Taking action on fuel prices – temporarily reducing petrol excise duty, road user charges and halving public transport fares

On 14 March 2022, due to a sudden and significant increase in the price of fuel, 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, which is focused on ensuring the economic security of all New Zealanders, the Government has announced it is extending the temporary reductions to petrol excise duty, road user charges and public transport fares for two more months.

This means:

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

This sheet provides background information on the:

1. fuel price increases
2. petrol excise duty reduction
3. road user charges reduction scheme
4. halving of public transport fares
5. 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

Background information on fuel prices

Why are fuel prices increasing over $3.00 even with the petrol excise reduction?

Mainly due to international factors:

- **Brent Crude is now trading at $114 USD, up from $106 USD a week ago** (9:30am 17 May 2022 New Zealand time).
- **Fuel supply was disrupted following the invasion of Ukraine, and subsequent sanctions and embargoes targeted at Russia** (a significant oil producer, 3rd largest producer of crude).
    - Rather than buying fuel from Russia, Europe has had to find other markets. Crude oil market volatility continues, as the Ukraine-Russia conflict goes on.
    - The European Union is considering a phased embargo of Russian oil. The European Commission on 4 May proposed phasing out supplies of Russian crude oil within six months and refined products by the end of 2022.
    - EA estimated that a full EU oil embargo, on top of other existing measures, could bring Russian oil exports down by around 3.3 million barrels per day (mb/d), including 1.8 mb/d of crude and 1.5 mb/d of products. Prior to the

conflict, Russia exported a total of 7.7 mb/d of oil, of which 4.9 mb/d was crude oil and 2.8 mb/d products.

- **Increasing fuel demand and supply challenges associated with the pandemic**.
  - Oil prices rose on Monday on optimism that China would see significant demand recovery after positive signs that Covid-19 was receding in the hardest-hit areas.
- **Weakening exchange rate is contributing to a continued increase** in the cost of refined fuel products.
  - Its impact on landed fuel prices is about 7 – 8 cents per litre in the past month.
- **Freight cost for the Singapore-New Zealand route** have increased significantly
  - Now in the range of $10.50-12 USD per barrel, an increase of $6 -7 USD per barrel since early December.
- **There have been no sustained increases in retail margins above baseline levels since the excise duty was reduced**, indicating that fuel companies are likely to be passing on the petrol excise reduction. MBIE will continue to monitor margins.

Why is petrol and diesel increasing faster than the price of crude?

In recent times we have seen the international cost of petrol/diesel rise much faster than crude. It is reported that 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 has rebound strongly across the globe – stocks on the East Coast of the USA and in parts of Europe are constrained
- there is a lot of crude in the market due to the release of emergency reserves
- there is a global squeeze on refining capacity currently. Most of the spare capacity is in the East (i.e., China), which is currently dealing with some lockdown problems. Demand has also grown much faster than capacity. We had some relief last week with new shipments out of Taiwan and South Korea.

3 barrels of crude makes around 2 barrels of petrol and 1 barrel of diesel.

Does this extension for two more months mean the Government miscalculated how long high fuel prices will last?

The Government is actively monitoring the situation. It is a difficult and challenging situation.

The International Energy Agency (NZ is a member) latest Oil Market Report states that "the outlook is mired in uncertainty."

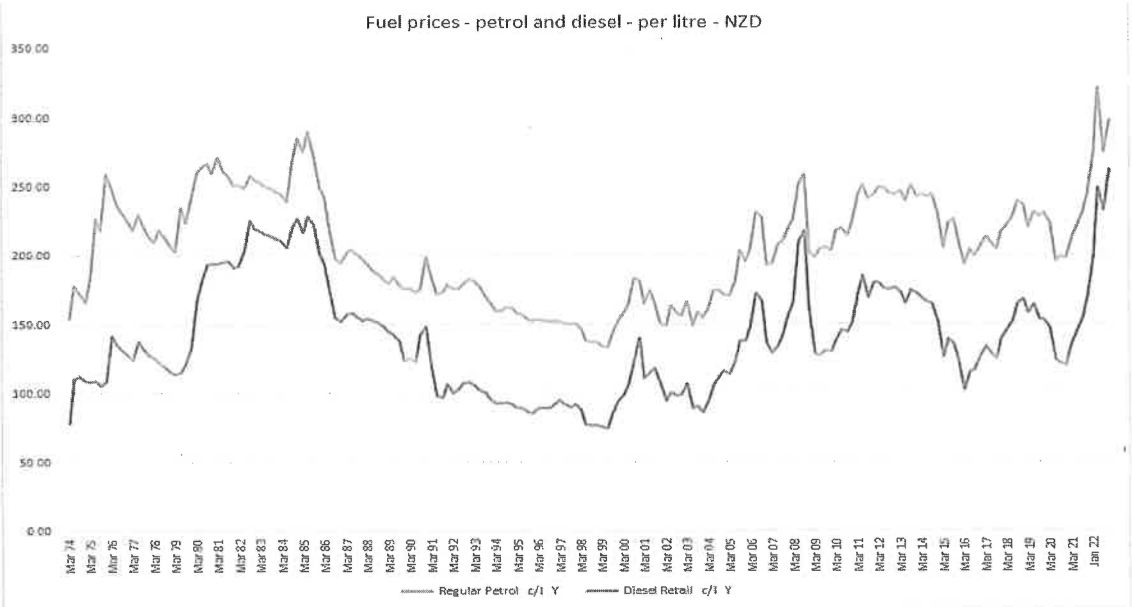
The US Energy Information Agency (part of the Energy Department) reports short term energy outlook is: "subject to heightened levels of uncertainty resulting from a variety of factors, including Russia's full-scale invasion of Ukraine". It comments that "market conditions exist for significant price volatility". Key factors driving volatility are uncertainty relating to:

