



Australian
Competition &
Consumer
Commission

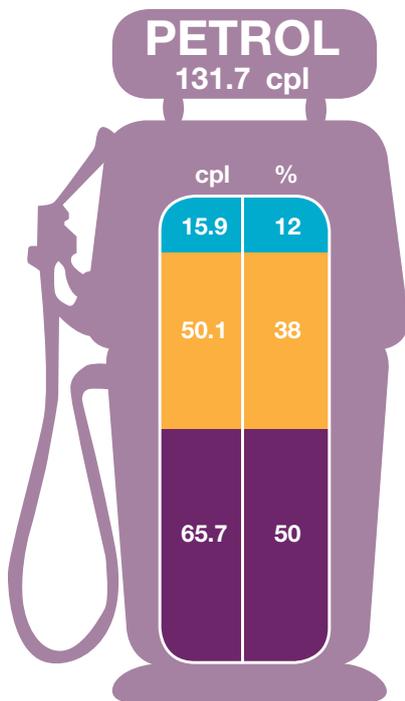
Fuel facts: Unleaded petrol

What drives unleaded petrol prices?

While Australia currently has the fourth lowest average retail petrol price among the OECD group of advanced economies, petrol is an important component of household spending, and its price is of interest to many motorists.

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

The average retail price for unleaded petrol in Australia's five largest capital cities in 2010–11 was 131.7 cents per litre (cpl). The chart below shows a breakdown of the retail price of unleaded petrol.



● Mogas 95 ● Taxes ● Other costs and margins

International Price – Mogas 95 (50 per cent)

The largest component of the retail petrol price (accounting for 50 per cent of the price at the bowser) is the international price of refined petrol known as Singapore Mogas 95 (Mogas 95). 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 petrol prices will also generally change. However, changes in the international price can take around ten days before they flow through to retail prices in capital cities and even longer in regional areas.

Australian refineries cannot produce all of Australia's petrol needs, so some of it is imported. Petrol 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 price of Mogas 95, which is the appropriate benchmark price for petrol in Australia.

The Mogas 95 price is 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 petrol 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 petrol 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 (38 per cent)

Taxes make up around 38 per cent of the retail petrol 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 petrol prices, tax on petrol in Australia is one of the lowest among the OECD group of advanced economies.

Other costs and margins (12 per cent)

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

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

The average amount that motorists paid as profits to the petrol companies in 2010–11 was 2.2 cpl. This is broadly similar to profitability in other countries. 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.

Petrol price cycles

In larger cities in Australia, retail petrol prices can also be affected day-to-day by price cycles. Price cycles generally occur on a regular basis and in two stages. It starts with a relatively sharp price rise, generally over one or two days, before prices begin to fall over a longer period. Price cycles are a concern for some motorists as the prices often rise sharply, but are also seen favourably by some motorists who aim to buy petrol at the lower points in the cycle.

The role of the ACCC

The ACCC does not set petrol 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.