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From: [REDACTED]
Sent: Thursday, 18 August 2022 2:16 PM
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Cc: acccbriefstreasurydistribution@treasury.gov.au; Ayres, Lisa Anne; !
EO_Parliamentary&GovernmentLiaison&Advocacy
Subject: Executive Minute from ACCC to Treasurer: Reintroduction of the full rate of the fuel excise [SEC=OFFICIAL] [ACCC-ACCCANDAER.FID3233197]
Attachments: ACCC Executive Minute to the Treasurer - Fuel Excise Reintroduction Monitoring - Signed by Chair 17 August 2022.pdf

OFFICIAL

Good afternoon [REDACTED]

Please see attached an Executive Minute from the ACCC to the Treasurer regarding the ACCC's proposed approach to the reintroduction of the full rate of the fuel excise. The Minute recommends that the Treasurer note:

- the ACCC's approach to monitoring the reintroduction of the full rate of fuel excise;
- the current pricing arrangements for fuel and current retail costs and margins; and
- the ACCC considers that amendments to the Competition and Consumer (Price Monitoring – Petroleum Fuels) Direction 2019 are not required to conduct its monitoring.

Please let me know if you would like anything further.

Kind regards

[REDACTED]
(he/him)

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The ACCC acknowledges the traditional owners and custodians of Country throughout Australia and recognises their continuing connection to the land, sea and community. We pay our respects to them and their cultures; and to their Elders past, present and future.

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Australian Competition and Consumer Commission

Executive minute

Minute No 22/2022
To: Treasurer
Date: 17/08/2022
Subject: Reintroduction of the full rate of the fuel excise
Timing: Routine

Recommendation:

That you note:

- the ACCC's approach to monitoring the reintroduction of the full rate of fuel excise;
- the current pricing arrangements for fuel and current retail costs and margins; and
- the ACCC considers that amendments to the *Competition and Consumer (Price Monitoring – Petroleum Fuels) Direction 2019* are not required to conduct its monitoring.

Noted: _____

Date: _____

Issue

- On 30 March 2022, the excise and excise equivalent customs duty rates for petrol and diesel were halved for 6 months from 44.2 cents per litre (cpl) to 22.1 cpl. After factoring in a reduction in GST the impact on petrol and diesel prices was a reduction of 24.3 cpl.
- The halving of fuel excise rate is scheduled to end at 11.59pm on 28 September 2022.
- The rate of excise is adjusted by the change in the CPI in February and August each year. The ATO has announced that from 1 August 2022, the current excise rate on petrol and diesel will increase from 22.1 cpl to 23.0 cpl. Accordingly, excise will be 46.0 cpl at the end of September. Including GST, a total of 25.3 cpl will be added to petrol and diesel retail prices. This is a 1.0 cpl increase from the amount of decrease in March.
- In response to the reintroduction of the full rate of the fuel excise (reinstatement of full excise), the ACCC will continue to effectively monitor and respond to developments in

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Australia's fuel markets. Throughout this period, the ACCC will enhance how it conducts its monitoring and communicate its monitoring to the public and key stakeholders.

- You have requested advice from the ACCC regarding current pricing arrangements for fuel and current retail costs and margins. This information is also provided in this minute.

The Direction

- Pursuant to the *Competition and Consumer (Price Monitoring – Petroleum Fuels) Direction 2019* (the Direction) the ACCC monitor prices, costs and profits relating to the supply of goods and services in the retail, wholesale, manufacturing and storage markets for fuel and petroleum.
- The Direction requires the ACCC to release a report at least once every quarter.
- The ACCC does not consider amendments to the Direction are required to effectively monitor the reintroduction of the fuel excise or continue to provide its quarterly reports into the Australian petroleum market.

ACCC Monitoring

Monitoring the cut in fuel excise

- Following the cut in excise, the ACCC:
 - wrote to major retailers and wholesalers the day after the cut setting out expectations that the cut in excise would flow into wholesale and retail prices as soon as possible,
 - published 2 media releases. On 29 March, the date of the excise cut, our media release set out the ACCC's role and expectations. The ACCC's 6 April release noted our findings a week after the cut,
 - engaged with fuel industry representatives at the May 2022 Fuel Consultative Committee meeting,
 - obtained more frequent (daily) petrol and diesel retail price data for all capital cities and over 190 regional locations from our data provider FUELtrac,
 - published findings from our monitoring in the March quarter 2022 report,
 - from early April 2022, updated the ACCC's [monitoring fuel prices following the excise cut](#) webpage on a weekly basis, and
 - responded to an increase in public and private consumer enquiries and comments on social media relating to petrol and diesel prices.

