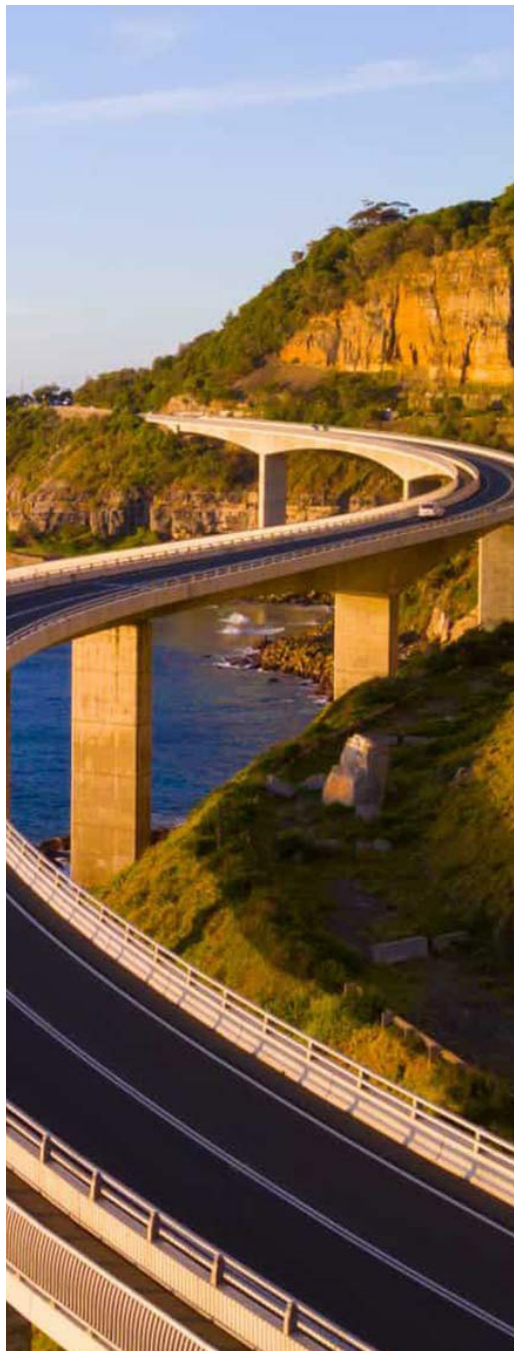


DECEMBER QTR - 2021

AUSTRALIAN FUEL INDUSTRY QUARTERLY UPDATE

A JOINT INITIATIVE OF ACAPMA AND
THE INFORMED SOURCES GROUP



QUARTERLY OVERVIEW

AS AT 31 DECEMBER 2021

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

The December 2021 Quarter followed one of the most challenging quarters in the recent history of Australia's fuel retail industry, given the widespread lockdown of Australia's two largest State/Territory economies between June and September 2021.

The Quarter opened positively with the rollback of the lockdown restrictions in both New South Wales (NSW) and Victoria, but the industry continued to operate under the shadow of ever escalating wholesale fuel prices - driven largely by the consistent failure of global oil producers to correctly forecast demand in the face of a stop/start global economy.

As it turned out, the December 2021 Quarter proved just as challenging as the prior quarter but for reasons that were both similar and different.

1. STRONG REBOUND IN FUEL RETAIL VOLUMES (BUT AN UNCERTAIN END)

Fuel retailers in NSW and Victoria experienced a strong rebound in retail demand following the reopening of both State economies at the start of the Quarter. Retail fuel volumes increased by 43% in NSW and 27% in Victoria, effectively returning both markets to near 'normal' demand.

There were also small increases in quarterly retail demand in South Australia (8%), Queensland (5%) and Western Australia (4%) but a fall in NT (13%). The last month of the Quarter saw the emergence of the Omicron Variant leading to considerable uncertainty about the nature of demand over the 2021 Christmas/New Year period.

2. CONTINUED ESCALATION IN WHOLESALE FUEL PRICES (AND HIGH UNCERTAINTY INTO 2022)

The first half of the Quarter saw continuation of the global price pressures experienced during the previous quarter.

The inability of oil producers to accurately predict the supply/demand balance in the face of a stop/start global economy and a relatively low exchange rate meant that wholesale fuel prices touched a decade long peak at the end of October 2021.

At this point, the wholesale fuel price had increased by 96% compared with the prices observed at the start of the pandemic (April 2020) when prices fell through the floor as a result of the consequent collapse in global fuel demand.

Stabilisation of most economies toward the end of the September quarter saw a steadying of global oil prices and this was reflected in a fall in Australian fuel prices during November 2021.

This price respite, however, was short lived as market concern about the prospect of conflict in Europe involving Russia (i.e. the second biggest oil producer and second biggest oil exporter in the world) drove global oil prices and Australian wholesale fuel prices higher during the second half of December 2021.

The net effect of these pressures was that Australian average 'wholesale' regular unleaded petrol price (i.e. Terminal Gate Price) opened the quarter at 141cpl, rose to a peak of 158cpl in late October, fell 10% through November 2021 and into December 2021, before ending the Quarter at a national average of 152cpl.

The 'Ups & Downs' experienced during the December 2021 Quarter saw the average unleaded 'wholesale' price finish 8% higher than it was at the start of the Quarter.

3. STAFFING SHORTAGES EXACERBATED BY THE REBOUND IN RETAIL DEMAND

While the rebound in retail demand experienced during the quarter was very welcome, the increase exacerbated the demand shortages that had already been created by a lack of inflow of Visa Workers (particularly international students) into Australia as a result of Australia's international border restrictions (Visa workers typically account for an average of between 20% and 30% of the fuel retail workforce and perform up to 70% of the late/night early morning shifts in some networks).

The shortage of workers in fuel retail resulted in many networks (big and small) being required to reduce operating hours and/or close a small percentage of retail outlets for short periods during the Quarter.

4. REGULATORY AND MARKET UNCERTAINTY DISCOURAGING ASSET INVESTMENT

Although the quarter commenced with the reopening of the NSW and Victorian economies, and subsequent restoration of retail demand, it ended with the outbreak of the Omicron variant across the Eastern Seaboard.

In addition, speculation about the likely impacts of looming regulatory and policy developments (e.g. in the areas of energy security, fuel quality standards,

QUARTERLY OVERVIEW

AS AT 31 DECEMBER 2021

and alternative vehicle technologies) served to increase uncertainty about the nature of fuel demand in the longer term.

Accordingly, many fuel retailers reported a current unwillingness to invest in fuel retail assets (other than maintenance and repair) in the near term.

5. ADBLUE SUPPLY RISK FOR DIESEL DEMAND

The Quarter demonstrated the significance of AdBlue supply to the maintenance of diesel retail demand. The crisis, created by the cessations of Automotive Grade Urea from China, exposed the vulnerability of Australia's AdBlue supply chain and the risk of adverse 'knock-on' affects to Australia's diesel demand in the heavy vehicles sector.

In summary, the December 2021 was just as challenging for Australian fuel industry businesses albeit that the nature of the challenge proved different. Needless to say that many in the industry has concluded that the New Year (2022) was likely to be just as challenging as the one being farewelled at the end of the Quarter.

1. FUEL PRICES SNAPSHOT

AS AT 31 DECEMBER 2021

The December 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 (\$AUD) to a peak of 78cpl in late October 2021 before ending the quarter just below 75cpl on 31 December 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 149cpl at 31 December 2021.

