MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon. Dr Megan Woods	**Portfolio**	Energy and Resources
Name of package	Addressing the Increasing Cost of New Zealand's International Energy Programme Treaty Obligation	**Date of issue**	5 August 2019

List of documents that have been proactively released		
Date	**Title**	**Author**
24 June 2019	*Addressing the Increasing Cost of New Zealand's International Energy Programme Treaty Obligation*	*Office of the Minister of Energy and Resources*
24 June 2019	*CAB-19-MIN-0304*	*Cabinet Office*
25 June 2019	*Further advice on the PEFM Levy*	*The Ministry of Business, Innovation and Employment*

Information redacted **YES / ~~NO~~** *(please select)*

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Some information has been withheld for the following reasons:

- Privacy of natural persons
- International relations

Restricted

Office of the Minister of Energy and Resources

Chair, Cabinet Economic Development Committee

ADDRESSING THE INCREASING COST OF NEW ZEALAND'S INTERNATIONAL ENERGY PROGRAMME TREATY OBLIGATION

Proposal

1. This paper seeks a decision on how to address the increasing cost of meeting an international Treaty obligation to hold 90 days of oil stock as part of New Zealand's contribution to global oil security.

Executive Summary

2. New Zealand is a signatory to the Agreement on an International Energy Programme Treaty (the Treaty) and as a result, has an international obligation to hold 90 days of oil stock.

3. The cost of meeting this obligation is met through a component of the Petroleum or Engine Fuel Monitoring (PEFM) levy that is set at 0.2 cents per litre. This component is reviewed by the Minister of Energy and Resources every three years. I have just completed a review, which included targeted consultation.

4. The cost of meeting the Treaty obligation has been rising due to a multitude of factors, and now a decision is needed on how to address this. There are three options I am proposing for Cabinet consideration:

   4.1. Increase the PEFM levy by 0.3 cents per litre

   4.2. Fund the increased cost for 2019/20 through the between-Budget contingency, and make further funding decisions next year, or

   4.3. International relations

5. The first option of increasing the PEFM levy would only have a minor impact on fuel prices. The increase would cost the average driver an additional $5.24 per year (to a total cost of $10.48).

6. The second option would cost the Crown about $15 million, and would require further decisions on how to fund an expected deficit for 2018/19, and costs of about $20 million per year after 1 July 2020.

7. International relations

Background

The International Energy Programme Treaty

8. New Zealand is a signatory to the Agreement on an International Energy Programme Treaty (the Treaty) and as a result, has an international obligation to hold 90 days of oil stock.

9. The obligation to hold 90 days of oil stock is New Zealand's contribution to global oil security, and was designed following the 1973 oil crisis. This obligation is part of a system managed by the International Energy Agency (IEA) to mitigate the impact of oil supply shocks by providing a buffer of emergency oil stocks that can be collectively released onto the market, dampening oil price volatility.

10. Under the Treaty mandate, if an international oil emergency occurs that affects global oil price or supply, IEA members vote on a collective response. New Zealand, and other countries, benefit from this multilateral collective action, when it is activated to control oil prices.

11. Since it has been operational, collective action has been taken three times under IEA mandate, once during the Gulf War (1991), Hurricane Katrina (2005), and the Libyan crisis (2011).

12. In 2007, Cabinet decided that New Zealand would maintain compliance with the Treaty through augmenting local stocks and exports by entering into ticket contracts with oil companies or traders in other IEA member countries. Tickets are an option, in return for an annual fee, to purchase specified quantities of stock at market prices in the event of an IEA-declared oil supply emergency.

13. Since 2007, Cabinet has twice reviewed whether oil tickets are the most cost efficient mechanism to maintain Treaty compliance, and concluded that they are (other options include constructing strategic oil reserves, or enforcing minimum stock levels on oil companies). Given rising oil costs and the cost of storage, this is still likely to be a valid conclusion.

The cost of meeting the Treaty obligations has been rising

14. In 2012, Cabinet agreed [EGI Min (12) 29/9 refers] to recover the cost of meeting the Treaty obligation through a levy. That levy was the Petroleum or Engine Fuels Monitoring (PEFM) levy[1], which also recovers the departmental costs of fuel safety and monitoring and engaging with the IEA. This is referred to as the fuel safety and IEA component of the PEFM levy from now on.

