Taking action on fuel prices – extending the temporary reductions to petrol excise duty, road user charges and public transport fares

Today, the government is announcing an extension to the reductions to petrol excise duty and road user charges. Half-price public transport is also being extended.

The extension means:

- 25 cents per litre petrol excise duty reduction will be extended until 31 January 2023 (instead of ending on 15 August 2022)
- 36 percent reduction to legislated rates of road user charges will be extended until 31 January 2023 (instead of ending on 21 September 2022)
- half-price public transport will continue until 31 January 2023 (instead of ending on 31 August 2022)

The extensions will complement other government support to households facing higher costs, including the new Cost of Living Payment (from 1 August) and the resumption of the Winter Energy Payment (start of May).

Key messages

- High petrol and diesel prices are painful, especially for those on low and fixed incomes. High prices are painful for people trying to get to work, get their children to school and get food from the supermarket. For many, high fuel prices have been causing real pressure.
- High fuel prices are being experienced across the globe – in Australia, the United States and Europe.
- When Russia invaded Ukraine, the price of fuel shot up in New Zealand (over 30 cents). Russia is one of the world's largest crude producers, and many countries – rightfully – have banned or boycotted Russian oil. Those bans and boycotts pulled oil from the global market and reduced supply, creating upward pressures on crude oil prices. On the other hand, crude oil prices have eased slightly in recent weeks due to the increasing risk of a global recession.
- Increasing supply is the solution, but there is no quick fix. Constrained supply is a global problem, not a local problem. New Zealand has released oil from our emergency stockpile. The US is releasing close to 1 million barrels each day from its emergency stockpile.
- We are encouraging the uptake of other energy sources, especially in transport given our climate change objectives. Still, for many people, alternatives (for example, electric vehicles) are currently unaffordable, so high fuel prices are causing pain at the pump.
- Increases in real income are predicted to occur, which could lessen the pain of high fuel prices and broader cost of living pressures for many households.

Background information and reductions to date

On 14 March 2022, due to a sudden and significant fuel price increase, the government announced for three months it would reduce petrol excise duty by 25 cents per litre, make an equivalent reduction to road user charges (36 percent) and halve public transport fares.

As part of Budget 2022, the Government announced it was extending the temporary reductions to petrol excise duty, road user charges and public transport fares for two more months.

This document provides information on:

1. fuel prices
2. the petrol excise duty reduction
3. the road user charges reduction scheme
4. the halving of public transport fares
5. the potential climate change implications of reducing petrol excise and road user charges
6. road taxes, our vehicle fleet and steps the government has taken to improve competition in the retail fuel market
7. key data and graphs on fuel prices

Information on fuel prices

Why are fuel prices still high?

Due to international factors relating to:

- **supply** - Dubai Crude is around $102 USD per barrel. In 2021, Dubai crude averaged about $69 USD per barrel. The price of crude reached record levels in March and has continued to rise since then. Crude supply was impacted by Russia's invasion of Ukraine and subsequent sanctions and embargoes targeting Russia (a significant oil producer, 3rd largest producer of crude). Rather than buying fuel from Russia, Europe is finding other markets. Crude oil market volatility continues as the Ukraine-Russia conflict goes on.

- **demand** - fuel demand has been strong with the reopening of economies, associated with the recovery from COVID

There has been a spike in margins last week, but to date there have been no sustained increases in retail margins above baseline levels since excise duty was reduced, indicating that fuel companies are likely to be passing on the petrol excise reduction. MBIE will continue to monitor retail margins.

Why haven't pump prices decreased as a result of the most recent Dubai crude oil price drop?

Dubai crude oil prices decreased by 9.39USD (13.16NZD) per barrel for the week ending Friday 8 July. The decrease in fuel costs have not yet been reflected at the pump which has caused a recent spike in margins.

The Minister of Energy and Resources wrote to fuel companies on 15 July 2022 setting out a clear expectation that decreases in fuel cost should be passed through to consumers in the coming weeks. MBIE will continue to monitor fuel companies' margins and keep the Minister of Energy and Resources informed of developments.

Why did Dubai crude oil prices recently drop?

International supply and demand factors have contributed to this decrease. China recently increased fuel exports as it had some domestic over supply, while international fears of a recession recently led to lowered demand.

Does this mean there will be more relief at the pump coming for consumers?

Although the crude oil price has seen some recent decreases, the international market continues to be very uncertain. The oil market is continuing to struggle with capacity constraints and low inventories as well as high inflation, rising interest rates and warning signs of a global recession.

The International Energy Agency's latest *Oil Market Report* (July) states that "rarely has the outlook for the oil market been more uncertain". Demand for fuel could weaken over the coming months but as EU embargos on Russian oil come into force at the end of the year the oil market may again tighten

The United States Energy Information Agency's *Short Term Energy Outlook* (July) forecasts price of crude (Brent) will average $104 USD per barrel in 2022 and $94 USD per barrel in 2023. These forecasts are informed by the potential for rising production and weakening demand.

Why are decreases in importers' fuel cost slower to be passed to consumers than increases in crude cost?

As part of the retail fuel market study in 2019 the Commerce Commission examined whether cost increases show up more fully or quickly in retail prices than cost decreases but found no evidence of this.

Why has petrol and diesel increased faster than the price of crude?

Since the start of the year, we have seen the international cost of petrol/diesel rise much faster than crude. The price of refined products has risen between 30 and 140 percent since Russia invaded Ukraine, but crude has risen by around 15 percent. This is because:

- demand for diesel rebounded strongly across the globe – stocks on the East Coast of the USA and in parts of Europe are constrained
- there is a global squeeze on refining capacity. Most of the spare capacity is in the East (i.e., China). Demand has also grown much faster than capacity.