The table on page 5 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 retail price variance for unleaded petrol** during the Quarter - which is normally greatest in the larger markets where the petrol price discount cycle exists - was highest in Sydney (50.9cpl), Brisbane (43.8cpl) and Adelaide (37.6cpl). The retail price variance was lowest in Darwin (15.3cpl) followed by Hobart (17.3.6cpl) and Canberra (19.9cpl).
- Average retail price variance for diesel** during the Quarter was highest in Melbourne (44cpl) and Brisbane (42.5cpl). The lowest variance was observed in Darwin (10.3cpl) and Canberra (15.9cpl).
- Average terminal gate prices ('wholesale prices') for unleaded petrol** were 11.2cpl (8%) higher during the December 2021 Quarter than the prior September Quarter. The average price was highest in Hobart (154.9cpl) and Darwin (153.7cpl). The average price was lowest in Perth (148.5cpl), followed by Brisbane (148.7cpl) and Melbourne (149.0cpl).
- Average terminal gate prices ('wholesale prices') for diesel** were 12.3cpl higher (9%) during the December 2021 Quarter than the prior September Quarter. The average price was highest in Hobart (151.7cpl) and Darwin (149.6cpl). The average price was lowest in Perth (145.4cpl) followed by Brisbane (145.5cpl) and Melbourne (146.0cpl).
- Average retail prices for unleaded petrol** in Australia's capital cities rose between 7.0cpl (Melbourne) and 20cpl (Hobart) during the December 2021 Quarter compared with the September 2021 Quarter. The average price was highest in Hobart (174.1cpl) followed by Canberra (168.1cpl) and Darwin (166.2cpl). Adelaide had the cheapest price (157.7cpl) followed by Melbourne (162.1cpl) and Perth (163.0cpl).
- Average retail prices for diesel** in Australia's capital cities rose between 13.7cpl (Darwin) and 19.5cpl (Hobart) during the December 2021 Quarter compared with the prior September 2021 Quarter. The average price was highest during the Quarter in Hobart (170.1cpl) followed by Canberra (165.2cpl) and Darwin (163.9cpl). Adelaide (157.0cpl) had the lowest price during the Quarter followed by Sydney (159.2cpl) and Perth (159.7cpl).

1. FUEL PRICES SNAPSHOT

AS AT 31 DECEMBER 2021

AVERAGE WHOLESALE AND RETAIL PRICES

	RULP				DIESEL			
	TGP	MIN.	MEAN	MAX.	TGP	MIN.	MEAN	MAX.
SYDNEY								
DEC QTR - 2021	149.4	137.4	166.0	188.5	146.1	137.9	159.2	171.8
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	124.9	121.2	134.1	155.9
MAR QTR - 2021	119.4	110.8	133.7	160	117.7	112.3	125.7	155.9
MELBOURNE								
DEC QTR - 2021	149.0	145.7	162.1	183.2	146.0	129.0	160.3	173.0
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
BRISBANE								
DEC QTR - 2021	148.7	145.6	164.4	189.4	145.5	144.5	161.4	187.0
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
ADELAIDE								
DEC QTR - 2021	149.3	141.3	157.7	178.9	146.2	143.3	157.0	165.1
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
PERTH								
DEC QTR - 2021	148.5	144.1	163.0	178.5	145.4	144.2	159.7	175.6
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
HOBART								
DEC QTR - 2021	154.9	162.8	174.1	180.1	151.7	140.9	170.1	181.3
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
DARWIN								
DEC QTR - 2021	153.7	161.8	166.2	177.1	149.6	161.2	163.9	171.5
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
CANBERRA								
DEC QTR - 2021	149.4	155.8	168.1	175.7	146.1	154.4	165.2	170.3
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

DATA SOURCE: INFORMED SOURCES OIL PRICEWATCH REPORTS

NOTE: REGULAR UNLEADED PETROL IS 91-OCTANE FUEL. CANBERRA TGP IS BASED ON THE SYDNEY TGP.

2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021

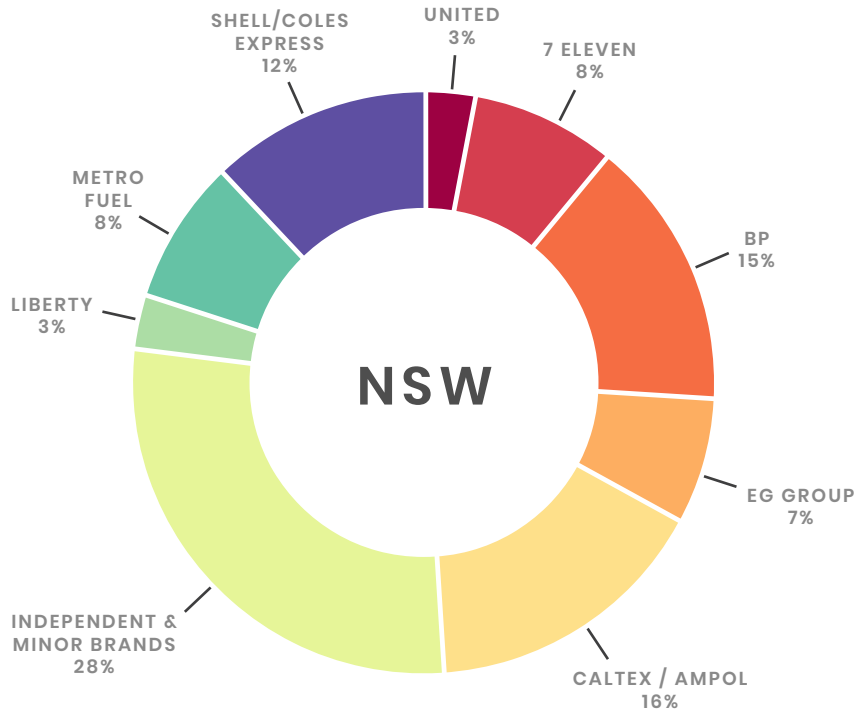
2.1 SITE BRANDING BY AUSTRALIAN STATE AND TERRITORY

The following charts on pages 7-10 provide a summary of the composition of retail brands at fuel retail sites for each geographic market in Australia as at 31 December 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:

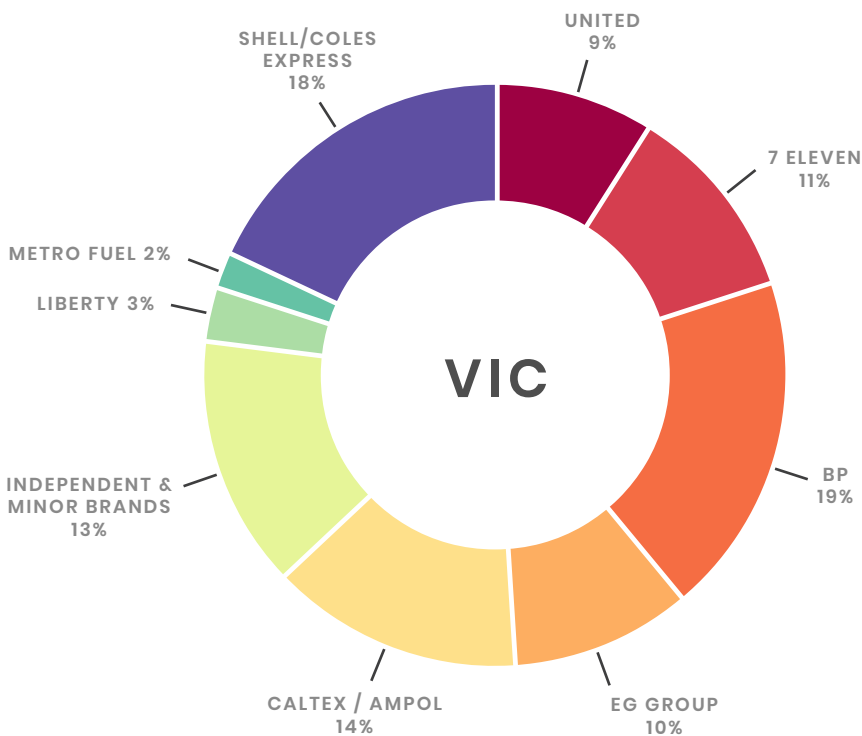
- **New South Wales:** Independent / Minor Brands (28% of all sites) - increase of 1% on prior Quarter
- **Victoria:** BP Australia (19% of all sites) - no change on prior Quarter
- **Queensland:** Independent and minor brands (24% of all sites) - increase of 1% on prior Quarter
- **South Australia:** Independent and minor brands (32% of all sites) - no change on prior Quarter
- **Western Australia:** BP Australia (25% of all sites) - no change on prior Quarter
- **Tasmania:** Caltex / Ampol (26% of all sites) - decrease of 1% on prior Quarter
- **Northern Territory:** Independent and minor brands (52% of all sites) - no change on prior Quarter
- **Australian Capital Territory:** Shell/Coles (25% of all sites) - no change on prior Quarter

