

SEPTEMBER QTR - 2021

AUSTRALIAN FUEL INDUSTRY QUARTERLY UPDATE

A JOINT INITIATIVE OF ACAPMA AND
THE INFORMED SOURCES GROUP



QUARTERLY OVERVIEW

AS AT 30 SEPTEMBER 2021

THE FUEL INDUSTRY'S QUARTERLY REPORT ON THE LATEST INSIGHTS AND DATA ON PRODUCT / PLACE / PROMOTION / PRICE

The September 2021 Quarter has been one of the most challenging quarters for the Australian fuel retail industry in living memory, with the majority of fuel retailers reporting that the financial impact of the 2021 COVID lockdowns has been substantially more severe than 2020.

The business environment during the September 2021 Quarter was made particularly challenging due to the combined influence of four major factors.

Each of these factors would have been challenging in their own right, but in concert, these factors put the industry under significant financial pressure. These factors can be summarized as follows:

1. FUEL DEMAND (AND EBITDA) DESTRUCTION IN EASTERN AUSTRALIA

Fuel retailers in NSW and Victoria experienced a drop in fuel retail demand owing to the extended lockdowns in these states during the Quarter. There were also some significant falls in regional demand in the neighbouring states of Queensland and South Australia owing to restricted border movements.

As an essential services industry, fuel retailers remained open during the lockdown (albeit some with restricted hours) which meant that most fuel retailers continued to carry normal business costs in the face of dramatically reduced fuel revenues.

ACAPMA member feedback suggest that the 'typical' loss of pre-tax profit (EBITDA) during the Quarter was in the order of \$90k per site in NSW and Victoria, creating significant cashflow challenges and forcing many retailers to explore use of government support measures such as the Morrison Government's SME Loan Recovery Scheme (which became available to SME fuel retail businesses from 1 October 2021).

2. CONTINUED SIGNIFICANT ESCALATION IN AUSTRALIAN FUEL WHOLESALE FUEL PRICES

These price rises were attributed to rising oil prices created by OPEC production decisions and supply-demand issues created by the uneven nature of the global economic recovery in the major northern hemisphere economies.

The sharp rise in the cost of monthly fuel purchases that occurs in periods of sustained price escalation means that retailers are generally placed under significant cashflow pressure, as prior month fuel sales do not bring sufficient revenue to fully fund the cost of forward month fuel purchases (although this varies between fuel retailers according to the individual use of price smoothing or hedging actions that may be in place within the enterprise).

3. STAFFING SHORTAGES

Despite other industries being closed, the fuel retail industry continued to experience significant challenges in securing retail staff to support round-the-clock operation of their retail fuel sites. These issues were not new to the Quarter. Rather, they mark a continuation in a national shortage of 'unskilled' workers owing to the zero inflow of visa workers given the 18 month closure of Australia's international borders.

Traditionally, visa workers account for an average of between 20% and 30% - depending on seasonal variations - of the fuel retail workforce. These workers are a dominant cohort when it comes to staffing of late night and early morning shifts in the nation's service stations.

4. INCREASING INVESTMENT UNCERTAINTY

Uncertainty surrounding the rate of economic recovery in NSW and Victoria, coupled with ongoing uncertainty surrounding about the future nature of border restrictions meant that most fuel retailers were unable to plan ahead. This issue was further compounded by apparent changes in urban demand in the face of sporadic 'return-to-work' patters in the capital cities, giving rise to significant uncertainty about near term in retail networks.

Significant developments in some Australian Government policies during the Quarter (e.g. in the areas of energy security, fuel quality standards, and alternative vehicle technologies) served to increase uncertainty about the nature of fuel demand in the longer term - that is, beyond the next 2 to 3 years of COVID19 recovery.

The result is that most fuel retailers, despite being relatively confident about the prospect of business recovery in the near term, are increasingly cautious about the timing and quantum of substantial near term investment in fuel retail infrastructure (as opposed to non-fuel retail infrastructure).

All in all, the three months of the September 2021 Quarter is a period that most fuel retailers are seeking to put behind them as quickly as possible.

The next two quarters are likely to be characterized by fierce competition as fuel retailers seek to rebuild fuel forecourt volumes and return their fuel revenues to pre-covid levels.

This task is likely to be made more difficult as a result of ongoing uncertainty about post-covid demand patterns (relating to the timing of capital city workers returning to offices) and the challenges created by likely continued unprecedented volatility in the wholesale price of fuel due to global pressures.

1. FUEL PRICES SNAPSHOT

AS AT 30 SEPTEMBER 2021

The September 2021 Quarter marked a continued and sustained recovery in the global price of oil with the price of TAPIS Crude rising from a low of around 11cpl in April 2020 to just over 72cpl at 30 September 2021.

This increase in the base price of oil feedstock (coupled with fuel production costs, shipping costs, Australia government taxes, terminal and other wholesaler costs) resulted in a commensurate increase of the Australian average wholesale price of unleaded petrol - from a low of around 82cpl in April 2020 to an average of 141cpl at 30 September 2021.

The table on page 4 compares the quarterly average movement in fuel retail prices (petrol and diesel) during the September Quarter 2021 relative to the 'wholesale price' (i.e. Terminal Gate price) and prior quarters.

A review of these tables gives rise to the following pricing observations:

- Average terminal gate prices ('wholesale prices') for unleaded petrol** in Australia's capital cities were 9.5cpl higher during the September Quarter compared with the prior June 2021 Quarter. The average price was highest in the smaller capital city markets of Hobart (143.9cpl), Darwin (142.5cpl) and Canberra (138.2cpl). The average price was cheapest in Brisbane and Perth (137.4cpl), followed by Melbourne (137.7cpl) and Adelaide (138cpl).
- Average terminal gate prices ('wholesale prices') for diesel** in Australia's capital cities were 8.5 to 9.5 cpl higher during the September Quarter compared with the prior June 2021 Quarter -the exception was Hobart where the average increase was 7.3cpl. Once again, the average price was highest in the smaller capital city markets of Hobart (139.5cpl) and Darwin (137.4cpl). The average price was cheapest in Brisbane and Perth (133.2cpl), followed by Melbourne (133.7cpl) and Adelaide (133.9cpl).
- Average retail prices for unleaded petrol** in Australia's capital cities rose by around 10 cents per litre, during the September 2021 Quarter compared with the June 2021 Quarter - with the exception of Canberra where it increased by 12.2 cpl. The average price was highest in Brisbane (156.5cpl) followed by Sydney (155.6cpl) and Melbourne (154.1cpl). Adelaide had the cheapest price (145.0cpl) followed by Perth (149.3cpl) and Darwin (150.5cpl).
- Average retail prices for diesel** in Australia's capital cities rose by 9 to 10 cents per litre, during the September 2021 Quarter compared with the June 2021 Quarter - with the exception of Darwin where it increased by 14.6cpl and Hobart where it increased by 7.7cpl. The average price during the Quarter was highest in Hobart (150.6cpl) followed by Darwin (150.2cpl) and Canberra (150.1cpl). Adelaide and Perth had the cheapest price during the Quarter (141.6cpl) followed by Sydney (144.4cpl).
- Retail price variance for unleaded petrol** in Australia's capital cities was highest in the large capital city markets due to the influence of discount petrol price cycles, with the greatest variance during the Quarter in Sydney (45.6cpl), followed by Brisbane (42.9cpl) and Melbourne (42.9cpl). The retail price variance was lowest in the smaller capital cities that don't have discount petrol price cycles, with the variance being lowest in Darwin (14.2cpl) followed by Canberra (14.6cpl).
- Retail price variance for diesel** in Australia's capital cities was highest in the large capital city markets, with the greatest variance during the Quarter in Brisbane (50.0cpl), followed by Melbourne (40.9cpl) and Perth (35.2cpl). The retail price variance was lowest in the smaller capital cities with the variance being lowest in Darwin (8.2cpl) followed by Canberra (16.2cpl).

