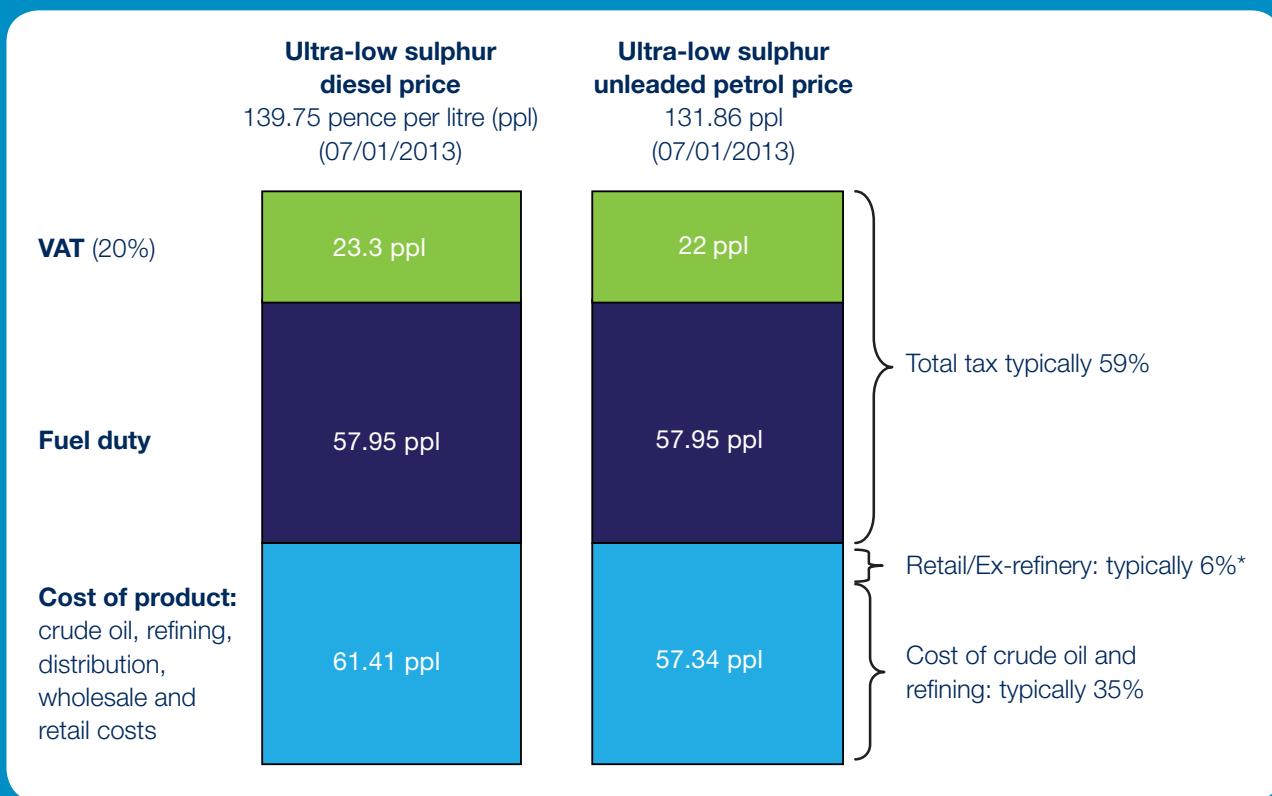


## Breakdown of average diesel and petrol prices



\*Note: 'Retail/Ex-refinery' refers to the wholesaler/retailer's costs and margins. It covers costs associated with distribution of fuel, operating petrol stations, marketing and promotion costs. Typical percentage provided by UKPIA for 2011 has been used.

Source: Department of Energy and Climate Change (DECC),  
*Energy Price Statistics, Oil and petroleum price statistics,*  
*Weekly fuel prices;*  
*Understanding Pump Prices by UKPIA and Deloitte analysis*