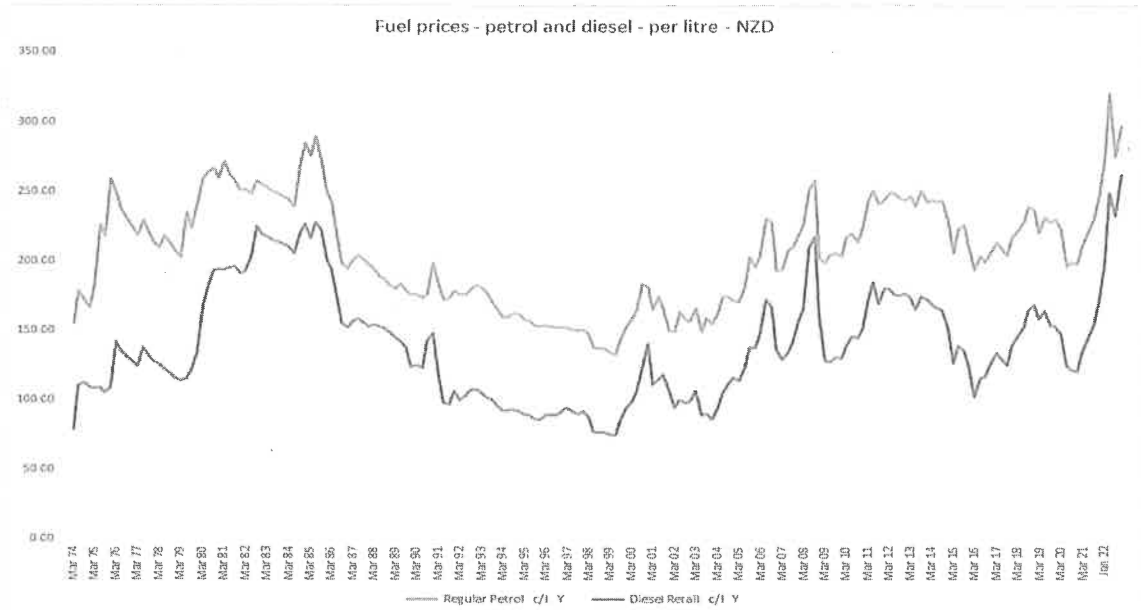
Why has the price of diesel risen faster than petrol?

There has been strong demand for diesel. Supply has been constrained, particularly on the East Coast of the United States. Many refineries reduced diesel production in response to COVID-19, and it has taken time for production to ramp back up. Due to transport-related supply chain pressures, there has also been strong demand for diesel. 3 barrels of crude makes around 2 barrels of petrol and 1 barrel of diesel, so diesel takes more crude to produce.

Has the release of oil from the Emergency Stockpile had no impact?

International Energy Agency member countries (including New Zealand) released oil stock to increase supply given increased demand. The release provided a buffer to oil markets.

How much did prices increase in New Zealand in the lead-up to the Russian invasion of Ukraine?



The graph above shows the rise in fuel price in March 2022 was significant, including when compared to other rises in the past:

- 1978 to 1979 – Iranian revolution – prices increased as oil supplies were disrupted internationally
- around 1990 – Iraq invaded Kuwait – prices increased, including in New Zealand
- 2003 and 2008 – the price rise has been described as an oil shock, albeit a slow-motion one compared to the 1970 shocks. However, during the global financial crisis, prices fell back substantially.

What does Russia have to do with the price of fuel in New Zealand?

New Zealand's refined fuel is imported from Asia - namely, Korea and Singapore. The predominant source of crude for refineries in these countries is crude from the Middle East. All fuel purchased at service stations in New Zealand is imported and purchased on the world market, which has been impacted by Russia's invasion of Ukraine and an uptick in global demand. There may be further impacts if non-Russian sources meet European demand at year's end.

Weren't fuel prices increasing before the Russian invasion?

Yes – but the price increase was gradual and was primarily due to increased demand. When the invasion happened, the prices rose very steeply and suddenly. The increases were not due to increases in petrol excise duty and road user charges. In 2020, the government ruled out increases to petrol excise duty and road user charges for three years (2021, 2022 and 2023).

How do increased fuel prices impact transport?

Oil is vital to road transport. 95 percent of petrol and around 65 to 70 percent of diesel is used on- road. The transport sector is very exposed to fuel price changes. The uptake of alternative fuels such as electricity is underway in transport, but fuel is still vital.

What is the likely consequence of fuel price increases on travel?

If the increase are sustained for some time, history tells us the main consequence is the uptake of smaller engines or more fuel-efficient vehicles.

Increased fuel costs could be offset for many households by cutting back discretionary expenditure or deferring some other spending. Anecdotal reports from social service organisations suggest that people may seek to save on food (buy fewer groceries). Work from the UK shows that people defer vehicle maintenance when fuel prices increase.

We could see some increase in public transport patronage, which has reduced for reasons relating to COVID (working from home, isolation). In 2008, the price of petrol increased to $2 per litre, there was some shift to public transport in Wellington, but the shift was not sustained over time despite high prices.

Is the increased price a result of Marsden Point transitioning to an import-only terminal?

Marsden Point did not insulate New Zealand from changes in the international fuel price. Fuel refined at Marsden Point was sold at the international price, and it did not refine enough oil to alter global constrained supply which driven up prices. If Marsden Point continued refining fuel, prices would have still increased. When Marsden Point operated as a refinery, most of its crude came from the world market (the Middle East, not Russia), and domestic prices were set at import price parity.

Could New Zealand be particularly hard hit by fuel price increases?

Cars provide an essential mode of travel in New Zealand and account for over 90% of distance travelled and 80% of travel in urban areas. New Zealand has a high level of car ownership per capita and a comparatively low level of GDP. Our fleet is relatively inefficient. The lack of an alternative to the private car means most individuals will continue to travel by car even though high fuel prices increase the cost of road transport. Higher fuel prices lower personal disposable income, reducing spending and thus slowing economic activity. Countries with similar modal shares, such as Australia and the United States, have a considerably higher GDP per capita, which increases their ability to cope with higher oil prices.

