

## How much do we overpay for gas? [NINE CHARTS]

Why do the record low prices of fuel in Europe not translate to similar savings for the Polish drivers? Marcin Lipka, the Cinkciarz.pl analyst explains this phenomena with the use of nine diagrams.

Currently one litre of the Brent oil expressed in the PLN is priced at approximately 0.9 PLN. This is the lowest level for 10 years, excluding the break of 2008/2009, which was the peak of the financial crisis.

### Price of the Brent oil in the PLN



Source: Bloomberg; calculations: Cinkciarz.pl. Price of the Brent oil per litre presented in the Polish zloty.

Considering the past 20 years, it is worth noticing that it is not the case of oil currently being uniquely cheap. It was just uniquely expensive over the past few years. Only between 1994 and 2004 its average annual price was between 0.25-0.75 PLN per litre.

## Price of the 95 unleaded fuel on the ARA market expressed in the PLN



Source: Bloomberg; calculations: Cinkciarz.pl. Price per litre of the 95 fuel on the European market expressed in the Polish zloty.

The history on the fuel market is very similar to the history of oil prices. The 95 octane fuel offered on the ARA market (Amsterdam-Rotterdam-Antwerp) with is a price indicator for the European refineries, is currently evaluated for 0.98 PLN per litre. However, it is worth noticing that sometimes the difference between the oil and petrol is very clear. It is shown on the below comparison.

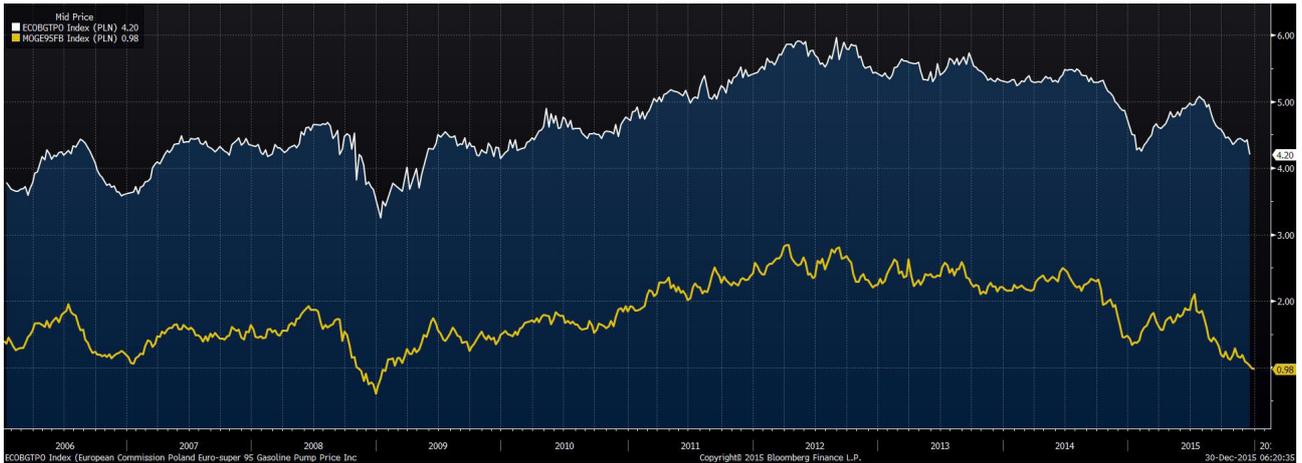
## Comparison of the ARA 95 and the Brent oil. Both values are expressed in the PLN



Source: Bloomberg; calculations: Cinkciarz.pl. The yellow line presents the price per one litre of the Brent oil expressed in the Polish zloty. The white line is a price per one litre of the 95 ARA petrol expressed in the Polish zloty.

The cost of fuel is higher than the price of oil, when petrol is an effect of oil processing. However, there are moments when this difference significantly increases. This situation took place this year, when the difference was even 0.60 PLN. This was a result of a higher than expected demand in Europe, as well as in the USA. Comparison of retail price of fuel in Poland and on the European market Comparison of retail price of fuel in Poland and on the European market

## Comparison of retail price of fuel in Poland and on the European market



Source: Bloomberg, the European Commission. Retail price of the 95 unleaded fuel expressed in PLN/litre. Price on the ARA 95 is also expressed in litres and the Polish zloty.

