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DEVELOPMENTS IN THE FUEL RETAIL INDUSTRY IN AUSTRALIA

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Following the global financial crisis, the world price of crude oil fell by 36.3% in 2008-09. This contributed to a reduction in retail petrol prices in the subsequent years and adversely affected industry revenue in 2009-10 and 2010-11. Revenue recovered in 2011-12 as petrol prices soared, only to fall again in 2012-13. The recent oil price plunge has flowed on to a reduction in pump prices for consumers in 2014-15. As fuel is a largely inelastic good, this will erode revenue for industry operators, with revenue anticipated to decline this year. Overall, revenue is expected to contract by an annualised 1.4% over the five years to 2014-15, with Australian sales revenue expected to grow by an annualised 0.6% throughout 2015.

"These Asian mega-refineries can produce Australia's needs during lunch hour"

Australia's largest surviving refinery is Kwinana in Perth, which produces 138,000 barrels a day, while Asian refineries processing more than 400,000 barrels a day are not uncommon. ExxonMobil's Jurong Island refinery in Singapore and Reliance Industries' Jamnagar refinery in India can process up to 605,000 and 668,000 barrels a day respectively. Singapore, South Korea and Netherlands have remained the top sources of fuel imports into Australia for the last 6 years. These mega-refineries can produce Australia's needs during lunch hour, effectively relegating Australian refineries to the role of costly niche producers.

"The Shell refinery in Geelong is set to undergo a $150 million update"

The impact of competitive pressures from the availability of supplies from overseas refineries is evident from the recent closure of the Shell Clyde refinery, the closure of the Caltex Kurnell refinery and the announced sale of the Shell refinery in Geelong. Consequently, retailers are opting to outsource fuel, and are investing in storage and distribution infrastructure in ports around Australia.

The emergence of more efficient and low-cost refineries in Asia able to produce Australian standard fuel potentially available to independent importers, limits domestic refineries' discretion over prices they charge to wholesalers. Industry insiders predict that the four remaining Australian refineries (Geelong, Kwinana, Bulwer Island & Altona) will face pressure over the coming years due to the emergence of these high-volume Asian refineries.

Swiss energy group Vitol bought Shell's downstream business in 2014, and is progressing with a $1 billion five-year investment plan, which includes a $150 million upgrade of the Geelong refinery.

ADVENT OF PUMA ENERGY

Puma Energy entered the Australian fuel market through the acquisitions of Central Combined Group (CCG), Ausfuel (with operations centred in Western Australia, Northern Territory and Queensland) and Neumann Petroleum (Queensland and northern New South Wales). Puma Energy, owned by Dutch-based commodity trader Trafigura Beheer BV, is an international energy company which has been diversifying into activities including petrol refining, storage, distribution and retail in a number of countries.

In addition to acquiring the retail networks established by Neumann and Ausfuel, these acquisitions have provided Puma Energy with:

- Neumann's Eagle Farm terminal in Brisbane
- Ausfuel's 11 fuel depots in Western Australia, South Australia and Northern Territory
- CCG's five fuel depots throughout Mackay, Gladstone and Emerald, which is intended to increase Puma Energy's exposure to the growing mining industry fuel market in regional Queensland.