15. The cost of meeting the Treaty obligation has been rising due to a multitude of factors, including increases in the cost of oil tickets, an increased demand for imported fuels driven by the increase in long-haul flights, and a reduction in domestic production. The forecast cost and levy revenue is set out in table 1.

Table 1: Forecast of Treaty obligation related levy revenue[2]and cost to 30 June 2022

1 A levy on petrol, diesel, ethanol and biodiesel
2 Based on current rate of approximately 0.155 cents of the current 0.2 cents per litre covers the oil stockholding obligation cost.

$ million	2018/19	2019/20	2020/21	2021/22
Treaty obligation related PEFM levy revenue	$11	$11	$11	$12
Cost of meeting the Treaty obligation	$20	$26	$29	$33
Surplus/deficit	-$9	-$15	-$18	-$21
End of year balance (cumulative)	**-$9**	**-$24**	**-$42**	**-$63**

16. At the present rate, the PEFM levy account is forecast to go from a neutral position as 30 June 2018 to a deficit of approximately $9 million by 30 June 2019. If the levy rate remains unchanged, the deficit is estimated to grow to $63 million over the next three years. The three options for addressing this rising cost are outlined below.

Policy options

Option one: increase the PEFM levy by 0.3 cents per litre

17. The current rate for the fuel safety and IEA component of the PEFM levy has been in place since 1 July 2016. It was calculated using a Cabinet agreed formula based on forecast costs, expenses and fuel demand for three years.

18. At the time the formula was agreed by Cabinet, it was also agreed that the Minister of Energy and Resources would review the fuel safety and IEA component levy rate by 1 July 2019 [CBC-15-MIN-0010 refers].

19. I have now completed that review, which concluded that the rate needed to increase from 0.2 to 0.5 cents per litre of fuel. This 0.3 cent increase is estimated to recover enough revenue[3] to cover the estimated deficit for 2018/19 and the estimated increased oil ticket costs over the next three years.[4]

20. A 0.3 cent per litre increase amounts to an additional 15 cents on a 50 litre[5] tank of petrol or diesel. It is estimated that this would cost the average driver an additional $5.24 per year, bringing the total cost of the levy to $10.48 per year.

21. Recovering the increased cost through an increase in the PEML levy is consistent with the Auditor-General and Treasury's respective guidelines on public sector charging. The beneficiaries of the Treaty (those who benefit from oil security) should pay for that security proportionate to the benefit they receive.

22. As recovering the cost of the Treaty obligation through the PEFM levy is the status quo, the imposition, collection, compliance and administration of the PEFM levy is low cost and well established.

23. This is the preferred option in the attached regulatory impact assessment.

Option two: fund the additional cost of meeting the Treaty obligation in 2019/20 through the between-Budget contingency

3 It would increase current rate of approximately 0.155 cents per litre that covers the oil stockholding obligation cost to 0.455 cents per litre.
4 Note that the levy can collect funds for backdated costs if required
5 50 litres is about the average fuel tank size for cars in New Zealand.

24. Option two does not change the cost of meeting the Treaty obligation, it redistributes it. Some of the cost would still be met by PEFM levy revenue collected at the existing rate, but the Crown would fund the shortfall for 2019/20, estimated at $15 million.

25. This means that rather than users of petroleum (as the primary beneficiaries) meeting the cost of a 90 day oil stock holding obligation, all taxpayers would also be contributing. While the economic impact is the same as increasing the PEFM levy, it would be less transparent.

26. Post 2019/20, the increased cost of meeting the Treaty obligation would need to be funded through future Budget allowances, or through an increased levy.

27. Further policy work and Cabinet decisions in the next year would be necessary to establish a clear and enduring mechanism to fund the increasing cost, including how this would work with the existing PEFM levy.