Petrol excise duty reduction

What is the saving to motorists?

For a household with a petrol vehicle, the reductions result in a saving of around $9 on a 40-litre tank. If a person filled up each week, this would save approximately $36 per month. For the average road user (who fills up 20 litres), the reductions result in a saving of around $4 per week.

Why was it important to reduce petrol excise duty?

Petrol excise duty is built into the cost of petrol purchased at the pump. Reducing petrol excise duty was something that the government could do relatively quickly to benefit most households. Significant increases in the cost of fuel affect both households and the economy. Fuel is both itself a component of the cost of road transport and an input to the cost of other goods and services. An ANZ Bank Quarterly Review noted that "inflation pressure remains broad-based" and noted the spike in fuel costs relating to the Russian invasion impacted inflation. The ANZ Bank noted the government's temporary cut to petrol excise duty has provided some relief and is likely to be seen in inflation figures.

How do we know that fuel companies continue to pass on the reduction to petrol excise duty at the pump?

Following the announcement to reduce petrol excise duty on 14 March 2022, Gaspy information showed that prices at the pump fell around New Zealand by at least the level of the reduction in duty.

What are you doing to ensure the full excise reduction is being passed on to consumers?

The Minister of Energy and Resources has put in place a weekly fuel price reporting obligation whereby fuel companies are obligated to disclose revenue, volume, and cost elements under the Fuel Industry Act 2020.

MBIE has published a summary of the information disclosed on its website so that consumers can track fuel industry margins: www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-generation-and-markets/liquid-fuel-market/monitoring-the-petrol-excise-duty-reduction/

There has been a spike in margins last week, but to date there have been no sustained increases in margins above baseline levels, indicating that fuel companies are likely to be passing on the petrol excise reduction. The decrease in fuel costs have not yet been reflected at the pump which has caused a recent spike in margins.

The Minister of Energy and Resources wrote to fuel companies on 15 July 2022 setting out a clear expectation that decreases in fuel cost should be passed through to consumers in the coming weeks. MBIE will continue to monitor fuel companies' margins and keep the Minister of Energy and Resources informed of developments.

Fuel prices have increased since the fuel excise reduction was announced. Is it possible this is because fuel companies are pocketing some of the reduction instead of passing it on in full to consumers?

Fuel prices have largely been driven up by increases in international costs. Refining margins are at or near record highs in the Asia-Pacific region as demand increases, which will drive up prices beyond the increase in crude oil prices.

There has been a spike in margins last week, but to date there have been no sustained increases in margins above baseline levels, indicating that fuel companies are likely to be passing on the fuel excise reduction. MBIE will continue to monitor these changes in margins.

Why extend the reductions to excise when people are paying more than when the reductions were put in place?

Without the reduction to excise duty the price of petrol would be higher.

Why are you extending the reductions when Australia is ending its reductions in September?

The cost of many goods is higher in New Zealand, largely because we are small country without the economies of scale levels of competition. The Government is extending because it wants to provide a bit extra support to households.

Road user charges reduction scheme

Owners of diesel vehicles pay road user charges as there is no excise on diesel. Road user charges are pre-purchased in advance of travel in lots of 1,000 kilometres from Waka Kotahi (online or telephone) or at agents (such as the AA).

Road users who purchase discounted road user charges fill in a declaration form that the amount of discounted road user charges purchased is for travel within the reduction period.

Waka Kotahi is empowered and funded to audit and issues invoices (assessment) for excessive, unreasonable or abusive purchases.

How are discounted road user charges are calculated and processed?

For the discount scheme, legislated rates of road user charges were reduced by 36 percent and then rounded to the nearest dollar. The reduced rates are automatically applied for purchases made during the temporary reduction period.

What has been the impact of the discount on purchasing behaviour?

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[redacted]

Why can't the Government discount diesel at the pump like with petrol?

New Zealand does not have a national transport tax on diesel. Our national taxes on diesel are minimal and reducing them would not provide material relief to households. The only way for the government to discount diesel would be to directly subsidise the product, which could raise international trade issues.

Why not set a cap on the number of kilometres that can be purchased whilst road user charges are discounted?

There's no fixed cap on the number of kilometres a person can purchase whilst road user charges are discounted. This is because not everyone travels the same distance. For example, tradespeople and courier drivers cover distances far greater than the average motorist. A vehicle that is only used occasionally, such as a motor caravan, could do much less. Instead, people will state their purchase is for travel for the period of the reduction. Waka Kotahi is empowered and resourced to follow up on instances of excessive or unreasonable purchases.

Doesn't the Road User Charges Reduction Scheme rely on people's honesty?

Waka Kotahi has additional powers and resources to ensure the scheme's integrity. Heavy vehicle operators are legally required to surrender any unused road user charges distance one month after the reduction ends and replace it with road user charges at the full price.

Extending the reduction period means that it will be more expensive for people to purchase excessive amounts of road user charges .

What enforcement of excessive, abusive or unreasonable purchases is occurring?

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[redacted]

Can I buy additional road user charges as the discount period has been extended?

Any extra amount purchased should not result in you purchasing more kilometres than you will use during the reduction period.

What about people using diesel off-road in boats or in the construction sector?

The focus of this initiative is fuel used on road (for road transport), as that's where most households use fuel. Around 95 per cent and approximately 70 per cent of diesel is used on the road, so the great majority of fuel users will benefit from the government's reductions.

Reducing petrol excise duty and road user charges was something that the government could do relatively quickly to benefit most households struggling with the price of fuel.

Those that use fuel off-road also may benefit from the reductions directly or indirectly:

- Directly – it is likely that most businesses that use fuel off-road also use some fuel on the road, so they benefit from the changes to petrol excise duty and road user charges for that fuel.
- Indirectly – if the business does not use any fuel on the road, some key suppliers or staff will likely use fuel on the road. Relieving some of their costs may lessen the potential for more costs being passed on through higher prices.

