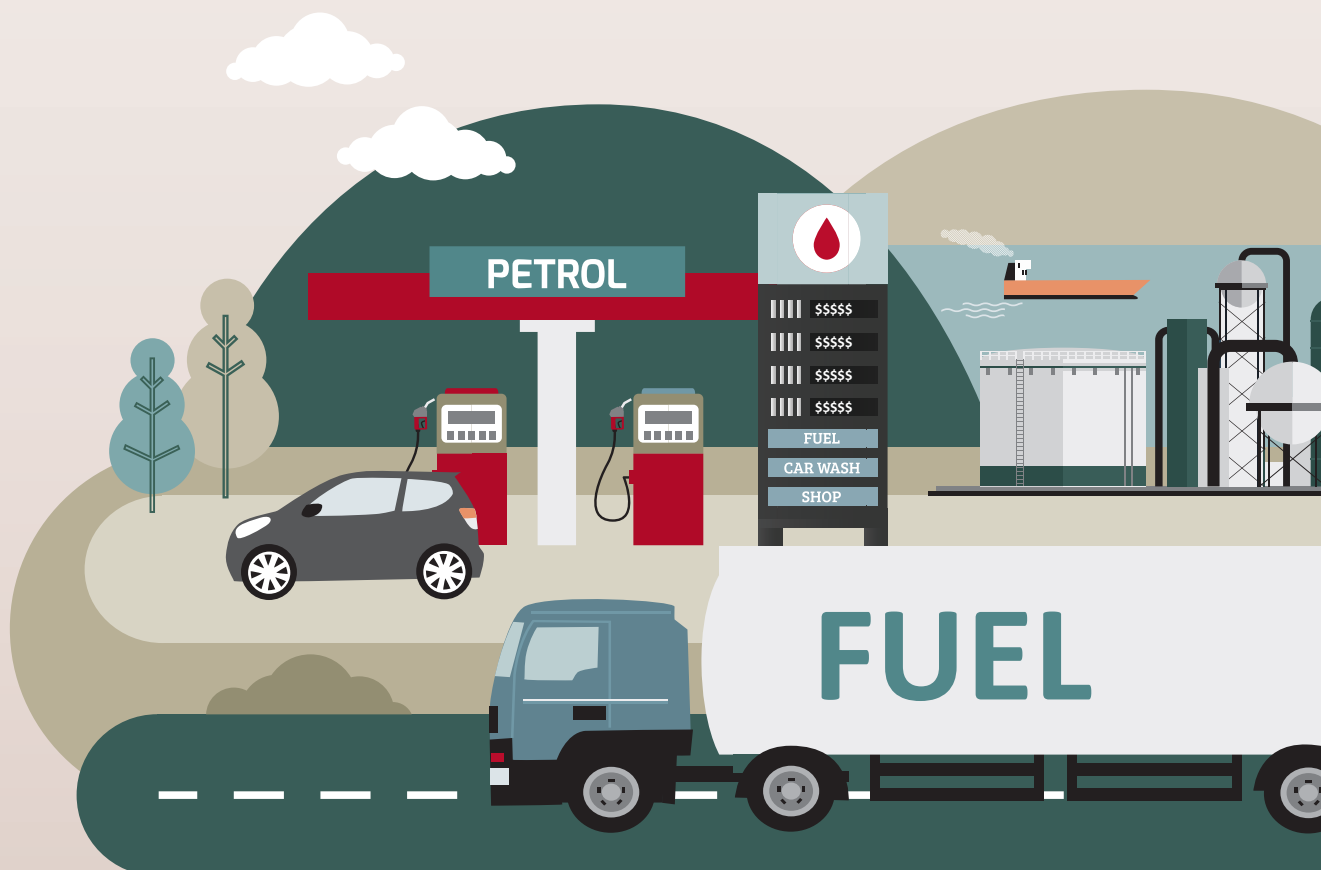


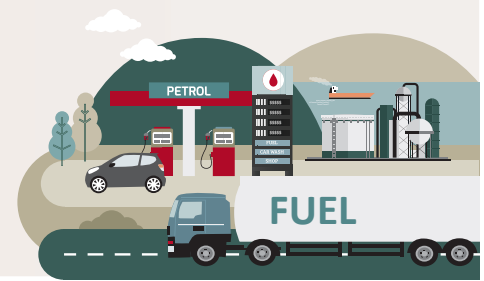
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Quarterly Fuel Monitoring Report

For the quarter ended 31 December 2022



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Our findings

This is our third quarterly monitoring report on the fuel markets and presents our analysis on trends and activity over the three months to December 2022.

Our findings are summarised below with detailed analysis set out in the following chapters.

Importer margins remained high in the December 2022 quarter, despite a small decrease for Regular 91 and Premium 95.

Our analysis of information disclosed to us shows importer margins in the December 2022 quarter were slightly lower for Regular 91 and Premium 95 (and unchanged for Diesel) compared to the September 2022 quarter. However, importer margins remained higher than in the June 2022 quarter and continued to be above the level at the time the Commission undertook the fuel market study (2018).¹ Consumers may not always be reaping the benefit of lower importer costs in the price paid at the pump - we intend to undertake further analysis in this area.

Table 1 – Comparison of importer margins (cpl) by fuel type

	Calendar 2018	June 2022 quarter	September 2022 quarter	December 2022 quarter
Diesel	31	21	34	34
Regular 91	30	22	36	32
Premium 95	40	34	47	45

Source: ID data; MBIE weekly fuel monitoring data; market study (2018)

Prices continued to vary significantly within cities meaning savings continue to be available to New Zealanders who shop around

Price variation – the difference in prices between the most and least expensive sites – increased within each of the five largest cities in New Zealand between the September 2022 quarter and the December 2022 quarter (see Tables 2 and 3 below).² We see no reason for this increase in the price variation and are concerned that it may indicate weak retail competition.

Auckland still had the widest fuel price variation of the five largest cities in New Zealand for the December 2022 quarter. The price variation in Auckland widened as follows:

- **Regular 91:** 22 cpl in the September 2022 quarter to 38 cpl in the December 2022 quarter;
- **Premium 95:** 29 cpl in the September 2022 quarter to 42 cpl in the December 2022 quarter; and
- **Diesel:** 31 cpl in the September 2022 quarter to 40 cpl in the December 2022 quarter.

1 The importer margins shown reflect the average across retail sites operated by four of the fuel importers in New Zealand. We note that there is significant variability in prices and margins regionally.

2 Price variation: we have drawn on the most expensive and least expensive station on each day in an area, and then averaged that over the quarter.

Table 2 - Price variation (cpl) within NZ cities for September 2022 quarter
September 2022 quarter

	91	Premium	Diesel
Auckland	22	29	31
Hamilton	7	16	12
Tauranga	15	19	16
Wellington	14	22	19
Christchurch	5	10	8
Rest of NZ	37	45	48
All of NZ	26	34	36

Source: ID data

Table 3 - Price variation (cpl) within NZ cities for December 2022 quarter
December 2022 quarter

	91	Premium	Diesel
Auckland	38	42	40
Hamilton	18	22	20
Tauranga	14	21	18
Wellington	20	23	24
Christchurch	11	17	12
Rest of NZ	52	57	56
All of NZ	39	44	44

Source: ID data

In our last report, we set out a scenario with an average consumer based in Auckland. Our calculations showed potential annual savings for the average Auckland consumer of Regular 91 if they actively shopped around for the lowest fuel price of up to \$264 (and \$348 in the case of Premium 98).³ Based on the price variation for the December 2022 quarter, we estimate that the average annual saving from actively shopping around could save a consumer up to around \$450 on Regular 91 each year if the variation for the December 2022 quarter persisted.

³ This estimated annual saving of \$264 is calculated using the average annual purchase of 1200 litres multiplied by the price difference for Regular 91 in Auckland of 22 cpl for the September 2022 quarter. Similarly, for Premium 98, using the estimated price variation of 29 cpl for the September 2022 quarter. The information disclosed to the Commission by importers shows Auckland has the widest price variation, so this scenario has higher potential savings than other regions. These savings do not take into account the cost to drive/travel between retail sites. The purpose is to illustrate that the average consumer could make savings if they actively shop around retail sites, due to the observed difference in fuel prices for all fuel types within a city. Our assumption is based on the available evidence. Research shows the average consumer drives about 12,000 kilometres in a year (Ministry of Transport, "New Zealand Household Travel Survey 2014-2015", 2015, <https://www.transport.govt.nz/assets/Uploads/Report/Drivers-Travel-Survey-2015.pdf>). The average fuel consumption could be assumed to be around 10 litres per 100 kilometres: https://australasiantransportresearchforum.org.au/wp-content/uploads/2022/03/ATRF2015_Resubmission_9.pdf. If this is the case, the average consumer purchases 1200 litres of fuel.

Discounts remained a prominent feature of the New Zealand retail fuel market in the December 2022 quarter. Retail discounting remained at stable levels (within 1 cpl) across the period April to December 2022. Emerging data shows that consumers target discount days when purchasing fuel.

We understand consumers are enjoying the benefits of discounts and loyalty programmes. However, discounts do not appear to always lead to the lowest prices. Many consumers do not obtain discounts and others receive only a small discount off the retail board price.

We encourage consumers to continue to shop around for the lowest prices through genuine discounts.

Auckland had the highest fuel prices in the December 2022 quarter; whilst Hamilton (and Wellington for Diesel) had the lowest

Auckland had the highest average retail fuel prices for all fuel types in the December 2022 quarter: Regular 91 (246 cpl), Premium 95 and 98 (271 cpl) and Diesel (232 cpl).⁴ We note these relative price comparisons are only for the largest five cities within New Zealand - prices in other regional centres or rural regions can be higher or lower.

Hamilton and Wellington had the lowest average retail fuel prices in the December 2022 quarter. Hamilton was the least expensive for Regular 91 (234 cpl) and Premium 95 and 98 (258 cpl). Wellington had the lowest Diesel price (220 cpl) for a major city in New Zealand over the December 2022 quarter.

Notably, Wellington and Auckland had the highest fuel prices for September 2022 quarter. It appears that the average price in Wellington fell quicker than in other regions due to price competition between stations in the Hutt Valley.

Orakei and Herne Bay had the most expensive Regular 91 prices in Auckland in the December 2022 quarter; Karori was the most expensive suburb in Wellington

We took a deeper look at the retail fuel market within the Auckland and Wellington regions based on the information disclosed to us. Under the Regulations, we receive daily retail prices for each retail fuel site and quarterly revenue from sales across retail fuel sites for each quarter from importers.⁵

Our findings in examining the prices for Auckland and Wellington are as follows:

- **Auckland:** Orakei and Herne Bay had the most expensive Regular 91 prices over the December 2022 quarter (incorporating average discounts and excluding ARFT (Auckland Regional Fuel Tax));⁶ Mangere East was the least expensive suburb over this period.
- **Wellington:** Karori was the most expensive suburb in Wellington for Regular 91 prices over the December 2022 quarter; Stokes Valley was the least expensive suburb over this period.

4 "Price" refers to the daily average board price information disclosed under the [Fuel Industry Regulations 2021](#) (incorporating average discounts and excluding the ARFT).

5 Regulation 17L(4) of the Fuel Industry Regulations 2021, https://www.legislation.govt.nz/regulation/public/2021/0174/latest/LMS511696.html?search=qs_act%40bill%40regulation%40deemedreg_fuel+industry+regulations_resel_25_h&p=1&sr=1

6 Auckland Regional Fuel Tax (ARFT): <https://www.nzta.govt.nz/vehicles/regional-fuel-tax/#:~:text=The%20Auckland%20regional%20fuel%20tax,be%20delayed%20or%20not%20funded.>

The average price for Regular 91 varied by 29 cpl between Orakei and Mangere East, and 33 cpl between Karori and Stokes Valley. This could mean filling an average 60 litre car could be a saving of \$18-20 or more.

We intend to analyse other regions and cities in upcoming reports.

Wholesale sales volumes increased in the December 2022 quarter

The sales volumes between importers and/or distributors increased from the September to the December 2022 quarter by around 135 million litres (ML) or about a 14% increase in volume. This increase is largely attributed to an increase in volumes sold under fixed wholesale contracts (up 101ML)⁷ and other contracts (up by 34.1ML).⁸ The volumes sold under terminal gate prices remained minimal (down from 41,000L to 300L).

Terminal Gate Prices continued to appear high in the December 2022 quarter

Terminal Gate Prices (TGP) continued to be higher than expected in the December 2022 quarter. Analysis of the last three quarters shows New Zealand TGPs are high, compared to the average fixed wholesale contract prices and Australian TGPs. In the December 2022 quarter the difference between average TGPs and average wholesale contract prices was approximately 11 cpl for Regular 91, 17 cpl for Premium 95, and 13 cpl for Diesel, adjusting for taxes.

Regular 91 importer costs and TGPs slightly decreased in the December 2022 quarter compared to the September 2022 quarter. Diesel importer costs and TGPs also declined in the December 2022 quarter but to a lesser extent.

Structure of this report

This report sets out our analysis of information disclosed to us for the quarter to December 2022 in six chapters:⁹

- Our findings
- Commission activities
- Industry developments
- Retail sites, prices, and volumes
- Wholesale prices and volumes; and
- Terminal Gate Price analysis.

7 Fixed wholesale contracts increased from 865.2ML to 966.2ML between the September and December 2022 quarters.

8 Other contracts increased in sales from 88.0 ML to 122.1ML between the September and December 2022 quarters.

9 These were key areas identified in the Market Study into the Retail Fuel Sector (2019), <https://comcom.govt.nz/about-us/our-role/competition-studies/fuel-market-study>.

Commission activities

Commission monitors performance of fuel market

The Commission is an independent Crown entity that administers and enforces laws relating to competition, fair trading, consumer credit and economic regulation. It has responsibilities for monitoring and regulating engine fuel markets under the Fuel Industry Act 2020 (the Act).¹⁰ The Act came into force in 2020. Its purpose is to promote competition in engine fuel markets for the long-term benefit of end users of engine fuel products.¹¹ Outcomes of a workably competitive market include fair and transparent prices with confident and active market participants (including businesses and consumers).

In our monitoring of the performance of the market, we may analyse and summarise any information disclosed to us and publish any resulting analysis or summary.¹² Information is disclosed by fuel importers, wholesale suppliers and distributors on a quarterly and/or annual basis. Information disclosed relates to fixed wholesale contracts, certain financial statements, certain formulas and volumes, discounting and loyalty programmes, storage capacity, retail fuel supply and sites.¹³ Fuel importers also provide daily and weekly information to MBIE.¹⁴ The Commission is also reviewing fixed wholesale contracts for engine fuel for compliance with the Act and Regulations.¹⁵

Monitoring the fuel markets has allowed a deeper understanding of the competitive dynamics over time through observing patterns and trends – for instance, Auckland had the most expensive prices in the June 2022 quarter and the second highest prices to Wellington in the September 2022 quarter. Wellington had the most expensive prices for the September quarter (as reported in the Commission’s September 2022 quarterly report) and then had some of the lowest prices in the December 2022 quarter.

Our monitoring of New Zealand’s fuel markets found that retail importer margins continued to be high and the variation in price within cities widened even further between the September and December 2022 quarters.

Commission worked to reach consumers through monitoring report and engagement during the quarter

We consider reaching fuel consumers to be important in raising awareness of prices to change behaviour and encourage more active shopping around. Our social media posts to publicise our last report for the September 2022 quarter reached 88,041 people. We also responded to fuel-related correspondence and media enquiries on issues, such as retail fuel prices and COVID-19.

10 Fuel Industry Act 2020 (Act), available at: <https://www.legislation.govt.nz/act/public/2020/0060/latest/LMS321426.html>

11 Section 3 of the Act.

12 Sections 25 and 28 of the Act.

13 Part 3A of the Fuel Industry Regulations 2021 (Regulations), https://www.legislation.govt.nz/regulation/public/2021/0174/latest/LMS511696.html?search=qs_act%40bill%40regulation%40deemedreg_fuel+industry+regulations_resel_25_h&p=1&sr=1

14 See Part 3B of the Regulations.

15 Sections 14 to 20 of the Act and Part 2 of the Regulations.

Industry developments

Global oil price weakened due to uncertainty around impact of Russian sanctions

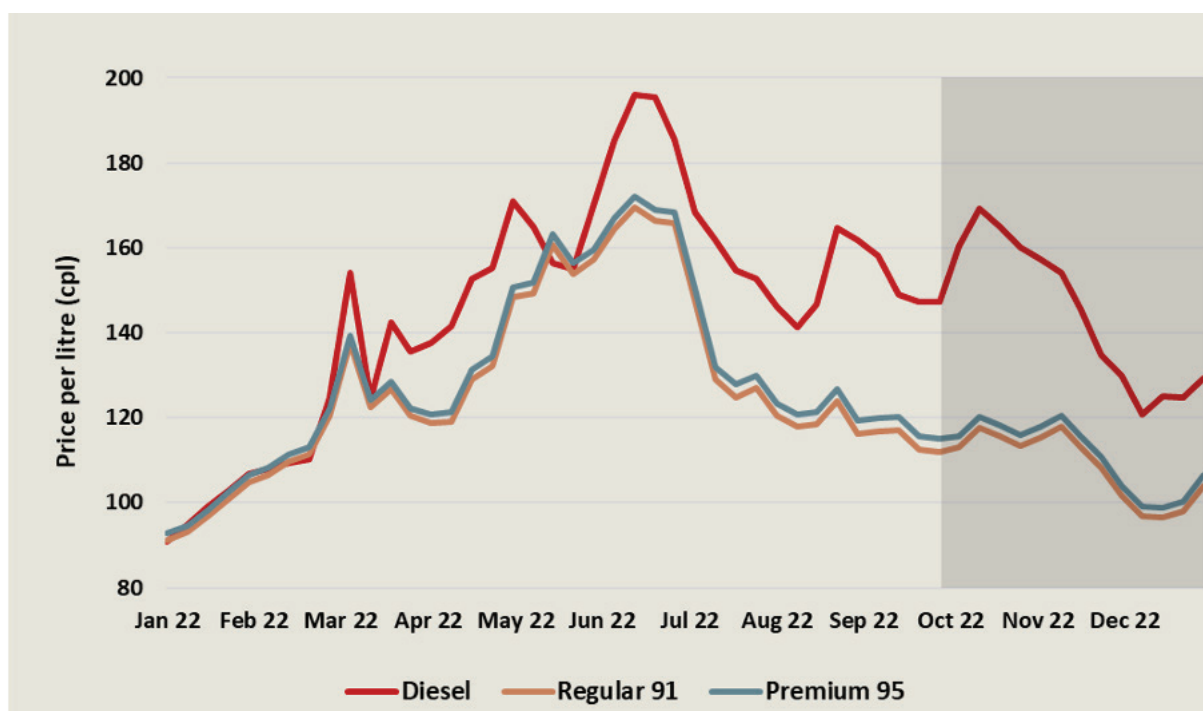
Our fuel prices are influenced by forces outside of the domestic sphere. Such factors include the international price of crude oil and refined products, foreign exchange rates and taxes.

Global crude oil prices continued to be volatile over the December 2022 quarter. However, prices returned to a similar level than before the Russia-Ukraine conflict.

