks more in some regional locations.

After 6 weeks (i.e. by 10 May 2022), the influence of the lags had been incorporated into retail price movements. The monitoring found significant falls in retail fuel prices in all capital cities and the vast majority of regional locations, showing that the cuts had clearly been passed on to a large extent.

There were other factors that also contributed to lower retail prices following the excise cut, including a decrease in international benchmark refined fuel prices in early April 2022. Seven-day rolling average international refined petrol prices (Mogas 95 Unleaded) decreased by around 8 cpl between late March and early April.⁴ These changes were reflected in wholesale prices (as indicated by published terminal gate prices (TGP)) and subsequently in retail prices.

The following chart shows that daily average petrol prices in the 5 largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth) decreased by around 42 cpl between 29 March and 19 April, after which they started to increase again as international refined petrol prices increased. Over the same period, daily average TGP in the 5 largest cities decreased by around 36 cpl.

1 In this report, 'petrol' means regular unleaded petrol (RULP) unless otherwise specified.

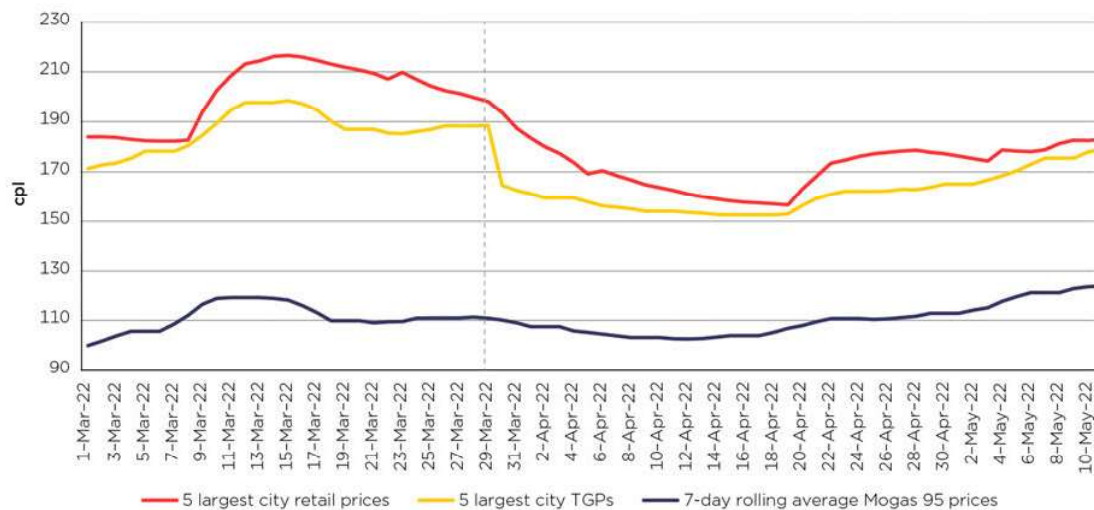
2 The ACCC monitors retail prices in all capital cities and over 190 regional locations. Appendix C lists these locations.

3 As the prices of all petrol grades (RULP, premium unleaded petrol (PULP) 95 and PULP 98) generally move in a similar manner, the monitoring concentrated on changes in RULP prices, as well as diesel prices. In 2021, petrol and diesel vehicles represented over 98% of the national fleet.

4 A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days. Wholesalers use a rolling average for Mogas 95 prices when determining their wholesale prices.

Released under FOI

Daily average retail petrol prices and terminal gate prices in the 5 largest cities, and 7-day rolling average Mogas 95 prices: 1 March to 10 May 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media, Ampol, bp, ExxonMobil, Viva Energy, WA FuelWatch and the Reserve Bank of Australia (RBA).

Notes: The dotted line is 29 March 2022, the day before the excise cut.

A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

The impact of the cut in excise on TGPs is clearly apparent. The decrease in retail prices and TGPs during this period incorporates both the impact of the cut in excise from 30 March and the influence of the decreasing international petrol prices flowing through to retail prices. The chart also shows the TGPs in the 5 largest cities closely follow movements in international refined petrol prices.

Across all locations, ACCC monitoring found that, in the period between 29 March and 10 May 2022:

- the largest decrease in daily average petrol prices in the capital cities was more than 39 cpl in all 5 largest cities (where petrol price cycles occur) and between 25 and 48 cpl in Canberra, Hobart and Darwin
- the average decrease across all monitored regional locations was over 32 cpl.

Diesel prices also reflected the cuts in excise. In the period between 29 March and 10 May 2022:

- the largest decrease in daily average diesel prices in the capital cities was more than 30 cpl in all 5 largest cities and between 29 and 32 cpl in Canberra, Hobart and Darwin
- the average decrease across all monitored regional locations was over 29 cpl.

There were a relatively small number of locations in regional areas where the decrease in average petrol and diesel prices was smaller than the cut in excise. Many of these locations are smaller and/or in remote areas, where turnover of fuel stocks can be slow. The ACCC is writing to retail sites in those locations seeking an explanation.

Higher international prices meant that retail prices in the 5 largest cities increased for the fifth consecutive quarter

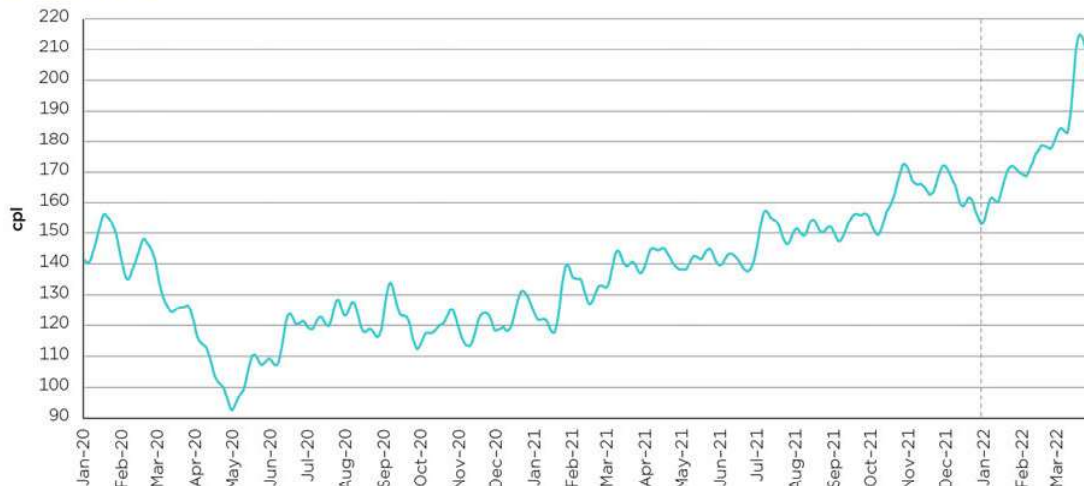
In the March quarter 2022, average retail petrol prices in the 5 largest cities were 181.9 cpl.⁵ This was an increase of 19.1 cpl from the December quarter 2021 (162.8 cpl), and the fifth consecutive quarter in which prices increased. Between the December quarter 2020 and the March quarter 2022, average retail petrol prices increased by 60.5 cpl (around 50%).

⁵ All prices in this report are nominal prices unless otherwise specified. **Real** prices are prices adjusted for inflation using the Consumer Price Index.

Released under FOI

As shown in the following chart, nominal petrol prices have increased significantly over the past 2 years.

Seven-day rolling average retail petrol prices in the 5 largest cities in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac.

Notes: The area to the right of the dotted vertical line represents the March quarter 2022.

A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.⁶

Average retail petrol prices on a 7-day rolling average basis in the 5 largest cities were at a record low on 29 April 2020 (92.4 cpl).⁷ Prices increased in May and June 2020, and were relatively stable between July and November. Prices trended upwards from then, increasing by 59.4 cpl from a low of 113.3 cpl in November 2020 to a high of 172.7 cpl in October 2021.

In the March quarter 2022, 7-day rolling average retail petrol prices were 156.1 cpl at the beginning of the quarter and increased to a high of 214.9 cpl on 18 March 2022 (an increase of 58.8 cpl or around 38%). By the end of March 2022, prices had decreased to 198.2 cpl, influenced by the excise cut in late March, a short-term decrease in crude oil prices in late March as well as the price cycles in all 5 capital cities decreasing at the same time.

Retail prices reached their highest level in 14 years in real terms

In March 2022 daily average retail petrol prices on a 7-day rolling average basis in **real** terms were at some of their highest levels in the past 20 years and the highest since July 2008, as shown in the following chart. The 7-day rolling average price on 18 March 2022 (214.9 cpl) was the highest since 19 July 2008 (215.4 cpl).

⁶ Traditionally, the ACCC has used a 7-day rolling average to smooth out the influence of petrol price cycles in the larger cities on retail price movements. This has been less effective in recent years because the duration of price cycles in most of the larger cities has become substantially greater than 7 days.

⁷ In **real** terms, they were the lowest recorded since the ACCC's predecessor, the Prices Surveillance Authority (PSA) began collecting comprehensive retail prices in all 5 cities in May 1991.

Released under FOI

Seven-day rolling average retail petrol prices in the 5 largest cities in real terms: 1 March 2002 to 31 March 2022



Source: ACCC calculations based on data from Informed Sources, FUELtrac and the Australian Bureau of Statistics (ABS), [6401.0 Consumer Price Index, Australia, March 2022, Tables 1 and 2](#). CPI: All Groups, Index Numbers and Percentage Changes, accessed on 27 May 2022.

Notes: **Real** prices are adjusted for March quarter 2022 dollars.

A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Quarterly average prices in the March quarter 2022 in **real** terms were the highest in almost 14 years (when they were 202.5 cpl in the September quarter 2008).

International price increases drove retail prices

International refined petrol prices (which are driven by international crude oil prices) and the AUD-USD exchange rate, largely determine movements in retail petrol prices in Australia. The price of Singapore Mogas 95 Unleaded (Mogas 95) is the price of refined petrol in the Asia-Pacific region and is the relevant benchmark for petrol prices in Australia.

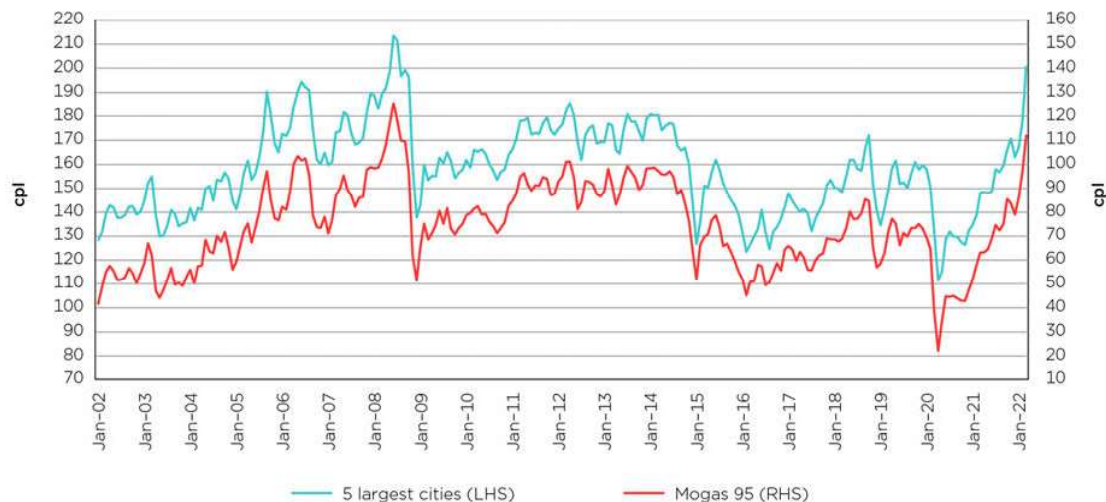
In the March quarter 2022, quarterly average Mogas 95 prices were 98.8 cpl (an increase of 17.9 cpl from the December quarter 2021). This was the highest in **real** terms since the September quarter 2008 (112.7 cpl).

The following chart shows that movements in retail petrol prices in the 5 largest cities and Mogas 95 prices in Australian cents per litre have moved in a similar pattern over the past 20 years.

It also shows that monthly average Mogas 95 prices and retail petrol prices in the 5 largest cities in **real** terms increased steadily from November 2020, decreased slightly in December 2021, and then increased substantially in the first quarter of 2022.

Released under FOI

Monthly average retail petrol prices in the 5 largest cities and Mogas 95 prices in real terms: January 2002 to March 2022



Source: ACCC calculations based on data from Informed Sources, FUELtrac, Platts, OPIS, Argus Media, the RBA and the ABS, *6401.0 Consumer Price Index, Australia, March 2022, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes*, accessed on 27 May 2022.

Note: **Real** prices are shown in March 2022 dollars.

The chart highlights the significant volatility in Mogas 95 prices. Monthly average Mogas 95 prices in **real** terms ranged from a high of 125.5 cpl in June 2008 (just prior to the Global Financial Crisis) to a low of 22.2 cpl in April 2020 (following the decrease in demand due to the COVID-19 pandemic).

Higher crude oil prices were influenced by the OPEC cartel's production cuts, recovering global demand and the war in Ukraine

The major influences on crude oil prices in recent years have been agreements by the Organisation of the Petroleum Exporting Countries (OPEC) cartel and other crude oil producing countries (including Russia) to limit supply, the impact on demand of the COVID-19 pandemic and more recently geo-political events including the Russian invasion of Ukraine.

Crude oil prices fell sharply in early 2020 as the pandemic caused global demand to fall. In April 2020, the OPEC cartel's significant production cuts led to a steady increase in crude oil prices that continued into early 2021. In April and July 2021, OPEC and non-OPEC countries agreed to increase output marginally. In September and October 2021, higher crude oil prices were influenced by the energy crisis associated with shortages of gas, coal and electricity in some countries in Europe and Asia, which increased demand for crude oil as an alternative source of energy. Around the end of 2021, crude oil prices decreased due to increased supply and increasing case numbers of the Omicron coronavirus variant in Europe and the United States.

In the March quarter 2022, crude oil prices increased sharply due to geo-political tensions around the Russian invasion of Ukraine, stronger demand from the easing of the global COVID-19 pandemic and slower crude oil production growth. Numerous countries imposed sanctions against Russian companies and stopped buying crude oil from Russia. This resulted in global shortages as Russia is a major supplier of crude oil.

On 1 March 2022, members of the International Energy Agency agreed to the release of 60.0 million barrels of crude oil reserves to compensate for the supply disruption. However, crude oil prices increased higher when the United States and other nations banned the import of Russian crude oil in early March 2022. A short-term drop in crude oil prices in late March 2022 was influenced by some progress in Russia-Ukraine peace talks. Another factor was the possibility of weakening demand due to

Released under FOI

rising COVID-19 cases in China. However, supply worries around lower Russian crude oil production led to prices increasing again at the end of March 2022.

The following chart shows the steady increase in international crude oil and Mogas 95 prices from November 2020 in nominal terms, and the sharp increase from January 2022.

Weekly average Brent crude oil and Mogas 95 prices in nominal terms: January 2020 to March 2022



Source: ACCC calculations based on data from Argus Media.

Note: The area to the right of the dotted vertical line represents the March quarter 2022.

Higher Mogas 95 prices were the predominant contributor to higher retail prices

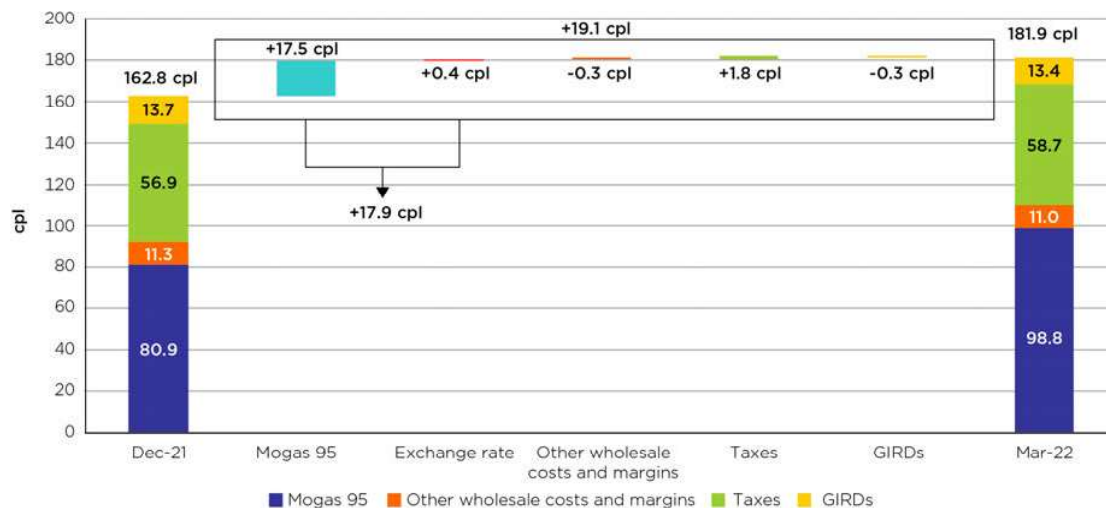
The 3 broad components of the retail price of petrol are: the international price of refined petrol (Mogas 95), taxes (excise and GST) and other costs and margins at the wholesale and retail levels. The 2 largest components of the average retail price – Mogas 95 and taxes – accounted for 87% of the average price of petrol in the March quarter 2022.

The following chart shows the change in the components of petrol across the 5 largest cities between the December quarter 2021 and the March quarter 2022. The chart separates the other costs and margins component into 2 elements: other wholesale costs and margins (which includes international shipping costs and other import costs, and wholesale costs and margins), and retail costs and margins (represented by gross indicative retail differences (GIRDs)).⁸

⁸ GIRDs are an indicator of gross retail margins. They are the difference between retail prices and indicative wholesale prices (TGP). See p 10 for further description.

Released under FOI

Changes in the components of average retail petrol prices in the 5 largest cities: December quarter 2021 to March quarter 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media, Ampol, bp, Mobil, Viva Energy, WA FuelWatch, RBA and the Australian Taxation Office (ATO).

Notes: All prices are in Australian cents per litre.

The taxes component includes fuel excise and wholesale GST. The small amount of retail GST is included in GIRDs rather than in taxes, to be consistent with GIRDs reported elsewhere in this report. As a result, the taxes component in this chart is not the same as the taxes component in the bowser in the March quarter 2022 - Petrol snapshot.

The cut in excise announced by the Australian Government was only in effect for 2 days in the March quarter 2022.

The chart shows that the increase in average retail petrol prices in the 5 largest cities in the March quarter 2022 (19.1 cpl) was predominantly due to an increase in the price of Mogas 95.

The AUD-USD exchange rate is a significant determinant of Australia's retail petrol prices because imported crude oil and international refined petrol (from which domestically refined petrol is priced) is bought and sold in US dollars in global markets. Excluding the effect of changes in the AUD-USD exchange rate (which decreased by US 0.4 cents in the quarter), Mogas 95 prices would have increased by 17.5 cpl in the quarter. The lower AUD-USD exchange rate however compounded the increase in Mogas 95 prices and resulted in Mogas 95 prices increasing by an additional 0.4 cpl in AUD terms. The net effect of movements in Mogas 95 prices and the AUD-USD exchange rate was that Mogas 95 prices in Australian cents per litre increased by 17.9 cpl.

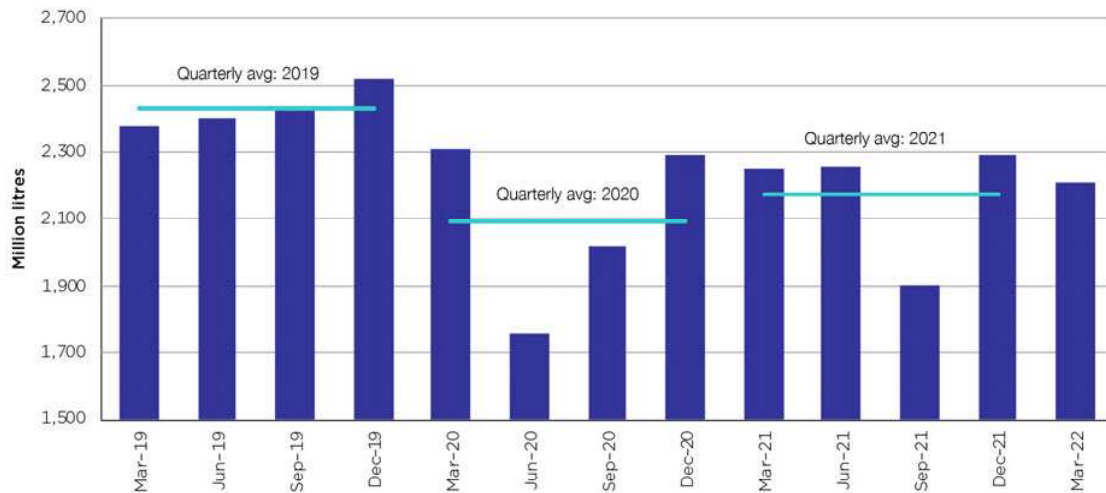
As the cut in excise announced by the Australian Government was only in effect for 2 days in the March quarter 2022, it had minimal impact on the taxes component in the quarter.

Demand for petrol decreased marginally

Petrol sales volumes across Australia in the March quarter 2022 were 2,207 million litres (ML). This was around 4% lower than in the previous quarter (2,292 ML), possibly influenced by less mobility from the prevalence of the COVID-19 Omicron variant as well as by the flooding events in Queensland and parts of New South Wales. In Queensland, petrol sales volumes in the March quarter 2022 were around 9% lower than in the December quarter 2021.

Released under FOI

Quarterly sales volumes of regular unleaded petrol in Australia: March quarter 2019 to March quarter 2022



Source: Department of Industry, Science, Energy and Resources (DISER), [Australian Petroleum Statistics - Data Extract March 2022](#), accessed on 27 May 2022.

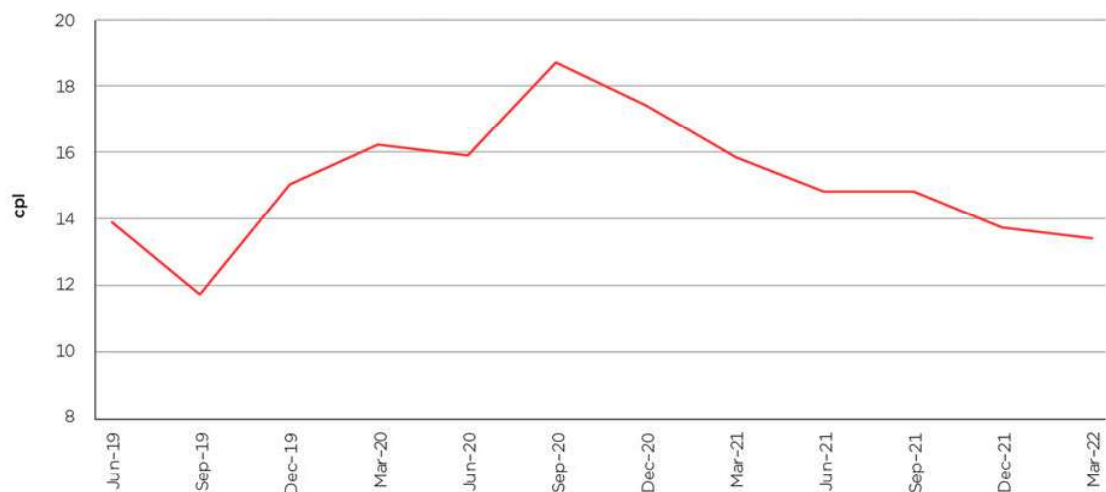
Quarterly average sales volumes for Australia in 2021 (2,175 ML) were around 4% higher than in 2020 (2,094 ML) and around 11% lower than in 2019 (2,430 ML).

Gross indicative retail differences decreased to their lowest level in over 2 years

In the March quarter 2022, average gross indicative retail differences (GIRDs) in the 5 largest cities were 13.4 cpl, a decrease of 0.3 cpl from the previous quarter.

The following chart shows that quarterly average GIRDs in the 5 largest cities in nominal terms trended downwards over the 6 quarters following record high GIRDs in the September quarter 2020 (18.7 cpl). Average GIRDs decreased by 5.3 cpl over the 6 quarters, to levels lower than before the COVID-19 pandemic.

Quarterly average GIRDs in the 5 largest cities in nominal terms: June quarter 2019 to March quarter 2022



Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil, Viva Energy and WA FuelWatch.

Released under FOI

GIRDs are a broad indicator of gross retail margins. The ACCC calculates GIRDs by subtracting average wholesale prices (as indicated by published TGPs) from average retail petrol prices. TGPs are prices that wholesalers charge for petrol in the spot market.⁹ TGPs reflect the wholesale price of petrol only and exclude other retail operating costs (such as freight, the cost to use a particular brand, rent, labour and utility costs). As GIRDs include these costs, they should not be confused with actual retail profits.

GIRDs reported by the ACCC are averages across the 5 largest cities over time. The level of prices, costs and profits vary significantly between retail operations and not all retail petrol sites will be achieving these gross margins. Some will be achieving higher gross margins, others lower. The ACCC's petrol market studies published between 2015 and 2017 found that profits per retail petrol site could vary considerably between retailers, with some retail sites making substantial profits and others making very little.

A broad influence that likely reduced GIRDs over the past 6 quarters was the increase in international crude oil, refined petrol and wholesale petrol prices from November 2020. When TGPs increase by large amounts in a short period, lags between changes in TGPs and changes in retail prices often have the effect of reducing GIRDs.

Petrol sales volumes also had an impact on GIRDs. As sales volumes were significantly affected by COVID-19 restrictions in the June and September quarters in 2020, retailers experiencing lower sales may have been keeping retail prices higher to cover their fixed costs, leading to higher GIRDs.¹⁰ From the March quarter 2021, sales volumes recovered with more petrol being purchased. This likely affected GIRDs, as some retailers may not have found it as necessary to keep retail prices higher to cover their fixed costs.

Caltex's acquisition of Milemaker retail sites reduced competition and increased prices

In February 2022, the ACCC released a report with ex post reviews of several past mergers decisions. One of the mergers reviewed was Caltex Australia's acquisition of 46 Milemaker Petroleum retail sites in Victoria in 2017 (including over 30 sites in Melbourne).¹¹ The ACCC did not oppose the acquisition on the basis that, while Milemaker appeared to be a vigorous competitor, sufficient competitive pressure would likely remain to prevent a substantial lessening of competition as there were a number of other larger competitors present in relevant local areas.

The ex post review analysed petrol price data before and after the merger. The analysis supported the ACCC's initial theory that post-acquisition, Caltex would adopt a much less aggressive pricing strategy than Milemaker. Pre-acquisition, the RULP prices at the Milemaker sites were on average more than 1.0 cpl below the Melbourne average price. Post-acquisition, they were on average around 0.5 cpl above the average price.

The analysis also found that the less aggressive pricing strategy adopted by Caltex at the former Milemaker sites had the effect of lessening the price competition faced by other petrol retailers in the vicinity of those sites. This resulted in higher RULP prices in the local areas in the vicinity of the Milemaker sites. The ACCC had considered this was not likely when it assessed the acquisition due to the number of other vigorous price competitors in the vicinity of Milemaker sites. The combined Caltex and Milemaker share accounted for approximately 11% of retail petrol sites in Melbourne. Despite this relatively low share of sites, the ACCC's review found reduced price competition as a result of the acquisition.

9 The major wholesalers post these prices on their websites on a regular basis. Although few wholesale transactions occur at TGPs, they are indicative wholesale prices. TGPs vary across brands and cities.

10 Petrol retailing is a high-volume, low-margin business with many fixed costs (such as rent and the cost to use a particular brand). This means when sales volumes decline, the cost per unit of petrol will increase. To generate revenue to partially cover their fixed costs, some retailers may have been setting retail prices higher than they otherwise would.

11 In 2020, Caltex Australia Limited changed its name to Ampol Limited. Caltex commenced re-branding its sites from Caltex to Ampol in mid-2020.

Released under FOI

It estimated that the acquisition had the effect of:

- increasing RULP prices in local areas near Milemaker sites by on average around 0.8 cpl
- increasing the margins of petrol retailers in local areas near Milemaker sites by on average around 6%
- increasing the total cost of RULP to motorists in Melbourne by around \$6 million per annum.

Prices in the smaller capital cities and regional locations on average were higher than prices in the 5 largest cities

In the March quarter 2022, average retail prices increased in all 3 smaller capital cities: Hobart by 20.2 cpl, Darwin by 19.5 cpl and Canberra by 16.6 cpl. Average retail prices in each of these cities were above the average price across the 5 largest cities (181.9 cpl).

This was the second consecutive quarter, and only the third time in the past 12 quarters, when retail prices in Darwin were above those in the 5 largest cities.

The ACCC monitors fuel prices in all capital cities and over 190 regional locations across Australia. In the March quarter 2022, average prices in regional locations in aggregate (regional prices) were 182.7 cpl, which was 0.8 cpl higher than average prices in the 5 largest cities.

This was the second quarter in a row when average regional prices were higher than average prices in the 5 largest cities. In the 5 quarters from the September quarter 2020 to the September quarter 2021, average regional prices were higher than average prices in the 5 largest cities.

Diesel and LPG prices increased

In the March quarter 2022, diesel and liquefied petroleum gas (LPG) prices in the 5 largest cities both increased:¹²

- average retail diesel prices were 185.4 cpl in the quarter, an increase of 22.6 cpl (or around 14%) from the December quarter 2021 (162.8 cpl)
- average retail LPG prices were 110.3 cpl in the quarter, an increase of 4.3 cpl (or around 4%) from the December quarter 2021 (106.0 cpl).¹³

¹² References to LPG in this report refer to automotive LPG.

¹³ For petrol, the percentage change in the March quarter 2022 was an increase of around 12%.

Released under FOI

1. ACCC monitoring of the cut in fuel excise

1.1 Background

On 29 March 2022, the Australian Government announced a halving of the excise and excise-equivalent customs duty rate on petrol and diesel for 6 months from 30 March 2022.¹⁴

The Australian Government also announced that the ACCC would monitor the price behaviour of retailers to ensure that the lower excise rate was fully passed on.

The rate of excise and excise-equivalent customs duty applying to petrol and diesel on 29 March was 44.2 cpl. The budget measure halved the rate to 22.1 cpl. Taking into consideration the reduction in the GST associated with the halving of the excise rate, the impact on petrol and diesel prices would be a reduction of 24.3 cpl.

Excise is imposed on producers (i.e. refiners) and importers of petrol and diesel, who pass the cost on to buyers of refined products. Excise is a significant part of the wholesale price, which then flows into retail prices.

In the December quarter 2021, taxes (i.e. excise and the GST) accounted for around 36% of the average petrol price in the 5 largest cities. Excise accounted for around 27% of the retail price.

1.2 Time lags between wholesale and retail price changes

Changes in wholesale prices significantly influence retail prices, but the changes can take time to flow through to retail prices. This is largely because it is generally only when fuel is replenished at a retail site that the lower wholesale price is reflected in retail prices. This lag in the adjustment of wholesale prices is shorter in larger cities and retail sites with faster turnover, and often longer in regional locations that sell comparatively lower volumes of petrol and replenish stocks less frequently. The lag in the larger cities is generally between 1 and 2 weeks and a few weeks more in some regional locations.

There are a small number of locations, particularly remote locations with few retail sites, where changes in wholesale prices are not fully reflected in retail prices, both when wholesale prices increase and when they decrease.

1.3 The ACCC increased its monitoring activities

So far, the ACCC has undertaken a range of activities and quickly put in place additional processes following the Australian Government's announcement.

1.3.1 Engagement with industry

On 31 March 2022, the day after the excise cuts came into effect, the ACCC wrote to the larger fuel wholesalers and retailers in Australia. In letters to fuel companies the ACCC stated that it:

- had observed that the reduction in excise had already been incorporated in full in published TGPs

¹⁴ The excise and excise-equivalent customs duty rates for all other fuel and petroleum-based products, except aviation fuels, were also halved for 6 months. Excise on automotive LPG decreased from 14.4 cpl to 7.2 cpl. Taking into consideration the reduction in GST, the impact on automotive LPG prices would be a reduction of 7.9 cpl. The measure commenced from 12.01 am on 30 March 2022 and is scheduled to end at 11.59 pm on 28 September 2022. See: Australian Government, [2022-23 Budget Paper number 2](#), p 15, accessed on 27 May 2022.

Released under FOI

- will assess movements in fuel prices and not hesitate to call out instances when the flow through of the excise reduction into retail prices is not occurring as should be expected
- will examine closely any concerns raised relating to misleading or deceptive conduct or misrepresentation about excise reductions and retail prices and will take enforcement action where appropriate.