2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021



INDEPENDENT & MINOR BRANDS IN NSW

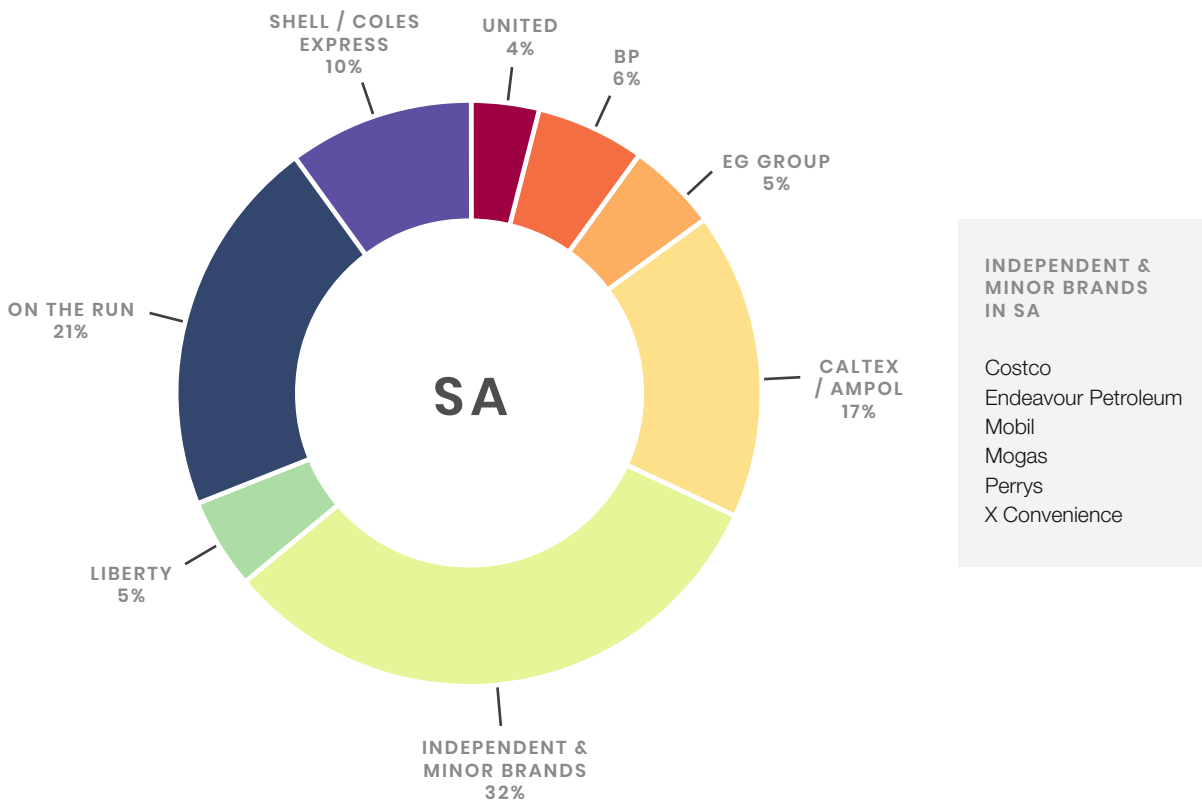
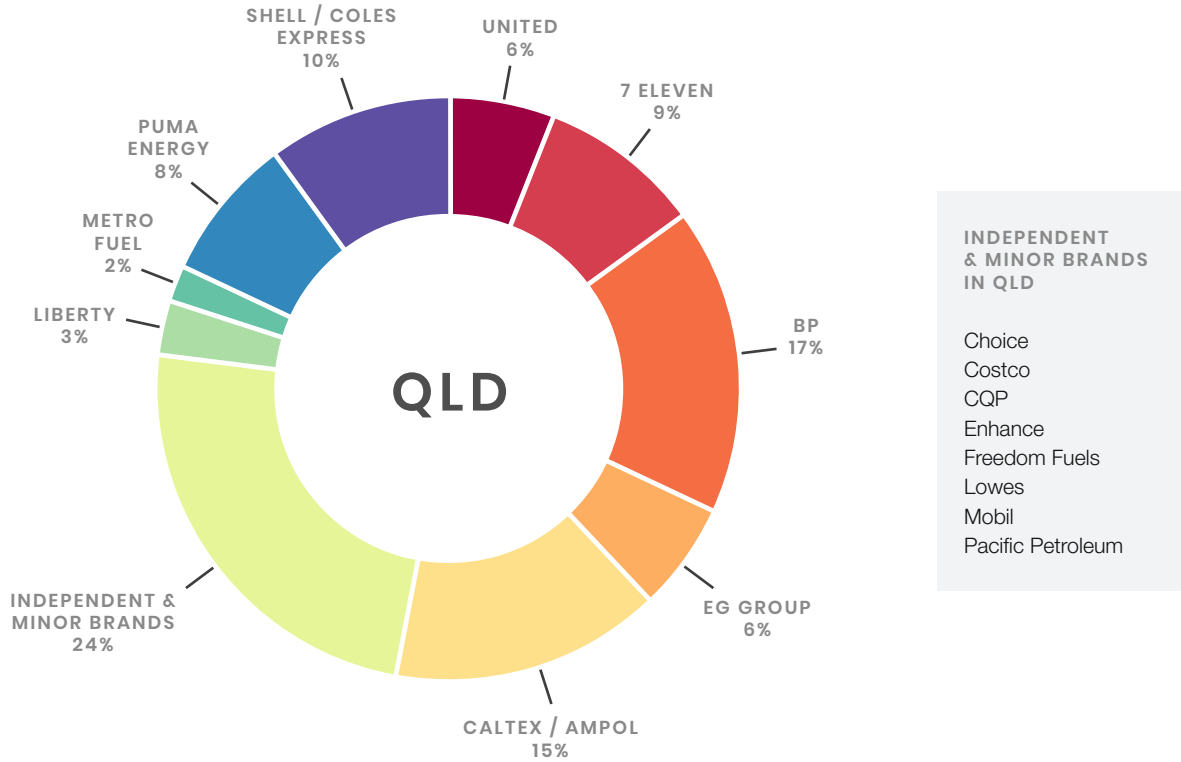
- Apco
- Budget
- Costco
- Enhance
- Freedom Fuels
- IGA
- Lowes
- Mobil
- Pacific Petroleum
- Prime Petroleum
- Puma Energy
- Speedway
- Unigas
- Westside



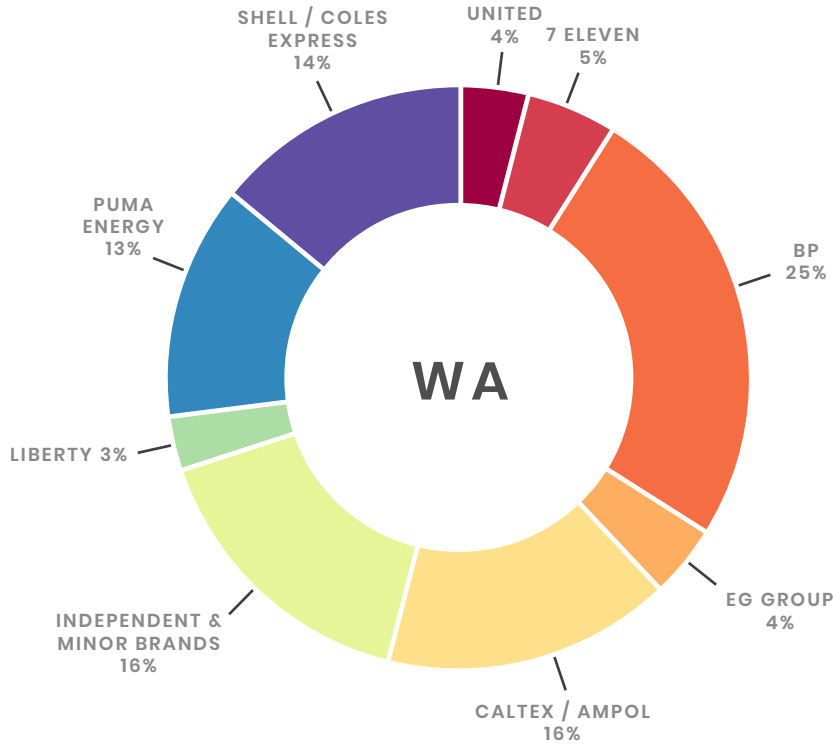
INDEPENDENT & MINOR BRANDS IN VIC

- Apco
- Astron
- Better Choice
- Costco
- Enhance
- Mobil
- Mogas
- On the Run
- Pacific Petroleum
- Petrogas
- Puma Energy
- Riordan Fuel
- Speedway
- Westside

