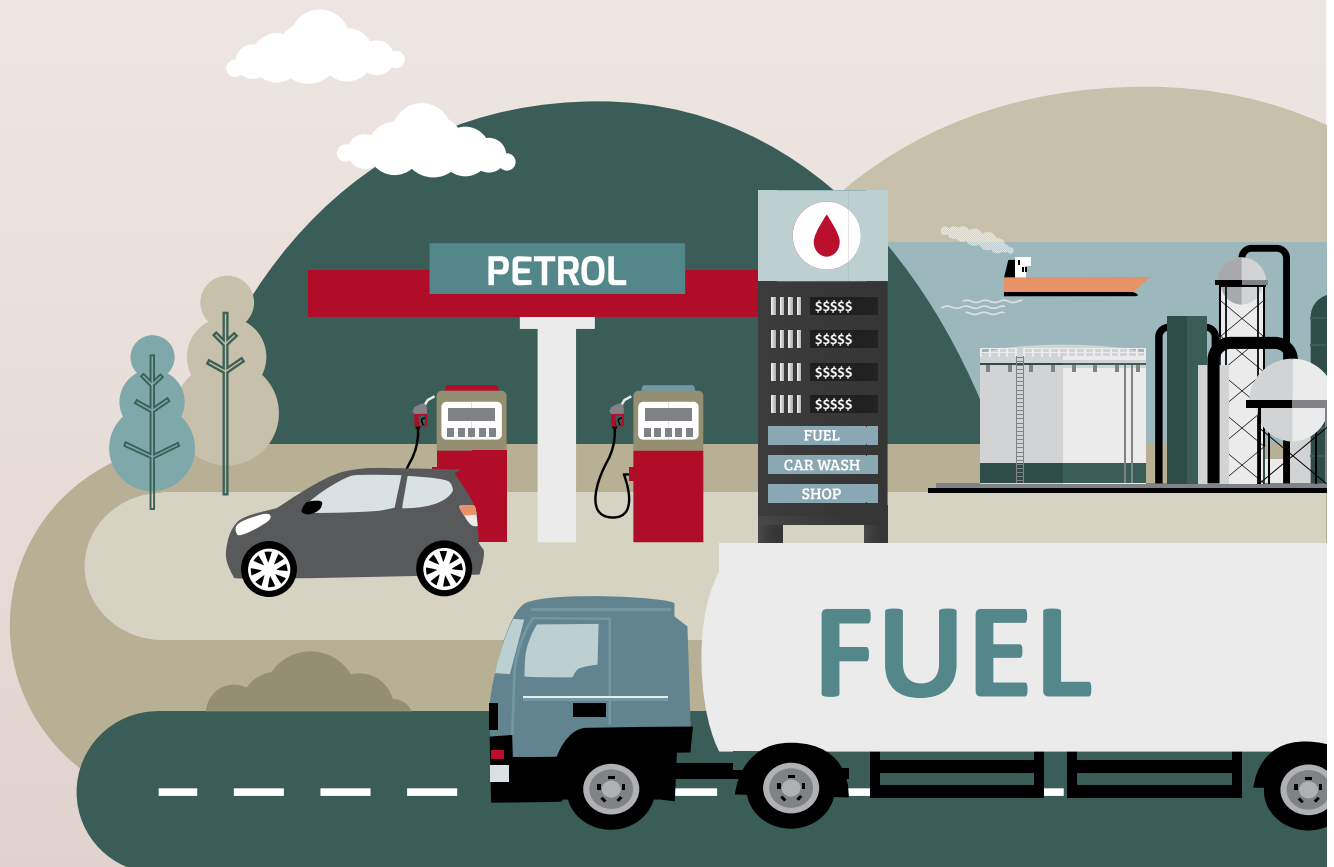


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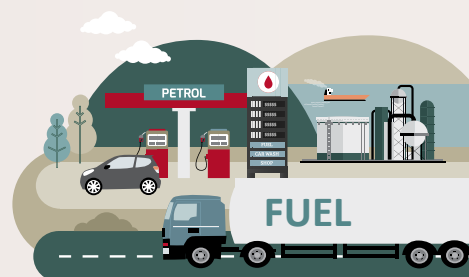
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Quarterly Fuel Monitoring Report

For the quarter ended 30 June 2023



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Our findings

This is our quarterly monitoring report on New Zealand's fuel market for the quarter ending 30 June 2023. Our analysis for these quarterly fuel monitoring reports is based on information disclosed to us by importers, as prescribed by the Fuel Industry Regulations 2021 (the Regulations).¹ There are currently five companies that import fuel into New Zealand: BP, Mobil, Z Energy, Gull and Timaru Oil Services Limited (TOSL).^{2,3} In addition to the information disclosed to the Commission, fuel importers also provide information to the Ministry of Business, Innovation and Employment (MBIE), both on a scheduled and adhoc basis.⁴

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

Our case studies reveal that consumers are generally better served either by simply choosing the retail site with the lowest board price or buying fuel on one-off 'discount days'. Loyalty programmes offer discounted prices, however maximising the benefit from loyalty programme discounts requires consumers to exhibit certain patterns of behaviour and are unlikely to be achieved by most consumers

The estimated level of discount available under the discount and loyalty programmes offered by importers was similar to previous quarters, approximately 16 cpl to 17 cpl for Diesel, and 6 cpl to 7 cpl for other fuel types. A case study comparing loyalty programme discounts with other petrol prices in a local area, found that a hypothetical consumer who was able to stack and accumulate discounts for a period of time, and then use the accumulated discount (before it expires) in one, large fuel transaction, as well as purchase groceries from one particular supermarket, would save more than a consumer who bought based simply on net retail board price. However, the complicated patterns of behaviour required in order to do this further increases our scepticism as to whether discounting and loyalty programmes actually provide the best value to most consumers.

Another case study focussed on Gull's 'discount days' shows an increase in volumes bought from Gull on these days, as well as favourable prices for consumers when compared against other discount and loyalty programmes. Our case studies suggest that consumers are generally better served by simply choosing the retail site with the lowest board price on any given day or buying fuel on one-off 'discount days' when discounts tend to be larger.

1 See reg 3 of the Regulations: 'Fuel importer' is defined as a fuel industry participant that imports fuel into New Zealand.

2 Timaru Oil Services Limited (TOSL) provides exclusive supply to its related entity, Tasman Fuels. Tasman Fuels is the entity that publishes TGP's and, for this reason, we have included information on Tasman Fuels' TGP's in the analysis for the TGP chapter.

3 As set out in the Act, industry participants are obliged to disclose certain information to the Commission (as prescribed in the Regulations). The data used and analysed in this quarterly report is based on information disclosed by **fuel importers** only (see footnote 1). This means that **no data related to fuel dealer or distributor retail sites is included in our analysis of information disclosure requirements** (see definitions in [s 4 of the Act](#)). In instances where we have used other data to supplement our data analysis, this is noted in the report.

4 See Part 3B of the Regulations.

Retail prices continued their downward trend amid lower importer costs for all fuel types

The average retail board prices for all fuel types have decreased over the last five quarters, as importer costs fell. The reduction in Diesel prices was the most noticeable in the June 2023 quarter (26 cpl lower on average than in the March 2023 quarter).

Diesel importer margins decreased, but Regular 91 and Premium 95 importer margins increased

The importer margin is the difference between the retail price (less any discount), and importer costs and taxes. In the June 2023 quarter, the importer margin for Diesel was 5 cpl lower, however, importer margins were higher for Regular 91 and Premium 95 (up 3 cpl).⁵

Hamilton still had the cheapest prices for Regular 91 and Premium fuel grades. Auckland continued to have the highest prices for Regular 91 and Premium fuel grades, as well as the widest price variation of the five largest cities

Of the cities that we focussed on during this quarter, Hamilton still had the cheapest average retail prices of the five for Regular 91 (224 cpl) and Premium fuel grades (248 cpl); Wellington had the cheapest average retail prices for Diesel (171 cpl). Auckland continued to have the highest average prices for Regular 91 (231 cpl) and Premium fuel grades (256 cpl).

Once again, Auckland had the largest price variation for all fuel types of the five cities.

Since monitoring began, a larger proportion of fuel sourced in the wholesale market has been from multiple suppliers. We have observed that the average wholesale price is lower when wholesale customers transact with more than one supplier

Wholesale prices continued to decrease for the fifth consecutive quarter. Diesel wholesale margins have decreased over the last three quarters and wholesale margins are stable for Regular 91 and Premium 95. The total wholesale sales volume decreased for the second consecutive quarter despite the decrease in prices. No Terminal Gate Price (TGP) sales were registered in the June 2023 quarter.

