



Cabinet

Minute of Decision

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Taking Action on Fuel Prices: Extending the Reductions to Petrol Excise Duty and Road User Charges

Portfolios **Energy and Resources / Transport**

On 13 June 2022, following reference from the Cabinet Economic Development Committee (DEV), Cabinet:

Background

- 1 **noted** that in April 2022, Cabinet agreed to a further two-month extension to the three-month temporary reduction of fuel excise duty and road user charges [CAB-22-MIN-0130];

Orders in Council to put in place the extension

- 2 **noted** that the Excise and Excise-equivalent Duties Table (Temporary Reduction of Motor Spirits Duty) Amendment Order 2022 Amendment Order 2022 will give effect to the decision referred to in paragraph 1 above;
- 3 **noted** that the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Amendment Regulations 2022 Amendment Regulations 2022 are necessary to give effect to the corresponding refund reduction as a consequence of the decision referred to in paragraph 1 above;
- 4 **noted** that the Road User Charges (Temporary RUC Reduction Scheme Extension) Order 2022 will give effect to the decision referred to in paragraph 1 above;
- 5 **authorised** the submission to the Executive Council of the:
 - 5.1 Excise and Excise-equivalent Duties Table (Temporary Reduction of Motor Spirits Duty) Amendment Order 2022 Amendment Order 2022;
 - 5.2 Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Amendment Regulations 2022 Amendment Regulations 2022 [PCO 24760/6.0];
 - 5.3 Road User Charges (Temporary RUC Reduction Scheme Extension) Order 2022 [PCO 24759/5.0];

- 6 **noted** that:
- 6.1 the Excise and Excise-equivalent Duties Table (Temporary Reduction of Motor Spirits Duty) Amendment Order 2022 Amendment Order 2022 and the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Amendment Regulations 2022 Amendment Regulations 2022 will come into force at 11.59 pm on 14 June 2022;
- 6.2 the Road User Charges (Temporary RUC Reduction Scheme Extension) Order 2022 will come into force on 14 July 2022;
- 7 **noted** that a waiver of the 28-day rule is sought for the Excise and Excise-equivalent Duties Table (Temporary Reduction of Motor Spirits Duty) Amendment Order 2022 Amendment Order 2022 and the Land Transport Management (Apportionment and Refund of Excise Duty and Excise-Equivalent Duty) Amendment Regulations 2022 Amendment Regulations 2022:
- 7.1 so that the instruments can come into force prior to rates returning to pre-15 March 2022 levels on 14 June 2022;
- 7.2 on the grounds that the Order confers only benefits to the public, noting that early commencement of the regulations is necessary to avoid unfair commercial advantage (for example, refunds being received at the non-reduced rate) or the purpose of the regulations being defeated;
- 8 **agreed** to waive the 28-day rule so that those instruments can come into force on 14 June 2022;
- 9 **invited** the Minister of Transport, in consultation with the Minister of Energy and Resources, to report back to Cabinet in early July 2022 on 9(2)(f)(iv)

Update to previous decisions

- 10 **noted** that in April 2022, Cabinet authorised the Minister of Transport and the Minister of Customs to recommend to the Governor General an Order in Council to suspend and reduce the rates of petrol excise duty at the next meeting of the Executive Council [CAB-22-MIN-0130];
- 11 **rescinded** the decision referred to in paragraph 10 above; and instead
- 12 **invited** the Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office for an Order in Council to give effect to the extension to the Road User Charges temporary reduction scheme under the Road User Charges Act 2012;

Climate Implications of Policy Assessment

- 13 **noted** that the Cabinet Office circular *Climate Implications of Policy Assessment Requirements* [CO (20) 3] requires a Climate Implications of Policy Assessment (CIPA) to have been conducted where the impact on greenhouse gas emissions is likely to be equal or above 0.5 million tonnes of carbon dioxide equivalent (CO₂e) within the first ten years of the proposal period (representing an annual average of 50,000 tonnes);
- 14 **noted** that officials have consulted with the Ministry for the Environment to determine whether the CIPA applies to this proposal;