All companies responded to the ACCC in less than a week. In their responses:

- wholesalers noted passing on the excise reduction in full to their wholesale prices immediately or as soon as practicable after the Government's announcement
- retailers noted that they had reduced retail prices in full or in part within days following the Government's announcement
- retailers committed to pass savings on in coming weeks.

On 17 May 2022, the ACCC hosted a meeting of the Fuel Consultative Committee (FCC), which comprises representatives from major fuel retailers, refiner-wholesalers, peak industry associations and motoring organisations. The FCC generally meets twice a year. The excise cut was a key topic of discussion and participants considered that it had been passed through to retail prices within a week in the capital cities and after around 2 weeks in the majority of regional locations. This is consistent with the ACCC's analysis outlined in section 1.4.

1.3.2 Media releases and weekly updates on the ACCC website

The ACCC issued 2 media releases relating to the excise cut:

- the first was on 29 March 2022, the date of the Australian Government's announcement, which outlined the ACCC's role and its expectations¹⁵
- the second was on 6 April 2022 and noted that there had been significant falls in retail prices in the major capital cities a week after the cut in fuel excise came into effect.¹⁶

From 6 April 2022, the ACCC began publishing weekly updates on the results of its monitoring of the excise cut on the petrol pages on its website.

1.3.3 Increased frequency of fuel price data collection and monitoring

The ACCC obtains daily average fuel prices for all capital cities and over 190 regional locations.¹⁷ Prior to April 2022, the ACCC received daily average price data for the 5 largest cities each day and incorporated this data into the price cycle charts on the ACCC website. It also generally received data for the smaller capital cities and regional locations once a month.

Following the Australian Government's announcement, the ACCC upgraded its arrangements to receive daily average prices for all capital cities and all regional locations each working day.

The ACCC assessed this data on a regular basis to consider the extent to which retail prices had decreased in line with the decrease in excise. A summary was regularly published on the ACCC website.

1.4 There were significant falls in retail fuel prices in all capital cities and the vast majority of regional locations

The enhanced monitoring focussed on the capital cities and regional locations included in the ACCC's monitoring program. It examined movements in average daily prices in those locations since the announcement of the excise cut on 29 March 2022.

¹⁵ ACCC, *ACCC to monitor petrol prices following cut in fuel excise*, 29 March 2022.

¹⁶ ACCC, *Petrol retailers starting to pass through fuel excise cut*, 6 April 2022.

¹⁷ These locations are listed in Appendix C.

Released under FOI

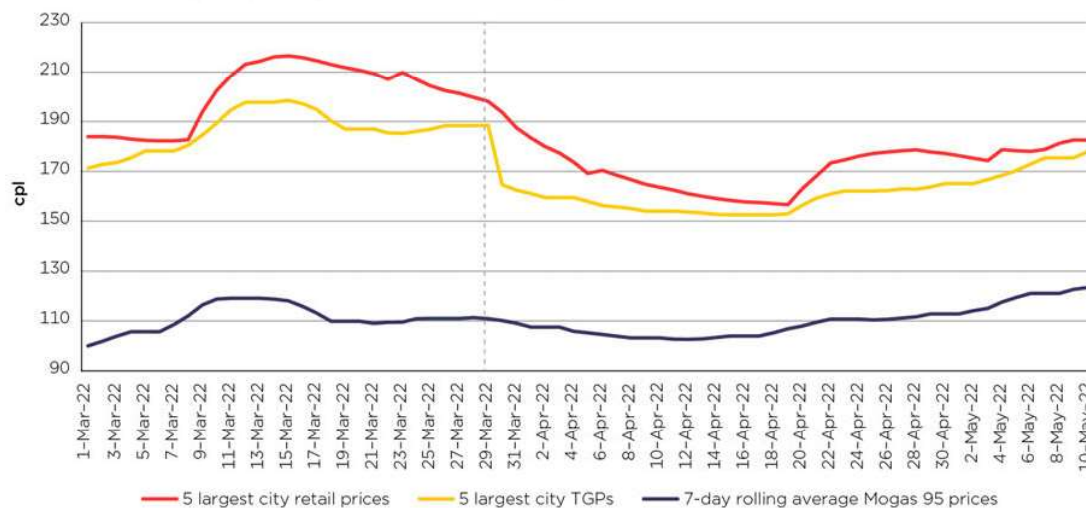
As the prices of all petrol grades (RULP, premium unleaded petrol (PULP) 95 and PULP 98) generally move in a similar manner, the monitoring concentrated on changes in RULP prices, as well as diesel prices. According to the ABS, in 2021 petrol and diesel vehicles represented over 98% of the national fleet.¹⁸

After 6 weeks (i.e. by 10 May 2022), the influence of the lags noted in section 1.2 had been incorporated into retail price movements. The monitoring found significant falls in retail fuel prices in all capital cities and most regional locations, showing the cuts had clearly been passed on to a large extent.

There were other factors that also contributed to lower retail prices following the excise cut, including a decrease in international benchmark refined fuel prices in early April 2022. Seven-day rolling average international refined petrol prices (Mogas 95 Unleaded) decreased by around 8 cpl between late March and early April, and 7 day rolling average international refined diesel prices (Gasoil 10 ppm) decreased by around 7 cpl in the same period. These changes were reflected in wholesale prices. Their impact on retail prices will vary according to lags in the adjustment of retail prices in different locations as well as the extent to which locations fully reflect both higher and lower wholesale prices.

Chart 1.1 shows that daily average retail petrol prices in the 5 largest cities decreased by around 42 cpl between 29 March (the day prior to the excise cut) and 19 April, after which they started to increase again as international refined petrol prices increased. Over the same period, daily average TGPs in the 5 largest cities decreased by around 36 cpl. The impact of the cut in excise on TGPs is clearly apparent. The decrease in retail prices and TGPs incorporates both the impact of the cut in excise from 30 March and the influence of the decreasing international petrol prices flowing through to retail prices.

Chart 1.1 Daily average retail petrol prices and terminal gate prices in the 5 largest cities, and 7-day rolling average Mogas 95 prices: 1 March to 10 May 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media, Ampol, bp, ExxonMobil, Viva Energy, WA FuelWatch and RBA.

Notes: The dotted line in the chart is 29 March 2022, the day before the excise cut.

A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

The larger decreases in retail prices compared with TGPs over this period may reflect the fact that some companies decreased retail prices straight away on 30 March, before waiting for the higher priced fuel in their tanks to be depleted, and that the petrol price cycles in the 4 eastern capital cities were all decreasing around the same time.

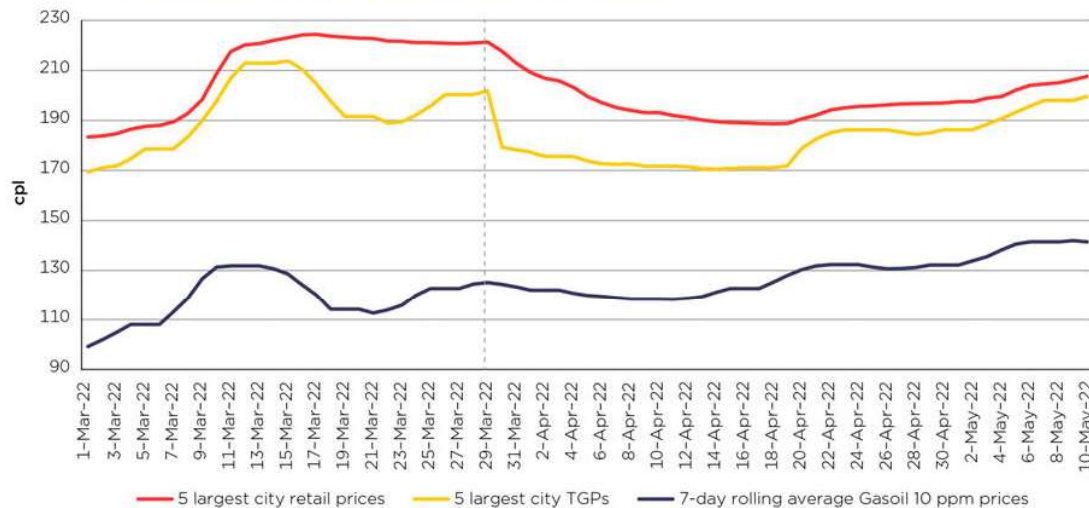
Chart 1.2 shows that daily average retail diesel prices in the 5 largest cities decreased by around 33 cpl between 29 March and 18 April. Over the same period, average diesel TGPs in the 5 largest cities decreased by around 32 cpl. The decrease in retail prices and TGPs incorporates both the impact of

¹⁸ ABS (June 2021), 'Table 4 Motor Vehicles on register, Type of fuel - by Type of vehicle: census year' [data set], [Motor Vehicle Census, Australia, 2021](#), accessed on 27 May 2022.

Released under FOI

the cut in excise from 30 March and the influence of the decreasing international diesel prices flowing through to retail prices.

Chart 1.2 Daily average retail diesel prices and terminal gate prices in the 5 largest cities, and 7-day rolling average Gasoil 10 ppm prices: 1 March to 10 May 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media, Ampol, bp, ExxonMobil, Viva Energy, WA FuelWatch and RBA.

Notes: The dotted line in the chart is 29 March 2022, the day before the excise cut.

A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Table 1.1 shows that in the capital cities, between 29 March and 10 May 2022:

- The decrease in daily average petrol prices was more than 39 cpl in each of the 5 largest cities, and between 25 and 48 cpl in Canberra, Hobart and Darwin.
- The decrease in daily average diesel prices was more than 30 cpl in each of the 5 largest cities and between 29 and 32 cpl in Canberra, Hobart and Darwin.

Table 1.1 Largest decrease in daily average retail petrol and diesel prices in each capital city: 29 March 2022 to 10 May 2022 (cpl)

5 largest cities	Petrol	Diesel
Sydney	40.8	30.7
Melbourne	40.0	30.9
Brisbane	39.1	30.3
Adelaide	42.9	37.7
Perth	46.0	36.4
Smaller capitals		
Hobart	47.8	31.1
Canberra	34.4	31.7
Darwin	24.6	28.7

Source: ACCC calculations based on data from FUELtrac.

Petrol and diesel prices in the majority of regional centres were also significantly lower. The average decrease across all regional locations that the ACCC monitors was over 32 cpl for petrol and over 29 cpl for diesel.

Appendix A shows the largest observed price decrease between 29 March and 10 May 2022 in daily average petrol and diesel prices in each of the monitored regional locations.

Table 1.2 shows the number and percentage of regional locations in each state and the Northern Territory where average retail petrol prices decreased by at least 24.3 cpl for each week since 29 March

Released under FOI

2022. Table 1.3 shows similar results for diesel. The influence of the lags mentioned in section 1.2 is apparent as the number of regional locations in which prices decreased by at least 24.3 cpl increases over the weeks from the cut in excise on 30 March 2022.

Table 1.2 Number and percentage of regional locations in each state and the Northern Territory where average retail petrol prices decreased by at least 24.3 cpl for each week between 5 April and 10 May 2022

State/Territory	No. of locations monitored	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
		5 April 2022	12 April 2022	19 April 2022	26 April 2022	3 May 2022	10 May 2022
New South Wales	66	4 (6%)	37 (56%)	59 (89%)	60 (91%)	61 (92%)	61 (92%)
Victoria	34	10 (29%)	30 (88%)	33 (97%)	33 (97%)	33 (97%)	33 (97%)
Queensland	43	7 (16%)	30 (70%)	36 (84%)	38 (88%)	38 (88%)	38 (88%)
South Australia	18	1 (6%)	16 (89%)	18 (100%)	18 (100%)	18 (100%)	18 (100%)
Western Australia	17	0 (0%)	12 (71%)	16 (94%)	17 (100%)	17 (100%)	17 (100%)
Tasmania	11	2 (18%)	8 (73%)	11 (100%)	11 (100%)	11 (100%)	11 (100%)
Northern Territory	3	2 (67%)	3 (100%)	3 (100%)	3 (100%)	3 (100%)	3 (100%)

Source: ACCC calculations based on data from FUELtrac and Informed Sources.

Table 1.3 Number and percentage of regional locations in each state and the Northern Territory where average retail diesel prices decreased by at least 24.3 cpl for each week between 5 April and 10 May 2022

State/Territory	No. of locations monitored	Week 1	Week 2	Week 3	Week 4	Week 5	Week 6
		5 April 2022	12 April 2022	19 April 2022	26 April 2022	3 May 2022	10 May 2022
New South Wales	66	4 (6%)	37 (56%)	54 (82%)	55 (83%)	55 (83%)	55 (83%)
Victoria	34	4 (12%)	21 (62%)	31 (91%)	31 (91%)	31 (91%)	31 (91%)
Queensland	43	0 (0%)	28 (65%)	37 (86%)	41 (95%)	41 (95%)	41 (95%)
South Australia	18	0 (0%)	13 (72%)	18 (100%)	18 (100%)	18 (100%)	18 (100%)
Western Australia	17	1 (6%)	13 (76%)	16 (94%)	17 (100%)	17 (100%)	17 (100%)
Tasmania	11	1 (9%)	7 (64%)	10 (91%)	10 (91%)	10 (91%)	10 (91%)
Northern Territory	3	0 (0%)	0 (0%)	3 (100%)	3 (100%)	3 (100%)	3 (100%)

Source: ACCC calculations based on data from FUELtrac and Informed Sources.

There were a relatively small number of locations in regional areas where the decrease in petrol and diesel prices was smaller than the cut in excise. The ACCC analysed retail site specific price data in these locations to determine further action.

The ACCC is writing to retailers in a handful of locations seeking an explanation for why they did not decrease their prices by the full amount of the cut in excise.

1.5 Next steps

The ACCC's broader monitoring activities will continue for the duration of the excise cuts. This will include continuing to regularly assess price data in all monitored locations and providing regular updates on the ACCC website.

With the excise cut flowing through to retail prices in most locations within the first 6 weeks after its implementation, the ACCC will focus its ongoing monitoring on how price cuts are maintained. The ACCC will consider the levels of GIRDs in all monitored locations in coming months to assess how they have changed relative to historical averages, and whether further action is required to investigate substantial differences. The ACCC will not hesitate to take further steps it deems necessary, including requesting information from retailers.

As part of the continuing activities, the ACCC will also consider approaches to monitoring and messaging around a reinstatement of the full excise amount, intended to occur at the end of September 2022.

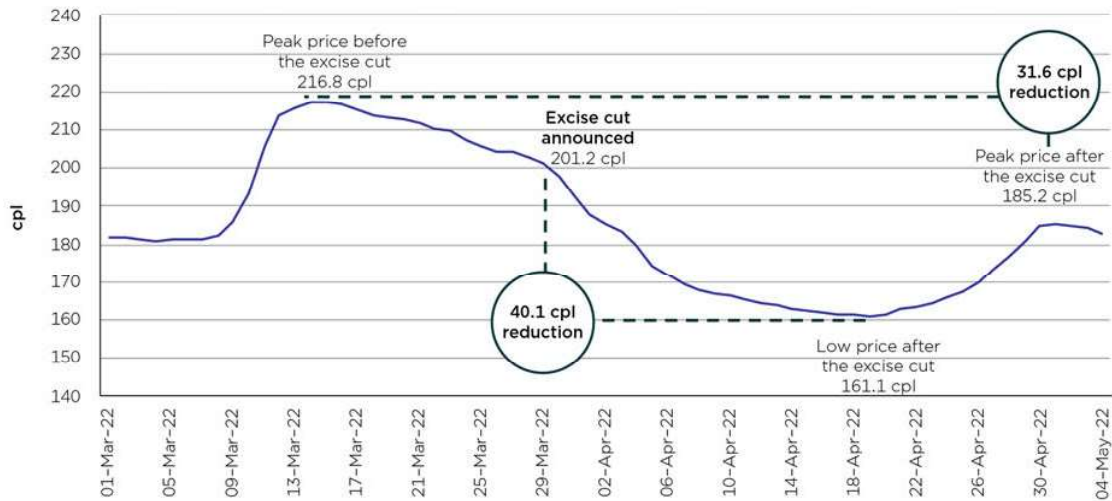
Released under FOI

1.6 Excise cut and price cycles

The existence of petrol price cycles in the 5 largest cities means that the impact of the cut in excise on retail petrol prices may not be clear to motorists. However, it can be seen in the lower peaks and troughs of the price cycle relative to those before the excise cut.

Charts 1.3 to 1.7 show for each of the 5 capital cities, the size of the decrease in average petrol prices from 29 March 2022 to the trough price in the price cycle, and the difference in price between the peak of the price cycle before the excise cut and the peak of the price cycle after the excise cut.

Chart 1.3 Daily average retail petrol prices in Sydney: 1 March to 4 May 2022

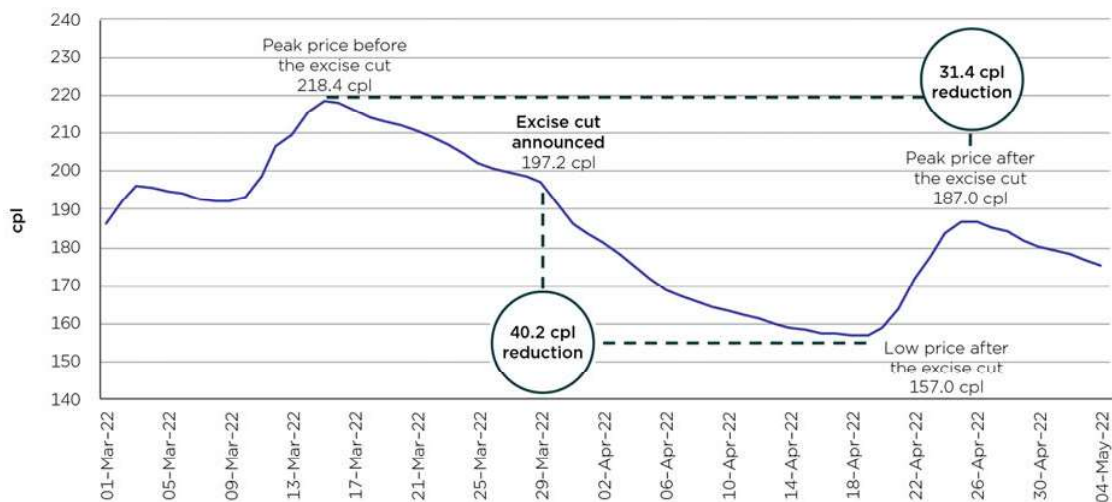


Source: ACCC calculations based on data from FUELtrac.

Following the announcement of the excise cut, daily average petrol prices in Sydney decreased by 40.1 cpl to the next low point of the price cycle.

After the excise cut, the peak price in Sydney on 1 May (185.2 cpl) was 31.6 cpl lower than the peak price before the cut (216.8 cpl on 14 March).

Chart 1.4 Daily average retail petrol prices in Melbourne: 1 March to 4 May 2022



Source: ACCC calculations based on data from FUELtrac.

Released under FOI

Following the announcement of the excise cut, daily average petrol prices in Melbourne decreased by 40.2 cpl to the next low point of the price cycle.

After the excise cut, the peak price in Melbourne on 26 April (187.0 cpl) was 31.4 cpl lower than the peak price before the cut (218.4 cpl on 15 March).

Chart 1.5 Daily average retail petrol prices in Brisbane: 1 March to 4 May 2022

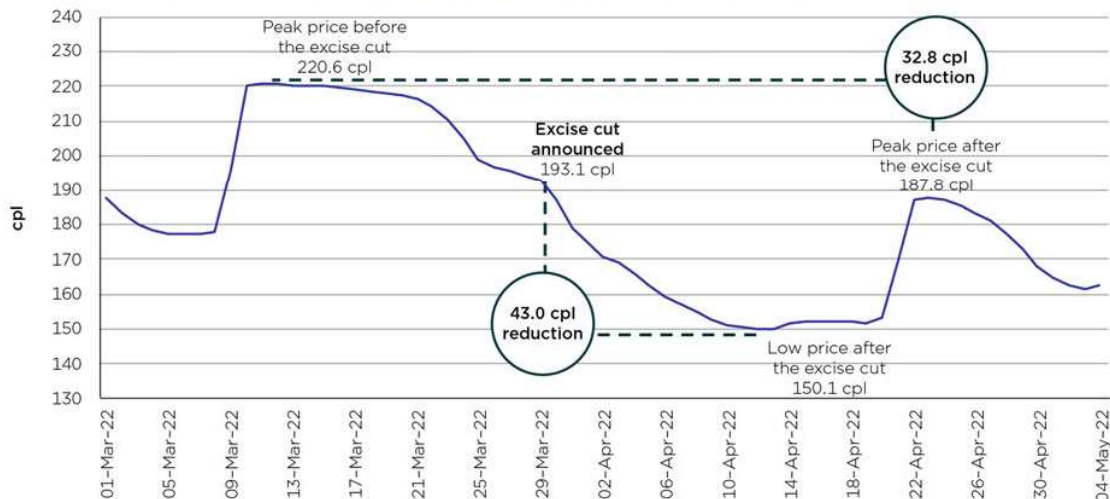


Source: ACCC calculations based on data from FUELtrac.

Following the announcement of the excise cut, daily average petrol prices in Brisbane decreased by 39.1 cpl to the next low point of the price cycle.

After the excise cut, the peak price in Brisbane on 29 April (189.0 cpl) was 31.2 cpl lower than the peak price before the cut (220.2 cpl on 15 March).

Chart 1.6 Daily average retail petrol prices in Adelaide: 1 March to 4 May 2022



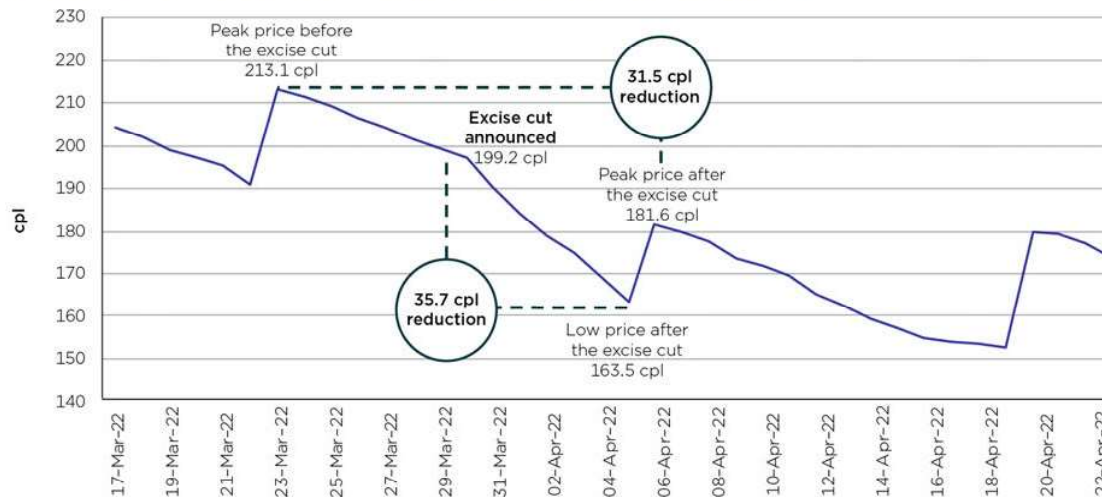
Source: ACCC calculations based on data from FUELtrac.

Following the announcement of the excise cut, daily average petrol prices in Adelaide decreased by 43.0 cpl to the next low point of the price cycle.

After the excise cut, the peak price in Adelaide on 23 April (187.8 cpl) was around 32.8 cpl lower than the peak price before the cut (220.6 cpl on 11 March).

Released under FOI

Chart 1.7 Daily average retail petrol prices in Perth: 17 March to 22 April 2022



Source: ACCC calculations based on data from FUELtrac.

Following the announcement of the excise cut, daily average petrol prices in Perth decreased by 35.7 cpl to the next low point of the price cycle.

After the excise cut, the peak price in Perth on 6 April (181.6 cpl) was 31.5 cpl lower than the peak price before the cut (213.1 cpl on 23 March).

Released under FOI

2. Developments in the petroleum industry

2.1 The Australian Government halved the rate of fuel excise for 6 months

On 29 March 2022, the Australian Government announced a halving of the excise and excise-equivalent customs duty rate on petrol and diesel for 6 months from 30 March 2022, and that that the ACCC would monitor the price behaviour of retailers to ensure that the lower excise rate was fully passed on. Chapter 1 outlines the actions taken by the ACCC and the outcomes of the monitoring.

On 1 February 2022, excise on petrol and diesel had increased by 0.9 cpl to 44.2 cpl. Excise on automotive LPG had increased by 0.3 cpl to 14.4 cpl.¹⁹

2.2 Fuel prices were a significant contributor to the increase in the Consumer Price Index

On 27 April 2022, the ABS released the March quarter 2022 Consumer Price Index (CPI) results.²⁰ The CPI is a measure of inflation in the Australian economy. It measures the price change of a 'basket' of goods and services purchased by Australian households. According to the 2015-16 Household Expenditure Survey, on average, Australians spend approximately \$2,300 on automotive fuel each year. This is reflected in the measurement of the CPI with a weight of 3.3% of the CPI basket.²¹

In the March quarter 2022, the CPI increased by 2.1%, with a significant contributor being the price increase in automotive fuel (11.0%).

Over the 12 months to the March 2022 quarter, the CPI increased by 5.1%, with automotive fuel increasing by 35.1%. Automotive fuel prices increased for the seventh consecutive quarter, resulting in the strongest annual rise since the Iraqi invasion of Kuwait in 1990.

2.3 Demand for petrol decreased marginally

Petrol sales volumes across Australia in the March quarter 2022 were 2,207 million litres (ML). This was around 4% lower than in the previous quarter (2,292 ML), possibly influenced by less mobility from the prevalence of the COVID-19 Omicron variant as well as by the flooding events in Queensland and parts of New South Wales.²² In Queensland, petrol sales volumes in the March quarter 2022 were around 9% lower than in the December quarter 2021.

19 ATO, [Excise duty rates for fuel and petroleum products](#), accessed on 27 May 2022.

In the 2014-15 Budget the Australian Government announced that it would reintroduce biannual indexation, by the Consumer Price Index, of excise and excise-equivalent customs duty for all fuels except aviation fuels. Automatic twice-yearly indexation of excise on petrol commenced in 1983-84 and ceased in March 2001. Under these arrangements, which took effect from 10 November 2014, excise is generally increased on 1 February and 1 August each year.

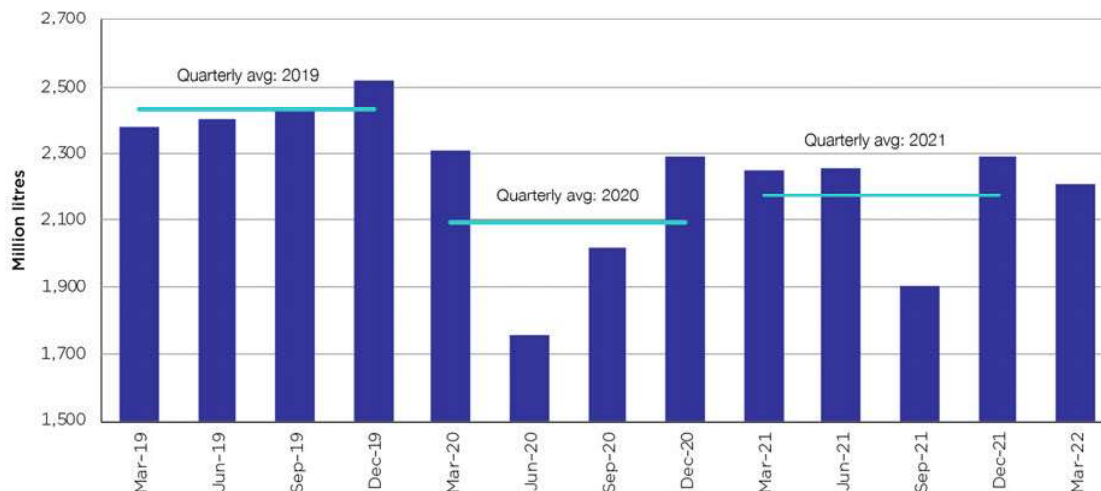
20 ABS, [Consumer Price Index, Australia, March 2022](#), 27 April 2022, accessed on 27 May 2022.

21 ABS, [Automotive fuel in the CPI](#), released 23 March 2021 and updated 25 January 2022, accessed on 27 May 2022.

22 Viva Energy, [Operational Update, ASX Release](#), 21 April 2022, accessed on 27 May 2022.

Released under FOI

Chart 2.1 Quarterly sales volumes of regular unleaded petrol in Australia: March quarter 2019 to March quarter 2022



Source: DISER, [Australian Petroleum Statistics - Data Extract March 2022](#), accessed on 27 May 2022.

Chart 2.1 shows that initial COVID-19 restrictions imposed in mid-March 2020 resulted in average petrol sales volumes in Australia being substantially lower in the June quarter 2020. Petrol sales volumes partially recovered in the 2 subsequent quarters as restrictions in parts of Australia eased.

In the March quarter 2021, sales volumes declined slightly to 2,250 ML, from 2,289 ML in the December quarter 2020, and remained virtually the same in the June quarter 2021 (2,257 ML). In the September quarter 2021, sales volumes decreased significantly to 1,901 ML. In the December quarter 2021, sales volumes increased to 2,292 ML.

Quarterly average sales in 2021 (2,175 ML) were around 4% higher than in 2020 (2,094 ML) and around 11% lower than in 2019 (2,430 ML).

2.4 The Australian Government announced fuel security payments to refineries for the first half of 2021-22

On 11 February 2022, the former Minister for Industry, Energy and Emissions Reduction, the Hon. Angus Taylor MP, announced that the fuel security services payments for the first quarter of 2021-22 had been finalised.²³

Payments are made to the participating refineries (Viva Energy's Geelong refinery and Ampol's Lytton refinery) between the following ranges: 0 cpl when the margin marker reaches \$10.20 per barrel and a maximum of 1.8 cpl when the marker drops to \$7.30 per barrel. The margin marker is calculated separately for each refinery.²⁴

Former Minister Taylor said that Viva Energy would receive \$12.45 million first quarter of 2021-22 and Ampol would not receive any payment, as their payment rate was 0 cpl.

²³ The Hon Angus Taylor MP, Minister for Industry, Energy and Emissions Reduction, [First Fuel Security Payment finalised to lock in local refineries](#), media release, 11 February 2022, accessed on 27 May 2022.

²⁴ See ACCC, [Report on the Australian petroleum market - June 2021](#), p 15, accessed on 27 May 2022.

Released under FOI

Former Minister Taylor noted that the payments had secured the ongoing operations of the Ampol Lytton refinery until at least 30 June 2027. The Viva Energy Geelong refinery had extended their commitment until 30 June 2028, one year more than the minimum period required under the *Fuel Security Act 2021*. There is an option for both refineries to extend these commitments to mid-2030.

In the second quarter of 2021–22 there were no fuel security services payments made.²⁵

2.5 The Australian Government announced that Australia would release oil stocks in support of action by the International Energy Agency

On 2 March 2022, the former Minister for Industry, Energy and Emissions Reduction, the Hon. Angus Taylor MP, announced that Australia would support collective action by the International Energy Agency (IEA) to release oil stocks to help stabilise global energy markets.²⁶ Former Minister Taylor said that the international price of oil is the key determinant of fuel prices in Australia. Releasing additional stocks to the market through globally co-ordinated action would increase supply, with the aim to avoid a shortfall and ultimately lower petrol prices.

On 1 March, members of the IEA, including Australia, agreed to collectively release 60 million barrels of oil from their emergency reserves to send a strong and unified message of the unacceptable risk Russia was creating on global energy security. This was one of only 4 actions taken by the IEA aimed to increase crude oil supplies to the market. The former Minister noted that Australia would release stocks held on Australia's behalf in the US Strategic Petroleum Reserve.

2.6 The Royal Automobile Association of South Australia commenced a 3 month discount trial with EG Australia

On 14 February 2022, the Royal Automobile Association of South Australia (RAA) announced a partnership with EG Australia whereby all RAA members could receive a 4.0 cpl discount on petrol or diesel fuels by showing their membership card at any EG and Caltex Woolworths fuel and convenience store.²⁷

This was a 3-month trial with the discount available to each RAA member once a day on purchases of up to 150 litres at any of the 36 EG and Caltex Woolworths fuel and convenience stores across South Australia and in Broken Hill.