- sanctions on Russian oil – further EU bans on oil imports from Russia have contributed to higher prices as Russian oil production and exports continue to fall
- market uncertainties about the potential for additional oil supply disruptions
- production decisions of OPEC+ countries – in March, OPEC+ insisted that no supply shortage exists and agreed to stick with a modest monthly output increase.

Has the collective action to release oil from the Emergency Stockpile have no impact?

The IEA's latest stock release provided a crucial buffer to oil markets, but the challenge is now with international refining capacity as most of the stockpile is crude.

How much have prices increased in New Zealand?



The graph above shows the rise in fuel price in recent time is significant, including when compared to other significant rises in the past

- 1978 to 1979 – Iranian revolution – price 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.

Previous fuel shocks have been driven by two factors (1) political tensions (2) shortfalls in supply.

The difference between the 2008 and the 1970s oil shocks is that they were caused by politically motivated supply disruptions (political tensions). In contrast, the rising prices between 2003 and 2008 reflected substantial economic growth, as demand exceeded oil-refining capacity.

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

Most of 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). But 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 European demand is met by non-Russian sources.

Weren't fuel prices increasing before the Russian invasion?

Yes – but the price increase was gradual, not sudden. Until then the price of oil was driven by demand challenges with the easing of COVID restrictions.

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 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. However, the OCED has stated fossil fuels will remain a key transport energy source until at least 2060.

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

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

There could be modest reductions in travel (mainly if demand-side measures are implemented).

Still, the increased fuel costs will 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) from high fuel prices. 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 overtime.

Isn't 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 was sold at the international price. 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.

What can the Government do to mitigate households and businesses from the oil price increases?

The Government decided to temporarily reduce the rates of petrol excise duty and road user charges to provide some immediate relief to households and businesses.

Why was it important to reduce petrol excise duty?

Petrol excise duty is built into the cost of petrol purchased at the pump. Significant increases in the cost of fuel affect both households and the economy. Fuel is both itself a component of the Consumer Price Index (CPI) and an input to the cost of other goods and services.

The ANZ Bank Quarterly Review noted "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.

In terms of the economy, higher oil prices result in:

- higher production costs, which lower the return on investment and, in turn, affect investment demand negatively
- decreased demand because of higher production costs and lower disposable incomes
- lower terms of trade for oil-importing countries
- raising inflation by increasing the cost of production
- increasing unemployment because of reduced production revenues and increased production costs.

Several studies suggest that a 10 percent increase in oil price may decrease GDP growth by about 1.4 to 2.5 percent a year and a fall in real wages by about 1 percent (one to two years after the price increase). Studies suggest oil price increases have negative economic impacts, while oil price decreases tend to have little or no measurable effects on economic activity.

A US Energy Information Agency study examined the economic impacts of changes in the price of oil between 1999 and 2001 when the oil price fluctuated between US$30-40 per barrel (currently over US$100 per barrel). Price volatility was estimated to account for an annual loss of about 0.7 percent of GDP.

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

New Zealand could be more exposed to fuel price increases and volatility than other countries. New Zealand is a small trading nation far away from other markets. Oil get our goods to market. The price of oil impacts cost of freight and therefore potentially the competitiveness of our exports.

New Zealand has a high level of car ownership per capita and a comparatively low level of GDP. Our fleet is relatively inefficient. 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. The lack of an alternative to the private car means most individuals will continue to travel by car even though high fuel prices increase transport costs substantially.

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 affects their ability to cope with higher oil prices.

Why have oil shocks occurred previously?

Previous fuel shocks have been driven by two factors (1) political tensions (2) shortfalls in supply.

The difference between the 2008 and the 1970s oil price shocks is that they were caused by politically motivated supply disruptions (political tensions). In contrast, the rising prices between 2003 and 2008 reflected substantial economic growth, as demand exceeded oil-refining capacity.