1. FUEL PRICES SNAPSHOT

AS AT 30 SEPTEMBER 2021

AVERAGE RETAIL PRICES								
REGULAR UNLEADED PETROL				DIESEL				
TGP	MIN.	MEAN	MAX.	TGP	MIN.	MEAN	MAX.	
SYDNEY								
SEP QTR - 2021	138.2	131.6	155.6	177.2	133.9	127.2	144.4	157.8
JUN QTR - 2021	128.7	121.6	144.6	170.0	124.9	121.2	134.1	155.9
MAR QTR - 2021	119.4	110.8	133.7	160.0	117.7	112.3	125.7	155.9
DEC QTR - 2020	105.5	97.0	123.1	160.2	104.3	99.2	115.7	155.9
MELBOURNE								
SEP QTR - 2021	137.7	134.4	155.1	176.8	133.7	114.9	145.1	155.8
JUN QTR - 2021	128.2	122.2	144.4	170.8	125.4	114.9	135.1	148.8
MAR QTR - 2021	118.8	113.3	136.0	157.4	118.4	112.3	127.7	149.2
DEC QTR - 2020	104.7	100.1	126.1	147.9	104.7	104.2	118.0	148.0
BRISBANE								
SEP QTR - 2021	137.4	134.3	156.5	177.0	133.2	123.9	146.7	173.9
JUN QTR - 2021	127.6	126.7	146.6	169.4	123.9	120.0	135.9	163.7
MAR QTR - 2021	118.3	115.7	135.5	158.7	116.5	114.8	126.9	156.2
DEC QTR - 2020	104.7	103.6	125.8	147.7	103.2	103.9	117.2	148.9
ADELAIDE								
SEP QTR - 2021	138.0	129.5	145.0	165.3	133.8	131.6	141.6	152.1
JUN QTR - 2021	128.5	117.8	134.8	162.5	124.9	121.9	133.2	142.1
MAR QTR - 2021	119.1	109.6	131.7	151.8	117.6	112.1	124.0	132.6
DEC QTR - 2020	105.2	92.2	113.8	135.4	104.2	96.6	111.2	119.2
PERTH								
SEP QTR - 2021	137.4	131.6	149.3	169.5	133.1	129.3	141.6	164.5
JUN QTR - 2021	128.0	120.3	139.6	163.1	124.7	120.6	132.7	152.4
MAR QTR - 2021	118.7	111.1	130.0	147.7	117.5	114.2	125.0	145.1
DEC QTR - 2020	104.2	98.7	117.5	138.2	103.9	101.3	116.5	139.9
HOBART								
SEP QTR - 2021	143.8	143.9	154.1	160.1	139.5	140.5	150.6	155.8
JUN QTR - 2021	135.6	131.6	144.5	150.6	132.2	130.1	142.9	149.4
MAR QTR - 2021	127.0	123.4	131.4	138.2	125.2	124.0	134.9	144.2
DEC QTR - 2020	113.0	114.7	123.3	134.9	111.8	116.9	132.2	141.9
DARWIN								
SEP QTR - 2021	142.5	147.9	150.5	162.2	137.3	147.5	150.2	155.7
JUN QTR - 2021	132.2	138.8	139.9	148.6	127.9	133.6	135.6	144.1
MAR QTR - 2021	122.6	122.3	126.3	135.9	120.4	121.0	124.6	134.4
DEC QTR - 2020	108.7	107.8	116.5	126.9	107.0	106.0	116.1	126.9
CANBERRA								
SEP QTR - 2021	138.2	141.4	153.4	156.0	134.0	139.4	150.1	155.6
JUN QTR - 2021	128.7	130.5	141.2	143.9	124.9	130.1	140.1	144.8
MAR QTR - 2021	119.4	119.3	130.5	134.6	117.7	120.7	131.1	137.8
DEC QTR - 2020	105.5	107.6	121.3	129.8	104.3	109.8	121.9	128.4

DATA SOURCE: INFORMED SOURCES OIL PRICEWATCH REPORTS

NOTE: REGULAR UNLEADED PETROL IS 91-OCTANE FUEL

2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

2.1 SITE BRANDING BY AUSTRALIAN STATE AND TERRITORY

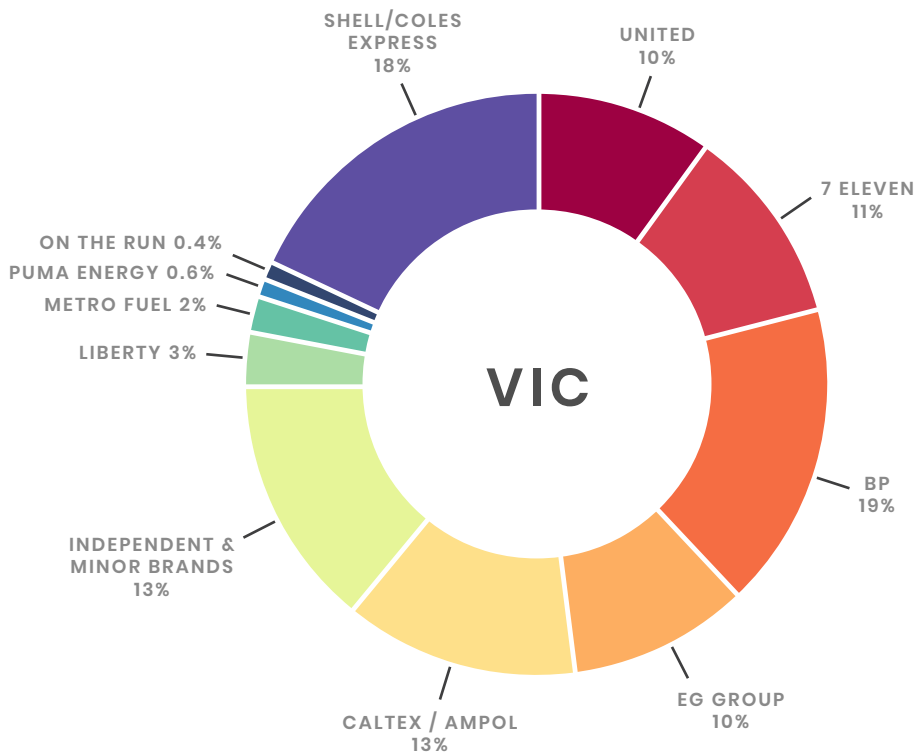
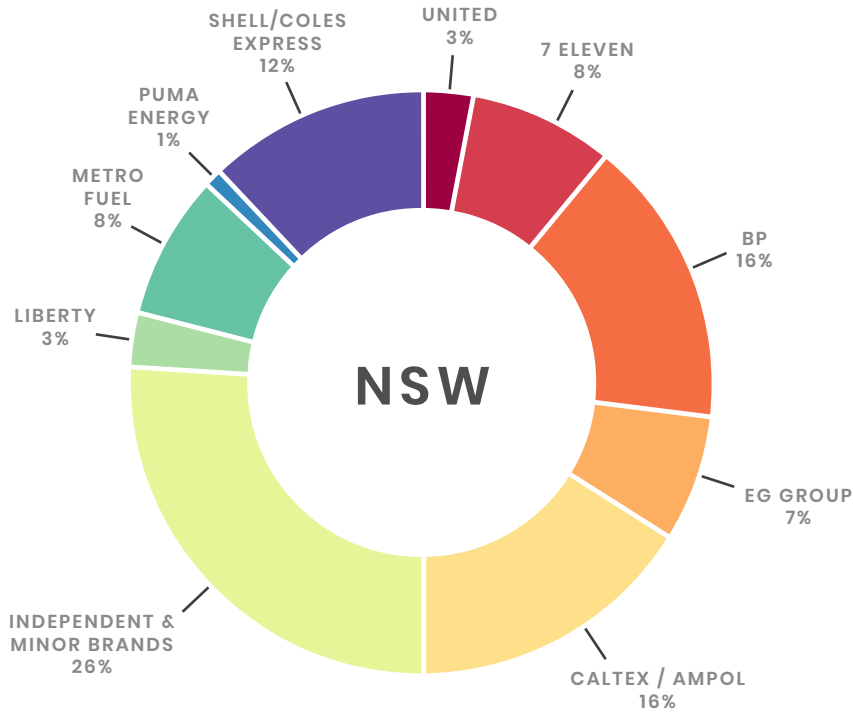
The following charts on pages 6-9 provide a summary of the composition of retail brands at fuel retail sites for each geographic market in Australia as at 30 September 2021. This information reveals that the proportion of 'independent and minor' brands is highest in the Northern Territory (52%) and lowest in the Australian Capital Territory (2%).