2.7 The New South Wales Government promoted the use of its FuelCheck app at a time of high retail prices

On 15 March 2022, the New South Wales Minister for Customer Service and Digital Government, Mr Victor Dominello, said that with fuel prices rising to record highs, the free FuelCheck app helps motorists shop around to find the cheapest fuel.²⁸ He noted that:

- FuelCheck displays the price for more than 2,400 petrol stations across NSW with users also able to set up alerts for when the price drops under a certain threshold

25 Department of Industry, Science, Energy and Resources, [Fuel security services payment](#), accessed on 27 May 2022.

26 The Hon Angus Taylor MP, Minister for Industry, Energy and Emissions Reduction, [Australia to support coordinated IEA action on oil supply](#), media release, 2 March 2022, accessed on 27 May 2022.

27 RAA South Australia, [Further fuel savings on offer for RAA members](#), News and Community, 14 February 2022, accessed on 27 May 2022.

28 New South Wales Minister for Customer Service and Digital Government, Mr Victor Dominello, [Checking FuelCheck the easiest way to save when filling up](#), media release, 15 March 2022, accessed on 27 May 2022.

Released under FOI

- FuelCheck saves drivers on average around \$500 a year by giving them the power to search for the best deal by location, price, fuel type or brand on their smart phone, tablet or computer
- the FuelCheck app has been downloaded more than 1.76 million times and the website has been visited 20 million times with more than 93.5% of motorists giving it the 'thumbs up'.

2.8 Viva Energy announced it had finalised the terms of its grant to build additional diesel storage at its Geelong refinery

On 31 January 2022, Viva Energy announced that it had finalised the terms of the grant agreement under the Australian Government's Boosting Australia's Diesel Storage Program, which would see Viva Energy build 90 million litres of new diesel storage at its Geelong refinery.²⁹

Viva Energy noted that the grant would cover up to 50% of total eligible expenditure, up to a maximum of \$33.3 million. The total project expenditure is estimated to be between \$75–85 million.

2.9 Aramco Trading Company and United announced they had entered into a supply agreement

On 10 January 2022, *The Australian* reported that Aramco Trading Company (ATC, Saudi Aramco's trading arm) had signed a memorandum of understanding (MOU) with United Petroleum to supply fuels to its network of service stations and also explore possible logistics collaborations.³⁰ The non-binding MOU covered potential long term fuel supply, product storage and other business opportunities.

2.10 Ampol announced that it had rebranded 1,000 retail sites

In March 2022, Ampol announced that it had rebranded its 1,000th retail site, a site in Goondiwindi in Queensland. Ampol commented that this was a major milestone in the national rebrand program which commenced in August 2020.³¹

Ampol is rebranding its retail sites from Caltex brand to Ampol brand. At the end of 2021, Ampol had rebranded 880 retail sites.³²

29 Viva Energy Australia, [Diesel Storage Program](#), media release, 31 January 2022, accessed on 27 May 2022.

30 The Australian, [Aramco to supply United Petroleum stations](#), 10 January 2022, accessed on 27 May 2022. The MOU was actually signed on 22 December 2021.

31 Ampol, [Ampol Celebrates 1000th Rebranded Site in Goondiwindi, Queensland](#), News and media, no date, accessed on 27 May 2022.

32 Ampol, [2021 Annual report](#), ASX Release, 21 February 2022, accessed on 27 May 2022.

Released under FOI

3. ACCC Activities

3.1 ACCC and the petrol industry

The Australian Competition and Consumer Commission (ACCC) is an independent Commonwealth statutory agency that promotes competition, fair trading and product safety for the benefit of consumers, businesses and the Australian community. The primary responsibilities of the ACCC are to enforce compliance with the competition, consumer protection, fair trading and product safety provisions of the *Competition and Consumer Act 2010* (CCA), regulate national infrastructure and undertake market studies.

In addition to those primary responsibilities, in the petrol industry the ACCC monitors prices, costs and profits relating to the supply of petroleum products in Australia under a Direction from the Treasurer.³³ It is also responsible for administration of the Oil Code.³⁴

Market forces determine wholesale and retail petrol prices in Australia. The ACCC does not set prices in petrol markets and does not have the powers to do so. In the absence of anticompetitive conduct that is in breach of the CCA (such as price fixing with competitors), high petrol prices are not illegal.

The ACCC's petrol monitoring role is to assist consumers to navigate this complex industry. Through its petrol monitoring reports, industry reports and other information channels, the ACCC promotes transparency in the Australian petroleum industry and improved public awareness of the factors that determine retail petrol prices. ACCC monitoring can also shine a light on and place pressure on less competitive pricing.

3.2 Activities in the quarter

3.2.1 Monitoring the cut in fuel excise

On 29 March 2022, the Australian Government announced in the 2022-23 Budget its intention to reduce the burden of higher fuel prices by halving the excise and excise-equivalent customs duty rate on petrol and diesel for 6 months. The Australian Government also announced that the ACCC would monitor the price behaviour of retailers to ensure that the lower excise rate was fully passed on. ACCC activities to undertake this monitoring were outlined in chapter 1.

3.2.2 Authorisation was granted permitting AdBlue manufacturers to collaborate on supply arrangements

On 21 December 2021, the ACCC received an application for authorisation from Brenntag Australia on behalf of itself and other AdBlue manufacturers listed in the application, and Other Participants (subsequently referred to as the Parties) to share information and collaborate to obtain adequate supply of refined urea to ensure sufficient supply of diesel exhaust fluid (DEF) – also known as AdBlue – for Australian consumption, and the prioritised distribution of refined urea (a key input) and DEF should shortages emerge.

The applicant sought authorisation, until 1 December 2022, for the Parties to collaborate for the purpose of securing adequate supplies of refined urea, promoting adequate production of DEF for the Australian market, ensuring security of supply of refined urea and DEF for Australian businesses and consumers, or prioritising access to refined urea and DEF as necessary, including by:

- sharing commercially sensitive information (for example, relating to stock levels, supply channels and manufacturing opportunities), but not relating to price

³³ See the *Competition and Consumer (Price Monitoring – Petroleum Fuels) Direction 2019*.

³⁴ The Oil Code is a prescribed mandatory industry code of conduct, the purpose of which is to regulate the conduct of suppliers, distributors and retailers in the downstream petroleum industry.

Released under FOI

- facilitating or ensuring the acquisition and/or supply of refined urea or DEF
- prioritising access to refined urea and DEF according to need (for example, to particular geographical areas or consumers) as directed by the Commonwealth Government
- collaborating on the production of DEF
- implementing sales limits (to be applied uniformly across all purchasers).

On 22 December 2021, the ACCC granted urgent interim authorisation, with conditions, to enable the participants to engage in the above conduct, prior to the ACCC's final determination.³⁵

The ACCC sought submissions in relation to the Applicant's application for authorisation by 21 January 2022. On 10 March 2022, the ACCC issued a draft determination proposing to grant authorisation, with conditions, until 1 December 2022. The ACCC sought submissions in relation to the draft determination by 25 March 2022.

A final determination was made by the ACCC on 28 April 2022, granting authorisation until 1 December 2022 with the same conditions as the interim authorisation.³⁶

3.2.3 Ex post review of ACCC merger decisions

During 2021, the ACCC conducted ex post reviews of 6 past merger decisions to inform and improve its merger investigative processes, investigation efficiency and its decisions. In February 2022 the ACCC released a report summarising the reviews.³⁷ One of the mergers examined was Caltex Australia's acquisition of 46 Milemaker Petroleum retail sites in Victoria in 2017. Appendix B reproduces the relevant section of the report.

3.2.4 Other stakeholder engagement and communications activity

In the March quarter 2022, The ACCC responded to fuel-related media enquiries and correspondence on a range of issues including retail fuel prices, petrol price cycles, regional fuel prices, fuel price information and competition.

In the March quarter 2022, the fuel-related pages on the ACCC website received 208,148 page views, an increase of 39,269 (around 23%) from the previous quarter. Of this total, the petrol price cycles web page received 184,272 page views, an increase of 27,311 (around 17%) from the previous quarter. This was the most viewed page on the ACCC website in the quarter.

³⁵ ACCC, [Industry allowed to collaborate on AdBlue supply arrangements](#), media release, 22 December 2021.

³⁶ ACCC, [ACCC grants authorisation for industry to collaborate on AdBlue supply arrangements](#), media release, 28 April 2022.

³⁷ ACCC, [Ex post review of ACCC merger decisions](#), 25 February 2022.

Released under FOI

4. Retail petrol price movements in the 5 largest cities

This chapter focuses on petrol prices in the 5 largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth). Chapter 6 analyses petrol prices in the smaller capital cities (Canberra, Hobart and Darwin) and regional locations across Australia.

4.1 Retail prices in the 5 largest cities increased to their highest level since 2008 in real terms

In the March quarter 2022, average retail petrol prices in the 5 largest cities were 181.9 cpl. This was an increase of 19.1 cpl from the December quarter 2021 (162.8 cpl), and the fifth consecutive quarter in which prices increased. Between the December quarter 2020 and the March quarter 2022, average retail petrol prices increased by 60.5 cpl (around 50%). In **real** terms, prices in the March quarter 2022 were the highest in almost 14 years (when prices were 202.5 cpl in the September quarter 2008).

Table 4.1 shows quarterly average retail prices in the March quarter 2022, the December quarter 2021 and the change in each of the 5 largest cities.

Table 4.1 Quarterly average retail petrol prices in each of the 5 largest cities: December quarter 2021 and March quarter 2022 – cpl

Quarter	Sydney	Melbourne	Brisbane	Adelaide	Perth	5 largest cities
Dec-21	166.2	162.2	164.5	157.9	163.3	162.8
Mar-22	182.7	181.6	184.6	178.8	181.7	181.9
Change	16.5	19.4	20.1	20.9	18.4	19.1

Source: ACCC calculations based on data from FUELtrac.

Table 4.1 shows that prices increased in all cities in the March quarter 2022, and that:

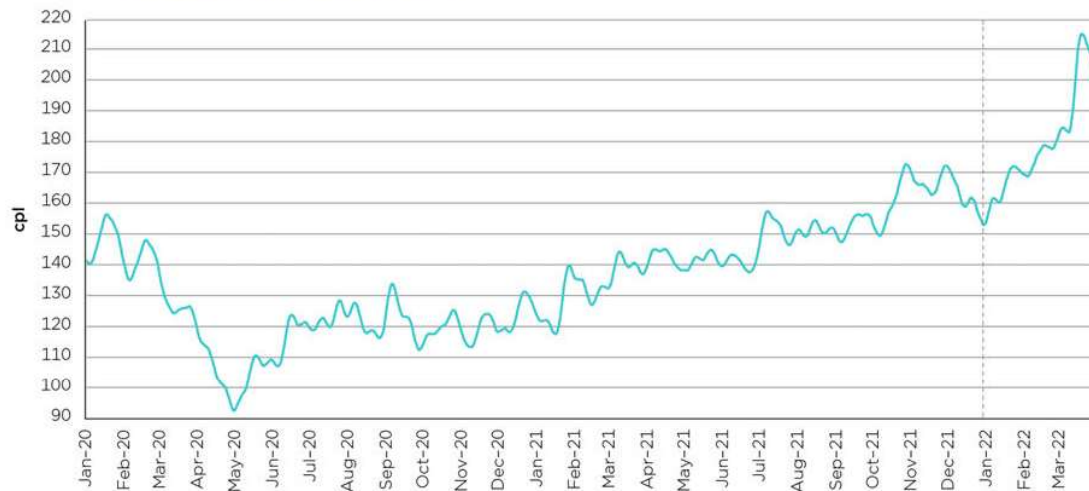
- Brisbane's average retail prices were the highest (184.6 cpl)
- Adelaide's average retail prices were the lowest (178.8 cpl). This was the fourth consecutive quarter in which Adelaide had the lowest prices
- prices increased the most in Adelaide (by 20.9 cpl) and the least in Sydney (by 16.5 cpl).

Chart 4.1 shows that 7-day rolling average retail petrol prices in the 5 largest cities were at a record low on 29 April 2020 (92.4 cpl).³⁸ In **real** terms, they were the lowest recorded since the PSA began collecting comprehensive retail prices in all 5 cities in May 1991. Prices increased in May and June 2020, and in the 6 months between July and December 2020, 7-day rolling average retail petrol prices were relatively stable within a 21.4 cpl band between 112.4 cpl and 133.8 cpl. Prices trended upwards from November 2020, increasing by 59.4 cpl from a low of 113.3 cpl in November 2020 to a high of 172.7 cpl in October 2021.

38 Charts in chapter 6 show 7-day rolling average retail petrol prices in each of the 5 largest cities from 1 January 2020 to 31 March 2022.

Released under FOI

Chart 4.1 Seven-day rolling average retail petrol prices in the 5 largest cities in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac.

Notes: The area to the right of the dotted vertical line in this and subsequent charts represents the March quarter 2022. A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

In the March quarter 2022, 7-day rolling average retail petrol prices were 156.1 cpl at the beginning of the quarter and increased to a high of 214.9 cpl on 18 March 2022. By the end of March 2022, prices had decreased to 198.2 cpl, influenced by the excise cut in late March, a short-term decrease in crude oil prices in late March as well as the price cycles in all 5 capital cities decreasing at the same time.

Chart 4.2 places prices in the March quarter 2022 in historical context. It shows that daily average retail petrol prices on a 7-day rolling average basis prices in **real** terms in March 2022 were at some of their highest levels in the past 20 years and the highest since July 2008. The 7-day rolling average price on 18 March 2022 (214.9 cpl) was the highest since 19 July 2008 (215.4 cpl).

Chart 4.2 Seven-day rolling average retail petrol prices in the 5 largest cities in real terms: 1 March 2002 to 31 March 2022



Source: ACCC calculations based on data from Informed Sources, FUELtrac and the ABS, [6401.0 Consumer Price Index, Australia, March 2022, Tables 1 and 2](#). CPI: All Groups, Index Numbers and Percentage Changes, accessed on 27 May 2022.

Note: **Real** prices are adjusted for March quarter 2022 dollars.

A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Released under FOI

4.2 Price cycles in each of the 5 capital cities vary

Price cycles (i.e. the sudden, sharp increases in the price of petrol, followed by a gradual decline) are a prominent and longstanding feature of retail petrol prices in Australia's 5 largest cities. These price cycles do not occur in the smaller capital cities or in most regional locations. Price cycles are the result of pricing decisions made by petrol retailers aiming to maximise profits. They only occur at the retail level; wholesale prices do not exhibit similar cyclical movements.

The ACCC released a report on petrol price cycles in Australia in December 2018.³⁹ The report noted that while motorists find price cycles frustrating, they could use price cycles to their advantage to make substantial savings across the year.

Table 4.2 shows that in the year to March 2022 the number of price cycles varied in the 5 largest cities.

Table 4.2 Number of price cycles per quarter in the 5 largest cities: June quarter 2021 to March quarter 2022

Quarter	Sydney	Melbourne	Brisbane	Adelaide	Perth
Jun-21	2	2	2	7	13
Sep-21	2	3	3	6	13
Dec-21	2	2	2	5	7
Mar-22	3	3	3	5	6
Year to Mar-22	9	10	10	23	39

Source: ACCC calculations based on data from FUELtrac.

Note: A price cycle occurs in a quarter if the peak of a price cycle takes place in that quarter.

In the March quarter 2022, Sydney, Melbourne and Brisbane each had 3 price cycles, which was one more than in the December quarter 2021 in each city. Adelaide had 5 price cycles, the same as the previous quarter.

In the year to March 2022, the average duration of price cycles in Sydney was around 6 weeks, and in Melbourne and Brisbane it was around 5 weeks. The average duration of price cycles in Adelaide was around 2 weeks.

Perth had the most price cycles. Price cycles in Perth had been occurring on a weekly basis since 2011, however from October 2021 they changed to occur each fortnight. There were 6 price cycles in Perth in the March quarter 2022, one less than in the December quarter 2021.

Petrol price cycles in the 5 largest cities are not static and change over time.⁴⁰ This is evident from charts 4.3 to 4.7, which show daily average retail petrol prices, TGPs and gross indicative retail differences (GIRDs) in each of the 5 largest cities in the year to 31 March 2022.⁴¹

The charts show:

- the decrease in TGPs following the cut in excise from 30 March 2022
- a change in the pattern of the price cycles in the March quarter as TGPs increased sharply
- the change from weekly to fortnightly price cycles in Perth from October 2021.

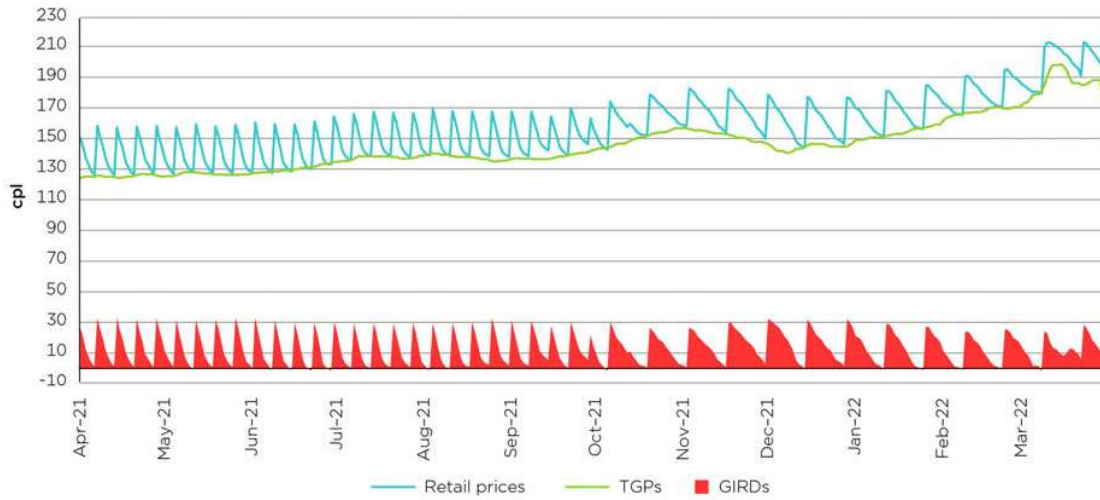
39 ACCC, *Petrol price cycles in Australia*, 6 December 2018.

40 The ACCC's 2018 petrol price cycles report analysed changes in price cycles between 2007 and 2017.

41 GIRDs are a broad indicator of gross retail margins. The ACCC calculates GIRDs by subtracting average TGPs from average retail petrol prices. TGPs are prices that wholesalers charge for petrol in the spot market. The major wholesalers post these prices on their websites on a regular basis. Although few wholesale transactions occur at TGPs, they are indicative wholesale prices. TGPs, which vary across brands and cities, reflect the wholesale price of petrol only, and exclude other retail operating costs (such as freight, the cost of using a particular brand and other costs of doing business including rent, wages and utility costs). As GIRDs are a broad indicator of gross retail margins, they should not be confused with actual retail profits, which are more closely related to net margins. Chapter 5 discusses GIRDs in the 5 largest cities in more detail.

Released under FOI

Chart 4.3 Daily average retail petrol prices, TGPs and GIRDs in Perth in nominal terms: 1 April 2021 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil, Viva Energy and WA FuelWatch.

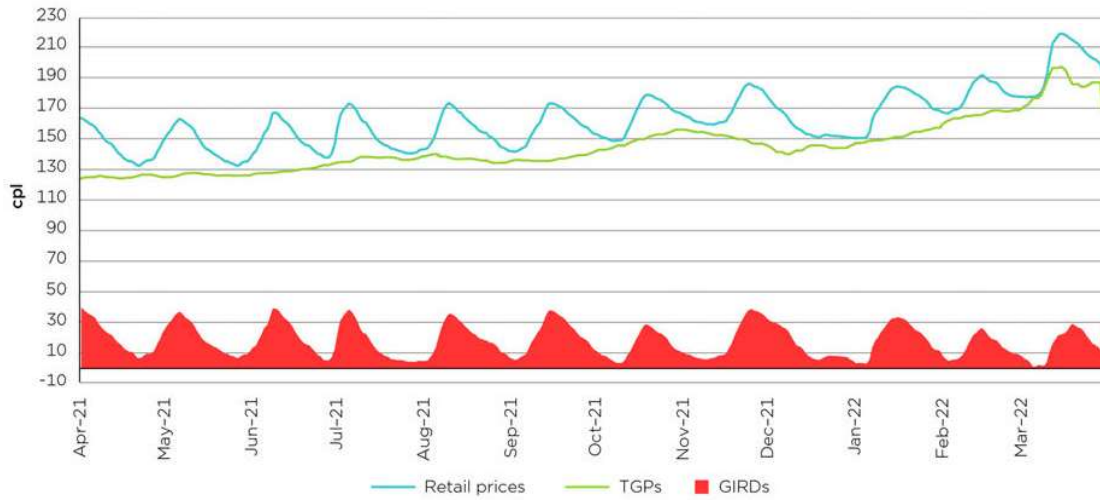
Chart 4.4 Daily average retail petrol prices, TGPs and GIRDs in Melbourne in nominal terms: 1 April 2021 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil and Viva Energy.

Released under FOI

Chart 4.5 Daily average retail petrol prices, TGPs and GIRDs in Brisbane in nominal terms: 1 April 2021 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil and Viva Energy.

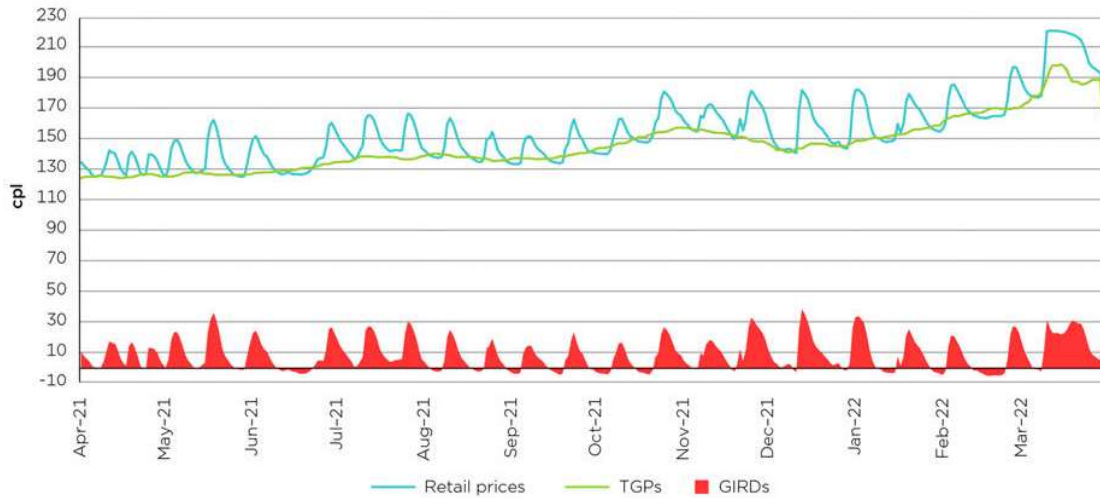
Chart 4.6 Daily average retail petrol prices, TGPs and GIRDs in Sydney in nominal terms: 1 April 2021 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil and Viva Energy.

Released under FOI

Chart 4.7 Daily average retail petrol prices, TGPs and GIRDs in Adelaide in nominal terms: 1 April 2021 to 31 March 2022



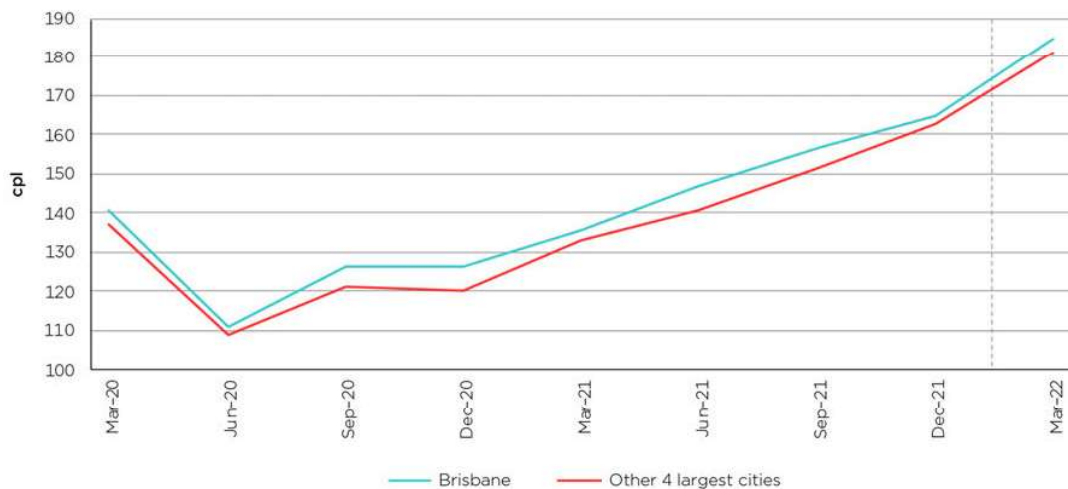
Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil and Viva Energy.

4.3 Retail prices in Brisbane were higher than the other 4 largest cities in aggregate

Retail prices in Brisbane are generally the highest among the 5 largest cities. However, in the December quarter 2021, Brisbane had the second highest prices (164.5 cpl) after Sydney (166.2 cpl). In the March quarter 2022, Brisbane once again had the highest retail prices among the 5 largest cities (184.6 cpl).

Chart 4.8 shows quarterly average retail prices in Brisbane and average prices in the other 4 largest cities (Sydney, Melbourne, Adelaide and Perth) from the March quarter 2020 to the March quarter 2022. Over this period of time, Brisbane retail prices were on average 4.0 cpl higher than the average in the other 4 largest cities, ranging from a low of 2.0 cpl in the June quarter 2020 to a high of 6.0 cpl in the June quarter 2021.

Chart 4.8 Quarterly average retail prices in Brisbane and the other 4 largest cities in aggregate in nominal terms: March quarter 2020 to March quarter 2022



Source: ACCC calculations based on data from FUELtrac.

Released under FOI

In the March quarter 2022, average retail prices in Brisbane were 3.4 cpl higher than the other 4 largest cities in aggregate (181.2 cpl). This was 1.3 cpl higher than the differential in the December quarter 2021 (2.1 cpl).

In the year to March 2022, Brisbane retail prices were on average 4.2 cpl higher than the average across the other 4 largest cities. This was broadly similar to the average differential for the year to March 2021 (3.9 cpl).

The ACCC released its report on the Brisbane petrol market in October 2017.⁴² It noted that petrol prices in Brisbane had been significantly higher than those in the other 4 largest cities in the period 2009–10 to 2016–17. Over those 8 years, Brisbane motorists paid on average 3.3 cpl more for petrol than motorists in the other 4 largest cities.

The report found that the main factor influencing the higher prices in Brisbane was higher retail margins on petrol, which contributed to profits in Brisbane being significantly higher than the average across Australia. It also found that, compared with Sydney, retail pricing was less competitive in Brisbane, with retailers setting prices higher at the top and bottom of the price cycle than retailers in Sydney. Furthermore, Brisbane had fewer retail chains that were effective and vigorous price competitors. Brisbane had only 4 retailers in this category (7-Eleven, Woolworths, Puma Energy and United), while Sydney had 7 (Speedway, Metro, Budget, Westside, United, 7-Eleven and Woolworths).

The ACCC's 2021 report on petrol prices by major retailer in 2019 and 2020 identified that motorists in Brisbane could make savings by shopping around. The report concluded that in 2020 if a motorist in Brisbane who bought petrol at the highest priced retailer (i.e., Coles Express) had instead bought it at the lowest priced retailer (i.e., United), they could have saved themselves on average 6.7 cpl each time they filled up, or \$174.⁴³

4.4 Retail petrol prices in Australia were lower than in most OECD countries due to lower taxes

Compared with other developed countries, Australia's retail petrol prices are relatively low. Chart 4.9 shows average retail PULP 95 prices – both including and excluding taxes – among 33 countries in the Organisation for Economic Co-operation and Development (OECD) in the December quarter 2021 (the latest data available).

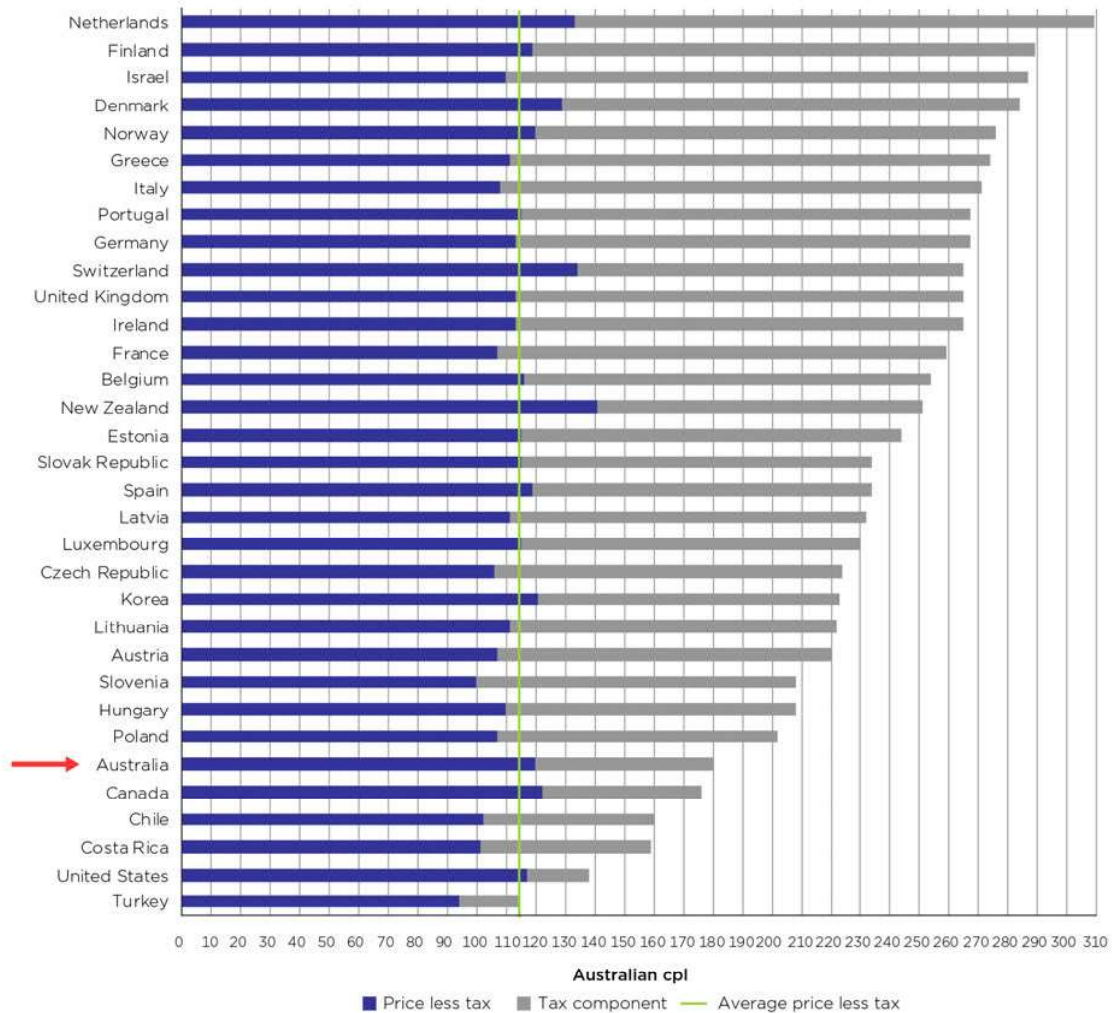
A degree of caution needs to be exercised when comparing international petrol prices, because fuel quality standards and taxation rates differ among countries, as does the availability and use of fuel types.

⁴² ACCC, *Report on the Brisbane petrol market*, 9 October 2017.

⁴³ ACCC, *Independent chains generally have the lowest prices – report on petrol prices by major retailer in 2019 and 2020*, p 5.

Released under FOI

Chart 4.9 Average retail PULP 95 prices and taxes in OECD countries: Australian cpl, December quarter 2021



Source: DISER. [Australian Petroleum Statistics - Data Extract March 2022](#), accessed on 27 May 2022.