2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021

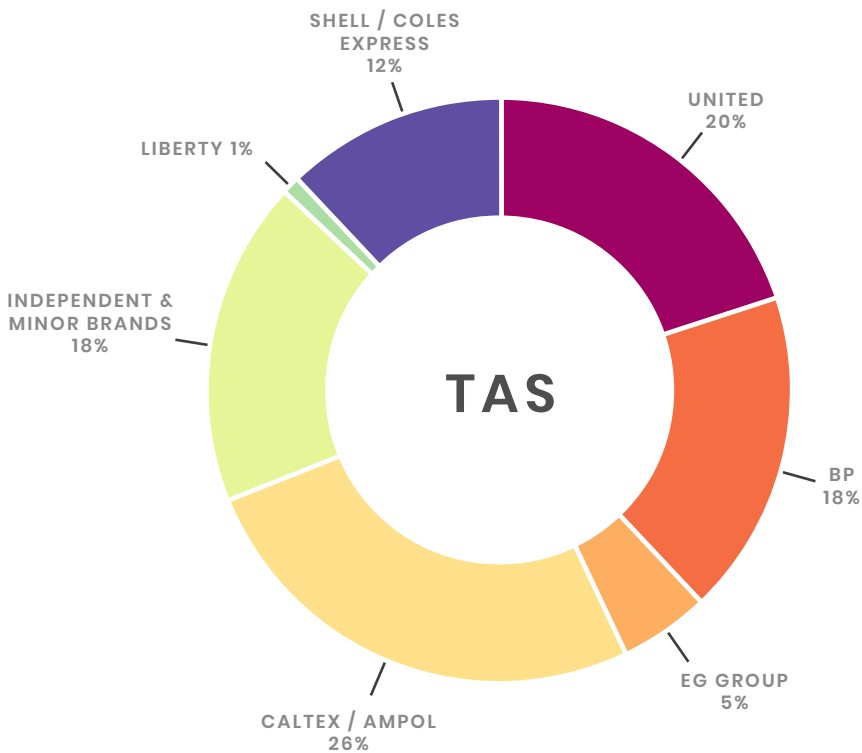


2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021



INDEPENDENT & MINOR BRANDS IN WA

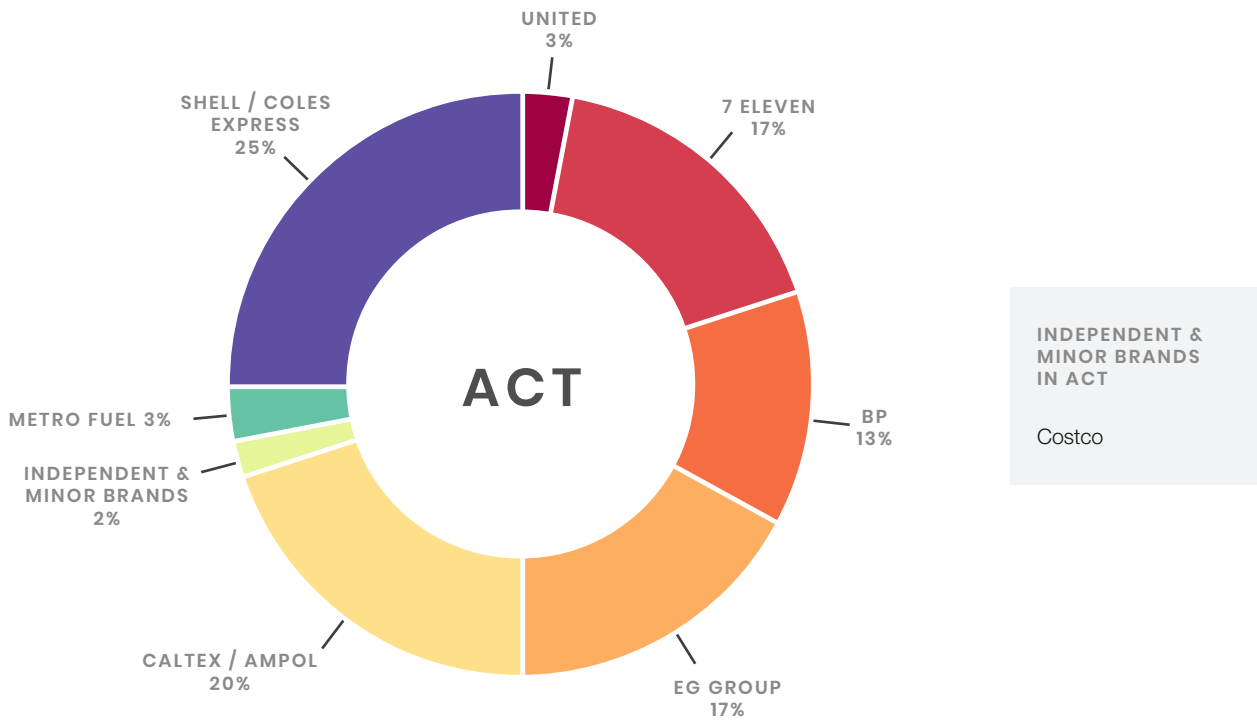
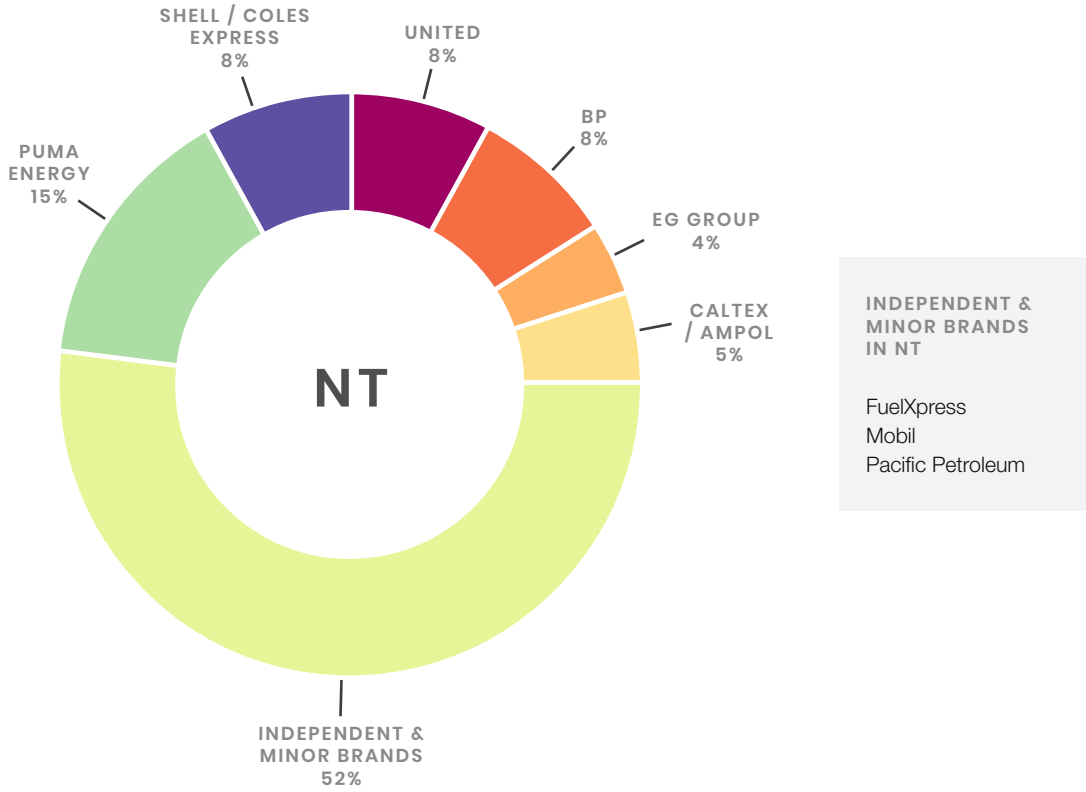
- Better Choice
- Costco
- Mobil
- Mogas
- Vibe
- X Convenience



INDEPENDENT & MINOR BRANDS IN TAS

- Lowes
- Mobil

2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021



2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 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:

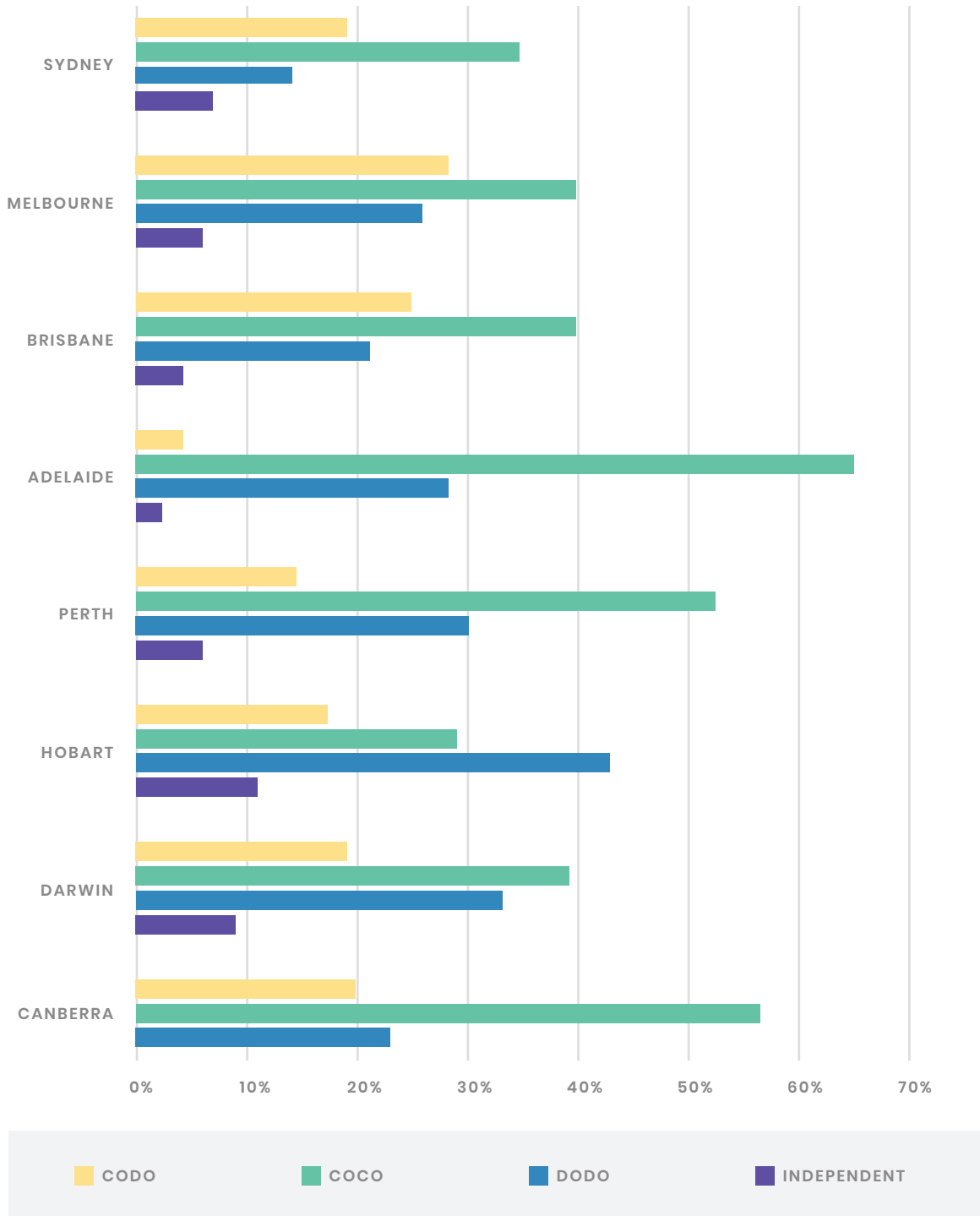
- **Company Owned / Dealer operated (CODO):** These are small retail businesses that are directly contracted to operate a site that is owned (or leased) by a major fuel brand. These businesses sell fuel on a fixed commission basis and essentially operate as a retail tenant. Pricing decisions rest with 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 12 provides a summary of the ownership structure that was in existence in each Capital City market as at 31 December 2021. Analysis of this information reveals that:

- **COCO business structures** are dominant in Adelaide (64% of all sites), Canberra (56% of all sites) and Perth (53%).
- **DODO business structures** are highest in Hobart (43% of all sites) and Sydney (40%).

2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 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 31 DECEMBER 2021

2.3 CHANGES IN SITE BRANDING

The following charts on pages 14-16 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:

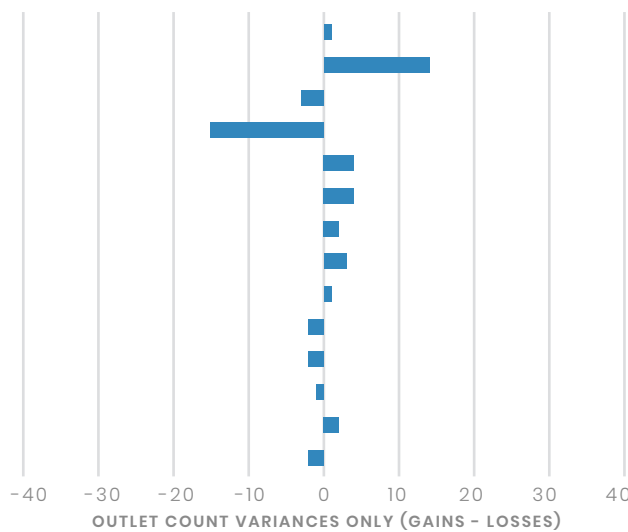
- A majority of the brand changes recorded during the quarter relate to the rebranding of the Caltex sites to AMPOL (with the CALTEX brand to be rolled out by Chevron - the new owner of PUMA energy - from early 2022).
- Despite the long lockdowns in NSW and Victoria, early signs are that there has been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

2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021

TOTAL CHANGES IN SITE BRANDING

AUSTRALIA	SITE NUMBERS
RATE OF CHANGE: DEC QTR - 2021	362
RATE OF CHANGE: SEP QTR - 2021	499

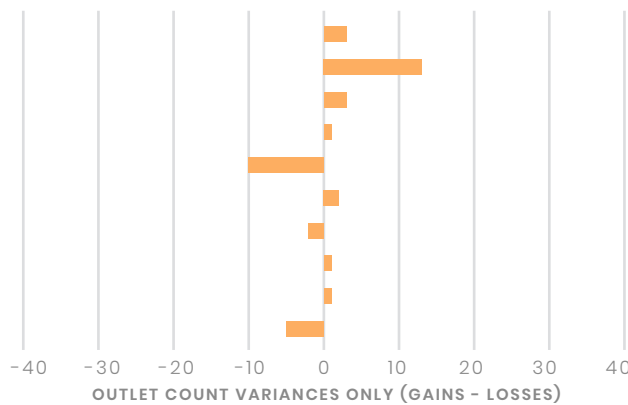
NSW - VARIANCE BY BRAND



- 7 ELEVEN
- AMPOL
- BP
- CALTEX
- COLES EXPRESS/SHELL
- EURO GARAGES
- INDEPENDENT
- LIBERTY
- METRO FUEL
- MOBIL
- PUMA ENERGY
- SPEEDWAY
- UNITED
- WESTSIDE

NSW	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	2395
TOTAL COUNT AS AT 30 OCT 2021	2389

VIC - VARIANCE BY BRAND

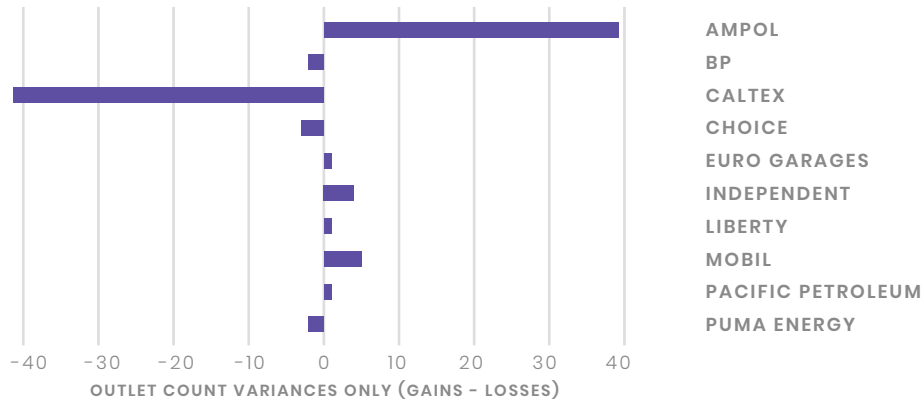


- 7 ELEVEN
- AMPOL
- ASTRON
- BP
- CALTEX
- COLES EXPRESS/SHELL
- INDEPENDENT
- LIBERTY
- METRO FUEL
- UNITED

VIC	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	1602
TOTAL COUNT AS AT 30 OCT 2021	1595

