Fuel prices need to drop now – says the RAC

Published: November 30, 2021
Author:
Online version: https://www.wheels-alive.co.uk/fuel-prices-need-to-drop-now-says-the-rac/


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The RAC implores fuel station operators to lower forecourt fuel prices as wholesale costs have fallen…

They say:

"Petrol and diesel price cut must come this week after further drop in wholesale costs".

RAC warns retailers will lose 'all credibility' with drivers if they don't pass on wholesale savings at the pumps

Average retailer margin stands at 19p a litre for petrol and 15p for diesel – making unleaded 12p a litre too expensive and diesel 10p too dear.

Retailers must cut the price of petrol and diesel this week or risk losing all credibility with drivers, the RAC is warning.

RAC Fuel Watch data shows the price of oil fell by $10 a barrel to $73.18 on Friday on top of already lower wholesale prices meaning petrol is now around 12p a litre too expensive while diesel is 10p too high.

Unleaded is currently at an average of 147.64p a litre and diesel is 150.85p. However, had the biggest retailers been reflecting the downward movement in the wholesale market, they should really be 135p and 141p respectively.

Instead, the RAC says retailers have been living up to the worst 'rocket and feather' behaviour by resisting reducing their pump prices in stark contrast to what they do when wholesale prices go up – which is to pass on increases daily.

RAC fuel spokesman Simon Williams said: "Ten days ago we highlighted that petrol was 6p too expensive due to a fall in the wholesale price. Sadly, the biggest retailers, who lead the market, have stood strong and taken advantage of their customers by collecting bigger profits on every litre they sell than they traditionally do.

"On Friday news of the Omicron Covid variant caused $10 to be shaved off the oil price leading to a further drop in the wholesale price of fuel. We estimate that retailers are now making around 19p a litre which is shocking when you consider their average margin pre-Covid was 6p. The profit on diesel is around 15p a litre with a similar long-term average margin to petrol. Based on the fact the biggest retailers buy new supply every week we believe unleaded is 12p too expensive and diesel about 10p too dear.

"While retailers might resent the RAC pointing out that their fuel is overpriced, this doesn't change the fact that they should cut. And if they don't, we feel they will lose credibility with drivers, although it's very difficult for motorists to vote with their feet because they have nowhere else to go.

"If a substantial cut doesn't materialise, we feel this is worthy of government scrutiny as there's no public body monitoring fuel prices to see if they're fair.

"With fuel prices at record highs drivers are in dire need of some respite at the pumps and now it's impossible to blame the prices on rising oil costs. It seems as though retailers think they can get away with charging more for fuel because of the public's general acceptance of rising energy prices."

Find out more about UK petrol and diesel prices on the RAC website.