What is the cost of these extensions to petrol excise duty and road user charges?

Extending the reductions until 31 January 2023 will require around $589 million (around $334 million for petrol excise duty; around $225 million for road user charges). This is to cover reduced revenue due to extending the reductions. These initial estimates (actuals depend on uptake, travel and fuel consumption, timing of shipments) used to inform the backfilling reduced revenue to the National Land Transport Fund, which funds the operation, maintenance and improvement of land transport system.

Half price public transport fares

Why did the government halve public transport fares?

The half-price fares policy complemented the reductions to petrol excise duty, and road user charges. It ensured the reductions to petrol excise duty, and road user charges did not mean people switched from taking public transport to driving. It was also to assist the recovery of public transport ridership, which, although increasing, is still reduced following COVID-19.

What have half-price fares achieved?

Waka Kotahi reports public transport ridership has increased in Auckland, Christchurch and Wellington since half-price fares were implemented. Waka Kotahi states ridership is now 65 percent of what it was in 2019. Before half-price fares were implemented, ridership was 44 percent of what it was in 2019 (March).

Why not make public transport free?

The Government has reduced public transport fares to complement the reductions in petrol excise duty and road user charges. Making public transport free may not necessarily be the answer to reducing car use or emissions. Evidence suggests service quality (particularly speed improvements) is a more critical factor in the uptake of public transport than fare levels. Making public transport free can reduce the quality of service due to potential overcrowding and loss of revenue, which is needed to maintain or improve service quality. Making public transport free can also reduce the uptake of active modes, which has health implications.

What is the government doing to alleviate the pressures on local government from reduced fare revenue due to COVID-19?

Local authorities are facing increased costs and reduced public transport fare revenue due to COVID-19. The Government is funding this initiative. Half-price fares could be important for encouraging a faster return to pre-COVID patronage levels.

What services are excluded from the fare reduction?

a. **Why isn't the Waiheke Ferry included?**
b. **Why are some ferries included but others aren't?**
c. **Why aren't school buses included in the fare reduction?**

Funding for half-price fares covers core public transport services, Te Huia and Capital connection train services, and Total Mobility services for those with long-term impairments who cannot use public transport.

The scheme covers school bus services provided under contract to a council as part of their public transport network. The Ministry of Education school services are free to eligible students.

All commercially delivered services like inter-regional bus and tourism and private school bus services are excluded from the scheme. This means the Waiheke Ferry is excluded from the fare reduction.

What is happening with Community Connect?

As announced in Budget 2022, the Government intends to provide a 50 percent concession on adult public transport fares for Community Services Card (CSC) holders, once the current half price fares policy ends.

With the extension of half price fares to 31 January 2023, Community Connect will now start from 1 February 2023. It was previously expected to start from 1 September 2022.

How are councils progressing with implementation of Community Connect?

Councils have been working hard to implement Community Connect from 1 September. Many of the councils have been investigating interim measures to implement the concession, with automated processes finalised in early 2023.

In extending half price fares and delaying implementation of Community Connect, the Government recognises the challenge for councils to implement the concession and has provided them with more time to ensure that once implemented, it will be a seamless transition for CSC holders.

[Further detail if needed for the Office:

s 9(2)(g)(i)

[redacted]

What is the cost of extending half fare public transport until 31 January 2023?

Initial estimates are that extending half fare public transport will cost around $65 million. This will cost will be met by the Crown.

Emissions Implications of reducing petrol excise duty and road user charges?

Does reducing road user charges and petrol excise undercut our climate change objectives?

This is a short-term temporary reduction due to a sudden price spike, causing pain for many. Addressing climate change is essential, and the government is taking action to reduce emissions. However, it is crucial the transition to net-zero does not worsen inequities. The government has work underway to transition New Zealand from fossil fuels, which is the ultimate long-term solution to volatile oil prices.

What is the emissions impact of reducing the cost of road travel?

Modelling suggests that a small increase in driving (around 0.7 to 1.2 percent) may result from reduced road user charges and petrol excise duty. Driving is relatively inelastic to price, so the reductions do not result in significantly more driving but have an emissions impact therefore mainly of the number of vehicles in the fleet (over 4 million).

The 50 percent reduction in public transport fares, which was part of this package, meant the reductions in excise duty or road user charges is unlikely to result in a significant shift from public transport to private vehicles.

Background information on road tax and the New Zealand vehicle fleet

Below are some facts and figures relating to road tax in New Zealand and information on the vehicle fleet (and diesel vehicles).

Rates of road taxes

	Full rates (before the reductions)	**Reduced rates (after the reductions)**
Petrol excise	70 cents per litre	45 cents per litre (25 cents saving)
Road user charges (light vehicle; per 1,000 km)	$76	$49 ($27 saving)

Internationally, New Zealand is in the middle of the pack in terms of our rates of road tax. Petrol taxes are higher in New Zealand than in Australia. Still, many Australians face higher annual vehicle fees and stamp duties and, if travelling regularly in urban areas, may pay substantial tolls (around $40 per week).

The indicative highest price of fuel 2022

		14 MARCH	**5 APRIL**	**18 MAY**	**14 July**
AUCKLAND	Regular 91	$3.38	$2.84	$3.22	$3.01
	Premium 95	$3.54	$3.24	$3.41	$3.17
WELLINGTON	Regular 91	$3.26	$2.75	$3.15	$2.95
	Premium 95	$3.47	$2.94	$3.35	$3.11
CHRISTCHURCH	Regular 91	$3.08	$2.64	$2.96	$2.84
	Premium 95	$3.34	$2.86	$3.12	$2.95

Source: Gaspy

Vehicle fleet

There are around 4 million road registered vehicles in New Zealand. Around 20 percent of light vehicles in New Zealand are diesel, and the remainder are mainly petrol-powered.