Diversification in the wholesale market has increased since monitoring began in the June 2022 quarter. Our observation of the average prices paid for Petrol and Diesel by wholesale customers over the last five quarters shows that the more diversified the supply (ie, the higher the number of suppliers a customer transacts with), the lower the price.

This finding is of interest, given that one of the measures of increased competition is lower prices. We will look into this further in a subsequent report to determine how the lower prices observed are related to the customer's choice to diversify their supply, or if they are due to other factors.

⁵ See Figures 4 to 6 for the components of the retail price by fuel type.

Our role

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 in New Zealand under the Fuel Industry Act 2020 (the Act). 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.⁶

The Act provides that, in our monitoring of the performance of the market, the Commission may analyse and summarise any information disclosed to us and publish any resulting analysis or summary.⁷ Information is disclosed by fuel importers, wholesale suppliers and distributors on a quarterly and/or annual basis under the Fuel Industry Regulations 2021 (the Regulations). Information disclosed relates to fixed wholesale contracts, certain financial statements, certain formulas and volumes, discounting and loyalty programmes, storage capacity, and retail sites and fuel supply.⁸

Our analysis for these quarterly monitoring reports is based on the information disclosed to us by importers (ID data).⁹ Five companies currently import fuel into New Zealand: BP, Mobil, Z Energy, Gull and TOSL.¹⁰

Monitoring engine fuel markets allows for a deeper understanding of the competitive dynamics over time through observing patterns and trends. Our reports “shine a light” on what is happening in the fuel markets to promote transparency and improve awareness of the factors influencing prices for consumers.

The Commission also has an enforcement role in relation to the obligations on fuel industry participants under the Act.¹¹ We monitor compliance with the requirements of the Act and, if we have concerns about potential non-compliance, we may investigate further.

6 Section 3 of the Act.

7 Sections 25 and 28 of the Act.

8 Part 3A of the Regulations.

9 See reg 3 of the Regulations: ‘Fuel importer’ is defined as a fuel industry participant that imports fuel into New Zealand.

10 Timaru Oil Services Limited (TOSL) provides exclusive supply to its related entity, Tasman Fuels. Tasman Fuels is the entity that publishes TGPs. It also operates various retail fuel sites.

11 See Part 3 of the Act.

Industry background

Understanding the economic and regulatory environment that the markets operate in is vital to our work in promoting competition.

Global developments

Global oil prices decreased during April and early May amid concerns over the health of the global economy and slower growth in the demand for oil.¹² China and India accounted for most of the growth in global oil demand in a challenging macroeconomic climate. OECD countries' demand remained lower than expected due to an ongoing manufacturing slump and subdued economic growth.

In May, world oil production and supply volumes fell as OPEC+ cuts took effect and global inventories came under pressure.¹³ However, Russian oil supply was resilient with the country's oil export volumes in April reaching a post-invasion high.

Domestic developments

Legislative and Regulatory

The Fuel Industry Amendment Bill went through its second reading on 1 June 2023. The Bill outlines the process for possible price regulation of TGPs to help promote competition in wholesale pricing.¹⁴ The Fuel Industry Amendment Act 2023 subsequently came into effect in July 2023.¹⁵

In addition, the government's transport relief package ended on 30 June 2023, meaning that from 1 July 2023:

- an end to a reduction in fuel excise tax;¹⁶
- an end to a reduction in road user charges;¹⁷ and
- an end to half-price public transport fares.¹⁸

The restoration of fuel excise tax to its full level added 28.75 cents per litre (cpl) to the retail price of petrol.¹⁹ Since then, retail prices have increased and MBIE's data appears to show increases in importer margins. We are continuing to monitor these matters.

12 <https://www.iea.org/reports/oil-market-report-june-2023>.

13 <https://www.iea.org/reports/oil-market-report-june-2023>.

14 https://www.parliament.nz/mi/pb/hansard-debates/rhr/combined/HansDeb_20230601_20230601_28/tab/video.

15 Inserting Part 2A into the Fuel Industry Act 2020.

16 <https://www.nzta.govt.nz/about-us/transport-temporary-relief-package/>.

17 <https://www.nzta.govt.nz/about-us/transport-temporary-relief-package/>.

18 The discount continues for some users, such as Community Services Card holders, Total Mobility users and people under the age of 25.

19 25 cpl + GST = 28.75 cpl.

Commercial

In May 2023, Waitomo Group Limited purchased Z Energy's mini-tankers and bulk commercial fuel delivery businesses. This acquisition is anticipated to double Waitomo's commercial sales volumes from August 2023.²⁰

It was reported in June 2023 that a building consent process was underway for NPD to establish a station in Whanganui, to be located on the same road as both a Z Energy and a BP station.²¹

20 <https://www.scoop.co.nz/stories/BU2305/S00427/kiwi-fuel-company-waitomo-to-acquire-z-energys-mini-tankers-and-bulk-fuel-business.htm#>.

21 <https://www.nzherald.co.nz/whanganui-chronicle/news/low-cost-fuel-retailer-npd-plans-to-build-station-in-springvale-whanganui/7VDC3ISKJRAENJDITQOK6QQYGU/>.

The retail fuel market

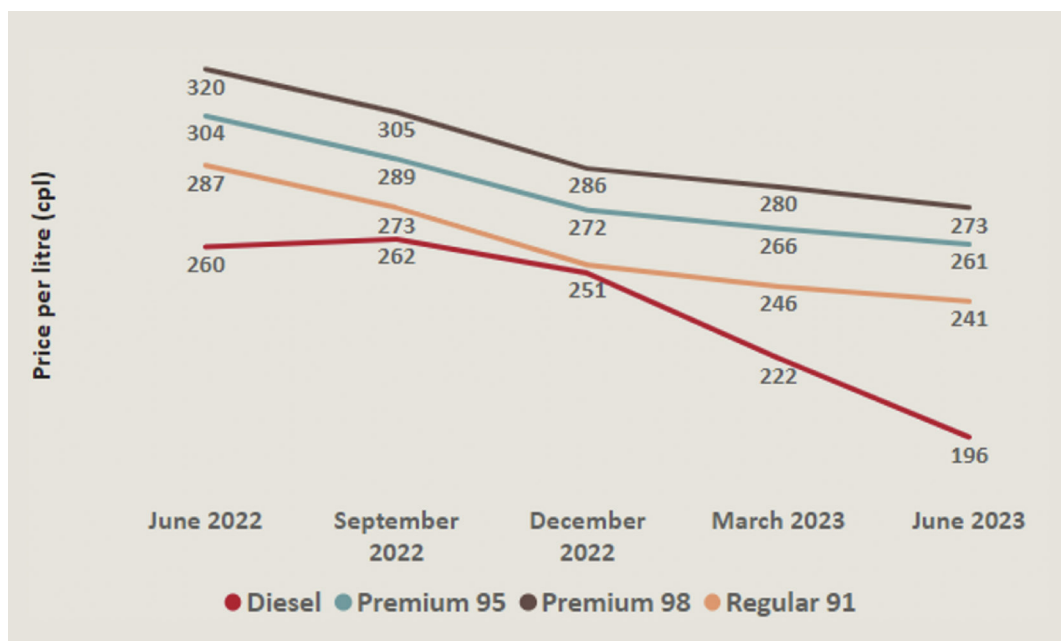
In this section we review competition in the retail market, analysing trends in retail fuel prices as well as importer costs and margins. References to retail board prices are to the standard retail prices of fuel for sale at a retail fuel site and displayed on a board, sign, or notice at the site. Importer costs are reported by MBIE and the importer margin is the difference between the retail board price (less taxes and any discounts) and an importer's cost to land fuel in New Zealand.

Retail board prices for all fuel types continued to decrease over the June 2023 quarter

A general trend over the last five quarters is decreasing retail board prices for all fuel types. This trend continued in the quarter ended June 2023. Prices for Regular 91 and Premium 95 and 98 decreased at a similar rate as in the quarter ending March 2023. Furthermore, Diesel prices fell significantly between the March and June 2023 quarters:

- **Diesel:** average retail prices were 26 cpl lower (from 222 cpl to 196 cpl);
- **Regular 91:** average retail prices were 5 cpl lower (from 246 cpl to 241 cpl);
- **Premium 95:** average retail prices were 5 cpl lower (from 266 cpl to 261 cpl); and
- **Premium 98:** average retail prices were 7 cpl lower (from 280 cpl to 273 cpl).