In addition, the information reveals that the following brands have the greatest site presence in the respective Australian State and Territory markets:

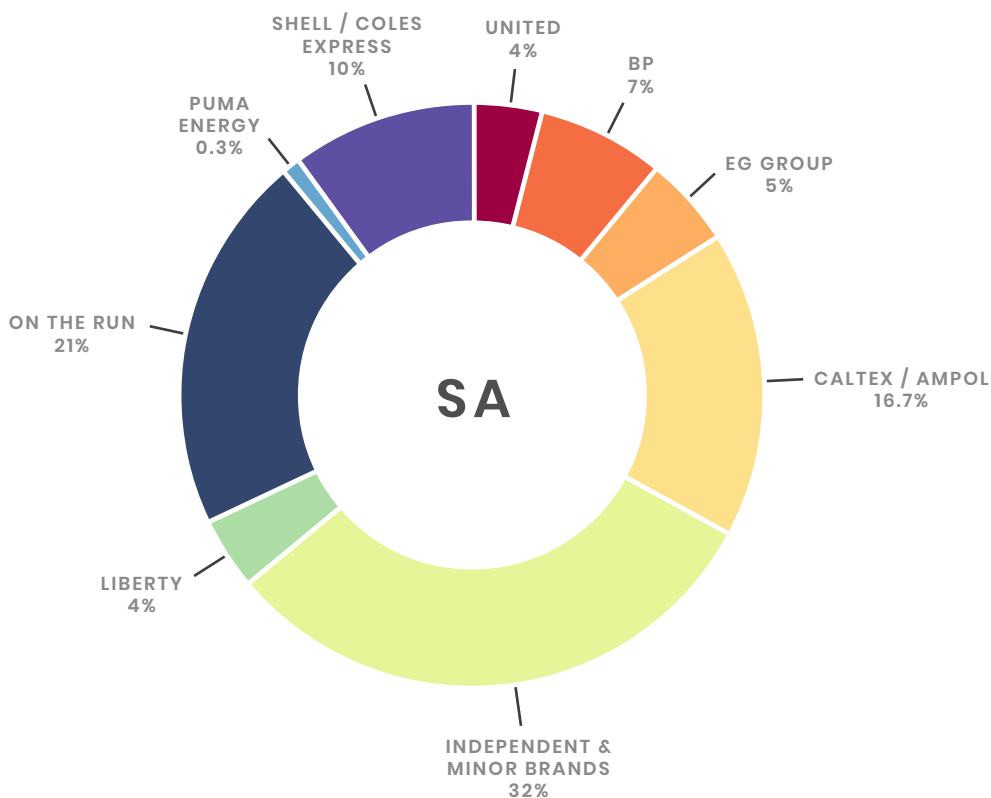
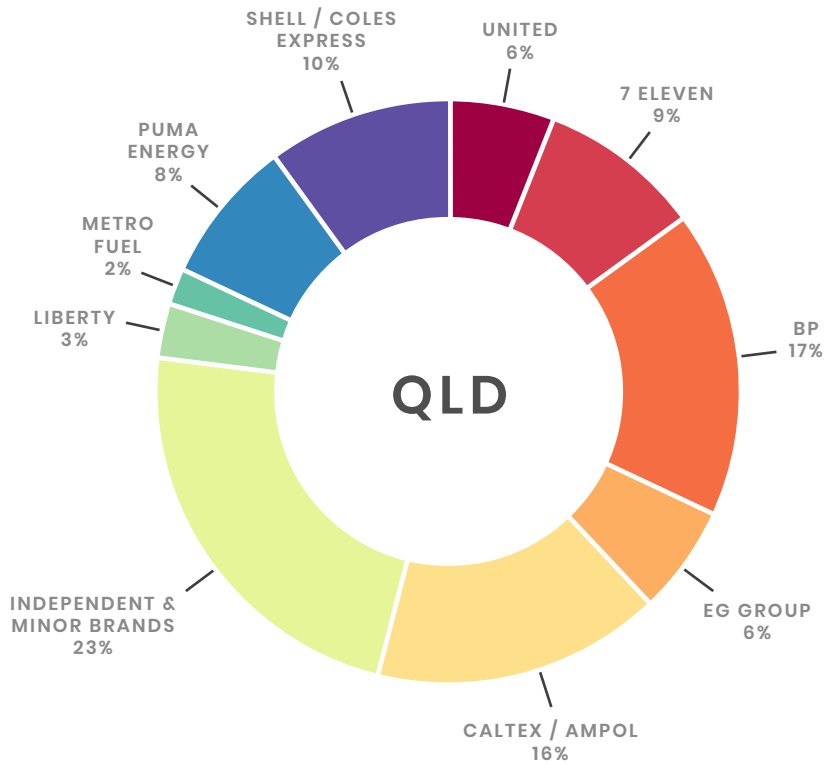
- **New South Wales:** Independent / Minor Brands (26% of all sites)
- **Victoria:** BP Australia (19% of all sites)
- **Queensland:** Independent and minor brands (23% of all sites)
- **South Australia:** Independent and minor brands (32% of all sites)
- **Western Australia:** BP Australia (25% of all sites)
- **Tasmania:** Caltex / Ampol (27% of all sites)
- **Northern Territory:** Independent and minor brands (52% of all sites)
- **Australian Capital Territory:** Caltex / Ampol (20% of all sites)

It should be noted that the Caltex / Woolworths brand identified in the below charts is actually the EG Group given the acquisition of the "Woolworths network" by EG in April 2019.

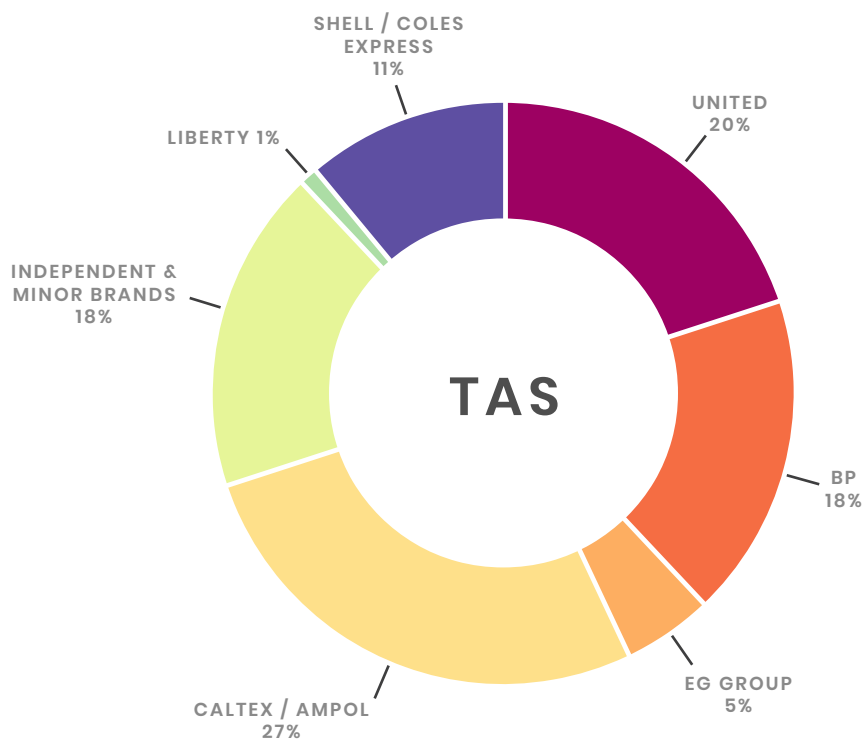
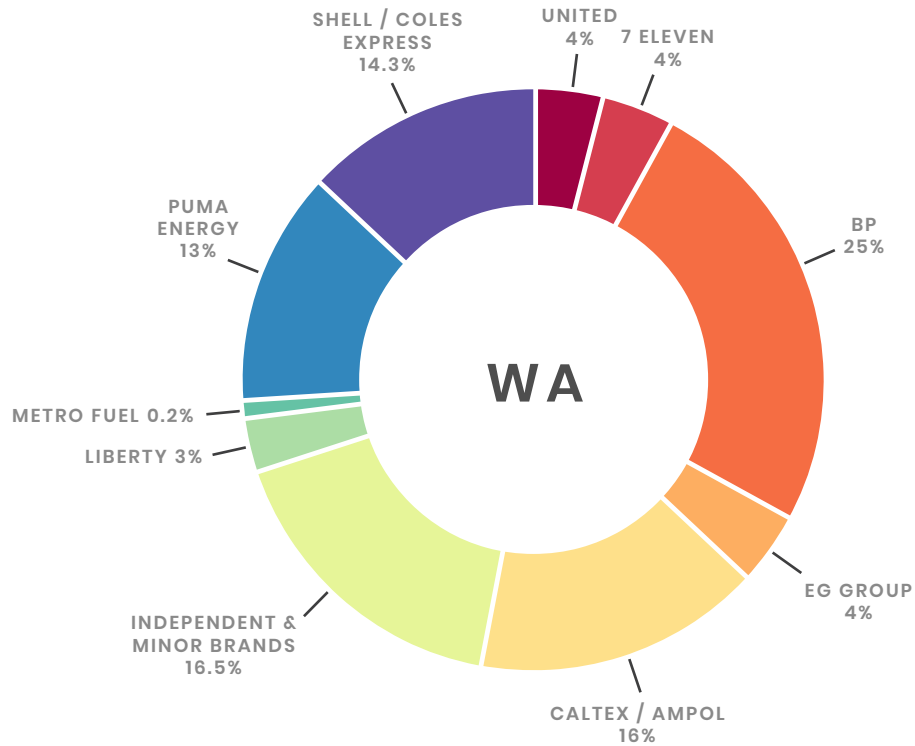
2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021