On 3 December 2022, the European Council decided to set a price cap for crude oil and petroleum at \$60USD per barrel for Russian oil exports.¹⁶ Global petrol and diesel prices were affected by lower stocks, weaker demand, refinery outages, high inflation, the ongoing Russia-Ukraine conflict, continuing supply chain issues, and market concerns around increased sanctions on Russia.

As shown in Figure 1 below, global petrol prices were relatively flat in the first half of the December 2022 quarter (compared to the previous quarter) before falling. Diesel prices spiked with refining margins reaching record highs followed by a surge in refinery production, before prices fell (but still above petrol prices). This global price volatility has a direct impact on New Zealand's importer costs.

Figure 1: Domestic Fuel Importer Costs – January to December 2022 for all fuel types



Source: MBIE weekly fuel monitoring data

Table 4 below sets out the importer costs for New Zealand engine fuels and crude oil for the quarters ending March to December 2022.

¹⁶ 'Russian Oil: EU agrees on level of price cap', (CFSP) 2022/2369 refers, available at: <https://www.consilium.europa.eu/en/press/press-releases/2022/12/03/russian-oil-eu-agrees-on-level-of-price-cap/>

Table 4 – Importer costs for global crude oil and other fuel types March to December 2022

Product Type	Importer Costs (cpl) – quarter ending			
	March 2022	June 2022	September 2022	December 2022
Diesel	114	163	156	144
Regular 91	110	145	125	109
Premium 95	112	148	128	111
Crude Oil	89	104	99	89

Source: MBIE weekly fuel monitoring data. RBNZ for exchange rates USD/NZD. <https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/exchange-rates-and-the-trade-weighted-index>; <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/weekly-fuel-price-monitoring/>

Domestic developments

On 14 March 2022, the Government reduced the fuel excise duty by 25 cents per litre.¹⁷ On 1 February 2023, the Prime Minister announced an extension to this policy until 30 June 2023.¹⁸

In November last year, the Government introduced the Fuel Industry Amendment Bill to the House.¹⁹ The Bill provides a threat of price regulation, subject to a recommendation from the Commission, to incentivise wholesale suppliers to offer competitive terminal gate prices.²⁰ The Bill is currently before the Select Committee.

Tasman Fuels opened its second retail site in Timaru in the South Island on 9 December 2022 after opening its first site in Christchurch on 22 July 2022.²¹ Its price for Regular 91 was among the lowest in the South Island. Waitomo had intended to open a new site in Timaru before Christmas. That site officially opened on 1 February 2023.²²

On 1 December 2022, Bay of Plenty iwi Ngāi Te Rangi invested in Gull as Gull welcomed new Māori shareholders.²³ Gull has 117 sites nationwide.

17 MBIE, 'Monitoring the petrol excise duty reduction', <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-generation-and-markets/liquid-fuel-market/monitoring-the-petrol-excise-duty-reduction/>; MBIE monitors the performance of the market to determine if this reduction to the fuel excise duty is being passed through to consumers in a manner expected in a competitive market.

18 Rt Hon Chris Hipkins, Hon Grant Robertson, Hon Michael Wood, 'Cost of living support extended for families and businesses' (press release, 1 February 2023) <https://www.beehive.govt.nz/release/cost-living-support-extended-families-and-businesses>

19 NZ Parliament, 'Fuel Industry Amendment Bill', <https://bills.parliament.nz/v/6/759fc158-1c64-447c-963d-03d5f6599ca3?Tab=history>

20 NZ Parliament, Fuel Industry Amendment Bill, <https://bills.parliament.nz/v/6/759fc158-1c64-447c-963d-03d5f6599ca3?Tab=history>

21 Stuff, 'New fuel outlet opens with Timaru's lowest prices', <https://www.stuff.co.nz/timaru-herald/news/130722564/new-fuel-outlet-opens-with-timarus-lowest-price>

22 Waitomo, 'Timaru Fuel Stop – now open', 1 February 2023, <https://www.waitomogroup.co.nz/stories-article/timaru-fuel-stop-now-open>

23 Driven, 'Bay of Plenty iwi Ngāi Te Rangi invests in Gull as it welcomes new Maori shareholders', 1 December 2022, <https://www.nzherald.co.nz/bay-of-plenty-times/news/bay-of-plenty-iwi-ngai-te-rangi-invests-into-gull-as-it-welcomes-new-maori-shareholders/P5RVKBPXJFURHLP3BNZWXVII/>

Retail sites, prices, and volumes

Key findings

Our analysis of information disclosed to us shows importer margins in the December 2022 quarter were slightly lower for Regular 91 and Premium 95 (and unchanged for Diesel) compared to the September 2022 quarter. However, importer margins remained higher than in the June 2022 quarter and continued to be above the level at the time the Commission undertook the fuel market study (2018).²⁴ Consumers may not always be reaping the benefit of lower costs in the price paid at the pump.

Auckland still had the widest fuel price variation of New Zealand's five largest cities over the December 2022 quarter, with a range of 38 cpl for Regular 91, 42 cpl for Premium 95, and 40 cpl for Diesel.

Our findings on more detailed price analysis on Auckland and Wellington based on the information disclosed to us show:

- **Auckland:** Orakei (279 cpl) and Herne Bay (277 cpl) had the most expensive Regular 91 prices over the December 2022 quarter (incorporating average discounts²⁵ and excluding ARFT); Mangere East (250 cpl) had the lowest prices over this period.
- **Wellington:** Karori (263 cpl) was the most expensive suburb in Wellington for Regular 91 over the December 2022 quarter; Stokes Valley (230 cpl) was the least expensive area over this period.

Auckland had the highest average prices of the five largest cities for all fuel types in the December 2022 quarter, whilst Hamilton (and Wellington for Diesel) had the lowest.²⁶

The difference of average prices for Regular 91 between Orakei and Mangere East was 29 cpl.²⁷ The difference between Karori and Stokes Valley was 33 cpl.

Discounts remained a prominent feature of the New Zealand retail fuel market in the December 2022 quarter. Retail discounting remained at stable levels (within 1 cpl) across April to December 2022. However, the range of discounts for consumers is wide. Discounts do not always mean that consumers are paying the lowest price.

A small number of site supply changes continued in the December 2022 quarter resulting in no significant change to overall retail site numbers.

24 The importer margins shown reflect the average across retail sites operated by four of the fuel importers in New Zealand. We note that there is significant variability in prices and margins regionally.

25 Discounts are calculated by the difference between price board revenue and actual revenue. These discounts may consist of any loyalty programme or supermarket dockets that enable the end-customer to pay a lower price than what is displayed on the fuel station price board.

26 "Price" refers to the daily average board price information disclosed under the Fuel Industry Regulations 2021 (incorporating average discounts and excluding the ARFT). Auckland's average retail prices for Regular 91 was 246 cpl; Premium 95 and 98 was 271 cpl and Diesel was 232 cpl.

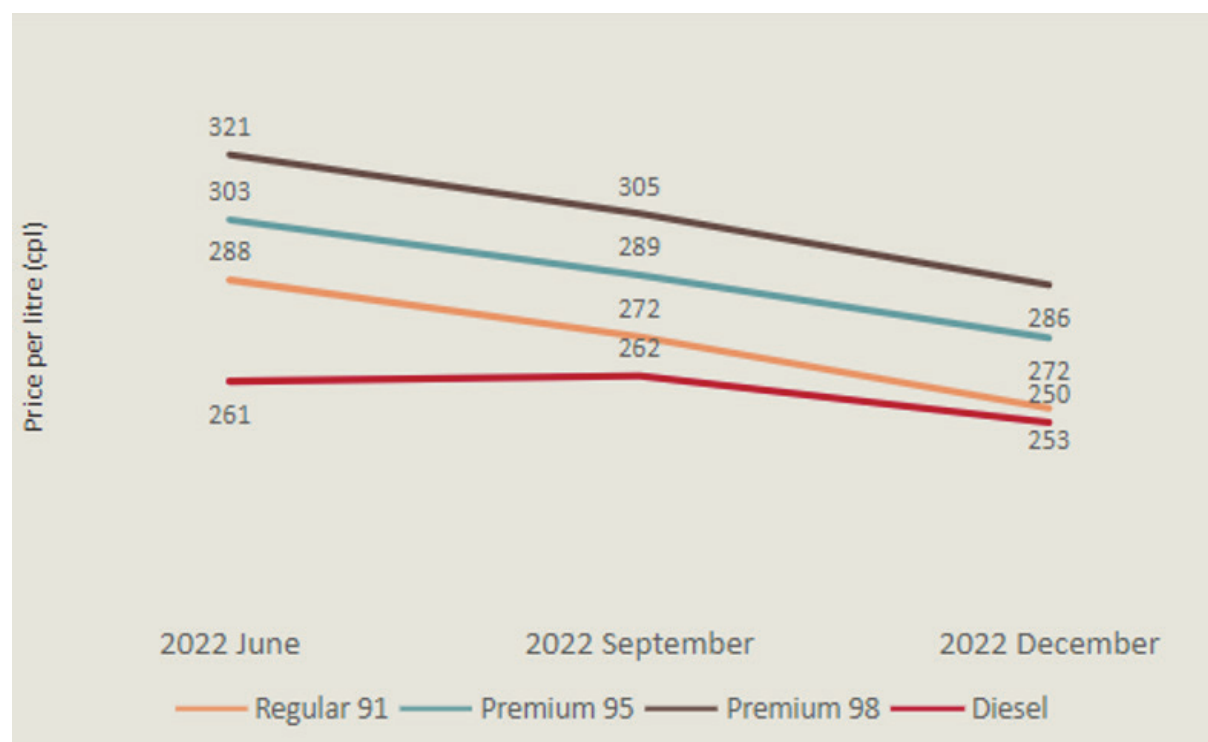
27 This is based on the average retail board price disclosed to us. We note that our dataset does not have full coverage of all retail fuel sites - some suburbs have no fuel stations. In these cases, we have assumed consumers would travel five minutes to the neighbouring suburb to purchase fuel in our analysis.

Retail fuel prices decreased over the June to December 2022 quarters

Over the June to December 2022 quarters, retail board prices for all fuel types decreased (see Figure 2 below) reflecting a fall in international oil prices and despite the increase in New Zealand's importer margins.²⁸

After a slight increase in the September 2022 quarter, New Zealand's diesel prices decreased in the December 2022 quarter. The price for Regular 91, Premium 95 and 98 also decreased over the three quarters in 2022.

Figure 2 – Average quarterly retail board prices (cpl) for all fuel types over June to December 2022 quarters



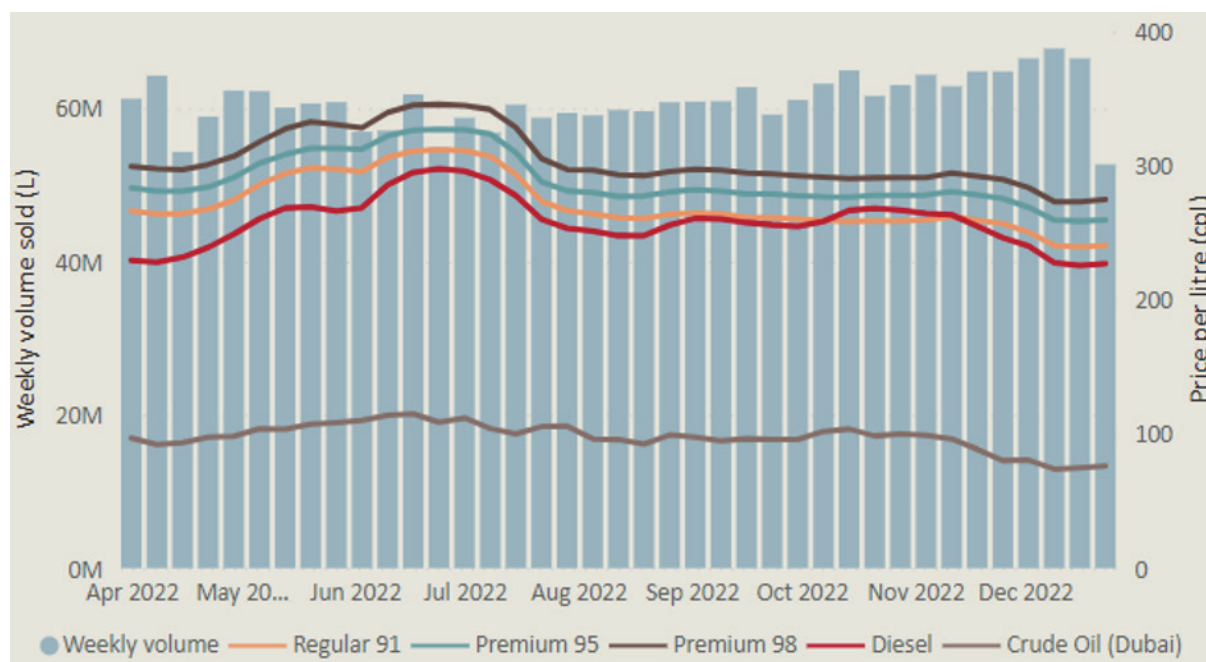
Source: ID data

Volumes sold increased in the December 2022 quarter (by 43ML, or 5%) compared to the September 2022 quarter.

²⁸ This observation is based on a quarterly average of retail board prices from information disclosed by fuel importers to the Commission.

Figure 3 below shows the price and volumes sold domestically for all fuel types and the price of crude oil.

Figure 3 – Weekly sales volume versus national prices (cpl) from April - December 2022



Source: ID data and MBIE weekly fuel monitoring data. RBNZ for exchange rates USD/NZD. <https://www.rbnz.govt.nz/>

Importer margins remained high in both September and December 2022 quarters

Our analysis of information disclosed to us shows importer margins in the December 2022 quarter were slightly lower for Regular 91 and Premium 95 (unchanged for Diesel).²⁹ However, importer margins remained much higher than in the June 2022 quarter and were also still above the level when the Commission undertook the fuel market study (2018).³⁰ Consumers may not always be reaping the benefit of lower costs in the price paid.

As shown in Table 5 below, importer margins for Regular 91 increased from 22 cpl in the June 2022 quarter, to 36 cpl in the September 2022 quarter, before dropping back to 32 cpl in the December 2022 quarter.

Table 5 – Comparison of importer margins (cpl) by fuel type

	Calendar 2018	June 2022 quarter	September 2022 quarter	December 2022 quarter
Diesel	31	21	34	34
Regular 91	30	22	36	32
Premium 95	40	34	47	45

Source: ID data, MBIE weekly fuel monitoring data and market study data (2018)

²⁹ Importer margins are the difference between the retail price and the cost of importing fuel into New Zealand and taxes. Importer margins cover the domestic costs of operating terminal storage facilities, distribution costs (such as trucking and pipeline costs), and retail costs as well as aggregate importer, wholesale and retail profit margins. Trends in importer margins are one indicator of how competition is evolving over time.

³⁰ See Appendix 4 for further detail on changes in the components of the retail board price for Regular 91.

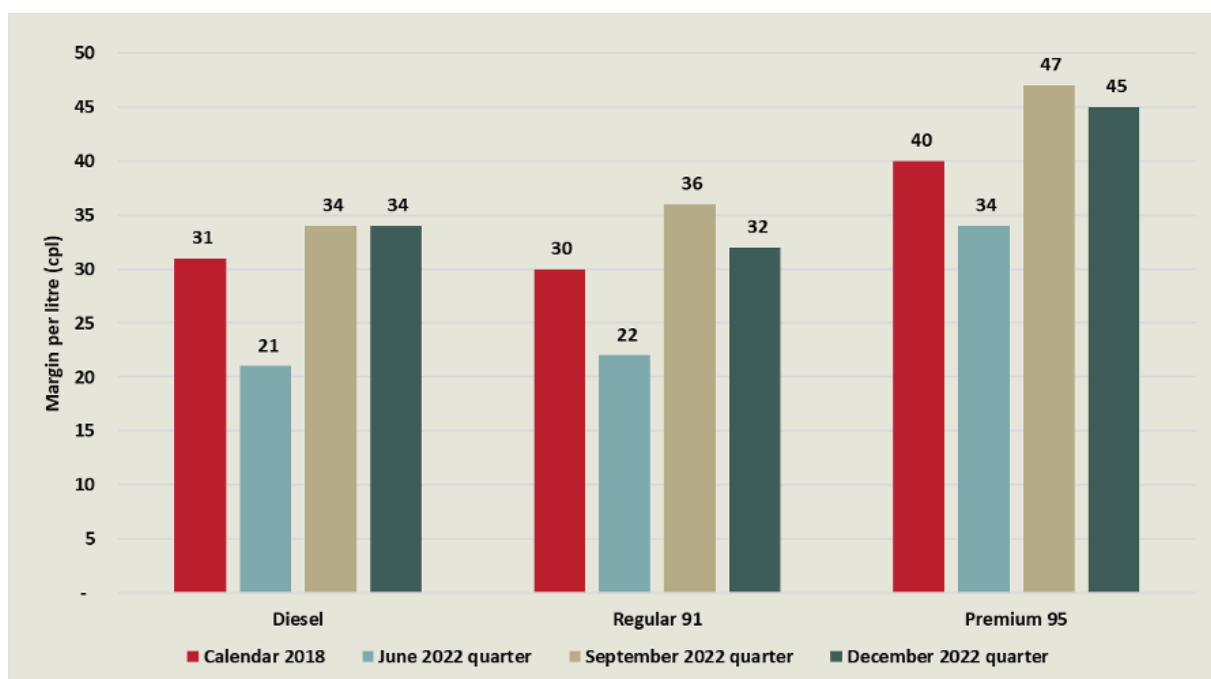
When comparing the December 2022 quarter to the September 2022 quarter, importer margins:

- decreased by 4 cpl for Regular 91;
- decreased by 2 cpl for Premium 95; and
- no change for Diesel.

Nevertheless, when compared to the June 2022 quarter, importer margins remained high in the December 2022 quarter. The importer margin as a proportion of the total retail price paid increased. Compared to the market study, margins for the December 2022 quarter were around 10% higher for Diesel, 6% for Regular 91, and 12% for Premium 95.

Figure 4 below shows the importer margins for all fuel types since the time of the market study (2018) to the December 2022 quarter.

