



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Energy and Resources
Title of Cabinet paper	Response to Commerce Commission's Retail Fuel Market Study	Date to be published	27 February 2020

List of documents that have been proactively released

Date	Title	Author
16 December 2019	Response to Commerce Commission's Retail Fuel Market Study	Office of the Minister of Energy and Resources
16 December 2019	Response to Commerce Commission's Retail Fuel Market Study CAB-19-MIN-0680	Cabinet Office
16 December 2019	Annex One Regulatory Impact Statement for the Government response to Commerce Commission Retail Fuel Sector Market Study – High Level Decisions	MBIE

Information redacted

YES / NO

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Cabinet

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Response to Commerce Commission's Retail Fuel Market Study

Portfolios **Energy and Resources / Commerce and Consumer Affairs**

On 16 December 2019, Cabinet:

- 1 **noted** that the Commerce Commission (the Commission) has found that fuel companies have been making persistently higher profits over the past decade than would be expected in a competitive market, leading to consumers paying higher pump prices for petrol and diesel than they should;
- 2 **noted** that the Commission has recommended:
 - 2.1 making changes to wholesale market arrangements to introduce more transparent pricing at fuel terminals (with backstop regulatory powers if a regime does not deliver outcomes), and to provide for terms in wholesale contracts that are fair and facilitate retail competition;
 - 2.2 that parties to shared infrastructure arrangements review them to improve industry understanding and to encourage investment in shared storage;
 - 2.3 improving the ability of consumers to make more informed purchasing decisions through regulating the display of premium prices on price boards, monitoring the use of price discounting, and investigating the introduction of fuel cap stickers specifying the fuel grade for vehicles;
 - 2.4 regulating for the collection and disclosure of information to assist in market analysis;
 - 2.5 changing current industry practices that may weaken competition in relation to the major suppliers' joint shipping network and refinery allocation;
- 3 **noted** the proposed responses to the Commission's recommendations, as outlined in Annex One to the paper under CAB-19-SUB-0680;
- 4 **agreed in principle** to the proposed responses in Annex One, **subject to** the report referred to in paragraph 9 below;
- 5 **noted** that the Minister of Commerce and Consumer Affairs has written to participants in the retail fuel industry to encourage them to put premium prices on price boards at their sites now, ahead of new regulations to require this;

- 6 **noted** that the Minister of Energy and Resources will write to fuel companies before the end of 2019 to ask them to address the recommendations from the Commission's study that are directed at them;
- 7 **noted** that on 2 December 2019, Cabinet invited the Minister of Commerce and Consumer Affairs to ensure that a proposed Fuel Industry Bill is progressed, with a view to its enactment in 2020 [CAB-19-MIN-0640];
- 8 **noted** that:
- 8.1 the Minister of Energy and Resources and the Minister of Commerce and Consumer Affairs consider that consumers should be able to expect prompt action on a significant area of personal expenditure, and therefore propose an indicative timetable for passage of legislation by June 2020;
- 8.2 a category 2 priority is being sought for the Fuel Industry Bill on the 2020 Legislation Programme (must be passed in 2020);
- 9 **invited** the Minister of Energy and Resources to report back to Cabinet in February 2020 seeking final agreement to the responses to the recommendations in the Commission's final report, including further advice on the proposed backstop regulatory powers and the financial implications of the proposals, and with a final Regulatory Impact Statement;
- 10 **authorised** the Minister of Energy and Resources and the Minister of Commerce and Consumer Affairs to provide drafting instructions to the Parliamentary Counsel Office so that drafting of the Fuel Industry Bill can commence as soon as possible before final Cabinet decisions.

Michael Webster
Secretary of the Cabinet

Hard-copy distribution:

Prime Minister
Deputy Prime Minister
Minister of Energy and Resources
Minister of Commerce and Consumer Affairs