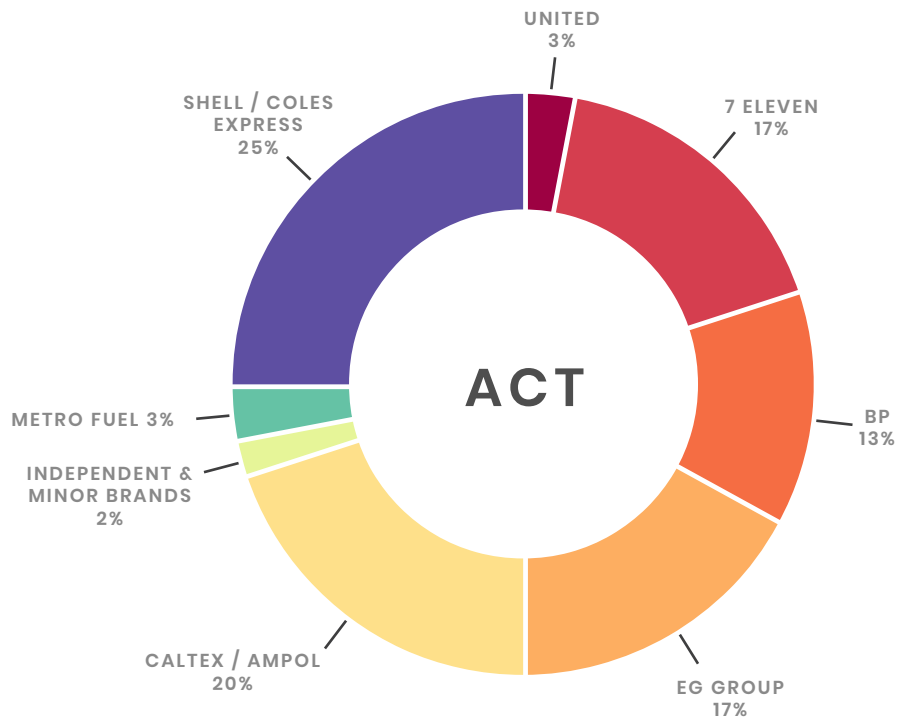
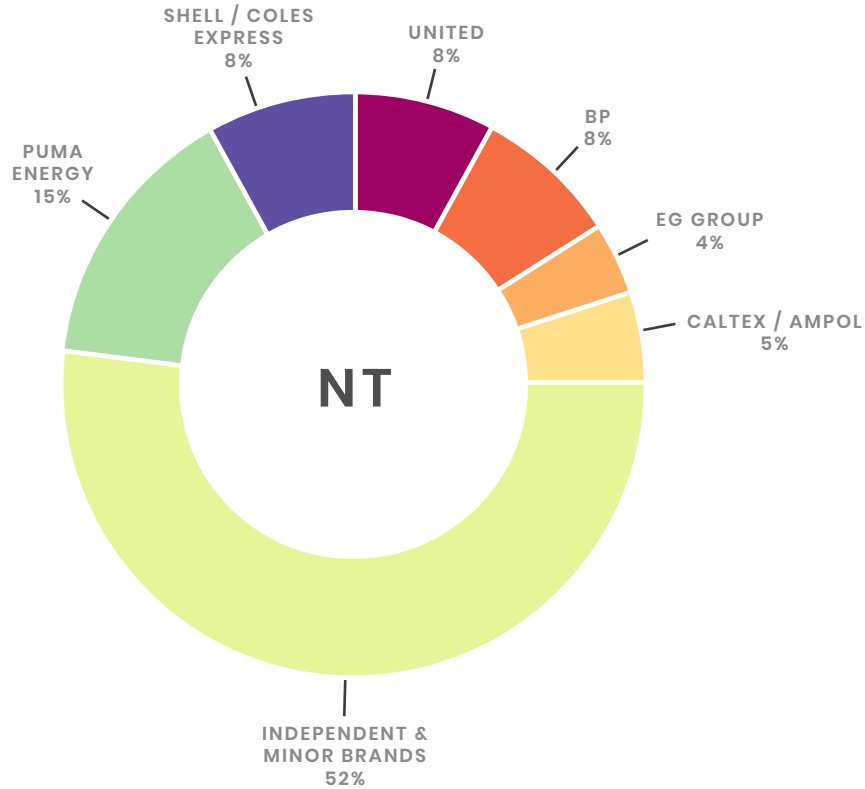
2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021



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2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

2.2 SITE OWNERSHIP / OPERATION STRUCTURES

A fact that is not well understood about the industry is that the fuel retail industry comprises a large number of small businesses that compete with each other (it is currently estimated that there are more than 2,300 fuel businesses in the market).

Many of these smaller businesses operate under the umbrella of a major fuel company brand which often leads to an incorrect perception that the industry is dominated by a small number of large businesses. Some of these businesses compete directly with company owned sites while others sell fuel on behalf of the bigger fuel companies on a fixed commission basis, contributing to a deeply competitive national fuel retail market.