When analysing the comparisons which include Poland, you can see at the first sight that the current level of fuel prices in the European shipyards does not correspond with the retail prices. In the beginning of 2007 and 2009, the 95 ARA costed approximately 1 PLN. On the other hand, according to the European Commission data, we had to pay approximately 3.60-3.70 PLN per unleaded fuel.

## Price of the 95 unleaded fuel on the national wholesale market, with exclusion of taxes



Source: Bloomberg, wholesale fuel market; calculations: Cinkciarz.pl. The diagram presents the average price of unleaded fuel in the national wholesale, basing on the data of the leading suppliers in Poland. Price per litre without petrol fee and excise.

When searching for a reason of increasing differences between the price of fuel on the ARA market and the cost of fuel on the petrol station, it is worth noting the national wholesale market. Currently unleaded fuel is at 1.56 PLN with exclusion of taxes and retail margin. It is more expensive by approximately 0.60 PLN than the same product in the European shipyards.

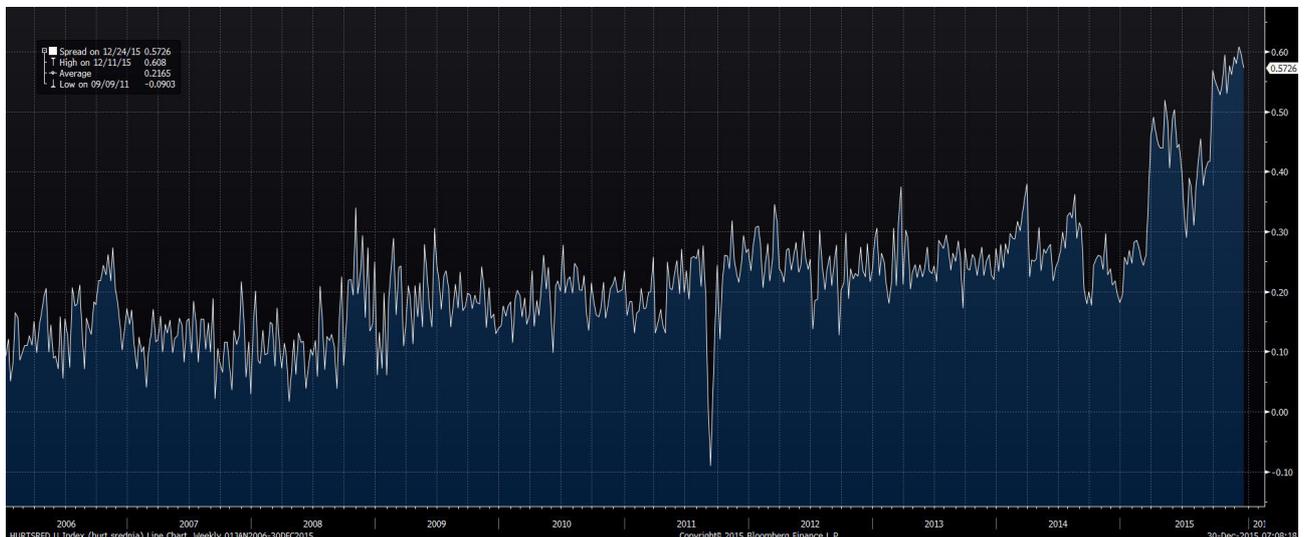
## Comparison of unleaded fuel in the national wholesale and the ARA market



Source: Bloomberg, wholesale fuel market, calculations: Cinkciarz.pl. The diagram presents comparison of average prices of 95 unleaded fuel at the leading petrol supervisors in Poland, and prices of 95 ARA unleaded fuel on the European market. Both values are expressed in the Polish zloty per litre of fuel.