- In total, there are 3.3 million light passenger vehicles (cars, SUVs, utes) in New Zealand, and around 300,000 of these are diesel (approximately 9 percent)
- There are about 670 thousand light commercial vehicles (cars, SUVs, utes), and around 500,000 of these light commercial vehicles are diesel (73 per cent)

There are around 154 thousand heavy vehicles/trucks, and about 152 thousand of these are diesel (98 percent diesel).

Fuel Industry Act

The government passed the Fuel Industry Act 2020 following a study by the Commerce Commission that found that fuel companies were making persistently higher profits than would be reasonably expected in a competitive market. This was due to limited competition in the wholesale market. Different levels of competition could also explain regional price differences.

Following the market study, the government made a range of changes to increase competition and improve transparency.

The Fuel Industry Act is anticipated to benefit consumers over time (rather than immediately). The Fuel Industry Act

- **requires terminal gate pricing** – an obligation of wholesalers to post terminal gate prices and an obligation to supply at the terminal gate price. This could provide a fuel supply source for potential new entrants to the retail fuel market.
- **requires transparency and fairness in fixed wholesale contracts** – disclosure of pricing methods to promote competition
- **transparent information for consumers** – display of information at retail fuel sites
- **improvements to the monitoring of the fuel market** – requiring fuel companies to collect, retain and disclose certain information.

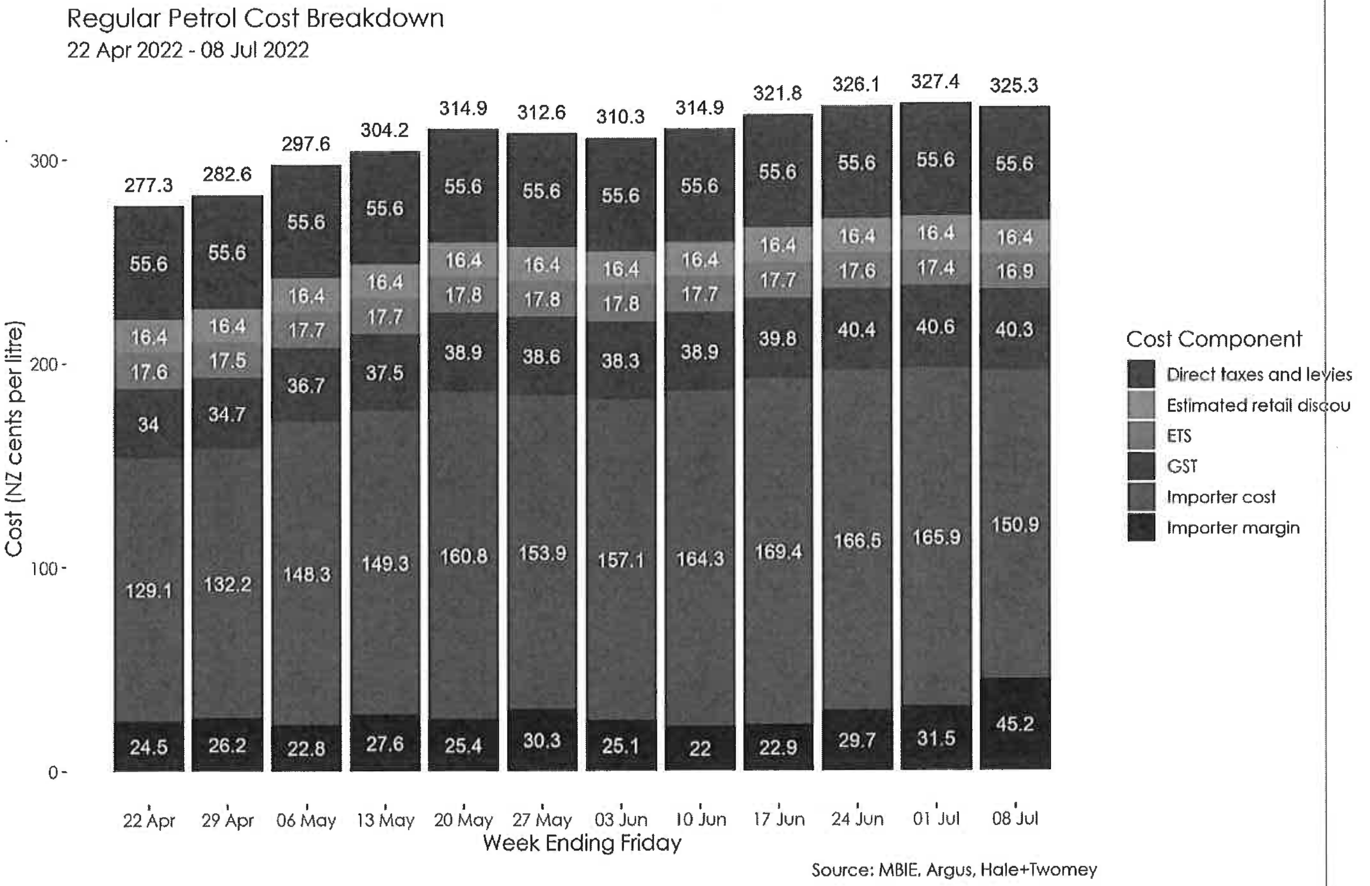
The Fuel Industry Act allowed the government to develop regulations to monitor the performance of fuel markets in relation to the continued pass-through of the reduction in petrol excise duty, as well as any consequent GST reduction, as expected in a competitive market.