Option three: International relations [redacted]

28. International relations [redacted]

29. International relations [redacted]

30. International relations [redacted]

31. International relations [redacted]

   31.1. International relations [redacted]

   31.2. International relations [redacted]

   31.3. International relations [redacted]

32. International relations [redacted]

33. International relations [redacted]

34. International relations [redacted]

35. International relations [redacted]

36. International relations [redacted]

Consultation

37. In 2012, the Ministry undertook a review of New Zealand's oil security arrangements. A consultation paper was released for public discussion on options to address the rising cost of meeting the oil stock obligation (which included the option of levy funding). The Ministry received 15 submissions. Cabinet subsequently decided to recover the cost through the PEFM levy.

38. In July 2015, the Ministry consulted on the design of the levy through a discussion document on fuels that it should cover, and on how, and how often it should be calculated. Seven submissions were received and taken into account. Cabinet subsequently decided on the current design of the PEFM levy.

39. In March 2019, the Ministry undertook targeted consultation (with levy payers and motor-vehicle associations) on the proposal to increase the fuel safety and IEA component of the PEFM levy rate by 0.3 cents per litre. The parameters behind the rate calculation were outlined, including forecast estimates of fuel demand, domestic production and oil ticket prices. The views of submitters were considered and taken into account. No submissions were opposed.

40. The following agencies were consulted on this paper: Treasury, Ministry of Transport, Ministry of Foreign Affairs and Trade, and New Zealand Customs.

6 In 2017, Australia agreed a management plan with the IEA to return to full compliance. This plan involves budget allocations, new legislation and the creation of a new government agency to manage the oil compliance process, including the purchase of oil tickets.

41. Option one is strongly preferred by both the Ministry of Foreign Affairs and Trade, and Treasury.

Financial Implications

42. Option one is fiscally neutral and does not incur any additional cost to the Crown. The baseline for the relevant appropriation would be reset to reflect the revenue recovered from the increased PEFM levy rate, as shown in Table 2.

Table 2: Baseline adjustment for the Management of IEA Oil Stocks appropriation

$ million	**2018/19**	**2019/20**	**2020/21**	**2021/22**	**2022/23 & Out-years**
Current appropriation	20	8	8	8	8
Increase in appropriation	0	15	18	21	21
New total appropriation	20	23	26	29	29

43. Option two would mean the additional costs of meeting the Treaty obligation for 2019/20, forecast at $15 million (operating expenditure), would need to be funded from the between-Budget contingency. This would be reflected in a one of increase in the relevant appropriation of $15 million for 2019/20.

Legislative Implications

44. Option one has legislative implications as the current rate for the fuel safety and IEA component of the PEFM levy is prescribed in the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017. Amendment regulations need to be made to implement a rate change.

45. Options two and three do not have any legislative implications.

Timing and 28-day rule

46. For option one, the proposed Regulations are drafted to come into force on the day after Gazettal so that the increase can be included in the calculation for the rate that will apply from 1 July 2019 (using the existing formula in the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017). This will enable the timely purchase of oil tickets to ensure compliance with the Treaty.

47. This will require a waiver of the 28-day rule. The proposed regulations meet the criteria of having little or no effect on the public. Affected parties have been given sufficient notice regarding the new levy rate through consultation, and will be notified as soon as Cabinet decisions are made and through the Gazette.

Regulations Review Committee

48. There are no grounds for the Regulations Review Committee to draw the regulations proposed in this paper to the attention of the House under Standing Order 319.

Certification by Parliamentary Counsel

49. Parliamentary Counsel has certified the draft regulations as being in order for submission to Cabinet:

49.1. except that they will come into force earlier than the 28th day after their notification in the Gazette; and

49.2. provided that I have consulted persons or organisations I consider to represent the persons affected by the PEFM levy before recommending that the regulations be made.

Impact Analysis

50. The Impact Analysis requirements apply, and a Cost Recovery Impact Statement has been prepared and is attached to the Cabinet paper.

51. The Ministry's Regulatory Impact Analysis Review Panel has reviewed the attached Cost Recovery Impact Statement prepared by the Ministry. The Panel considers that the information and analysis summarised in the Cost Recovery Impact Statement meets the criteria necessary for Ministers to make informed decisions on the proposals in this paper.