What is the breakdown of importer costs?

MBIE conducts weekly monitoring of importer gross margins, this involves estimating importer costs by taking into account the costs of fuel and getting it to New Zealand. The importer cost reported by MBIE:

- Product spot prices (Singapore market)
- Freight costs
- Insurance and losses
- Wharfage
- Exchange rate

Product spot prices on the international market are impacted by crude costs and refining margins, or the cost of converting crude oil into refined fuel products.

The importer margin is calculated by subtracting the importer cost from an estimate of the retail price of fuel (accounting for discounts). It is not built up directly from cost reporting by fuel companies.

The importer margin must cover the following operating costs (as well as a profit margin):

- **Terminal storage costs**
    - Salaries
    - Property costs (e.g., rates, insurance, electricity, water)
    - Asset repairs and maintenance (i.e., tanks, pumps, pipes, fire protection, offices etc)
    - Terminal office overheads s 9(2)(b)(ii)
    - Environmental/Remediation
- **Secondary / Domestic Transport**
- **Head Office overheads / (Storage Company Overheads)**
    - Professional services (legal)
    - Insurance
    - Marketing (including signage, merchandising)
- **Other**
    - Licensing and registration
    - Local taxes

These operating costs will be subject to the same inflationary pressure as other similar costs across the economy.

Could fuel prices continue to rise?

The Government is actively monitoring fuel prices. It is a difficult and challenging situation.

The International Energy Agency (NZ is a member) latest Oil Market Report states that "the outlook is mired in uncertainty."

Petrol excise duty reduction

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

Following the announcement to reduce fuel 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.

The Minister of Energy and Resources has also 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.

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: https://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 have been no sustained increases in margins above baseline levels, indicating that fuel companies are likely to be passing on the petrol excise reduction. MBIE will continue to monitor these changes in margins.

Fuel prices have been increasing 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 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.

What will happen at the end of the two-month extension?

The Government has requested advice from the Ministry of Transport how to transition back to full rates. We are looking to receive the advice as soon as possible.

Road user charges reduction scheme

Why can't the Government discount diesel at the pump?

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

Why not set a cap on the of kilometres that can be purchased?

There's no fixed cap on the number of kilometres a person can purchase whilst road user charges are reduced. 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. A cap would likely be challenging to administer. Instead, people will state their purchase is for travel for three months. 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. The Government will take a very dim view of anyone who seeks to abuse the scheme by making unreasonable or excessive purchases.

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

Yes – the extra amount purchased should be for the number of kilometres you anticipate travelling in a two-month period. It is anticipated further advice/guidance will be available to motorists on how to purchase additional mileage.

Why not reduce diesel at the pump like with petrol?

Reducing petrol excise duty and road user charges was something that the government could do relatively quickly to benefit most households and businesses struggling with the price of fuel. Most petrol (around 95 per cent) and diesel (approximately 70 per cent) are used on the road, so the great majority of fuel users likely benefit from the Government's reductions.

Businesses 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 of their 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 or wage demands.

Unlike other countries (for example, Australia and the United Kingdom), New Zealand does not have any substantial taxes on diesel. This means the government had limited ability to make a change (for example, through reducing taxes) that would immediately impact the diesel pump price.

Subsidising fossil fuels could have international trade implications for our exporters. Some industry stakeholders suggested the government could subsidise the price of diesel to reduce the pump price. Other countries can impose tariffs on imports from industries subsidised domestically. This could compromise our trading relations and result in extra costs on our exports.

Half price public transport fares

The Government has halved public transport fares, so 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 is not necessarily the answer. Much 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?

The Government recognises that local authorities are facing increased costs and reduced public transport fare revenue due to COVID-19. The Government is funding this initiative, but we are currently considering other ways to address this issue. Half-price fares could be important for encouraging a faster return to pre-COVID patronage levels, particularly as part of efforts to support mode-shift.

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 provided free of charge 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.

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 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 doesn't worsen inequities.

The Ministry of Transport has modelled the potential emission impact of reducing excise duty and road user charges (for three months, and the two-month extension). The Ministry's modelling suggests that a small increase in driving (around 1-2 percent) may result from the reduction to road user charges and petrol excise duty. Driving is relatively inelastic to price, so the reductions do not result in significantly more driving but do have an emissions impact due to 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.

It is important to recognise not everyone lives within walking distance of their workplace. Many people live in outer suburbs at some distance from their place of work. Some outer suburbs may not have good public transport services and riding a bike (even an electric bike) is not necessarily a safe or practical option for all.

Some people live rurally where public transport, walking, and cycling are not viable.

Some trips are challenging to do without a car – it is unrealistic to expect that tradespeople could transport tools and materials by bus or on a bike.

