

PREDICTING THE COST OF FUEL

Guide

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Fuel is a key cost for any fleet. Fuel consumption typically ranks as the second largest spend after the vehicle itself, and these costs have decreased significantly since the beginning of 2020, to levels not seen since mid-2016. The question is, should current fuel costs be used in planning for the future and adopted into Total Cost of Ownership (TCO) models?

The two graphs below show the reduction in pump price of petrol and diesel and the cost of Brent Crude. At the end of March OPEC and Russia announced a reduction in the supply of crude oil of approximately 10% which has resulted in a small recovery, or stabilisation, in the market.

We know from history that fuel costs tend to increase in line with the overall market. Whilst there are other geopolitical, legislative and environmental factors to consider, the trend remains relatively similar.

By looking back at the financial crisis of 2008 and 2009 and comparing fuel costs with the overall market (in this case using the FTSE 100 as market indicator) we can see that trend displayed and that the price of fuel consistently followed the FTSE 100 through the following three years.

Conclusion

History shows us that as the economy recovers and demand increases, the cost of fuel will increase at the same time. Unlike 2008 and 2009, however, there are now other pressures on fossil fuels. With a global focus on the adoption of cleaner vehicles and the Road to Zero signposting the decarbonisation of transport, we will be less reliant on petrol and diesel vehicles in the fleet mix. In the short term it would be prudent to consider that fuel costs will rise when reviewing this in terms of overall fleet policy.

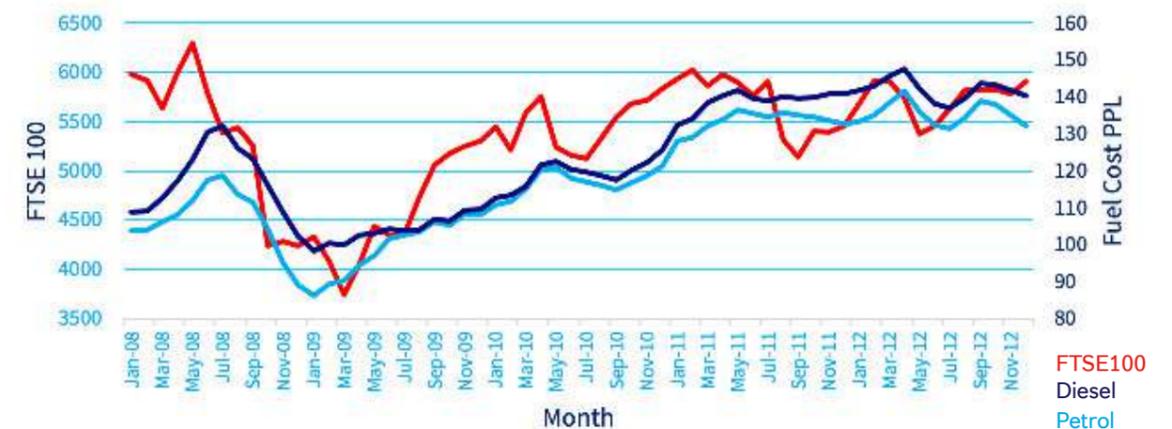


UK Cost of Fuel (2020)

Brent Crude (12 Months)

Data Source:
www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-weekly-statistics

Data Source:
www.bbc.co.uk/news/topics/cmj223708t/oil



Historical Cost of Fuel vs FTSE 100

Data Sources:
www.londonstockexchange.com/statistics/ftse/ftse.htm
www.gov.uk/government/statistical-data-sets/oil-and-petroleum-products-weekly-statistics

If you would like to discuss the changing landscape of fleet management and how to prepare for this then please get in touch with your Account Manager or our Business Intelligence and Consultancy Team.

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