



Why is petrol only 95 cents a litre today?

Posted by [Phil Hart](#) on December 3, 2008 - 3:40am in [The Oil Drum: Australia/New Zealand](#)

Topic: [Demand/Consumption](#)

This is short guest post is from Mark Reynolds with his thoughts on why petrol has fallen below \$1/litre in some parts of Australia.

A couple of interesting observations, with supporting data below:

- Australian petrol prices are based on the price of refined product in Singapore (the so-called MOPS 95 price) which is currently sitting US\$10 - \$12 BELOW the price of Tapis crude oil. We are seeing negative refining margins, so refiners (including Caltex) must be losing US\$15 - \$20 on every barrel of petrol they sell. How can this be?
- On the other hand, diesel in Singapore (Sing 50PPM Sulphur) is sitting where it usually does US\$15 - \$20 ABOVE crude oil, which gives refiners a decent margin.

Clearly these guys could benefit from some cost-to-serve analysis, you might think.

Actually the situation reflects global factors:

- Continuing solid demand for diesel all over the world, especially in Europe and Asia, including China, which is a big market for Singapore refiners. So the refiners are making their money on diesel and similar distillates like jet fuel.
- A glut of petrol, especially in the USA which has an aging fleet of oil refineries struggling to cope with heavier crude oils and unable to shift their product mix very much to follow market demand away from petrol and towards diesel. European refineries also have a growing surplus of petrol because their car market has moved so far towards diesel. So quite a number of refineries are flooding the world with cheap petrol almost as a byproduct while desperately trying to keep up with demand for diesel.

This situation is not going to last. Lots of factors can intervene. Refinery investments are being made to increase product flexibility. Tanker movements of crude oil and refined products around the world should settle down a bit after Christmas. Somali pirates can strike again. The financial crisis will continue to deal unexpected cards. The US\$ will eventually fall in value, raising our prices.

So rush out and buy 95 cent petrol while you can. It may go down further, but probably not for long unless the financial crisis does another serious lurch downwards.

**Daily Singapore Energy Prices in US\$ per barrel (1 barrel = 159 litres)
Week Ending 28 November 2008, Source: Platts**

	Singapore Crude	New York	Mogas 95	Diesel
	TAPIS	NYMEX WTI	Sing U/L Petrol	Sing 50PPM Su
24/11/2008	49.30	54.50	39.00	66.80
25/11/2008	53.00	50.77	43.00	70.50
26/11/2008	50.50	54.44	40.50	69.50
27/11/2008	54.00	54.44	43.20	71.00
28/11/2008	53.30	54.43	45.00	70.80



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