

SHELL AUSTRALIA ADDITIONAL SUBMISSION TO THE IMPACT OF PETROL PRICING SELECT COMMITTEE INQUIRY (QUEENSLAND PARLIAMENT)

INTRODUCTION

Following the appearance of Shell Australia before a hearing of the Select Committee on Wednesday 14 December, Shell would like to provide the following additional submission, addressing issues taken on notice at the hearing.

In particular, this additional information addresses questions on:

- LPG price basis; and
- Terminal Gate Price sales.

LPG PRICING

LPG prices are made up of three components:

- Product and delivery cost;
- Tax (GST); and
- Gross retailer share (includes all costs/overheads and a small amount of profit)

LPG product prices are based on an International LPG price marker – the Saudi Aramco Contract Price (CP). Saudi Aramco Contract Prices are prices (one for Propane and one for Butane) posted monthly (in USD) by the world's largest exporter of LPG, Saudi Aramco. Saudi Aramco charges this price to its customers for LPG it supplies to its customers at its marine export terminals at Ras Tanura and Yanbu in the Arabian Gulf.

Saudi Aramco Contract Prices are the accepted marker for international LPG prices in the region East of Suez (from the Middle East through to Japan including Australasia and Oceania) – with almost all LPG producers in the region moving their prices with movements in Saudi Aramco Contract Prices. Consequently, this mechanism sets the posted price for millions of tonnes of LPG per month in the region East of Suez.

Queensland is a net importer of LPG. Wholesale costs in Queensland reflect an import parity price, based on the above international marker plus freight, wharfage and insurance. (Note that Australia's refineries produce less than 25% of Australian LPG production, the majority coming from the North West Shelf or Bass Strait gas, where large export facilities are in place.)

At present there is only GST Tax on LPG. However, under the implementation of the Federal Government's energy white paper reforms, LPG will also begin attracting an excise tax from 2011, building up to 12.5 cpl in 2015.

Similarly as for Shell's involvement in petrol and diesel sales around the country, Shell is a wholesaler of LPG, not a retailer. Shell LPG in the retail market is sold through Coles Express and Dealer owned, dealer operated sites. Shell does not set the retail prices.

TERMINAL GATE PRICE SALES

As outlined in Shell's submission to the Inquiry, Shell sells petrol and diesel around Australia based on a Terminal Gate Price (TGP). This is the price for a spot sale at the terminal gate in a certified vehicle of no less than 35,000 litres.

The Committee questioned whether any sales were made above or below TGP price. The majority of sales are above TGP to take into account brand, credit, delivery or other services requested by the customer. Shell also sells at a bulk discount below TGP to a very small number of customers in Queensland.