May update

In the hyper-frenzy of the twittosphere that followed the threatened and aborted UK tanker strike, there was much shrill chitter-chatter on how prices would rocket because of both supply shortages and unscrupulous petrol station owners. Portland even went on local radio to talk through the situation, only to find a clearly disappointed presenter moving the subject swiftly on, because Portland maintained that the price impact of any strike would be minimal and profiteering not in evidence.

To those in the oil sector, the suggestion that (a) a UK tanker strike would affect the underlying cost of petrol prices or b) petrol station owners are fat-cat James Bond villains who hold the hard-pressed UK consumer to ransom with their "profiteering" tactics are both fatuous.

Amsterdam-Rotterdam-Antwerp v Andover-Rotherham-Aberdeen

Britain's continued contribution to the world's economic picture is an important one, but it would be extremely naïve to think that increases or decreases in British petrol consumption (as a result of a tanker strike), would have anything other than a tiny effect on something as global as oil prices. To the contrary, UK consumption is so unimportant, that the actual price of UK fuel is set in "ARA" – that's Amsterdam-Rotterdam-Antwerp by the way, rather than Andover-Rotherham-Aberdeen. And the reason for this is that for every one cargo of refined fuel that is traded in UK waters, approximately 40 are traded in the river estuaries of Amsterdam, Rotterdam and Antwerp. So no wonder Monday's price in ARA, is Tuesday's price in the UK. In short, there is no more reliable indicator of fuel prices in Europe than ARA and in a market as liquid as oil (figuratively and literally), why would a wholesaler sell fuel in the UK at a lower price than ARA? If the UK won't pay ARA prices, then the product will simply be shipped to ARA (at a cost of circa one pence per litre) and sold at the ARA price. Add to this the increasingly frantic attempts to source sufficient diesel to meet EU demand, and it is fairly evident that shortages of delivered fuel in the UK would have had an extremely marginal impact on the overall price of fuel.

> *inflated prices and evil profiteers make good copy for the keyboard warriors*

Petrol station owners with plans for world domination?

As for the evil petrol station owners, one imagines that once the charcoal display is sorted and the lottery tickets sold, they can focus on their plans for world domination. The problem here is that because consumers see a BP, Shell or Esso pole-sign, they conclude that these giants are running the site itself. Not true. Of the 5300 branded petrol stations in the UK, almost all of them are owned by independent (often family) businesses – they simply buy the rights to sell fuel from one of the oil majors and then sell on to the consumer at whatever margin they can. If they make 3p per litre, they will be pleased…5p per litre (5ppl) and they will be delighted. That comes as quite a shock to the consumer paying £1.40 per litre (140ppl) and who cannot understand how the petrol station owner makes so little on such a high price. But by the time you have removed the ARA price (55ppl), refining & transport costs (2-3ppl), government duty (58ppl) and government VAT (23ppl), the poor old petrol station owner has very little to play with. And that's before they have to deal with the aggressive pricing tactics of the supermarkets.

All in all, inflated prices and evil profiteers make good copy for the keyboard warriors, but they are hardly accurate. Britain's position in the oil world is minor and the lot of the petrol station owner is not one to envy. In fact, the thought that the latter group came out as a maligned party in the recent debacle is quite astonishing. After all, there were so many other more deserving groups for our reproach. How about the men in government, who clearly haven't filled their own cars with fuel since the 1980s? Or, the tanker drivers themselves, struggling on their breadline £40,000 pa salaries? Or finally their employers, who can pay so much and yet still make their staff so unhappy?

PORTLAND
FUEL PRICE PROTECTION
STABILITY FROM VOLATILITY

For more pricing information, see page 26

Portland Fuel Price Protection
www.portland-fuel-price-protection.com

A big surprise

Mark Wayne, managing director of BWOC got a really big surprise on the Feldbinder stand at last month's FPS Expo when Feldbinder's Ian Swann presented him with a beautiful scale model of the company's award winning tanker (FON February 2012).

For more photographs from FPS Expo, please see page 10.