



Written comment on the proposed onshore fuel stockholding requirements

1. Waitomo Group

[Waitomo Group](#) is a 100-percent family-owned and operated independent Kiwi fuel company, based in Hamilton. Started in Te Kuiti in 1947 by Desmond Ormsby, we have now grown to be one of New Zealand's largest independent fuel suppliers, with over 75 Fuel Stops between Paihia and Dunedin. We are market disruptors – and our business is 100-percent focused on providing more competition and choice, and lower fuel prices, to Kiwis wherever we operate.

Waitomo also operates a substantial commercial fuel business, servicing local businesses, agricultural contractors, roading and civil engineering contractors, forestry crews, workshops, quarries and farms. As well as supplying petrol and diesel, we offer bulk fuel supply, onsite diesel supply and fuel and oil storage solutions. Our fuel is currently supplied by Mobil, as part of a long-standing supply arrangement.

Seventy-five years on, we're proud to be serving our Kiwi customers with the same formula we always have – great people, top performance and a fairer price for fuel.

2. Our submission:

While Waitomo is not a wholesale supplier of fuel, as an industry participant, Waitomo has concerns about the unintended consequences of the proposed onshore fuel stockholding requirements. These are set out below. We would welcome the opportunity to meet with the Ministry to discuss these further.

- 1. The impact on consumers at the pump:** Waitomo is a well-recognised low-cost operator in the New Zealand retail fuel market. We are committed to delivering the fairest fuel prices we can to Kiwis, while ensuring our own business is sustainable. Kiwis are currently experiencing some of the highest fuel prices seen in a decade, and with international product costs expected to stay high for some time, [this is hitting Kiwis in the pocket, particularly those who can least afford it](#). More than 50 percent of that cost is made up of



fuel excise duty, the ETS levy, and GST. Additional requirements, including the proposed Sustainable Biofuels Mandate and onshore fuel stockholding requirements, will increase it further. It seems counter to the Commerce Commission's study into the retail fuel market (which was aimed at reducing the cost of fuel for consumers) to then move to impose new costs on the industry that will simply be passed on to Kiwis at the pump. Fuel is a necessity for most Kiwi families, and we are concerned about the added cost which they will have to absorb, leaving less for other essentials like food, electricity and heating. For avoidance of doubt, all additional costs associated with the proposal will be passed onto the consumers.

- 2. Unintended consequences for competitive wholesale supply:** New Zealand wholesale suppliers already hold significant onshore fuel stock (estimated to be around 20 days of cover) and we are also IEA members. Imposing a requirement on wholesale suppliers to hold additional stocks proportionate to their market share could have the unintended consequence of disincentivising new supply agreements, because their fuel stockholding requirements would increase with every new supply contract. This would reduce competitive tension in the wholesale market, which is counter to the intent of the Fuel Industry Act. On a practical level, wholesale suppliers may not have the domestic storage capacity to do this, or if they do, they will pass the cost directly on to the distributor or resellers like Waitomo – an upward pressure on operating costs. Furthermore, based on some of the proposed mechanisms, you will be handing some importers a competitive advantage when considering their terminalling share in New Zealand to their market share.

- 3. Timing of the proposal:** We question the rationale for the timing of this new requirement. In the Ministry's presentation, it was suggested that the closure of the Marsden Point refinery had increased the risk of fuel disruption in New Zealand. We disagree. Whether we require crude product, or refined product to be shipped to New Zealand, the risk is the same. As Hale and Twomey note: *"while a change to 100% product import supply will dramatically reduce the amount of stock held in New Zealand, it will not have a major impact on fuel security"*.¹ Hale and Twomey also noted that with the refinery moving to an import-only terminal *"New Zealand would still have a similar amount of stock on the water*

¹ Fuel Security and Fuel Stockholding Costs and Benefits 2020 (mbie.govt.nz), page ii



*on route to the country, but now it would all be finished product stock rather than 60-70% crude oil. This would **increase** the ability to flexibly respond to disruption events.” (Our emphasis).² In our view, any supply disruption risk is sufficiently mitigated by current commercial onshore stocks and by New Zealand being a party to the IEA.*

- 4. Impact on New Zealand’s carbon footprint:** The onshore fuel stockholding requirement proposed is also likely to have the unintended consequence of increasing our carbon footprint because compliance will require more frequent, smaller shipments to be made to onshore storage facilities. The proposed onshore fuel stock requirements will also likely create headwinds for the uptake of biofuels, as domestic storage capacity is limited. i.e., the same tanks that would hold increased onshore stock requirements could be used to hold biofuels. Adding capacity for both would require significant investment by the terminal operators, disincentivising the uptake of biofuels at levels greater than the minimal requirements proposed.