The principal operating models used in the Australian fuel retail industry can be summarized as follows:

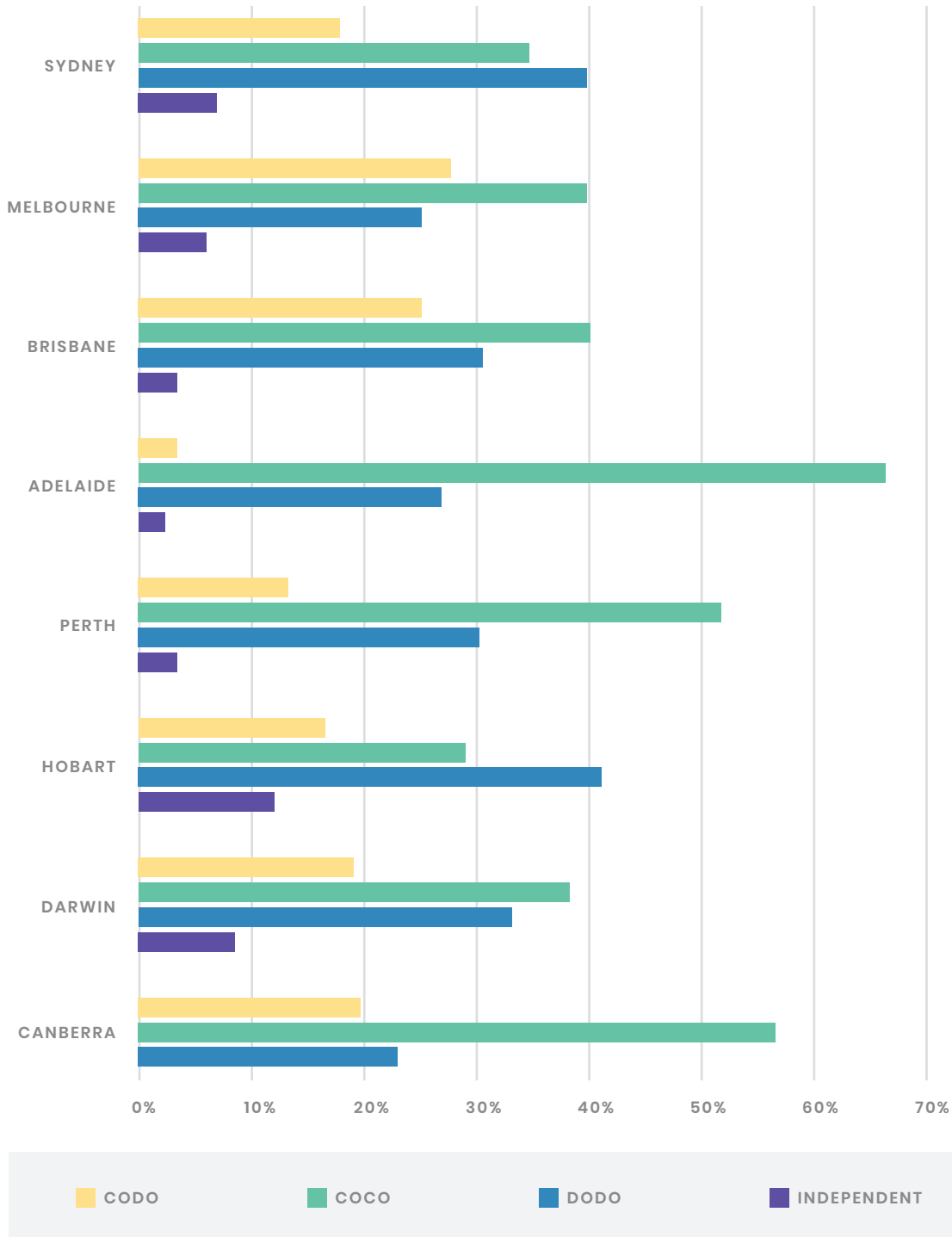
- **Company Owned / Dealer operated (CODO):** These are small retail businesses that are directly contracted to operate a site that is owned (or leased) by a major fuel brand. These businesses sell fuel on a fixed commission basis and essentially operate as a retail tenant. Pricing decisions rest with the major fuel brand and not the small business.
- **Company Owned / Company Operated (COCO):** These are retail sites that are operated by the company whose brand is displayed on the site. As the name implies, the fuel company is both the owner and operator of the site and makes the pricing decision.
- **Dealer Owned / Dealer Operated (DODO):** These are smaller retail fuel businesses, often family businesses that own or lease their own site. These businesses enter into fuel supply contracts with major fuel brands under a marketing arrangement that allows the business to display the big company brand. These businesses differ from CODO's in that they actually buy the fuel from the big company at wholesale prices and set their own prices - often in competition with COCO's that are trading under the same brands.
- **Independents:** These are sites that don't operate under any of the major brands. These sites use a mix of the three business models described above.

The following chart on page 11 provides a summary of the ownership structure that was in existence in each Capital City market as at 30 September 2021. Analysis of this information reveals that:

- **COCO business structures are dominant** in Adelaide (62% of all sites) and Canberra (53% of all sites).
- **DODO business structures are dominant** in Hobart (42% of all sites) and Sydney (40%) markets.

2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

OWNERSHIP TYPE BY CAPITAL CITY



DATA SOURCE: INFORMED SOURCES NETWATCH

NETWATCH SURVEYS INCLUDE C-STORE PURCHASE AND COLLECTION OF ABN TO DETERMINE INDICATIVE OWNERSHIP/OPERATION TYPE

2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

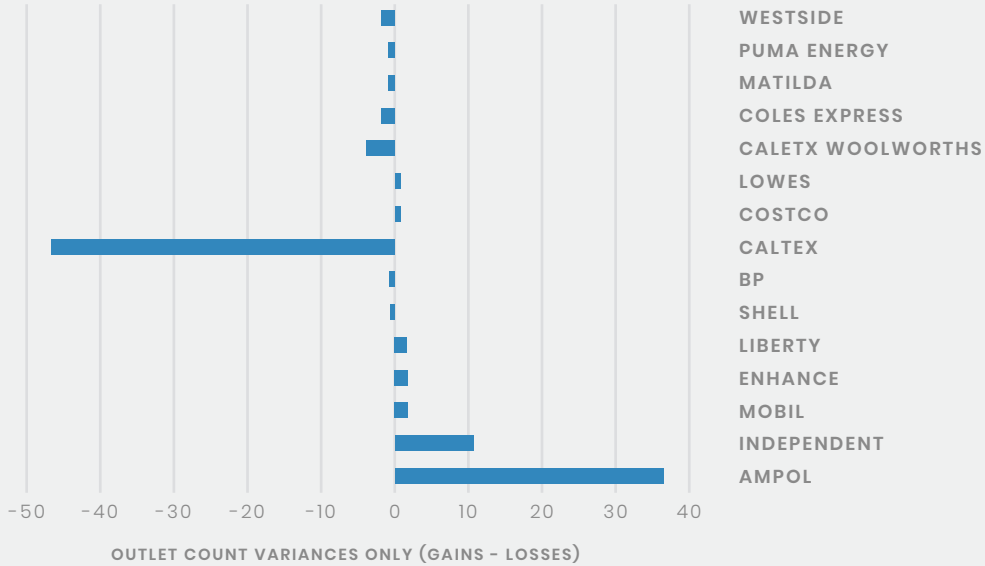
2.3 CHANGES IN SITE BRANDING

The following charts on pages 13-15 provide a summary of the changes in site branding that occurred in each geographic market during the last quarter. A review of these charts gives rise to the following major observations:

- A majority of the brand changes recorded during the quarter relate to the rebranding of the Caltex sites to AMPOL (with the CALTEX brand to be rolled out by Chevron - the new owner of PUMA energy - from early 2022).
- Despite the long lockdowns in NSW and Victoria, early signs are that there has been little change in the retail site population in these two states during the Quarter.
- A decline in the site population in South Australia during the Quarter is largely attributed to a one-off cleanse of the database during the period.