Figure 4 – Importer margins for all fuel types during the period 2018 - 2022

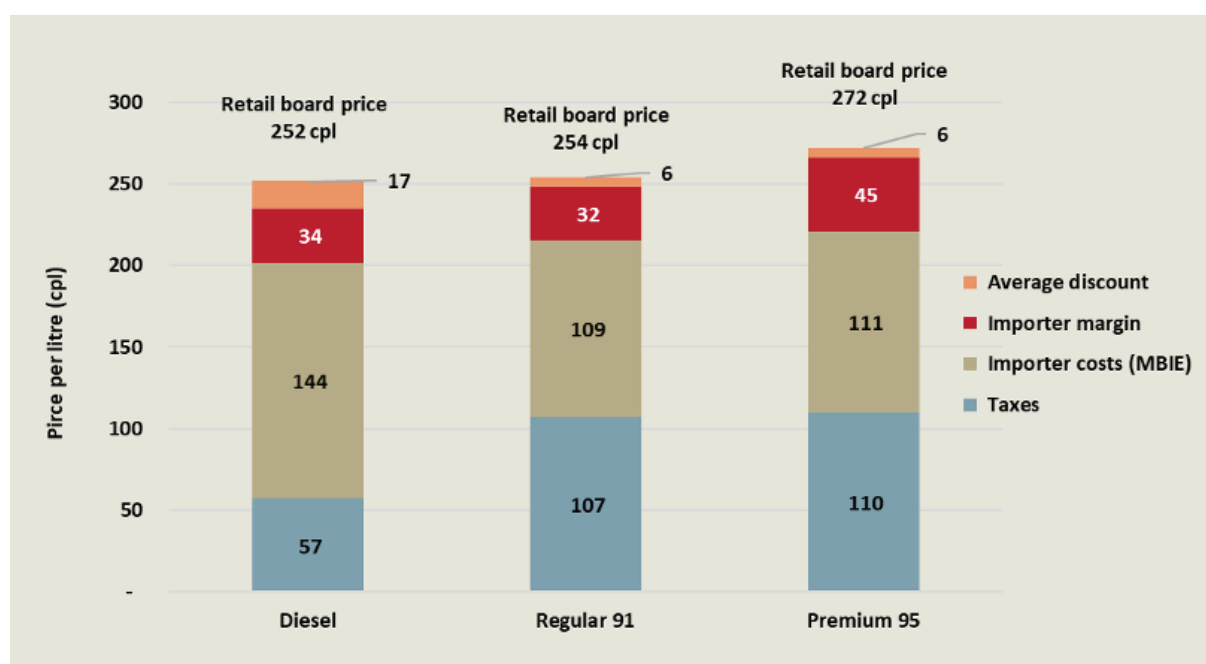


Source: ID data, MBIE weekly fuel monitoring data and market study data (2018)

Figure 5 below shows the detailed key components for the December 2022 quarter that make up the retail board price, including the average discount, the average importer margin, the average importer costs and taxes for each fuel type. It shows the main components of retail board prices continue to be the cost of importing fuel into New Zealand and related taxes. Taxes and importer costs made up the following percentages of the retail board price for different fuel types over the December 2022 quarter:

- Diesel:
 - taxes comprised an average of 23% of the retail board price and
 - importer costs comprised an average of 57% of the retail board price.
- Regular 91:
 - taxes comprised an average of 42% of the retail board price and
 - importer costs comprised an average of 43% of the retail board price.
- Premium 95:
 - taxes comprised an average of 40% of the retail board price and
 - importer costs comprised an average of 41% of the retail board price.

Figure 5 – Retail board price (cpl) (including importer margins) for December 2022 quarter



Source: ID data and MBIE weekly fuel monitoring data

Retail sales volumes increased in the December 2022 quarter, compared to previous quarters

Retail sales volumes increased for each fuel type from the June to September 2022 quarters, and the volumes increased at a more significant level in the December 2022 quarter. Only Premium 98 had a slight dip in volume between the June to September 2022 quarters but bounced back in the December 2022 quarter.

Table 6 below shows the total sales volume increased from 787ML over the September 2022 quarter to 830ML in the December 2022 quarter (5.5% increase). By comparison, sales volumes only increased from 775ML to 787ML between the June and September 2022 quarters (1.4% increase).

Notably, the balance between petrol and diesel remains stable: 45% Diesel and 55% Petrol, within a range of 1%.

The increasing volume of fuel sold may be based on multiple factors (e.g. decrease in retail prices, seasonal demand).

Table 6 – Comparison of fuel volume consumed for all fuel types over June to December 2022 quarters

Quarter	June 2022 quarter		September 2022 quarter		December 2022 quarter	
Fuel grade	Volume (ML)	Volume %	Volume (ML)	Volume %	Volume (ML)	Volume %
Diesel	357	46%	358	46%	371	45%
91	318	41%	326	41%	347	42%
95	67	9%	69	9%	75	9%
98	34	4%	33	4%	36	4%
Total	775	100%	787	100%	830	100%

Source: ID data

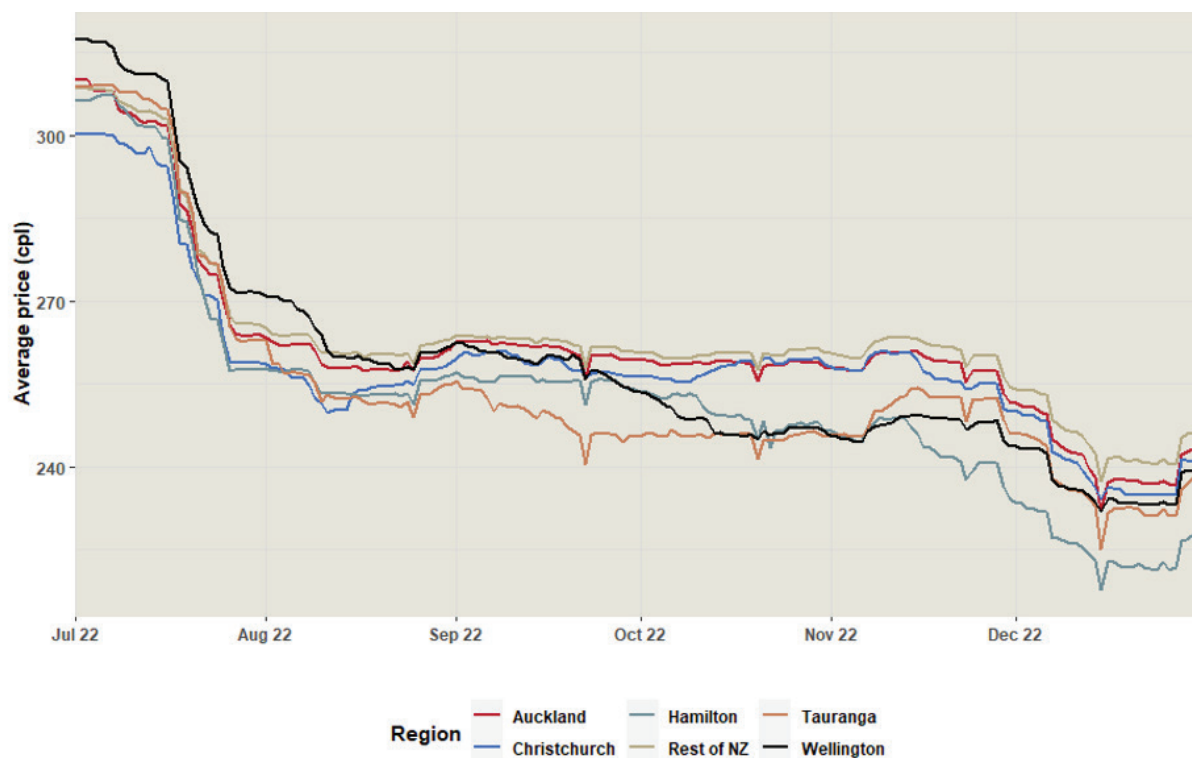
Auckland had the highest prices and Hamilton had the lowest

Our analysis on the disclosed retail board prices over the September and December 2022 quarters shows average Regular 91 prices decreased (see Figure 6 below).

Auckland had the highest (average) prices from July to December 2022 (incorporating average discounts and excluding the Auckland Regional Fuel Tax (ARFT). Wellington had the highest average price for Regular 91 over the September 2022 quarter. However, the average price for Regular 91 in Wellington dropped sharply in October 2022 and remained low when compared to the other major cities.

Hamilton's average Regular 91 price was the lowest from July to December 2022. The graph below shows the average retail board prices in New Zealand for Regular 91 from July to December 2022).

Figure 6 – Average Regular 91 prices (cpl) from July to December 2022



Source: ID data

Our price analysis for the December 2022 quarter of the five largest cities in New Zealand shows Auckland still had the most expensive fuel prices (incorporating average discounts and excluding ARFT).³¹

Auckland had higher average fuel prices for all fuel types in the December 2022 quarter: Regular 91 (246 cpl), Premium 95 and 98 (271 cpl) and Diesel (232 cpl). Notably, Wellington and Auckland had the highest fuel prices for September 2022 quarter (see Table 7 for more information). It appears that the average price in Wellington fell quicker than in other regions due to price competition between stations in the Hutt Valley.

Hamilton and Wellington had the lowest retail fuel prices in the December 2022 quarter (see Table 8 for more information). Hamilton was the least expensive for Regular 91 (234 cpl) and Premium 95 and 98 (258 cpl). Wellington had the lowest Diesel price (220 cpl) for a major city in New Zealand over the December 2022 quarter.

31 "Prices" refer to daily average retail board prices. This excludes discounts and the Auckland Regional Fuel Tax (10 cpl + GST).

Tables 7 – Average prices (cpl) in NZ's major cities for all fuel types over September 2022 quarter
September 2022 quarter

Region	91	Premium	Diesel
Auckland	264	289	244
Hamilton	260	283	242
Tauranga	261	286	237
Wellington	266	290	246
Christchurch	259	275	241
Rest of NZ	266	289	245
All of NZ	265	288	244

Source: ID data; incorporates average discounts and excludes the Auckland Regional Fuel Tax. Green cells indicate the lowest fuel price and orange cells indicate the highest fuel price.

Table 8: Average prices (cpl) in NZ's major cities for all fuel types in the December 2022 quarter
December 2022 quarter

Region	91	Premium	Diesel
Auckland	246	271	232
Hamilton	234	258	226
Tauranga	239	264	226
Wellington	236	259	220
Christchurch	244	262	230
Rest of NZ	250	272	234
All of NZ	246	269	232

Source: ID data; incorporates average discounts and excludes the Auckland Regional Fuel Tax. Green cells indicate the lowest fuel price and orange cells indicate the highest fuel price.

Strong price variation within the five largest cities continues across all fuel grades; Auckland still has the highest price variation

Our analysis of the five largest cities shows a trend that Auckland continues to have the widest price variation. Tables 9 and 10 provide the average daily price ranges for the September and December 2022 quarters respectively.

Table 9 - Average daily price range³² (cpl) over the September 2022 quarter

September 2022 quarter

Region	91	Premium	Diesel
Auckland	22	29	31
Hamilton	7	16	12
Tauranga	15	19	16
Wellington	14	22	19
Christchurch	5	10	8
Rest of NZ	37	45	48
All of NZ	26	34	36

Source: ID data

Table 10 - Average daily range (cpl) over the December 2022 quarter

December 2022 quarter

Region	91	Premium	Diesel
Auckland	38	42	40
Hamilton	18	22	20
Tauranga	14	21	18
Wellington	20	23	24
Christchurch	11	17	12
Rest of NZ	52	57	56
All of NZ	39	44	44

Source: ID data

Compared to the September 2022 quarter, the price variation between the most and least expensive sites in Auckland in the December 2022 quarter increased by 73% for Regular 91 (from 22 cpl to 38 cpl), by nearly 45% for Premium 95 and 98 (from 29 cpl to 42 cpl), and by 29% for Diesel (from 31 cpl to 40 cpl).³³ We see no reason for this increase in the price variation and are concerned that it may indicate weak retail competition.

Consumers who actively shop around can make significant savings due to the differences in prices within a region. Those consumers who do not compare prices or shop around may be paying more than they need to.

³² The average daily price range is the difference between the most expensive and the least expensive station in cents per litre.

³³ Prices incorporate average discounts and exclude the Auckland Regional Fuel Tax (ARFT).

In our last report, we set out a scenario with an average consumer based in Auckland and calculations. Our calculations showed potential annual savings for the average Auckland consumer of Regular 91 if they actively shopped around for the lowest fuel price of up to \$264 (and \$348 in the case of Premium 98).³⁴ Based on the price variation for the December 2022 quarter, we estimate that the average annual saving from actively shopping around could save a consumer up to around \$450 on Regular 91 each year if the variation for the December 2022 quarter persisted.

Regional price analysis: focus on Auckland and Wellington

Our price analysis for this report took an even deeper look at the retail fuel market within cities of New Zealand. A closer look at the prices in certain regions is likely to help our understanding of the competitive dynamics within regions.

For this report, we undertook a more detailed price analysis on Auckland and Wellington based on the information disclosed to us. We intend to examine Hamilton, Tauranga and Christchurch for the next report. We are also keen to look more closely at smaller regions, such as Whanganui and Northland.

The most expensive suburbs in Auckland for Regular 91 in the December 2022 quarter were Orakei (279 cpl) and Herne Bay (277 cpl). Hibiscus Coast (275 cpl) and Mission Bay (275 cpl) were among the most expensive suburbs. Mangere East (250 cpl) was the cheapest suburb in Auckland for Regular 91 in the December 2022 quarter.³⁵

The difference in price between the most expensive suburbs (Orakei and Herne Bay) and least expensive suburb (Mangere East) is 29 cpl.

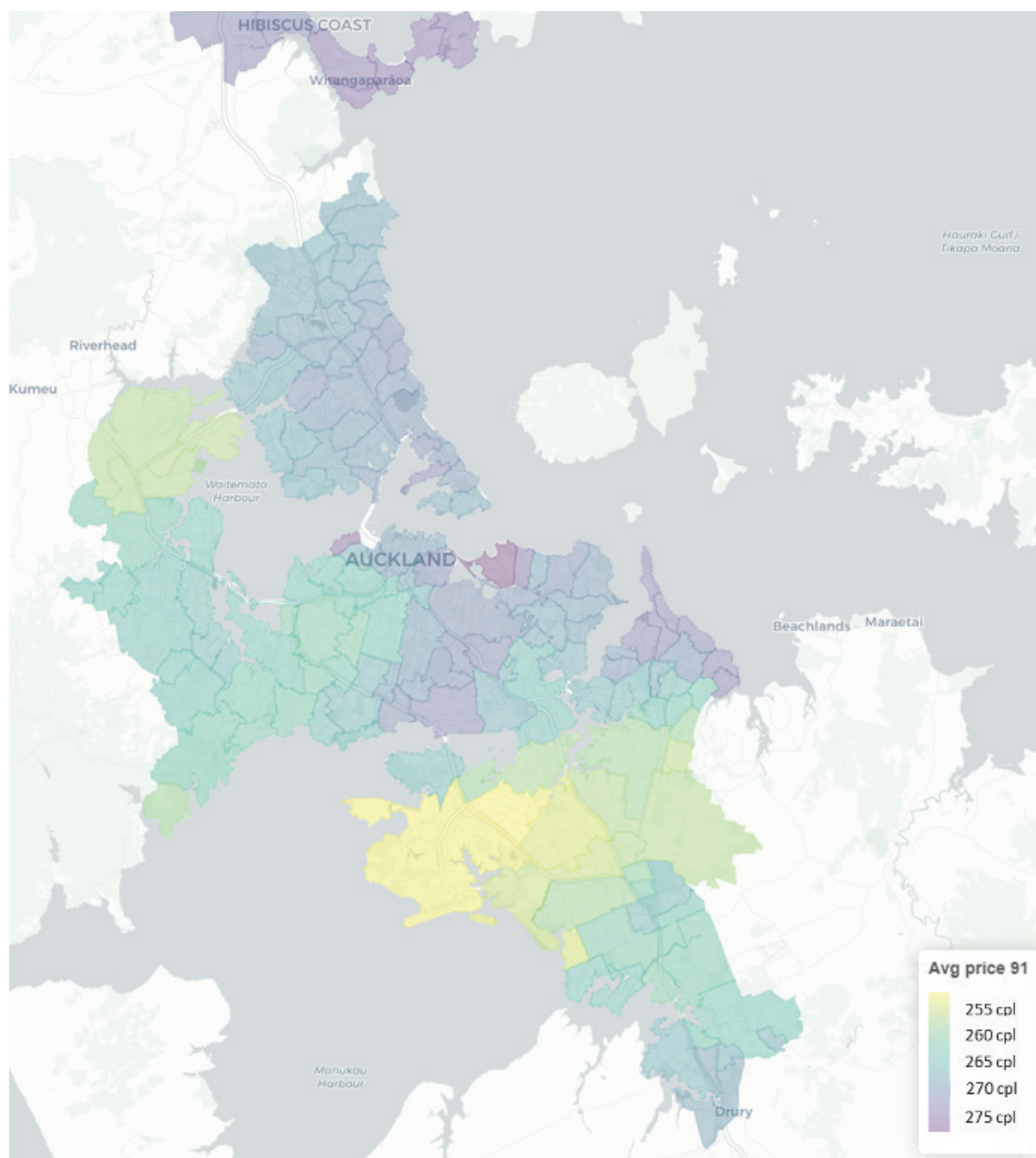
We encourage consumers to continue to actively shop around for the lowest fuel price close to their journey. By shopping around to find lower priced stations, consumers can save money and encourage higher priced stations to lower prices to maintain sales.

Figure 7 below is a map of Auckland showing the most expensive and least expensive suburbs using averaged Regular 91 prices over the December 2022 quarter.

34 This estimated annual saving of \$264 is calculated using the average annual purchase of 1200 litres multiplied by the price difference for Regular 91 in Auckland of 22 cpl for the September 2022 quarter. Similarly, for Premium 98, using the estimated price variation of 29 cpl for the September 2022 quarter. The information disclosed to the Commission by importers shows Auckland has the widest price variation, so this scenario has higher potential savings than other regions. These savings do not take into account the cost to drive/travel between retail sites. The purpose is to illustrate that the average consumer could make savings if they actively shop around retail sites, due to the observed difference in fuel prices for all fuel types within a city. Our assumption is based on the available evidence. Research shows the average consumer drives about 12,000 kilometres in a year (Ministry of Transport, "New Zealand Household Travel Survey 2014-2015", 2015, <https://www.transport.govt.nz/assets/Uploads/Report/Drivers-Travel-Survey-2015.pdf>). The average fuel consumption could be assumed to be around 10 litres per 100 kilometres: https://australasiantransportresearchforum.org.au/wp-content/uploads/2022/03/ATRF2015_Resubmission_9.pdf, or around 9.5L/100km: <https://www.transport.govt.nz/about-us/what-we-do/queries/buying-a-light-vehicle/>. If that is the case, the average consumer purchases 1200 litres of fuel.

