



## COVERSHEET

<b>Minister</b>	Hon Shane Jones	<b>Portfolio</b>	Associate Energy
<b>Title of Cabinet paper</b>	Amendments to Expand the Petroleum or Engine Fuel Monitoring Levy to Residual Fuel Oil	<b>Date to be published</b>	31 July 2025

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
June 2025	Amendments to Expand the Petroleum or Engine Fuel Monitoring Levy to Residual Fuel Oil	Office of Hon Shane Jones
26 June 2025	Amendments to Expand the Petroleum or Engine Fuel Monitoring Levy to Residual Fuel Oil  LEG-25-MIN-0115 Minute	Cabinet Office

### Information redacted

**NO**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

**[In Confidence]**

Office of the Associate Minister for Energy

Office of the Minister of Customs

Chair, Cabinet Legislation Committee

**Amendments to expand the Petroleum or Engine Fuel Monitoring levy to residual fuel oil**

**Proposal**

- 1 This paper seeks authorisation for submission to the Executive Council of the *Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2025* and the *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025*.

**Policy**

- 2 In 2022, New Zealand acceded to Annex VI of the *International Convention for the Prevention of Pollution from Ships (MARPOL)*, which relates to pollution and climate change impacts resulting from greenhouse gases emitted from ships.
- 3 Complying with these international obligations required updates to New Zealand's marine fuel standards, the *Engine Fuel Specification Regulations 2011 (EFSR)*, to limit shipping emissions.
- 4 MBIE Trading Standards' monitors fuels sold in New Zealand to ensure compliance with the EFSR. From 2022, Trading Standards began monitoring marine fuels supplied in New Zealand against properties in the EFSR, costing approximately \$1.078 million annually. At the time, no long-term funding source was established for this new activity. Through Budget 2022, Trading Standards received \$1.100 million of time-limited Crown funding, and subsequently relied on a reprioritisation of MBIE's funding which will run out by 30 June 2025.
- 5 In May 2025, Cabinet agreed to establish the Petroleum or Engine Fuel Monitoring levy (the **PEFM Levy**) as the long-term funding source for marine fuel monitoring and to increase the annual cap of PEFM Levy funding available for Trading Standards fuel monitoring by \$1.078 million [CBC-25-MIN-0013 refers].
- 6 To allow the PEFM Levy to be an equitable funding source for marine fuel monitoring, Cabinet also agreed to expand the scope of fuels subject to the PEFM Levy through amending the *Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017* and the *Excise and Excise-Equivalent Duties Table* to include residual fuel oil. From 1 July 2025, these amendments will ensure the levy is collected from all fuels benefitting from marine fuel monitoring and other levy-funded fuel security activities.
- 7 Residual fuel oil represents approximately one quarter of New Zealand's shipping fuels but is not currently levied. While the majority of residual fuel oil is used for shipping applications, a small portion of New Zealand's residual fuel oil

(approximately 11 per cent in 2024) is directly imported by New Zealand Aluminium Smelter for industrial use. Although this fuel will not be included in the marine fuel monitoring regime, it benefits from the more substantial levy funded activities for fuel security.

- 8 To give effect to this policy, we seek authorisation to submit the *Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2025* and the *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025* to Executive Council for commencement on 1 July 2025.
- 9 These amendments add residual fuel oil to the prescribed types of petroleum or engine fuel under section 8 of the *Energy (Petrol, Engine Fuel and Gas) Levy Amendment Regulations 2025*. This allows the PEFM Levy to be collected from residual fuel oil in addition to motor spirit, diesel, biodiesel, and ethyl alcohol. The *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025* introduces product codes for residual fuel oil to the *Excise and Excise-Equivalent Duties Table* to allow the New Zealand Customs Service (**Customs**) to collect the levy.

### Timing and 28-day rule

- 10 If these amendments are to come into force by 1 July 2025, a waiver is required to the 28-day rule. We consider this is justifiable as the proposed changes are minor and industry have been notified of Cabinet's decision to begin levying residual fuel oil.
- 11 The waiver is necessary for the levy to apply from the beginning of the levy period in the Regulations and to align with when the levy will begin funding marine fuel monitoring, from 1 July 2025. If Cabinet does not approve a waiver, marine diesel consumers would effectively be cross subsidising the monitoring of residual fuel oil. Subsequent amendments would also be required to the Regulations to enable levy collection from residual fuel oil to commence out of sequence to the levy period (and these Amendment Regulations cannot proceed).