Figure 1: Average retail prices for all fuel types from June 2022 quarter to June 2023 quarter



Source: ID data.

Importer costs decreased for all fuel types, particularly Diesel

The last five quarters show a general trend of decreasing importer costs for all fuel types.

Importer costs in the June 2023 quarter were on average lower than the previous quarter, in particular for Diesel:

- **Diesel:** average importer costs were 14 cpl lower (from 119 cpl to 105 cpl);
- **Regular 91:** average importer costs were 4 cpl lower (from 109 cpl to 105 cpl); and
- **Premium 95:** average importer costs were 4 cpl lower (from 111 cpl to 107 cpl).

Table 1 sets out New Zealand's fuel importer costs from the quarter ending June 2022 to June 2023.

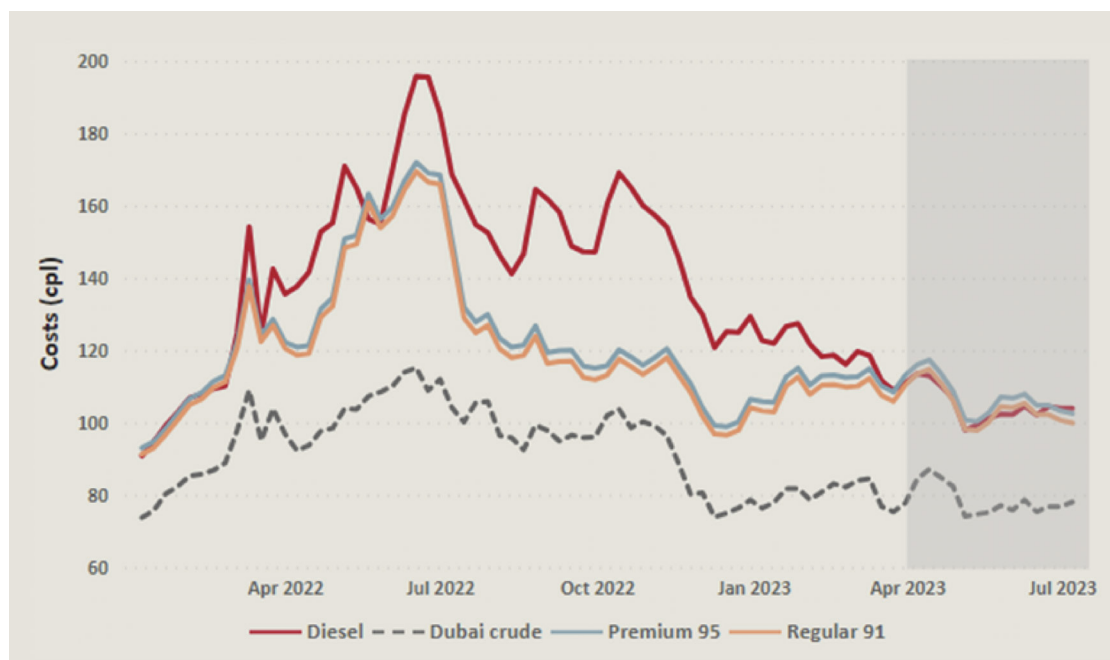
Table 1: Importer costs (cpl) from June 2022 quarter to June 2023 quarter

Fuel type	June 2022 quarter	September 2022 quarter	December 2022 quarter	March 2023 quarter	June 2023 quarter	March to June 2023 quarter difference
Diesel	166	154	144	119	105	-14
Regular 91	148	122	108	109	105	-4
Premium 95	151	125	111	111	107	-4

Source: MBIE.

Figure 2 shows importer costs by fuel type, as well as the cost of crude oil from January 2022. Data for the June 2023 quarter is displayed in the grey area.

Figure 2: Importer costs from 1 January 2022 to 30 June 2023

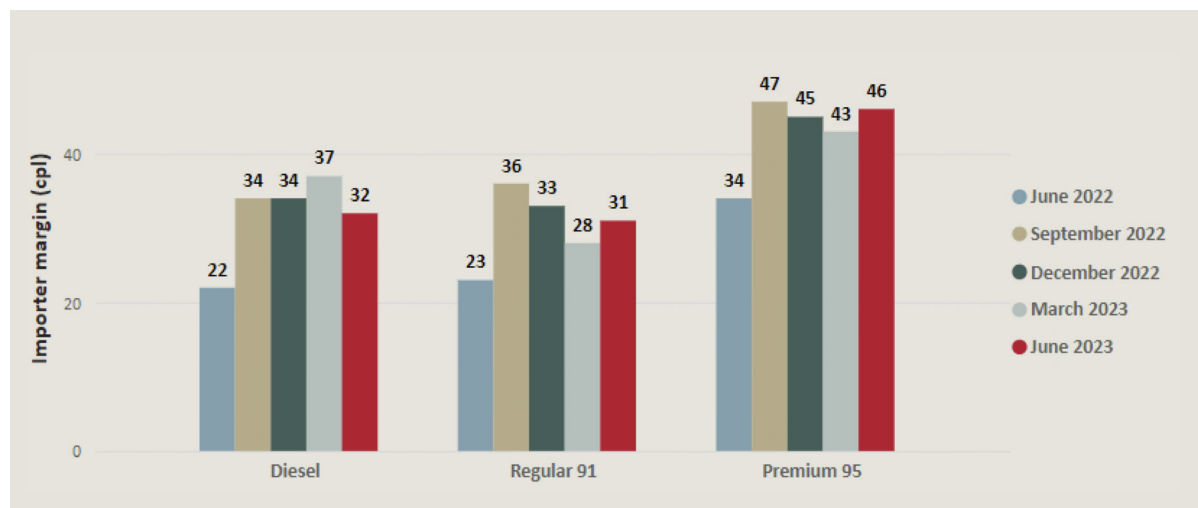


Source: MBIE.

Importer margins down for Diesel, up for Regular 91 and Premium 95

Following a large increase from the June 2022 to September 2022 quarters, importer margins have remained fairly stable, varying on average by quarter by 4 cpl to 8 cpl for each fuel type (see Figure 3).

Figure 3: Average importer margins for Diesel, Regular 91 and Premium 95 from June 2022 quarter to June 2023 quarter



Source: ID data, MBIE.

Prices and costs continued to decrease but importer margins were up for Regular 91 and Premium 95

As a result of importer costs and taxes decreasing by a larger amount than the discounted retail price, the average importer margins increased by 3 cpl for Regular 91 and Premium 95. See Figure 4 and Figure 5 below.²²

The components of the average retail board price changed from the March 2023 to June 2023 quarter as follows:

- **Regular 91:** average discounted retail price was 6 cpl lower (from 240 cpl to 234 cpl); average importer costs were 4 cpl lower (from 109 cpl to 105 cpl); taxes were 4 cpl lower (from 103 cpl to 99 cpl); and average importer margin was 3 cpl higher (from 28 cpl to 31 cpl).
- **Premium 95:** average discounted retail price was 6 cpl lower (from 261 cpl to 255 cpl); average importer costs were 4 cpl lower (from 111 cpl to 107 cpl); taxes were 4 cpl lower (from 106 cpl to 102 cpl); and average importer margin was 3 cpl higher (from 43 cpl to 46 cpl).

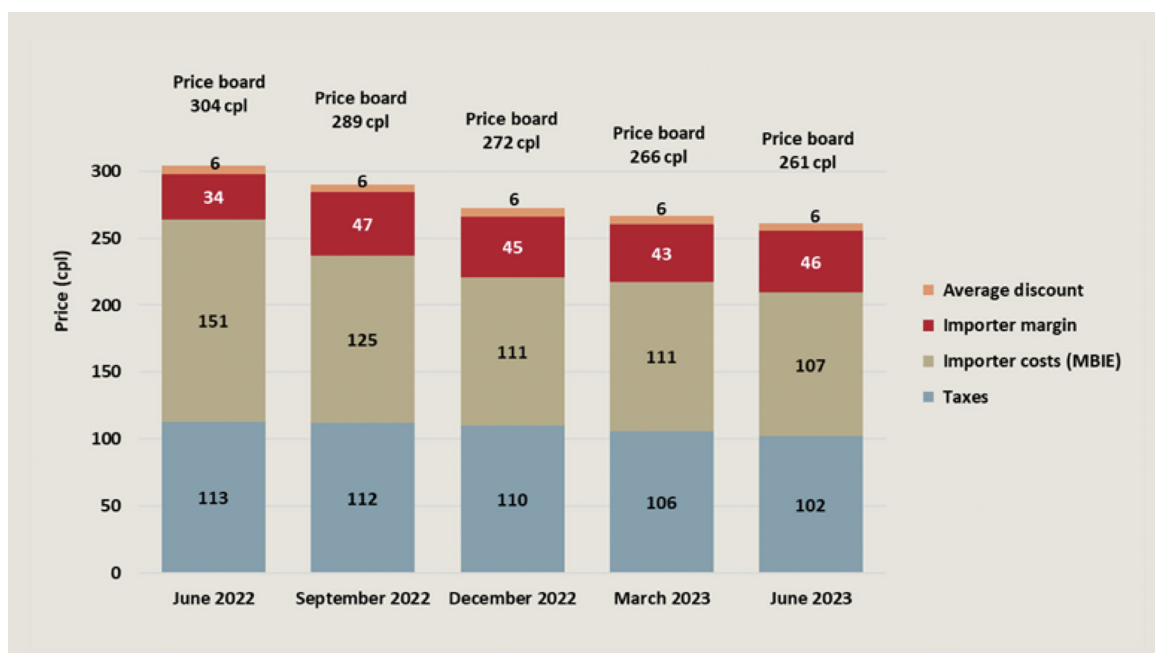
²² Please note that any small differences in components adding to the total is due to rounding.

