



Cabinet

Minute of Decision

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Taking Action on Fuel Prices: Reducing Petrol Excise Duty and Road User Charges for Three Months and Supporting the Uptake of Public Transport

Portfolios **Finance / Energy and Resources / Transport / Customs**

On 14 March 2022, Cabinet:

- 1 **noted** that there have been significant increases in the price of petrol and diesel over the past weeks due to international factors (namely, Russia's invasion in Ukraine);
- 2 **agreed** that the rates of petrol excise duty and road user charges be reduced for a period of three months;
- 3 **agreed** to a 25 cent per litre reduction to the rate of petrol excise duty (and an equivalent reduction to road user charges);
- 4 **agreed** that rate reductions should come into effect as soon as possible for petrol excise duty and as soon as possible for road user charges, noting the 42-day notice period for changes to the road user charges rates;
- 5 **agreed** for the Minister of Transport and the Minister of Customs to suspend and reduce the rates of petrol excise duty by Order in Council under Schedule 3, clause 20 of the Customs and Excise Act 2018;
- 6 **authorised** the Minister of Transport and the Minister of Customs to recommend to the Governor General an Order in Council to suspend and reduce the rates of petrol excise duty at the next meeting of Executive Council;
- 7 **authorised** the Minister of Transport and Minister of Customs, in consultation with the Minister of Finance, to make final decisions on details that arise without reference to Cabinet;
- 8 **authorised** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to make changes to the rate of petrol excise duty refund in the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Regulations 2004 through amendment regulations and for these amendment regulations to be considered at the next meeting of Executive Council;
- 9 **agreed** to waive the 28-day rule for the Order in Council and the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Amendment Regulations on the ground that the Order confers only benefits and early

commencement of the Regulations are necessary to avoid unfair commercial advantage being taken, or the purpose of the regulations being defeated;

10 **authorised** the Minister of Transport to:

10.1 issue drafting instructions to the Parliamentary Counsel Office to give effect to the decisions relating to reducing road user charges as outlined in this paper by way of an amendment to the Road User Charges (Rates) Regulations 2015;

10.2 clarify and develop minor and technical policy decisions in a way not inconsistent with the proposals in this paper;

10.3 submit the amendment to the Road User Charges (Rates) Regulations 2015 to the Executive Council;

11 **noted** that paragraphs 2 and 3 will result in an indicative reduction in forecast revenue to the National Land Transport Fund of up to \$350 million which, if not replaced, will likely necessitate a reduction in the level of transport investment;

12 **agreed** to top-up the National Land Transport Fund to account for the anticipated shortfall in revenue as a result of paragraphs 3 and 5, subject to further work being completed on the decrease in revenue;

13 **agreed** to establish a tagged operating contingency associated with the Transport portfolio of up to the following amount to provide for the decision in paragraph 12:

	\$m – increase/(decrease)				
	2021/22	2022/23	2023/24	2024/25	2025/26 & Outyears
NLTF Crown Funding for Temporary Decrease in Petrol Excise Duty and Road User Charges – Tagged Operating Contingency	350.000				

14 **agreed** that the expiry date for the tagged operating contingency in paragraph 13 will be 1 February 2023;

15 **authorised** the Minister of Transport and the Minister of Finance jointly to draw down the tagged operating contingency funding in paragraph 13 above (establishing any new appropriations or changing the scope of existing appropriations as necessary), subject to their satisfaction with the outcome of the further work described in recommendation 12;

16 **agreed** that the tagged operating contingency in paragraph 13 be managed outside allowances with a corresponding negative impact on the fiscal position;

17 **agreed** to reduce the size of the COVID-19 Response and Recovery Fund by the amount of the tagged contingency established in paragraph 13 to offset the negative fiscal impact of this tagged contingency;

18 **noted** that the policy decisions in paragraphs 2 and 3 above may have small consequential impacts on GST revenue, which would be included in the tax forecasts in the Budget Economic and Fiscal Update;

19 **agreed** to reimburse Waka Kotahi and local councils to enable public transport fare reductions of 50 percent for three months;

- 20 **noted** that the policy decision in paragraph 19 would result in an indicative cost to the Crown in the order of \$25 - 40 million for a 50 percent fare reduction for three months;
- 21 **noted** that detailed costings and implementation timing and mechanisms needed to implement any fare reductions need to be worked through;
- 22 **agreed** to fund the cost, indicatively of \$25 - 40 million, of the policy decision in paragraph 19 outside Budget allowances, with a corresponding negative impact on the fiscal position, with the final amount to be agreed by the Minister of Finance and Minister of Transport subject to advice from officials;
- 23 **authorised** the Ministers of Finance and Transport to agree the final amount of funding required for the policy decision in paragraphs 19 up to \$40 million
- 24 **noted** that the Ministers of Finance and Transport will return to Cabinet if the cost of the policy decisions in paragraph 19 exceed the authorisation outlined in paragraph 23
- 25 **agreed** to reduce the size of the COVID-19 Response and Recovery Fund by an amount equivalent to the costs of the decisions in paragraph 19 above to offset the negative fiscal impact of these decisions once costs are known and agreed by the Minister of Transport and the Minister of Finance as authorised by recommendation 26 below;
- 26 **authorised** the Minister of Transport and Minister of Finance to make final decisions on details that arise from the decisions in paragraphs 19, 22 and 25, including establishing any new appropriations or making any necessary changes to appropriations, without reference to Cabinet;
- 27 **noted** that Cabinet Office Circular (20)(3) requires a Climate Implications of Policy Assessment (CIPA) to have been conducted where the impact on GHG emissions is likely to be equal or above 0.5 million tonnes carbon dioxide equivalent (CO₂e) within the first ten years of the proposal period (representing an annual average of 50,000 tonnes);
- 28 **noted** that officials are still working with the Ministry for the Environment to determine whether the CIPA applies to this proposal;
- 29 **noted** that, as Cabinet Office Circular (20)(3) anticipates where a CIPA is not available for a Cabinet decision, the Minister of Finance will, if a CIPA is needed, further report to Cabinet on the CIPA.

Michael Webster
Secretary of the Cabinet