

Summary of Submissions – Petroleum or Engine Monitoring Levy (PEFML)

Question 1 – Do you agree with Option One (petrol, diesel, ethanol and biodiesel), or Two (petrol and diesel only)? Why or why not?			
Name of Correspondent	Category of respondent	Response	Ministry Comment
BP Oil New Zealand	Fuel Supplier	<p>BP supports Option One</p> <ul style="list-style-type: none"> • Biofuels cannot be used as a like-for-like replacement of mineral fuel. Biofuels in NZ must be blended into mineral fuels before they can be used in vehicle engines. • The IEA formula does not distinguish between biofuel and mineral fuel, and given these fuels contribute to NZ's oil stocks and therefore to NZ's stock holding obligations, it is reasonable for the product list to remain unchanged. • This option is lower cost and delivers greater administrative simplicity. 	Noted
AA	Consumer Group	<p>AA supports Option One</p> <p>However, the AA considers that domestic jet fuel and fuel oil should also be covered by the expanded PEFML. Domestic air travel is an exacerbator, which contributes to NZ's 90 day stockholding requirements. Therefore industry should contribute its fair share towards maintaining the cost of this. The paper does not present sufficient rationale to exempt domestic air travel. MBIE should undertake more analysis.</p>	<p>Customs systems are only able to collect levies based on the nature of the good, not on what the good is used for. In the case of aviation fuel and fuel oil, Customs collects from the supplier, and so is not able to distinguish between domestically or internationally consumed aviation fuel and fuel oil. Levying domestic jet fuel and fuel oil does not satisfy the objective of "administrative simplicity".</p>
Z Energy	Fuel Supplier	<p>Z Energy believes that oil stockholding obligation levy, referred to as the IEA levy, and should be separate to the PEFML.</p>	<p>The suggestion that the IEA levy should be separate from the PEFML is out of scope. Government has already decided to recover the cost of IEA tickets via</p>

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		<p>If that is not an option then Z Energy supports Option Two.</p> <ul style="list-style-type: none"> Domestically produced biofuels do not exacerbate the risk of an oil supply disruption as it strengthens NZ's onshore stockholding position. Therefore it is not fair and just to impose the IEA levy on these biofuels. The current PEFML should apply to biofuels given MBIE's role in monitoring and testing all fuels including ethanol and biodiesel. Should the IEA levy be included in the PEFML then biofuels should be exempted from the levy as the IEA levy is significantly higher than the current PEFML (0.18 cents/litre compared with 0.045) 	<p>the PEFML and legislation has been enacted.</p> <p>The other assessment criteria outweighed the fact domestically produced biofuels only marginally exacerbates the need for oil stocks.</p>
Gull New Zealand Limited	Fuel Supplier	<p>Supports Option Two</p> <ul style="list-style-type: none"> The PEFML should not be applied to the tiny amount of ethanol and biodiesel sold in NZ given jet fuel and fuel oil are levied. However, Gull would prefer Government to increase excise tax on petrol (and possibly road user charges) to cover the value that the levy is required to raise. This would remove the administrative scheme and may deliver better costs overall. If there is no scope for increasing the excise tax then Gull thinks a tax should be levied on a wider range of fuels including jet fuel, fuel oil and LPG. These fuels should pay their fair dues. Gull doesn't accept it is difficult to determine the domestic sale of jet and fuel oil. 	<ul style="list-style-type: none"> Noted Out of scope. The Government has already decided to recover cost of IEA tickets via the PEFML. As above in response to the AA submission.
Chevron New	Fuel Supplier	Chevron supports Option One	

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Zealand		<ul style="list-style-type: none"> Maintaining status quo is the most cost effective to administer, easiest to implement and it would allow the greatest flexibility for any future changes to the PEFML are deemed necessary. 	Noted
Mobil Oil New Zealand Limited	Fuel Supplier	<p>Mobil support Option One</p> <ul style="list-style-type: none"> Support a “level playing field” for all fuel products competing in the same market. 	Noted
Bioenergy Association of New Zealand	Consumer Group	<p>The Bioenergy Association supports Option One</p> <ul style="list-style-type: none"> It is important that all liquid biofuel producers are monitored. Biofuels is an emerging sector. Quality is important when trying to get customers comfortable with using biofuels. Security is important in a fledging biofuels market. 	Noted