Monitoring the reinstatement of full excise

- The ACCC has extended its contract with FUELtrac to continue to obtain more frequent, daily petrol and diesel retail price data until the end of December 2022.
- The below timeline outlines the ACCC's approach to monitoring the reinstatement of full excise.
- In early September:
 - The ACCC will update its fuel monitoring webpages to provide information about the upcoming reinstatement of full excise and clearly set out the ACCC's role in monitoring fuel markets.
 - The ACCC will provide the June 2022 quarterly report on the petroleum market to the Treasurer. Section 95ZE of the *Competition and Consumer Act 2010* requires the ACCC to make the report available for public inspection as soon as practicable after providing the Minister the report.

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- On the day the June 2022 quarterly report on the petroleum market is publicly released, the ACCC will issue a Media Release which discusses the key points from the report and sets out the ACCC's approach to monitoring. The ACCC will also call a media conference with ACCC Chair Gina Cass-Gottlieb to discuss the report and the ACCC's approach to monitoring.
- Throughout September:
 - Between the media conference and the reinstatement of full excise, the ACCC will direct most media inquiries regarding fuel to records of the media conference, ACCC webpages and the media release.
 - The ACCC will proactively communicate with consumers on social media, with a focus on communicating to consumers about the best times to buy in their location based on petrol price cycle information.
- Mid September:
 - The ACCC will write to fuel companies in mid September noting we are monitoring prices, seeking information, and outlining our expectations in relation to both passing on increases and not misleading Australian consumers about the rationale for any price rises following the increase in excise.
- Following the reinstatement of full excise:
 - The ACCC will analyse the retail price data obtained from FUELtrac on a daily basis.
 - ACCC's fuel webpages will be updated weekly or fortnightly as necessary, supported by promotion on ACCC social media.
 - The ACCC will update Treasury, the Treasurer's office, and any other Ministerial offices, as necessary.

Petrol Prices in Australia

Determinants of petrol prices

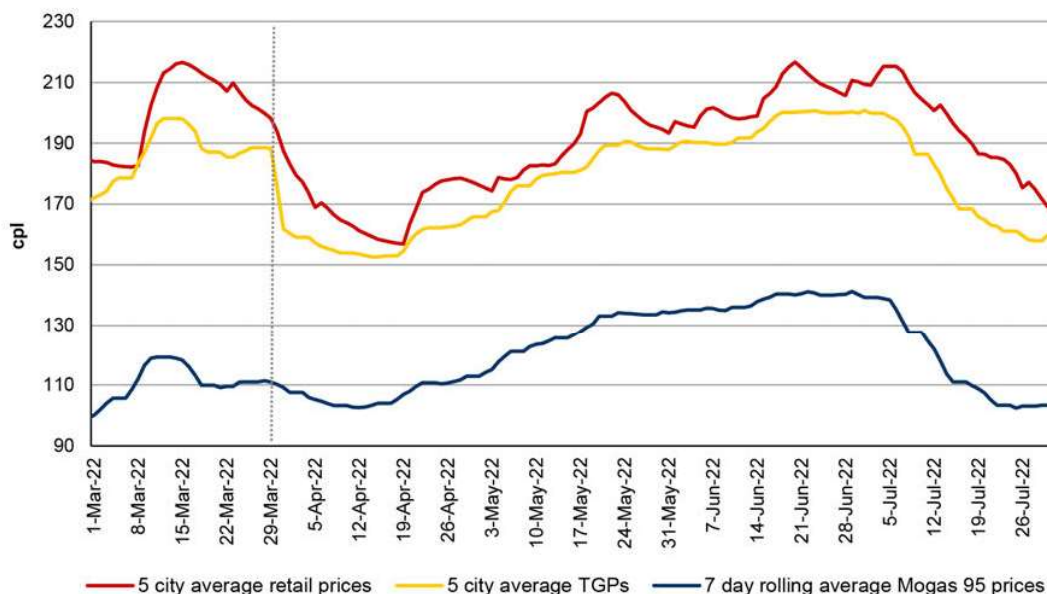
- Market forces determine wholesale and retail petrol prices in Australia.
- Movements in retail petrol prices in Australia are largely driven by movements in international refined petrol prices (which in turn are influenced by crude oil prices). The degree of local competition is also a significant factor.
- Another influence on retail prices in the 5 largest cities – Sydney, Melbourne, Brisbane, Adelaide and Perth – are the regular petrol price cycles.
 - Price cycles are the result of pricing decisions made by petrol retailers aiming to maximise profits. They only occur at the retail level.
 - Price cycles do not occur in Canberra, Hobart and Darwin.
- Australia imports the majority of the crude oil and refined product used to meet local petrol demand, with domestic fuel prices determined on an import parity price basis. The international benchmark price for regular unleaded petrol in Australia is the price of Singapore Mogas 95.
 - Changes in retail petrol prices in Australia are primarily determined by changes in Mogas 95 prices.
 - The AUD–USD exchange rate can also influence Australia's retail petrol prices, because Mogas 95 is bought and sold in US dollars in global markets.
- There are 3 broad components of the retail price of petrol:

