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Dear Sir/Madam

Petroleum or Engine Fuel Monitoring Levy

Introduction

The New Zealand Automobile Association (NZAA) welcomes the opportunity to provide comment on the Petroleum or Engine Fuel Monitoring Levy discussion paper.

The NZAA is an incorporated society with 1.4 million Members. It represents the interests of road users who collectively pay over \$2 billion in taxes each year through fuel excise, road user charges, registration fees, ACC levies, and GST. The NZAA's advocacy and policy work mainly focuses on protecting the freedom of choice and rights of motorists, enhancing the safety of all road users, and keeping the cost of motoring fair and reasonable.

Our comments on the options are provided below:

Fuels to levy

Q1. Taking into account the three selection criteria of equity, efficiency and administrative simplicity, the NZAA prefers option 1: levying petrol, diesel, ethanol and biodiesel.

However, the NZAA also considers that domestic jet fuel and fuel oil should also be covered by the expanded PEFML. Under the efficiency criteria, domestic air travel is clearly an exacerbator which contributes to the need for New Zealand's 90-day stockholding requirements and thus the industry should contribute their fair share of the cost.

We don't consider the paper has presented sufficient rationale to exempt domestic air travel, and propose that MBIE undertake more analysis to identify how administratively practical it is to collect accurate domestic jet fuel and fuel oil consumption data for levy purposes.

Q2. While there is some equity fairness in excluding biofuels, we do not consider a levy exemption will have any material effect on biofuel uptake. A 0.18 cent/litre exemption on a 10% bioethanol blend is not going to make a measurable difference to fuel prices and therefore there is no consumer benefit.

The NZAA concurs with the document that it could be administratively complex for Customs to exclude the biofuel portion of imported blended fuel. In light of recent cases in which Customs

has sought additional payment from fuel importers for unpaid levies on manufactured fuel, we think the PEFML should be levied as simply and broadly as possible to avoid confusion or the risk of importers incorrectly calculating their levy obligations in future.

However, if the IEA obligation were levied separately and not subsumed in the PEFML then it would be administratively simple to exclude (domestic) biofuels and only levy imported mineral fuels, biofuels or blended fuel, in which case the NZAA would favour this option.

Levy rate

Q3. The NZAA supports the levy rate being fixed for a period of more than one year for administrative reasons. We are happy to endorse a 3-year term to review the levy rate to minimise the size of wash-ups in the event of fluctuating ticket contract costs.

However, for simplicity the NZAA suggests any levy changes to the PEFML should take effect on the same date as any other scheduled changes to excise, e.g. adjustment to ACC levies or the National Land Transport Fund levy.

Q4. The NZAA supports the levy calculation formula.

Yours sincerely



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