35 Prices are based on information disclosed to the Commerce Commission under the Fuel Industry Regulations 2021: https://www.legislation.govt.nz/regulation/public/2021/0174/latest/LMS511696.html?search=qs_act%40bill%40regulation%40deemedreg_fuel+industry+regulations_resel_25_h&p=1&sr=1

Figure 7 - Map of Auckland showing the areas with the most and least expensive retail fuel price sites for Regular 91



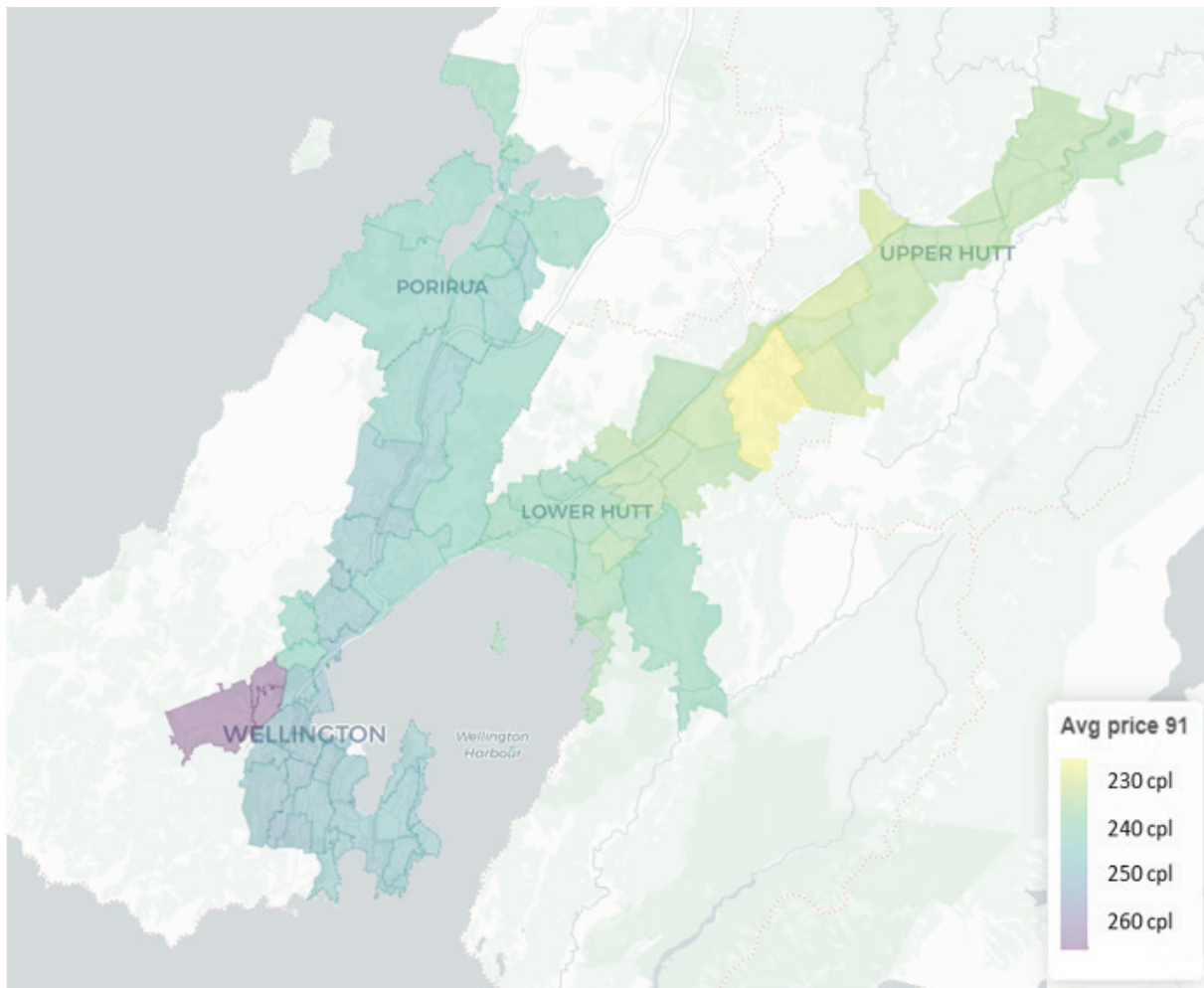
Source: ID data

Karori was the most expensive suburb in Wellington with the highest average prices for Regular 91 (263 cpl) over the December 2022 quarter. Stokes Valley was the least expensive (230 cpl).

The difference in price between the most expensive suburb (Karori) and least expensive suburb (Stokes Valley) is 33 cpl.

Figure 8 below is a map of Wellington showing the most expensive and least expensive suburbs using averaged Regular 91 prices over the December 2022 quarter.

Figure 8 - Map of Wellington showing the areas with the most and least expensive retail fuel price sites for Regular 91



Source: ID data

Retail discounts remained stable across the June to December 2022 quarters

A number of retailers offer discounts on the retail board price for fuel. Discounts are offered through supermarket dockets and loyalty programmes (eg, fuel cards, AA Smartfuel, AirPoints, FlyBuys, Mobil Smiles, Z Pumped).

Fuel importers are required to disclose certain information to us on a quarterly and annual basis related to discounts offered.³⁶ The information disclosed to us helps to calculate an average level of discount by fuel type. Our methodology for this calculation is shown in Table 11 below.

Table 11 - Methodology for determining average retail discount levels

Average discount =	Calculation
Calculated revenue from ID	(retail board price * volume sold)
Less	-
Actual revenue from ID	(actual revenue received from volume sold)
Divided by	/
Total sales volume from ID	(actual total litres sold)

Fuel importers are also obliged to disclose information relating to certain discounting or loyalty programmes on an annual basis, by September of each year.³⁷ We will be able to provide further analysis and information once this annual information is received.

Our analysis of information disclosed to us on discounts shows that retail discounts remained at stable levels across the June, September and December 2022 quarters.

The changes in average discounts by fuel type from the June 2022 quarter to the December 2022 were as follows:

- **Diesel:** the average discount increased by 1 cpl from 16 cpl to 17 cpl. We note the price for Diesel decreased by 11 cpl over the same period, making the discount proportionally high
- **Premium 98:** discounts increased 1 cpl from 5 to 6 cpl; and
- **Regular 91 and Premium 95:** discounts were unchanged at 6 cpl.

Figure 9 below shows the average discounted prices for all fuel types from June to December 2022. We note the significantly higher average discount for Diesel over the June to December 2022 period compared to Regular 91 and Premium 95 and 98.

³⁶ See 17L(4)(b) of the Regulations.

³⁷ See 17H of the Regulations.

Figure 9 – Average discounted prices (cpl) for all fuel types from June to December 2022 (left) with the discount applied (right)

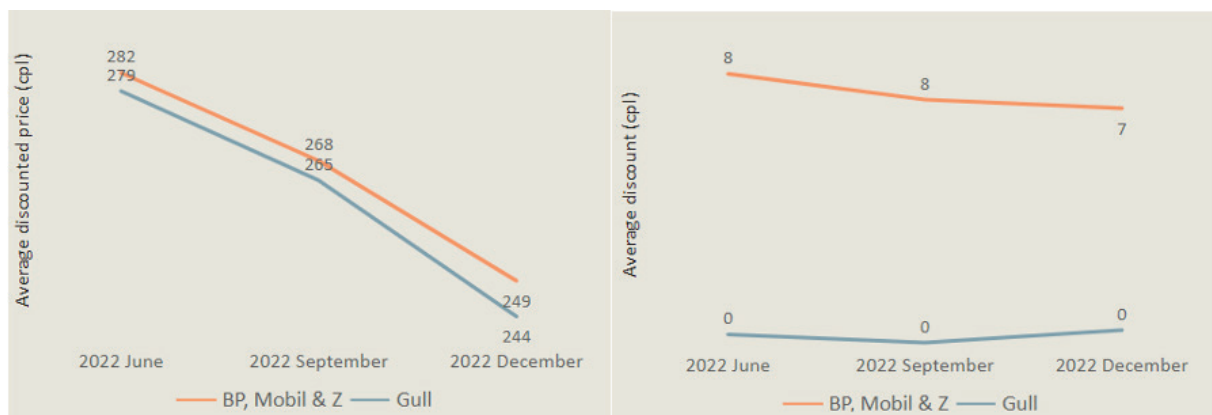


Source: ID data

Our analysis of fuel importer retail prices for Regular 91 across New Zealand continues to show that discounts and loyalty programmes do not always represent the best value for consumers.

During the December 2022 quarter, the retail prices of BP, Mobil and Z – who offer discounting or loyalty programmes – were on average higher than the retail prices of Gull, who competes on the retail board price. This difference in retail prices increased slightly in the December 2022 quarter (5 cpl), compared to previous quarters (3 cpl), as shown in Figure 10 below.

Figure 10 - Discounted premium (cpl) from June to December 2022 (left) with the average discount applied (right)



Source: ID data

These findings, and the continued variation observed in prices within regions indicate consumers should actively 'shop around' for the lowest nearby fuel price.

Increased retail site changes in December 2022 quarter compared to September 2022 quarter, but still minimal

Importers disclose information to us on the addresses of all new retail fuel sites that the importer began supplying in the quarter and addresses of all retail fuel sites that the importer ceased to supply in the quarter.³⁸

38 See 17L(2) of the Regulations.

The information disclosed to us for the December 2022 quarter shows increased but minimal site supply changes: from a total of 1,178 sites, importers began to supply four sites in the quarter, and ceased to supply six in the quarter. This is slightly higher than the September 2022 quarter where they began to supply five retail fuel sites and ceased to supply three in that quarter.

This change appears relatively small. However, the location of a site is important. If sites are closed where there are already only a few fuel stations for consumers to choose from, it will decrease competition intensity and give remaining sites more flexibility to set their prices. Upcoming annual information disclosed may assist in understanding the competitive dynamics in this area.

Table 12 below shows the number of fuel sites that importers started and stopped supplying over the September and December 2022 quarters.

Table 12 – Comparison of site supply in the September and December 2022 quarters

Importer	September 2022 quarter				December 2022 quarter			
	Current	Started	Stopped	Final	Current	Started	Stopped	Final
BP	397	1	0	398	398	0	0	398
Gull	92	0	0	92	92	1	0	93
Mobil	174	1	0	175	175	0	0	175
Z	512	3	-3	512	512	3	-6	509
Total	1175	5	-3	1177	1177	4	-6	1175

Source: ID data

Wholesale prices and volumes

Key findings

The decrease in domestic fuel prices is reflected in the global crude oil prices over the December 2022 quarter. Prices decreased across the wholesale market over the June to December 2022 quarters; mainly in fixed wholesale contracts. The average Diesel price was down 13 cpl from the June 2022 quarter after rising in the September 2022 quarter. The price for Regular 91 and Premium 95 and 98 were also down (33-36 cpl) compared to the June 2022 quarter.

A liquid spot market had not yet developed from the TGP regime, and the wholesale market remained contract-based. The majority (89%) of volume sold was from fixed wholesale contracts (FWC) in the December 2022 quarter.

Sales volumes in the wholesale market increased by over 135 million litres (or 14%) in December 2022 compared to the previous quarter. TGP sales continued to be very low.

We have observed that purchasers of fuel in the wholesale market have increasingly bought fuel from other suppliers in addition to their standard supplier. We also note an increase in purchasers buying from more than one supplier over the three quarters (from 39% to 42%).

Wholesale prices continued to decrease in the December 2022 quarter, compared to previous quarters

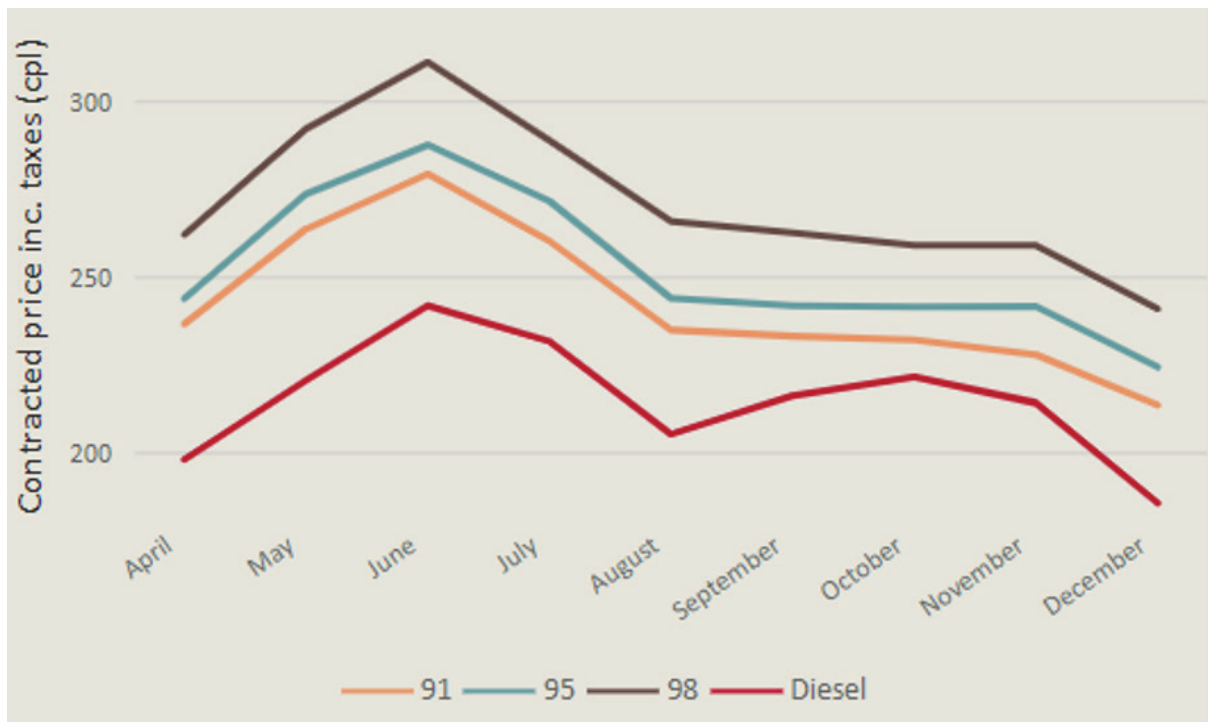
Prices for sales under fixed wholesale contracts in December were back below their April levels after rising sharply during the June quarter. This is mainly attributed to international crude oil price fluctuations.

Wholesale prices decreased mainly in fixed wholesale contracts:

- average Diesel price down 13cpl from the June 2022 quarter, after rising in the September 2022 quarter;
- average Regular 91 price down 36cpl from the June 2022 quarter;
- average Premium 95 price down 33cpl from the June 2022 quarter;
- average Premium 98 down 36cpl from the June 2022 quarter.

Figure 11 below shows the overall decrease in prices under fixed wholesale contracts over the June to December 2022 period.

Figure 11 – Fixed wholesale contract prices decreased over the June to December 2022 quarters



Source: ID data

Table 13 below sets out the wholesale prices (cpl) for all fuel types over the June to December 2022 quarters.

Table 13 – Wholesale prices (cpl) for all fuel types over the June to December 2022 quarters

QUARTER		June 2022 quarter	September 2022 quarter	December 2022 quarter
Type of sale	Fuel type	Price (inc. taxes)	Price (inc. taxes)	Price (inc. taxes)
Fixed wholesale contract	91	260	242	224
	95	268	252	235
	98	288	272	252
	Diesel	220	217	207
Other Contract	91	-	218	206
	95	281	238	219
	98	253	-	203
	Diesel	209	198	193
Terminal Gate Price	91	267	265	237
	95	286	302	-
	Diesel	234	244	-

Source: ID data; Note: 'TGP sales' are made on a posted TGP price. Prices for these sales do not align with the posted TGP prices where TGP discounts are applied. Wholesale suppliers are not required to post a TGP for Premium 98 under the Fuel Industry Act 2020. However, we have included data on Premium 98 where available.

Regular 91 and Premium 95 TGP's remain high; TGP premiums slightly decreased over the year before rising in December 2022

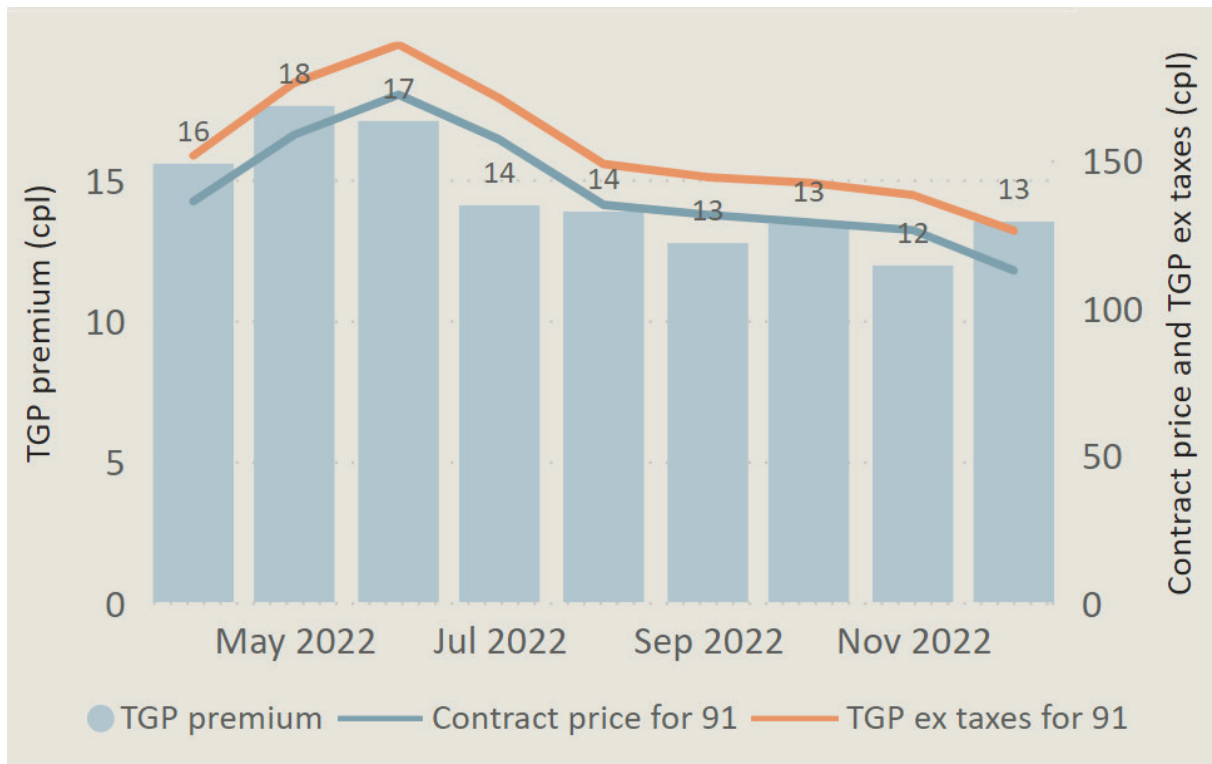
TGP's remain high compared to prices in fixed wholesale contracts.

The gap between TGP's and the wholesale contract price ("TGP premium") slightly decreased from September to December 2022 quarters compared to the June 2022 quarter:

- from April to December, the TGP premium on Regular 91 fluctuated from a high of 18 cpl (May) to 12 cpl (November); the TGP premium rose again in December.
- from April to December, the TGP premium on Premium 95 fluctuated from a high of 23 cpl (May) to 18 cpl (July and November).
- from April to December, the TGP premium for Diesel decreased from 19 cpl to 16 cpl; the TGP premium remained around 16 cpl from July to December 2022, with a small dip in November 2022.

