Fuel prices around the world are largely determined by regional markets and the benchmark prices and government taxes applying in those markets.

Australia imports petroleum products primarily from Asia. In 2015-16, the breakdown was:

- 31% South Korea
- 25% Singapore
- 9% India
- 16% Japan
- 19% Other (Malaysia, Indonesia, Chinese Taipei, Thailand and the USA.)

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

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

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

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

Australian petrol prices are low compared to overseas and are the lowest among OECD nations in the Asia-Pacific market.

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**PETROL PUMP PRICE**

45% PRODUCT COST

40% GOVERNMENT TAX

15% INDUSTRY OPERATING COSTS AND MARGINS

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Refined product cost or landed cost

- Singapore petrol price (MOPS95)
- Shipping cost
- Other costs
  - Quality premium for Australian fuel standards
  - Insurance and loss
  - Wharfage costs

Excise - 40 cents per litre (indexed twice a year to CPI)

GST - 10%

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

Retail operating costs - Admin and retail marketing costs, the cost of running service stations like wages, rent and utilities, government company taxes and charges on retailing activities.

Land transport costs - Getting fuel from the fuel terminal or refinery to the bowser.
AIP and its member companies publish comprehensive market prices on a daily and weekly basis.

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

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

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

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

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

Did you know that the average industry net profit on all fuels sold is around 2 cents per litre?

As a consumer at the bowser, when you notice the price of petrol rise and fall, this can be attributed to changes in petrol prices internationally and/or due to competition and discounting between service stations in your local area to attract new customers. Government taxes are around 50 cents per litre.

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For more information visit www.aip.com.au