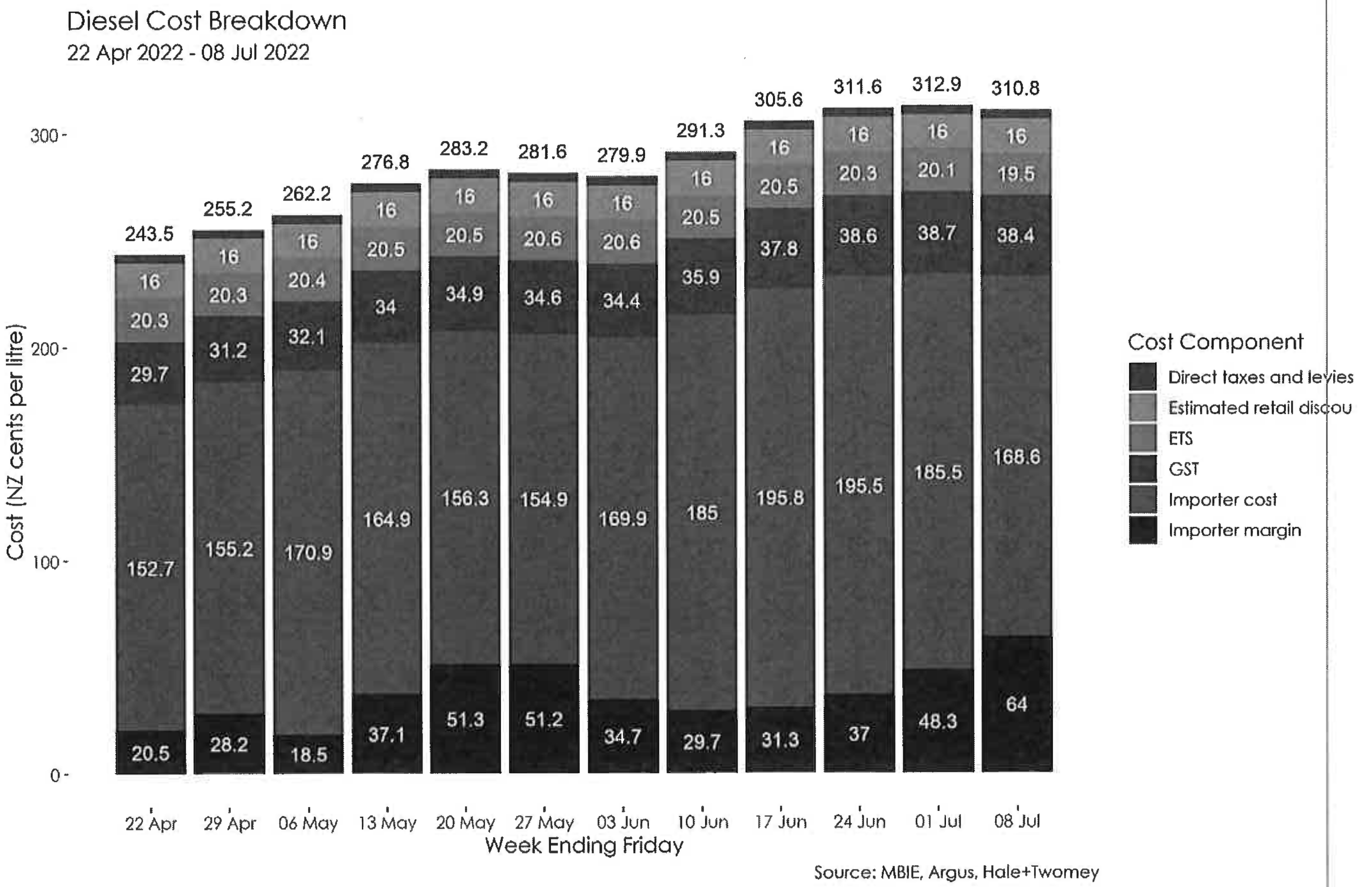
Key data and graphs on fuel prices

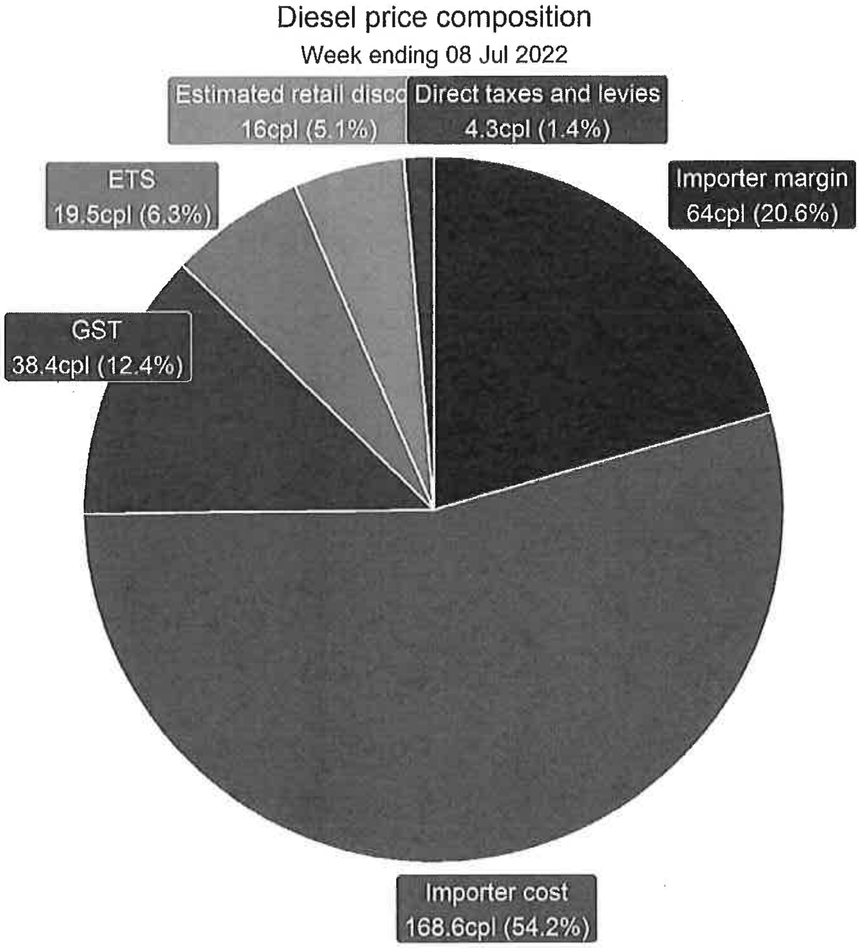
Fuel prices (and cost components) over time