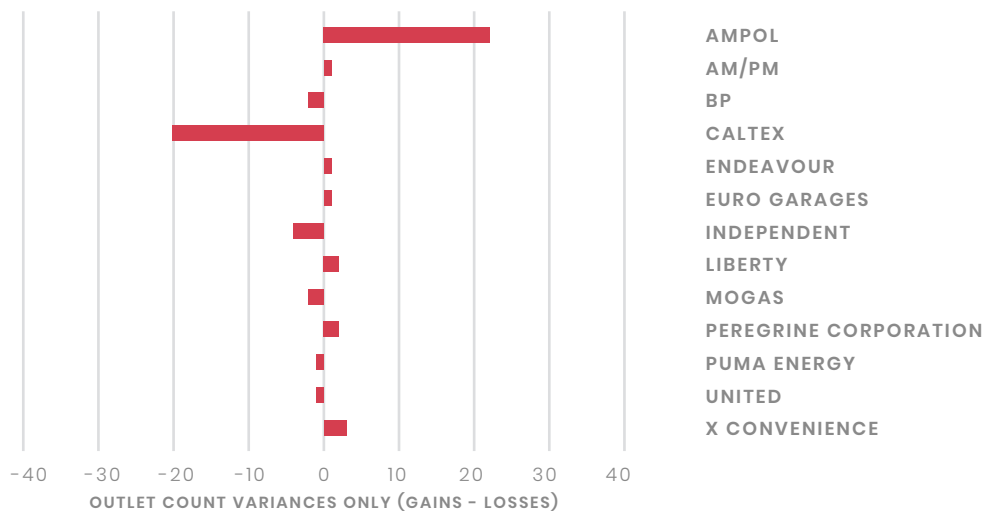
2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021

QLD - VARIANCE BY BRAND



QLD	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	1758
TOTAL COUNT AS AT 30 OCT 2021	1755

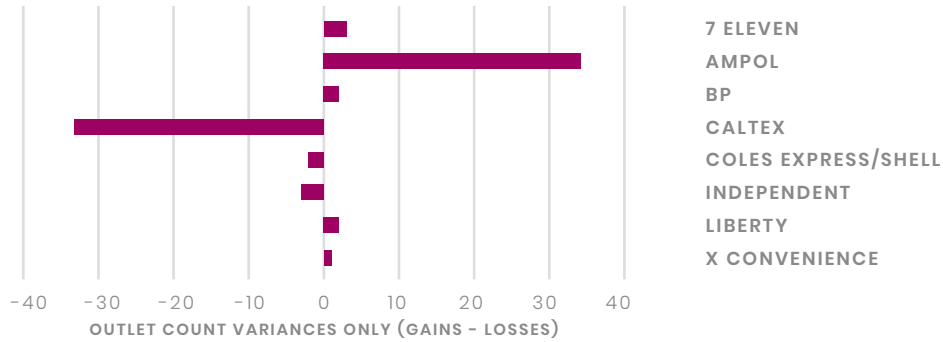
SA - VARIANCE BY BRAND



SA	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	690
TOTAL COUNT AS AT 30 OCT 2021	688

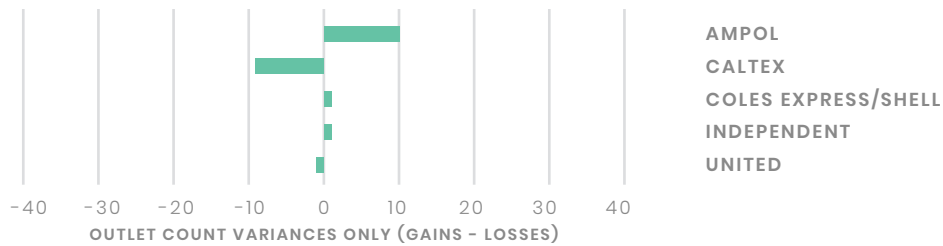
2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021

WA - VARIANCE BY BRAND



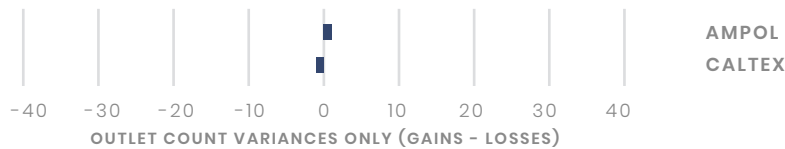
WA	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	924
TOTAL COUNT AS AT 30 OCT 2021	920

TAS - VARIANCE BY BRAND



TAS	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	292
TOTAL COUNT AS AT 30 OCT 2021	290

ACT - VARIANCE BY BRAND



ACT	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	60
TOTAL COUNT AS AT 30 OCT 2021	60

NT - NO VARIANCE

NT	SITE NUMBERS
TOTAL COUNT AS AT 31 DEC 2021	212
TOTAL COUNT AS AT 30 OCT 2021	212

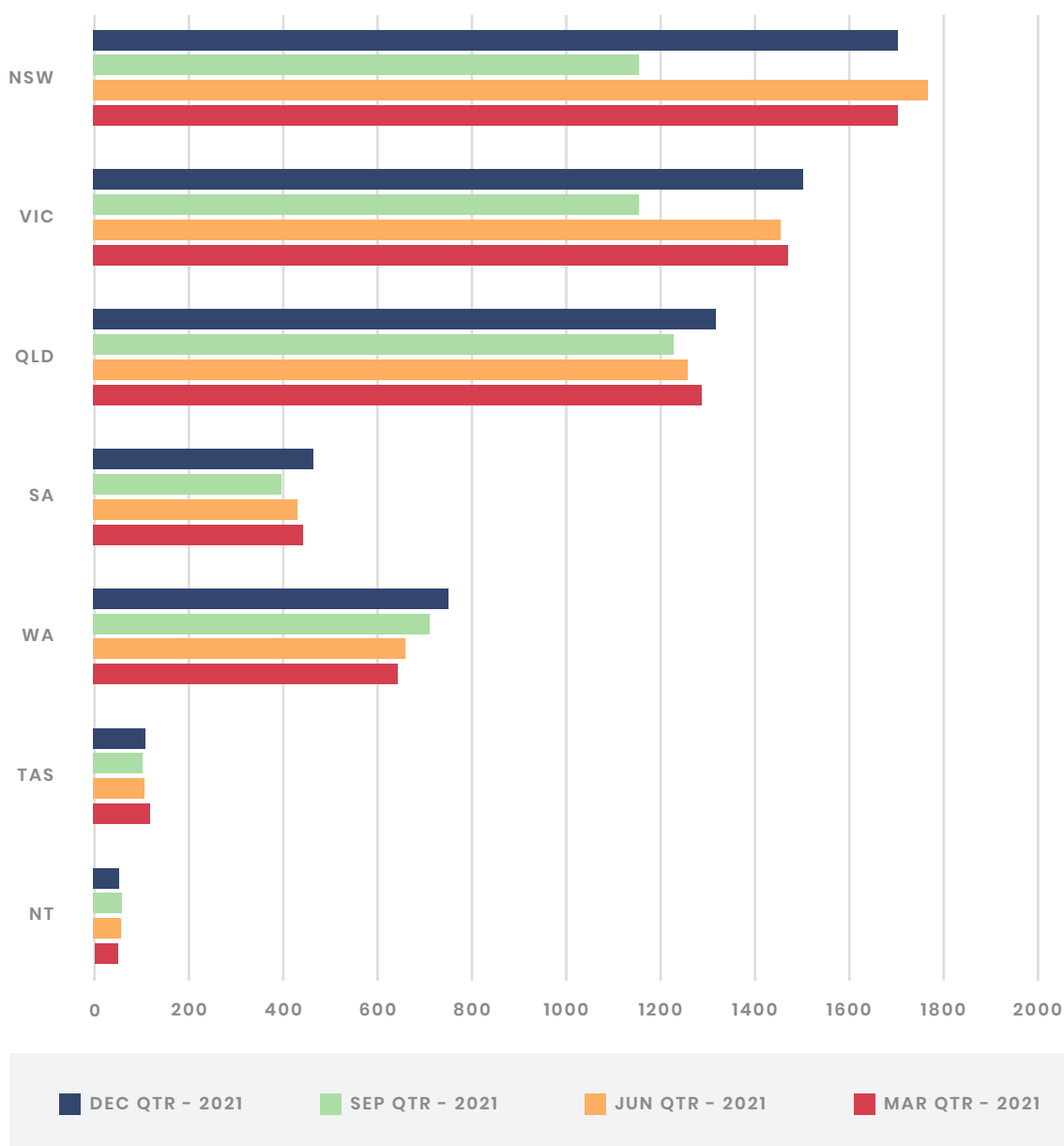
2. RETAIL NETWORK SNAPSHOT AS AT 31 DECEMBER 2021