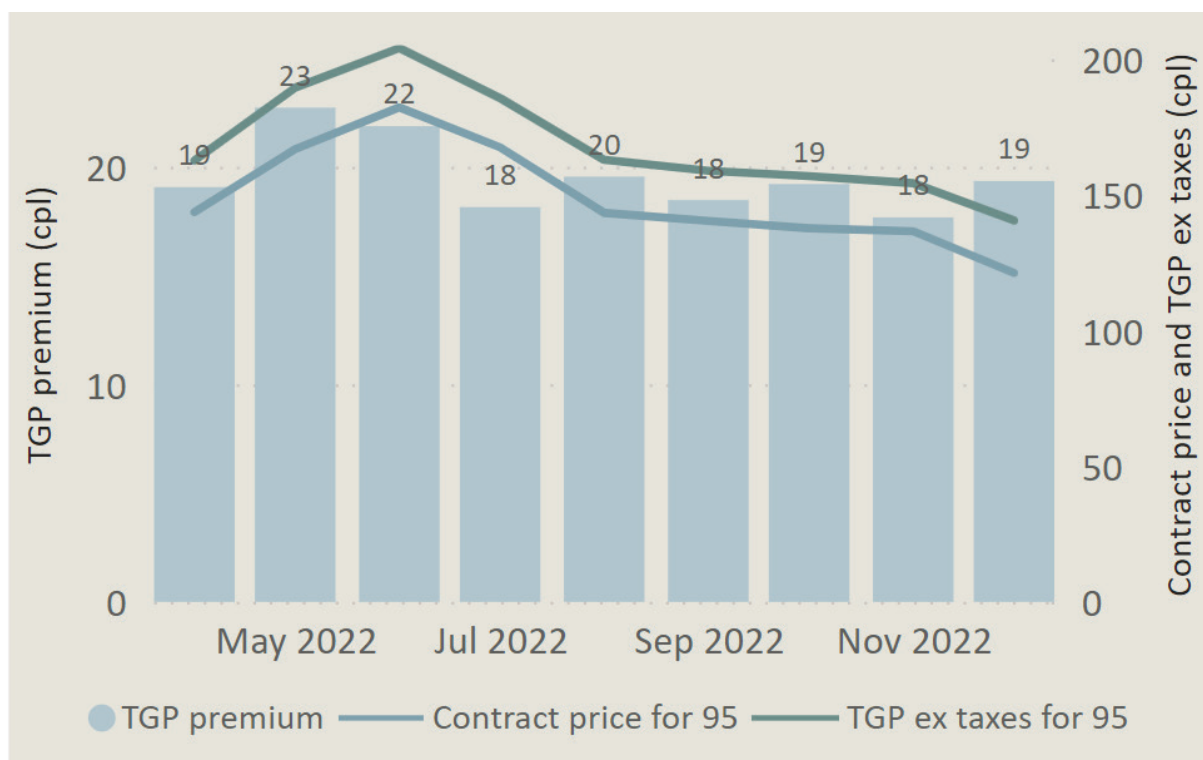
Figures 12 to 14 below illustrate the fixed wholesale contract price, TGP price (excl. taxes) and the TGP premium over the June to December 2022 quarters.

Figure 12 – Regular 91 – Fixed wholesale prices, TGP prices and TGP premium



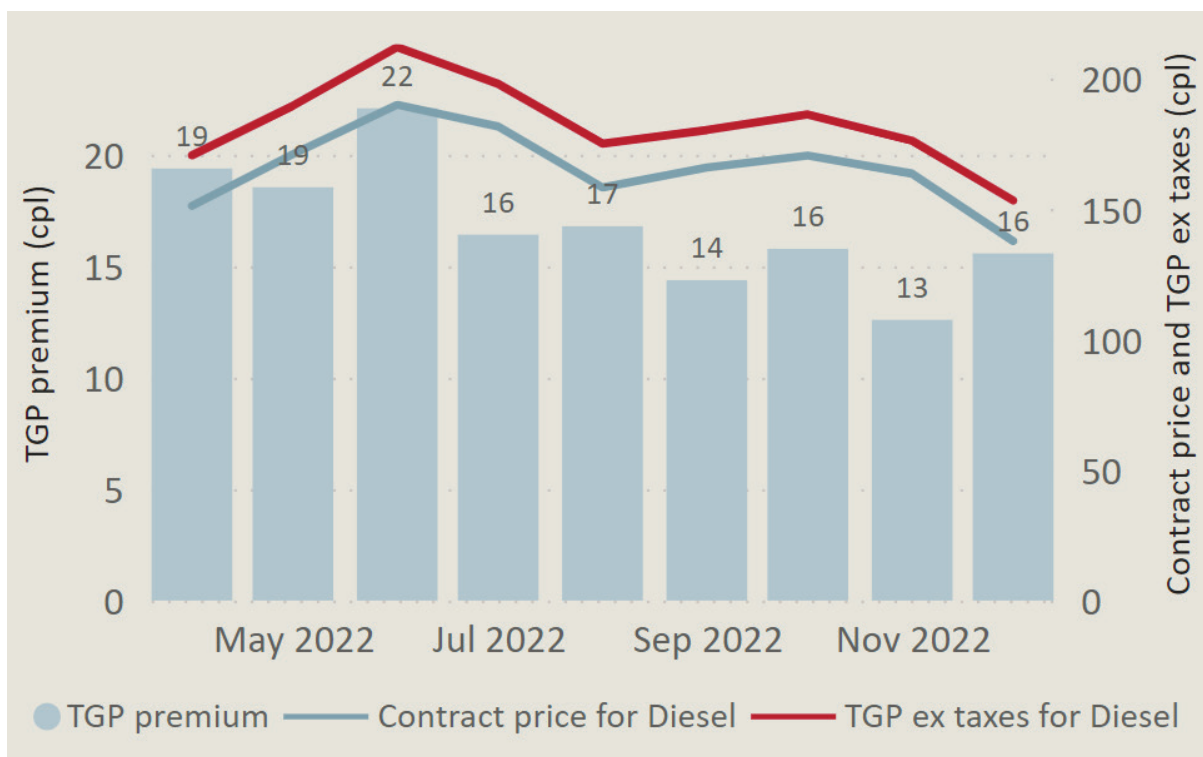
Source: ID data; Note that 'TGP sales' are sales made based on a posted TGP price

Figure 13 – Premium 95 – Fixed wholesale prices, TGP prices and TGP premium



Source: ID data

Figure 14 – Diesel – Fixed wholesale prices, TGP prices and TGP premium



Source: ID data

Wholesale sales volumes increased again (except TGP volumes) in December 2022 quarter, with the majority of sales still under fixed wholesale contracts

The total sales volumes between importers and/or distributors increased from the September to the December 2022 quarter by around 135ML (14%). This increase is largely attributed to an increase in volumes sold under fixed wholesale contracts (up 101ML) and other contracts (up by 34.1ML). The volumes sold under TGPs remained minimal (down from 41,000L to 300L).

- The majority (89%) of volume sold was from fixed wholesale contracts in the December 2022 quarter.
- Fixed wholesale contract volumes increased by 101ML (7%) in the December 2022 quarter compared to the September 2022 quarter.
- Other contracted wholesale sales volumes increased by 34.1 ML (39%) between the September and December 2022 quarters.
- TGP sales totalled 300L for the December 2022 quarter. This quantity is below the minimum volume threshold of 5,000L in the Regulations so it may not constitute a “TGP sale”.

Table 14 – Wholesale volumes (ML) by sale type by quarter

	June 2022 quarter	September 2022 quarter	December 2022 quarter
Type of sale	Sales (ML)	Sales (ML)	Sales (ML)
Fixed wholesale contract	821.9	865.2	966.2
Other Contract	25.3	88.0	122.1
Terminal Gate Price	0.1	0.0 ³⁹	0.0 ⁴⁰
Total	847.3	953.3	1088.3

Source: ID data

Table 15 – Wholesale volumes (ML) by fuel type by quarter

	June 2022 quarter	September 2022 quarter	December 2022 quarter	Total
Fuel type	Sales (ML)	Sales (ML)	Sales (ML)	Sales (ML)
Diesel	529.4	589.1	662.7	1781.3
91	243.7	283.9	328.9	856.4
95	66.5	73.5	87.6	227.6
98	7.8	6.8	9.1	23.7
Total	847.3	953.3	1088.3	2888.9

Source: ID data

The share of Diesel in wholesale market volumes is 62%. This is significantly higher than the share of Diesel in the retail market (45%) across the three 2022 quarters (see Table 16 and Figure 15 for more detail).

³⁹ Despite it reading as 0.0, to note that 41,000 litres of TGP sales occurred in the September 2022 quarter.

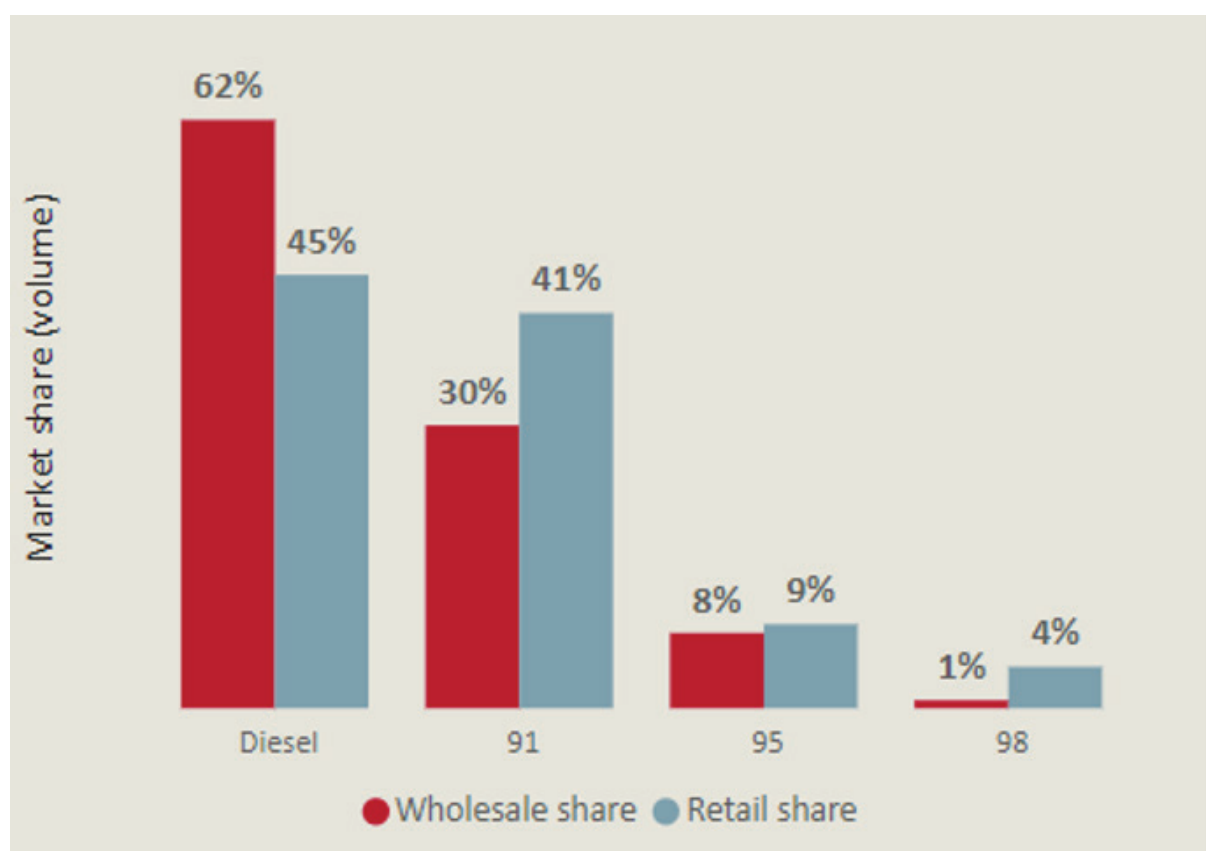
⁴⁰ Despite it reading as 0.0, to note that 300 litres of TGP sales occurred in the December 2022 quarter (and 41,000 litres in the September 2022 quarter).

Table 16 – Wholesale volumes (%) by fuel type by quarter

Fuel type	June 2022 quarter	September 2022 quarter	December 2022 quarter	Total
Diesel	62%	62%	61%	62%
91	29%	30%	30%	30%
95	8%	8%	8%	8%
98	1%	1%	1%	1%
Total	100%	100%	100%	100%

Source: ID data

Figure 15 – Wholesale and retail volumes (%) by fuel type from April to December 2022



Source: ID data

Majority of wholesale purchasers bought fuel from one supplier only

The majority of wholesale purchasers buy fuel from only one supplier. Under wholesale contracts, a purchaser may be obliged to buy a certain proportion of fuel from one supplier. Under the Act, a provision in a fixed wholesale contract is of no effect to the extent that it requires the distributor to purchase from the wholesale supplier more than the maximum percentage.⁴¹ The “maximum percentage” prescribed in the Regulations is 80%.⁴² This provides distributors with the option of sourcing fuel from multiple suppliers. We are therefore interested in how many wholesale customers are reliant on a single supplier.

⁴¹ Section 18 of the Act.

⁴² See 15 of the Regulations.

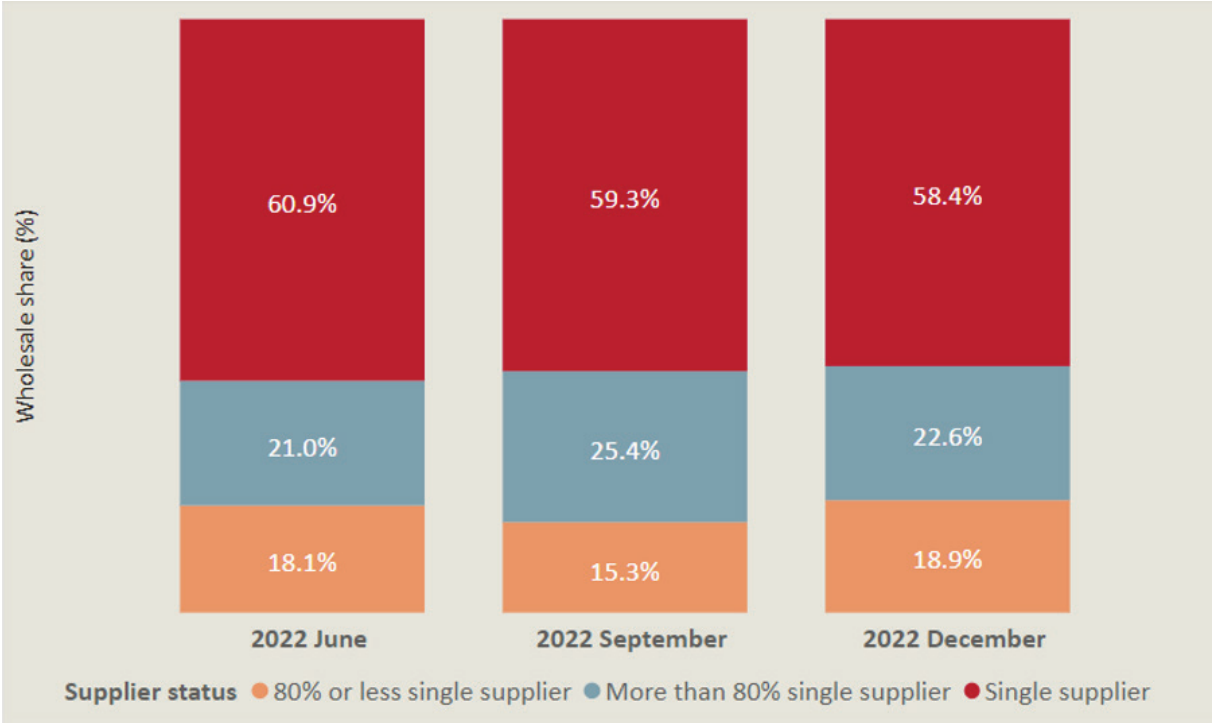
During the December 2022 quarter, information disclosed shows that 341 out of 349 wholesale customers were provided with fuel by one supplier only. The total proportion of the wholesale market where purchasers are supplied by a single supplier is 58.4% by volume.

Slight increase in wholesale supply from multiple suppliers from June to December 2022 quarters

Our analysis shows a positive trend for competition in that wholesale customers slightly diversified their source of fuel supply over the June to December 2022 quarters. The total volume of fuel sourced from a single supplier decreased (60.9% to 58.4%) over the June to December 2022 quarters (see Figure 16 below). The total amount of fuel sourced from more than one single supplier (“80% or less” + “more than 80% single supplier”) increased from the June 2022 quarter (39%) to the December 2022 quarter (42%).

The continuing trends of a slight decline in wholesale volumes sourced from a single supplier and overall increase in wholesale market volume remain an encouraging sign in terms of competition.

Figure 16 – Wholesale volumes by supplier status by quarter



Source: ID data

Table 17 below shows the number of purchasers of wholesale fuel, volume sold and breakdown of suppliers (single or multiple) over the June to December 2022 quarters in more detail.

Table 17 – Wholesale volumes (ML) by single and multi-source suppliers by quarter

QUARTER (Groups)	June 2022 quarter		September 2022 quarter		December 2022 quarter	
Supplier status	Volume (ML)	Number of clients	Volume (ML)	Number of clients	Volume (ML)	Number of clients
Single supplier	516.2	317	565.4	345	636.1	341
More than 80% single supplier	178.1	3	242.5	5	246	3
80% or less single supplier	153.1	4	145.4	3	206.2	5
Total	847.3	324	953.3	353	1088.3	349

Source: ID data; note that the September 2022 data in this table is slightly different to that reported in the September 2022 report.

Note: '1 – Single Supplier' means that 1062.8 million litres were purchased by customers who each used only one supplier for all of their fuel requirements. '2 – More than 80% Single Supplier' means that 342 million litres were purchased by customers who each used one supplier for between 80 and 99% of their fuel requirements. '3 – 80% or less from single supplier' means that 345.5 million litres of fuel were purchased by customers who each source their fuel requirements from multiple suppliers, with no supplier supplying more than 80% of their required volume.

Terminal Gate Price analysis

Key findings

Terminal Gate Prices continued to be higher than expected in the December 2022 quarter. Analysis of the last three quarters shows New Zealand TGPs are high compared to the average fixed wholesale contract prices and Australian TGPs. In the December 2022 quarter the difference between average TGPs and average wholesale contract prices was approximately 11 cpl for Regular 91, 17 cpl for Premium 95, and 13 cpl for Diesel, adjusting for taxes.

Regular 91 importer costs and TGPs slightly decreased in the December 2022 quarter from the September 2022 quarter. Diesel importer costs and TGPs also declined in the December 2022 quarter, but to a lesser extent.

We will continue to monitor whether, and how, changes in costs are reflected in posted TGP levels.

As noted in our first and second quarterly reports, a liquid spot market is yet to develop. In the June 2022 quarter, TGP sales were 122,000 litres (0.014% of total wholesale sales); in the September 2022 quarter, the volume of TGP sales was 41,000 litres (0.004% of the total); and in the December 2022 quarter, the volume of TGP sales was 300 litres.

Terminal Gate Price (TGPs)

A TGP is a wholesale price offered by fuel importers for spot sales of fuel supplied at the 'terminal gate'. Fuel importers have been required to offer and publish TGPs for certain types of fuel (Regular 91, Premium 95 and Diesel) at their terminal facilities since 11 August 2021.

The TGP regime was introduced to:

- allow the potential for a liquid wholesale spot market to develop;
- reduce barriers to entry and expansion for both importers and distributors;
- provide greater pricing transparency for distributors and dealers, to rebalance bargaining power and increase the likelihood of switching; and
- provide transparent benchmark information for industry and government to reveal any use of market power in regions where importer competition is weak.⁴³

The analysis provided in this chapter helps to inform whether this purpose is being achieved.