Compliance

52. The regulations proposed under option one in this paper comply with:

52.1. the principles of the Treaty of Waitangi;

52.2. the rights and freedoms contained in the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993;

52.3. the principles and guidelines set out in the Privacy Act 1993;

52.4. relevant international standards and obligations; and

52.5. the Legislative Advisory Committee Guidelines.

53. For option one, the proposed regulations will be made under the Energy (Fuels, Levies and References) Act 1989, which includes a statutory prerequisite that the Minister must consult persons or organisations they consider to represent the persons affected by the levy before recommending that regulations be made (section 33(3)).

54. Consultation with levy payers and motor vehicle associations (summarised in paragraph 39) was undertaken on my behalf. The views of submitters were considered and taken into account throughout the process.

55. I can therefore confirm that the above outlined statutory prerequisite in the Energy (Fuels, Levies, and References) Act 1989 has been met.

Proactive release

56. I intend to proactively release this paper, in part, within 30 business days from the date that Cabinet makes a decision on this paper.

Recommendations

I recommend that the Cabinet Economic Development Committee:

1. note that New Zealand is a signatory to the Agreement on an International Energy Programme Treaty and as a result, has an international obligation to hold 90 days of oil stock to contribute to global oil security;

2. note that in 2012, Cabinet agreed [EGI Min (12) 29/9 refers] to recover the cost of meeting this obligation through the Petroleum or Engine Fuel Monitoring levy, along with recovering the departmental costs of fuel safety and monitoring and engaging with the International Energy Agency;

3. note that the Minister of Energy and Resources was required to review the component of the Petroleum or Engine Fuel Monitoring levy that covers the costs of the activities set out in recommendation two by 1 July 2019;

4. note that the cost of meeting the Treaty obligation has been rising due to a multitude of factors, and an estimate of the impact is shown in the following financial forecast:

$ million	2018/19	2019/20	2020/21	2021/22
Costs of meeting the Treaty obligation	$20	$26	$29	$33
Levy revenue based on current rate for the Treaty obligation	$11	$11	$11	$12
Annual surplus/deficit	-$9	-$15	-$18	-$21
Year-end position (cumulative)	-$9	-$24	-$42	-$63

Option 1: Increase the Petroleum or Engine Fuel Monitoring levy (supported by the Ministry of Business, Innovation and Employment, the Ministry of Foreign Affairs and Trade, and Treasury)

5. agree to increase the Petroleum or Engine Fuels Monitoring levy by 0.3 cents per litre;

   5.1 note that the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017 need to be amended to increase the rate, and that the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 would implement this;

   5.2 note that section 33(3) of the Energy (Fuels, Levies and References) Act 1989 requires that the Minister must consult persons or organisations they consider to represent the persons affected by the levy concerned before recommending the above regulations;

   5.3 note the advice of the Minister of Energy and Resources that the requirement referred to in recommendation 5.2 has been met;

5.4 note that the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 need to come into force on as soon as possible so that the rate can apply from 1 July 2019, and to enable the purchase of oil tickets to ensure compliance with international treaty obligations;

5.5 agree to waive the 28-day rule so that the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 can come into force on the day after they are Gazetted;

5.6 authorise the submission of the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 to the Executive Council;

5.7 approve the following changes to appropriations to give effect to the policy decision in recommendation 5 above, fully offset by the changes described in recommendation 5.9 below, with no impact on the operating balance and/or net core Crown debt:

	$m – increase/(decrease)			
	2019/20	**2020/21**	**2021/22**	**2022/23 & Out-years**
Vote Business, Science and Innovation **Minister of Energy and Resources** Non-departmental Output Expenses Energy and Resources – Management of IEA Oil Stocks	15.000	18.000	21.000	21.000

5.8 agree that the proposed change to appropriations for 2019/20 and Outyears above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

5.9 note the following changes as a result of the decision to increase the levy rate (recommendation 5 above):

	$m – increase/(decrease)			
	2019/20	**2020/21**	**2021/22**	**2022/23 & Outyears**
Vote Business, Science and Innovation **Minister of Energy and Resources** Non-Tax Revenue: Energy Safety Levies (Electricity and Gas)	22.000	23.000	24.000	24.000

5.10 agree that the Minster of Energy and Resources will review the component of the Petroleum or Engine Fuel Monitoring levy that covers the costs of the activities set out in recommendation two by 1 March 2022.

