

## Why is Petrol so Expensive?

There is no sign of respite from Australia's high petrol prices.

Prices hit a four-year high recently on the back of surging international crude oil prices.

And with the price of oil breaking through the \$US80-a-barrel mark for the first time since November 2014, worldwide petrol prices are predicted to rise further.

There are many complexities in global oil prices. However the oil price increase is partly related to OPEC and non-OPEC nation agreements to manage global supply. This follows several years of competition in supply between regular oil and shale oil producers.

The higher oil prices have also been blamed on potential supply disruptions, with Venezuelan production plunging, and concerns about lower Iranian production with the reintroduction of US sanctions.

The majority of Australia's crude oil supply comes from the Middle East and is then processed at refineries in South Korea, China and Singapore. From there, it is turned into diesel, aviation fuel and petrol, and transported by ship to Australia.

The Singapore fuel price is the benchmark for Australian prices and it, in turn, is dependent on the international crude oil price. With Australian petrol prices generally a week behind the Singapore price trend, early indicators are for even higher local prices in the short term.

**The Petrol Price Cycle:** Petrol prices also move up and down in regular patterns or cycles unrelated to the wholesale cost. Price cycles are the result of deliberate pricing policies of petrol retailers.

The cheapest and most expensive days to buy petrol can change from cycle to cycle, however these price cycles can help you decide when to buy petrol.

A petrol price cycle is a movement in retail price from a low point (or trough) to a high point (or peak) to a subsequent low point. In these cycles, prices steadily go down for a period followed by a sharp increase.

The duration of petrol price cycles in Sydney, Melbourne, Brisbane and Adelaide varies from cycle to cycle, and has increased in recent years. In 2017, price cycle durations in these capital cities ranged from a low of 11 days to a high of 61 days.

Even on the most expensive days, significant savings can be made by using the FuelWatch website and finding the cheapest petrol available as long as you aren't required to drive great distances to fill up!.

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