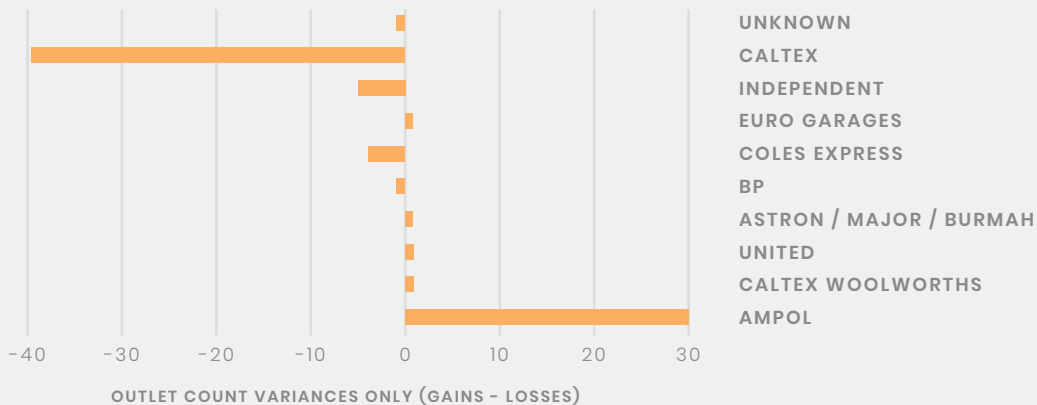
2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

NSW - VARIANCE BY BRAND



NSW	SITE NUMBERS
TOTAL COUNT AS AT 30 SEP 2021	2390
TOTAL COUNT AS AT 01 JUL 2021	2393

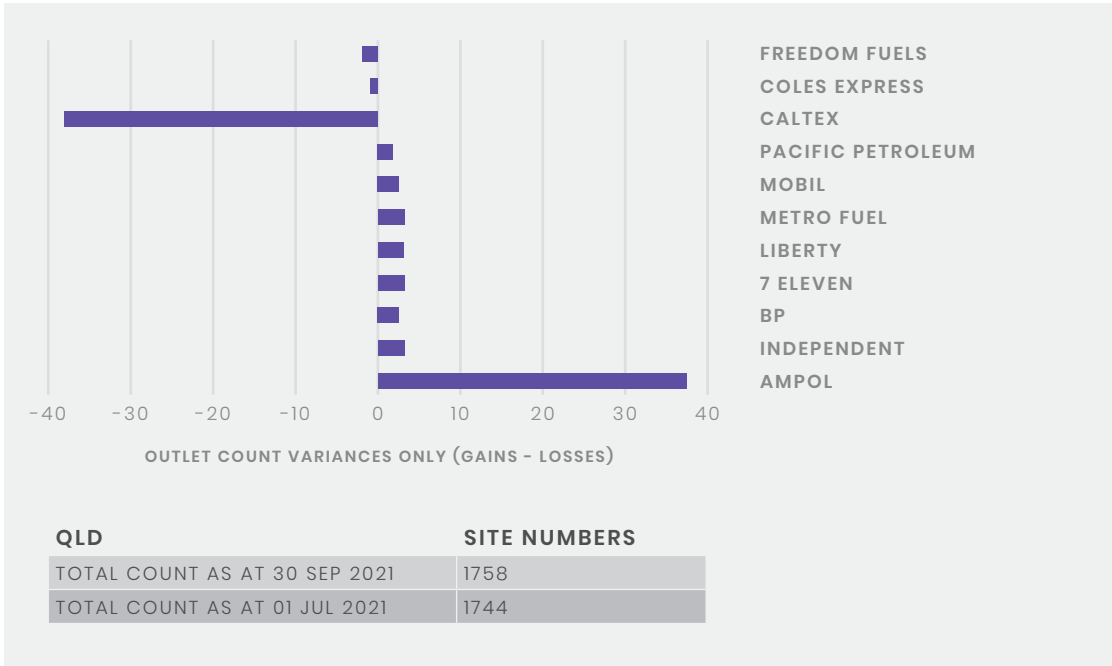
VIC - VARIANCE BY BRAND



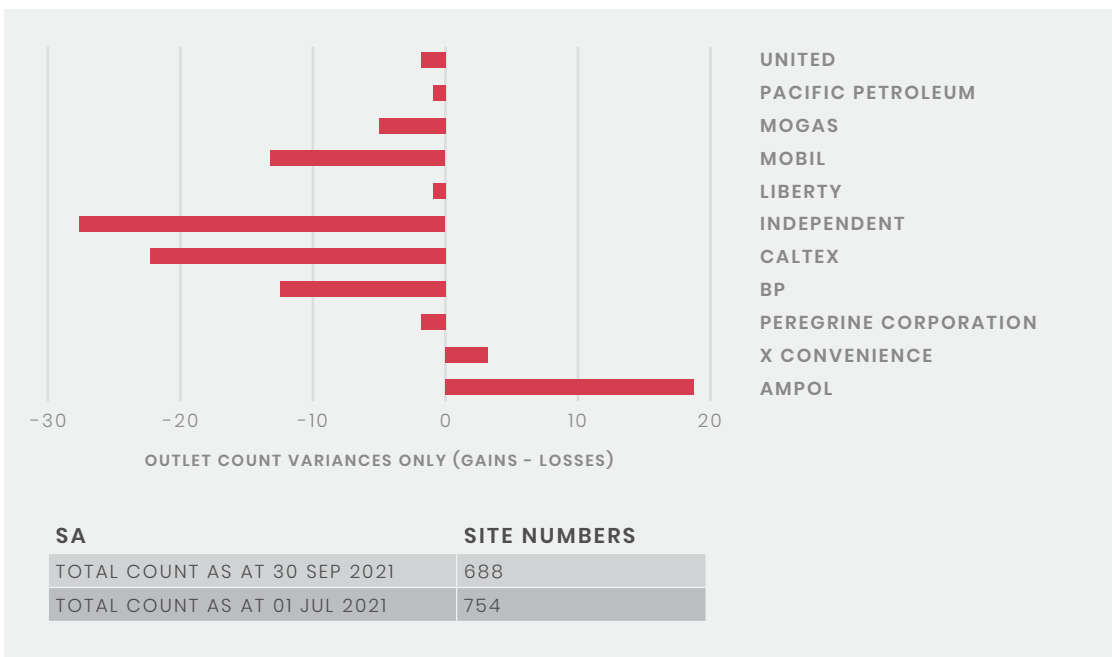
VIC	SITE NUMBERS
TOTAL COUNT AS AT 30 SEP 2021	1591
TOTAL COUNT AS AT 01 JUL 2021	1597