## 1. UK pump prices

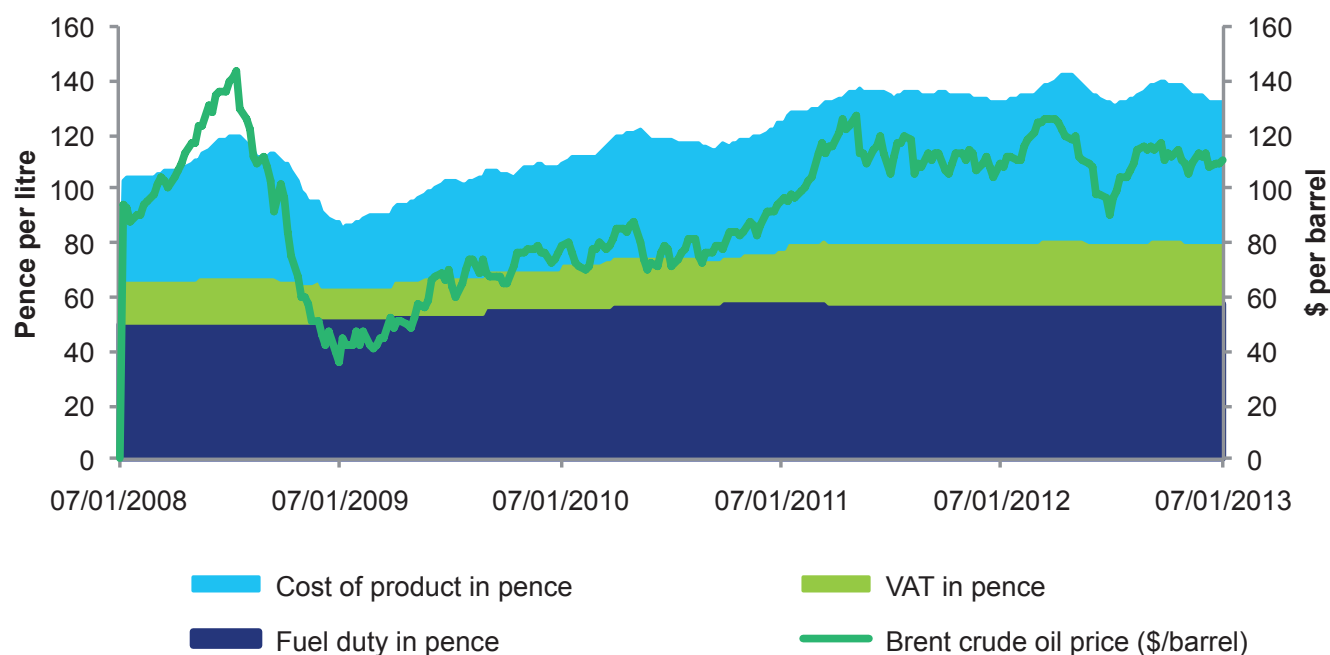
The major components of UK petrol and diesel prices are the product costs, fuel duty and Value Added Tax (VAT). Changes in these components will affect the price that customers pay at the pump.

**Taxes** – Total taxes typically account for around 59% of average UK fuel pump prices in 2013. However, the proportion of total taxes within the pump price has been decreasing from around 75% since 2003.

At present, fuel duty is fixed at 57.95 ppl and is expected to rise by 3.02 ppl in September 2013. VAT is currently set at 20% of the retail price.

**Cost of product** – The cost of product relates to costs associated with supplying the fuel: this includes the cost of crude oil, refining, distributing and retailing the fuel. The total average costs of providing the fuel account for approximately 41% of pump prices.

The fuel supply chain that delivers fuel to the customers at the forecourt is very complex. There is a wide range of factors that have an impact on companies operating in various segments of the supply chain that as a result may impact average fuel pump prices.