3. In summary

Further consideration needs to be given to the unintended consequences of imposing minimum onshore fuel stockholding requirements on New Zealand wholesale suppliers. We do not believe the rationale for the requirement is well-formulated and needs further consideration. If further information on any of the points raised in this submission would assist the Ministry, we’d welcome the opportunity to expand on them further by interview.

4. Waitomo Group contacts

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² As above. Page 6.

How to submit this form

Submission form: Consultation on Onshore Fuel Stockholding

The Ministry of Business, Innovation and Employment (MBIE) would like your feedback on the proposal to require minimum onshore fuel stockholding levels similar to what has been proposed in Australia, and the options on how to achieve these minimum levels. Please provide your feedback by **5pm, 28 February 2021**.

When completing this submission form, please provide comments and supporting explanations for your reasoning where relevant. Your feedback provides valuable information and informs decisions about the proposals.

We appreciate your time and effort taken to respond to this consultation.

Instructions

To make a submission you will need to:

1. Fill out your name, email address, phone number and organisation. If you are representing an organisation, please provide a brief description of your organisation and its aims, and ensure you have the authority to represent its views.
2. Fill out your responses to the discussion document questions. You can answer any or all of these questions in the discussion document [Consultation paper: Onshore fuel stockholding](#). Where possible, please provide us with evidence to support your views. Examples can include references to independent research or facts and figures.
3. If your submission has any confidential information:
 - i. Please state this in the email accompanying your submission, and set out clearly which parts you consider should be withheld and the grounds under the Official Information Act 1982 (Official Information Act) that you believe apply. MBIE will take such declarations into account and will consult with submitters when responding to requests under the Official Information Act.
 - ii. Indicate this on the front of your submission (e.g. the first page header may state "In Confidence"). Any confidential information should be clearly marked within the text of your submission (preferably as Microsoft Word comments).
 - iii. Note that submissions are subject to the Official Information Act and may, therefore, be released in part or full. The Privacy Act 1993 also applies.

How to submit this form

4. Submit your feedback:

i. As a Microsoft Word document by email to energymarkets@mbie.govt.nz with the subject line: *Consultation: Onshore Fuel Stockholding*

ii. By mailing your submission to:

Consultation: Onshore Fuel Stockholding
Energy Markets Policy
Building, Resources and Markets
Ministry of Business, Innovation and Employment
PO Box 1473, Wellington 6140
New Zealand

Submitter information

MBIE would appreciate if you would provide some information about yourself. If you choose to provide information in the section below, it will be used to help MBIE understand how different sectors view the proposals and options for requiring and achieving minimum onshore fuel stockholding. Any information you provide will be stored securely.

Your name, email address, phone number and organisation

Name: Jimmy Ormsby

Email address: jimmy@waitomogroup.co.nz

Phone number: Privacy of natural persons

Organisation: Waitomo Group

- The Privacy Act 1993 applies to submissions. Please tick the box if you do **not** wish your name or other personal information to be included in any information about submissions that MBIE may publish.
- MBIE may upload submissions and potentially a summary of submissions to its website, www.mbie.govt.nz. If you do **not** want your submission or a summary of your submission to be placed on either of these websites, please tick the box and type an explanation below:

I do not want my submission placed on MBIE's website because... [insert reasoning here]

Please check if your submission contains confidential information

- I would like my submission (or identifiable parts of my submission) to be kept confidential, and **have stated** my reasons and ground under section 9 of the Official Information Act that I believe apply, for consideration by MBIE.

Please see the attached document for Waitomo Group's feedback on the proposal to require minimum onshore fuel stockholding levels in New Zealand.