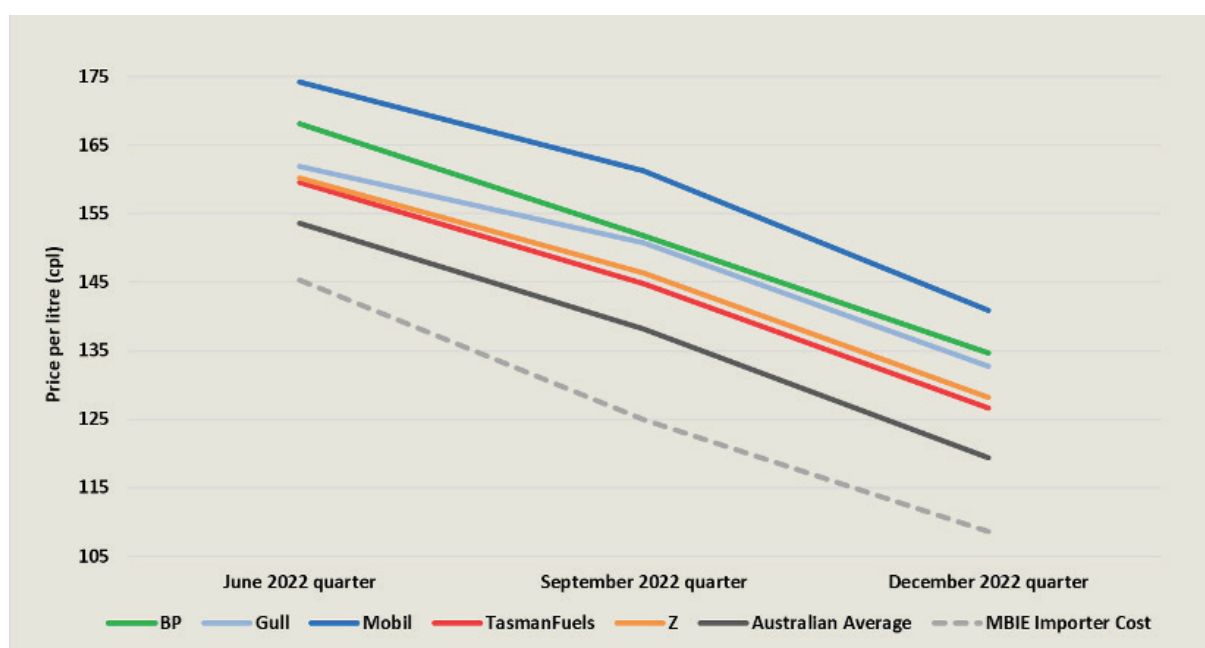
TGPs in New Zealand continue to appear high compared to Australian TGPs and New Zealand wholesale prices

New Zealand TGPs remain high compared to both Australian TGPs and average wholesale prices in New Zealand.

On average, Mobil's TGPs in New Zealand were the highest across the last three quarters while Tasman Fuels has had the lowest TGPs (from their single Timaru terminal). Tasman Fuels' TGPs for Premium 95, in particular, have closely tracked the average Australian TGP across the last three quarters.

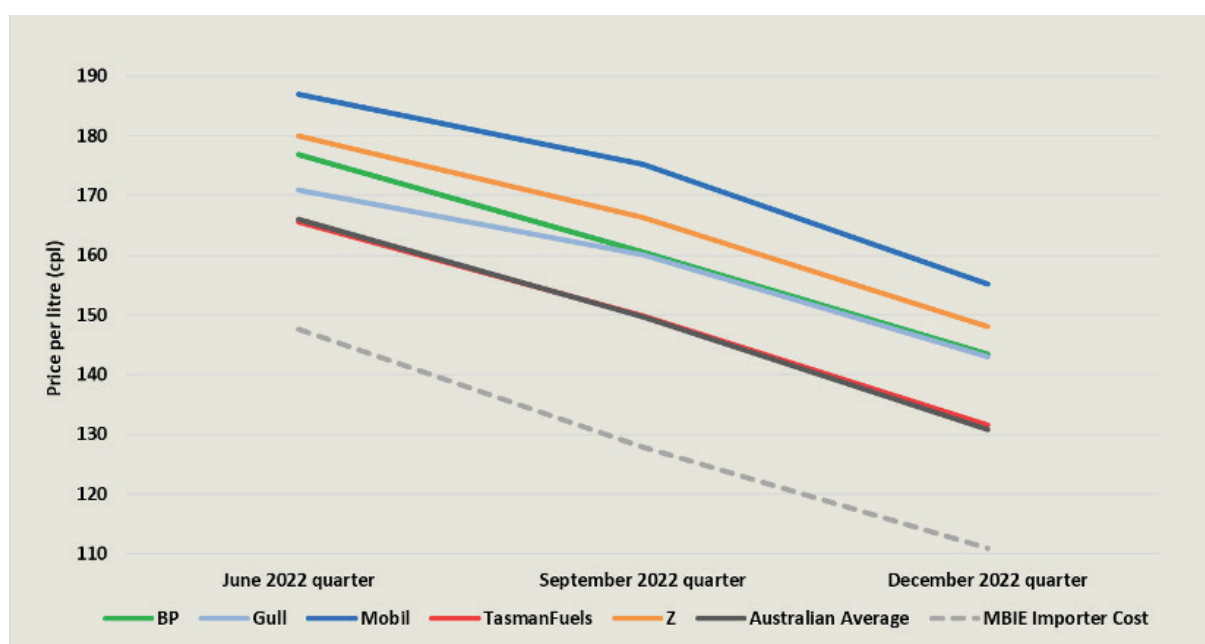
43 Ministry of Business, Innovation and Employment, Regulatory impact statement: <https://www.mbie.govt.nz/dmsdocument/11217-regulatory-impact-statement-fuel-industry-bill-p.28>.

Figure 17 – Quarterly Regular 91 TGP averages by supplier (excl. taxes)



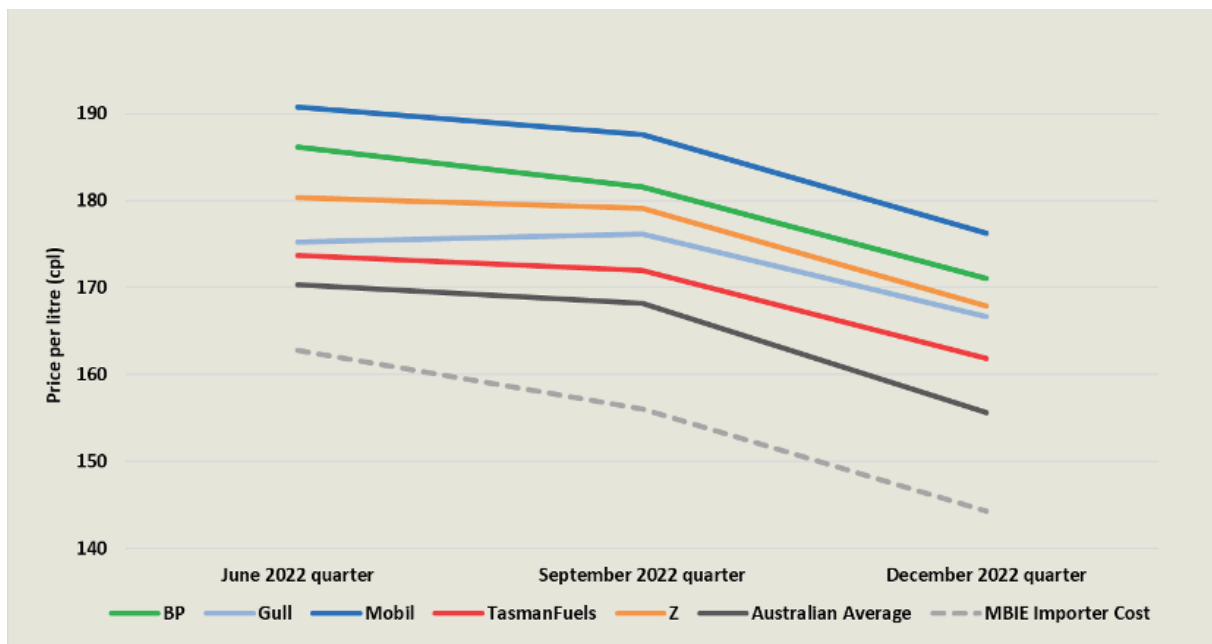
Source: ID data; Australian Institute of Petroleum; and MBIE weekly fuel monitoring data.

Figure 18 – Quarterly Premium 95 TGP averages by supplier (excl. taxes)



Source: ID Data; Australian importer websites; Australian Institute of Petroleum (the Australian TGP data covers the seven main port locations in Australia); and MBIE weekly fuel monitoring data.

Figure 19 – Quarterly Diesel TGP Averages by Supplier (excl. taxes)

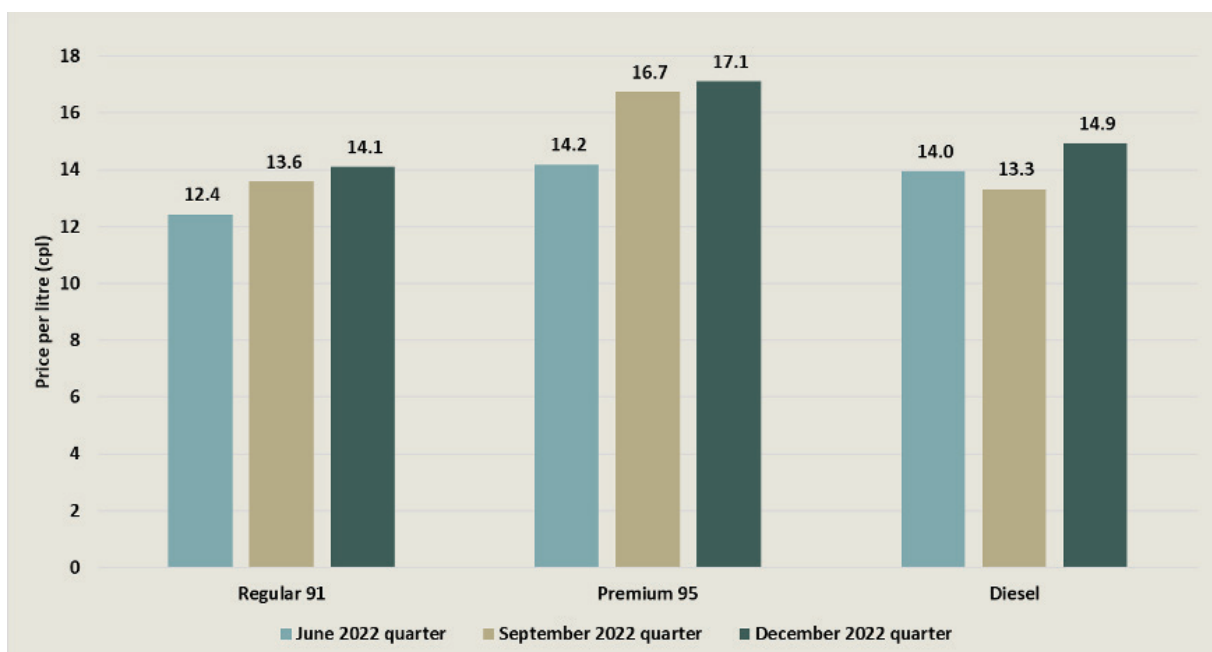


Source: ID data; Australian Institute of Petroleum; and MBIE weekly fuel monitoring data

Between the September 2022 quarter and the December 2022 quarter, the difference between New Zealand and Australian TGPs has increased:

- for Regular 91, the difference increased from 13.6 cpl to 14.1 cpl;
- for Premium 95, the difference increased from 16.7 cpl to 17.1 cpl; and
- for Diesel, the difference increased from 13.3 cpl to 14.9 cpl.

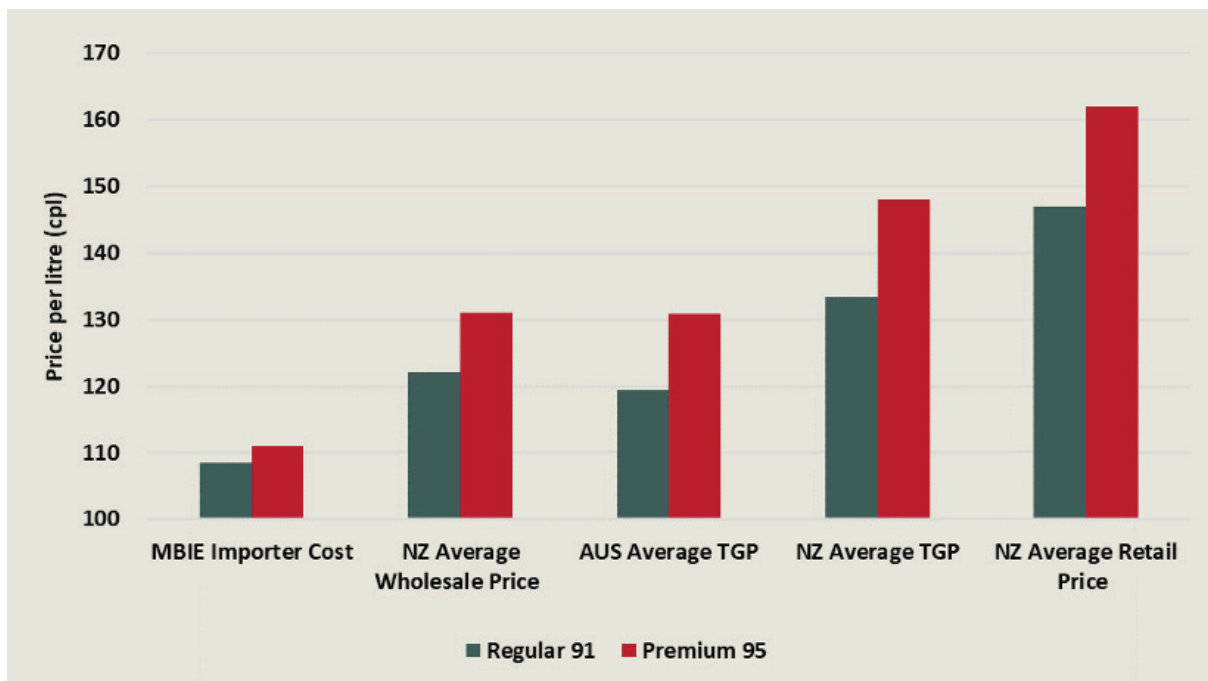
Figure 20 – Average NZ TGP less average Australia TGP (excl. taxes)



Source: MBIE; ID Data; Australian importer websites; Australian Institute of Petroleum (the Australian TGP data covers the seven main port locations in Australia).

During the December 2022 quarter, TGP_s remained significantly higher than average wholesale prices in New Zealand. The average wholesale prices in New Zealand were higher than the Australian TGP_s in the December 2022 quarter (in previous quarters, the average wholesale prices in New Zealand were lower than the Australian TGP_s).

Figure 21 - Average quarterly TGP_s for Regular 91 and Premium 95 (excl taxes, levies, ETS costs) compared to other benchmarks - December 2022 quarter

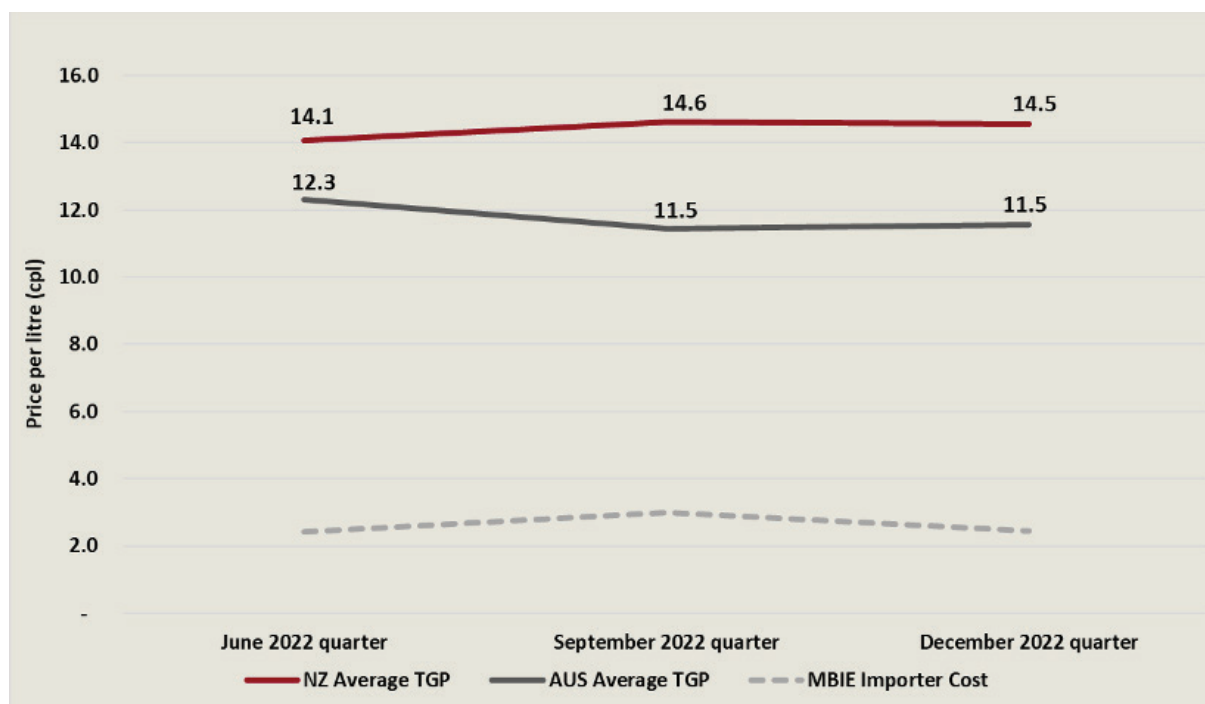


Source: MBIE; ID Data; Australian importer websites; Australian Institute of Petroleum (the Australian TGP data covers the 7 main port locations in Australia).

The spread between Regular 91 and Premium 95 TGP_s has remained largely unchanged across the last three quarters

The spread between the average TGP_s for Regular 91 and Premium 95 was 14.1 cents in the June 2022 quarter, 14.6 cents in the September 2022 quarter and 14.5 cents in the December 2022 quarter.

Figure 22 – Spread between Regular 91 and Premium 95 TGPs and spread between Regular 91 and Premium 95 importer costs



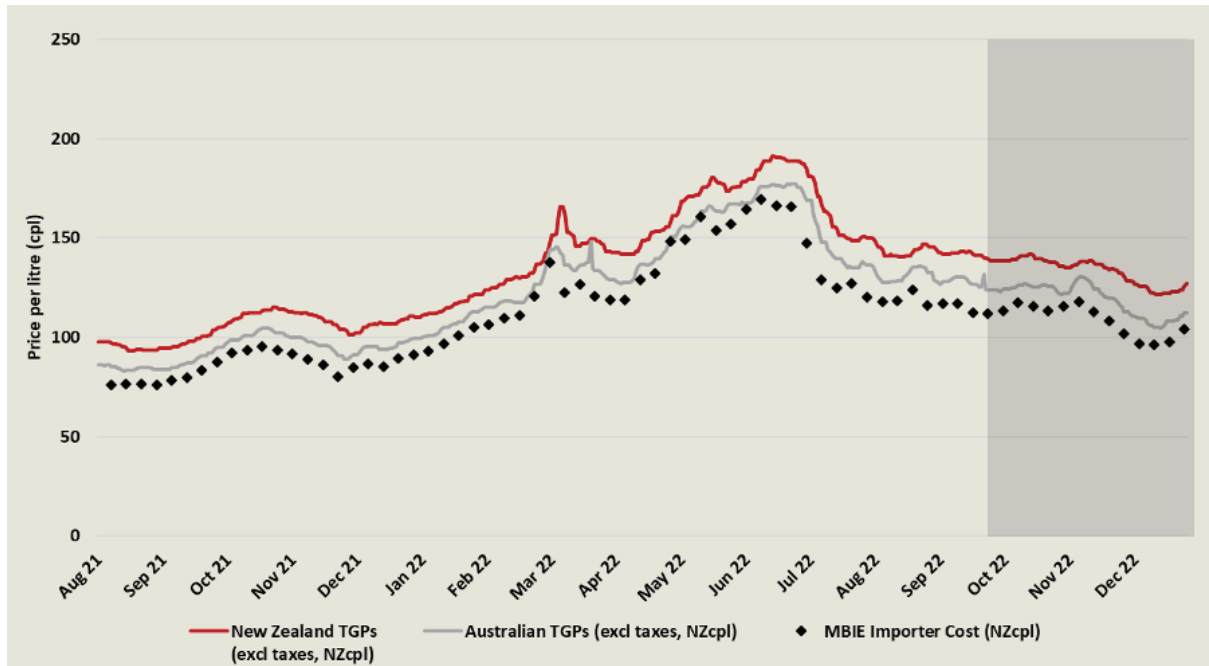
Source: MBIE; ID Data; Australian importer websites; Australian Institute of Petroleum (the Australian TGP data covers the 7 main port locations in Australia).