We must recognise the reality that travel by motor vehicle is vital to many.

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 over time

	Full rates (prior to 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, but many Australians face higher annual vehicle fees, stamp duties and, if travelling regularly in an urban area, may pay substantial tolls (around $40 per week).

Indicative highest price of fuel 2022

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

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

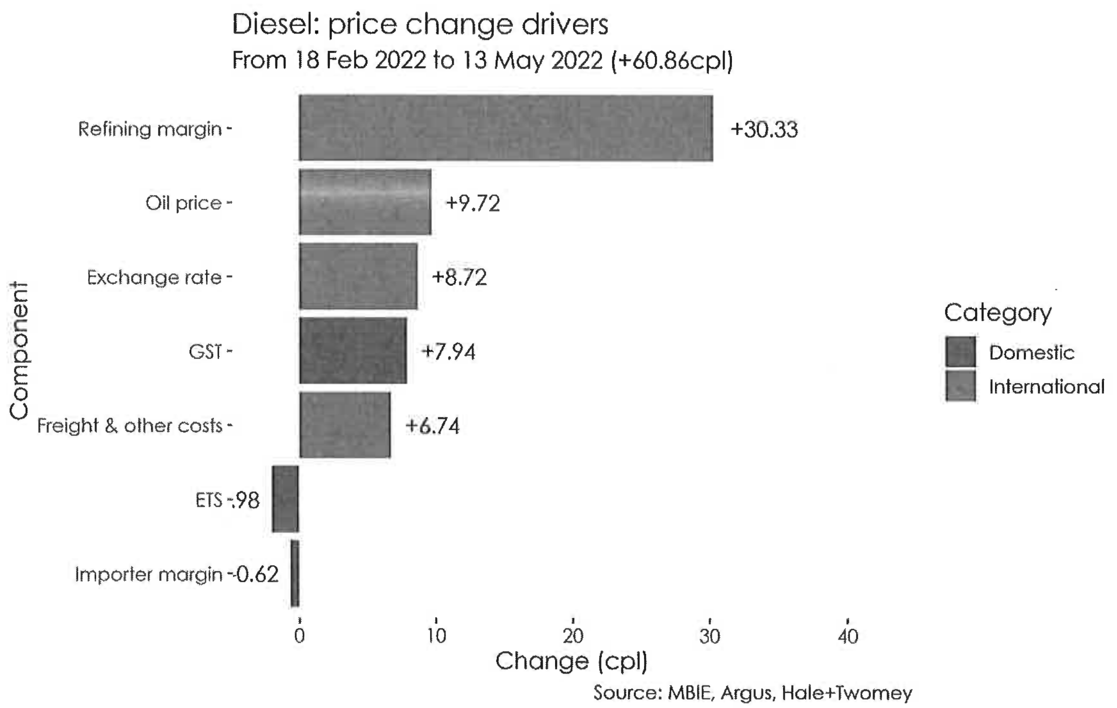
- **requires terminal gate pricing** – an obligation of wholesalers to post terminal gate prices and an obligation to supply at the terminal gate price. This could provide a fuel supply source for potential new entrants to the retail fuel market.
- **requires transparency and fairness in fixed wholesale 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.

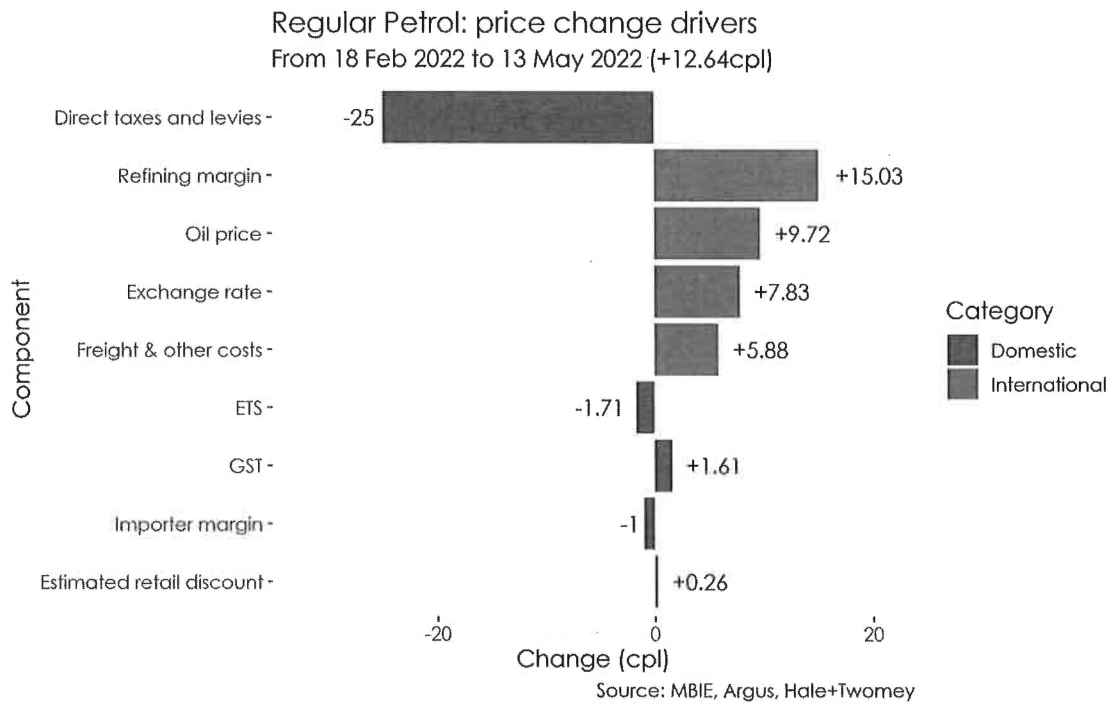
The passage of the Fuel Industry Act allowed the Government to develop regulations to monitor the performance of fuel markets in relation to the continued pass through of the reduction in petrol excise duty, as well as any consequent GST reduction, as expected in a competitive market.