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Question 2 - Do you agree with the relevant costs and benefits identified under Options One or Two? Why or why not?			
Name of Correspondent	Category of respondent	Response	Ministry comment
BP Oil New Zealand	Fuel Supplier	<ul style="list-style-type: none"> Yes – under Option One no additional costs would be incurred in levy collection other than the unavoidable costs involved in changing the levy rate. 	Noted
AA	Consumer Group	<ul style="list-style-type: none"> There is some equity/fairness in excluding biofuel but AA does not consider a levy exemption will have a material effect on biofuel uptake. A 0.18 cent/litre exemption on a 10% ethanol blend is not going to make a measurable difference to fuel prices and therefore there is no consumer benefit. Agree that it would be administratively complex for Customs to exclude biofuels. The PEFML should be levied as simply and as broadly as possible to avoid confusion or the risk of importers incorrectly calculating their levy obligations in the future. 	Noted
Z Energy	Fuel Supplier	<ul style="list-style-type: none"> Z Energy understands differentiating the levy for imported and locally produced petrol, diesel, ethanol and biodiesel would be too complex and that we need to be mindful of international obligations. Therefore they agree there is a need to levy all petrol and diesel or all petrol, diesel and biofuels. Z's biodiesel plant will come online next year, producing 25 million litres per annum; meaning the total percentage of imported biofuels will fall to 5%. Therefore it would be more equitable to exempt biofuels. 	<p>Noted</p> <p>The expanded levy is initially 0.16 cents per litre in addition to the current 0.045 cents per litre. A 0.2 cents per litre exemption, on a biofuel blend of 5-10% biofuel is unlikely to make a measurable difference to fuel prices and is in it unlikely to affect biofuel update.</p>

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		<ul style="list-style-type: none"> Exempting biofuels will send a signal to encourage the uptake of biofuels, even if the actual savings are small. 	
Gull New Zealand Limited	Fuel Supplier	Biofuels have a low rate of use under current market conditions. Treating them as a separate category is puzzling when the relative volumes are compared against the volume of jet fuel and fuel oil.	Noted
Chevron New Zealand	Fuel Supplier	Chevron agrees with the identified benefits listed under Option One.	Noted
Mobil Oil New Zealand Limited	Fuel Supplier	No further comments	Noted
Bioenergy Association of New Zealand	Consumer Group	The Association agrees with relevant costs and benefits identified under Option One.	Noted

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Question 3 - Do you agree that the levy rate for recovering IEA obligations should be nominally reset every three years? Why or why not?			
Name of Correspondent	Category of respondent	Response	Ministry comment
BP Oil New Zealand	Fuel Supplier	<p>Supports Option Two (the levy should be recalculated every three years)</p> <ul style="list-style-type: none"> • Agree with arguments set out in para 35 of discussion document. • The rate of demand growth would not be expected to vary significantly from year to year for those products requiring cover. • Material changes in domestic oil production would likely be limited over a three-year cycle period, resulting in limited expected change in underlying demand for tickets over the review period. 	Noted
AA	Consumer Group	<p>Supports the levy rate being fixed for a period of more than one year for administrative reasons. Happy with a three-year term.</p> <p>Suggests any changes to the PEFML should take effect on the same date as any other scheduled changes to excise, for example, adjustment to ACC levies.</p>	Noted
Z Energy	Fuel Supplier	Comfortable with all three options. Do not anticipate large compliance costs.	Noted
Gull New Zealand Limited	Fuel Supplier	Yes	Noted

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Chevron New Zealand	Fuel Supplier	<p>Comfortable with either every year or every three years.</p> <ul style="list-style-type: none"> • Strong preference for any change for the PEFML rate to be implemented at the same time/date as any amendments to excise and/or ACC levies so all changes can be made at the same time. This would assist in reducing any additional administrative or annual compliance costs. 	Noted
Mobil Oil New Zealand Limited	Fuel Supplier	Yes – three years is preferred due to its administrative simplicity	Noted
Bioenergy Association of New Zealand	Consumer Group	Supports the levy being reset every three years.	Noted

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Question 4 - Do you agree with the calculation methodology? Why or why not?			
Name of Correspondent	Category of respondent	Response	Ministry comment
BP	Fuel Supplier	No concerns regarding the proposed formula. Agree with comment in para 38 that the timing of changes in the levy rate should be aligned with changes in other fuel taxes.	Noted
AA	Consumer Group	Supports calculation formula.	Noted
Z Energy	Fuel Supplier	Have assumed that the “forecast fuel demand for the period” used in the formula refers to the forecast fuel demand of the agreed levied fuels for the period. If so, comfortable with the calculation methodology – logical and simple.	Noted
Gull New Zealand Limited	Fuel Supplier	Yes – the relative change to consumers from the difference between the actual and forecast cost will be negligible.	Noted
Chevron New Zealand	Fuel Supplier	Yes – the formula is consistent with other methodology and provides a level of transparency and certainty for all users.	Noted
Mobil Oil New Zealand Limited	Fuel Supplier	No input. Any tax calculation methodology or process should not involve direct inputs from market participants.	Noted
Bioenergy Association	Consumer Group	Agrees with the calculation methodology. However, the Association would like to see a transition period from the current levy rate to the new levy rate.	Noted