Figure 4: Average retail board price and components for Regular 91 from June 2022 quarter to June 2023 quarter



Source: ID data, MBIE.

Figure 5: Average retail board price and components for Premium 95 from June 2022 quarter to June 2023 quarter



Source: ID data, MBIE.

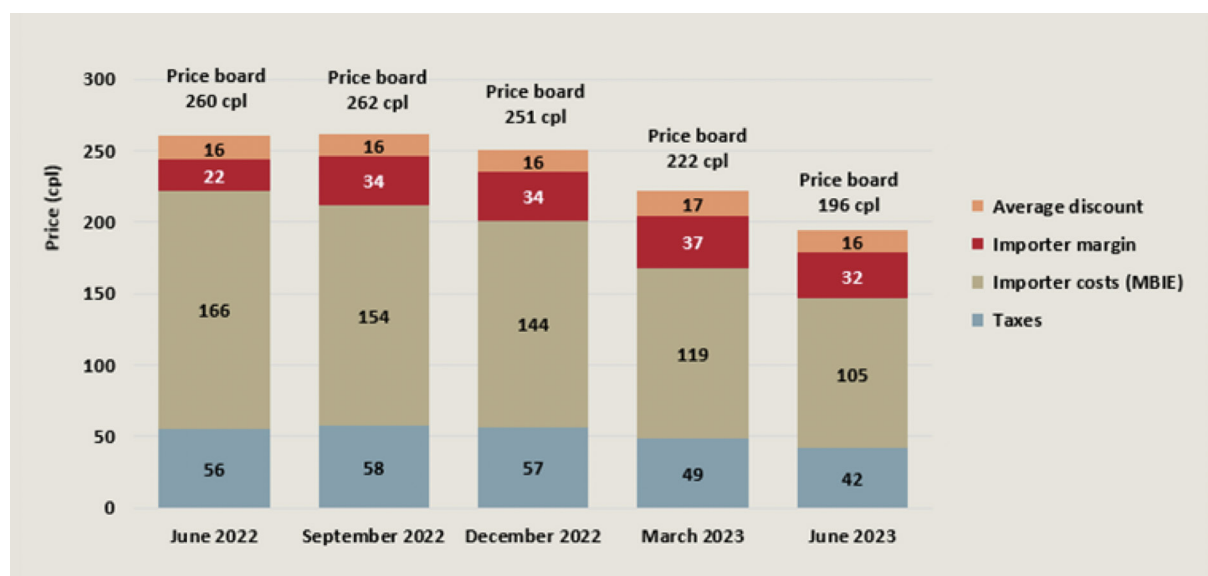
Prices decreased for Diesel and importer margins were down by 5 cpl

Diesel was the only fuel type where the average importer margin decreased during the June 2023 quarter (See Figure 6).

The components of the average retail board price changed as follows from the March 2023 to June 2023 quarter:

- Diesel:**
 - average discounted retail price was 25 cpl lower (from 205 cpl to 180 cpl);
 - average importer costs were 14 cpl lower (from 119 cpl to 105 cpl);
 - taxes were 7 cpl lower (from 49 cpl to 42 cpl); and
 - average importer margin was 5 cpl lower (from 37 cpl to 32 cpl).

Figure 6: Average retail board price and components for Diesel from June 2022 quarter to June 2023 quarter



Source: ID data, MBIE.

Hamilton continued to have the cheapest prices for Regular 91 and Premium fuel grades, but the most expensive prices for Diesel

For the June 2023 quarter, our analysis of retail prices in the five largest cities shows that Hamilton had the cheapest average discounted petrol prices but the most expensive average discounted Diesel prices. Wellington had the cheapest average discounted Diesel prices.

Auckland continued to have the most expensive average discounted prices for Regular 91 and Premium fuel grades.

Table 2: Average discounted retail prices (cpl) in New Zealand cities in the March 2023 quarter

Region	91	Premium	Diesel
Auckland	237	263	205
Hamilton	226	252	202
Tauranga	236	262	199
Wellington	233	257	194
Christchurch	235	257	198
Rest of NZ	241	265	208
All of NZ	238	263	205

Table 3: Average discounted retail prices (cpl) in New Zealand cities in the June 2023 quarter

Region	91	Premium	Diesel
Auckland	231	256	176
Hamilton	224	248	178
Tauranga	230	255	172
Wellington	230	254	171
Christchurch	230	254	173
Rest of NZ	236	260	181
All of NZ	233	257	178

Source: ID data. Note: Retail prices exclude the Auckland Regional Fuel Tax and average discounts. 'Premium fuel grades' includes Premium 95 and Premium 98.

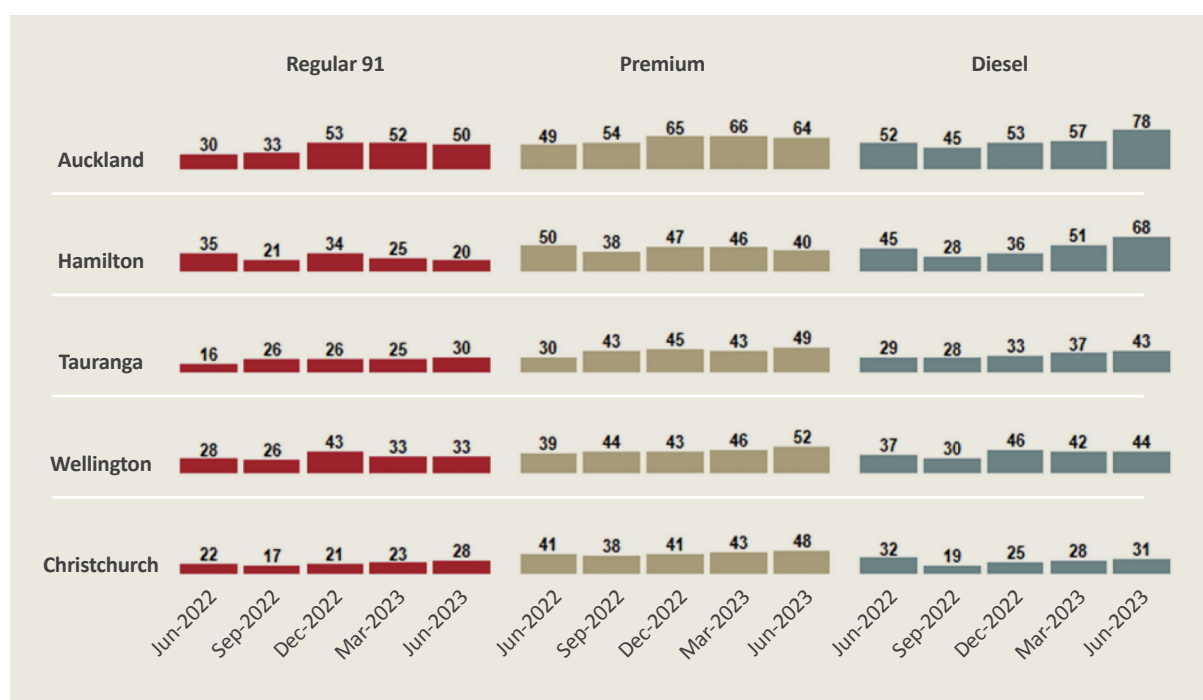
Despite a slight reduction in price variation, Auckland continued to have the widest variation in Regular 91 prices of New Zealand's five largest cities

Price variation is calculated as the daily difference between the most and the least expensive site for each fuel type, in each city, averaged over the quarter.