2.4 QUARTERLY FUEL VOLUMES AND FUEL SALES BY TYPE

Analysis of fuel volumes across State and Territory markets reveals that there was a strong rebound in retail sales volumes in NSW and Victoria as a result of the COVID lockdown Restrictions being lifted in both states at the start of the Quarter (i.e. October 2021). Compared with the prior 'Covid suppressed' retail volumes recorded during the September 2021 Quarter, retail sales grew by 32% in NSW during the December 2021 Quarter and by 23% in Victoria.

Smaller increases in retail volumes were also recorded during the Quarter in South Australia (16%), Queensland (7%) and Western Australia (5%). These increases are likely to be a combination of the progressive relaxation of border restrictions in South Australia during the Quarter and increasing 'resident' travel in QLD and WA in lieu of interstate air travel.

RETAILER AUTOMOTIVE FUEL VOLUMES BY STATE

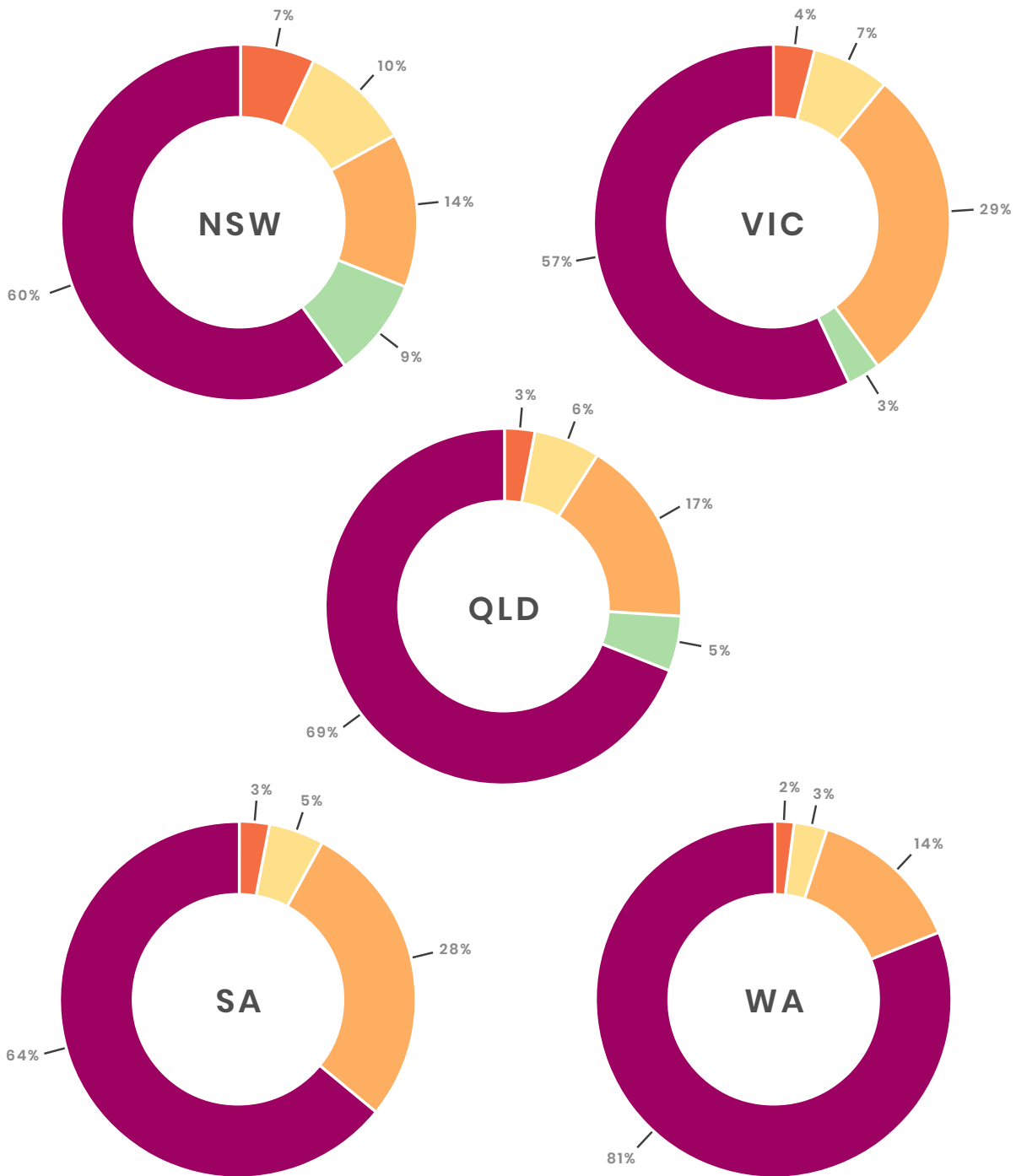


DATA SOURCE: AUSTRALIAN PETROLEUM STATISTICS
DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

2. RETAIL OUTLET SUMMARY AS AT 31 DECEMBER 2021

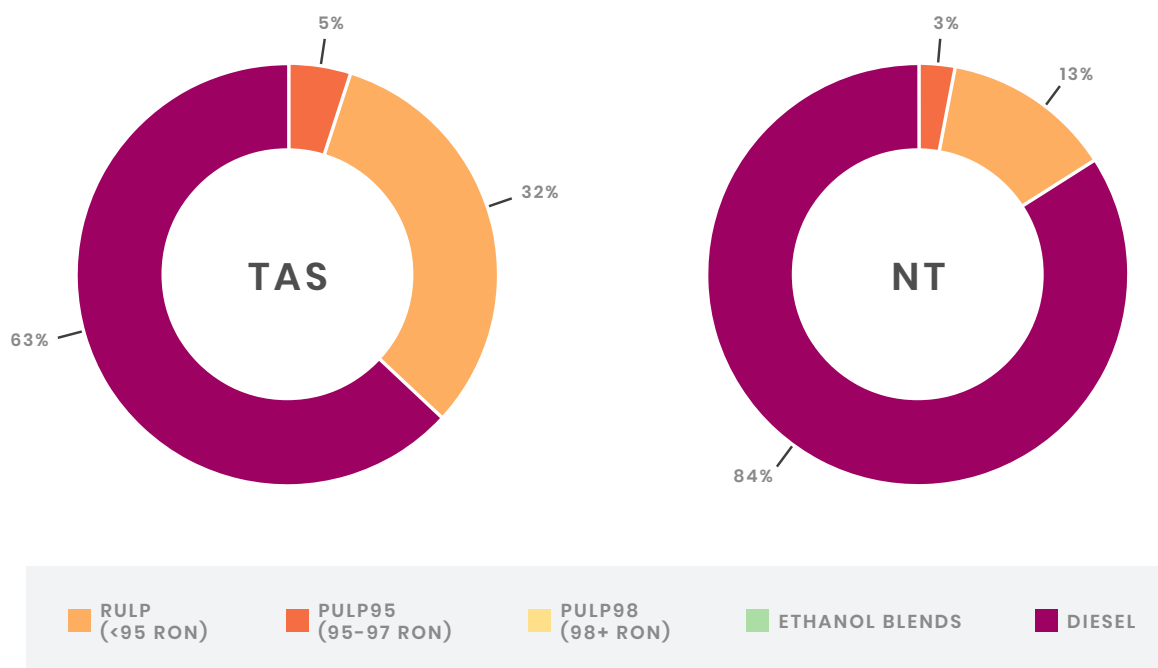
2.4 QUARTERLY FUEL VOLUMES AND FUEL SALES BY TYPE

A summary of the quarterly fuel sales by fuel grade is provided in the following charts.