OR

Option 2: fund the increased cost of meeting the Treaty obligation for 2019/20 through the between-Budget contingency

6. agree to defer any decision on increasing the Petroleum or Engine Fuels Monitoring levy, and as an interim one-off measure, to address the estimated $15 million shortfall for 2019/20 (described in recommendation 4 above) through Crown funding;

6.1 approve the following Changes to appropriations to give effect to the policy decision in recommendation 6 above, with a corresponding impact on the operating balance and/or net core Crown debt:

	$m – increase/(decrease)			
	2019/20	**2020/21**	**2021/22**	**2022/23 & Outyears**
Vote Business, Science and Innovation **Minister of Energy and Resources** Non-departmental Output Expenses: Energy and Resources – Management of IEA Oil Stocks	15.000	-	-	-

6.2 agree that the proposed change to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

6.3 agree that the expenses incurred under recommendation 6 above be charged against the between-Budget contingency established as part of Budget 2019;

6.4 invite the Minister to provide further advice to Cabinet on funding the deficit of approximately $9 million from 2018/19 and the increased cost post 1 July 2020, either through Budget 2020 or an increased levy.

Option three: International relations [redacted]

7. International relations [redacted]

7.1 International relations [redacted]

7.2 International relations [redacted]

Authorised for lodgement

Hon Dr Megan Woods

Minister for Energy & Resources

BRIEFING

Further Advice on the PEFM Levy

Date:	25 June 2019	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	18-19

Action sought		
	Action sought	**Deadline**
Hon Jacinda Ardern **Prime Minister**	**Agree** to the recommendations in this paper ahead of Executive Council on 26 June 2019	26 June 2019
Hon Grant Robertson **Minister of Finance**	**Agree** to the recommendations in this paper ahead of Executive Council on 26 June 2019	26 June 2019
Hon Dr Megan Woods **Minister of Energy and Resources**	**Agree** to the recommendations in this paper ahead of Executive Council on 26 June 2019 **Provide** this paper to the Secretary of the Cabinet	26 June 2019

Contact for telephone discussion (if required)				
Name	**Position**	**Telephone**		**1st contact**
Justine Cannon	Manager, Energy Markets Policy	04 901 8597	Privacy of	✓

The following departments/agencies have been consulted
N/A

Minister's office to complete:

☐ Approved ☐ Declined

☐ Noted ☐ Needs change

☐ Seen ☐ Overtaken by Events

☐ See Minister's Notes ☐ Withdrawn

Comments

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Date:	25 June 2019	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	18-19

Purpose

To provide you with further advice on, and seek your agreement to, changes to the Petroleum or Engine Fuels Monitoring (PEFM) Levy.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Agree** to the following amended recommendations from the paper: *"Addressing the Increasing Cost of New Zealand's International Energy Programme Treaty Obligation"* that was considered by Cabinet on 24 June 2019. Option 1: Increase the Petroleum or Engine Fuel Monitoring levy (supported by the Ministry of Business, Innovation and Employment, the Ministry of Foreign Affairs and Trade, and Treasury).

Agree/Disagree

b **Agree** to increase the Petroleum or Engine Fuels Monitoring levy by a maximum of 0.3 cents per litre until such time as the levy account is no longer in deficit

Agree

c **Note** that the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017 need to be amended to increase the rate, and that the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 would implement this

Noted

d **Note** that section 33(3) of the Energy (Fuels, Levies and References) Act 1989 requires that the Minister must consult persons or organisations they consider to represent the persons affected by the levy concerned before recommending the above regulations

Noted

e **Note** that the advice of the Minister of Energy and Resources that the requirement referred to in recommendation C has been met

Noted

f **Note** that the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 need to come into force on as soon as possible so that the rate can apply from 1 July 2019, and to enable the purchase of oil tickets International relations

Noted

g **agree** to waive the 28-day rule so that the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 can come into force on the day after they are Gazetted