2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

QLD - VARIANCE BY BRAND

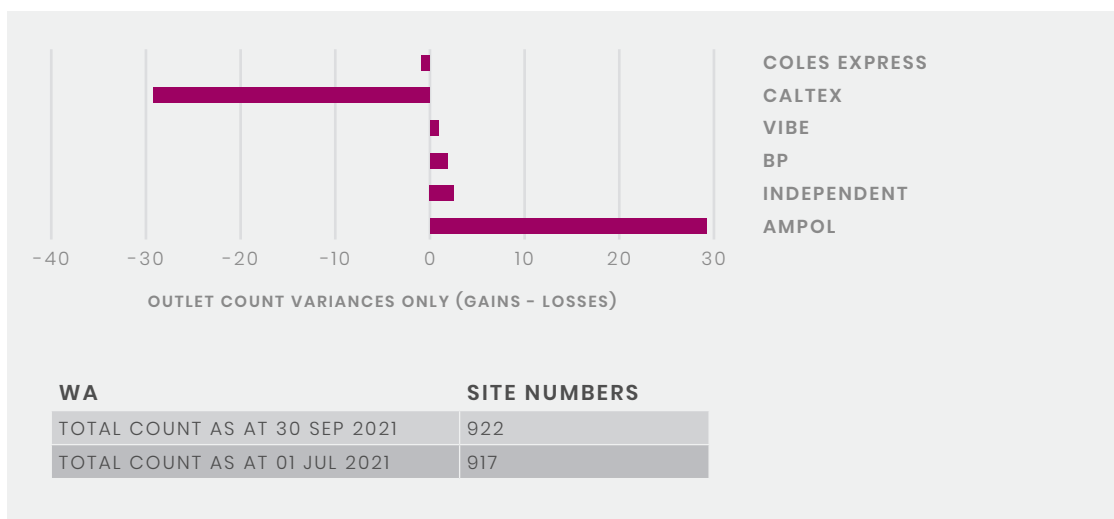


SA - VARIANCE BY BRAND

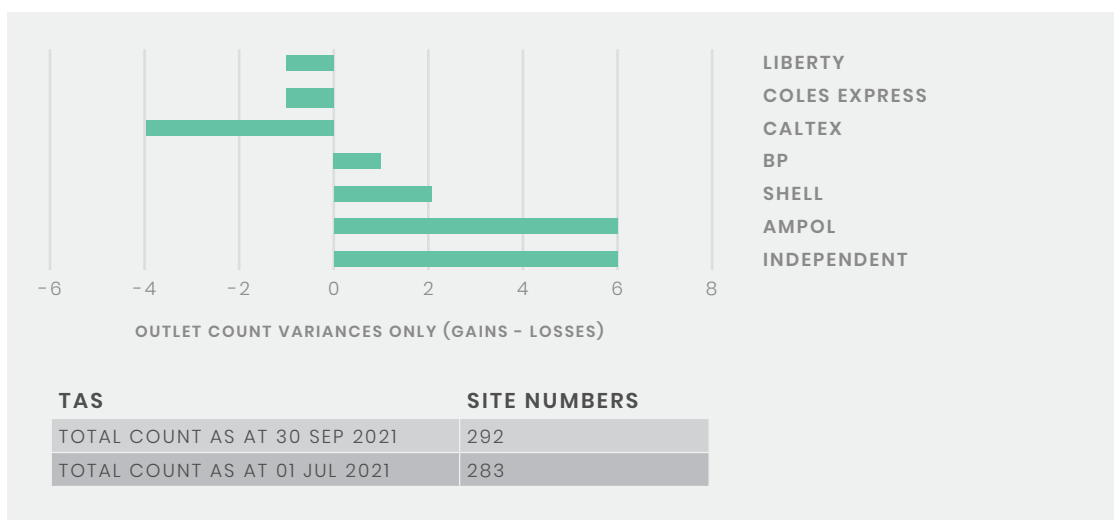


2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

WA - VARIANCE BY BRAND



TAS - VARIANCE BY BRAND



NO VARIATION

NT	SITE NUMBERS
TOTAL COUNT AS AT 30 SEP 2021	201
TOTAL COUNT AS AT 01 JUL 2021	201

ACT	SITE NUMBERS
TOTAL COUNT AS AT 30 SEP 2021	60
TOTAL COUNT AS AT 01 JUL 2021	60

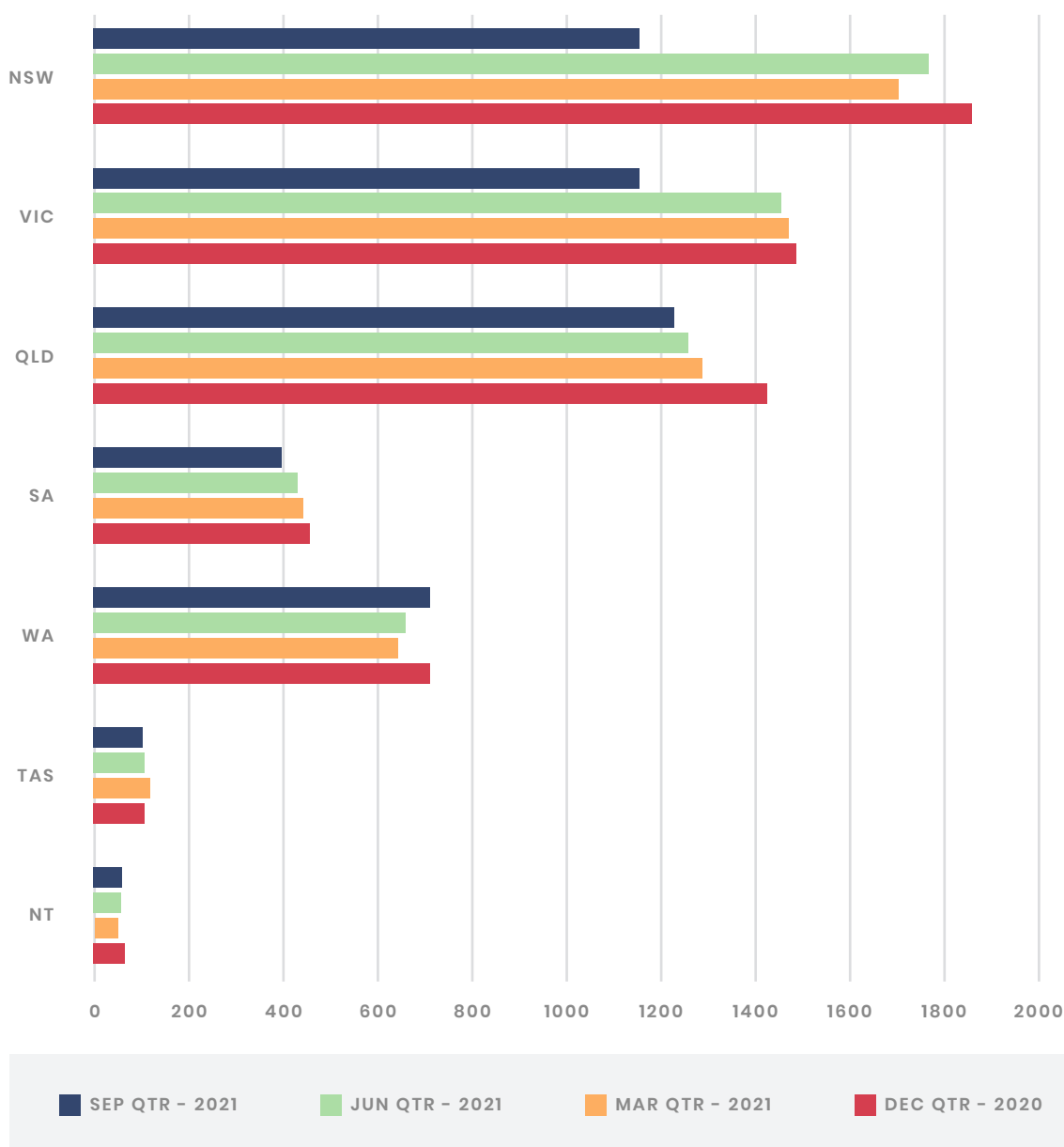
2. RETAIL NETWORK SNAPSHOT AS AT 30 SEPTEMBER 2021

2.4 QUARTERLY FUEL VOLUMES AND FUEL SALES BY TYPE

Analysis of fuel volumes across State and Territory markets clearly shows the impact of the extended lockdown in NSW and Victoria on total sales. In NSW, combined petrol and diesel retail sales fell by 34% compared with the prior quarter, while sales in Victoria fell by just under 21%.

These falls are very significant and reveal that, for the first time in living memory, quarterly fuel sales in Queensland were actually higher than the much larger markets of NSW and Victoria (It is, however, worth noting that Queensland volumes also declined slightly during the September Quarter compared with the prior quarter due to restrictions of cross border movement into NSW).