In the June 2023 quarter, Auckland again showed the widest variation in Regular 91 prices of the largest cities (a variation of 50 cpl), whilst Hamilton had the narrowest price variation (a variation of 20 cpl). All cities had a wide variation in prices for Premium fuel grades (Premium 95 and Premium 98), ranging from 40 cpl to 64 cpl.

Diesel prices showed the widest variation in Auckland (a variation of 78 cpl) and Hamilton (a variation of 68 cpl). In this quarter, for the first time, our analysis excludes military sites.^{23,24} However, if these sites are included, the price variation for Diesel is wider for both Auckland and Wellington.²⁵

Figure 7: Average price variation (cpl) within New Zealand cities from June 2022 quarter to June 2023 quarter



Source: ID data.

²³ New Zealand Army and Royal New Zealand Air Force sites which are not accessible to the general public.

²⁴ Military sites were included in the analysis for previous quarters. As a result, some city-wide price variations are overstated in previous quarters.

²⁵ For example, in March 2023 the price variation in Auckland was 65 cpl including military sites and 57 cpl excluding them. Likewise, the variation in Wellington was 56 cpl with military sites and 42 cpl without them.

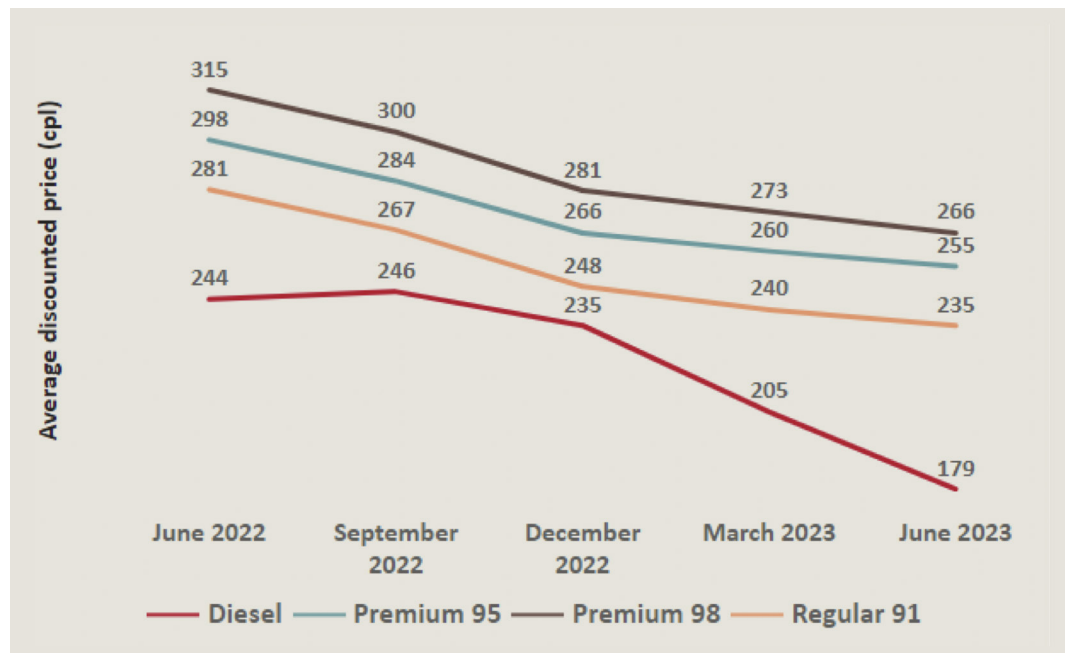
Average discounts offered by fuel importers through discount and loyalty programmes have been generally stable over the quarters

Some importers offer discount and loyalty programmes, which provide discounts off retail board prices using both cards and supermarket docket, eg, AA Smartfuel, Airpoints, FlyBuys, Mobil Smiles, and Z Pumped. We estimate the average level of discounts for each quarter using information disclosed to us, including revenue, volumes sold and retail board prices.

Our analysis shows that the estimated discounts offered at retail sites were stable across the last five quarters, varying by only 1 cpl to 2 cpl. Average discounts were 16 cpl to 17 cpl for Diesel, and 6 cpl to 7 cpl for other fuel types.

As average discounts have been stable, the average discounted prices in Figure 8 show the same trend from June 2022 to June 2023 quarters as the average retail prices in Figure 1.

Figure 8: Average discounted prices from June 2022 quarter to June 2023 quarter



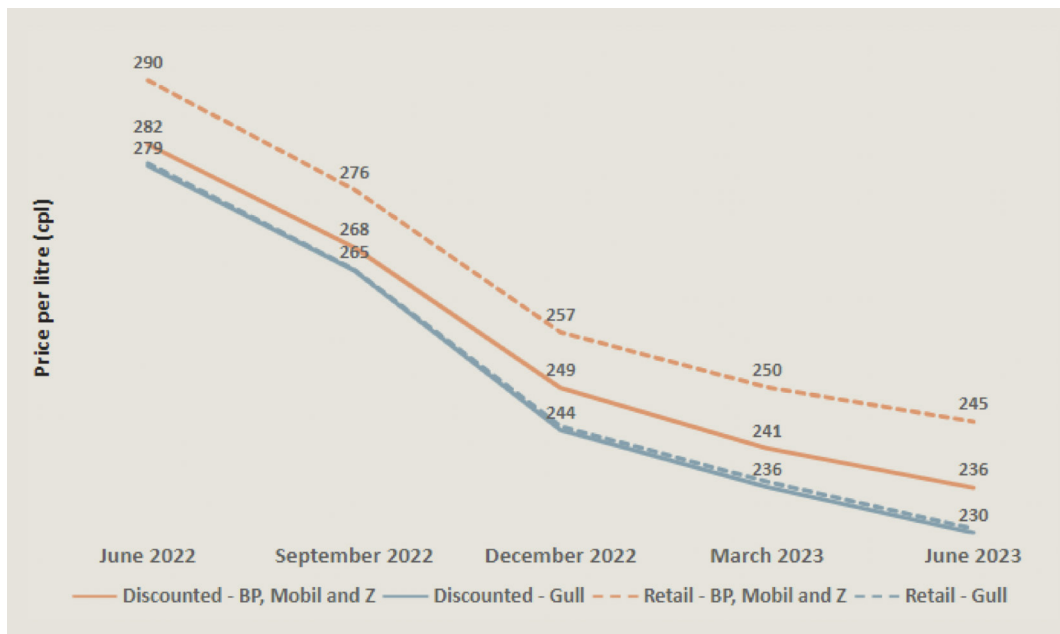
Source: ID data.

The Regular 91 retail board price was higher, on average, at retail sites that operated a loyalty programme

In the June 2023 quarter, the average retail board price for Regular 91 was typically higher at importer retail sites offering a loyalty programme (generally BP, Mobil and Z retail sites), compared to importer retail sites without a loyalty programme, such as those operated by Gull.

Gull offered an average discount through vouchers of approximately 1 cpl for both the March and June 2023 quarters, and although this is less than the loyalty programme average discounts of approximately 6 cpl, net of all discounts, Gull offered the lowest average prices over the last five quarters (both for the retail board price and the discounted price).

Figure 9: Average retail and discounted prices for Regular 91 from June 2022 quarter to June 2023 quarter



Source: ID data.

Our case studies reveal that many consumers are better served either by choosing the retail site with the lowest board price on any given day, or utilising one-off ‘discount days’. Although it is possible for discount and loyalty programmes to provide the lowest prices, this requires consumers to exhibit certain patterns of behaviour which are unlikely to be achieved by most consumers

‘Discount days’—Gull case study

Unlike some other importers operating in New Zealand, Gull do not have a discount card or loyalty programme as such. However, Gull does hold ‘discount days’, where it drops its board price by 10–20 cpl (generally a 4–9% discount). It announces the discount on the day or the day before, on its website, app and social media.

From April 2022 to June 2023, we note that Gull held 16 national discount days, usually one each month (although there were none in July 2022, two in March 2023 and two in May 2023). Consumers purchase significantly more volume from Gull on discount days.

Discount and loyalty programmes may not result in the lowest retail price

In fact, in many cases consumers would obtain the lowest prices if they did not rely on discount or loyalty programmes, and instead maximised savings by carefully reviewing which retail fuel site in their area offers the lowest ‘actual price’ on any given day (either the lowest retail board price or the lowest price after deducting any available discounts).