2. RETAIL OUTLET SUMMARY AS AT 31 DECEMBER 2021

2.4 QUARTERLY FUEL VOLUMES AND FUEL SALES BY TYPE



DATA SOURCE: AUSTRALIAN PETROLEUM STATISTICS
DEPARTMENT OF INDUSTRY, SCIENCE, ENERGY AND RESOURCES

2.5 AUSTRALIAN MOGAS VOLUMES SPLIT BY FUEL GRADE

	RULP	RULP95	RULP98
DEC QTR - 2021	2291.7	501.9	772.8
SEP QTR - 2021	1900.9	390.5	591.5

Analysis of the variance in petrol grades sold across the country during the December Quarter reveals that the growth in sales of premium fuels (95RON and 98RON) exceeded the quarterly growth in sales of the lower priced regular unleaded petrol.

Sales of regular unleaded during the December 2021 Quarter were 20.5% higher than the September 2021 Quarter, but sales of 95RON (up 28.6%) and 98 RON (up 30.6%) were significantly higher.

This trend is counter-intuitive given that average petrol prices rose significantly during the quarter, which normally dampens consumer appetite for the higher priced grades of petrol.

2. REGIONAL FUEL PRICES AS AT 31 DECEMBER 2021

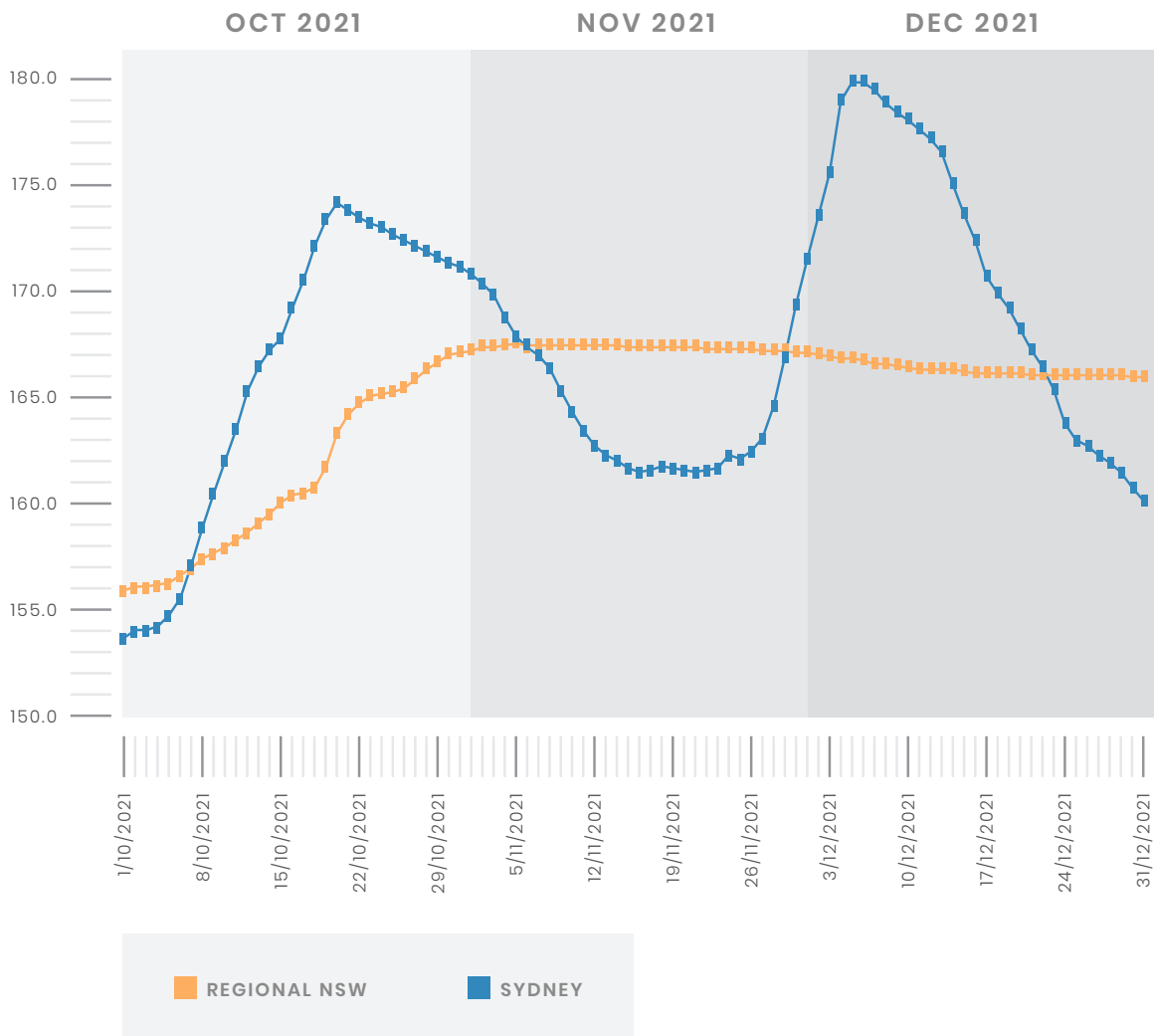
2.6 REGULAR UNLEADED PRICES IN NSW

The chart below plots the Sydney metro average retail unleaded petrol price against the average regional NSW unleaded petrol price during the December 2021 quarter.

As can be seen below, the difference between the NSW regional average and the Sydney metro average varied over time given the operation of the Sydney petrol price cycle. At certain points when the metro price is at or near the top of the price cycle, the average retail price in Sydney was between 11cpl (20 October 2021) and 13cpl (5 December 2021) higher than the regional NSW average retail price of regular unleaded petrol.

Conversely, at the bottom of the Sydney petrol price cycle the average price of unleaded in metropolitan areas was around 7cpl lower (17 November 2021 and 31 December 2021).

The analysis demonstrates that any meaningful 'Metro vs Regional' comparison of fuel prices for a given Australian State/Territory should be considered at least on a quarterly basis and take due account of the metropolitan fuel price discount cycle.



3. SUMMARY AND NEAR TERM OUTLOOK

The December 2021 Quarter proved to be as challenging for Australian fuel retail businesses as the prior quarter, albeit for very different reasons.

The rebound in fuel retail demand was very welcome and occurred as a result of the reopening of Australia's two largest State/Territory economies - that is NSW and Victoria. The reopening of these two economies resulted in a 32% increase in retail volumes in NSW and a 23% increase in Victoria, when compared with the prior quarter.

But the sharp rebound exacerbated staffing issues. Already suffering from reduced worker availability due to a lack of visa workers (particularly international students) created by the 18 month closure of Australia's international borders, the resurgence in local demand in Eastern Australia meant that some fuel retailers (predominantly those in regional areas where the labour shortage was most acute) were forced to reduce their trading hours.

Australian wholesale and fuel retail prices continued the upward price trend of the prior quarter. This rise primarily occurred as a result of the uneven nature of the global economic recovery and a general failure of the global oil industry to accurately predict demand volumes in the face of a stop/start global economy (i.e. demand exceeded supply leading to upward price pressures). Rather than curtail demand, it is most likely that this action changed the time nature of demand in some regional areas.

Wholesale fuel prices peaked at decade high levels at the end of October (approximately 96% higher than the wholesale prices observed at the start of the pandemic in April 2020) before falling through the month of November.

Unfortunately, market concern about the emerging risk of conflict between Russia and the Ukraine saw global oil prices (and hence Australian fuel wholesale prices) rise again during the second half of December 2021.

Apart from staffing and labour challenges, the Quarter ended with an escalating COVID outbreak (i.e. Omicron variant) and an emerging crisis relating to AdBlue supply.

In relation to the latter, industry participants had joined with the Australian Government to explore solutions to the crisis by the end of the Quarter - and the issue remained a 'work in progress' with growing confidence that a solution would likely be found.

The near term outlook for the Australian fuel industry at the end of the Quarter was dominated by continuing market uncertainty. Much of this uncertainty was being driven by two principal factors.

First, the impact of the emerging Omicron variant on fuel demand within Australia.

Second, the future of oil prices (and hence wholesale fuel prices) in the shadow of a looming conflict in Europe involving Russia - the second biggest oil producer and exporter in the world.

Needless to say that at the conclusion of the Quarter, most of those in the Australian fuel industry had already concluded that the New Year (2022) was likely to be just as challenging as the one being farewelled.

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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