Drivers of Price Changes

- Regular petrol importer costs are close to their peaks for 2022. Refining margins have nearly doubled in the past month, adding 20cpl to pump prices.
- Diesel refining margins are close to all-time highs as European diesel demand adds pressure to Asia-Pacific product markets. These increases have added around 30cpl to diesel prices over the past few months.
- There is a global squeeze on refining margins as demand increases with refinery runs are near capacity.

- The weakening exchange rate has added around 8cpl to petrol and diesel prices since the invasion of Ukraine. Much of this is in the last 4 weeks, as the exchange rate rapidly dropped from 0.67 to 0.63 USD per NZD.
- The exchange rate is impacting diesel prices more than petrol, as they are currently exposed to higher international costs.
- Importer margins have not contributed much to changes in fuel prices since the beginning of the war in Ukraine.
- While margins have occasionally risen steeply during some weeks, this has been offset by falls in margins in other weeks.





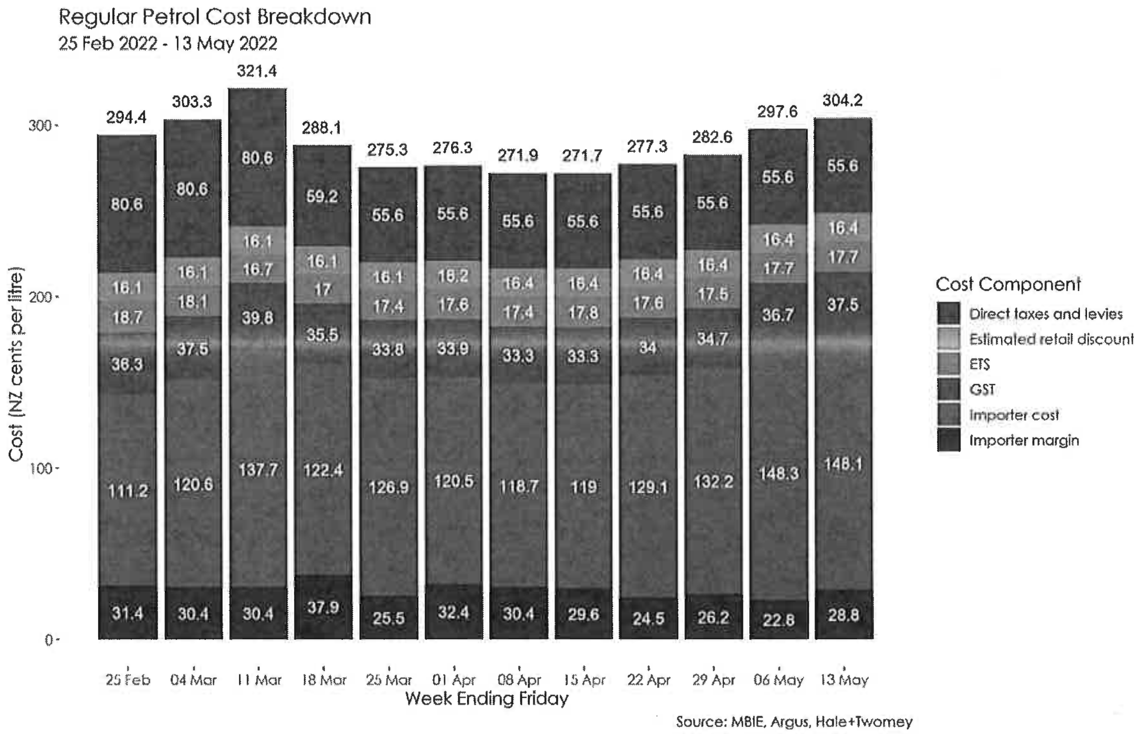
Latest data on importer margins

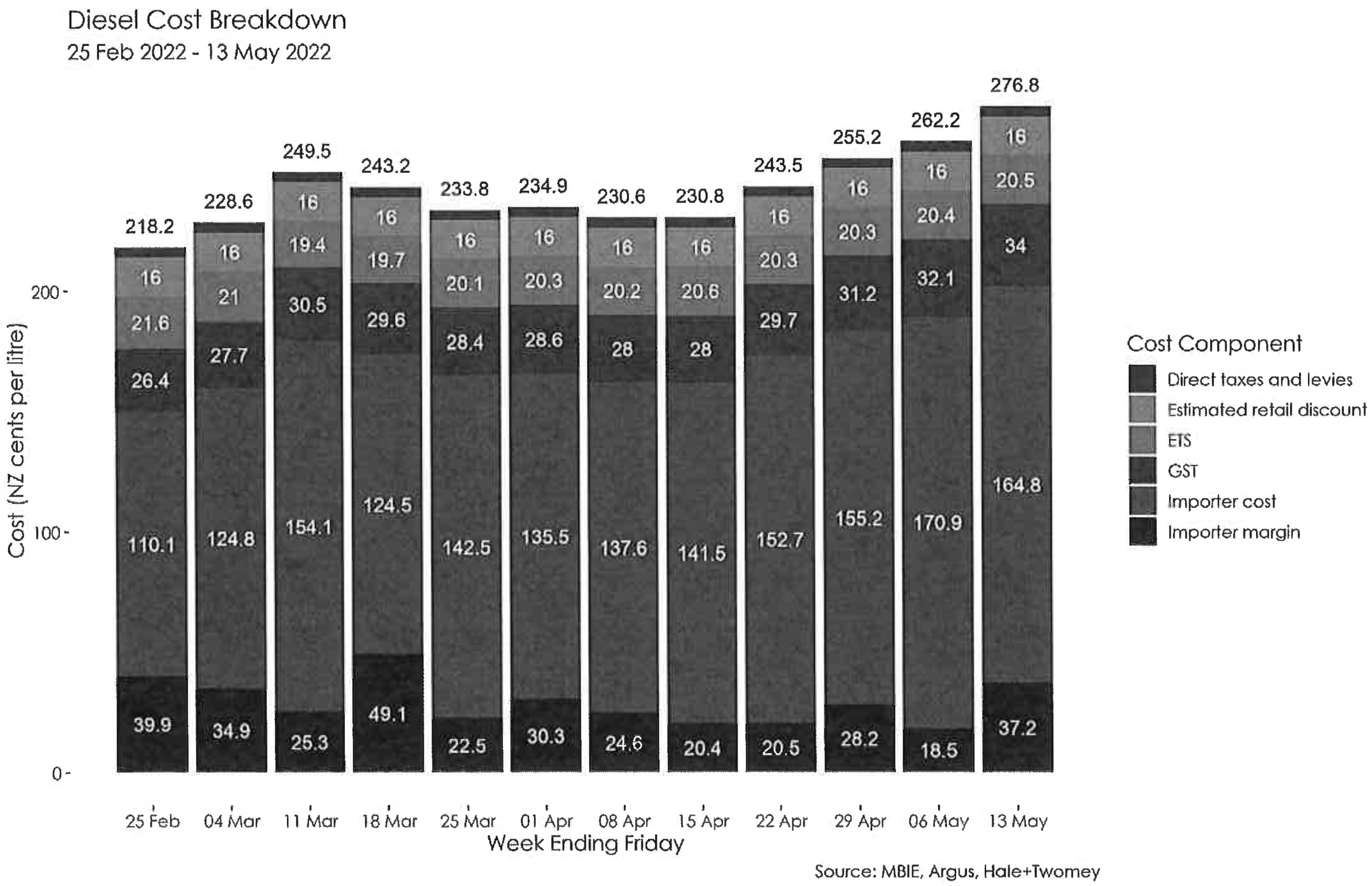
Key Dates Table

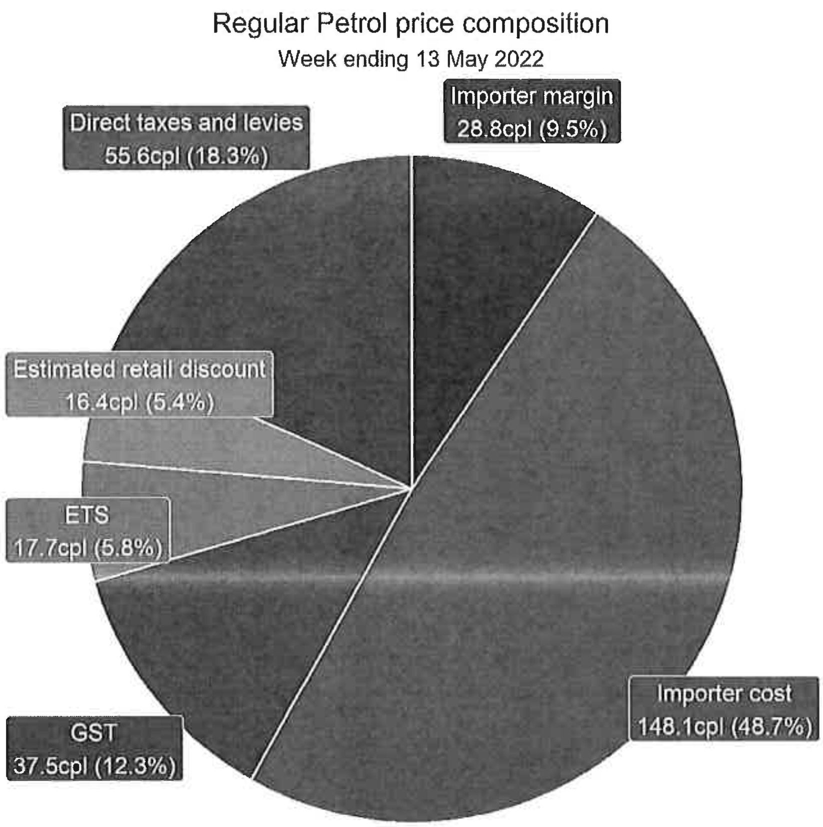
	Market study announced	Draft report published	Final report published	Margins Peaked	Act was passed	Some requirements came into force	Additional requirements came into force	Previous week	Most recent week
	7-Dec-18	23-Aug-19	6-Dec-19	17-Apr-20	14-Aug-20	13-Aug-21	11-Feb-22	6-May-22	13-May-22
Dubai crude (USD $/barrel)	60.2	59	62.3	20.9	43.7	69.7	87.3	102.5	98.2
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	158.6	155.8
Regular Petrol (cpl)									
Discounted retail price	200.4	210.2	216.1	180.3	185	227.3	268	281.2	287.8