- 15 **noted** that, as CO (20) 3 anticipates where a CIPA is not available for a Cabinet decision, the Minister of Transport will, if a CIPA is needed, further report to Cabinet on the CIPA;
- 16 **noted** the report back provided by the Minister of Transport to fulfil the CIPA requirements;
- 17 **noted** that the full CIPA requirement to quantify and disclose emissions impacts does not strictly apply to this proposal as the estimated impact is less than the emissions threshold for CIPA;
- 18 **noted** that a quantitative CIPA disclosure has been provided as the estimated emissions impact is significant over the short time period of the proposal;

Reimbursement to KiwiRail for a two-month reduction in railway track user charges

- 19 **agreed** to reimburse KiwiRail Holdings Limited, following payment under regulation 7 of the Land Transport (Railway Track User Charges) Regulations 2021, 36 percent of the amount of railway track user charges paid by KiwiRail Holdings Limited for the period 1 July 2022 to 31 August 2022, limited to a maximum amount of \$1 million;
- 20 **agreed** that the reimbursement will be met, up to a maximum amount of \$1 million, from the existing funding in the 'Funding for Temporary Decreases in Fuel Excise Duty, Road User Charges, Public Transport Fares and Railway Track User Charges' multi-year appropriation;
- 21 **noted** that there are financial risks associated with using the existing funding in this appropriation to provide for the additional two months of the track user charge reduction, as uncertainty remains over the actual costs of the temporary reduction of the petrol Excise Duty and Road User Charges reductions;
- 22 **noted** that reimbursement to KiwiRail Holdings Limited, limited to \$1 million, is expected to be used by KiwiRail Holdings Limited for the costs of providing its commercial rail freight customers with a two-month reduction in railway track user charges for the period 1 July 2022 to 31 August 2022, payable in accordance with regulation 7 of the Land Transport (Railway Track User Charges) Regulations 2021;
- 23 **noted** that a letter will be provided to KiwiRail, from the Minister of Finance, that details the process through which the railway track user charge rebate will be administered and the criteria that must be met prior to payment;

Fuel market monitoring

- 24 **noted** that in March 2022, DEV agreed that fuel companies must continue to provide information to the Ministry of Business, Innovation and Employment to monitor fuel market performance in relation to the pass through to consumers of the reductions to petrol excise duty, as would be expected in a competitive market, until four weeks after the Order in Council giving effect to the fuel excise reduction expires or is revoked [DEV-22-MIN-0064];
- 25 **noted** that the two-month extension to the three-month temporary reduction of petrol excise duty warrants a similar extension to the monitoring arrangement;
- 26 **noted** that the Fuel Industry Amendment Regulations (No 2) 2022 will give effect to paragraphs 24 and 25 above;

- 27 **authorised** the submission to the Executive Council of the Fuel Industry Amendment Regulations (No 2) 2022 [PCO 24801/6.0];
- 28 **noted** that section 27 of the Fuel Industry Act 2020 (the Act) provides that before regulations are made, the Minister of Energy and Resources (the Minister) must be satisfied that the regulations are necessary or desirable after having regard to the purposes of the Act and subpart 4 of the Act;
- 29 **noted** that the Minister of Energy and Resources considers this requirement has been met, as regulations are desirable to monitor whether the reduction to petrol excise duty as well as any consequent GST reduction is passed through to consumers in a manner that is expected in a competitive market, in order to promote competition in engine fuel markets for the long-term benefit of end users of engine fuel products;
- 30 **noted** that section 27 of the Act also provides that, before regulations can be made, the Minister must consult with fuel industry participants that the Minister considers are likely to be significantly affected by the proposed regulation;
- 31 **noted** that the Minister of Energy and Resources consulted with fuel industry participants on 18 March 2022 during the development of the monitoring arrangements and further consulted with fuel industry participants on Thursday, 26 May 2022 on whether to extend the monitoring arrangements;
- 32 **invited** the Minister of Energy and Resources, in consultation with the Minister of Transport, to report back to Cabinet in early July 2022 on [REDACTED] 9(2)(f)(iv) [REDACTED]

Michael Webster
Secretary of the Cabinet

Secretary's Note: This minute replaces DEV-22-MIN-0122.