### Compliance

- 12 The Regulations comply with:
  - 12.1 the principles of the Treaty of Waitangi;
  - 12.2 the rights and freedoms contained in the *New Zealand Bill of Rights Act 1990* or the *Human Rights Act 1993*;
  - 12.3 the principles and guidelines set out in the *Privacy Act 2020*;
  - 12.4 relevant international standards and obligations;
  - 12.5 the Legislation Guidelines (2021 edition), which are maintained by the Legislation Design and Advisory Committee.

### Regulations Review Committee

- 13 We consider there are no grounds for the Regulations Review Committee to draw the Regulations to the attention of the House under Standing Order 327.

### **Certification by Parliamentary Counsel**

- 14 The draft regulations were certified by the Parliamentary Counsel Office (PCO) as being in order for submission to Cabinet.
- 15 Customs' Chief Legal Counsel has certified that the *Excise and Excise-equivalent Duties Table (Residual Fuel oil) Amendment Order 2025*, as attached, is in order for submission to the Executive Council.

### **Impact Analysis**

- 16 The policy proposals that these regulations give effect to were issued exemptions of regulatory impact statements from the Ministry for Regulation and the Climate Implications and Policy Assessment (CIPA) team.

### **Publicity**

- 17 The levy regulations will be notified in the *New Zealand Gazette (the Gazette)* no later than 30 June 2025 and published on the New Zealand Legislation website.
- 18 Recognising the short period of public notification before levy collection commences, MBIE has already notified stakeholders of the new policy ahead of the *Energy (Petrol, Engine Fuel and Gas) Levy Amendment Regulations 2025* and the *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025* being made.

### **Proactive release**

- 19 We intend to proactively release this paper within 30 business days with any required redactions from the date that Cabinet considers this paper.

### **Consultation**

#### *Government departments*

- 20 The following departments and agencies have been consulted on in developing the policy underlying the draft regulations: The Ministry for Transport, Ministry for the Environment, Environmental Protection Authority, the Energy Efficiency and Conservation Authority, Parliamentary Council Office, New Zealand Customs Service, Maritime New Zealand and the Treasury. The Department of Prime Minister and Cabinet was informed.

#### *Public consultation*

- 21 Targeted consultation was undertaken with stakeholders most impacted by the proposal, including all five fuel importers and key residual fuel consumers (ferry and cruise line representatives, and the New Zealand Aluminium Smelter). Most stakeholders supported the proposal to use PEFM levy funding for marine fuel monitoring, recognising the inequity of levying diesel but not residual fuel oil.

## Recommendations

We recommend that the Cabinet Legislation Committee:

- 1 **note** that on 26 May 2025, Cabinet agreed to establish the PEFM Levy as the long-term funding source for Trading Standards' marine fuel monitoring programme;
- 2 **note** to allow the PEFM Levy to be an equitable funding source, Cabinet also agreed to expand the scope of fuels subject to the PEFM levy to include residual fuel oil by 1 July 2025;
- 3 **note** that to give effect to recommendation 2, Cabinet agreed to amend the *Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017* and to make the necessary changes to the Excise and Excise-Equivalent Duties Table to allow the PEFM Levy to apply to residual fuel oil by 1 July 2025 [CBC-25-MIN-0013 refers];
- 4 **note** that the *Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2025* and the *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025* will give effect to the decision referred to in recommendations 1 and 2 above;
- 5 **note** Cabinet previously noted the need to waive the 28-day rule to enable levy collection from residual fuel oil by 1 July 2025;
- 6 **note** that a waiver of the 28-day rule is sought:
  - 6.1 so that the *Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2025* and the *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025* can come into force on 1 July 2025;
  - 6.2 on the grounds that the proposed changes are minor and industry is aware that this policy is coming;
- 7 **agree** to waive the 28-day rule so that the *Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2025* and *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025* can come into force on 1 July 2025;
- 8 **note** if Cabinet does not approve this waiver, then these amendments cannot proceed and subsequent amendments will be required to the Regulations to apply the levy to residual fuel oil out of sequence;
- 9 **authorise** the submission to the Executive Council of the *Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2025* and the *Excise and Excise-equivalent Duties Table (Residual Fuel Oil) Amendment Order 2025*.

Authorised for lodgement

Hon Shane Jones

**IN CONFIDENCE**

Associate Minister for Energy

Hon Casey Costello

Minister of Customs

**IN CONFIDENCE**