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- Mogas 95 (which accounted for 55% of the annual average price of RULP in 2021-22 in the 5 largest cities)
- taxes, comprising excise and the GST (31%)
- other costs and margins at the wholesale and retail levels (14%)
 - Mogas 95 and taxes (86% of average petrol prices) are largely outside the control of the local petrol retailers.
- Mogas 95 price movements are reflected in wholesale prices, and these significantly influence retail prices. The influence at the retail level 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.
 - The lag in the larger cities is generally between 1-2 weeks and a few weeks more in many regional locations.
- Published terminal gate prices (TGPs) are indicative wholesale petrol prices. They are available each day on company websites.
- The flow-through of the reinstatement of excise depends upon the speed with which fuel is restocked. Increased petrol purchases by consumers in the leadup to the reinstatement may mean a quicker flow-through of restocked fuel at the higher excise amount compared to when the excise was reduced.

Current level of petrol prices

- The following chart shows daily average retail petrol prices and daily average TGPs in the 5 largest cities, and 7-day rolling average Mogas 95 prices from 1 March to 31 July 2022.



Source: ACCC calculations based on data from FUELtrac, Argus Media, Australian Institute of Petroleum and the Reserve Bank of Australia.

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. TGP formulas of the wholesalers incorporate a rolling average Mogas price to smooth out daily fluctuations.

- The chart shows that Mogas 95 prices and TGPs started to decrease from the end of June 2022. Average retail prices in the 5 largest cities started decreasing shortly after.

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Retail prices were also influenced by the decreasing phase of retail price cycles occurring around the same time.

- Between 30 June and 31 July 2022:
 - Daily average TGPs decreased by around 41 cpl.
 - Daily average retail petrol prices in the 5 largest cities decreased by around 43 cpl.
- Over the same period:
 - Daily average retail petrol prices decreased by around 31 cpl in Hobart, around 25 cpl in Canberra, and around 10 cpl in Darwin (the smaller capital cities that do not have price cycles)
 - Daily average retail petrol prices decreased by around 22 cpl on average across all regional locations monitored by the ACCC.
- The smaller decrease in prices in Darwin compared with other capitals may reflect longer lags in Darwin and the fact that retail prices in June 2022 in Darwin were relatively lower than in some other capitals.
- The ACCC monitors average gross indicative retail differences (GIRDs) in the 5 largest cities over time.
 - GIRDs are the difference between average wholesale petrol prices (TGPs) and average retail petrol prices.
 - They include both retail operating costs and retail profits and are a broad indicator of gross retail margins.
- GIRDs can be volatile on a short-term 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.
- Our monitoring since the excise cut indicates that this regular trend in GIRDs is continuing, with lower GIRDs in May and June when TGPs were increasing, and an increase in GIRDs in July.

Role of the ACCC

- The ACCC does not set prices in petrol markets and does not have the powers to do so.
- In the absence of anti-competitive conduct that is in breach of the *Competition and Consumer Act 2010* (CCA) - such as price fixing with competitors or concerted practices in relation to price information that reduces competition - high petrol prices are not illegal.
- The ACCC monitors retail prices of petrol, diesel and automotive LPG in all Australian capital cities and in more than 190 regional locations. The ACCC's petrol monitoring role is to assist consumers navigate this complex industry.
- The ACCC monitors the prices, costs and profits relating to the supply of petroleum products in the petroleum industry in Australia under a Direction from the former Treasurer, issued under section 95ZE of the CCA in December 2019.
- 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.
- We encourage consumers to use the ACCC's price cycles website and advice in conjunction with fuel tracking websites and apps to buy fuel at the best time and at the most competitive price. These include state government sites:

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- Western Australia [FuelWatch](#)
- Northern Territory [MyFuel NT](#)
- New South Wales [FuelCheck NSW](#)
- Tasmania [FuelCheck TAS](#)
- State specific sites that draw on comprehensive government information, including:
 - South Australia [RAA](#)
 - Queensland [RACQ Fuel Finder](#)
- Commercial apps in other states, including:
 - [FuelMap](#)
 - [PetrolSpy](#)
 - [MotorMouth](#)



Gina Cass-Gottlieb
Chair