The past decade shows that the price of unleaded fuel in the Polish wholesale (white line) is strictly related to the cost of fuel on the ARA market. Until the end of the first quarter of 2015, the difference was in the range of 0.20-0.30 PLN per litre. This can be explained by the necessity of adding bio-components to fuel, and introducing a backup fee this year. These two factors increase the wholesale price of fuel by a total of approximately 0.11-0.12 PLN. The rest was the cost of transport and a standard wholesale margin. However, the situation changed significantly since the second quarter of 2015, which is well presented on the following diagrams.

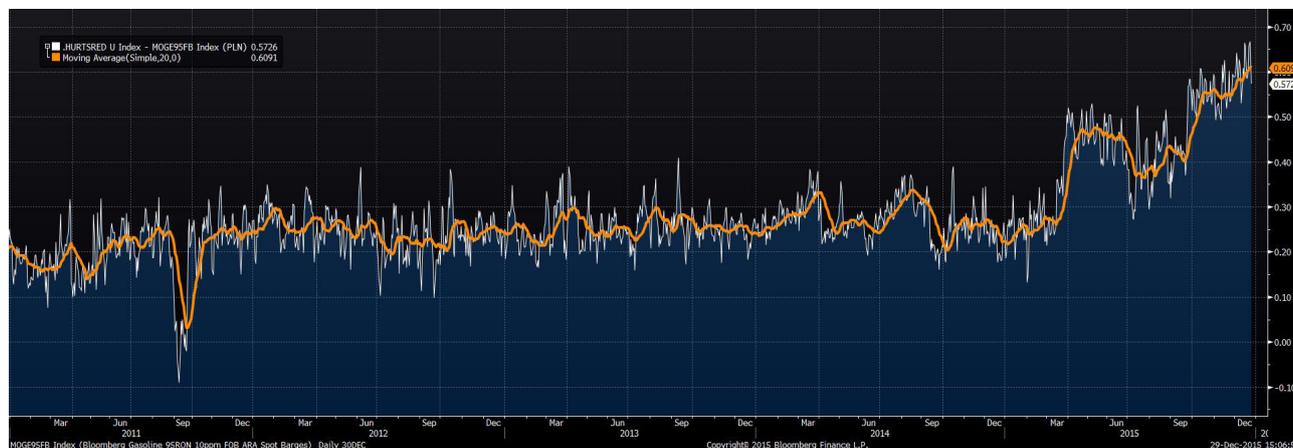
## Difference between the national wholesale and the ARA market



Source: Bloomberg; calculations: Cinkciarz.pl. The diagram is a supplement of the graphic number 6. It shows how did the difference between the national wholesale and the European quotations of unleaded fuel on the ARA market developed. Weekly interval of the diagram, values in the PLN.

Over the past ten years the difference between the price of unleaded fuel in the Polish wholesale and the price on the ARA market was relatively stable. In the past decade it was in the range of 0.10-0.20 PLN. Currently it increased to approximately 0.20-0.30 PLN. It is worth noticing that it was relatively stable despite the sudden movements on the global oil markets, as well as the unleaded fuel markets, during the past years.