Pump price	208.1	226.4	237.5	197.4	205.6	241.2	284.9	297.6	304.2
Importer margin	33.6	25.6	26.8	46.5	22.6	27.5	26.6	22.8	28.8
International prices (Importer cost)	62.7	74.2	78.2	27.4	49.8	78	106.5	148.3	148.1
ETS	4.6	5.8	5.8	5.8	7.8	11.5	19.3	17.7	17.7
Diesel (cpl)									
Discounted retail price	140.5	140.6	142.3	113.4	112.7	151.3	194.7	246.2	260.8
Pump price	152.6	155.9	162.9	128.9	128.8	159.9	209.3	262.2	276.8
Importer margin	40.7	32.4	33.2	46.8	33.3	40.9	34.9	18.5	37.2
International prices (Importer cost)	72	78.8	79.6	40.8	51.3	73.1	107.8	170.9	164.8
ETS	5.3	6.7	6.7	6.7	9.1	13.3	22.3	20.4	20.5
Premium Petrol (cpl)									
Discounted retail price	213.8	224.2	232.7	198.1	201.3	244.4	288.6	298.9	305.5
Pump price	217.6	236.3	247.3	208.6	217.3	255.8	301.9	314.3	321
Importer margin	43.3	35.5	40.1	60.1	34.6	40	42.4	35.3	41.3
International prices	64.5	76.4	79.2	29	51.7	80.1	108.2	150.8	150.6

