



MP for Wigram

Minister of Energy and Resources

Minister for Greater Christchurch Regeneration

Minister of Housing

Minister of Research, Science and Innovation

16 December 2019

Mike Bennetts
Chief Executive
Z Energy Ltd

Privacy of natural persons

Dear Mike

Retail Fuel Sector Market Study

As you will be aware, the Commerce Commission has now released its final report on the Market Study into the Retail Fuel Sector. Some of the Commission's recommendations are primarily directed at industry participants.

I am keen that these recommendations be addressed expeditiously, so that consumers are quickly able to benefit from a more competitive environment.

In particular, the Commission has made four recommendations that address infrastructure sharing:

- **Recommendation 3:** Improve information on the Coastal Oil Logistics Limited (COLL) joint venture and the 'borrow and loan' arrangements, including by publishing or making readily available the process and terms upon which third parties may seek to join.
- **Recommendation 4:** Review features of infrastructure sharing arrangements to ensure timely investment in shared storage occurs if and when it is required. These features include the following:
 - not all benefits of investing in new terminals are captured by the party undertaking the investment;
 - costs associated with failing to maintain terminals, such as increased shipping and/or trucking costs, are not fully borne by the terminal owner
 - rules which require majors to maintain stock in line with relative contributions of tankage rather than market shares, which may deter incremental investment in terminal infrastructure; and
 - rules which dictate that fuel is allocated according to port market shares during port coordination events, meaning majors may be insulated from the risk of losing customers during such events.

- **Recommendation 10:** Change the COLL Joint Venture to reduce the potential for coordination, by adopting the changes suggested by Hale and Twomey following the 2017 MBIE Fuel Study:
 - Aggregating forward demand estimates for the Wiri Terminal if the Refinery to Auckland Pipeline becomes unconstrained, consistent with reporting at other locations;
 - Limiting visibility of forward stock ownership (by product, and in total) under “CONCORD” to only each company’s own position; and
 - The historic sales data for retail fuel products collected by BDO should not be made available to suppliers, other than their own data.
- **Recommendation 11: Change refinery capacity allocation procedure so that:**
 - Each refinery customer representative reviews only that customer’s own data
 - The parties consider an alternative capacity allocation mechanism which enables suppliers to increase their refinery allocation over a shorter time period.

Given the importance of these issues to consumers, I would like your commitment to addressing them promptly. I would appreciate it if you could update me by 30 March 2020 as to your progress in addressing these issues.

Thank you in advance for your assistance in this important matter.

Yours sincerely



Hon Dr Megan Woods
Minister of Energy and Resources

PROACTIVELY RELEASED