Agree / Disagree

h **authorise** the submission of the Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 to the Executive Council

authorised/not authorised

i **Approve** the following changes to appropriations to give effect to the policy decision in recommendation 5 above, fully offset by the changes described in recommendation 5.9 below, with no impact on the operating balance and/or net core Crown debt:

Approved/ not approved

	$m – increase/(decrease)			
	2019/20	**2020/21**	**2021/22**	**2022/23 & Out-years**
Vote Business, Science and Innovation **Minister of Energy and Resources** Non-departmental Output Expenses Energy and Resources – Management of IEA Oil Stocks	15.000	18.000	21.000	21.000

j **agree** that the proposed change to appropriations for 2019/20 and Outyears above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply

Agree / Disagree

k **note** the following changes as a result of the decision to increase the levy rate (recommendation 5 above):

noted

	$m – increase/(decrease)			
	2019/20	**2020/21**	**2021/22**	**2022/23 & Outyears**
Vote Business, Science and Innovation **Minister of Energy and Resources** Non-Tax Revenue: Energy Safety Levies (Electricity and Gas)	22.000	23.000	24.000	24.000

l **agree** that the Minster of Energy and Resources will review the component of the Petroleum or Engine Fuel Monitoring levy that covers the costs of the activities set out in recommendation two once the levy account is no longer in deficit, or by 1 March 2022 (at the latest), to see if it can be lowered.

Agree / Disagree

m **Agree** that Executive Council will be convened on 26 June 2019

Agree / Disagree

Hon Jacinda Ardern
Prime Minister

..... / ...... / ......

Hon Grant Robertson
Minister of Finance

..... / ...... / ......

Hon Dr Megan Woods
Minister of Energy and Resources

..... / ...... / ......

Justine Cannon
Manager, Energy Markets Policy

..... / ...... / ......

Background

1. The paper "Addressing the Increasing Cost of New Zealand's International Energy Programme Treaty Obligation" that was considered by Cabinet on 24 June 2019.

2. At that meeting, you were delegated Power to Act to make decisions on:

   a. 8.1 the amount of the increase in the Levy;

   b. 8.2 the timing of when the regulations will come into effect;

   c. 8.3 whether there should be a waiver of the 28-day rule;

   d. 8.4 authorisation of the submission of the regulations to Executive Council and the timing of the Executive Council meeting;

   e. 8.5 the financial implications of the proposal.

Further advice regarding the Petroleum or Engine Fuel Monitoring (PEMF) levy

Waiver of 28-day rule

3. A waiver of the 28-day rule was sought on the basis that levy payers have been consulted on the proposed increase, kept up to date throughout the process, and will be notified as soon possible of any levy increase. The timeline of this was:

a. March 2019 – consultation with levy payers and motor vehicle associations on the proposed increase, including on forecast of fuel demand, domestic production and oil ticket prices (all of which impact on the levy rate).

b. March to June 2019 – Levy payers and associations have been advised by email at various stages, most recently that Cabinet is due to make a decision on the levy rate.

4. If a waiver is not agreed, any increase will not be able to be included in the calculation of the total PEFM levy rate that will apply from 1 July 2019. Another policy process will therefore be required to make alterations to the regulations such that the levy can be changed at other times, rather than at a certain date.

5. This change would require redrafting the regulations and consultation on these changes, which will take some time.

6. The levy account is approaching deficit, we need the levy increase to recover the deficit as well as to enable the increase in appropriation.

7. If the changes take more than ~3 months then we may reach a stage where the levy appropriation cap is reached will be unable to continue buying oil stocks. [redacted] International relations

8. [redacted] International relations

9. [redacted] International relations

Future review of the levy rate

10. The options for revising the recommendations include a review of the rate once the PEFM levy account deficit has been addressed are below:

11. Revise recommendation 5:

12. 5. agree to increase the Petroleum or Engine Fuels Monitoring levy by a maximum of 0.3 cents per litre until such time as the levy account is no longer in deficit;

13. AND

14. 5.10 agree that the Minster of Energy and Resources will review the component of the Petroleum or Engine Fuel Monitoring levy that covers the costs of the activities set out in recommendation two once the levy account is no longer in deficit, or by 1 March 2022 (at the latest), to see if it can be lowered.