Regular 91: Importer costs and TGPs showed a small decrease in the December 2022 quarter

The difference between the average TGP and average importer cost decreased in the December quarter compared to the previous quarter for Regular 91.

We will continue to monitor if these changes to costs are apparent in TGP posted price levels.

Figure 23 – Average Regular 91 TGPs (excluding taxes) for New Zealand and Australia and importer costs



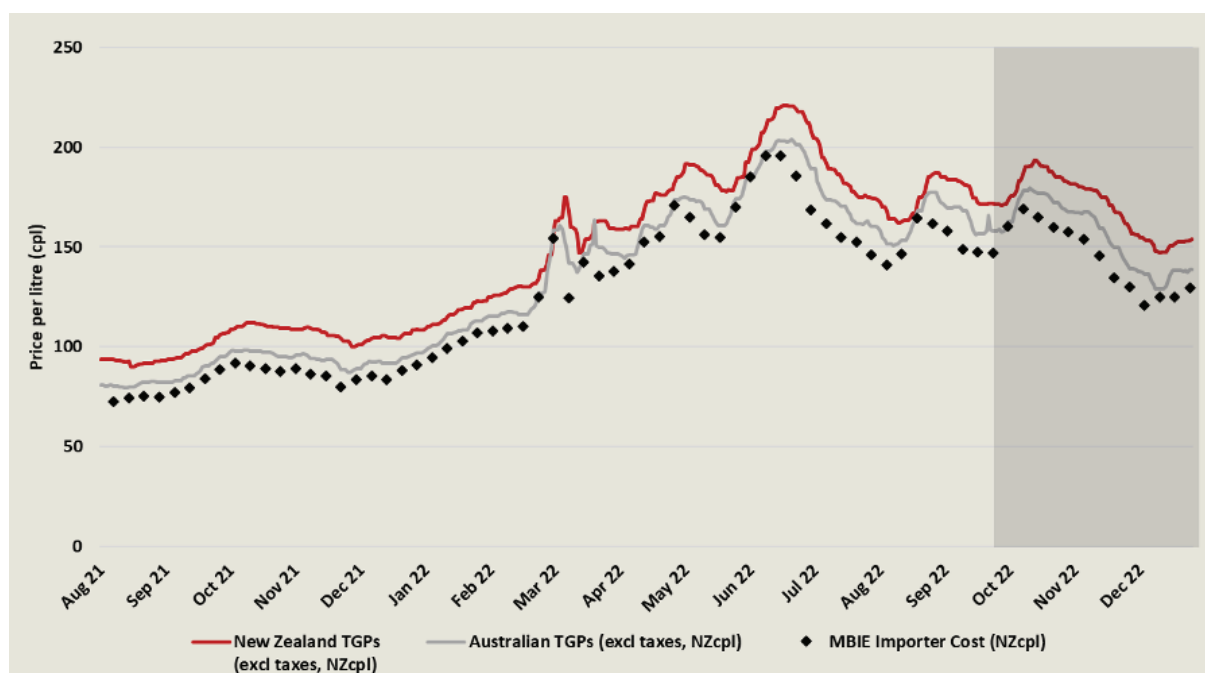
Source: ID Data; Australian Institute of Petroleum; MBIE.

Diesel: Importer costs and TGPs both decreased in the December 2022 quarter

The difference between the average TGP and average importer cost remained largely unchanged in the December 2022 quarter compared to the previous quarter for diesel, with both TGPs and costs decreasing toward the end of 2022.

We will continue to monitor when and if these falling costs are apparent in TGP posted price levels.

Figure 24 – Average Diesel TGP (excluding taxes) for New Zealand and Australia and importer costs



Source: ID Data; Australian Institute of Petroleum; MBIE.

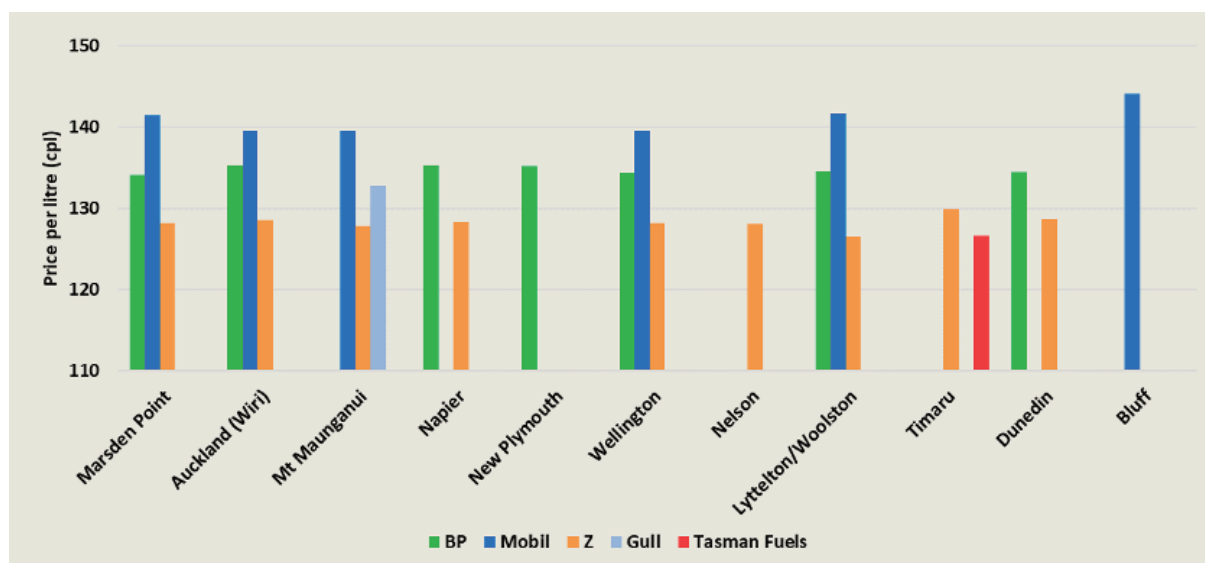
Continued variation in TGPs offered by fuel importers

As found in previous quarterly reports, there is some variation in TGPs offered by the same fuel importers at their different terminal sites:

- Mobil had the largest spread in TGPs during the quarter of approximately 4.3 to 4.6 cpl;
- The spread in BP's TGPs is approximately 1.3 to 2.2 cpl; and
- The spread in Z Energy's TGPs is approximately 2.1 to 3.5 cpl.

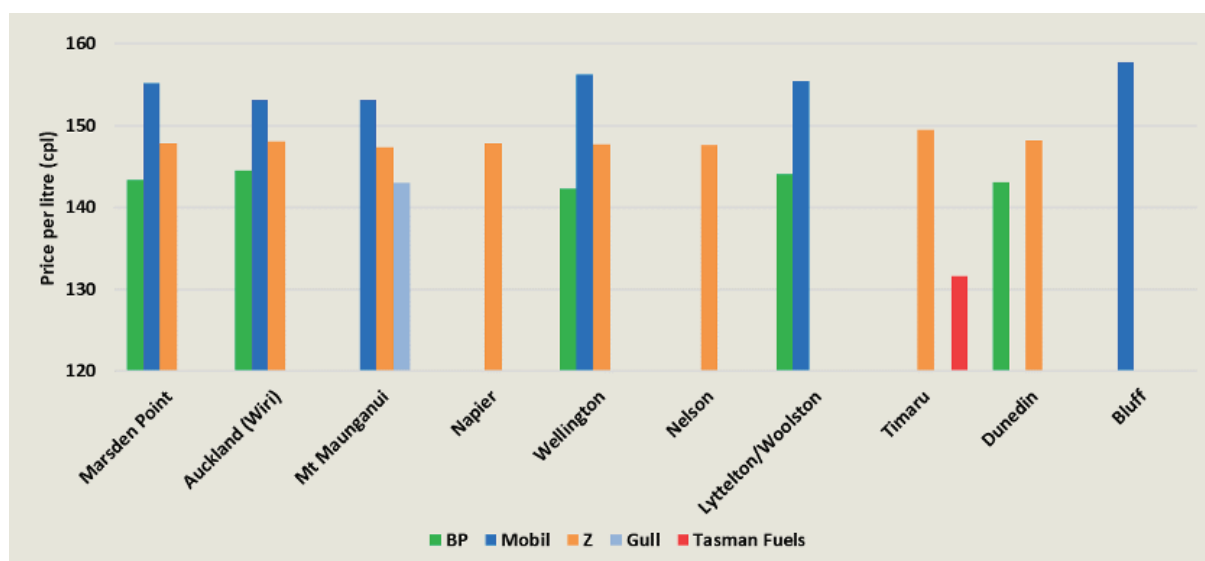
Of the importers with multiple terminals, Mobil typically has the highest TGPs at each location across all fuel types, while Z Energy is the lowest for Regular 91 and Diesel, and BP the lowest for Premium 95. This order of average TGPs is the same that has been observed in the previous two quarterly reports.

Figure 25 – Average TGP (excluding taxes, levies, ETS costs) for Regular 91 – December 2022 quarter



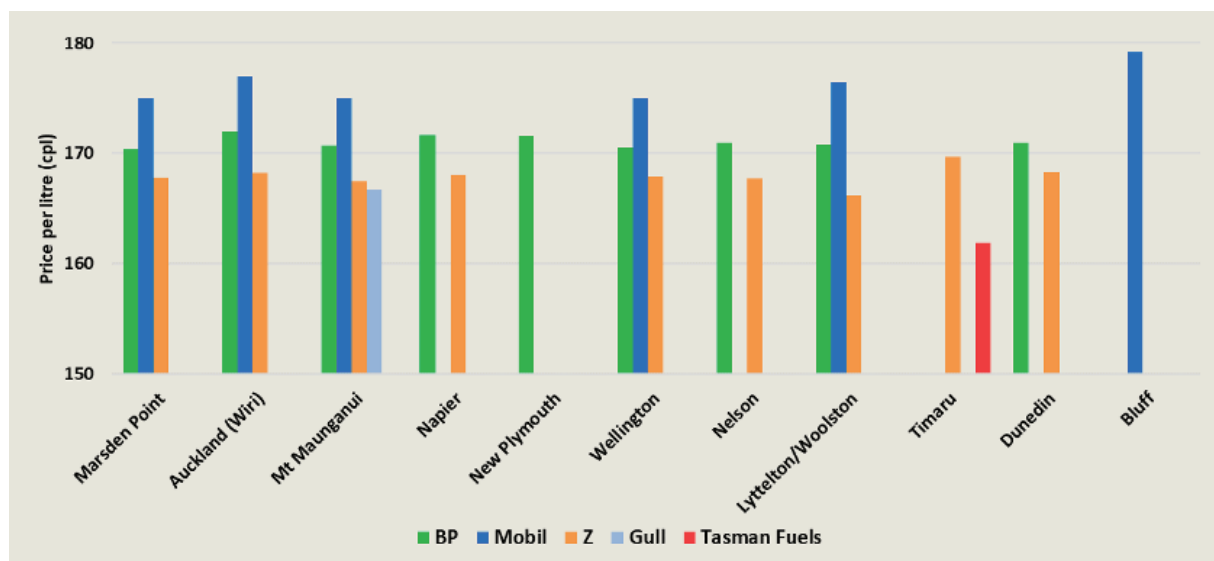
Source: ID data; MBIE weekly fuel monitoring data and ETS costs.

Figure 26 – Average TGP (excluding taxes, levies, ETS costs) for Premium 95 – December 2022 quarter



Source: ID data; MBIE weekly fuel monitoring data and ETS costs.

Figure 27 – Average TGPs (excluding taxes, levies, ETS costs) for Diesel – Diesel 2022 quarter



Source: ID data; MBIE weekly fuel monitoring data and ETS costs.

Terminal-specific TGP reviews and comparisons

We have taken a closer look at the average TGPs during the December 2022 quarter at the following selected terminal locations:

- **Napier:** two fuel importers in operation;
- **New Plymouth:** a single fuel importer in operation;
- **Dunedin:** two fuel importers in operation; and
- **Mount Maunganui:** four fuel importers operating, the most of any port.

We have compared the average TGPs offered by the fuel importers at each of the above locations with the TGPs observed in Australia, adjusting for taxes and exchange rates.

We intend to continue to analyse terminal locations as part of future quarterly reports.

Napier

Serving the central east coast of the North Island, the terminal facilities at Napier are the furthest east of any in New Zealand and are of a medium-small size relative to other facilities across the country. There are two fuel importers present, BP and Z Energy, although BP only provides TGPs for Regular 91 and Diesel.

- For Regular 91, Z's average TGP was the lowest. It was approximately 9 cpl higher than the average Australian TGPs.
- For Premium 95, Z Energy is the sole TGP provider in Napier. Z's average Premium 95 TGP was approximately 17 cpl higher than the average Australian TGP.
- For Diesel, Z also had the lowest average TGP which was approximately 12 cpl higher than the average Australian TGP.

New Plymouth

New Plymouth is one of the smallest terminal facilities in New Zealand, with BP as the sole terminal operator present. Being the only terminal situated on the west coast of the country, New Plymouth's terminal facility serves the western central North Island. As with Napier, BP does not provide a TGP for Premium 95 at New Plymouth.

- For Regular 91, BP's average TGP was approximately 16 cpl higher than the average Australian TGP.
- For Diesel, BP's average TGP was approximately 16 cpl higher than the average Australian TGP.

Dunedin

The medium-sized terminal facilities at Dunedin serve parts of the lower South Island. There are two fuel importers operating in Dunedin, BP and Z Energy, which provide TGPs for all three fuel grades. Compared to Napier, Dunedin benefits from having more than one TGP supplier for each fuel grade, as the margin between the lowest average TGP offered for Premium 95 and the average Australian TGP is lower than at the North Island port. However, for Regular 91 and Diesel, TGPs are similarly high when compared to Australia.

- For Regular 91, Z's average TGP was the lowest and was approximately 9 cpl higher than the average Australian TGP.
- For Premium 95, BP's average TGP was the lowest and was approximately 12 cpl higher than the average Australian TGP.
- For Diesel, Z had the lowest average TGP, which was approximately 13 cpl higher than the average Australian TGP.

Mount Maunganui

Four fuel importers – BP, Gull, Mobil, and Z Energy – operate at Mount Maunganui, the country's largest port and one of the larger terminal facilities. This is the largest number of terminal operators at any location in New Zealand, however, not all importers provide TGPs for all three fuel grades.

- For Regular 91, Z's average TGP was the lowest and was approximately 8 cpl higher than the average Australian TGP.
- For Premium 95, Gull's average TGP was the lowest and was approximately 12 cpl higher than the average Australian TGP.
- For Diesel, Gull narrowly had the lowest average TGP, which was approximately 11 cpl higher than the average Australian TGP.

Since the June 2022 quarter, when we last looked specifically at Mount Maunganui, the difference between the lowest average TGP offered at Mount Maunganui and the respective average Australian TGP has increased across all three grades by approximately 2 cpl for Regular 91, 7 cpl for Premium 95, and 6 cpl for Diesel.

With high TGPs persisting in New Zealand – even at Mount Maunganui with its significant volumes and four fuel importers – this is a strong indication that the TGP regime in New Zealand is yet to contribute to a more competitive wholesale market. With New Zealand TGPs at such elevated levels, and in the absence of any justification for such pricing, the objectives of introducing the TGP regime are unlikely to be met.

Appendix 1: Key features of New Zealand's Fuel Industry Act 2020

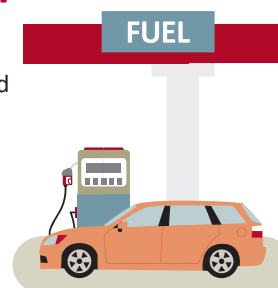
We set out key features of the Fuel Industry Act 2020 below in Figure 28.

Figure 28 – Key features of the Fuel Industry Act 2020 regime

New rules promote competition in the New Zealand fuel market

Petrol stations are now required to clearly display the standard prices of all engine fuels that they sell to help motorists shop around for the best deal before they pull onto the forecourt.

Transparency in pricing is intended to allow consumers to make informed purchasing decisions. The new rules will also level the playing field for retailers and improve competition for customers looking for a better deal at the pump.



Stimulating wholesale competition in fuel markets

The Fuel Industry Act introduced new requirements designed to make it easier for retailers to access fuel at competitive wholesale prices. These requirements started coming into force from August 2021, and it came fully into force in August 2022. These are:

Terminal gate pricing

Wholesale fuel suppliers must publish a spot price for fuel and are generally required to sell it to any wholesale customers that want it at that price, even if they're competitors.

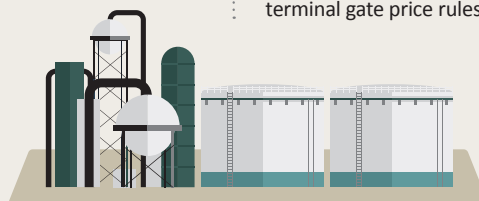
Wholesale contract rules

These limit the use of restrictive terms in wholesale contracts, freeing up wholesale customers to shop around for a better deal.

Dispute resolution

The Act provides a process for wholesale fuel suppliers and their customers to resolve disputes about wholesale contracts and terminal gate price rules.

The Commission can seek court-ordered **penalties of up to \$5 million** if fuel companies do not comply with these new rules



Monitoring the competitive performance of fuel markets

Fuel companies will also need to disclose key information to the Commission to help us monitor and report on the competitive performance of fuel markets now that these changes are in place.

Why are we regulating fuel?

The Government introduced the Fuel Industry Act following the Commission's 2019 fuel market study, which found a number of shortcomings in the competitiveness of fuel markets in New Zealand – particularly in the wholesale market.