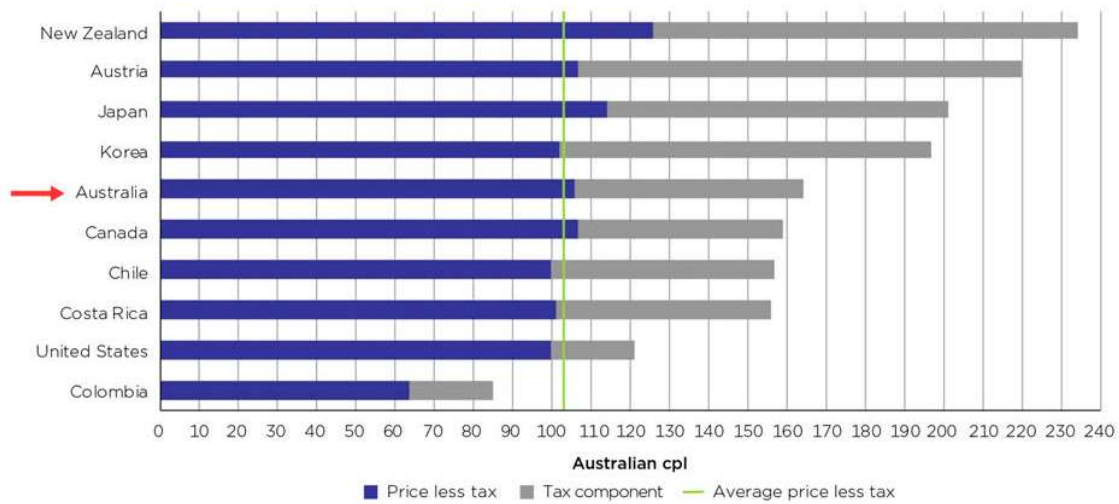
Note: All international prices shown are for PULP 95 RON, except for New Zealand (96 RON).

The chart shows that Australia had the sixth-lowest retail PULP 95 prices among OECD countries. However, the main reason for the lower retail petrol prices in Australia is the relatively low rate of taxation on fuel. In the December quarter 2021, taxes made up around 33% of the retail PULP 95 price in Australia. This was much lower than in many other OECD countries – the average tax component on PULP 95 prices in the OECD was around 51% in the December quarter 2021. Excluding taxes, PULP 95 prices in Australia were the seventh-highest among OECD countries.

Chart 4.10 shows average retail RULP prices – both including and excluding taxes – among 10 OECD countries in the December quarter 2021. In the majority of OECD countries, RULP is not sold in significant quantities. The chart shows that Australia had the fifth-highest retail RULP prices among these countries. Excluding taxes, RULP prices in Australia were the fifth-highest among OECD countries.

Released under FOI

Chart 4.10 Average retail RULP prices and taxes in OECD countries: Australian cpl, December quarter 2021

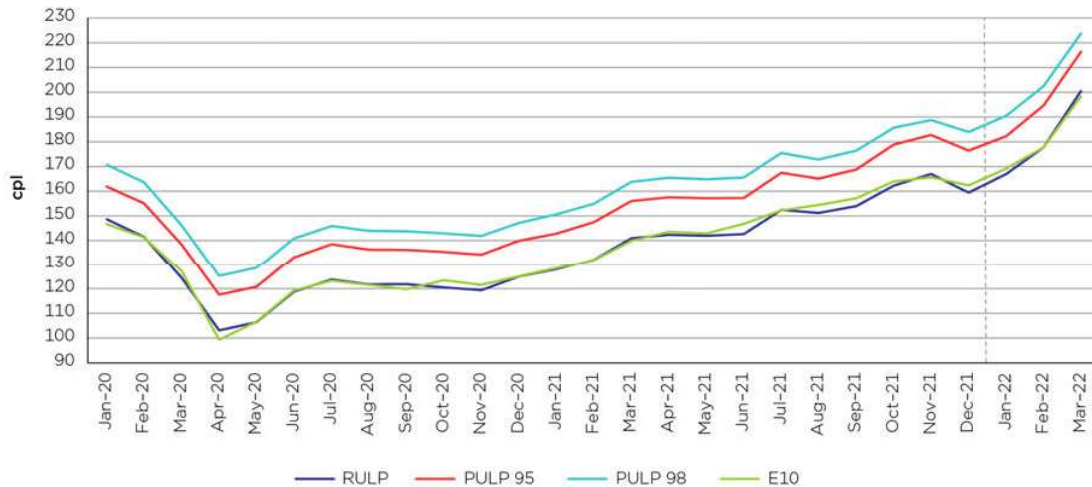


Source: DISER, [Australian Petroleum Statistics - Data Extract March 2022](#), accessed on 27 May 2022.

4.5 The price differential between PULP 95 and RULP decreased

Chart 4.11 shows that retail prices of the main grades of unleaded petrol – RULP, PULP 95, PULP 98, and E10 – all moved in a similar manner over the period from January 2020 to March 2022.⁴⁴

Chart 4.11 Monthly average retail prices of RULP, PULP 95, PULP 98 and E10 in the 5 largest cities in nominal terms: January 2020 to March 2022



Source: ACCC calculations based on data from FUELtrac.

In the March quarter 2022, the average differential in the 5 largest cities between:

- RULP and PULP 95 prices was 15.9 cpl (a decrease of 0.6 cpl from the previous quarter)
- RULP and PULP 98 prices was 23.7 cpl (an increase of 0.4 cpl)
- RULP and E10 was -0.1 cpl (a decrease of 1.2 cpl).

⁴⁴ E10 prices are for Sydney and Brisbane only.

Released under FOI

Retail prices of the main grades of petrol move in a similar manner because they are all influenced by international refined petrol benchmark prices (which, in turn, predominantly move in line with changes in the international price of crude oil).

The ACCC noted in its 2020 industry report on the financial performance of the downstream petroleum industry that PULP 95 and PULP 98 had become more expensive relative to the retail price of RULP over time, and that PULP was significantly more profitable than other petrol products.⁴⁵

Between 2009–10 and 2020–21, the annual average price differential in **real** terms between RULP and PULP 95 increased from 11.4 cpl to 15.2 cpl, an increase of 3.8 cpl. The annual average price differential between RULP and PULP 98 similarly increased from 17.4 cpl to 22.8 cpl, an increase of 5.4 cpl.

A variety of factors influence higher average prices for PULP, relative to RULP, including adjustments to specific international benchmarks and potentially changes in the quality of PULP products. However, the increases in PULP prices in recent years may be translating, at least in part, to higher profits on PULP.

⁴⁵ ACCC, [Financial performance of the Australian downstream petroleum industry 2002 to 2018](#), 22 April 2020, pp 3–4.

Released under FOI

5. Components of petrol prices in the 5 largest cities

There are 3 broad components of average retail petrol prices:

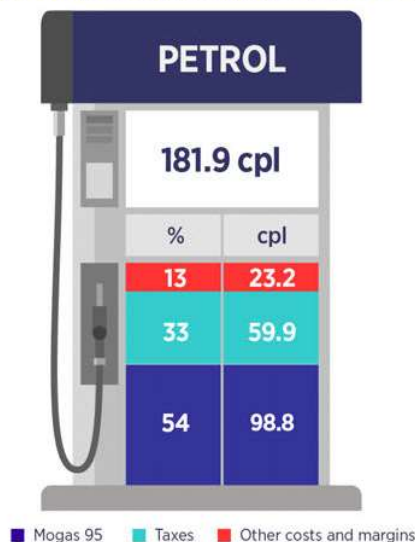
- the international price of refined petrol (Mogas 95)
- taxes (excise and GST)
- other costs and margins, at the wholesale and retail levels.

This chapter analyses these components in the March quarter 2022 and how they have changed over time.

5.1 Mogas 95 was the largest component of average retail petrol prices

Chart 5.1 shows the components of average retail petrol prices in the 5 largest cities in the March quarter 2022.⁴⁶

Chart 5.1 Components of average retail petrol prices in the 5 largest cities in the March quarter 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media, RBA and ATO.

The chart shows that the price of Mogas 95 was the largest component of average petrol prices in the March quarter 2022 (54%). The 2 largest components - Mogas 95 and taxes - accounted for 87% of average petrol prices. These components are largely outside the control of the local petrol retailers.

In the March quarter 2022, as a proportion of average retail petrol prices:

- Mogas 95 increased by 4 percentage points from the December quarter 2021
- taxes decreased by 3 percentage points
- other costs and margins decreased by 2 percentage points.⁴⁷

⁴⁶ Taxes include fuel excise, and both the wholesale and retail components of GST. On 1 February 2022, excise on petrol increased by 0.9 cpl to 44.2 cpl. On 30 March 2022, excise on petrol was halved for 6 months to 22.1 cpl.

⁴⁷ The percentage changes in the quarter do not sum to zero due to rounding.

Released under FOI

The reduction in excise announced on 29 March 2022 had minimal effect on wholesale and retail prices in the March quarter 2022.

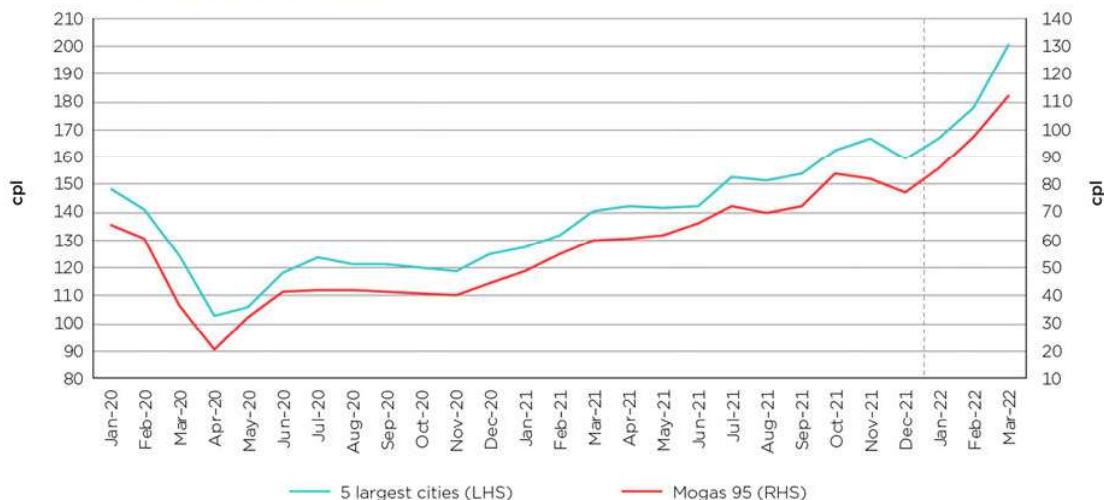
5.2 Changes in Mogas 95 prices continued to drive retail prices

As Australia's local refining capacity cannot produce all of Australia's fuel needs, refined petrol is imported to Australia from international markets. The price of refined petrol in the Asia-Pacific region is the relevant international benchmark price for the wholesale price of petrol in Australia. For RULP, it is the price of Singapore Mogas 95 Unleaded (Mogas 95). This benchmark is used for pricing petrol in Australia due to Australia's proximity to Singapore, which is one of the world's most important trading and refining centres.

The price of Mogas 95 is linked to the price of crude oil as crude oil is the major input into the production of refined petrol. Crude oil is an internationally traded commodity, and its price is determined by global demand and supply factors. When the world price of crude oil changes, it generally flows through into the price of refined petrol and then into retail petrol prices in Australia. Chapter 7 provides more details on movements in international crude oil and Mogas 95 prices.

Chart 5.2 shows monthly average Mogas 95 prices in Australian cents per litre, and monthly average retail petrol prices in the 5 largest cities, from January 2020 to March 2022. It shows that Mogas 95 prices and retail petrol prices in the 5 largest cities moved in a similar pattern over this period. This indicates that changes in the international price of refined petrol generally drive changes in domestic retail prices.

Chart 5.2 Monthly average retail petrol prices in the 5 largest cities and Mogas 95 prices in nominal terms: January 2020 to March 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media and RBA.

In the period from January 2020 to March 2022:

- monthly average Mogas 95 prices varied by 91.4 cpl (from a low of 20.5 cpl in April 2020 to a high of 111.9 cpl in March 2022)
- monthly average retail petrol prices in the 5 largest cities varied by 97.9 cpl (from a low of 102.6 cpl in April 2020 to a high of 200.5 cpl in March 2022).

In the March quarter 2022:

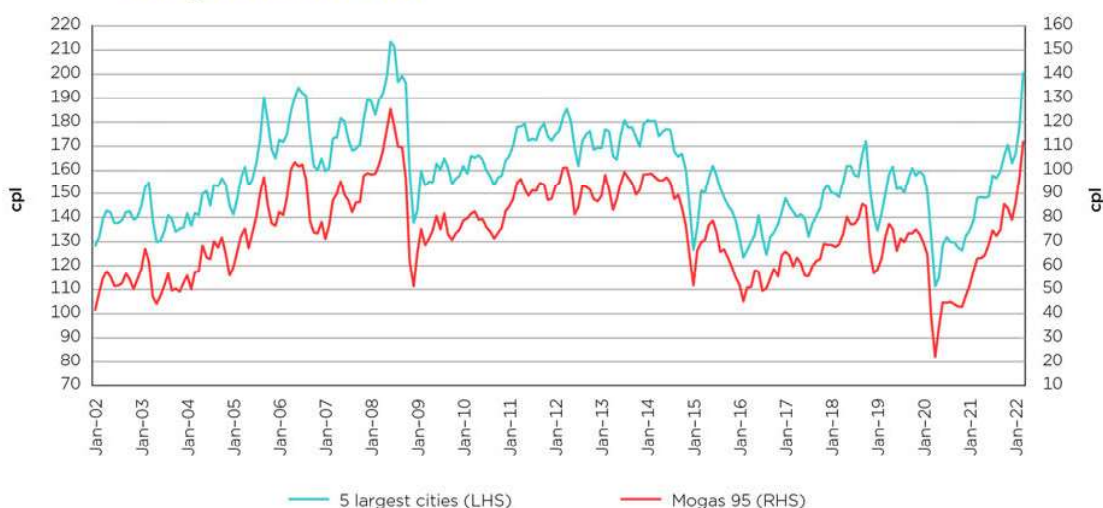
- Monthly average Mogas 95 prices increased from 77.3 cpl in December 2021 to 111.9 cpl in March 2022 (an increase of 34.6 cpl or around 45%). This was the highest in **real** terms since July 2008 (118.1 cpl).

Released under FOI

- Monthly average retail prices in the 5 largest cities increased from 159.4 cpl in December 2021, to 200.5 cpl in March 2022 (an increase of 41.1 cpl or around 26%). This was the highest in **real** terms since July 2008 (211.4 cpl).
- Quarterly average Mogas 95 prices were 98.8 cpl (an increase of 17.9 cpl from the December quarter 2021). This was the highest in **real** terms since the September quarter 2008 (112.7 cpl).
- Quarterly average retail petrol prices in the 5 largest cities were 181.9 cpl (an increase of 19.1 cpl). This was the highest in **real** terms since the September quarter 2008 (202.5 cpl).

Chart 5.3 places recent Mogas 95 and retail prices in an historical context. It shows that monthly average Mogas 95 and retail petrol prices in March 2022 were at their highest levels in **real** terms since July 2008.

Chart 5.3 Monthly average retail petrol prices in the 5 largest cities and Mogas 95 prices in real terms: January 2002 to March 2022



Source: ACCC calculations based on data from Informed Sources, FUELtrac, Platts, OPIS, Argus Media, the RBA and the ABS, [6401.0 Consumer Price Index, Australia, March 2022, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes](#), accessed on 27 May 2022.

Note: **Real** prices are shown in March 2022 dollars.

Chart 5.3 also highlights the significant volatility in Mogas 95 prices. Monthly average Mogas 95 prices in **real** terms ranged from a high of 125.5 cpl in June 2008 (prior to the Global Financial Crisis) to a low of 22.2 cpl in April 2020 (following the decrease in demand due to the COVID-19 pandemic).

The chart also shows that monthly average Mogas 95 prices and retail prices in the 5 largest cities in **real** terms increased steadily from November 2020 to October 2021. Retail prices increased further in November 2021 before rising sharply in February and March 2022.

5.3 The AUD-USD exchange rate was marginally lower

The AUD-USD exchange rate has a significant influence on Australia's retail petrol prices, because international refined petrol is bought and sold in US dollars in global markets.

Chart 5.4 shows that the daily AUD-USD exchange rate varied significantly in the period between 2 January 2020 and 31 March 2022. It ranged from a low of US 56 cents in late March 2020 to a high of US 80 cents in late February 2021.

Released under FOI

Chart 5.4 Daily AUD-USD exchange rates in nominal terms: 2 January 2020 to 31 March 2022



Source: RBA.

Note: Exchange rates are the daily [RBA](#) 4.00 pm closing rates.

In the March quarter 2022, the AUD-USD exchange rate largely ranged within a US 5 cent band between US 75 cents and US 70 cents. The quarterly average AUD-USD exchange rate was US 72.4 cents, a reduction of US 0.4 cents from the December quarter 2021.

When the AUD depreciates against the USD, it puts upward pressure on domestic retail petrol prices because refined petrol sold on international markets becomes relatively more expensive in AUD terms.

If the AUD-USD exchange rate had remained at the period high of US 80 cents in late February 2021, average retail petrol prices in Australia in the March quarter 2022 would have been around 9.8 cpl lower (everything else being equal).

Conversely, if the AUD-USD exchange rate had been at the period low of US 56 cents in late March 2020, average retail petrol prices in Australia in the March quarter 2022 would have been around 32.8 cpl higher (everything else being equal).

This indicates the significant impact that AUD-USD exchange rate changes have on Australian retail petrol prices.

5.4 Average GIRDs in the 5 largest cities were lower in the quarter

Average GIRDs in the 5 largest cities (in aggregate) were 13.4 cpl in the March quarter 2022. This was 0.3 cpl lower than the previous quarter (13.7 cpl).

GIRDs were defined in section 4.2. The GIRDs reported by the ACCC are averages across the 5 largest cities over time. The level of prices, costs and profits vary significantly between retail operations and not all retail petrol sites will be achieving these gross margins. Some will be achieving higher gross margins, others lower. The ACCC petrol market studies found that profits per retail petrol site could vary considerably between retailers, with some retail sites making substantial profits and others making very little.

Table 5.1 shows quarterly average GIRDs in each of the 5 largest cities in the year to March 2022.

Released under FOI

Table 5.1 Quarterly average retail petrol prices, TGPs and GIRDs in the 5 largest cities: June quarter 2021 to March quarter 2022 – cpl

Location	Quarter	Retail prices cpl	TGPs cpl	GIRDs cpl
5 largest cities	Jun-21	142.0	127.2	14.8
	Sep-21	152.5	137.7	14.8
	Dec-21	162.8	149.1	13.7
	Mar-22	181.9	168.5	13.4
	Year to Mar-22	159.7	145.5	14.2
Sydney	Jun-21	143.6	127.2	16.4
	Sep-21	156.0	138.0	18.0
	Dec-21	166.2	149.4	16.8
	Mar-22	182.7	168.8	13.9
	Year to Mar-22	162.1	145.8	16.3
Melbourne	Jun-21	144.5	126.9	17.6
	Sep-21	155.2	137.4	17.8
	Dec-21	162.2	149.1	13.1
	Mar-22	181.6	168.4	13.2
	Year to Mar-22	160.8	145.4	15.4
Brisbane	Jun-21	146.8	127.1	19.7
	Sep-21	156.6	137.4	19.2
	Dec-21	164.5	148.9	15.6
	Mar-22	184.6	168.1	16.5
	Year to Mar-22	163.1	145.3	17.8
Adelaide	Jun-21	135.2	127.3	7.9
	Sep-21	145.3	137.7	7.6
	Dec-21	157.9	149.2	8.7
	Mar-22	178.8	168.5	10.3
	Year to Mar-22	154.2	145.6	8.6
Perth	Jun-21	139.9	127.5	12.4
	Sep-21	149.6	137.8	11.8
	Dec-21	163.3	148.8	14.5
	Mar-22	181.7	168.8	12.9
	Year to Mar-22	158.6	145.6	13.0

Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil, Viva Energy and WA FuelWatch.

Note: Retail prices, TGPs and GIRDs in Sydney are for E10 in the June quarter 2021, and for RULP in the other quarters.

The table shows that quarterly average GIRDs:

- varied significantly over time and across cities, ranging from a high of 19.7 cpl (in Brisbane in the June quarter 2021) to a low of 7.6 cpl (in Adelaide in the September quarter 2021)
- were lowest in Sydney in the March quarter 2022, Melbourne and Brisbane in the December quarter 2021, and Perth and Adelaide in the September quarter 2021
- were highest in Adelaide in the March quarter 2022, Perth in the December quarter 2021, Sydney and Melbourne in the September quarter 2021, and Brisbane in the June quarter 2021.

The table also shows that in the year to March 2022, GIRDs in Adelaide were consistently lower than average GIRDs across the 5 largest cities and GIRDs in Brisbane were consistently higher:

- in the March quarter 2022, GIRDs were 10.3 cpl in Adelaide, while GIRDs in Sydney, Melbourne, Brisbane and Perth were significantly higher at 13.9 cpl, 13.2 cpl, 16.5 cpl and 12.9 cpl respectively
- in the year to March 2022, GIRDs were 8.6 cpl in Adelaide and 13.0 cpl in Perth, whereas in Sydney, Melbourne and Brisbane they were 16.3 cpl, 15.4 cpl and 17.8 cpl respectively.

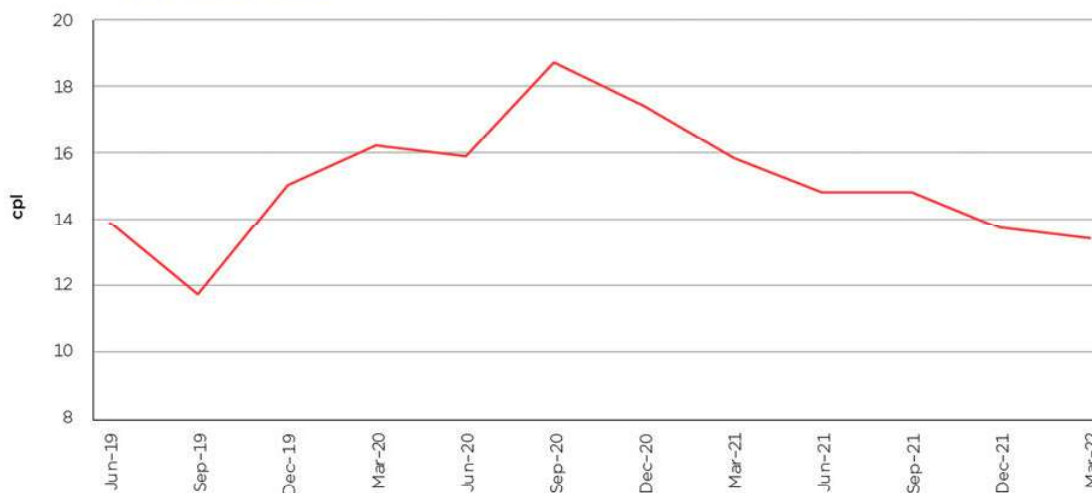
Released under FOI

The comparatively lower GIRDs in Adelaide are the result of relatively lower retail petrol prices. These may have been influenced by greater fuel price transparency following the commencement of the South Australian Government's fuel price transparency scheme in March 2021.

5.5 Average GIRDs in the 5 largest cities decreased over the past 6 quarters

Chart 5.5 shows quarterly average GIRDs in the 5 largest cities (in aggregate) over the past 3 years from the June quarter 2019 to the March quarter 2022.

Chart 5.5 Quarterly average GIRDs in the 5 largest cities in nominal terms: June quarter 2019 to March quarter 2022



Source: ACCC calculations based on data from FUELtrac, AIP, Ampol, bp, Mobil, Viva Energy and WA FuelWatch.

The chart shows that quarterly average GIRDs in the 5 largest cities trended down in the 6 quarters following the record high GIRDs in the September quarter 2020 (18.7 cpl). Average GIRDs decreased by 5.3 cpl over the 6 quarters, to 13.4 cpl in the March quarter 2022, which is lower than levels before the COVID-19 pandemic.⁴⁸

The chart also shows that GIRDs can be volatile on a quarterly basis. When TGPs increase by large amounts in a short period, lags between changes in TGPs and changes in retail prices often have the effect of reducing GIRDs in the short term. Conversely, when TGPs decrease by large amounts in a short period, these lags often have the effect of increasing GIRDs.

The effects of the lags between changes in TGPs and retail prices, and their impact on GIRDs, is less prevalent when GIRDs are considered over a longer period.

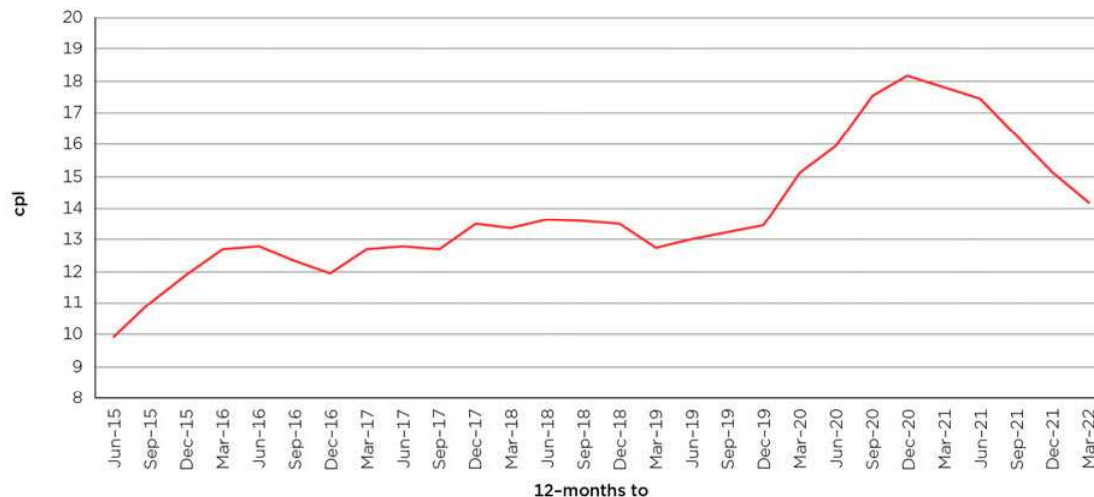
Chart 5.6 shows 12-month average GIRDs in **real** terms across the 5 largest cities, calculated at the end of each quarter over the last 7 years.⁴⁹

⁴⁸ Quarterly average GIRDs in the December quarter 2019 were 15.0 cpl.

⁴⁹ This calculation is using average retail prices and average TGPs over 12-month periods to the end of each quarter.

Released under FOI

Chart 5.6 Twelve-month average GIRDs in the 5 largest cities in real terms: June 2015 to March 2022



Source: ACCC calculations based on data from FUELtrac, Informed Sources, Ampol, bp, Mobil, Viva Energy and WA FuelWatch, and ABS, [6401.0 Consumer Price Index, Australia, March 2022, Tables 1 and 2. CPI: All Groups, Index Numbers and Percentage Changes](#), accessed on 27 May 2022.

Note: **Real** prices are shown in March 2022 dollars.

The chart shows that across the 5 largest cities there was a substantial increase in **real** 12-month average GIRDs between December 2019 and December 2020 (of 4.6 cpl). In the year to December 2020, 12-month average GIRDs reached their highest level on record in both nominal and **real** terms (18.1 cpl). Twelve-month average GIRDs have decreased by 3.9 cpl in **real** terms since then.

The chart also shows that:

- there was a substantial increase in 12-month average GIRDs between June 2015 and March 2016 (of 2.8 cpl)
- between March 2016 and December 2019, 12-month average GIRDs were in a 1.6 cpl band between 12.0 cpl and 13.6 cpl.

The ACCC analysed financial data provided by petrol companies on retail gross profits (that is, retail operating costs and net profits) from 2005–06 to 2017–18 to further understand the reasons for the higher GIRDs over time.⁵⁰ The analysis found that both retail operating costs and net profits on RULP increased during the period, particularly between 2013–14 and 2016–17, suggesting that higher GIRDs had been influenced by increases in both operating costs and profits.⁵¹

5.6 Decreases in GIRDs in the 5 largest cities likely reflect 2 main factors

There were 2 main factors that influenced the recent decreases in GIRDs in the 5 largest cities.

5.6.1 Petrol sales volumes have recovered from lower levels seen in 2020 and 2021

In 2020 and most of 2021, petrol sales volumes were significantly affected by COVID-19 restrictions, and retailers experiencing lower sales may have been keeping retail prices higher to cover their fixed costs. These effects from COVID-19 on petrol demand contributed to the high GIRDs in 2020–21.

50 ACCC, [Financial performance of the Australian downstream petroleum industry 2002 to 2018](#), 22 April 2020, pp 34–36.

51 The analysis compared GIRDs (which are based on price data) with retail gross profit financial results on RULP (which are based on financial data). Both measures, although not directly comparable, showed a broadly similar upward trend over the longer term.

Released under FOI

Petrol retailing is a high-volume low-margin business with many fixed costs (such as rent and the cost of using a particular brand). This means that when sales volumes decline, the cost per unit of petrol will increase. To generate revenue to partially cover their fixed costs, some retailers may have been setting retail prices higher than they otherwise would.

In the December quarter 2021 and March quarter 2022, as COVID-19 restrictions eased across Australia, sales volumes recovered with more petrol being purchased. This likely put downward pressure on GIRDs, as some retailers may not have found it as necessary to keep retail prices higher to cover their fixed costs.

5.6.2 Increasing wholesale prices likely contributed to average GIRDs decreasing over the past 6 quarters

Increasing international crude oil, refined petrol and wholesale petrol prices from November 2020 likely contributed to lower average GIRDs in the 5 largest cities in aggregate. As noted above, when TGPs increase by large amounts in a short period, lags between changes in TGPs and changes in retail prices often have the effect of reducing GIRDs.

For example, Viva Energy noted that in the September quarter 2021, its retail fuel margins were negatively impacted by consistently rising oil prices through the period and the normal lag associated with reflecting these increased costs in retail pump prices.⁵² Viva Energy also reported in February 2022 that its financial year 2021 retail earnings were impacted by rising oil prices and lower retail fuel margins.⁵³

5.7 The increase in Mogas 95 prices was the predominant contributor to higher retail prices

Chart 5.7 shows the change in the components of average retail petrol prices in the 5 largest cities between the December quarter 2021 and March quarter 2022. The chart separates the other costs and margins component into:

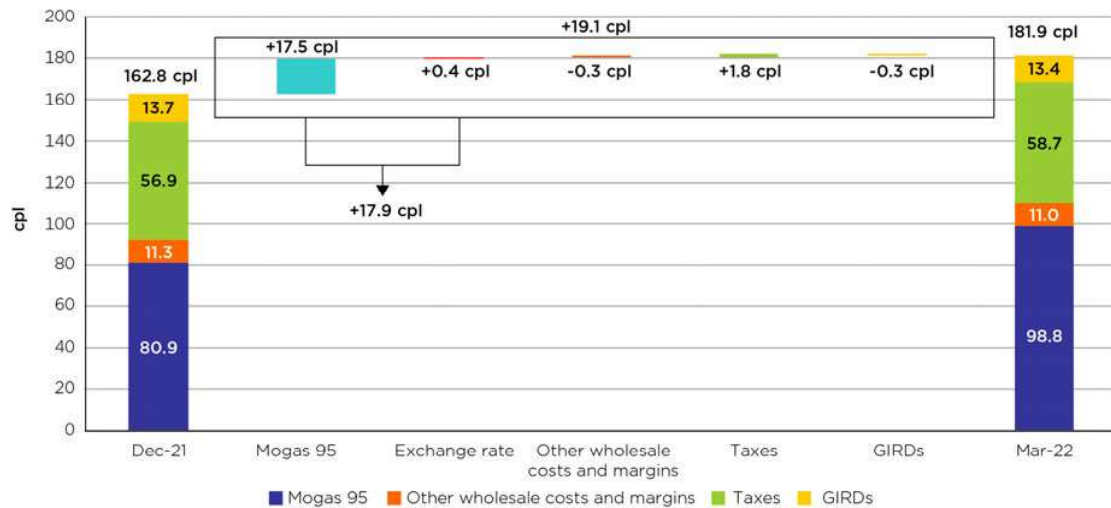
- the retail component (represented by GIRDs)
- the other wholesale costs and margins component (which includes international shipping costs and import costs).

52 Viva Energy, [Third Quarter Operational and Trading Update](#), ASX release, 25 October 2021, p 1, accessed on 27 May 2022.

53 Convenience and Impulse Retailing, [Viva Energy reports 98 per cent rise in earnings](#), 24 February 2022, accessed on 27 May 2022.

Released under FOI

Chart 5.7 Changes in the components of average retail petrol prices in the 5 largest cities: December quarter 2021 to March quarter 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media, Ampol, bp, Mobil, Viva Energy, WA FuelWatch, RBA and ATO.

Notes: All prices are in Australian cents per litre.

