

Oil cheaper than water

Driver relief as petrol price hits five-year low

By JONATHAN DART

AFTER a year of historic price highs, raw oil now costs less than bottled water.

Australians have cut back their petrol consumption by 6000 barrels a month, pushing prices down to their lowest since early 2004.

World oil was trading at \$US43 (\$65) a barrel during last week, now closing in on its long-term average range of \$US25 to \$US35 a barrel, adjusted to inflation, not seen in almost half a decade.

With 158 litres to a barrel of oil, the raw product has dropped below the price of the cheapest bottled water – a 12-litre bottle of Northbrook water retailing for \$4.99 at Aldi – 41 cents compared to 42 cents a litre.

Figures from the International Energy Agency show that demand for petrol products in Australia has been falling since January, as high interest rates and high living costs began to take their effect.

The most recent figures for October, show demand has fallen to about 327,000 barrels a month, down from 333,000 barrels in January.

CSIRO modelling estimated that if oil prices were sustained at \$US100 a barrel it would have restricted economic growth by 3 per cent – knocking Australia firmly into recession territory – relative to prices at \$US35 a barrel.

The fall in consumption has been a short-term boon for the environment but it has come at the expense of the fledgling biofuels industry.

Paul Graham, a senior adviser in the CSIRO's Energy Futures project, estimated that the sharp price rises resulted in a de facto carbon price of upwards of \$200 a tonne, much larger than the \$23 to \$32 range that Treasury has predicted for the introduction of trading in mid-2010.

"All the movements in the oil prices are much larger than the future carbon price," he said. "When you see a rise of upwards of 50 per cent [in petrol prices], that is obviously quite substantial. We know that kilometres travelled did flatten out as that began to take effect."

The CSIRO has predicted that pure unleaded petrol products by 2030 will be almost entirely replaced with ethanol blends and diesel



Sign of the times ... falling petrol prices along Victoria Road yesterday. Photos: Jack Ghossein