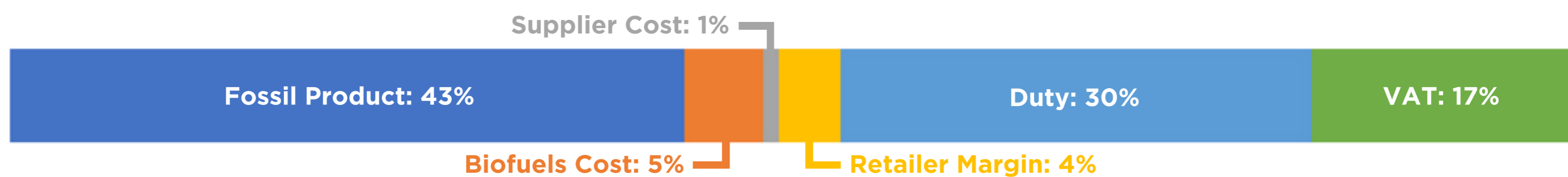


Retail Price Breakdown



What goes into the price of fuel

Platts + + +
(Fossil + biofuel + supplier cost) **49%**

Oil majors and exploration companies extract the oil, which is then sent to refineries to process into petrol and diesel. The wholesale refined fuel product price is issued daily by various agencies, but **the most commonly referenced price is the Platts index.**

UK fuel retailers buy their fuel on premiums above the wholesale price. Contracted prices are calculated based on daily or weekly lagged pricing i.e. an average of the previous day/week's wholesale price. The lag is based on the mechanism chosen by the retailer – those wanting to purchase more dynamically will opt for a daily lag, however the most common mechanism for larger buyers is a weekly lag.

The extent of the lags fuel retailers buy on can account for differences in pricing between sites. **For a retailer buying on a 1-to-2-day lag, pricing and margins will fluctuate more than those on longer lags.**

The fuel price also includes **Renewable Transport Fuels Obligation (RTFO) and Development Fuels Obligation (DFO).** The RTFO and DFO accounts for blending ethanol in petrol and biodiesel in diesel. These biofuel prices fluctuate and are consistently expensive.

Fuel duty
(52.95ppl) **30%**

Government Fuel Duty (currently 52.95 ppl for diesel and petrol) is added when purchased from the wholesale market.

Retailer margin **0-4%**

Fuel retailers add on their own margin for the cost of operating and investing in their sites. **Dominant players, like supermarkets, will set the benchmark for pricing at the local level, while independent retailers' fuel pricing is led by competitor pricing locally.** Consumers will not buy fuel at sites with excessively high prices when they can drive to another operator.

VAT
(charged at 20%) **17%**

20% VAT is added to the price of fuel. This means that the VAT element makes up approximately 17% of the total price for fuel purchased by the consumer.

Key Market Trends

Demand

As the global economy has recovered from Covid-19, this has increased demand for oil supply and energy markets.

OPEC volumes have not increased in line with demand, causing undersupply in the market, keeping prices high. The global transition away from fossil fuels has curbed exploration investment, further affecting the ease of supply.

Wholesale Price Volatility

There has been unprecedented volatility in fuel pricing over the last six months. Daily average wholesale price variation of 3.59ppl in the last three months compared to 0.46ppl over the previous three years.

The removal of Russian Oil has meant supply must be sourced from elsewhere resulting in increased prices.

There is a lack of refinery capacity across Europe creating further bottlenecks and demand pressure.

Volatility in wholesale fuel prices has led to some large fuel suppliers moving to 2-week pricing lags with large customers (eg supermarkets), while smaller retailers are most likely to have to buy at that day's price.

Exchange Rates

Refined fuel product is sold in US Dollars so must be converted in Sterling. A weak pound against the dollar pushes the price of fuel up. Sterling has dropped significantly against the dollar over the last six months, further pushing up fuel prices.

Transport and Distribution Costs

Shortages of HGV drivers has impacted the costs of secondary transport, adding costs.

The need for enhanced security to deal with and deter disruption by protestors at refineries and terminals adds cost and time.

Contact Information

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