



Australian
Competition &
Consumer
Commission

Diesel

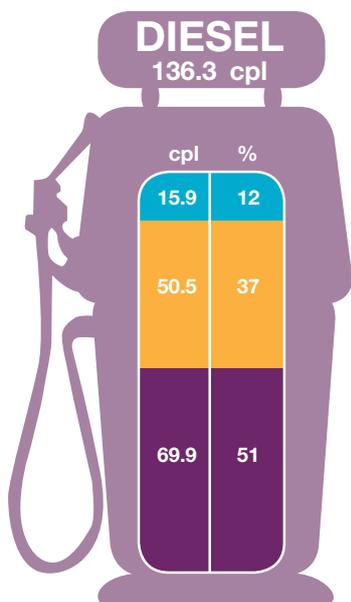
Fuel facts: Diesel

What drives diesel prices?

Australia currently has the fifth lowest retail diesel price among the OECD group of advanced economies. However, the use of diesel in passenger cars both globally and in Australia is growing and its price is of increasing interest to many motorists.

The price of diesel in Australia has three main components: the international price of refined diesel, Australian Government taxes, and other costs of transporting and selling fuel (including a profit margin).

The average retail price for diesel in Australia's five largest capital cities in 2010–11 was 136.3 cents per litre (cpl). The chart below shows a breakdown of the retail price of diesel.



● Singapore Gasoil ● Taxes ● Other costs and margins

International Price—Gasoil 10 ppm (51 per cent)

The largest component of the retail diesel price (accounting for around 51 per cent of the price at the bowser) is the international price of refined diesel known as Gasoil 10 parts per million (ppm) sulphur content (Gasoil). Over time, international prices can vary considerably, both up and down. This has been particularly evident over the last few years. When international prices change, Australian retail diesel prices will also generally change. Changes in the international price can take time before flowing through to retail prices in capital cities and even longer in regional areas.

Australian refineries cannot produce all of Australia's diesel needs, so some of it is imported. Diesel is traded internationally and the largest trading centre in our region is Singapore. This is the reason why Australian retail prices are linked to the Gasoil price of refined diesel in Singapore.

Movements in the Gasoil price are influenced by the international price of the crude oil from which it is made. When the world price of crude oil changes it generally flows through to retail petrol prices in Australia.

Because oil and diesel are traded internationally in US dollars their price is also influenced by the value of the Australian dollar. In recent times, Australian consumers have benefited from a strong Australian dollar. This has meant that Australian retail diesel prices have been lower than they might have been if the Australian dollar had been weaker.

More information on how international factors affect Australian fuel prices is available from the ACCC's publication *Fuel Facts: International prices drive Australia's fuel prices*.

Taxes (37 per cent)

Taxes make up around 37 per cent of the retail diesel price. This consists of an excise and the GST. The excise is fixed at 38.14 cpl regardless of the retail price and GST is 10 per cent of the retail price.

While taxes are the second biggest component of diesel prices, tax on diesel in Australia is one of the lowest among the OECD group of advanced economies. Some motorists may be aware that diesel prices in New

Zealand are often lower than in Australia. This is generally because the taxes on fuel are different in New Zealand.

Other costs and margins (12 per cent)

The international price and taxes make up around 88 per cent of the retail diesel price and are effectively fixed components that are out of retailers' control. This leaves around 12 per cent of the retail price which wholesalers, distributors and retailers use to cover their costs and make a profit.

Some of the costs that businesses need to recover include: shipping diesel around Australia, terminal and storage costs, delivering diesel across the country, wages, rent and other overheads.

The size of profit margins at individual retail sites is also influenced by the level of local competition. The greater the level of competition, the lower the price is likely to be at the pump.

Why is diesel sometimes more expensive than petrol?

While diesel is used as a motor vehicle fuel, it is also used in a number of industries including mining, rail and road transport, electricity generation and agriculture. In parts of Asia it is also used more than petrol as a motor vehicle fuel.

Over the past decade there has been strong growth in demand for diesel both in Australia and in the Asian region. This higher demand has generally put pressure on supplies and led to higher diesel prices. The same supply and demand issues have not generally occurred for petrol. Additionally, smaller volumes of diesel are sold at retail sites compared with petrol, so the cost of selling each litre of diesel may be higher than for petrol.

The role of the ACCC

The ACCC does not set diesel prices in Australia. They are set by the market.

The ACCC's role is to ensure businesses comply with competition and consumer protection laws in the *Competition and Consumer Act 2010*. The ACCC takes allegations of breaches of these laws very seriously, and will take action where there is evidence that these laws have been broken.

The ACCC monitors the retail prices of unleaded petrol, diesel and LPG in all Australian capital cities and in around 150 regional locations. It also monitors the prices, costs and profits of the unleaded petrol industry in Australia. It uses this information to examine the competitiveness of retail fuel prices in the interests of consumers.

If you believe you have information that may suggest a breach of the laws prohibiting anti-competitive behaviour, please contact the ACCC on 1300 302 502.

Where can I find more information?

You can find more information about fuel prices, including what influences the prices of petrol, diesel and automotive LPG on the ACCC website, www.accc.gov.au/fuel, along with links to other organisations and sites providing information on the fuel industry in Australia.

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.