In order to examine and compare the potential benefits available under the main loyalty programmes, we analysed scenarios which maximise the loyalty programme discounts, and compared them to the cheapest alternative petrol price available in the area. The analysis uses Gaspy retail price information from specific retail sites in Lower Hutt and retailers’ discount information from company websites.²⁶ In the scenarios we compared the average discounted price of Regular 91 for BP, Z, and Mobil, with the average discounted price available at a local low-cost competitor site (PAK’nSAVE). Attachment C outlines the methodology and provides more details of the analysis.

The maximised fuel purchasing patterns in scenarios 2 and 3 assume that the consumer buys the minimum amount of fuel to be able to accumulate or stack discounts (that is \$40 worth of Regular 91 fuel—about 13 litres given the retail board price), buys at the non-discounted price on a Wednesday when the discount is 10 cpl, accumulates the discounts and repeats this pattern for seven weeks, then buys 50 litres of fuel on the eighth week using the accumulated discounts (before the discounts expire). Based on the board price, the resulting total volume of fuel purchased over the eight weeks is about 140 litres. To obtain the PAK’nSAVE fuel discount, consumers are required to spend \$1 or more at the supermarket.

Table 4 below shows the lowest and highest prices a consumer could pay for petrol in three different scenarios. These are:

- **Scenario 1:** Models the prices consumers would pay if they buy petrol on Wednesdays for eight weeks and used the available discounts (this applies to all sites).
- **Scenario 2:** Models the prices consumers would pay if they buy petrol for seven Wednesdays in a row, buy the minimum purchase, accumulate discounts, and use the discounts on the eighth week (this applies to BP and Z sites); Models the prices consumers would pay if they buy the same amount of petrol on Wednesdays for eight weeks and use the available discounts (this applies to PAK’nSAVE and Mobil sites).
- **Scenario 3:** Models the prices consumers would pay if they buy petrol for seven Wednesdays in a row, buy the minimum purchase, accumulate discounts, and use the discounts on the eighth week (this applies to BP and Z sites); PLUS use grocery discounts (this applies to the BP site); Models the prices consumers would pay if they buy the same amount of petrol on Wednesdays for eight weeks and use the available discounts (this applies to PAK’nSAVE and Mobil sites).

26 This analysis uses publicly available data and does not use information disclosed to us under the Regulations.

The cheapest petrol price is PAK'nSAVE in the first two scenarios, and in all scenarios Mobil has the highest prices. We acknowledge that the Mobil programme provides an additional benefit in the form of Smiles points that can be redeemed for vouchers, however, in this case, the Smiles points that would be earned would translate into a discount of 1.7 cpl (which is less than half the amount required for a \$5 reward). In scenario 3, it is theoretically possible for the lowest price to be at BP, however we acknowledge this scenario is extreme and unlikely to be achieved by most consumers. It is based on assumptions relating to a specific consumer who follows a certain pattern for buying fuel over an eight week period, and also does their grocery shopping at a retailer participating in the same programme (which increases the average discount). Applying more realistic consumer behaviour patterns produces smaller discount amounts.

Table 4: A theoretical model of maximised discount benefits for Regular 91 in Lower Hutt

Site	Total fuel purchased	Board price (cpl)	Wednesday discount (cpl)	Scenario 1 Average discounted price (cpl)	Scenario 2 Average discounted price (cpl)	Scenario 3 Average discounted price (cpl)
PAK'nSAVE Lower Hutt	140 L	286.7	6	280.7	280.7	280.7
BP Connect Melling	140 L	309.9	10	299.9	281.4	264.3
Z VIC Corner	140 L	309.9	10	299.9	281.4	281.4
Mobil Lower Hutt	140 L	309.9	6	303.9	303.9	303.9

Source: Gaspy; company websites.

When compared to a cents per litre discount as is offered in a typical 'discount day', due to their complexity, loyalty programmes are more difficult to understand. Maximising available discounts is dependent on consumers adopting a certain pattern of behaviour, shopping strategically and 'thinking ahead'. They place some onus on the consumer to consume fuel in a particular way, with small frequent purchases (in the above example, \$40 each Wednesday) and a larger purchase at the end of the period which may not suit their consumption requirements.

Loyalty cards and programmes can create 'customer stickiness' to a brand and can focus consumer attention on the level of discount, rather than on the actual price paid for fuel. This may reduce the likelihood that a consumer will shop around for the best deal. The resulting lack of mobility may have a negative impact on competition and limit the benefits to consumers.

Our overall message remains that we encourage consumers to shop around for the best price and find the best discount for them in the circumstances. Consumers benefit from knowing that, just because a retail board price is discounted through a discount day, loyalty card or programme, it does not mean that it is necessarily the cheapest price available.

The wholesale fuel market

Importers sell fuel to wholesale customers (including other importers, distributors, dealers, and commercial end users) as well as retail customers. These sales occur in the wholesale market, usually through fixed wholesale contracts, although there is an opportunity for wholesale customers, under certain circumstances, to purchase fuel on ad hoc basis, using a 'spot' price or published TGP.

The Act introduced a number of requirements for fuel industry participants, including conditions around TGPs and fixed wholesale contractual terms. As prescribed in the Fuel Industry Act Amendment Bill 2023, from July 2023, TGPs are potentially subject to price regulation.²⁷

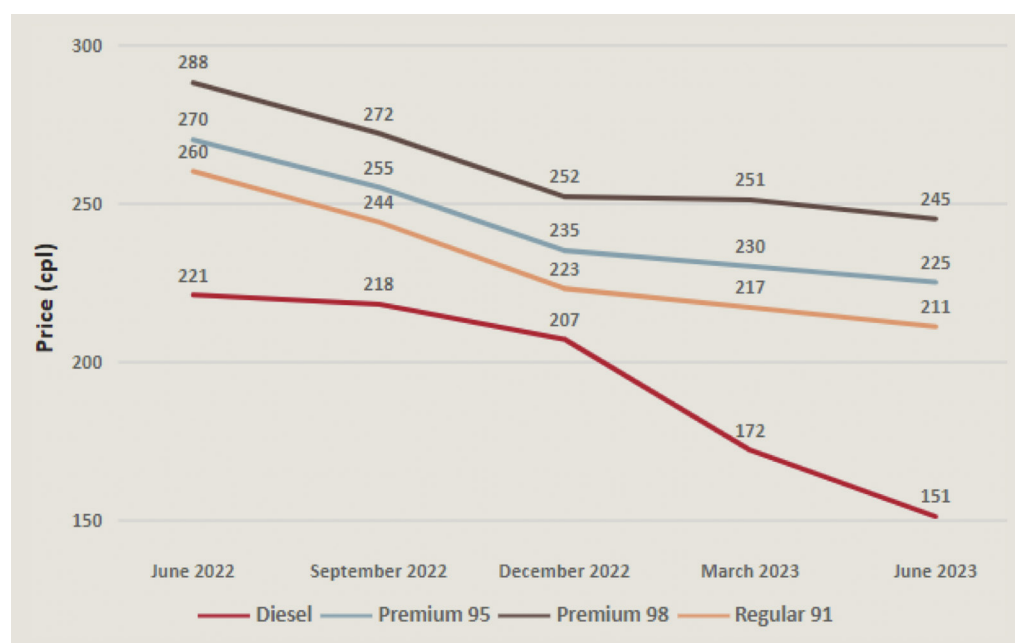
Wholesale prices for Regular 91 and Premium fuel grades continued to decrease, and Diesel prices fell significantly

The average wholesale prices (from 'fixed wholesale contracts' and 'other contracts') for petrol grades continued to decrease between the March 2023 quarter and the June 2023 quarter.²⁸

The decrease for Diesel during the June 2023 quarter was larger:

- **Diesel:** fixed wholesale contract average price decreased by 21 cpl;
- **Regular 91:** fixed wholesale contract average price decreased by 6 cpl;
- **Premium 95:** fixed wholesale contract average price decreased by 5 cpl; and
- **Premium 98:** fixed wholesale contract average price decreased by 6 cpl.

Figure 10: Average wholesale contract prices (incl. taxes) for all fuel types from June 2022 quarter to June 2023 quarter



Source: ID data.

²⁷ The Fuel industry Amendment Act 2023 inserted Part 2A into the Fuel Industry Act 2020 in July 2023.

²⁸ Note that while the ID data we analyse for the retail market represents importers selling to retail and commercial end user customers, the wholesale market data also includes sales to other importers, distributors, and dealers. As such, retail prices cannot be directly tracked through from the retail section to the wholesale section of the report. Additionally, there can also be a time lag between cost and/or pricing changes in the wholesale market being reflected in retail prices.