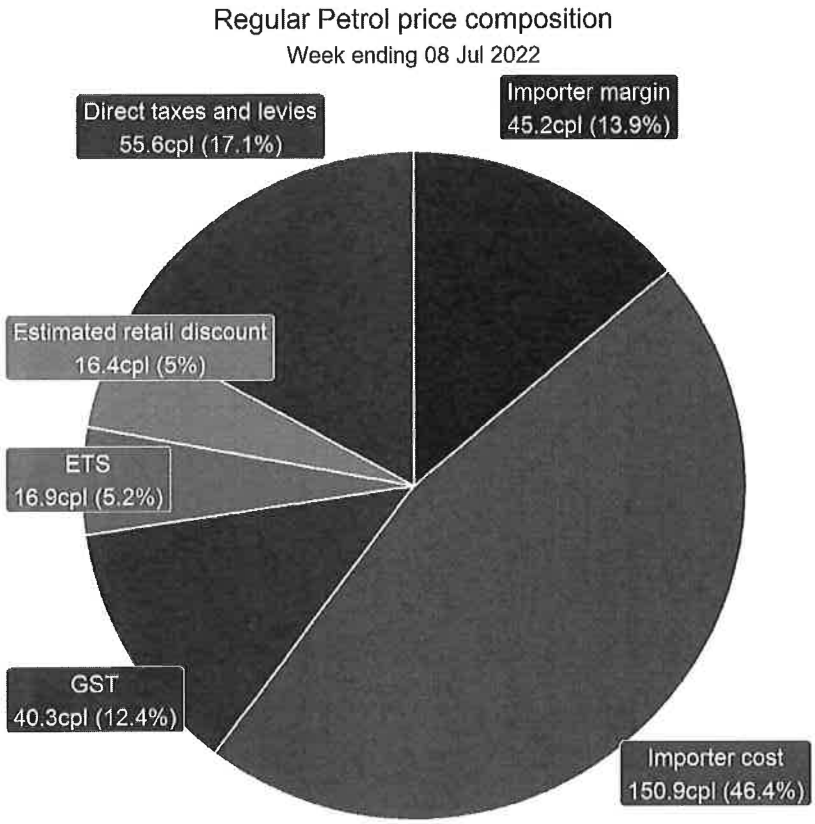
	Market study announced	Draft report published	Final report published	Margins Peaked	Act as passed	Some requirements came into force	Additional requirements came into force	Previous week	Most recent week
	7-Dec-18	23-Aug-19	6-Dec-19	17-Apr-20	14-Aug-20	13-Aug-21	11-Feb-22	1-Jul-22	8-Jul-22
Dubai crude (USD $/barrel)	60.2	59	62.3	20.9	43.7	69.7	87.3	111.5	102.1
Exchange rate (USD per NZD)	0.7	0.6	0.7	0.6	0.7	0.7	0.7	0.6	0.6
Dubai crude (NZD $/barrel)	87.1	92.2	95.7	34.6	66.5	99.5	131.1	178	164.9
Regular Petrol (cpl)									
Discounted retail price	200.4	210.2	216.1	180.3	185	227.3	268	311	308.9
Pump price	208.1	226.4	237.5	197.4	205.6	241.2	284.9	327.4	325.3
Importer margin	33.6	25.6	26.8	46.5	22.6	27.5	26.6	31.5	45.2
International prices (Importer cost)	62.7	74.2	78.2	27.4	49.8	78	106.5	165.9	150.9
ETS	4.6	5.8	5.8	5.8	7.8	11.5	19.3	17.4	16.9
Diesel (cpl)									
Discounted retail price	140.5	140.6	142.3	113.4	112.7	151.3	194.7	296.9	294.8
Pump price	152.6	155.9	162.9	128.9	128.8	159.9	209.3	312.9	310.8
Importer margin	40.7	32.4	33.2	46.8	33.3	40.9	34.9	48.3	64
(Importer cost)	72	78.8	79.6	40.8	51.3	73.1	107.8	185.5	168.6
ETS	5.3	6.7	6.7	6.7	9.1	13.3	22.3	20.1	19.5
Premium Petrol (cpl)									
Discounted retail price	213.8	224.2	232.7	198.1	201.3	244.4	288.6	328.7	326.3
Pump price	217.6	236.3	247.3	208.6	217.3	255.8	301.9	344.3	342.1
Importer margin	43.3	35.5	40.1	60.1	34.6	40	42.4	43.9	57.4
(Importer cost)	64.5	76.4	79.2	29	51.7	80.1	108.2	168.4	153.4
ETS	4.7	5.9	5.9	5.9	8	11.8	19.8	17.8	17.3

Price Composition over time






Diesel price composition
Week ending 08 Jul 2022
Estimated retail disco
16cpl (5.1%)
Direct taxes and levies
4.3cpl (1.4%)
Importer margin
64cpl (20.6%)
ETS
19.5cpl (6.3%)
GST
38.4cpl (12.4%)
Importer cost
168.6cpl (54.2%)


Regular Petrol price composition
Week ending 08 Jul 2022
Direct taxes and levies
55.6cpl (17.1%)
Importer margin
45.2cpl (13.9%)
Estimated retail discount
16.4cpl (5%)
ETS
16.9cpl (5.2%)
GST
40.3cpl (12.4%)
Importer cost
150.9cpl (46.4%)