The taxes component includes fuel excise and wholesale GST. The small amount of retail GST is included in GIRDs rather than in taxes, to be consistent with GIRDs reported elsewhere in this report. As a result, the taxes component in this chart is not the same as the taxes component in chart 5.1.

The cut in excise announced by the Australian Government was only in effect for 2 days in the March quarter 2022.

The chart shows that the increase in average retail petrol prices in the 5 largest cities in the March quarter 2022 (19.1 cpl) was predominantly due to the increase in the price of Mogas 95.

The AUD-USD exchange rate is a significant determinant of Australia's retail petrol prices because imported crude oil and international refined petrol (from which domestically refined petrol is priced) is bought and sold in US dollars in global markets. Excluding the effect of changes in the AUD-USD exchange rate (which decreased by US 0.4 cents in the quarter), Mogas 95 prices would have increased by 17.5 cpl in the quarter. The lower AUD-USD exchange rate however compounded the increase in Mogas 95 prices and resulted in Mogas 95 prices increasing by an additional 0.4 cpl in AUD terms. The net effect of movements in Mogas 95 prices and the AUD-USD exchange rate was that Mogas 95 prices in Australian cents per litre increased by 17.9 cpl.

Released under FOI

6. Retail petrol price movements in the smaller capital cities and in regional locations

This chapter analyses petrol prices in the 3 smaller capital cities (Canberra, Hobart and Darwin) and in regional locations. The ACCC monitors fuel prices in over 190 regional locations across Australia. Appendix C lists these locations.

6.1 Retail prices in Canberra, Hobart and Darwin were higher than prices across the 5 largest cities

In the March quarter 2022, average retail prices increased in all 3 smaller capital cities: Hobart by 20.2 cpl, Darwin by 19.5 cpl and Canberra by 16.6 cpl.⁵⁴ Average retail prices in each of these cities were above the average price across the 5 largest cities.

Table 6.1 shows quarterly average retail prices in the December quarter 2021 and March quarter 2022 in each of the 3 smaller capital cities and across the 5 largest cities. The table also shows the differential between quarterly average prices in each of the smaller capitals and the 5 largest cities.

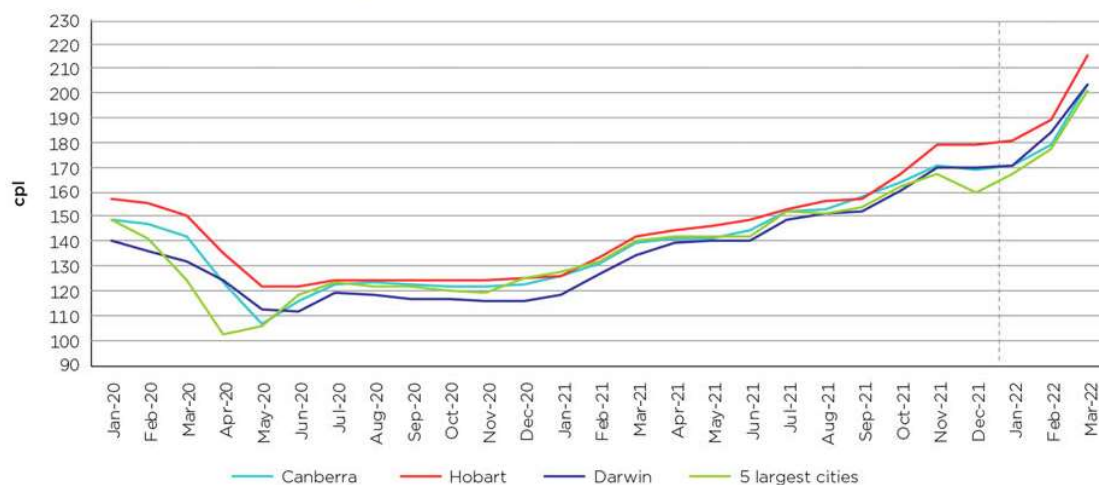
Table 6.1 Quarterly average retail petrol prices in each of the smaller capital cities and the 5 largest cities: December quarter 2021 and March quarter 2022-cpl

	Canberra	Hobart	Darwin	5 largest cities	Differential		
					Canberra	Hobart	Darwin
Dec-21	167.7	175.0	166.6	162.8	4.9	12.2	3.8
Mar-22	184.3	195.2	186.1	181.9	2.4	13.3	4.2
Change	16.6	20.2	19.5	19.1	-2.5	1.1	0.4

Source: ACCC calculations based on data from FUELtrac.

Chart 6.1 shows monthly average prices in each of the smaller capital cities and the 5 largest cities from January 2020 to March 2022.

Chart 6.1 Monthly average retail petrol prices in Canberra, Hobart, Darwin and the 5 largest cities in nominal terms: January 2020 to March 2022



Source: ACCC calculations based on data from FUELtrac.

⁵⁴ Charts 6.8 to 6.10 show 7-day rolling average retail petrol prices in each of the 3 smaller capital cities from 1 January 2020 to 31 March 2022.

Released under FOI

The chart shows that in the year to March 2022, monthly average retail prices were:

- higher in Darwin than in the 5 largest cities in 6 out of 12 months
- higher in Canberra than in the 5 largest cities in all months except April, May and July 2021
- higher in Hobart than in the 5 largest cities in all months.

6.2 Average regional prices were higher than prices in the 5 largest cities

In most parts of Australia, retail petrol prices have historically been higher in regional locations than in the 5 largest cities. A number of factors may contribute to these higher prices, including:

- a lower level of local competition
- lower volumes of fuel sold
- distance/location factors
- lower convenience store sales.

The influence of these factors varies significantly from location to location. This means that there may be substantial differences in prices between specific regional locations.

Despite these factors, average prices in regional locations in aggregate (regional prices) were lower than average prices in the 5 largest cities in the 5 quarters from the September quarter 2020 to the September quarter 2021, before returning to being higher in the December quarter 2021.

Regional prices were also higher than average prices in the 5 largest cities in the March quarter 2022. Average regional prices in the quarter were 182.7 cpl, which was 0.8 cpl higher than average prices in the 5 largest cities (181.9 cpl). In the December quarter 2021, average regional prices were 2.0 cpl higher.

Chart 6.2 shows that in the year to March 2022, monthly average regional prices were higher than prices in the 5 largest cities in all months except April, May, July, September and October 2021.

Chart 6.2 Monthly average retail petrol prices in regional locations in aggregate and the 5 largest cities in nominal terms: January 2020 to March 2022



Source: ACCC calculations based on data from FUELtrac.

Released under FOI

Regional prices increased sharply over the March quarter 2022. In January 2022, monthly average regional prices were 167.0 cpl, an increase of 1.6 cpl from December 2021 (165.4 cpl). They increased to 178.0 cpl in February 2022 and 202.5 cpl in March 2022. Between December 2021 and March 2022, monthly average regional prices increased by 37.1 cpl, which was 4.0 cpl lower than the increase in average prices in the 5 largest cities over the same period (41.1 cpl).

In the March quarter 2022, average prices in 78 regional locations (representing around 43% of monitored locations) were higher than average prices in the 5 largest cities.

Appendix C has further information on petrol price movements in recent quarters in all locations the ACCC monitors.

6.3 Relatively lower regional prices in past quarters may have reflected more stable petrol demand in regional locations, and lagged effects from increasing wholesale prices

There are 2 main factors that are likely to have contributed to average retail prices in regional locations being lower than average prices in the 5 largest cities in the 5 quarters from the September quarter 2020 to the September quarter 2021.

The first is that petrol retailers in the 5 largest cities, faced with a reduction in demand associated with various COVID-19 restrictions and lockdowns, may have been setting retail prices higher to partially cover their fixed costs. Demand may have been more stable in many regional locations, and therefore retailers in those locations may not have had the same incentive to increase their retail prices by as much.

The second is that retail prices in regional locations likely took longer to reflect increasing wholesale prices from November 2020, compared with the 5 largest cities. While retail petrol prices in regional locations generally follow movements in wholesale prices, they often do not respond as quickly – either up or down – relative to prices in the 5 largest cities. The frequency of retail site turnover of fuel influences these lags. They are longer in regional locations where volume turnover is smaller and the degree of competition is often not as intense.

The extent of the influence of these factors is likely to vary between regional locations. Differing levels of COVID-19 restrictions were applied across the country, and the length of lags varies among regional locations.

6.4 The difference between regional and city prices varied between jurisdictions

Table 6.2 shows the average differential between prices in regional locations in the states and the Northern Territory and their respective capital city in the December quarter 2021, the March quarter 2022 and the year to March 2022.

Table 6.2 Average differential between prices in regional locations in the states and the Northern Territory and their respective capital city: December quarter 2021 and March quarter 2022 and the year to March 2022 – cpl

	NSW regions – Sydney	Vic regions – Melbourne	Qld regions – Brisbane	SA regions – Adelaide	WA regions – Perth	Tas regions – Hobart	NT regions – Darwin
Dec-21	-1.6	-0.1	-0.4	3.2	6.0	-2.7	8.0
Mar-22	-0.3	-1.8	-2.7	1.5	4.9	-4.2	5.1
Year to Mar-22	-2.4	-3.6	-4.1	3.0	4.9	-2.0	9.1

Source: ACCC calculations based on data from FUELtrac.

Note: A negative number means that average regional prices were lower than average capital city prices.

Released under FOI

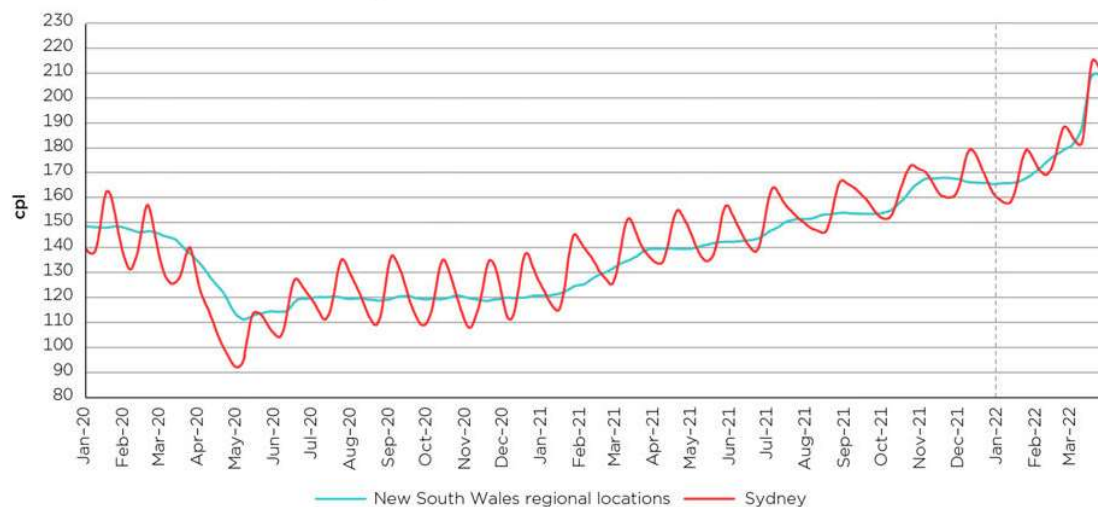
The table shows that:

- in the March quarter 2022, average regional prices were lower than average capital city prices in New South Wales, Victoria, Queensland and Tasmania, and higher in South Australia, Western Australia and the Northern Territory
- this differential ranged from regional prices being 4.2 cpl lower in Tasmania to being 5.1 cpl higher in the Northern Territory
- in the year to March 2022, the differential ranged from regional prices being 4.1 cpl lower in Queensland to being 9.1 cpl higher in the Northern Territory.

Charts 6.3 to 6.9 show 7-day rolling average retail petrol prices in regional locations in each state and the Northern Territory, along with those of the relevant capital city, from 1 January 2020 to 31 March 2022. They indicate that the pattern of price movements varies between the states and the Northern Territory.

Price cycles in a number of the capital cities significantly influence price comparisons between capital cities and regional locations over the short term. An example is the price differential between Sydney and regional locations in New South Wales in May 2020. The change in the Perth price cycle from a weekly duration to a fortnightly duration in the December quarter 2021 is clearly apparent in chart 6.7.

Chart 6.3 Seven-day rolling average petrol prices in New South Wales regional locations and Sydney in nominal terms: 1 January 2020 to 31 March 2022

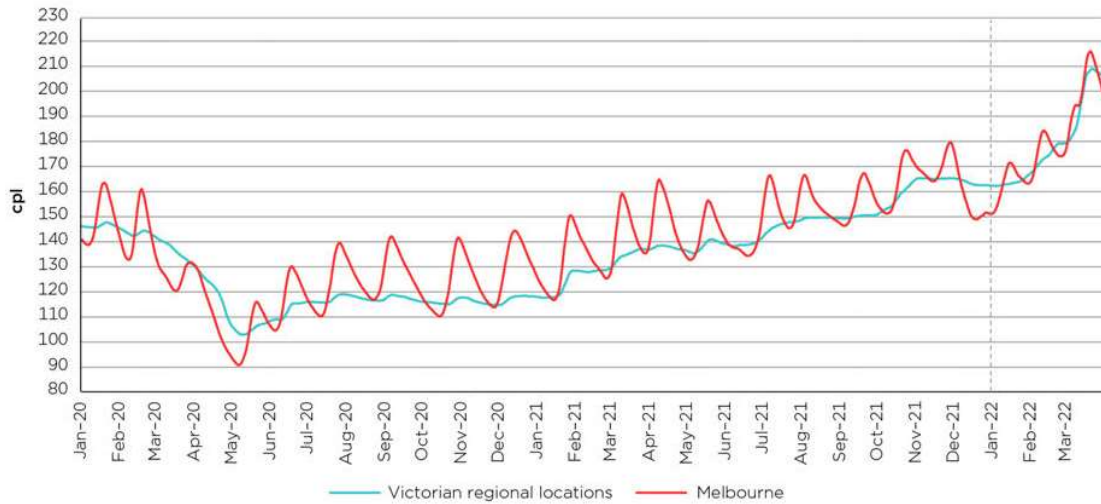


Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Released under FOI

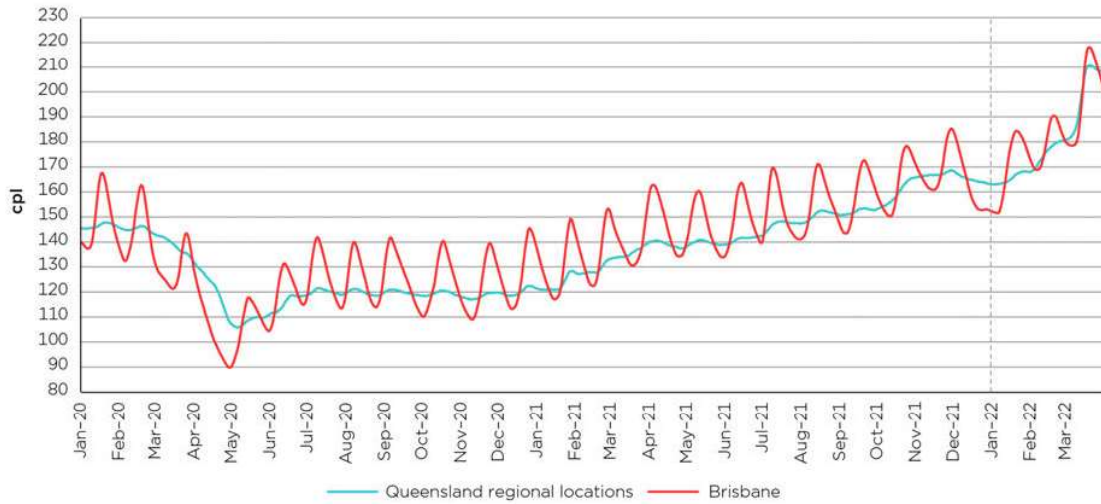
Chart 6.4: Seven-day rolling average petrol prices in Victorian regional locations and Melbourne in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Chart 6.5: Seven-day rolling average petrol prices in Queensland regional locations and Brisbane in nominal terms: 1 January 2020 to 31 March 2022

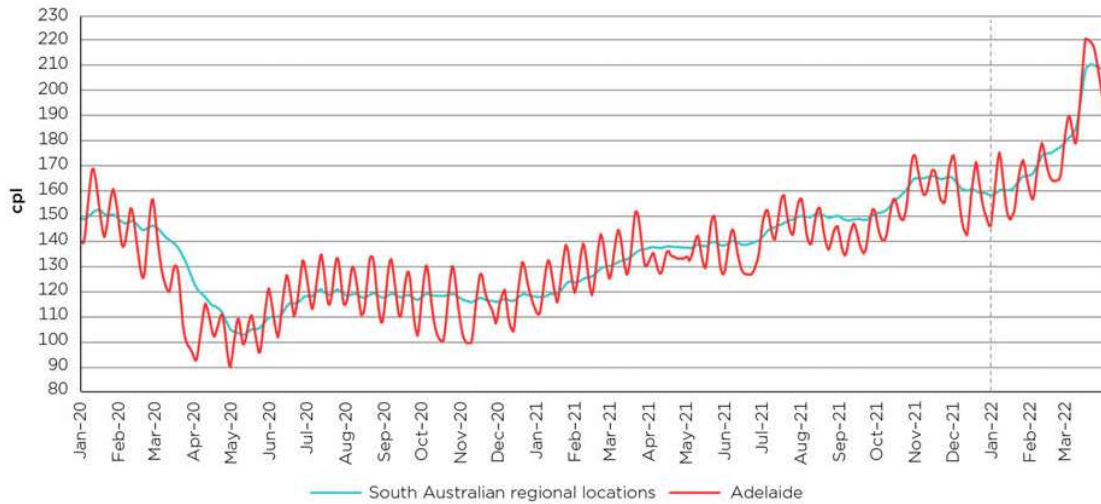


Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Released under FOI

Chart 6.6 Seven-day rolling average petrol prices in South Australian regional locations and Adelaide in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Chart 6.7 Seven-day rolling average petrol prices in Western Australian regional locations and Perth in nominal terms: 1 January 2020 to 31 March 2022

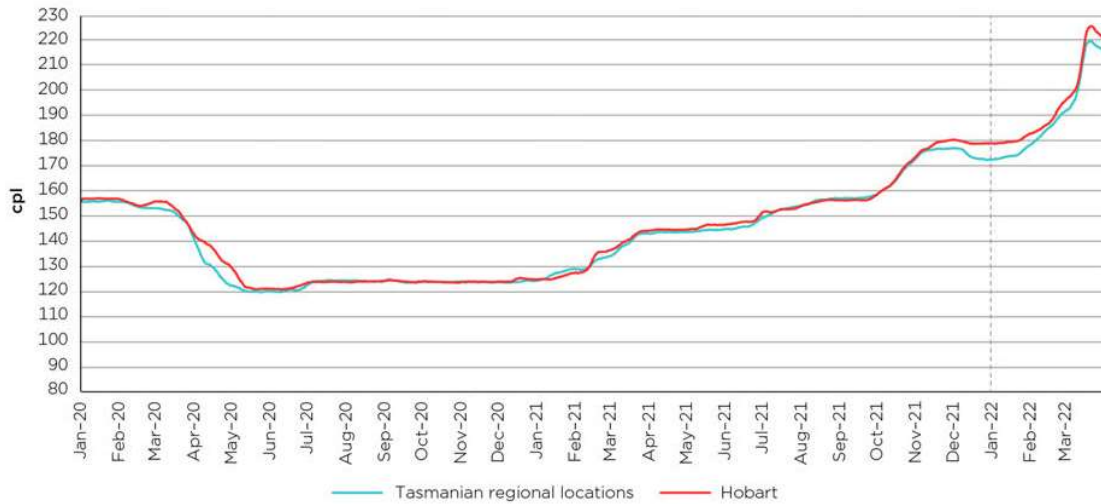


Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Released under FOI

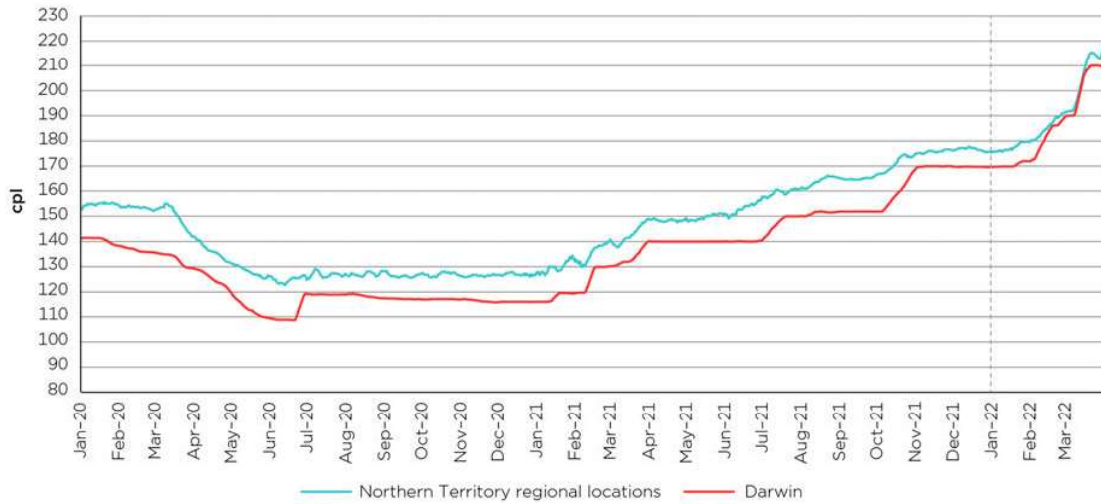
Chart 6.8 Seven-day rolling average petrol prices in Tasmanian regional locations and Hobart in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Chart 6.9 Seven-day rolling average petrol prices in Northern Territory regional locations and Darwin in nominal terms: 1 January 2020 to 31 March 2022



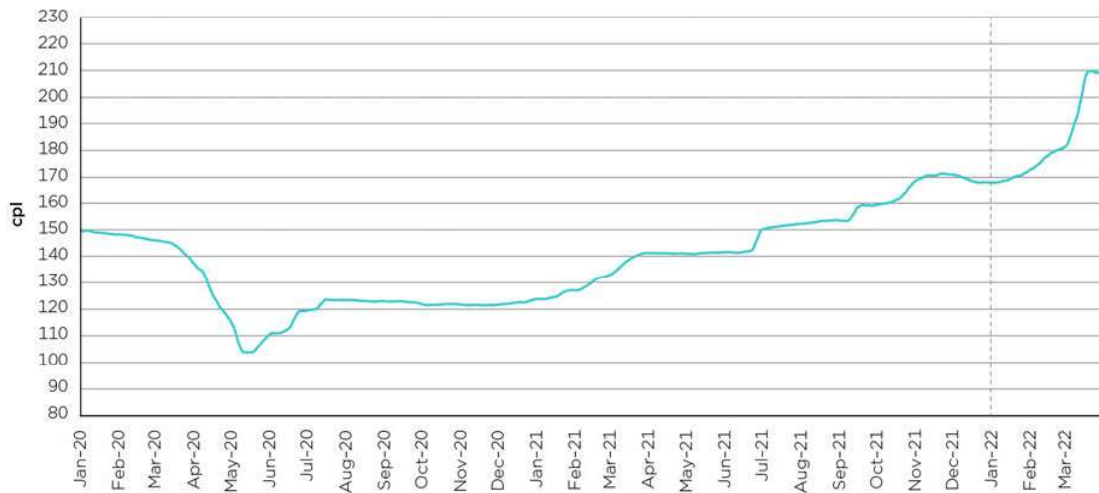
Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Chart 6.10 shows 7-day rolling average retail petrol prices in Canberra from 1 January 2020 to 31 March 2022. There are no prices available for locations in the Australian Capital Territory other than Canberra.

Released under FOI

Chart 6.10 Seven-day rolling average petrol prices in Canberra in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

The ACCC undertook 4 regional petrol market studies between 2015 and 2017. These studies examined petrol markets in Darwin, Launceston, Armidale and Cairns. The ACCC has continued to monitor and report on petrol prices and GIRDs in these locations. Appendix D shows data on average retail petrol prices and GIRDs in each location.

Released under FOI

7. Crude oil and refined petrol price movements

International refined petrol prices (which are influenced by international crude oil prices) and the AUD–USD exchange rate, largely determine movements in retail petrol prices in Australia.

Crude oil prices are an important influence on movements in refined petrol prices around the world. There are a number of international benchmarks used for pricing crude oil, including West Texas Intermediate (WTI), Brent, Tapis and Dubai. The most widely used benchmark in global markets is Brent crude oil.

The price of Singapore Mogas 95 Unleaded (Mogas 95) is the relevant international benchmark price for determining RULP prices in Australia. This benchmark is used due to Australia's proximity to Singapore, which is one of the world's most important petroleum trading and refining centres.

Chapter 5 analysed movements in the AUD–USD exchange rate.

7.1 Crude oil and refined petrol prices increased significantly

Chart 7.1 shows movements in weekly average Brent crude oil and Mogas 95 prices between January 2020 and March 2022.

Chart 7.1 Weekly average Brent crude oil and Mogas 95 prices in nominal terms: January 2020 to March 2022



Source: ACCC calculations based on data from Argus Media.

Weekly average Brent crude oil prices were around USD 69 per barrel at the beginning of January 2020 and trended downwards to around USD 12 per barrel in late April 2020.⁵⁵ They then increased sharply in May and June 2020, and remained relatively stable from July to November 2020 in a USD 9 per barrel band between around USD 37 and around USD 46 per barrel. Between November 2020 and November 2021, weekly average Brent crude oil prices doubled, and were around USD 77 per barrel at the end of December 2021.

Weekly average Brent crude oil prices increased significantly in the March quarter 2022, reaching a peak of around USD 131 per barrel in the middle of March 2022. This represented an increase of around 70%

⁵⁵ Weekly average Brent crude oil prices were last at this level in early March 1999 (in nominal terms).

Released under FOI

from the end of December 2021. Prices then fluctuated and were around USD 129 per barrel at the end of March 2022.

Weekly average Mogas 95 prices moved in a similar manner to Brent crude oil prices. Weekly average Mogas 95 prices were around USD 75 per barrel at the beginning of January 2020 and trended downwards to around USD 19 per barrel in late April 2020.⁵⁶ They then increased sharply in May and June 2020, and remained relatively stable from July to November 2020 in a USD 7 per barrel band between around USD 43 and around USD 50 per barrel. Between November 2020 and November 2021, weekly average Mogas 95 prices more than doubled, and were around USD 93 per barrel at the end of December 2021.

Weekly average Mogas 95 prices increased significantly in the March quarter 2022, reaching a peak of around USD 142 per barrel in the middle of March 2022. This represented an increase of around 53% from the end of December 2021. Prices then fluctuated and were around USD 133 per barrel at the end of March 2022.

Quarterly average Brent crude oil and Mogas 95 prices were significantly higher in the March quarter 2022 compared with the December quarter 2021:

- quarterly average Brent crude oil prices were around USD 105 per barrel (an increase of USD 25 per barrel, or around 31%)
- quarterly average Mogas 95 prices were around USD 114 per barrel (an increase of USD 20 per barrel, or around 21%).

7.2 The OPEC cartel, COVID-19 and the conflict in Ukraine were the main factors influencing crude oil prices

Three factors have largely influenced movements in crude oil prices since January 2020:

- agreements (and, at times, disagreements) made by the Organisation of the Petroleum Exporting Countries (OPEC) cartel, and some other crude oil producing countries (including Russia), to cut production
- the influence of the COVID-19 pandemic on demand
- geo-political events including the Russian invasion of Ukraine.

From mid-January 2020 news coming out of China about the COVID-19 outbreak, and its impact on Chinese economic activity, led to a fall in crude oil prices. On 30 January 2020, the World Health Organisation declared the virus a Public Health Emergency of International Concern.⁵⁷ As countries imposed restrictions on travel and economic activity, demand for crude oil and refined petrol products decreased significantly.

The inability of the OPEC cartel and other crude oil producing countries to agree on further production cuts at their meeting on 5 March 2020 compounded this decrease in demand. In March 2020, Saudi Arabia (the world's largest oil exporter) boosted production to its full capacity (12.3 million barrels per day) and announced discounts of almost 20% in key markets. The result was an immediate drop of more than 30% in crude oil prices.⁵⁸

In April 2020, OPEC and other crude oil producing countries agreed to cuts in output of 9.7 million barrels per day in May and June 2020.⁵⁹ The agreement came as crude oil prices continued to decrease due to falling worldwide consumption resulting from COVID-19 and a 13-month high in OPEC's oil

56 Weekly average Mogas 95 prices were last at this level in mid-June 1999 (in nominal terms).

57 World Health Organisation, [Statement on the second meeting of the International Health Regulations \(2005\) Emergency Committee regarding the outbreak of novel coronavirus \(2019-nCoV\)](#), 30 January 2020, accessed on 27 May 2022.

58 The World Bank, [Coping with a Dual Shock: COVID-19 and Oil Prices](#), Brief, 14 April 2020, accessed on 27 May 2022.

59 Reuters, [Oil mixed as demand worries offset gains from output cut deal](#), 13 April 2020, accessed on 27 May 2022.

Released under FOI

output in April 2020.⁶⁰ These production cuts ultimately led to a steady increase in crude oil prices to the end of June 2020.

In July and August 2020, crude oil prices remained relatively stable, but prices fell in September 2020 due to an increase in the supply of crude oil from OPEC countries and concerns of another demand shock due to rising cases of COVID-19 globally.⁶¹ In November 2020, crude oil prices increased in response to news of the roll-out of COVID-19 vaccines and an associated increase in economic activity. Furthermore, a decline in the US dollar pushed prices higher.⁶² On 3 December 2020, OPEC and other crude oil producing countries agreed to increase output by 0.5 million barrels per day from 1 January 2021.⁶³

Production cuts and increasing global demand meant crude oil prices continued to increase in the March quarter 2021. In January 2021, Saudi Arabia announced it would voluntarily cut its own production by an additional 1.0 million barrels per day in February and March 2021.⁶⁴ Demand for crude oil was also influenced by cold weather in northern Asia, Europe and the United States.⁶⁵ At the OPEC and non-OPEC Ministerial Meeting on 4 March 2021, the members agreed to extend most existing production cuts into April 2021.⁶⁶

On 1 April 2021, OPEC and non-OPEC countries agreed to increase output by 0.35 million barrels per day in May and June, and 0.4 million barrels per day in July.⁶⁷ In response to this news, crude oil prices decreased by around 5% in early April.⁶⁸ Throughout the remainder of April and into May 2021, crude oil prices increased as strong US economic data, a weaker US dollar and an expected recovery in demand outweighed concerns about higher COVID-19 cases in Brazil and India.⁶⁹ In June 2021, recovering demand and falling US stockpiles led to crude oil prices rising further.⁷⁰

On 18 July 2021, OPEC and non-OPEC countries agreed to adjust upward their overall crude oil production by 0.4 million barrels per day on a monthly basis from August 2021.⁷¹ In August 2021, crude oil supply was adversely affected as refineries in the United States ceased production following the impact of Hurricane Ida.

In September and October 2021, crude oil prices were influenced by the energy crisis associated with shortages of gas, coal and electricity in some countries in Europe and Asia, which increased demand for crude oil as an alternative source of energy.⁷² In November 2021 crude oil prices started to decrease, as higher prices led to increased supply.⁷³ In December 2021, crude oil prices decreased following increasing cases of the Omicron coronavirus variant in Europe and the United States, and the implications this could have on oil demand.⁷⁴ Prices increased at the end of December 2021 as crude oil and fuel stocks decreased.⁷⁵

60 Reuters, [OPEC April oil output surges to 13-month high before new cut deal](#), 1 May 2020, accessed on 27 May 2022.

61 Reuters, [OPEC September oil output rises for third month on Libya restart, Iran](#), 1 October 2020, accessed on 27 May 2022.

62 Reuters, [Oil settles up, marking seventh straight weekly gain](#), 18 December 2020, accessed on 27 May 2022.

63 OPEC, [13th OPEC and non-OPEC Ministerial Meeting concludes](#), press release, 5 January 2021, accessed on 27 May 2022.

64 Reuters, [Saudi voluntary oil cut to help with low demand in first quarter, OPEC chief says](#), 14 January 2021, accessed on 27 May 2022.

65 International Energy Agency, [Oil Market Report – March 2021](#), accessed on 27 May 2022.

66 Reuters, [OPEC+ extends most oil output cuts into April, Saudi keeps voluntary curb](#), 4 March 2021, accessed on 27 May 2022; and OPEC, [14th OPEC and non-OPEC Ministerial Meeting](#), press release, 4 March 2021, accessed on 27 May 2022.