Table 5 provides wholesale prices for all fuel types from the June 2022 to June 2023 quarters in the categories of ‘fixed wholesale contract’, ‘other contract’, and ‘terminal gate price’.

Table 5: Average prices by type of sale and fuel type from June 2022 quarter to June 2023 quarter

		June 2022	September 2022	December 2022	March 2023	June 2023
Type of sale	Fuel type	Price cpl (inc. taxes)				
Fixed wholesale contract	Diesel	221	218	207	172	151
	Regular 91	260	244	223	217	211
	Premium 95	270	255	235	230	225
	Premium 98	288	272	252	251	245
Other Contract	Diesel	212	200	194	161	141
	Regular 91	284	223	209	207	200
	Premium 95	295	242	223	218	212
	Premium 98	253		203	203	197
Terminal Gate Price	Diesel	234	244			
	Regular 91	267	265	237		
	Premium 95	286	302			

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. The ‘other’ contract category mainly represents importer-to-importer transactions.

Total sales volumes decreased again in the wholesale market, there were no TGP sales recorded

The total wholesale volumes decreased by 26ML (2.3%) in the June 2023 quarter, compared to the March 2023 quarter (see the table below):

- no TGP sales were recorded in the March 2023 or June 2023 quarters;
- volumes sold under 'fixed wholesale contracts' decreased by 15ML (1.6%); and
- volumes sold under 'other contracts' decreased by 11ML (7.5%).

Wholesale customers have purchased less fuel compared to the previous quarter (1,104ML in the March 2023 quarter compared to 1,078ML in the June 2023 quarter). This decrease is driven by a 46ML fall in Diesel volumes sold.

Table 6: Wholesale volumes by type of sale from the June 2022 to June 2023 quarters

	June 2022	September 2022	December 2022	March 2023	June 2023	Total (ML)
Type of sale	Volume (ML)					
Fixed wholesale contract	828.2	870.9	973.3	960.9	945.6	4,578.9
Other Contract	30.3	95.2	132.2	142.7	132.0	532.4
Terminal Gate Price	0.1	0.0	0.0	0.0	0.0	0.2
Total	858.6	966.1	1,105.6	1,103.6	1,077.5	5,111.4

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

Table 7: Wholesale volumes by fuel type from June 2022 quarter to June 2023 quarter

	June 2022	September 2022	December 2022	March 2023	June 2023	Total (ML)
Fuel type	Volume (ML)					
Diesel	536.7	596.6	671.9	673.4	627.3	3,105.9
91	246.4	287.7	334.4	328.7	334.0	1,531.2
95	67.6	75.0	90.0	92.5	106.1	431.2
98	7.8	6.9	9.2	8.9	10.2	43.1
Total	858.6	966.1	1,105.6	1,103.6	1,077.5	5,111.4

Source: ID data.

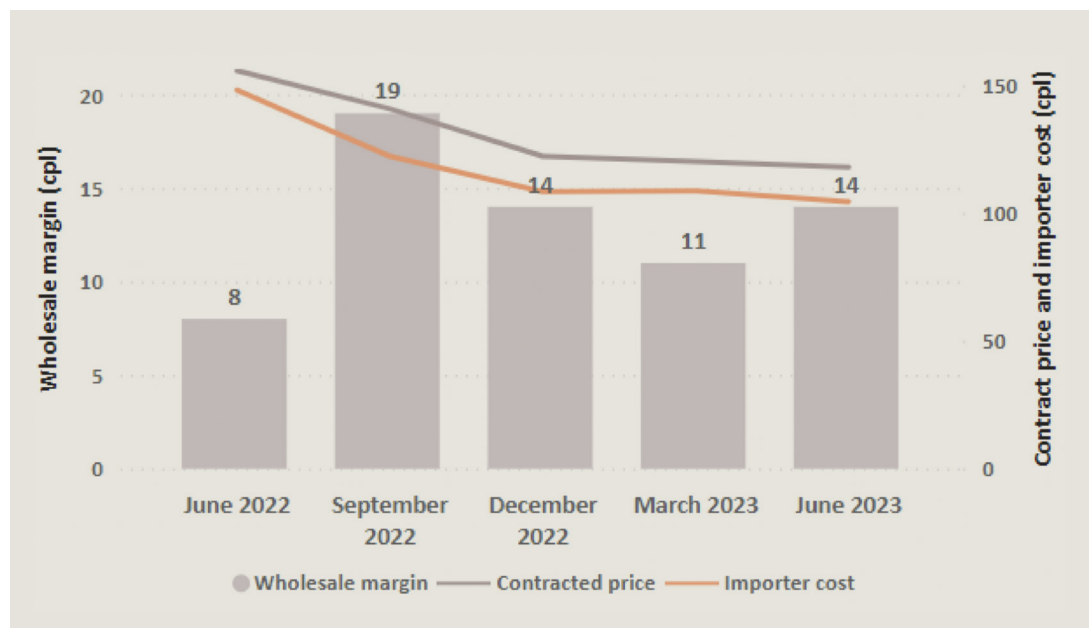
Wholesale margins are stable for Regular 91 and Premium 95, whilst Diesel wholesale margins have been on a downward trend over the last three quarters

Wholesale margins are a useful metric to monitor the performance of the wholesale market as they can act as an indicator of either increased or reduced competition. The wholesale margin is the difference between the cost to the importers of purchasing and landing fuel into New Zealand (importer costs) and the price (less taxes) that importers receive for the fuel sold to wholesale customers.

Wholesale margins for all fuel types were volatile when our monitoring commenced, with the Russia–Ukraine conflict contributing to the spike in importer costs. Wholesale margins peaked in July 2022 at 25 cpl for Regular 91, 32 cpl for Premium 95 and 22 cpl for Diesel.

Since the end of the December 2022 quarter, average wholesale margins have been relatively stable at around 13 cpl for Regular 91 and 22 cpl for Premium 95 respectively, and since the beginning of the January 2023 quarter, wholesale margins for Diesel have not fluctuated considerably, and remain at around 12 cpl.

Figure 11: Average contracted price, importer cost and importer margin for Regular 91 from April 2022 to June 2023



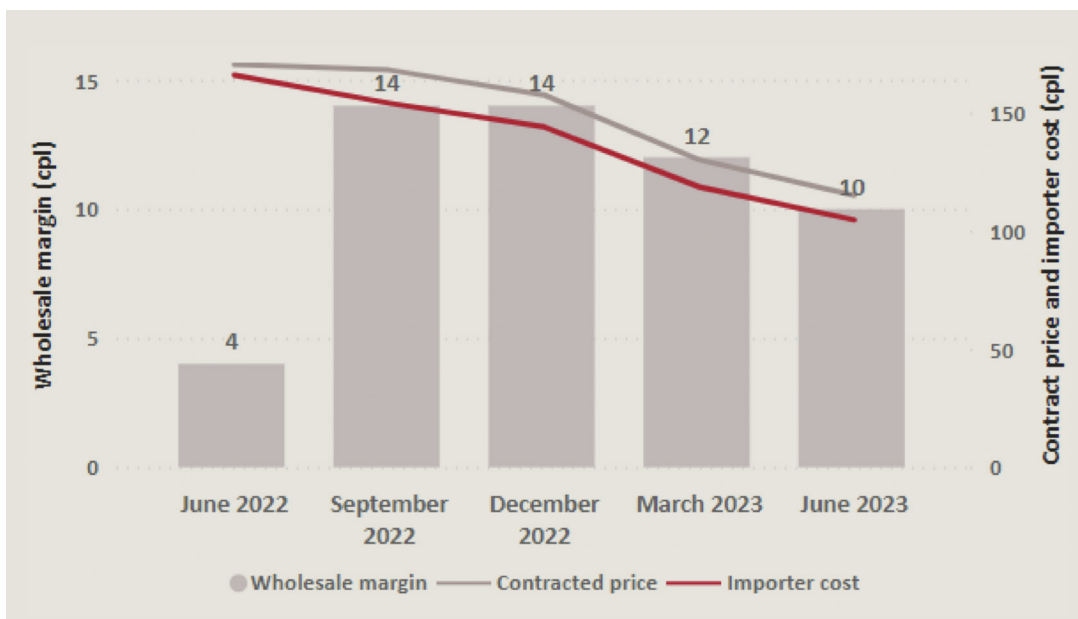
Source: ID data, MBIE.

Figure 12: Average contracted price, importer cost and importer margin for Premium 95 from April 2022 to June 2023



Source: ID data, MBIE.