RETAILER AUTOMOTIVE FUEL VOLUMES BY STATE



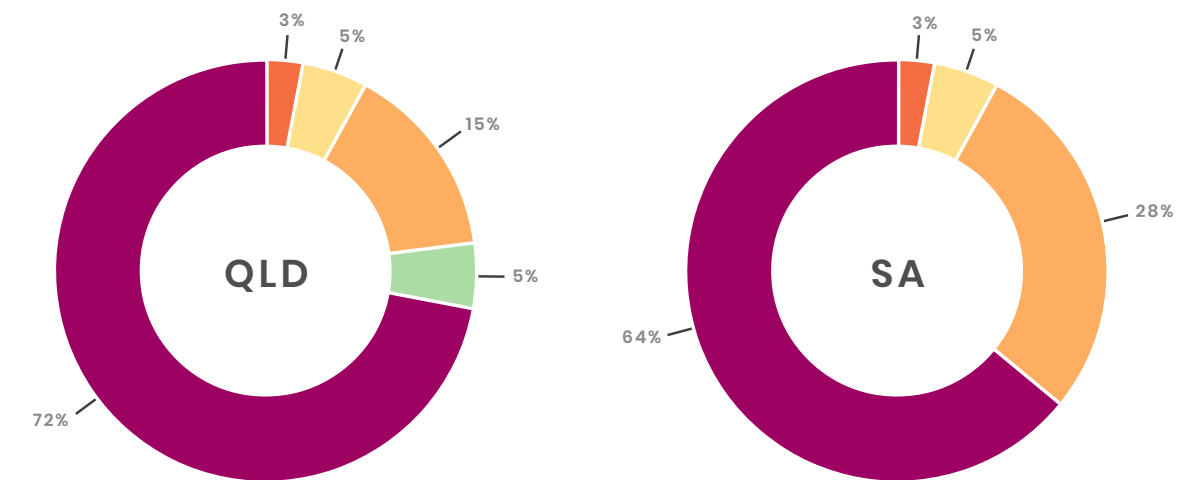
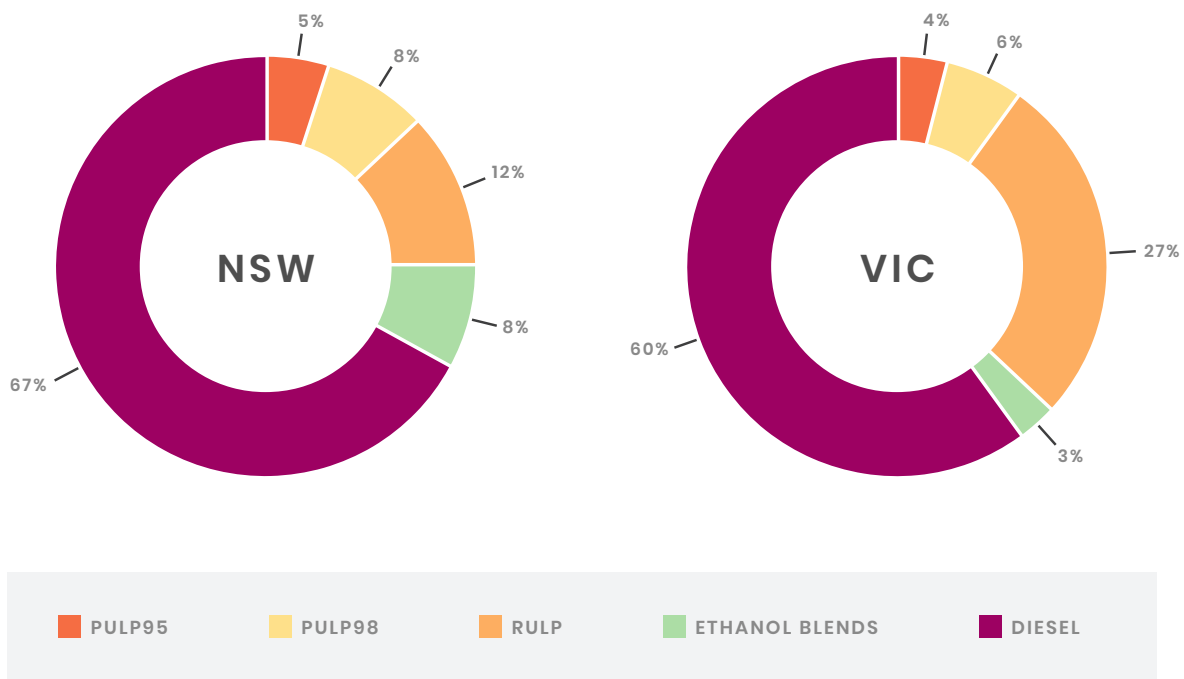
DATA SOURCE: AUSTRALIAN PETROLEUM STATISTICS

DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

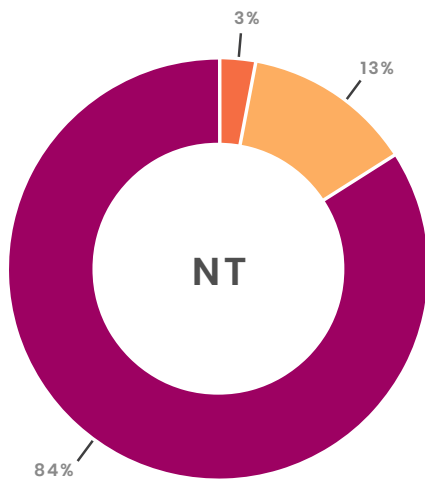
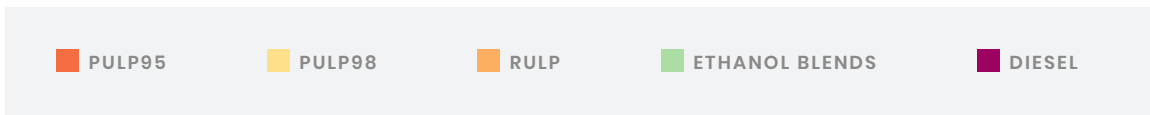
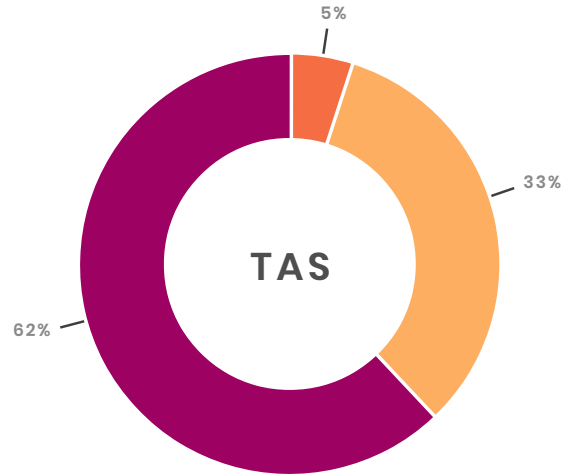
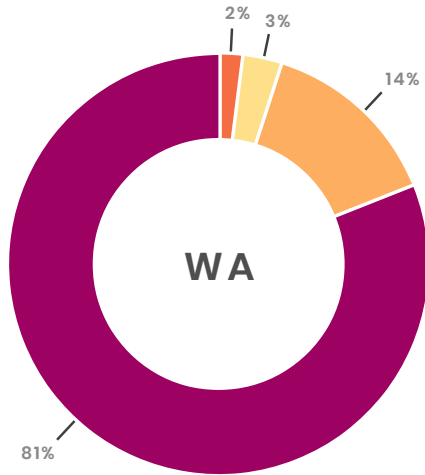
2. RETAIL OUTLET SUMMARY AS AT 30 SEPTEMBER 2021

2.4 QUARTERLY FUEL VOLUMES AND FUEL SALES BY TYPE

A summary of the quarterly fuel sales by fuel grade is provided in the following charts. These charts reveal that NSW sold more premium grade petrol (95RON and 98RON) than regular unleaded during the quarter despite the lockdown. NSW is the only Australian State and Territory market that exhibited this phenomenon during the quarter.



2. RETAIL OUTLET SUMMARY AS AT 30 SEPTEMBER 2021



ABBREVIATED FUEL TYPE	FUEL TYPE DESCRIPTION
PULP95	PREMIUM UNLEADED (95-97 RON)
PULP98	PREMIUM UNLEADED (98+ RON)
RULP	REGULAR UNLEADED (<95 RON)
ETHANOL BLENDS	ETHANOL-BLENDED FUEL
DIESEL	DIESEL OIL

DATA SOURCE: AUSTRALIAN PETROLEUM STATISTICS

DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

3. SUMMARY AND NEAR TERM OUTLOOK

Fuel prices during the September Quarter continued to increase in line with a sustained upward trend in the global price of oil (and finished fuel products), as the global economy continued to grapple deal with the economic fall-out of the COVID19 pandemic.

The impact of the pandemic on the Australian fuel retail industry during the September Quarter was very significant, with substantial declines in fuel sales experienced due to the extended lockdowns in the two largest states of NSW and Victoria.

The near-term outlook for the fuel retail industry is increasingly volatile due to ongoing uncertainty about global supply prices, coupled with workforce challenges

and the uncertain longevity of apparent changes in the demand profile (these changes in demand profile are largely due to observed changes in post pandemic consumer behaviours that include decreased CBD car commutes and increased recreational car trips in lieu of interstate and international air travel).

The longer term outlook is being impacted by uncertainty in the timing of the national economic recovery (and possible future economic interruption caused by COVID19 and new Federal Government legislation in the areas of fuel security, fuel quality and future fuels. These latter issues have effectively halted infrastructure investment across the industry as a whole.

4. FURTHER ENQUIRIES

General inquiries about the information contained in this paper can be directed to either Mark McKenzie (CEO of ACAPMA) or Nick Ferris (Commercial Manager Asia Pacific, Informed Sources).

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