67 Reuters, [Oil rises as OPEC+ decides on production policy](#), 1 April 2021, accessed on 27 May 2022.

68 Reuters, [Oil down 5% as rising OPEC+, Iranian output weighs](#), 5 April 2021, accessed on 27 May 2022.

69 Reuters, [Oil climbs to fresh 6-week high on bullish demand](#), 29 April 2021, accessed on 27 May 2022.

70 Reuters, [Oil rises on lower U.S. stockpiles, demand recovery](#), 30 June 2021, accessed on 27 May 2022.

71 OPEC, [19th OPEC and non-OPEC Ministerial Meeting concludes](#), press release, 18 July 2021, accessed on 27 May 2022.

72 International Energy Agency, [Oil Market Report – October 2021](#), accessed on 27 May 2022.

73 International Energy Agency, [Oil Market Report – November 2021](#), accessed on 27 May 2022.

74 Reuters, [Oil prices plunge as Omicron's rapid spread dims fuel demand outlook](#), 21 December 2021, accessed on 27 May 2022.

75 Reuters, [Oil prices edge higher as US oil inventories fall, 30 December 2021](#), 30 December 2021, accessed on 27 May 2022.

Released under FOI

In the March quarter 2022, crude oil prices increased sharply due to geo-political tensions around the Russian invasion of Ukraine, stronger demand from the easing of the global COVID-19 pandemic and slower crude oil production growth.⁷⁶ Numerous countries imposed sanctions against Russian companies and stopped buying crude oil from Russia.⁷⁷ This resulted in global shortages as Russia is a major supplier of crude oil.

On 1 March 2022, members of the International Energy Agency agreed to the release of 60.0 million barrels of crude oil reserves to compensate for the supply disruption.⁷⁸ However, crude oil prices increased higher when the United States and other nations banned the import of Russian crude oil in early March 2022.⁷⁹ A short-term drop in crude oil prices in late March 2022 was influenced by some progress in Russia-Ukraine peace talks.⁸⁰ Another factor was the possibility of weakening demand due to rising COVID-19 cases in China.⁸¹ Supply worries around lower Russian crude oil production led to prices increasing again at the end of March 2022.⁸²

7.3 Refiner margins decreased to below the 10-year average

The refiner margin is the difference between the price of refined petrol and the price of crude oil. In the March quarter 2022, the average refiner margin was USD 9.0 per barrel (around 7.8 cpl in Australian dollars), a decrease of USD 4.5 per barrel (AUD 3.8 cpl) from the previous quarter (USD 13.5 per barrel or AUD 11.7 cpl).

The average refiner margin in the March quarter 2022 was lower than the 10-year **real** average refiner margin (USD 12.5 per barrel, or AUD 9.5 cpl).

7.4 Crude oil prices in March 2022 were the highest since 2014

As with many commodities, crude oil prices fluctuate greatly. In the short term, market sentiment about economic conditions and geo-political events can drive rapid movements in crude oil prices. Over the medium to longer term, supply and demand factors drive prices, with periods of high or low prices lasting several years.

Extended periods of high crude oil prices provide an incentive for producers to invest in exploration and expansion. This leads to an increase in supply, which in turn puts downward pressure on prices. Conversely, when crude oil prices are low, producers tend not to invest, which puts upward pressure on prices, as supply is insufficient to meet the growth in demand.

Chart 7.2 shows that, over the 40 years to March 2022, WTI crude oil prices in **real** terms were on average around USD 66 per barrel.

In the March quarter 2022, **real** WTI crude oil prices were on average around USD 95 per barrel, which was USD 15 per barrel higher than the December quarter 2021 (USD 80 per barrel) and USD 29 per barrel higher than the 40-year average.

Monthly average WTI crude oil prices in March 2022 were around USD 109 per barrel, the highest in **real** terms since September 2014.

76 U.S. Energy Information Administration, [Crude oil prices rise above \\$100 per barrel after Russia's further invasion into Ukraine](#), 4 March 2022, accessed on 27 May 2022.

77 Reuters, [Russian oil trade in disarray over sanctions as prices blast through \\$100/bbl](#), 2 March 2022, accessed on 27 May 2022.

78 Reuters, [U.S., allies set oil reserves release as prices soar](#), 2 March 2022, accessed on 27 May 2022.

79 Australian Financial Review, [US, UK ban Russian oil imports](#), 9 March 2022, accessed on 27 May 2022.

80 Reuters, [Oil dips on Russia-Ukraine talks U.S. inventory data](#), 17 March 2022, accessed on 27 May 2022.

81 Reuters, [Oil surges 8% amid warning of Russian supply shortages](#), 18 March 2022, accessed on 27 May 2022.

82 Reuters, [Oil above \\$100/barrel to stay as market struggles to replace Russian barrels](#), 31 March 2022, accessed on 27 May 2022.

Released under FOI

Chart 7.2 Monthly average WTI crude oil prices in real terms: April 1982 to March 2022



Source: ACCC calculations based on data used with permission from *The Wall Street Journal*, WSJ.com, Copyright 2015 Dow Jones & Company, Inc. All rights reserved, Reuters and U.S. Department of Labor, Bureau of Labor Statistics, [Consumer Price Index for all urban consumers](#), accessed on 27 May 2022.

Note: **Real** prices are shown in March 2022 dollars.

Released under FOI

8. Diesel and LPG prices

8.1 Retail diesel prices increased significantly

Quarterly average retail diesel prices in the 5 largest cities were 185.4 cpl in the March quarter 2022, an increase of 22.6 cpl from the December quarter 2021 (162.8 cpl).

The price of Singapore Gasoil with 10 parts per million sulphur content (Gasoil 10 ppm) is the appropriate international benchmark for the wholesale price of diesel. International demand for diesel is different from that for petrol, in part because of diesel's off-road, industrial and electricity generation uses. However, both petrol and diesel are refined from crude oil and their prices broadly tend to follow similar movements over the long term.

Chart 8.1 shows that 7-day rolling average retail diesel prices in the 5 largest cities broadly tracked Gasoil 10 ppm prices between 1 January 2020 and 31 March 2022.

Chart 8.1 Seven-day rolling average retail diesel prices in the 5 largest cities and Gasoil 10 ppm prices in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media and RBA.

Notes: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.
Gasoil 10 ppm prices are lagged by 11 days as there is generally around a one- to 2-week lag between changes in international prices and changes in retail prices in the 5 largest cities.

Seven-day rolling average retail diesel prices increased significantly during the March quarter 2022. Prices were 163.1 cpl at the beginning of the quarter and increased to a high of 223.4 cpl in late March, before decreasing marginally to 219.3 cpl at the end of the quarter. Seven-day rolling average Gasoil 10 ppm prices in Australian cents per litre terms were 75.3 cpl at the beginning of the quarter and increased significantly to a high of 131.7 cpl in late March, before decreasing to 114.2 cpl at the end of the quarter.

Quarterly average Gasoil 10 ppm prices in the March quarter 2022 in Australian cents per litre were 102.5 cpl, an increase of 24.0 cpl from the December quarter 2021 (78.5 cpl).

Unlike petrol prices, diesel prices in the 5 largest cities do not move in cycles. Diesel prices may not have price cycles because a large proportion of sales are to commercial users who purchase diesel on a contractual basis. According to the Australian Institute of Petroleum, only around 25% of the diesel used

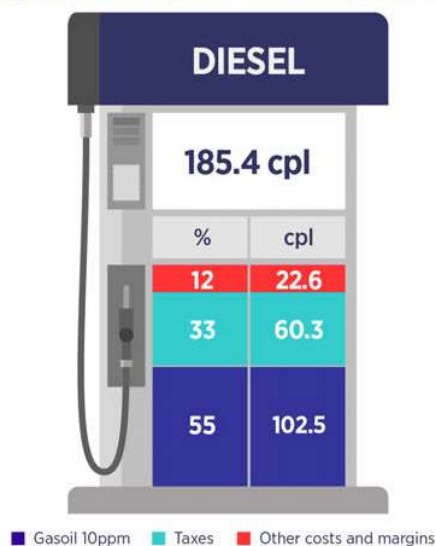
Released under FOI

in Australia is sold through retail outlets, and much of that is sold to account customers with very little sold to private customers.⁸³

8.2 Gasoil 10 ppm was the largest component of average diesel prices

Chart 8.2 shows the 3 broad components of average retail diesel prices in the 5 largest cities in the March quarter 2022.

Chart 8.2 Components of average retail diesel prices in the 5 largest cities in the March quarter 2022



Source: ACCC calculations based on data from FUELtrac, Argus Media, RBA and ATO.

The chart shows that in the March quarter 2022:

- Gasoil 10 ppm accounted for 55% of average diesel prices, an increase of 7 percentage points from the December quarter 2021.
- taxes accounted for 33% of average diesel prices, a decrease of 3 percentage points⁸⁴
- other costs and margins accounted for 12% of average diesel prices, a decrease of 4 percentage points.

As with average retail petrol prices in the March quarter 2022, the international benchmark price accounted for the largest component of average retail diesel prices in the quarter.

8.3 Retail LPG prices increased

Quarterly average retail LPG prices in the 5 largest cities in the March quarter 2022 were 110.3 cpl, an increase of 4.3 cpl from the December quarter 2021 (106.0 cpl).⁸⁵

The Saudi Aramco Contract Prices for propane and butane (Saudi CP) are the appropriate international benchmarks for wholesale LPG prices. These prices only change once a month, at the start of each month. International LPG prices loosely move in line with international refined petrol and diesel prices.

83 Australian Institute of Petroleum, *Facts about diesel prices & the Australian fuel market*, 2 May 2022, p 3, accessed on 27 May 2022.

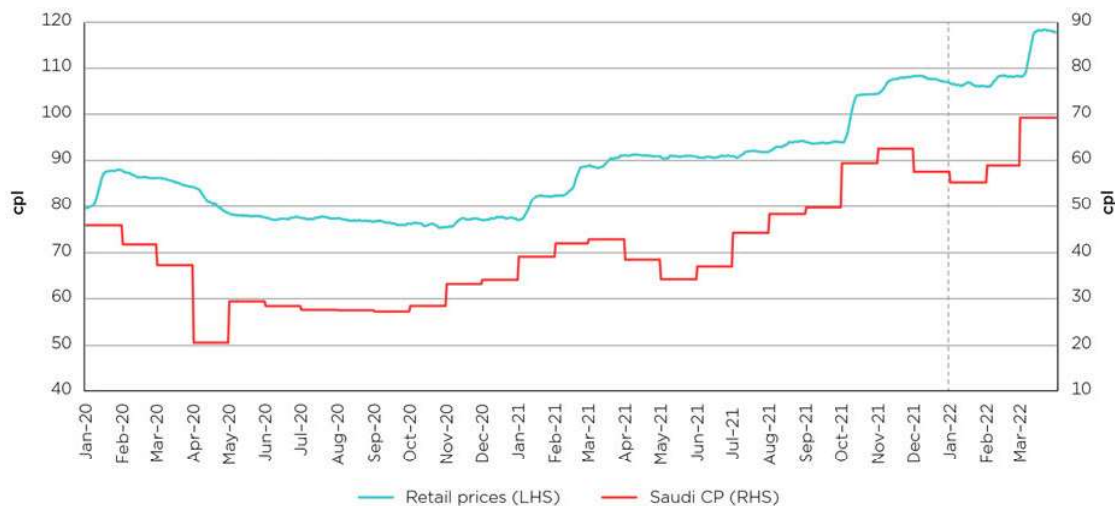
84 On 1 February 2022, excise on diesel increased by 0.9 cpl to 44.2 cpl. On 30 March 2022, excise on diesel was halved for 6 months to 22.1 cpl.

85 References to LPG refer to automotive liquefied petroleum gas.

Released under FOI

Chart 8.3 shows that movements in retail LPG prices between 1 January 2020 and 31 March 2022 were less responsive, both up and down, to movements in international benchmark prices.

Chart 8.3 Seven-day rolling average retail LPG prices in the 5 largest cities and monthly Saudi CP benchmarks in nominal terms: 1 January 2020 to 31 March 2022



Source: ACCC calculations based on data from FUELtrac, Reuters and RBA.

Note: A 7-day rolling average price is the average of the current day's price and prices on the 6 previous days.

Seven-day rolling average retail LPG prices increased significantly during the March quarter 2022. Prices were 106.7 cpl at the beginning of the quarter and increased to a high of 118.2 cpl in mid-March 2022, before decreasing marginally to 117.6 cpl at the end of the quarter. The Saudi CP benchmarks in Australian cents per litre increased by 11.7 cpl from the end of December 2021. The benchmark price was 57.5 cpl at the end of December 2021 and increased to 69.3 cpl at the beginning of March 2022.

Quarterly average Saudi CP benchmarks in the March quarter 2022 were 61.2 cpl, an increase of 1.4 cpl from the December quarter 2021 (59.8 cpl).

As the Saudi CP benchmarks only change at the start of each month, the relationship between movements in the international benchmark prices and retail prices for LPG is different from petrol and diesel. Furthermore, non-transport factors, such as demand for heating (particularly in the Northern Hemisphere) also influence international LPG prices. Other recent factors such as global easing of COVID-19 restrictions and geo-political events (the war in Ukraine) also contributed to rising LPG prices.

Like diesel prices, retail LPG prices tend to be less volatile than petrol prices and do not move in cycles. In 2021, LPG powered vehicles comprised less than 2% of the national fleet in Australia.⁸⁶ Accordingly, LPG usage in Australia is significantly less than petrol and diesel usage and has been declining for many years. There are also fewer retailers of LPG, particularly outside Victoria (where around half of Australia's LPG is sold).

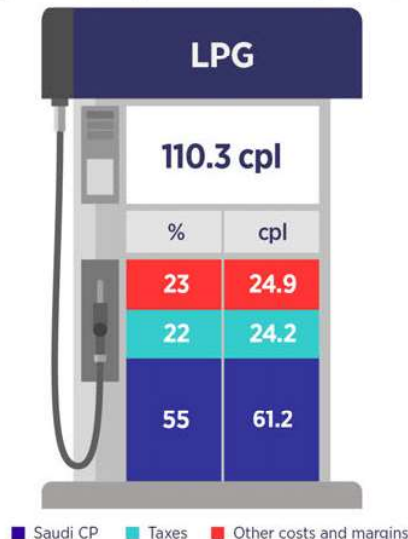
8.4 Saudi CP were the largest component of average LPG prices

Chart 8.4 shows the 3 broad components of average retail LPG prices in the 5 largest cities in the March quarter 2022.

⁸⁶ ABS (June 2021), 'Table 4 Motor Vehicles on register, Type of fuel - by Type of vehicle: census year' [data set], *Motor Vehicle Census, Australia, 2021*, accessed on 27 May 2022.

Released under FOI

Chart 8.4 Components of average retail LPG prices in the 5 largest cities in the March quarter 2022



Source: ACCC calculations based on data from FUELtrac, Reuters, RBA and ATO.

The chart shows that in the March quarter 2022:

- the Saudi CP international benchmarks accounted for 55% of average retail LPG prices, a decrease of 1 percentage point from the December quarter 2021
- taxes accounted for 22% of average retail LPG prices, the same as in the December quarter 2021⁸⁷
- other costs and margins accounted for 23% of average retail LPG prices, an increase of 2 percentage points.⁸⁸

Other costs and margins make up a relatively large proportion of the retail price for LPG compared with those for petrol and diesel because of the higher transportation and storage costs for LPG, and the lower rate of excise.

⁸⁷ On 1 February 2022, excise on LPG increased by 0.3 cpl to 14.4 cpl. On 30 March 2022, excise on LPG was halved for 6 months to 7.2 cpl.

⁸⁸ The percentage changes in the quarter do not sum to zero due to rounding.

Released under FOI

Appendix A: Petrol and diesel price decreases following the cut in fuel excise on 30 March 2022

On 29 March 2022, the Australian Government announced a halving of the excise and excise-equivalent customs duty rate on petrol and diesel for 6 months from 30 March 2022. The rate of excise and excise-equivalent customs duty applying to petrol and diesel on 29 March was 44.2 cpl. The budget measure reduced the rate to 22.1 cpl. Taking into consideration the reduction in GST associated with the halving of the excise rate, the impact on petrol and diesel prices would be a reduction of 24.3 cpl.

After the cut in fuel excise came into effect on 30 March 2022, there were significant falls in retail fuel prices in all capital cities and the vast majority of regional locations. There were other factors that also contributed to lower retail prices following the excise cut, including a decrease in international benchmark refined fuel prices in early April 2022. Their impact on retail prices will vary according to lags in the adjustment of retail prices in different locations as well as the extent to which locations fully reflect both higher and lower wholesale prices.

Table A1 shows daily average prices for petrol and diesel in each capital city and monitored regional location in Australia on 29 March 2022, and the largest observed price decrease in the 6 weeks to 10 May 2022 following the reduction in fuel excise.⁸⁹

Table A1 The largest fall observed in daily average retail petrol and diesel prices in each monitored location between 29 March and 10 May 2022 – cpl

Location	Petrol		Diesel	
	Price on 29 March 2022	Largest fall in price	Price on 29 March 2022	Largest fall in price
Sydney	201.9	-40.8	218.6	-30.7
Melbourne	197.0	-40.0	221.4	-30.9
Brisbane	200.1	-39.1	224.6	-30.3
Adelaide	193.0	-42.9	218.9	-37.7
Perth	198.6	-46.0	222.8	-36.4
Hobart	221.4	-47.8	226.2	-31.1
Canberra	208.5	-34.4	223.0	-31.7
Darwin	208.8	-24.6	224.4	-28.7
New South Wales				
Albury	208.8	-29.0	222.9	-26.6
Armidale	208.3	-27.4	224.1	-22.6
Ballina	211.7	-26.6	223.6	-29.0
Batemans Bay	214.5	-31.0	231.1	-29.2
Bathurst	205.2	-33.7	219.7	-30.5
Bega	213.2	-30.2	227.9	-34.0
Broken Hill	212.5	-48.6	217.8	-26.8
Bulahdelah	207.5	-37.6	222.6	-33.7
Buronga	199.9	-30.0	214.9	-25.0
Casino	205.9	-28.4	225.7	-31.7
Central Coast	204.6	-40.2	220.7	-35.6
Coffs Harbour	210.2	-32.1	225.5	-26.0
Cooma	213.7	-30.8	223.7	-28.5

⁸⁹ The source for all prices in this appendix is ACCC calculations based on data from FUELtrac and Informed Sources.

Released under FOI

Location	Petrol		Diesel	
	Price on 29 March 2022	Largest fall in price	Price on 29 March 2022	Largest fall in price
Coonabarabran	191.2	-33.7	224.9	-28.0
Cootamundra	204.4	-27.5	218.9	-30.9
Cowra	211.9	-25.0	225.9	-29.0
Deniliquin	209.7	-14.3	222.3	-21.8
Dubbo	209.5	-43.3	227.7	-37.9
Forbes	207.1	-24.1	225.1	-27.2
Forster	199.8	-29.9	219.1	-26.2
Gilgandra	206.1	-32.2	226.9	-35.9
Glen Innes	211.9	-31.0	223.9	-26.4
Goulburn	208.8	-42.7	225.5	-42.3
Grafton	208.5	-33.3	219.9	-26.8
Griffith	207.9	-28.3	219.1	-24.1
Gundagai	206.9	-30.0	222.5	-28.1
Gunnedah	203.5	-31.6	221.2	-31.3
Hay	212.0	-25.1	225.9	-25.2
Inverell	205.2	-25.3	214.2	-25.0
Jerilderie	209.9	-26.7	222.9	-25.0
Kempsey	200.9	-43.0	217.7	-41.9
Leeton	204.9	-35.3	218.9	-32.9
Lismore	216.2	-27.7	220.5	-20.9
Lithgow	207.7	-34.4	222.7	-32.8
Merimbula	210.1	-30.8	220.8	-24.1
Mittagong	192.1	-26.6	207.2	-25.4
Moama	205.9	-27.9	220.5	-28.6
Moree	206.0	-23.1	216.9	-26.7
Moruya	209.9	-30.0	218.6	-27.6
Moss Vale	197.0	-28.9	221.9	-40.1
Mudgee	206.0	-37.1	224.6	-32.4
Murwillumbah	212.2	-33.7	219.7	-22.9
Muswellbrook	204.5	-35.0	218.9	-34.7
Narrabri	212.0	-27.0	222.5	-24.8
Newcastle	203.2	-38.6	219.2	-33.8
Nowra	208.6	-33.7	225.3	-27.4
Nyngan	202.8	-31.1	218.3	-27.6
Oberon	210.5	-24.6	219.9	-22.0
Orange	208.3	-38.7	220.8	-37.5
Parkes	212.9	-25.2	227.9	-31.9
Port Macquarie	201.9	-30.8	216.5	-22.0
Queanbeyan	207.9	-40.0	223.0	-36.7
Singleton	210.3	-43.5	217.9	-38.3
Tamworth	204.3	-33.4	220.1	-26.6
Taree	206.9	-31.6	222.5	-25.1
Temora	208.9	-27.4	220.9	-35.1
Tumut	202.5	-22.8	218.5	-23.1
Tweed Heads South	215.8	-37.1	226.5	-30.6
Ulladulla	208.7	-34.8	218.7	-24.7

Released under FOI

Location	Petrol		Diesel	
	Price on 29 March 2022	Largest fall in price	Price on 29 March 2022	Largest fall in price
Wagga Wagga	203.5	-30.4	216.2	-23.8
Wauchope	203.9	-25.9	219.6	-22.1
Wellington	212.6	-33.7	225.6	-32.4
West Wyalong	205.4	-22.7	219.2	-25.0
Wollongong	209.3	-37.4	219.7	-29.8
Woolgoolga	215.5	-31.0	225.5	-26.4
Yass	205.2	-30.3	220.2	-24.9
Northern Territory				
Alice Springs	217.3	-28.5	238.5	-39.6
Katherine	212.2	-32.7	224.7	-27.1
Tennant Creek	220.9	-37.0	229.9	-32.0
Queensland				
Atherton	211.2	-31.4	223.8	-28.3
Ayr	198.5	-35.0	209.9	-24.7
Biloela	199.3	-25.5	219.5	-27.0
Blackall	215.0	-12.1	227.9	-28.0
Blackwater	185.6	-33.7	205.2	-32.9
Bowen	206.4	-33.1	222.7	-30.9
Bundaberg	201.5	-32.9	214.3	-26.5
Caboolture	200.0	-39.1	220.8	-29.0
Cairns	211.3	-41.6	224.3	-32.3
Charleville	205.9	-21.0	229.9	-37.0
Charters Towers	215.2	-35.5	226.6	-29.9
Childers	210.1	-34.2	219.3	-29.0
Cloncurry	219.9	-8.7	223.4	-11.3
Cunnamulla	221.6	-26.6	232.6	-24.7
Dalby	207.9	-29.5	221.1	-26.8
Emerald	209.8	-26.2	223.4	-25.3
Gladstone	208.1	-36.7	217.6	-30.2
Gold Coast	204.1	-42.6	221.3	-26.9
Goondiwindi	206.9	-30.6	218.6	-28.4
Gympie	201.8	-37.1	215.3	-30.8
Hervey Bay	224.4	-66.9	241.2	-59.2
Ingham	206.4	-37.9	225.5	-27.3
Innisfail	209.6	-46.4	224.2	-35.7
Ipswich	207.3	-43.2	220.6	-28.7
Kingaroy	209.9	-33.3	223.1	-30.8
Longreach	220.3	-34.4	229.9	-26.1
Mackay	206.2	-31.5	222.2	-25.8
Mareeba	210.5	-34.6	223.3	-26.4
Maryborough	204.7	-39.6	219.9	-35.0
Miles	200.4	-37.6	215.3	-35.8
Moranbah	206.8	-14.3	218.5	-26.6
Mt Isa	222.9	-25.0	227.7	-33.3

Released under FOI

Location	Petrol		Diesel	
	Price on 29 March 2022	Largest fall in price	Price on 29 March 2022	Largest fall in price
Normanton	220.9	-22.2	227.4	-20.2
Rockhampton	209.7	-34.4	218.0	-25.9
Roma	205.3	-24.8	221.4	-30.5
Sunshine Coast	197.9	-34.0	217.5	-29.3
Toowoomba	202.1	-38.0	216.1	-29.4
Townsville	203.1	-38.5	223.8	-29.4
Tully	211.9	-33.0	224.9	-25.3
Warwick	203.0	-38.8	220.5	-33.1
Weipa	239.9	-28.0	237.9	-25.0
Whitsunday	201.6	-46.9	216.4	-33.5
Yeppoon	207.3	-37.5	219.7	-29.9
South Australia				
Bordertown	208.8	-38.9	220.9	-38.0
Ceduna	209.9	-32.0	222.0	-26.5
Clare	204.9	-27.0	218.1	-28.6
Cooper Pedy	236.2	-45.5	244.9	-36.0
Gawler	193.1	-43.3	217.9	-38.2
Kadina	208.9	-33.0	219.9	-33.0
Keith	203.6	-30.7	212.2	-27.3
Loxton	205.1	-32.2	215.9	-32.2
Mt Gambier	199.8	-32.2	209.9	-28.4
Murray Bridge	201.9	-38.6	214.3	-35.6
Naracoorte	209.8	-32.9	221.7	-26.8
Port Augusta	211.7	-37.2	221.0	-26.9
Port Lincoln	206.1	-27.2	217.9	-26.1
Port Pirie	206.4	-32.7	217.4	-28.3
Renmark	211.2	-33.1	219.3	-26.7
Tailem Bend	206.9	-33.0	218.5	-30.4
Victor Harbour	209.9	-31.8	225.9	-33.7
Whyalla	209.9	-36.7	223.9	-31.5
Tasmania				
Burnie	214.1	-40.6	221.2	-30.6
Campbell Town	214.9	-30.0	225.7	-25.8
Devonport	213.6	-30.9	225.4	-26.2
Huonville	216.9	-51.0	221.7	-29.1
Launceston	214.7	-37.3	225.9	-36.0
New Norfolk	207.8	-36.3	211.5	-21.6
Queenstown	229.5	-40.5	242.8	-38.9
Smithton	214.5	-28.7	223.1	-30.3
Sorell	216.9	-48.9	223.2	-34.3
Ulverstone	214.3	-31.4	225.4	-27.5
Wynyard	212.9	-38.0	221.5	-41.5

Released under FOI

Location	Petrol		Diesel	
	Price on 29 March 2022	Largest fall in price	Price on 29 March 2022	Largest fall in price
Victoria				
Ararat	205.9	-32.0	224.9	-30.0
Bairnsdale	192.8	-24.9	215.0	-29.1
Ballarat	205.8	-33.0	222.9	-32.2
Benalla	205.9	-34.6	221.9	-26.0
Bendigo	209.0	-36.2	222.8	-25.0
Cobram	207.0	-30.1	219.5	-32.6
Colac	199.9	-37.5	220.9	-32.0
Corryong	205.0	-33.0	217.0	-28.0
Echuca	205.9	-28.4	221.8	-26.9
Euroa	209.9	-27.0	227.9	-24.0
Geelong	200.3	-41.6	220.1	-30.1
Hamilton	192.7	-29.8	204.6	-25.2
Horsham	207.9	-32.0	218.9	-27.1
Koo Wee Rup	206.9	-43.0	212.9	-24.0
Kyabram	205.7	-37.8	219.9	-27.0
Lakes Entrance	208.9	-38.0	218.9	-29.0
Leongatha	207.9	-36.0	220.7	-29.9
Mansfield	209.9	-24.0	224.9	-27.7
Mildura	203.3	-33.4	221.7	-33.2
Moe	199.9	-30.0	215.6	-30.7
Morwell	205.9	-36.0	215.9	-28.0
Orbost	209.9	-36.0	219.9	-28.0
Portland	198.5	-28.9	210.4	-26.5
Sale	208.9	-37.0	220.4	-30.5
Seymour	207.9	-34.0	229.9	-38.0
Shepparton	200.4	-35.7	221.7	-31.3
Swan Hill	203.9	-27.0	221.9	-28.0
Traralgon	207.5	-40.1	220.7	-32.0
Wallan	213.1	-51.5	222.9	-28.8
Wangaratta	209.7	-28.7	225.9	-32.0
Warrnambool	199.9	-26.0	208.0	-21.3
Wodonga	205.4	-32.7	219.9	-25.7
Wonthaggi	207.3	-35.4	220.9	-31.0
Yarrawonga	211.8	-31.9	226.2	-32.3
Western Australia				
Albany	209.0	-39.0	220.7	-33.5
Boulder	206.9	-36.0	219.9	-32.0
Bridgetown	209.9	-30.1	220.8	-27.0
Broome	227.0	-27.8	228.7	-25.2
Bunbury	202.4	-32.8	214.0	-33.3
Busselton	204.4	-35.5	220.0	-31.4
Carnarvon	215.9	-26.2	226.5	-27.0
Collie	210.1	-36.3	226.4	-31.9
Dongara	208.2	-38.3	216.3	-37.7

Released under FOI

Location	Petrol		Diesel	
	Price on 29 March 2022	Largest fall in price	Price on 29 March 2022	Largest fall in price
Esperance	218.0	-27.9	215.6	-25.7
Geraldton	210.6	-39.6	217.3	-31.4
Kalgoorlie	207.0	-36.2	220.0	-31.0
Karratha	226.1	-43.9	231.1	-33.2
Manjimup	210.6	-27.4	221.5	-25.9
Mount Barker	210.9	-29.7	222.9	-33.4
Port Hedland	221.0	-31.9	224.4	-30.8
Waroona	211.9	-31.5	223.9	-28.0

Released under FOI

Appendix B: Caltex/Milemaker section of the ex post review of ACCC merger decisions report – February 2022

During 2021, the ACCC conducted ex post reviews of 6 past merger decisions to inform and improve its merger investigative processes, investigation efficiency and its decisions. In February 2022, the ACCC released a report summarising its review. One of the mergers examined was Caltex Australia's acquisition of 46 Milemaker Petroleum retail sites in Victoria in 2017. The relevant section of the report is reproduced below.

Caltex Australia Petroleum Pty Ltd – assets from Milemaker Petroleum

Merger review commenced: 17 November 2016

Statement of Issues: 16 March 2017

Outcome: Not opposed on 4 May 2017

ACCC decision

In May 2017, Caltex⁹⁰ acquired the Milemaker retail petrol business. This involved Caltex taking over the operation of 33 retail petrol sites⁹¹ in Melbourne (the Milemaker sites), two in Geelong and 11 in regional Victoria. Pre-acquisition, these sites were operated by Milemaker who set the retail petrol prices at the sites. Milemaker acquired wholesale fuel from Caltex and sold retail petrol under the Caltex brand. Since the acquisition Caltex has set retail petrol prices at the sites.

The ACCC considered the competitive effects of the proposed acquisition in markets for:

- the retail supply of petrol in the local areas in the vicinity of each Milemaker site
- the retail supply of petrol in the Melbourne metropolitan area.

The ACCC considered whether the proposed acquisition would be likely to substantially lessen competition by removing a vigorous and effective competitor from the relevant markets.⁹²

The ACCC's theory of harm had the following elements:

- Milemaker is a vigorous and effective price competitor in petrol retailing
- post-acquisition, Caltex will adopt a less aggressive pricing strategy in setting prices at the Milemaker sites
- as a result, the price competition faced by petrol retailers that compete on a local basis with the Milemaker sites will be lessened
- this will result in higher petrol prices in the local areas in the vicinity of Milemaker sites, and possibly, more broadly, across the Melbourne metropolitan area.

The ACCC concluded that Milemaker was a vigorous and effective price competitor that exerts competitive pressure on retail petrol prices in Melbourne⁹³, and that Caltex was likely to change the way

90 In 2020, Caltex Australia Limited changed its name to Ampol Limited. Caltex commenced re-branding its sites from Caltex to Ampol in 2019.

91 Including one site that was in development at the time.

92 ACCC's Public Competition Assessment (25 July 2018).

93 ACCC's Public Competition Assessment (25 July 2018).

Released under FOI

the Milemaker sites were operated such that a vigorous price competitor will be removed from petrol retailing in Melbourne. However, the ACCC cleared the merger on the basis that:

- there were a number of other vigorous and effective price competitors in petrol retailing in Melbourne who were larger than Milemaker and who competed more directly with Caltex on a local site basis
- sufficient competitive pressure would remain in petrol retailing in Melbourne to prevent the acquisition from having the effect or likely effect of substantially lessening competition.

Petrol price cycles

Price cycles are a prominent feature of retail petrol prices in Australia's largest cities, including Melbourne. Petrol prices have two distinct phases:

- the restoration phase – a substantial increase in prices that generally occurs across a metropolitan area
- the discounting phase – a more prolonged phase of decreasing prices.