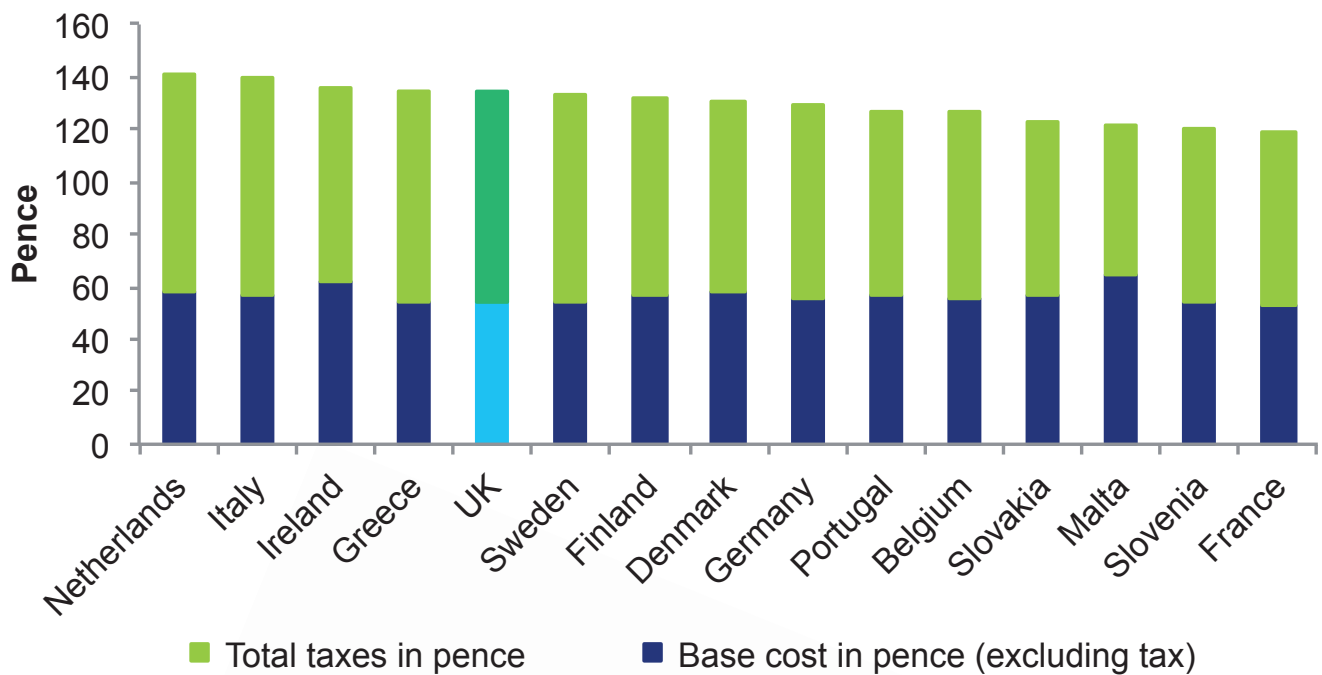


Source: DataStream and Deloitte analysis of DECC, *Energy Price Statistics*, *Oil and petroleum price statistics*, *Weekly fuel prices*

# UK fuel market review

After allowing for taxes, a comparison reveals that the UK cost of product is below the European average.

**Pump prices of unleaded petrol in major EU member states (Nov 2012)**



Source: DECC, *Energy Price Statistics, International comparisons, Premium unleaded petrol/diesel prices in the EU*



## 2. Trends

**Fuel prices** – Fuel prices in the UK have grown more than threefold since 1990. Between 1990 and 2000, the main reason for the increase in fuel prices was the growth in fuel taxes. From 2000, growth in international crude oil prices has principally driven the increase in UK pump prices.

### Petrol price breakdown and growth rates

Petrol price			Total tax			Basic cost of product		
	Pence /litre	Average annual growth rate		Pence /litre	Average annual growth rate		Pence /litre	Average annual growth rate
<b>1990</b>	<b>38.37</b>		<b>1990</b>	<b>24.5</b>		<b>1990</b>	<b>13.9</b>	
<b>1995</b>	<b>53.44</b>	6.8%	<b>1995</b>	<b>38.3</b>	9.4%	<b>1995</b>	<b>15.1</b>	2%
<b>2000</b>	<b>75.38</b>	7%	<b>2000</b>	<b>58.7</b>	8%	<b>2000</b>	<b>16.7</b>	12.4%
<b>2005</b>	<b>78.99</b>	4.2%	<b>2005</b>	<b>58.9</b>	1.1%	<b>2005</b>	<b>20.1</b>	25.6%
<b>2010</b>	<b>111.49</b>	7.6%	<b>2010</b>	<b>73.8</b>	4%	<b>2010</b>	<b>37.7</b>	23.2%
<b>2012</b>	<b>132.89</b>	15.9%	<b>2012</b>	<b>80.1</b>	4.9%	<b>2012</b>	<b>52.8</b>	20.3%

Source: Deloitte analysis of DECC, *Energy Price Statistics, Oil and petroleum price statistics, Typical retail prices of petroleum products 1970 to 2010*

**Changes in the structure of fuel demand** – UK demand patterns of diesel and petrol have been changing noticeably since 2000 with use of petrol decreasing and demand for diesel growing. While UK refineries meet the country's petrol demand, they cannot meet the increasing demand for diesel without substantial investments. As a result, the UK increasingly relies on imported diesel to make up for the shortfall in production.

**Refining** – The UK refining sector is facing a number of challenges. These include flat fuel demand, changes in the structure of fuel demand and increasing environmental regulations. The UK had nine refineries nine years ago. Two facilities have closed and all but one has been either sold or put up for sale in the past three years. Today we have seven refineries.

**Retail** – The total number of petrol stations continues to decline. Fuel retail is a high fixed cost, low margin business where high volumes are required to break even. Independent and oil company owned forecourts, especially those in remote locations and in competition with larger forecourts and hypermarkets, have not been able to sell sufficient fuel to remain competitive. In contrast, the number of sites owned by hypermarkets increased in the last ten years. Although hypermarkets today make up around 15% of the total petrol stations, they account for 39% of total fuel sold in the UK.

This factsheet was last updated January 2013.

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