(Importer cost)									
ETS	4.7	5.9	5.9	5.9	8	11.8	19.8	18.1	18.1

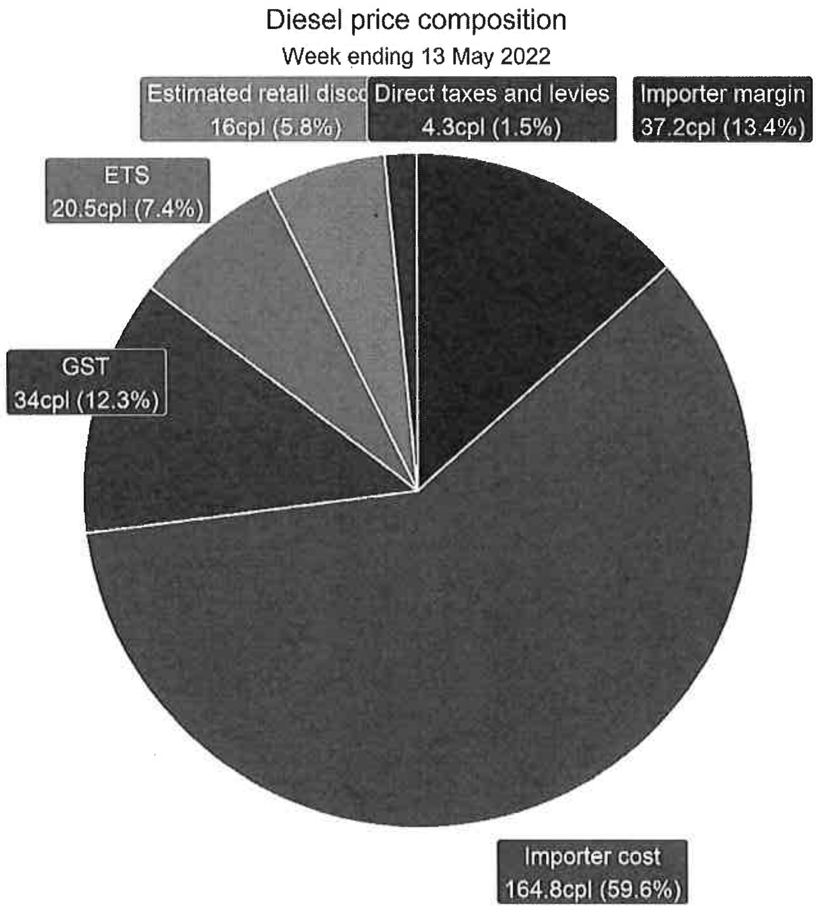
Price Composition over time







Regular Petrol price composition
Week ending 13 May 2022
Importer margin
28.8cpl (9.5%)
Direct taxes and levies
55.6cpl (18.3%)
Estimated retail discount
16.4cpl (5.4%)
ETS
17.7cpl (5.8%)
Importer cost
148.1cpl (48.7%)
GST
37.5cpl (12.3%)



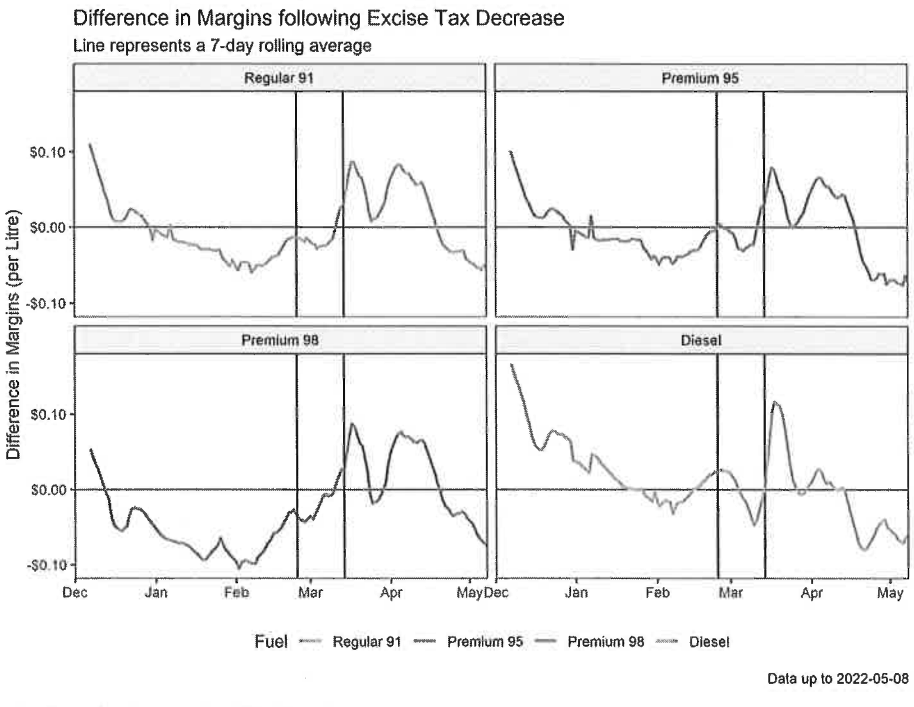
Diesel price composition
Week ending 13 May 2022
Estimated retail disco
16cpl (5.8%)
Direct taxes and levies
4.3cpl (1.5%)
Importer margin
37.2cpl (13.4%)
ETS
20.5cpl (7.4%)
GST
34cpl (12.3%)
Importer cost
164.8cpl (59.6%)

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.

Weekly volume weighted fuel industry margin trends

- 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 $0.10 cents per litre to minus $0.10 cents per litre since the fuel excise reduction was introduced, with these changes roughly offsetting each other.



Weekly fuel industry traffic light

- 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	Provisional
1/05/2022	Regular 91	Green	Provisional
8/05/2022	Regular 91	Green	Provisional