## Difference between the national wholesale and the ARA market



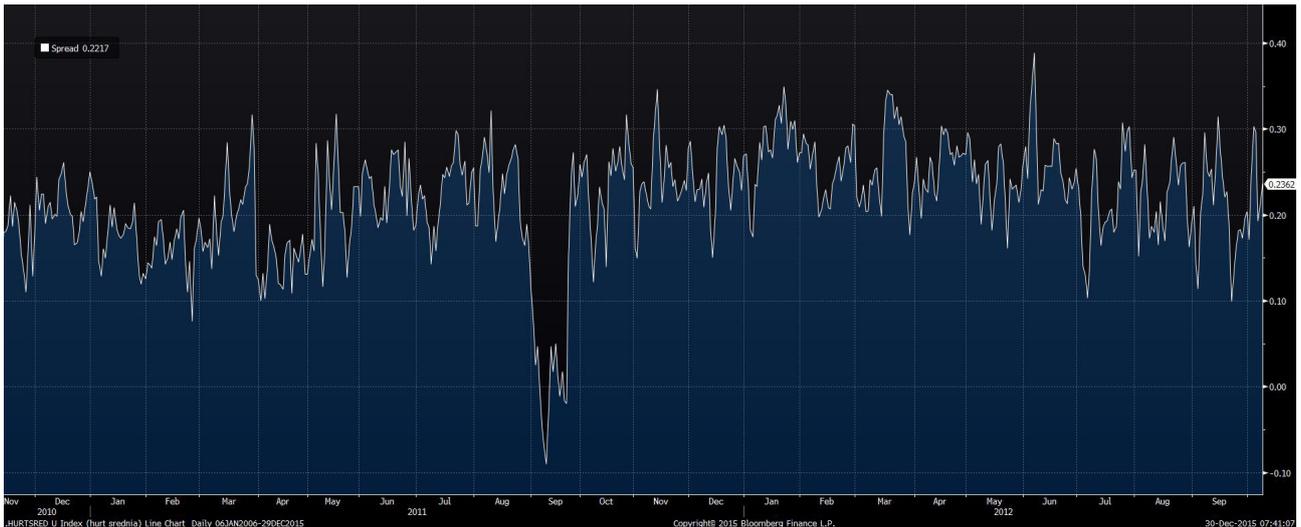
Source: Bloomberg; calculations: Cinkciarz.pl. The diagram is a supplement of graphic number 7. It presents the difference between the national wholesale market and ARA 95 during the past five years.

Orange line is the 20-day-long average of the above difference. Daily interval, values expressed in the Polish zloty.

The graphic above shows even better the disturbances on the wholesale market in relation to the European fuel market. The average monthly difference between the national prices and the ARA 95 increased in the second quarter from approximately 0.25 PLN to 0.45 PLN. This means that retail cost (including the VAT) of unleaded fuel is by approximately 0.25 PLN more expensive than in Europe.

The examined situation deteriorated even more in the past months. Since October the difference between the wholesale and ARA kept on increasing, to reach the levels of approximately 0.65 PLN in December. Additionally, the current one-month-long average of the above difference is 0.60 PLN. As a result, the drivers pay by approximately 0.35-0.40 PLN gross per litre of unleaded fuel more, than it would result from the standard wholesale margin observed in the first quarter of 2015. This also means that the price of unleaded fuel on petrol stations should be approximately 3.7-3.8 PLN, and not more than 4 PLN as it is now.

## Difference between the Polish wholesale and ARA



Source: Bloomberg; calculations: Cinkciarz.pl. This diagram is a supplement of graphic number 7. It presents the difference between the national wholesale market and the ARA 95 during the past five years.

It is also worth reminding another interesting moment on the Polish fuel market. The graphic presents that in late summer of 2011 the difference between the Polish wholesale and the ARA 95 began to decrease, and at a certain point it even reached a negative level of almost 0.10 PLN. This is not an error in calculations or in the diagram. This was the time of election campaign in Poland, and the politicians came up with many ideas of how to help the drivers. Suddenly the wholesale prices significantly decreased. This caused that during the election fever the retail prices were on a level of 4.99 PLN per litre. Of course, later the wholesale as well as the retail prices immediately returned to the previous levels.

## INFORMATION ABOUT THE BRAND

Cinkciarz.pl provides online FX services, using state-of-the-art FX technology for everybody, including individuals, entrepreneurs, travelers and those repaying loans in foreign currencies.

Cinkciarz.pl presents the most favorable rates of all the 24 currencies in its offer. Categories of services offered are: online currency exchange (in three transaction models) and currency cards. The transactions can be concluded via internet transfers from any bank account 24/7. Cinkciarz.pl is the first FX company in Poland to join the SWIFT organization which includes only the largest banks and financial institutions.

The company is also amongst Bloomberg data and analysis suppliers. Cinkciarz.pl EUR/PLN forecasts have been awarded first place in the world for four consecutive quarters in Bloomberg's rank Best EMEA Currency Forecasters Q3 2013 and the first place for the CZK/EUR and ZAR/USD forecasts for the first three quarters of 2014. The forecasts of Cinkciarz.pl's analysts for the currency pair CZK/EUR have also been awarded the first place in the world for 2015 Q1.

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