The restoration phase is generally initiated by one or two retailers increasing prices substantially at a small number of retail sites. If other retailers respond to this move with similar increases, then the increased price usually spreads across most retail sites within a metropolitan area in a matter of days.

Some retailers follow shortly after the first mover raises prices; others take longer to follow the price increase. This is because there is an incentive for individual retailers to delay their price response during the restoration phase of the price cycle, thereby potentially gaining a temporary increase in sales and a reputation for low prices.

The risk for retailers who delay is that the first mover (or those that follow quickly) may abandon their attempt to increase prices, and return their prices to the previous, lower levels. The longer other retailers delay in following an attempted restoration, the greater the likelihood that the first mover or early followers will abandon their price increase.

Generally during the restoration phase, retailers increase prices to the same or a similar price point across different local areas within a metropolitan area.

The discounting phase involves a slower process of fuel retailers undercutting or matching each other's prices on a local basis in small amounts. This process can take a number of weeks.

During the discounting phase, the rate at which retailers reduce their prices from the cyclical peak tends to vary on a site-by-site basis depending on factors that include the prices at nearby sites. As a result, during the discounting phase, there will often be a degree of variability in the prices across a retailer's sites in a city.

Ex post findings

The ex post review focused on the price of regular unleaded petrol (RULP) in Melbourne. Immediately prior to the acquisition, Caltex set RULP prices at 59 sites, or around 7% of the sites in Melbourne (the Caltex sites). The Caltex-Milemaker acquisition had the effect of increasing this share to around 11% of sites.

The information available to the ACCC for this ex post review is somewhat unique. As a result of several past merger investigations, the ACCC has been able to compile a dataset of 'time of day' RULP prices at almost all retail petrol sites in Melbourne extending over the period 2015 to 2019. This enabled the ACCC to assess the effect of the acquisition (which occurred in May 2017) on RULP prices.

This ex post review involved extensive analysis of RULP pricing data in combination with confidential and commercially sensitive information obtained from petrol retailers in past merger reviews. The results of the analysis reported in this paper are a small part of the analysis undertaken in the review. This is necessary to protect this commercially sensitive information.

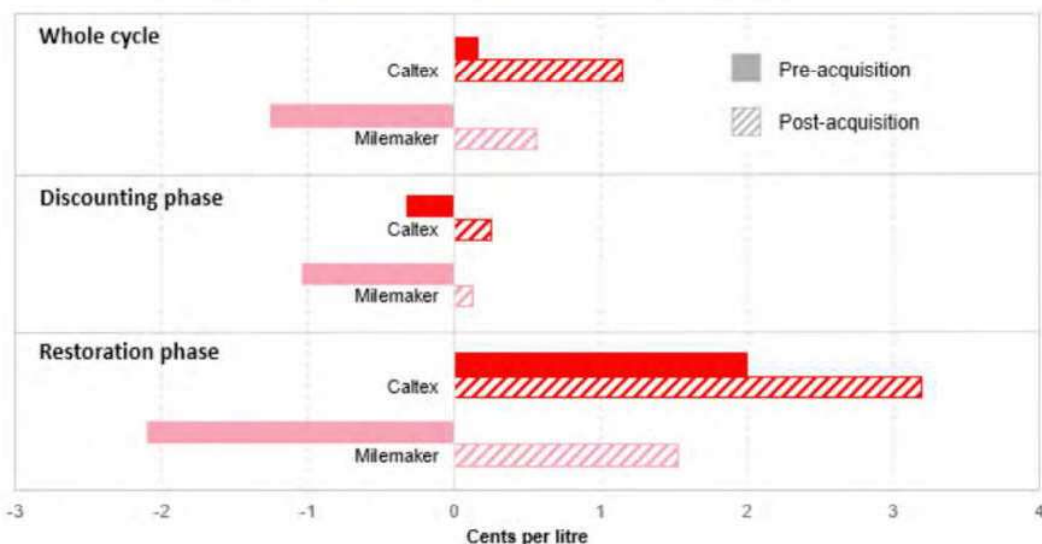
Released under FOI

The ex post analysis revealed that Milemaker was a vigorous and effective price competitor in the retailing of RULP in Melbourne and that Caltex adopted a much less aggressive pricing strategy at the Milemaker sites post-acquisition. As noted above, the ACCC considered these effects were likely at the time it assessed the acquisition.

Chart B1 displays the average RULP prices at the Caltex sites and the Milemaker sites relative to the average RULP price across all sites in Melbourne. Pre-acquisition⁹⁴ the RULP prices at the Milemaker sites were, on average, more than 1 cent per litre below the Melbourne average. Post-acquisition they were around 0.5 cents per litre above the average. Furthermore:

- RULP prices at the Milemaker sites were, on average, the second lowest among the major retailers in Melbourne pre-acquisition compared to one of the highest post-acquisition
- RULP prices at the Milemaker sites were, on average, the lowest among the major retailers pre-acquisition during the discounting phases compared to one of the highest post-acquisition
- post-acquisition, Caltex was quicker to increase prices at Milemaker sites (relative to other retailers), than Milemaker did pre-acquisition.

Chart B1 Merger parties' RULP prices compared to Melbourne average



The ex post analysis also revealed that the less aggressive pricing strategy adopted by Caltex at the Milemaker sites had the effect of lessening the price competition faced by petrol retailers in the vicinity of those sites. This resulted in higher RULP prices in the local areas in the vicinity of the Milemaker sites. The ACCC considered this was not likely when it assessed the acquisition, given the number of other vigorous price competitors in the vicinity of the Milemaker sites.

Analysis of the effects of the less aggressive pricing strategy adopted by Caltex at the Milemaker sites on the price competition faced by other retailers was based on confidential information sourced from major retailers on the sites they actively monitor when setting RULP prices at each of their own sites. These sites are often referred to as marker sites. Major retailers include BP, Caltex, Coles, 7 Eleven, Woolworths and United. Specifically, for each of these major retailers RULP prices at sites that 'mark' a Milemaker site were compared to the prices at their sites that do not 'mark' a Milemaker site.

Chart B2 displays these comparisons for each price cycle over the period 2015 to 2019. Each observation in the figure represents the average difference between RULP prices at sites where the

⁹⁴ The acquisition was completed on 9 May 2017. The pre-acquisition period is 1 January 2015 to 17 April 2017. The post-acquisition period is 7 July 2017 to 31 December 2019. The period from 18 April 2017 to 6 July 2017 is a transition period. It covers the two price cycles that include some periods when the pricing of the Milemaker sites were transitioning to Caltex.

Released under FOI

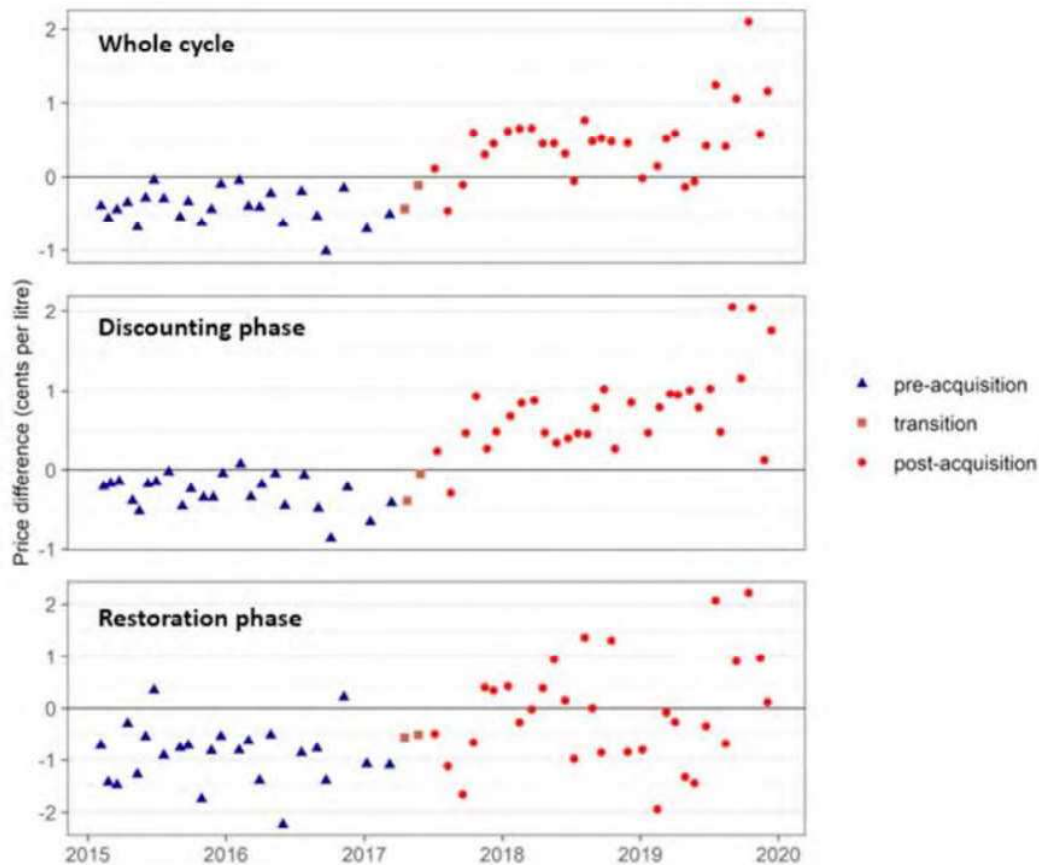
retailer 'marks' a Milemaker site (i.e. are close local competitors to a Milemaker site) and prices at sites where the same retailer does not mark a Milemaker site. This is done for individual price cycles.⁹⁵

Chart B2 shows that:

- pre-acquisition RULP prices at sites that 'mark' a Milemaker site were, on average, *lower* than the prices at sites that do not 'mark' a Milemaker site – this difference largely varied between 0 and 1 cents per litre depending on the price cycle
- post-acquisition RULP prices at sites that 'mark' a Milemaker site were, on average, *higher* than the prices at sites that do not 'mark' a Milemaker site – this difference largely varied between 0 and 1 cents per litre depending on the price cycle.

Put simply, post-acquisition, the prices at the sites that major retailers consider to be close local competitors to a Milemaker site increased relative to the prices at their sites that they do not consider to closely compete with a Milemaker site. Moreover, it is clear from **Chart B2** that the effect on the pricing of local competitor sites occurred contemporaneously with the acquisition. This strongly suggests that the acquisition explains the increase in RULP prices at these sites.

Chart B2 Price difference between sites that compete with Milemaker sites and those that do not



Source: Based on confidential information obtained by the ACCC.

On the basis of our analysis we estimate that the acquisition had the effect of:

- increasing RULP prices in local areas near Milemaker sites by around 0.8 cents per litre (on average)

⁹⁵ These comparisons are of RULP prices at sites that mark a Milemaker site and sites that do not mark a Milemaker site for each major retailer. So, for a BP site that 'marks' a Milemaker site, it is the average difference between the RULP price at the BP site and the prices of all BP sites that do not 'mark' a Milemaker site.

Released under FOI

- increasing the margins of petrol retailers in local areas near Milemaker sites by around 6% (on average)
- increasing the total cost of RULP to motorists by around \$6 million per annum.

The ex post review supports the ACCC's theories of harm in other retail petrol mergers, including for example the ACCC's opposition of BP's proposed acquisition of Woolworths' retail petrol sites.⁹⁶ The removal of a vigorous and effective price competitor can matter to the outcomes in local petrol markets where price cycles are present. This can occur even if there are other strong price competitors in the same local area. Removing a vigorous and effective price competitor reduces the competitive pressure on other retailers who compete aggressively on price. These effects can result in higher petrol prices across local areas of competition, and even into adjoining areas.

96 ACCC public register - [BP proposed acquisition of Woolworths' retail service station sites](#).

Released under FOI

Appendix C: Petrol price data for monitored locations

The ACCC monitors fuel prices in all capital cities and over 190 regional locations across Australia. Table C1 shows quarterly average retail petrol prices in the December quarter 2021 and the March quarter 2022, and the change between the 2 quarters, in these locations.⁹⁷ It also shows the differential between average prices in each location and average prices across the 5 largest cities, and the location's capital city in the March quarter 2022, and in the year to 31 March 2022.⁹⁸

Table C1 Quarterly average petrol prices in the December quarter 2021 and the March quarter 2022, and differentials in the March quarter 2022 and year to March 2022 – cpl

Location	Dec-21	Mar-22	Change Dec-21 to Mar-22	Differential Mar 2022		Differential Year to Mar 2022	
				5 largest cities	Capital city	5 largest cities	Capital city
Sydney	166.2	182.7	16.5				
Melbourne	162.2	181.6	19.4				
Brisbane	164.5	184.6	20.1				
Adelaide	157.9	178.8	20.9				
Perth	163.3	181.7	18.4				
5 largest cities	162.8	181.9	19.1				
Hobart	175.0	195.2	20.2	13.3		8.1	
Canberra	167.7	184.3	16.6	2.4		2.2	
Darwin	166.6	186.1	19.5	4.2		0.9	
New South Wales							
Albury	162.9	181.0	18.1	-0.9	-1.7	-2.0	-4.7
Armidale	161.7	180.3	18.6	-1.6	-2.4	-2.5	-5.2
Ballina	171.1	189.5	18.4	7.6	6.8	5.9	3.2
Batemans Bay	169.2	186.7	17.5	4.8	4.0	4.7	2.0
Bathurst	160.8	177.6	16.8	-4.3	-5.1	-2.9	-5.6
Bega	166.5	183.9	17.4	2.0	1.2	1.6	-1.1
Broken Hill	171.9	187.9	16.0	6.0	5.2	7.0	4.3
Bulahdelah	161.3	175.7	14.4	-6.2	-5.5	-5.2	-6.4
Casino	162.4	180.2	17.8	-1.7	-2.5	-1.7	-4.4
Central Coast	163.5	183.0	19.5	1.1	0.3	2.5	-0.2
Coffs Harbour	167.3	185.8	18.5	3.9	3.1	3.7	1.0
Cooma	166.4	184.7	18.3	2.8	2.0	3.1	0.4
Coonabarabran	161.7	179.0	17.3	-2.9	-2.2	0.9	-0.3
Cootamundra	162.3	180.2	17.9	-1.7	-2.5	-1.8	-4.5
Cowra	168.8	184.8	16.0	2.9	3.6	4.2	3.0

⁹⁷ The source for all prices in this appendix is ACCC calculations based on data from FUELtrac. For prices to be included in the table there had to be price observations on at least 75% of days in the quarter/year. Eleven locations – Blackall, Buronga, Charleville, Coober Pedy, Cunnamulla, Gundagai, Mt Isa, Normanton, Oberon, Orbost and Weipa – did not have sufficient data for the December quarter 2021 or March quarter 2022. E10 prices instead of RULP prices are reported in Bulahdelah, Coonabarabran, Cowra, Gilgandra, Gunnedah, Singleton, Ulladulla, Wellington, West Wyalong and Yass.

⁹⁸ Average RULP prices in the year to March 2022 across the 5 largest cities were 159.8 cpl. Average prices in each capital city were: Sydney – 162.5 cpl, Melbourne – 160.8 cpl, Brisbane – 163.1 cpl, Adelaide – 154.2 cpl, Perth – 158.6 cpl, Darwin – 160.7 cpl, Hobart – 167.9 cpl, and Canberra – 162.0 cpl. For those locations in New South Wales in the table for which E10 prices are reported, the differential with prices in Sydney uses E10 prices. In the December quarter 2021 average E10 prices in Sydney were 164.8 cpl, in the March quarter 2022 they were 181.2 cpl, and in the year to 31 March 2022 they were 161.0 cpl.

Released under FOI

Location	Dec-21	Mar-22	Change Dec-21 to Mar-22	Differential Mar 2022		Differential Year to Mar 2022	
				5 largest cities	Capital city	5 largest cities	Capital city
Deniliquin	163.3	182.9	19.6	1.0	0.2	0.3	-2.4
Dubbo	164.4	181.7	17.3	-0.2	-1.0	1.8	-0.9
Forbes	169.0	184.7	15.7	2.8	2.0	4.2	1.5
Forster	160.5	171.6	11.1	-10.3	-11.1	-2.6	-5.3
Gilgandra	164.2	182.1	17.9	0.2	0.9	0.3	-0.9
Glen Innes	164.3	185.3	21.0	3.4	2.6	-0.4	-3.1
Goulburn	162.2	180.1	17.9	-1.8	-2.6	-2.7	-5.4
Grafton	168.2	185.3	17.1	3.4	2.6	4.8	2.1
Griffith	160.2	180.4	20.2	-1.5	-2.3	-4.2	-6.9
Gunnedah	157.7	175.5	17.8	-6.4	-5.7	-7.0	-8.2
Hay	164.1	183.5	19.4	1.6	0.8	-1.2	-3.9
Inverell	163.9	182.4	18.5	0.5	-0.3	-0.7	-3.4
Jerilderie	163.4	182.9	19.5	1.0	0.2	-1.3	-4.0
Kempsey	163.7	182.1	18.4	0.2	-0.6	-0.9	-3.6
Leeton	163.3	180.2	16.9	-1.7	-2.5	-1.8	-4.5
Lismore	162.4	180.5	18.1	-1.4	-2.2	-1.9	-4.6
Lithgow	162.8	180.1	17.3	-1.8	-2.6	-1.5	-4.2
Merimbula	164.8	183.6	18.8	1.7	0.9	1.2	-1.5
Mittagong	160.9	178.9	18.0	-3.0	-3.8	-2.8	-5.5
Moama	161.2	178.8	17.6	-3.1	-3.9	-2.2	-4.9
Moree	162.9	181.2	18.3	-0.7	-1.5	-0.4	-3.1
Moruya	159.2	179.5	20.3	-2.4	-3.2	-5.3	-8.0
Moss Vale	159.9	181.5	21.6	-0.4	-1.2	-1.4	-4.1
Mudgee	163.8	181.0	17.2	-0.9	-1.7	2.6	-0.1
Murwillumbah	173.4	n/a	n/a	n/a	n/a	8.0	5.3
Muswellbrook	163.1	180.6	17.5	-1.3	-2.1	-4.9	-7.6
Narrabri	166.8	185.8	19.0	3.9	3.1	2.6	-0.1
Newcastle	161.1	180.9	19.8	-1.0	-1.8	-0.2	-2.9
Nowra	164.9	181.6	16.7	-0.3	-1.1	-1.3	-4.0
Nyngan	163.8	180.0	16.2	-1.9	-2.7	-2.5	-5.2
Orange	159.5	178.2	18.7	-3.7	-4.5	-2.6	-5.3
Parkes	169.0	184.8	15.8	2.9	2.1	5.0	2.3
Port Macquarie	158.4	179.2	20.8	-2.7	-3.5	-4.0	-6.7
Queanbeyan	165.4	181.4	16.0	-0.5	-1.3	-0.2	-2.9
Singleton	171.8	185.2	13.4	3.3	4.0	1.7	0.5
Tamworth	164.2	182.0	17.8	0.1	-0.7	-0.1	-2.8
Taree	166.6	182.8	16.2	0.9	0.1	2.1	-0.6
Temora	162.7	181.4	18.7	-0.5	-1.3	-2.5	-5.2
Tumut	163.1	179.8	16.7	-2.1	-2.9	-0.4	-3.1
Tweed Heads South	176.0	188.0	12.0	6.1	5.3	10.1	7.4
Ulladulla	161.3	180.4	19.1	-1.5	-0.8	-2.9	-4.1
Wagga Wagga	163.6	180.5	16.9	-1.4	-2.2	0.2	-2.5
Wauchope	166.3	181.4	15.1	-0.5	-1.3	-0.1	-2.8
Wellington	159.6	178.0	18.4	-3.9	-3.2	-3.6	-4.8
West Wyalong	165.1	180.5	15.4	-1.4	-0.7	-0.3	-1.5

Released under FOI

Location	Dec-21	Mar-22	Change Dec-21 to Mar-22	Differential Mar 2022		Differential Year to Mar 2022	
				5 largest cities	Capital city	5 largest cities	Capital city
Wollongong	171.6	191.5	19.9	9.6	8.8	6.1	3.4
Woolgoolga	171.8	191.4	19.6	9.5	8.7	9.3	6.6
Yass	164.4	185.1	20.7	3.2	3.9	0.7	-0.5
Northern Territory							
Alice Springs	173.6	192.1	18.5	10.2	6.0	8.8	7.9
Katherine	171.2	186.8	15.6	4.9	0.7	5.9	5.0
Tennant Creek	n/a	196.2	n/a	14.3	10.1	16.0	15.1
Queensland							
Atherton	164.3	182.4	18.1	0.5	-2.2	-0.5	-3.8
Ayr	160.0	177.0	17.0	-4.9	-7.6	-5.1	-8.4
Biloela	160.6	178.1	17.5	-3.8	-6.5	-4.7	-8.0
Blackwater	164.4	177.3	12.9	-4.6	-7.3	-2.3	-5.6
Bowen	161.7	178.4	16.7	-3.5	-6.2	-3.2	-6.5
Bundaberg	158.5	174.3	15.8	-7.6	-10.3	-7.0	-10.3
Caboolture	167.3	186.7	19.4	4.8	2.1	4.7	1.4
Cairns	163.3	182.5	19.2	0.6	-2.1	-1.0	-4.3
Charters Towers	169.4	182.4	13.0	0.5	-2.2	1.5	-1.8
Childers	163.9	181.5	17.6	-0.4	-3.1	-1.1	-4.4
Cloncurry	173.3	202.9	29.6	21.0	18.3	13.2	9.9
Dalby	163.1	180.0	16.9	-1.9	-4.6	-1.2	-4.5
Emerald	171.9	185.8	13.9	3.9	1.2	4.2	0.9
Gladstone	162.6	180.0	17.4	-1.9	-4.6	-3.0	-6.3
Gold Coast	168.3	186.3	18.0	4.4	1.7	4.7	1.4
Goondiwindi	164.6	181.6	17.0	-0.3	-3.0	-0.8	-4.1
Gympie	159.6	177.1	17.5	-4.8	-7.5	-4.7	-8.0
Hervey Bay	160.1	179.4	19.3	-2.5	-5.2	-3.7	-7.0
Ingham	160.8	179.5	18.7	-2.4	-5.1	-4.2	-7.5
Innisfail	164.4	183.6	19.2	1.7	-1.0	0.0	-3.3
Ipswich	170.0	188.0	18.0	6.1	3.4	7.6	4.3
Kingaroy	159.9	177.6	17.7	-4.3	-7.0	-5.4	-8.7
Longreach	173.4	190.5	17.1	8.6	5.9	7.6	4.3
Mackay	163.6	181.3	17.7	-0.6	-3.3	-0.5	-3.8
Mareeba	167.8	185.8	18.0	3.9	1.2	2.1	-1.2
Maryborough	159.0	176.9	17.9	-5.0	-7.7	-6.4	-9.7
Miles	162.1	177.0	14.9	-4.9	-7.6	-6.2	-9.5
Moranbah	161.9	180.2	18.3	-1.7	-4.4	-2.9	-6.2
Rockhampton	163.0	181.0	18.0	-0.9	-3.6	-2.0	-5.3
Roma	159.6	176.6	17.0	-5.3	-8.0	-7.1	-10.4
Sunshine Coast	160.7	179.1	18.4	-2.8	-5.5	-2.5	-5.8
Toowoomba	165.9	182.8	16.9	0.9	-1.8	1.9	-1.4
Townsville	162.4	180.1	17.7	-1.8	-4.5	-2.4	-5.7
Tully	164.5	184.3	19.8	2.4	-0.3	0.2	-3.1
Warwick	159.5	177.4	17.9	-4.5	-7.2	-5.3	-8.6
Whitsunday	158.9	176.5	17.6	-5.4	-8.1	-6.0	-9.3
Yeppoon	161.6	180.6	19.0	-1.3	-4.0	-2.1	-5.4

Released under FOI

Location	Dec-21	Mar-22	Change Dec-21 to Mar-22	Differential Mar 2022		Differential Year to Mar 2022	
				5 largest cities	Capital city	5 largest cities	Capital city
South Australia							
Bordertown	161.5	180.4	18.9	-1.5	1.6	-2.7	2.9
Ceduna	163.0	182.9	19.9	1.0	4.1	-0.4	5.2
Clare	159.6	178.7	19.1	-3.2	-0.1	-3.9	1.7
Gawler	160.2	182.1	21.9	0.2	3.3	-3.8	1.8
Kadina	160.1	179.6	19.5	-2.3	0.8	-2.9	2.7
Keith	n/a	178.8	n/a	-3.1	0.0	-4.2	1.4
Loxton	159.0	180.6	21.6	-1.3	1.8	-4.0	1.6
Mt Gambier	156.8	175.9	19.1	-6.0	-2.9	-7.5	-1.9
Murray Bridge	151.9	171.9	20.0	-10.0	-6.9	-10.5	-4.9
Naracoorte	164.3	182.1	17.8	0.2	3.3	-0.4	5.2
Port Augusta	162.7	181.9	19.2	0.0	3.1	-0.9	4.7
Port Lincoln	160.2	178.2	18.0	-3.7	-0.6	-2.1	3.5
Port Pirie	159.9	178.5	18.6	-3.4	-0.3	-4.5	1.1
Renmark	160.9	181.5	20.6	-0.4	2.7	-1.4	4.2
Tailem Bend	160.1	179.2	19.1	-2.7	0.4	-4.2	1.4
Victor Harbour	163.6	180.5	16.9	-1.4	1.7	-0.7	4.9
Whyalla	163.0	182.7	19.7	0.8	3.9	0.1	5.7
Tasmania							
Burnie	168.6	187.8	19.2	5.9	-7.4	3.6	-4.5
Campbell Town	171.6	189.9	18.3	8.0	-5.3	6.7	-1.4
Devonport	172.0	190.5	18.5	8.6	-4.7	6.4	-1.7
Huonville	175.2	192.6	17.4	10.7	-2.6	7.1	-1.0
Launceston	172.2	192.4	20.2	10.5	-2.8	6.3	-1.8
New Norfolk	170.9	188.7	17.8	6.8	-6.5	6.2	-1.9
Queenstown	176.2	196.4	20.2	14.5	1.2	10.1	2.0
Smithton	167.2	186.2	19.0	4.3	-9.0	3.0	-5.1
Sorell	173.9	195.4	21.5	13.5	0.2	5.0	-3.1
Ulverstone	172.8	190.2	17.4	8.3	-5.0	7.0	-1.1
Wynyard	175.1	191.2	16.1	9.3	-4.0	5.9	-2.2
Victoria							
Ararat	162.8	181.5	18.7	-0.4	-0.1	-1.0	-2.0
Bairnsdale	161.0	179.4	18.4	-2.5	-2.2	-4.1	-5.1
Ballarat	157.8	176.9	19.1	-5.0	-4.7	-6.3	-7.3
Benalla	159.0	176.8	17.8	-5.1	-4.8	-5.7	-6.7
Bendigo	161.7	179.9	18.2	-2.0	-1.7	-4.5	-5.5
Cobram	164.1	182.4	18.3	0.5	0.8	0.1	-0.9
Colac	161.8	178.1	16.3	-3.8	-3.5	-3.1	-4.1
Corryong	169.1	187.2	18.1	5.3	5.6	4.9	3.9
Echuca	160.9	178.7	17.8	-3.2	-2.9	-3.1	-4.1
Euroa	162.7	181.1	18.4	-0.8	-0.5	-0.6	-1.6
Geelong	155.9	173.2	17.3	-8.7	-8.4	-9.2	-10.2
Hamilton	160.4	176.0	15.6	-5.9	-5.6	-5.8	-6.8
Horsham	160.1	180.4	20.3	-1.5	-1.2	-1.6	-2.6
Koo Wee Rup	167.8	185.3	17.5	3.4	3.7	5.4	4.4

Released under FOI

Location	Dec-21	Mar-22	Change Dec-21 to Mar-22	Differential Mar 2022		Differential Year to Mar 2022	
				5 largest cities	Capital city	5 largest cities	Capital city
Kyabram	159.3	177.9	18.6	-4.0	-3.7	-3.7	-4.7
Lakes Entrance	160.6	180.1	19.5	-1.8	-1.5	-4.2	-5.2
Leongatha	164.6	182.3	17.7	0.4	0.7	-2.0	-3.0
Mansfield	163.2	182.8	19.6	0.9	1.2	0.9	-0.1
Mildura	159.7	178.3	18.6	-3.6	-3.3	-5.5	-6.5
Moe	161.7	179.3	17.6	-2.6	-2.3	-4.4	-5.4
Morwell	160.6	179.1	18.5	-2.8	-2.5	-5.0	-6.0
Portland	155.9	173.5	17.6	-8.4	-8.1	-8.2	-9.2
Sale	160.9	179.3	18.4	-2.6	-2.3	-4.1	-5.1
Seymour	169.7	184.3	14.6	2.4	2.7	4.9	3.9
Shepparton	162.8	180.2	17.4	-1.7	-1.4	-2.5	-3.5
Swan Hill	161.0	178.0	17.0	-3.9	-3.6	-4.3	-5.3
Traralgon	161.0	180.3	19.3	-1.6	-1.3	-4.1	-5.1
Wallan	166.3	182.8	16.5	0.9	1.2	3.2	2.2
Wangaratta	160.3	178.7	18.4	-3.2	-2.9	-3.6	-4.6
Warrnambool	158.7	175.5	16.8	-6.4	-6.1	-7.7	-8.7
Wodonga	161.3	178.2	16.9	-3.7	-3.4	-3.1	-4.1
Wonthaggi	165.2	182.2	17.0	0.3	0.6	-0.2	-1.2
Yarrawonga	167.6	182.5	14.9	0.6	0.9	1.8	0.8
Western Australia							
Albany	161.6	179.8	18.2	-2.1	-1.9	-3.2	-2.0
Boulder	165.9	182.5	16.6	0.6	0.8	-0.6	0.6
Bridgetown	163.3	181.9	18.6	0.0	0.2	-1.5	-0.3
Broome	184.9	202.3	17.4	20.4	20.6	18.1	19.3
Bunbury	161.9	180.0	18.1	-1.9	-1.7	-2.4	-1.2
Busselton	160.3	177.9	17.6	-4.0	-3.8	-4.7	-3.5
Carnarvon	175.2	194.3	19.1	12.4	12.6	9.5	10.7
Collie	166.0	180.7	14.7	-1.2	-1.0	-2.5	-1.3
Dongara	167.6	179.9	12.3	-2.0	-1.8	1.5	2.7
Esperance	171.7	189.6	17.9	7.7	7.9	7.6	8.8
Geraldton	166.8	184.1	17.3	2.2	2.4	0.8	2.0
Kalgoorlie	164.4	181.1	16.7	-0.8	-0.6	-1.7	-0.5
Karratha	184.5	198.8	14.3	16.9	17.1	16.8	18.0
Manjimup	164.2	182.8	18.6	0.9	1.1	-0.8	0.4
Mount Barker	163.7	182.3	18.6	0.4	0.6	-1.6	-0.4
Port Hedland	179.8	196.2	16.4	14.3	14.5	12.3	13.5
Waroona	162.1	181.6	19.5	-0.3	-0.1	-1.2	0.0

Released under FOI

Appendix D: Petrol prices and GIRDs in regional market study locations

The ACCC undertook 4 regional petrol market studies between 2015 and 2017. These studies examined petrol markets in Darwin, Launceston, Armidale and Cairns. The ACCC has continued to monitor and report on petrol prices and GIRDs in these locations.

Table D1 shows average retail petrol prices and GIRDs for each location, and a comparison with those in the 5 largest cities, in the March quarter 2022 as well as the change from the December quarter 2021.

Table D1 Quarterly average retail petrol prices and GIRDs in Darwin, Launceston, Armidale, Cairns and the 5 largest cities - March quarter 2022 - cpl

	Darwin	Launceston	Armidale	Cairns	5 largest cities
Retail prices					
Average price: March quarter 2022	186.1	192.4	179.1	182.5	181.9
<i>Change from December quarter 2021</i>	<i>19.5</i>	<i>20.2</i>	<i>19.1</i>	<i>19.2</i>	<i>19.1</i>
Difference from 5 largest cities: March quarter 2022	4.2	10.5	-2.8	0.6	-
<i>Change from December quarter 2021</i>	<i>0.4</i>	<i>1.1</i>	<i>0.0</i>	<i>0.1</i>	<i>-</i>
GIRDs					
Average GIRDs: March quarter 2022	13.2	18.9	11.7	11.9	13.4
<i>Change from December quarter 2021</i>	<i>0.3</i>	<i>0.6</i>	<i>-0.1</i>	<i>0.4</i>	<i>-0.3</i>
Difference from 5 largest cities: March quarter 2022	-0.2	5.5	-1.7	-1.5	-
<i>Change from December quarter 2021</i>	<i>0.6</i>	<i>0.9</i>	<i>0.2</i>	<i>0.7</i>	<i>-</i>

Source: ACCC calculations based on data from FUELtrac, Ampol, bp, Mobil, Viva Energy and WA FuelWatch.