Background information

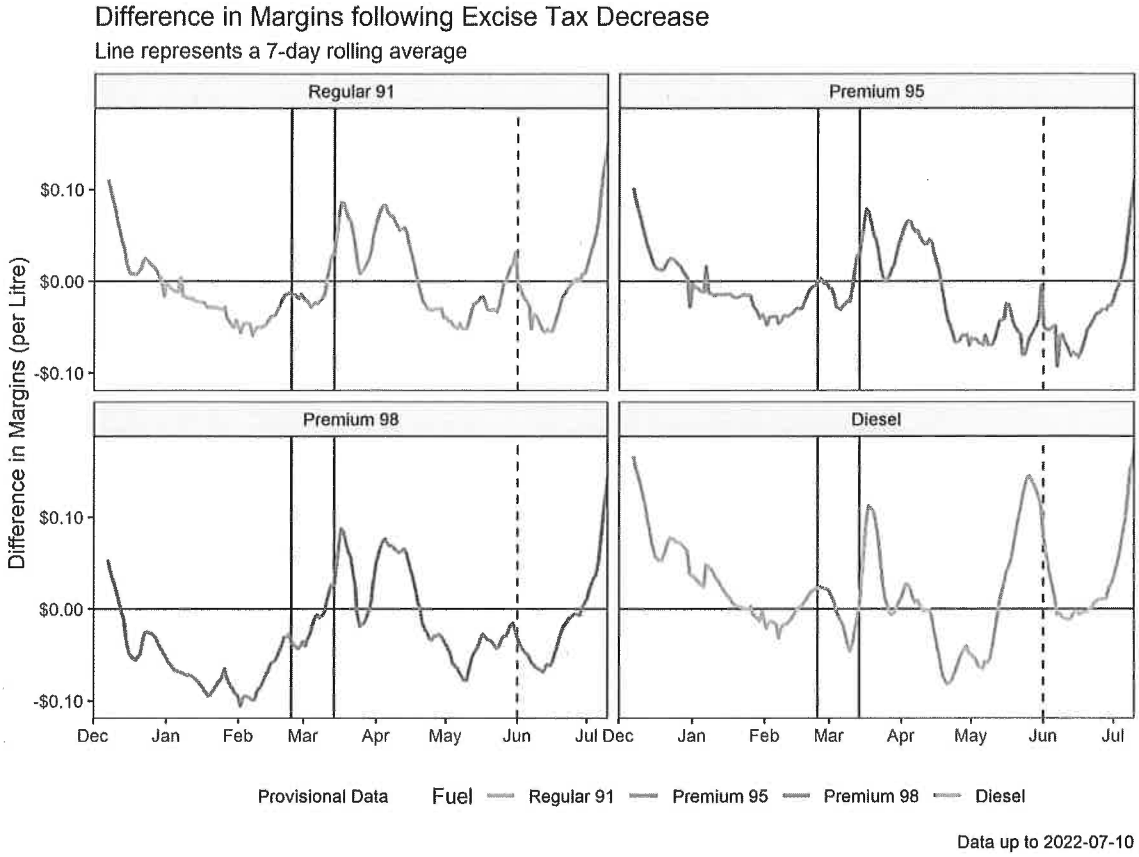
Monitoring the petrol excise duty reduction

- MBIE are monitoring the performance of the market to determine whether the reduction to petrol excise duty, as well as any consequent GST reduction, is being passed through to consumers in a manner that is expected in a competitive market.
- Cost and revenue information is disclosed by individual fuel companies under the Fuel Industry Act 2020. This allows for monitoring the performance of the market to indicate whether they are passing on the fuel excise reductions.
- Fuel companies have disclosed cost and revenue information that relates to the period before the excise duty was cut. This provides a baseline to track changes in margins since the excise duty cut.
- There have been no sustained increases in margins above baseline levels, indicating that fuel companies are likely to be passing on the fuel excise reduction. MBIE will continue to monitor these changes in margins.

<u>Weekly volume weighted fuel industry margin trends</u>

- This time series shows how fuel margins have changed by fuel, relative to a to a baseline period. That period starts with the Russian invasion of Ukraine and ends the day before the excise tax cut.
- This is the fuel industry average difference in margins, weighted by fuel sales.
- The coloured lines represent 7-day rolling averages.
- The first vertical line towards the end of February marks the beginning of the Russian invasion of Ukraine and the second vertical line in mid-March shows when the fuel excise duty was reduced.
- The line graphs show changes in margins for all fuels (Regular 91, Premium 95, Premium 98, and Diesel) have been fluctuating between around $0.15 cents per litre to minus $0.10 cents per litre since the fuel excise reduction was introduced, with these changes roughly offsetting each other.

Background information



<u>Weekly fuel industry traffic light</u>

- This information compares how the fuel industry's margins for Regular 91 sold at retail have changed since the baseline period.
- Green indicates that margins are 4.50 cents per litre or less above the average during the baseline period.
- Orange indicates that margins are between 4.50 and 13.60 cents per litre above the average during the baseline period.
- Red indicates that margins are 13.60 cents per litre or more above the average during the baseline period.
- A tolerance of 4.50 cents was chosen as it represents the standard deviation of the difference in margins prior to the tax cut

Week	Fuel	Light	Status
20/03/2022	Regular 91	Orange	Final
27/03/2022	Regular 91	Green	Final
3/04/2022	Regular 91	Orange	Final
10/04/2022	Regular 91	Orange	Final
17/04/2022	Regular 91	Green	Final
24/04/2022	Regular 91	Green	Final
1/05/2022	Regular 91	Green	Final
8/05/2022	Regular 91	Green	Final

Background information

15/05/2022	Regular 91	Green	Final
22/05/2022	Regular 91	Green	Final
29/05/2022	Regular 91	Green	Final
5/06/2022	Regular 91	Green	Provisional
12/06/2022	Regular 91	Green	Provisional
19/06/2022	Regular 91	Green	Provisional
26/06/2022	Regular 91	Green	Provisional
3/07/2022	Regular 91	Green	Provisional
10/07/2022	Regular 91	Red	Provisional