

## Even when the fuel is for free, the Poles will still pay 3 PLN per litre

The European Brent oil costs currently 0.90 PLN per litre. The basic fuels used in transport are evaluated in the European and American shipyards in limits of 1.0-1.3 PLN per litre. How is it possible that the average price of unleaded petrol and diesel on the Polish petrol stations is still more than 4 PLN? Marcin Lipka, Cinkciarz.pl currency analyst answers this question.

On December 4 the members of the OPEC decided to abolish a specific limit of extraction. From this moment the price of Brent oil depreciated by 13%, and currently it costs slightly more than 36 American dollars (USD) per a barrel (0.90 PLN per litre). This is the lowest level since mid-2014.

Fuel in the world is also reaching its long-term minimums. A tone of unleaded 95 fuel on the ARA market (Amsterdam-Rotterdam-Antwerp) costs currently 345 dollars, which is 1.03 PLN per litre. The situation on the diesel market looks even more interesting. During three weeks its price depreciated by almost 20% and it is evaluated in the range of 337 dollars per tone (1.14 PLN per litre) on the ARA market. The price of the diesel oil (DO) which is also in the American dollars, are at the lowest level since mid-2004.

The price of the DO in PLN is also at all-time low. Excluding December 2008, when cost of diesel was slightly more than 1 PLN for a while, these are the lowest levels since almost 11 years. It is also worth noticing that these are not only the local disturbances in prices. Due to an overproduction of oil and a warm winter on the northern hemisphere, according to the data of the U.S. Energy Information Administration (EIA), last week the price of diesel oil in the American shipyards of the Gulf of Mexico depreciated below 1 dollar per gallon (1.04 PLN per litre).

### The Polish petrol stations are far from 10-year-low

According to the EIA on 14th of December the average retail price of the unleaded fuel in the USA was 2.03 dollars per gallon (approximately 2.12 PLN per litre, including approximately 0.50 PLN of taxes). These are the lowest values for more than 10 years, with exclusion of a breakthrough of 2008/2009 – peak of the financial crisis. Additionally, according to the EIA the retail price in the Gulf of Mexico states (from New Mexico to Alabama, where we have a big density of refineries) is 1.79 dollars per gallon (1.87 PLN per litre).

According to the latest report of the European Committee, the average prices of the DO and PB 95 in Poland were at the beginning of the past week respectively 4.10 PLN and 4.18 PLN. In the case of diesel its price is as low as it was in March of 2010. However, currently the cost of the diesel oil on the global market expressed in the PLN is close to this what we observed at the beginning of 2005 and 2007. At that time the cost of the diesel oil was in the range of 3.3-3.5 PLN.

However, in the case of the DO, the disturbance between the wholesale and retail prices can be partly explained by a significant increase in taxes. Until 2009 the excise duty and fuel fees were in total approximately 1.15 PLN per litre. Currently, it is more than 1.45 PLN per litre.

Considering the fact that this difference is deepened by the VAT, additional fiscal burdens in retail are approximately 0.40 PLN higher than in the past decade.

The situation on the unleaded fuel is different. Over the past month the price of the PB 95 on the ARA market remains in the range of 1.03-1.20 PLN per litre. These values are similar to the ones observed between February and March 2009, and the first two months of 2007. At that time the price of the PB 95 on the wholesale market, excluding the fiscal burdens, was approximately 1.35 PLN. Now, on the other hand, it is approximately 1.65 PLN. The 0.30 PLN of net difference translates to a gross price at the petrol station by approximately 0.40 PLN higher, than it would result from a normal dependency between the wholesale price and the global market conditions.

If the PB 95 is for free, we still will pay 3 PLN per litre

Considering that the wholesale net price of the DO including the fuel fee and excise is at the level of 3.05 PLN, we can expect that soon the majority of drivers will pay about 3.9-4 PLN for diesel, including the VAT. It will be more difficult to find unleaded petrol below the limit of 4 PLN. It is because its wholesale price is approximately 3.3 PLN, despite the fact that in the current situation it should not cross 3 PLN on the global fuel market.

In the end, it is also worth noticing one interesting relation. Considering that the current difference between the price of PB 95 in the national wholesale and on the ARA market is 0.60 PLN per litre, we would pay for fuel approximately 3 PLN per litre, even if the fuel in the world is for free.

This is a result of a simple calculation. We assume that the price of a finished unleaded ARA 95 fuel in the world is zero. To this, we add a current difference between the Polish wholesale and ARA 95, which is 0.60 PLN. Further on, we add a constant excise worth 1.54 PLN and a fuel fee worth 0.13 PLN. The result is 2.27 PLN. Additionally, there is an average retail margin worth 0.16 PLN (the Polish Organisation of Oil Industry and Trade data for 2014). As a result, we receive the PB 95 net price of approximately 2.43 PLN per litre. Of course, in the end we need to add 23% VAT, which gives us the final result of approximately 3 PLN per litre.