Notes: All prices are for RULP except Armidale (which is E10).

Hobart TGPs are used as a proxy for TGPs in Launceston.

Sydney and Brisbane E10 TGPs are used as a proxy for Armidale TGPs.

In the March quarter 2022:

- average retail prices in Darwin, Launceston, and Cairns were higher than prices in the 5 largest cities for the second consecutive quarter
- average retail prices in Armidale were lower than average prices in the 5 largest cities for the seventh consecutive quarter
- average GIRDs in Darwin, Armidale and Cairns were lower than those in the 5 largest cities for the seventh consecutive quarter
- average GIRDs in Launceston were higher than those in the 5 largest cities for the second consecutive quarter.

Motorists in these locations can use the fuel price transparency schemes in each jurisdiction to identify the highest and lowest priced retail sites. Motorists in:

- Darwin can use the MyFuel NT website and app
- Launceston can use the FuelCheck TAS website and app
- Armidale can use the FuelCheck NSW website and app
- Cairns can access site-specific petrol price data made available by commercial websites and app providers under the Queensland fuel price reporting scheme.

Released under FOI



Released under FOI



Australian Competition and Consumer Commission

Executive minute

Minute No 05/2022

To: Treasurer the Hon Dr Jim Chalmers MP

Date: 14/06/2022

Subject: ACCC petrol market monitoring

Timing: Routine

Recommendation:

That you note the release of the ACCC's March quarter 2022 petrol monitoring report, including the impact of the March 2022 cut in excise on fuel prices.

Noted: _____

Date: _____

Issue

- The enclosed March quarter 2022 petrol monitoring report is provided to you in accordance with the ACCC's obligations under the *Competition and Consumer (Price Monitoring – Petroleum Fuels) Direction 2019* to monitor the prices, costs and profits relating to the supply of petroleum products in Australia.
- Under 95ZE of the *Competition and Consumer Act 2010* (the ACT), the ACCC must make copies of the report available for public inspection as soon as practicable after it gives the Treasurer the report.
- The ACCC does not routinely provide an Executive Minute for its quarterly reports. The ACCC provided this Executive Minute as it is the first quarterly monitoring report provided an incoming government, and to highlight the ACCC's monitoring of the cut in fuel excise in Australia.

Released under FOI

ACCC petrol monitoring reports

- On 16 December 2019, the Treasurer issued a Direction to the ACCC to monitor the prices, costs and profits relating to the supply of petroleum products in the petroleum industry in Australia. The Direction, issued under section 95ZE of the Competition and Consumer Act 2010, commenced on 19 December 2019 and lasts for 3 years.
- The ACCC monitors retail prices in all capital cities and over 190 regional locations.
- Under the Direction, the ACCC produces 2 types of reports:
 - Quarterly reports, looking at petrol price movements in the capital cities and regional locations and the factors that led to price changes over the quarter.
 - Industry reports, looking at particular aspects of consumer interest in the fuel market in relation to prices, costs and profits.
- This is the tenth quarterly report prepared under the Direction.

Key points in this report

- The 22.1 cent per litre (cpl) cut in fuel excise came into effect on 30 March 2022.
- ACCC monitoring found significant falls in retail fuel prices in all capital cities and the vast majority of regional locations.
- The influence of the lag between changes in wholesale prices and changes in retail prices had been incorporated into retail price movements after 6 weeks (i.e. by 10 May 2022), and the cuts to fuel excise had clearly been passed on to a large extent.
- There are other factors that also contributed to price falls around the time of the cuts, such as a decrease in international refined petrol and diesel prices in early April.
- From mid-April higher international refined petrol prices stemming from Russia's war in Ukraine again pushed up prices at the bowser in Australia.

Petrol price decreases

- In the capital cities, in the period between 29 March (the day before the excise cut) and 10 May 2022, the largest decrease seen in average daily regular unleaded petrol prices was:
 - more than 39 cpl in all 5 largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth), where petrol price cycles occur
 - between 25 and 48 cpl in Canberra, Hobart and Darwin.
- Petrol prices in most regional centres also decreased significantly. The average decrease across all regional locations that the ACCC monitors was over 32 cpl.

Diesel price decreases

- In the capital cities, in the period between 29 March and 10 May 2022, the largest decrease seen in average daily diesel prices was:
 - more than 30 cpl in all 5 largest cities
 - between 29 and 32 cpl in Canberra, Hobart and Darwin.
- Diesel prices in many regional centres also decreased significantly. The average decrease across all regional locations the ACCC monitors was over 29 cents per litre.

Released under FOI

Next steps

- There were a relatively small number of locations in regional areas where the decrease in petrol and diesel prices was smaller than the cut in excise.
- We undertook further analysis and are writing to retailers in a handful of locations seeking an explanation for why they did not decrease their prices by the full amount of the cut in excise.
- With the excise cut flowing through to retail prices in most locations in the first 6 weeks after its implementation, the focus of our monitoring for many locations will shift to how the cuts are maintained.
- This will consider the levels of gross indicative retail differences (GIRDs) in the monitored locations in coming months to assess whether they have changed relative to historical average GIRDs.
 - GIRDs are calculated by subtracting average wholesale prices (as indicated by published terminal gate prices) from average retail prices and are a broad indicator of average gross retail margins. As GIRDs include retail operating costs, they should not be confused with actual retail profits.



Gina Cass-Gottlieb
Chair

Attachments

- Attachment A – Excise cuts and petrol price cycles

11 Pages

Released under FOI

Excise cuts and petrol price cycles

- On 29 March 2022, the Australian Government announced in the 2022-23 Budget its intention to halve the excise and excise-equivalent customs duty rate on petrol and diesel for 6 months from 30 March 2022. The Australian Government also announced that the Australian Competition and Consumer Commission (ACCC) would monitor the price behaviour of retailers to ensure that the lower excise rate was fully passed on.

Background

- The rate of excise and excise-equivalent customs duty applying to petrol and diesel on 29 March was 44.2 cents per litre (cpl). The budget measure halved the rate to 22.1 cpl. Taking into consideration the reduction in Goods and Services Tax (GST) associated with the halving of the excise rate, the impact on petrol and diesel prices would be a reduction of 24.3 cpl.
- Excise is imposed on producers (i.e., refiners) and importers of petrol and diesel, which then pass them on to buyers of refined products. Excise is a significant part of the wholesale price, which then flows into retail prices.
- Changes in wholesale prices significantly influence retail prices, but the changes can take time to flow through to retail prices. This is largely because it is generally only when fuel is replenished at a retail site that the lower wholesale price is reflected in retail prices. This lag in the adjustment of wholesale prices is shorter in larger cities and retail sites with faster turnover, and often longer in regional locations that sell comparatively lower volumes of petrol and replenish stocks less frequently. The lag in the larger cities is generally between 1 and 2 weeks and a few weeks more in some regional locations.
- There are a small number of locations, particularly remote locations with few retail sites, where changes in wholesale prices are not fully reflected in retail prices, both when wholesale prices increase and when they decrease.
- In addition to changes in wholesale prices, retail fuel prices are also influenced by other factors – such as the state of competition in a market and, in larger cities, the state of the petrol price cycle.

ACCC activities

- So far, we have undertaken a range of activities and quickly put in place additional processes following the Australian Government's announcement.

Liaison with industry

- On 31 March 2022, the day after the excise cuts came into effect, we wrote to the larger fuel wholesalers and retailers in Australia. The letter stated that we:
 - had observed that the reduction in excise had already been incorporated in full in published terminal gate (i.e., published wholesale) prices
 - will assess movements in fuel prices and not hesitate to call out instances when the flow through of the excise reduction into retail prices is not occurring as should be expected, and
 - will examine closely any concerns raised relating to misleading or deceptive conduct or misrepresentation about excise reductions and retail prices and will take enforcement action where appropriate.
- All companies responded to the ACCC in less than a week. In their responses:
 - wholesalers noted passing on the excise reduction in full to their wholesale prices immediately or as soon as practicable after the Government's announcement

Released under FOI

- retailers noted that they had reduced retail prices in full or in part within days following the Government's announcement, and
- retailers committed to pass savings on in coming weeks.

Media releases and weekly updates on the ACCC website

- The ACCC issued 2 media releases relating to the excise cut:
 - the first was on 29 March 2022, the date of the Australian Government's announcement, which outlined the ACCC's role and its expectations
 - the second was on 6 April 2022 and noted that there had been significant falls in retail prices in the major capital cities a week after the cut in fuel excise came into effect.
- From 6 April 2022, the ACCC began publishing weekly updates on the results of its monitoring of the excise cut on the petrol pages on its website.

Fuel Consultative Committee

- On 17 May 2022, the ACCC hosted a meeting of its Fuel Consultative Committee, which comprises representatives from major fuel retailers, refiner-wholesalers, peak industry associations and motoring organisations. The excise cut was a key topic of discussion at the meeting, with the main points raised including:
 - a broad view from the industry that the excise cuts had been passed on to motorists in a timely manner and more quickly than expected
 - it was noted that some retailers at certain locations experienced challenging circumstances such as severe flooding events over the last few months which affected their ability to operate and/or lower their retail prices.
 - fuel companies noted that for fuel stocks on which higher excise had been paid, they incurred financial losses following the excise cut when they reduced retail prices straightaway to compete with other retailers who elected to immediately reduce their retail prices.
 - industry members were also conscious of potential scenarios in September 2022 regarding a reinstatement of the full excise amount. For example, industry members raised whether motorists might stock up on fuel at the lower prices just prior to a reinstatement of the full excise.

Increased frequency of fuel price data collection and monitoring

- As part of our price monitoring we obtain daily average fuel prices for all capital cities and over 190 regional locations from a commercial fuel price data provider (FUELtrac). A list of the regional locations monitored by the ACCC is included in the ACCC's quarterly *Reports on the Australian Petroleum Market*, which are available on the ACCC website.
- Prior to April 2022, we received daily average price data for the 5 largest cities each day and incorporated this data into the price charts on the ACCC website. We generally received data for the smaller capital cities and regional locations once a month. Following the Australian Government's announcement, we upgraded these arrangements so that we receive daily average prices for all capital cities and all regional locations each working day.
- We then analysed this data on a regular basis to assess the extent to which retail prices had decreased in line with the decrease in excise. Our fuel team prepared weekly reports for Commissioners and a summary was regularly published on the ACCC website. The results of the monitoring in the first 5 weeks following the excise cut are outlined further in this letter.

Released under FOI

Outcome of the monitoring

- Our monitoring focussed on the capital cities and regional locations included in the ACCC's monitoring program. It examined movements in average daily prices in those locations since the announcement of the excise cut on 29 March 2022.
- As the prices of all petrol grades (regular unleaded petrol (RULP), premium unleaded petrol (PULP 95) and PULP 98) generally move in a similar manner, the monitoring concentrated on changes in RULP prices, as well as diesel prices. According to the Australian Bureau of Statistics, in 2021 petrol and diesel vehicles represented over 98% of the national fleet.
- Six weeks after the cut in fuel excise came into effect, our monitoring found significant falls in retail fuel prices in all capital cities and most regional locations, showing the cuts had clearly been passed on to a large extent.
- Table 1 shows that in the capital cities, between 29 March and 10 May 2022:
 - the decrease in average daily RULP prices was more than 39 cpl in all of the 5 largest cities (Sydney, Melbourne, Brisbane, Adelaide and Perth), and between 25 cpl and 48 cpl in Canberra, Hobart and Darwin.
 - the decrease in average daily diesel prices was more than 30 cpl in all of the 5 largest cities and between 29 cpl and 32 cpl in Canberra, Hobart and Darwin.

Table 1: Largest decrease in daily average retail RULP and diesel prices in each capital city - 29 March 2022 to 10 May 2022 (cpl)

5 largest cities	RULP	Diesel
Sydney	40.8	30.7
Melbourne	40.0	30.9
Brisbane	39.1	30.3
Adelaide	42.9	37.7
Perth	46.0	36.4
Smaller capitals		
Hobart	47.8	31.1
Canberra	34.4	31.7
Darwin	24.6	28.7

Source: ACCC calculations based on data from FUELtrac.

- The existence of petrol price cycles in the 5 largest cities means that the impact of the cut in excise on retail petrol prices may not always be clear. However, the price reductions can be seen in the lower peaks and troughs of the price cycles relative to those before the excise cut. The attachment to this letter contains charts that illustrate these price reductions in each city. These charts are also published on the ACCC website.
- Petrol and diesel prices in the majority of regional locations were also significantly lower. The average decrease across all regional locations that the ACCC monitors was over 32 cpl for RULP and over 29 cpl for diesel.
- There were other factors that also contributed to lower retail prices following the excise cut, including a decrease in international benchmark refined fuel prices in early April 2022. Seven-day average international refined petrol prices (Mogas 95 Unleaded) decreased by around 8 cpl between late March and early April, and 7-day average international refined diesel prices (Gasoil 10 ppm) decreased by around 7 cpl in the same period. These changes were reflected in wholesale prices. Their impact on retail

Released under FOI

prices will vary according to lags in the adjustment of retail prices in different locations as well as the extent to which locations fully reflect both higher and lower wholesale prices.

- International refined petrol and diesel prices started to increase from around mid-April, and this has started to flow through to retail prices in many locations.
- Table 2 shows the number and percentage of regional locations in each state and the Northern Territory where daily average retail RULP prices decreased by at least 24.3 cpl for each week since 29 March 2022. Table 3 shows similar results for diesel.

Table 2: Number and percentage of regional locations in each state and the Northern Territory where daily average retail RULP prices decreased by at least 24.3 cpl for each week between 5 April and 10 May 2022

State/Territory	No. of locations monitored	5 April 2022	12 April 2022	19 April 2022	26 April 2022	3 May 2022	10 May 2022
New South Wales	66	4 (6%)	37 (56%)	58 (88%)	59 (89%)	60 (91%)	60 (91%)
Victoria	34	10 (29%)	30 (88%)	33 (97%)	33 (97%)	33 (97%)	33 (97%)
Queensland	43	7 (16%)	30 (70%)	35 (81%)	37 (86%)	37 (86%)	37 (86%)
South Australia	18	1 (6%)	16 (89%)	18 (100%)	18 (100%)	18 (100%)	18 (100%)
Western Australia	17	0 (0%)	12 (71%)	16 (94%)	17 (100%)	17 (100%)	17 (100%)
Tasmania	11	2 (18%)	8 (73%)	11 (100%)	11 (100%)	11 (100%)	11 (100%)
Northern Territory	3	2 (67%)	3 (100%)	3 (100%)	3 (100%)	3 (100%)	3 (100%)

Source: ACCC calculations based on data from FUELtrac.

Released under FOI

Table 3: Number and percentage of regional locations in each state and the Northern Territory where daily average retail diesel prices decreased by at least 24.3 cpl for each week between 5 April and 10 May 2022

State/Territory	No. of locations monitored	5 April 2022	12 April 2022	19 April 2022	26 April 2022	3 May 2022	10 May 2022
New South Wales	66	4 (6%)	36 (55%)	52 (79%)	52 (79%)	52 (79%)	52 (79%)
Victoria	34	4 (12%)	21 (62%)	30 (88%)	30 (88%)	30 (88%)	30 (88%)
Queensland	43	0 (0%)	28 (65%)	36 (84%)	40 (93%)	40 (93%)	40 (93%)
South Australia	18	0 (0%)	13 (72%)	18 (100%)	18 (100%)	18 (100%)	18 (100%)
Western Australia	17	1 (6%)	13 (76%)	16 (94%)	17 (100%)	17 (100%)	17 (100%)
Tasmania	11	1 (9%)	7 (64%)	10 (91%)	10 (91%)	10 (91%)	10 (91%)
Northern Territory	3	0 (0%)	0 (0%)	3 (100%)	3 (100%)	3 (100%)	3 (100%)

Source: ACCC calculations based on data from FUELtrac.

- There are a relatively small number of locations in regional areas where the decrease in petrol and diesel prices was smaller than the cut in excise. The ACCC is analysing retail site specific price data in these locations to determine further action. If there are retailers that did not reduce their prices by the appropriate amount, the ACCC will write to them seeking an explanation.

Recent increase in prices

- From the middle of April, international benchmark refined petrol and diesel prices have increased, influenced by the impact of the war in Ukraine on international crude oil prices. This has led to increases in wholesale prices.
- Between mid-April and 19 May, regular unleaded petrol wholesale prices increased by around 32 cents per litre and diesel wholesale prices increased by around 28 cents per litre. These increases are flowing into retail prices in many locations.
- For example, in Perth at the peak of the petrol price cycle, the average regular unleaded petrol price on 18 May 2022 (205.3 cents per litre) was 25.4 cents per litre higher than the peak price on 20 April (179.9 cents per litre).
- The average peak regular unleaded petrol price in Melbourne on 17 May 2022 (209.4 cents per litre) was 22.4 cents per litre higher than the previous peak (187.0 cents per litre on 26 April).

International benchmark prices

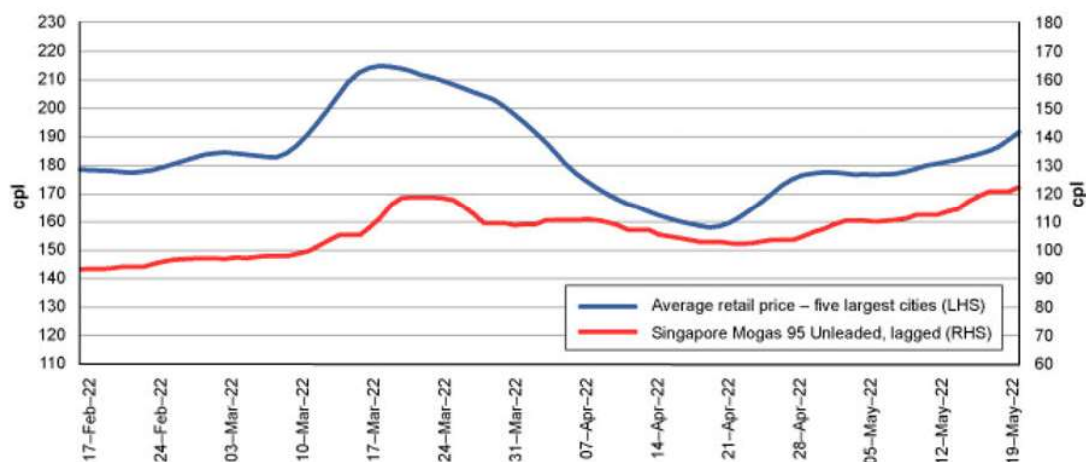
- For petrol, diesel and automotive LPG the largest component of the price you pay is generally represented by the international benchmark price.
- The current benchmark prices for fuels sold in Australia are:
 - Regular Unleaded Petrol – Singapore Mogas 95 Unleaded
 - Diesel – Singapore Gasoil 10 parts per million sulphur
 - LPG – Saudi Contract prices for butane and propane

Released under FOI

- Changes in international prices can take around two weeks to work their way through the supply chain in Australian cities and longer in regional areas.

Petrol prices in Australia tracked against the international benchmark

- The chart below shows how the price of petrol in the five largest cities (Sydney, Melbourne, Brisbane Adelaide and Perth) has been tracking against the international benchmark price over the last 90 days.



Source: ACCC calculations based on FUELtrac, Argus Media and Reserve Bank of Australia data.¹

- Retail prices are seven-day rolling averages. They are regular unleaded petrol prices in all cities.
- The international prices are seven-day rolling average Singapore Mogas 95 Unleaded prices, lagged by 10 days.

Next steps

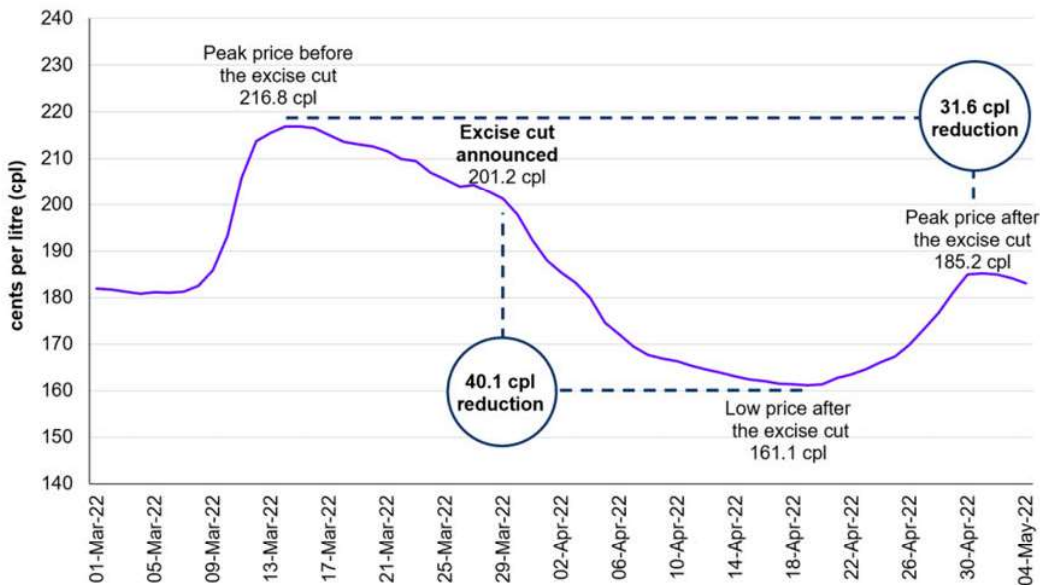
- Our broader monitoring activities will continue for the duration of the excise cuts. This will include continuing to regularly assess price data and providing regular updates on the ACCC website.
- With the excise cut flowing through to retail prices in most locations in the first 6 weeks after its implementation, the focus of our monitoring for many locations will soon shift to how the cuts are maintained. We will consider the levels of gross indicative retail differences (GIRDs, that is the difference between average retail prices and average wholesale prices) in the monitored locations in coming months to assess whether they have changed relative to historical average GIRDs.
- As part of our continuing activities, we will also consider approaches to our monitoring and messaging around a reinstatement of the full excise amount, intended to occur around the end of September 2022.

Released under FOI

Chart Pack – Excise cuts and petrol price cycles

- Charts 1 to 5 show for each of the 5 largest capital cities, the size of the decrease in average petrol prices from 29 March 2022 to the trough price in the price cycle, and the difference in price between the peak of the price cycle before the excise cut and the peak of the price cycle after the excise cut.

Chart 1: Daily average retail petrol prices in Sydney - 1 March to 4 May

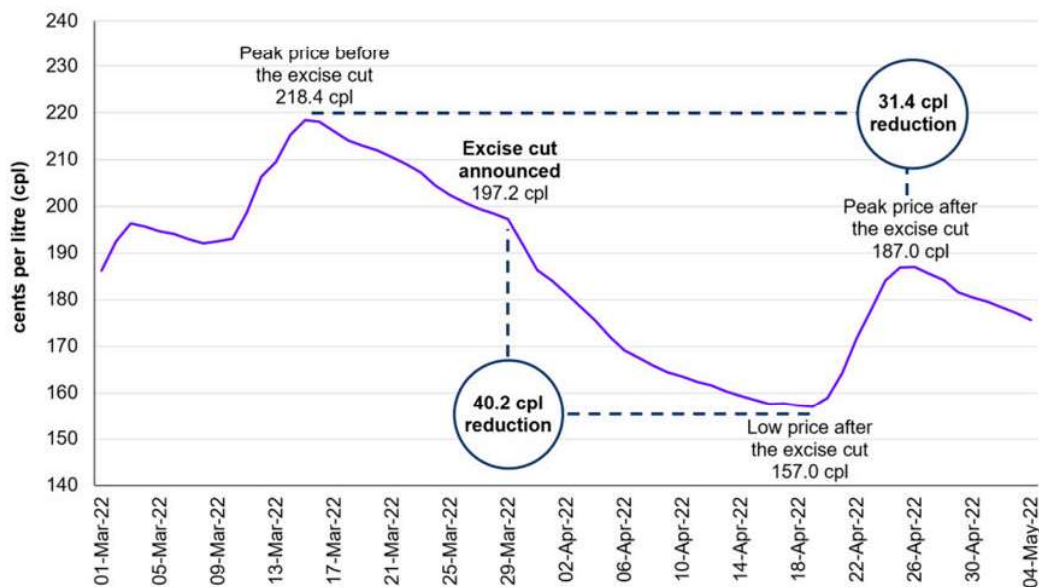


Source: ACCC calculation based on FUELtrac data.

- Following the announcement of the excise cut, daily average petrol prices in Sydney decreased by 40.1 cpl to the next low point of the price cycle.
- After the excise cut, the peak price in Sydney on 1 May (185.2 cpl) was 31.6 cpl lower than the peak price before the cut (216.8 cpl on 14 March).

Released under FOI

Chart 2: Daily average retail petrol prices in Melbourne - 1 March to 4 May

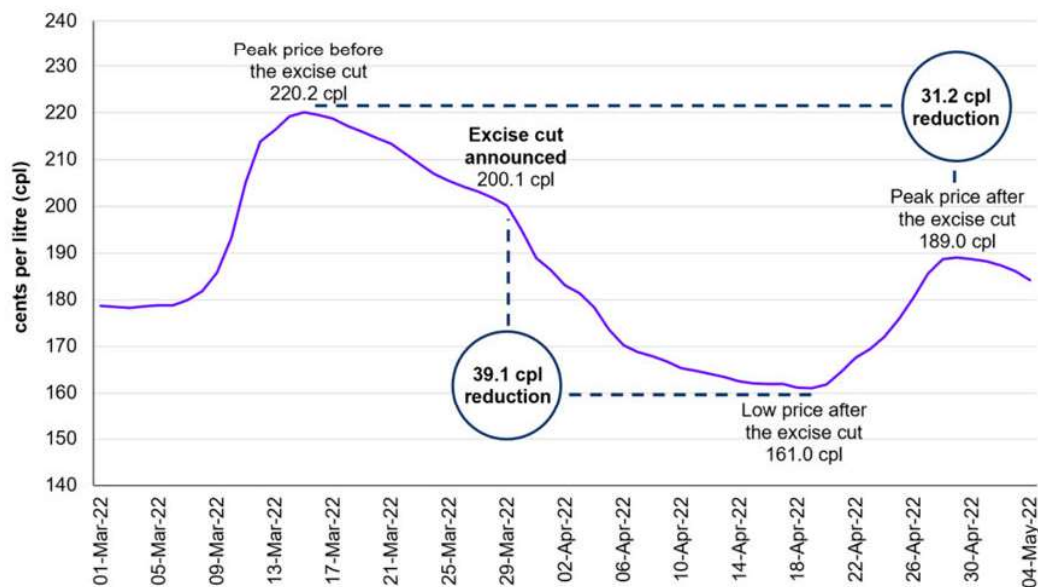


Source: ACCC calculation based on FUELtrac data.

- Following the announcement of the excise cut, daily average petrol prices in Melbourne decreased by 40.2 cpl to the next low point of the price cycle.
- After the excise cut, the peak price in Melbourne on 26 April (187.0 cpl) was 31.4 cpl lower than the peak price before the cut (218.4 cpl on 15 March).

Released under FOI

Chart 3: Daily average retail petrol prices in Brisbane - 1 March to 4 May

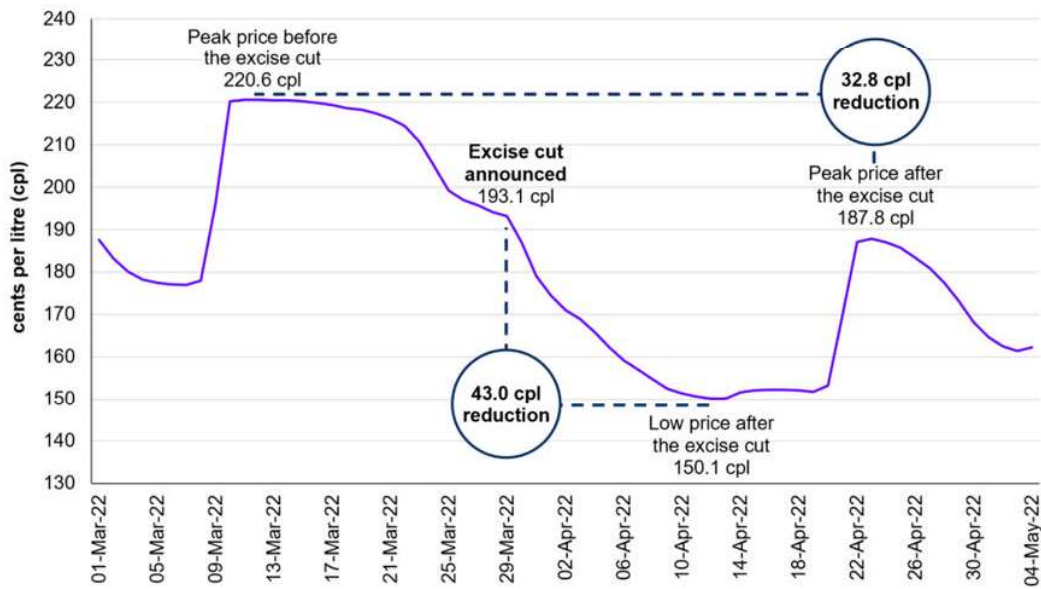


Source: ACCC calculation based on FUELtrac data.

- Following the announcement of the excise cut, daily average petrol prices in Brisbane decreased by 39.1 cpl to the next low point of the price cycle.
- After the excise cut, the peak price in Brisbane on 29 April (189.0 cpl) was 31.2 cpl lower than the peak price before the cut (220.2 cpl on 15 March).

Released under FOI

Chart 4: Daily average retail petrol prices in Adelaide - 1 March to 4 May

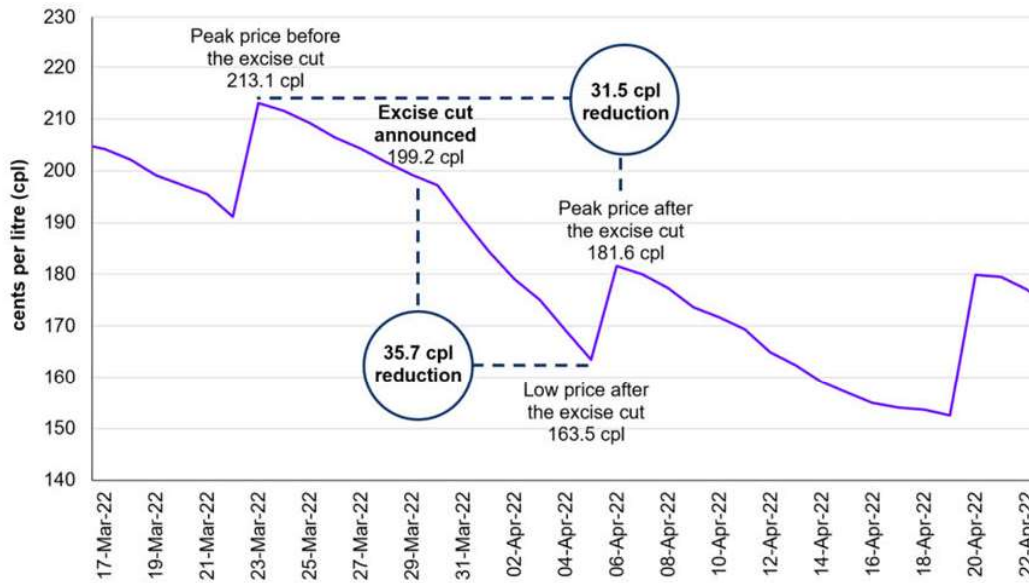


Source: ACCC calculation based on FUELtrac data.

- Following the announcement of the excise cut, daily average petrol prices in Adelaide decreased by 43.0 cpl to the next low point of the price cycle.
- After the excise cut, the peak price in Adelaide on 23 April (187.8 cpl) was around 32.8 cpl lower than the peak price before the cut (220.6 cpl on 11 March).

Released under FOI

Chart 5: Daily average retail petrol prices in Perth - 17 March to 22 April



Source: ACCC calculation based on FUELtrac data.

- Following the announcement of the excise cut, daily average petrol prices in Perth decreased by 35.7cpl to the next low point of the price cycle.
- After the excise cut, the peak price in Perth on 6 April (181.6 cpl) was 31.5 cpl lower than the peak price before the cut (213.1 cpl on 23 March).