The Commission also enforces other legislation that affects the fuel sector:

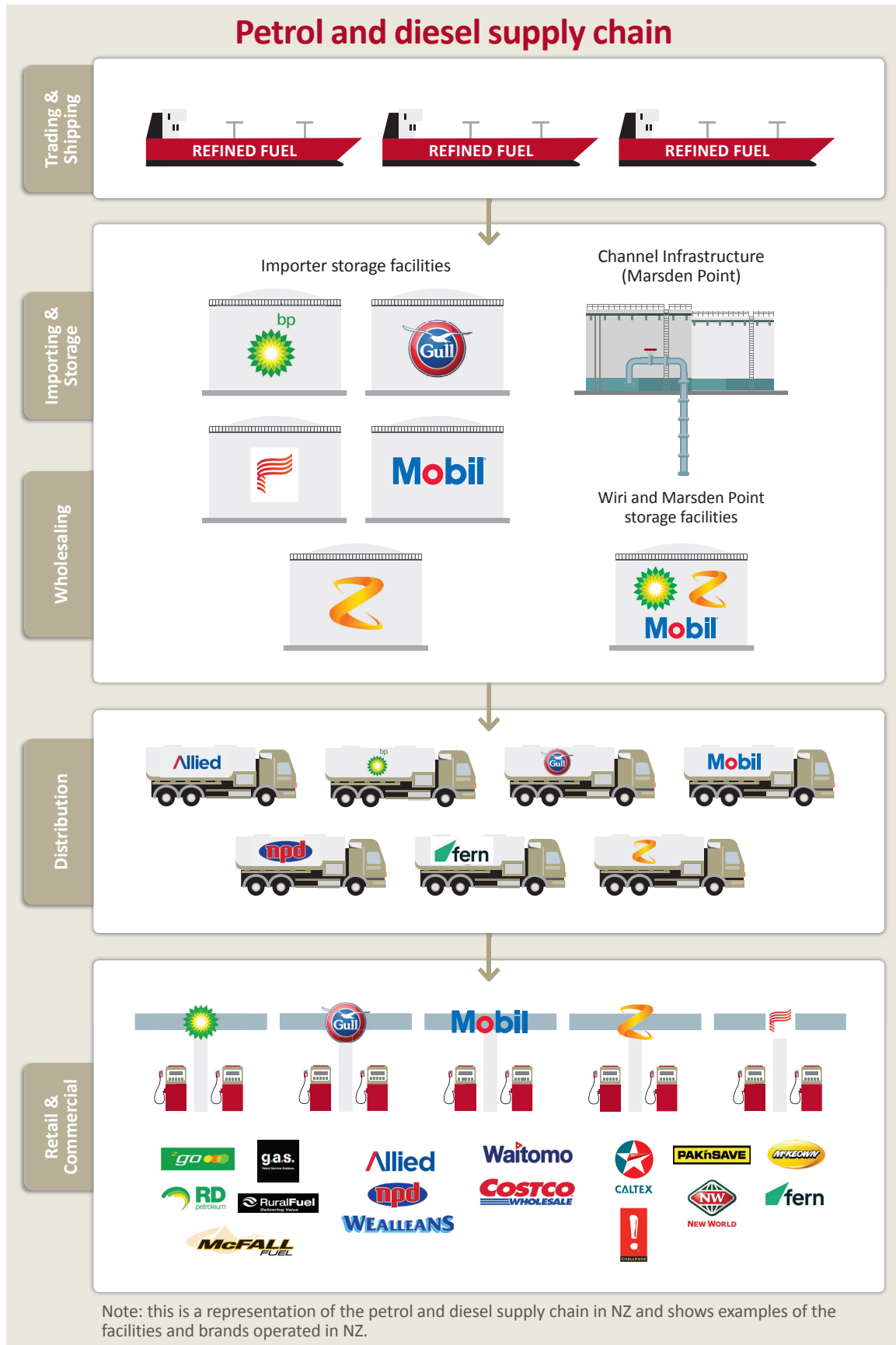
The Commerce Act – this prohibits anti-competitive conduct and acquisitions that substantially lessen competition

The Fair Trading Act – this prohibits false and misleading conduct and other unfair business practices.

More information about the Fuel Industry Act and the Commerce Commission's role can be found at www.comcom.govt.nz/fuel

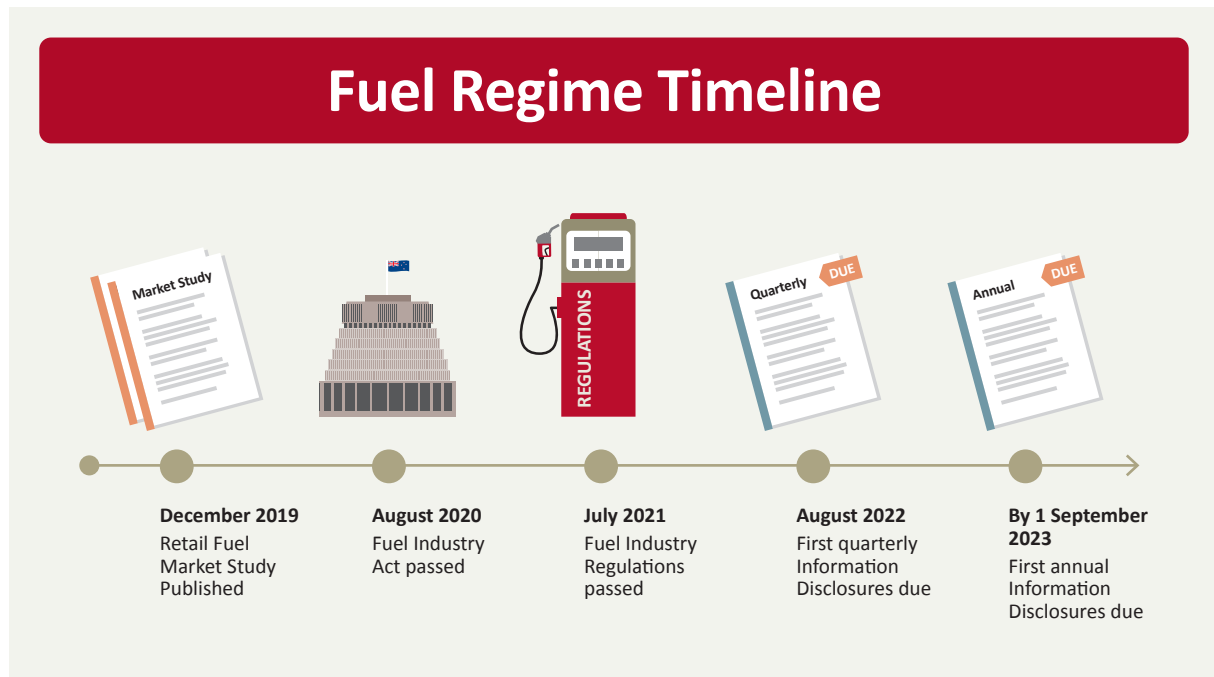
Source: Commerce Commission

Appendix 2: New Zealand's fuel supply chain



Appendix 3: Fuel regime key dates

Below is a timeline of the key dates for the fuel regime.



Source: Commerce Commission

Appendix 4: Change in retail board price components for Regular 91

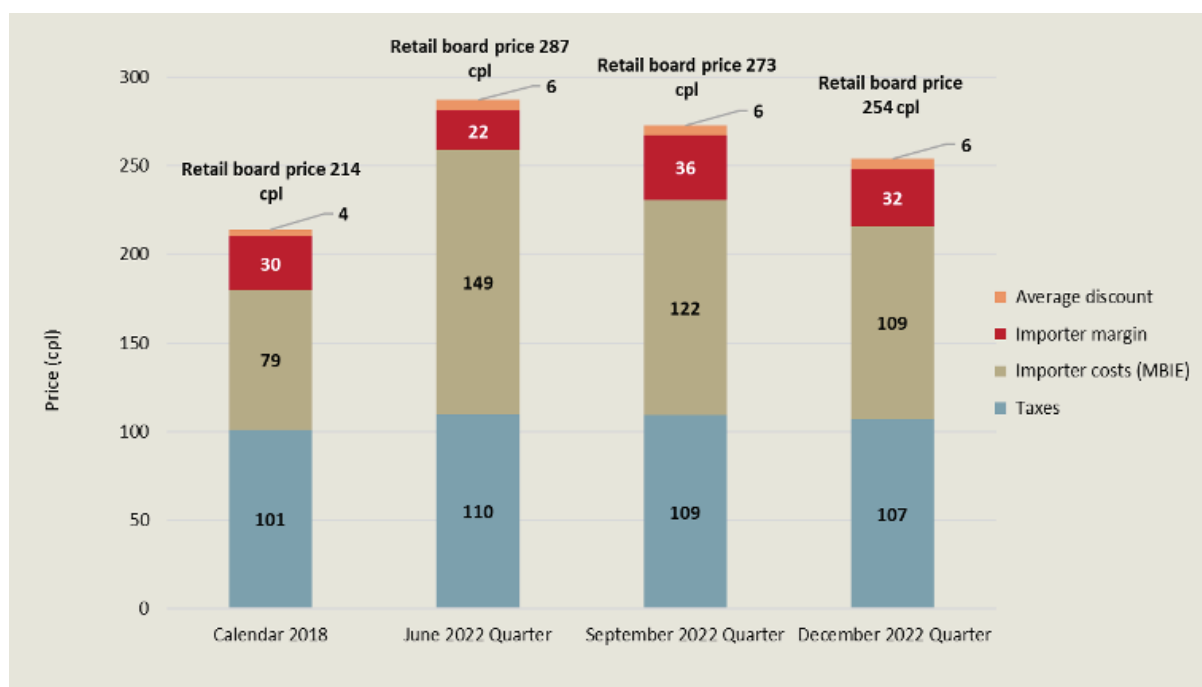
The retail board price can be broken down into the following components:

- average level of discount⁴⁴
- importer margins⁴⁵
- importer costs⁴⁶
- relevant taxes and levies.⁴⁷

In monitoring the competitiveness of New Zealand’s fuel markets, we are particularly interested in certain components of price influenced by domestic operating conditions and competition. Importer margins and discounts are such key components.

Figure 28 below shows the main components of retail board prices for Regular 91, for each of the three quarters and compared to the time of the fuel market study (2018).

Figure 28 – Change in retail board prices and estimated components for Regular 91 from 2018 - 2022



Source: ID data, MBIE weekly fuel monitoring data and market study data (2018)

44 We have calculated the average discounts by fuel type for the quarter, using retail board prices, retail sales volumes and retail revenues, all of which were received as information disclosed under the [Fuel Industry Regulations 2021](#).

45 Importer margins are the difference between the retail price and the cost of importing fuel into New Zealand and taxes. Importer margins cover the domestic costs of operating terminal storage facilities, distribution costs (such as trucking and pipeline costs), and retail costs as well as aggregate importer, wholesale and retail profit margins. Trends in importer margins are one indicator of how competition is evolving over time.

46 Importer costs are those costs related to acquiring fuel from an overseas refinery and shipping it to New Zealand.

47 See Appendix 6 for relevant costs, taxes, and levies; for importer costs, taxes and levies, we have used publicly available data from MBIE’s weekly fuel monitoring.

Information disclosed to us shows a decrease in the retail board price for all fuel types, importer costs and taxes in the December 2022 quarter:

- the retail board price decreased by 10 cpl for Diesel, 19 cpl for Regular 91, and 17 cpl for Premium 95;
- importer costs decreased by 10 cpl for Diesel, 13 cpl for Regular 91, and 14 cpl for Premium 95;
- taxes decreased by 1 cpl for Diesel, 2 cpl for Regular 91, and 2 cpl for Premium 95.

Appendix 5: Summary of information disclosed to Commission under Fuel Industry Regulations 2021

Industry participants disclose information to the Commission under Part 3A of the Fuel Industry Regulations 2021 (Regulations).

Table 18 below sets out more detail on the relevant information disclosure (ID) requirements of fuel importers, wholesale suppliers and distributors in the Regulations.

Table 18 - Information disclosure requirements as set out in the Regulations⁴⁸

Participant	Reg	Disclosure	Frequency	Deadline ⁴⁹	First period for which information must be disclosed	First disclosure date
Fuel importer	17D	Fixed wholesale contracts	Annual	1 September each year	Contracts in force as at 11 August 2022 ⁵⁰	1 September 2022
	17F	Certain formulas and volumes	Annual	1 September each year	1 April 2022 – 31 March 2023	1 September 2023
	17H	Certain discounting or loyalty programmes	Annual	1 September each year	1 April 2022 – 31 March 2023	1 September 2023
	17I	Storage capacity	Annual	1 September each year	1 April 2022 – 31 March 2023	1 September 2023
	17K	Fuel supply	Quarterly	30 days after end of financial quarter	1 April 2022 – 30 June 2022	1 August 2022
	17G	Certain travel distances	Annual	1 September each year	1 April 2022 – 31 March 2023	1 September 2023
	17L	Retail fuel sites	Quarterly	30 days after end of financial quarter	1 April 2022 – 30 June 2022	1 August 2022
Wholesale supplier or distributor	17E	Certain financial statements	Annual	5 months after balance date	First balance date after 1 April 2022	Varies according to balance date
	17J	Retail supply	Annual	1 September each year	1 April 2022 – 31 March 2023	1 September 2023

⁴⁸ Part 3A of the Regulations.

⁴⁹ If a deadline falls on a weekend or public holiday, industry participants can likely submit on the next working day.

⁵⁰ Schedule 1 of the Regulations.

Appendix 6: Taxes and levies

To ensure that TGP comparisons between New Zealand and Australia, and within New Zealand are consistent, we adjusted TGPs to exclude taxes and levies applicable to fuel types.

Tables 19 and 20 below summarise the taxes, levies, and ETS costs that we have used to adjust TGPs in both countries.

Table 19 – New Zealand taxes, levies and ETS costs applicable to fuel types

	New Zealand (New Zealand cpl)		
	Regular 91	Premium 95	Diesel
National Land Transport Fund (NLTF) ⁵¹	45.02	45.02	-
ACC Levy	6.00	6.00	-
Petroleum Engine Fuels Monitoring Levy	0.65	0.65	0.65
Local Authority Fuels Tax	0.66	0.66	0.33
Regional Fuels Tax (Auckland)	10.00	10.00	10.00
ETS costs	MBIE estimates	MBIE estimates	MBIE estimates
GST	15%	15%	15%

Source: MBIE <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-generation-and-markets/liquid-fuel-market/duties-taxes-and-direct-levies-on-motor-fuels-in-new-zealand/>; <https://www.mbie.govt.nz/assets/Data-Files/Energy/Weekly-fuel-price-monitoring/weekly-table.csv>; and Inland Revenue <https://www.ird.govt.nz/gst>.

Table 20 – Australian taxes applicable to fuel types

	Australia (Australian cpl)		
	Regular 91	Premium 95	Diesel
Excise tax	46	46	46
GST	10%	10%	10%

Source: Australian Taxation Office <https://data.gov.au/data/dataset/0aa77454-d0f6-4499-b0a4-88dbdeee95d1/resource/b9227cdf-4c04-492d-bd84-65031adc408e/download/historialexciserates-29-sep-22.xlsx>; and <https://www.ato.gov.au/business/gst/>.

We have used daily exchange rates from the Reserve Bank of New Zealand to convert Australian TGPs into New Zealand currency.⁵²

⁵¹ The NLTF rate was reduced from 70.02 cpl to 45.02 cpl on 15 March 2022.

⁵² Reserve Bank of New Zealand, 'Exchange Rates and Trade Weighted Index', <https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/exchange-rates-and-the-trade-weighted-index>

Glossary

Term	Explanation
the Act	Fuel Industry Act 2020
Australian TGP	Australian posted Terminal Gate Prices (TGPs), adjusted for taxes and exchange rates).
ARFT	Auckland Regional Fuel Tax, also referred to as Regional Fuels Tax (Auckland)
Borrow & Loan (B&L)	Where terminals and the refined product held within the terminals are declared as industry storage. Each participant can draw down fuel from anywhere in the system as long as they match it with an equivalent amount of fuel added somewhere in the system, but not necessarily at the same place.
BP	BP Oil New Zealand Limited
Bulk storage facility	Facility for the storage of 5 million litres or more of engine fuel
cpl	NZ cents per litre
(the) Commission	New Zealand Commerce Commission
Dealer	Means a reseller that sells and supplies engine fuel through its own retail fuel sites using a brand owned by another person that is not an interconnected body corporate of the reseller.
Diesel (including bio-diesel)	Means (a) a refined petroleum distillate, or other liquid hydrocarbon fuel, having a viscosity and distillation range that is intermediate between those of kerosene and light lubricating oil, whether or not it contains additives, and that is intended for use as fuel in compression-ignition internal combustion engines; and (b) includes diesel containing up to 5% bio-diesel by volume
Discounts	Discounts off the retail board price for fuel. These discounts may be offered through discount and loyalty programmes or through fuel cards
Discount and loyalty programmes	Programmes that offer discounts off the retail board price for fuel and may provide other benefits or rewards unrelated to fuel (eg, the accumulation of Fly Buys points or Air New Zealand AirPoints). These programmes are typically targeted at households rather than businesses. Examples include AA Smartfuel, supermarket discount vouchers, and Mobil Smiles
Distributor	A reseller that is not a dealer
ETS	New Zealand Emissions Trading Scheme Carbon Costs
Fixed wholesale contract	A wholesale contract that governs, for a fixed period, the wholesale price and other conditions of sale and supply of engine fuel during the period; or for a fixed amount of engine fuel, the wholesale price and other conditions of sale and supply for that engine fuel; but does not include a wholesale contract for the sale and supply of engine fuel under the terminal gate pricing regime in subpart 1 of Part 2 of the Regulations.
Fuel	Petrol and diesel fuels (unless specified otherwise).
Fuel industry participant	a person that purchases, or sells and supplies, engine fuel other than as— (a) an end user; or (b) an incidental part of the hiring, leasing, or selling of motor vehicles
GST	Goods and Services Tax
Gull	Gull New Zealand Limited
Importers	Collective term used for BP, Mobil, Z, Gull, and TOSL. These companies each import fuel to New Zealand
ID	Information disclosure
Market study	Commerce Commission Retail Fuel Market Study
MBIE	Ministry of Business, Innovation and Employment
Mobil	Mobil Oil New Zealand Limited

Term	Explanation
NLTF	National Land Transport Fund
Premium 95	Petrol with a minimum Research Octane Number of 95
Premium 98	Petrol with a minimum Research Octane Number of 98
Premium petrol or premium fuel	95 octane and 98 octane fuel
(the) Regulations	Fuel Industry Regulations 2021
Regular 91	Petrol with a minimum Research Octane Number of 91 and less than 95
Reseller	As per the Act, means a person that purchases, or intends to purchase, engine fuel from a wholesale supplier to sell and supply to another person; but does not include a person that does so, or intends to do so, only as an incidental part of their business.
Retail board price	The retail fuel price displayed on price boards outside retail sites
Retail sites	Collective term used to refer to a broad range of sites selling fuel, including service stations, unmanned sites and some truck stops (only those that are accessible to the public and light passenger vehicles)
Tasman Fuels	Tasman Fuels Limited
TGP	Terminal Gate Price
TGP premium	The premium that a customer would pay to buy at the TGP at a port against the average wholesale contract price at that port.
TOSL	Timaru Oil Services Limited
Wholesale contract	A contract between a wholesale supplier and a reseller for the sale and supply of engine fuel
Wholesale supplier	A person that sells and supplies engine fuel, as the whole or part of its business, to persons other than end users.
Z	Z Energy Limited

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