Figure 13: Average contracted price, importer cost and importer margin for Diesel from April 2022 to June 2023

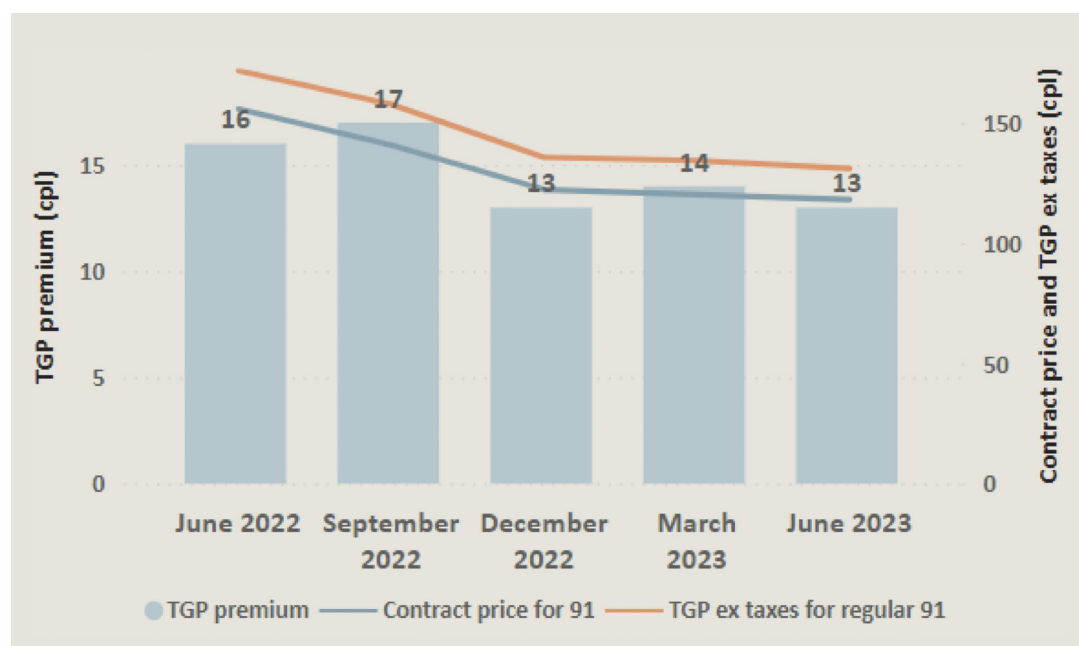


Source: ID data, MBIE.

The difference between TGPs and the fixed wholesale contract prices decreased for Regular 91 and Premium 95

The difference between TGPs and average wholesale contract prices is described as the ‘TGP premium’ (see Figures 14 to 16). Between the March 2023 and June 2023 quarters, the TGP premium decreased (on average by 1–2 cpl) for Regular 91 and Premium 95, with no discernible change for Diesel.

Figure 14: TGP offer price, contracted price and TGP premium for Regular 91 from June 2022 quarter to June 2023 quarter



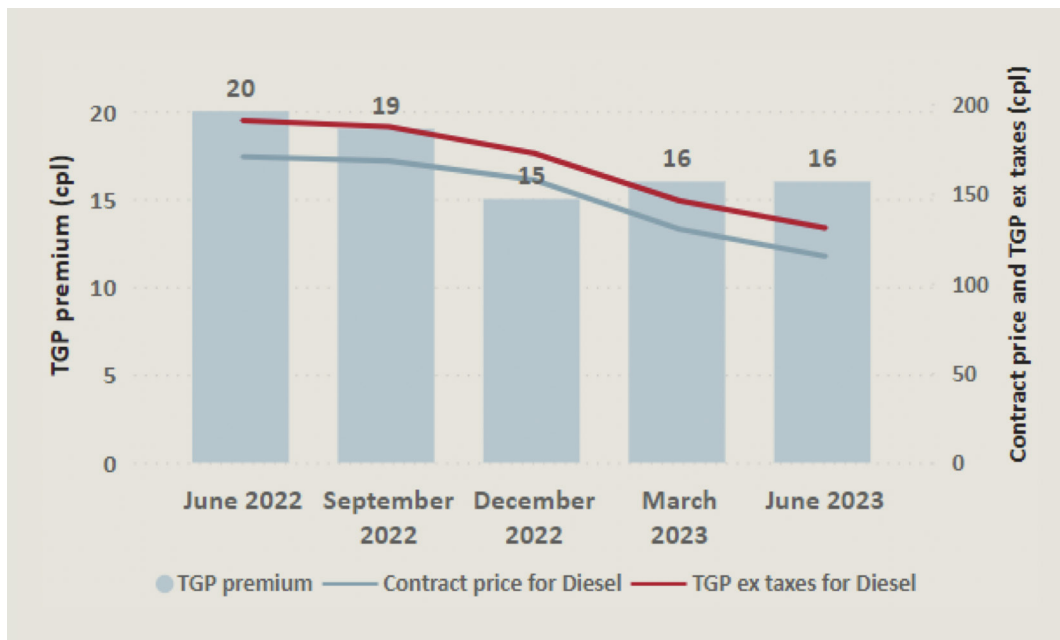
Source: ID data.

Figure 15: TGP offer price, contracted price and TGP premium for Premium 95 from June 2022 quarter to June 2023 quarter



Source: ID data.

Figure 16: TGP offer price, contracted price and TGP premium for Diesel from June 2022 quarter to June 2023 quarter



Source: ID data.

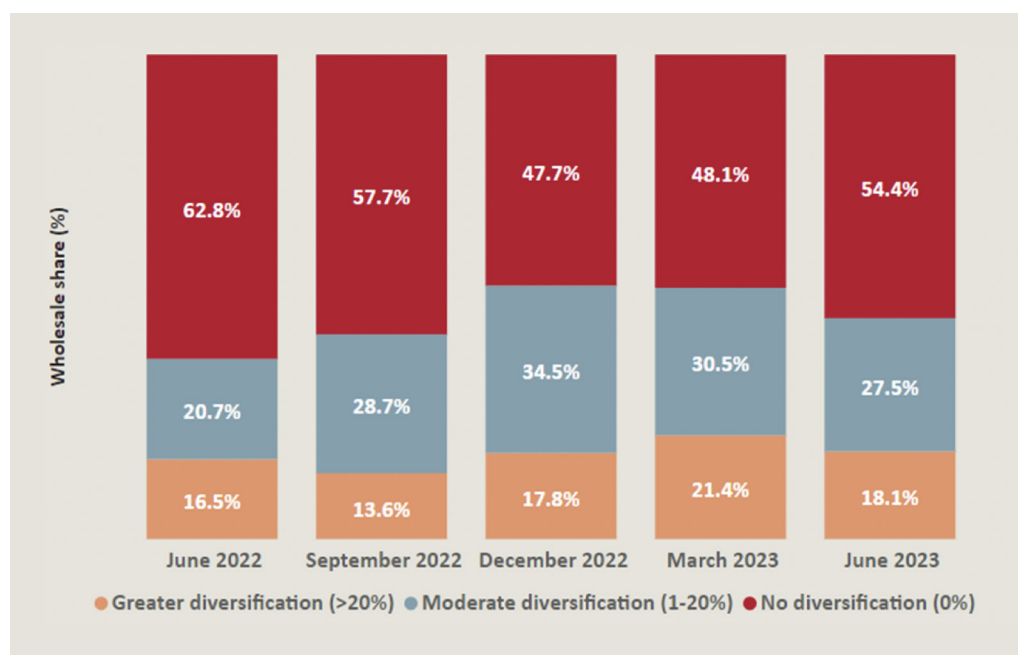
Increase in volume bought by customers who transact with a single wholesale supplier, after increased diversification in the wholesale market in the previous four quarters

We monitor any supplier switching and multi-sourcing taking place over time, in order to provide insight on the impact of the Act and Regulations on the wholesale market.²⁹

The Act sets out the maximum percentage of engine fuel that may be subject to exclusivity providing that no single contract may require the reseller (other than dealers) to purchase more than 80% of their fuel requirements.³⁰ Note that given the nature of their businesses, dealers generally have no option to source from multiple suppliers.³¹

Since our monitoring began in 2022, we have seen an increasing share of wholesale volumes being sourced from multiple suppliers, from 37.2% in the June 2022 quarter to 45.6% in the June 2023 quarter. However, the June 2023 proportion of volumes from multiple suppliers is a decrease from the 51.9% share in the March 2023 quarter. This decrease is mainly due to a change in sales from one importer to another importer, rather than less diversification amongst other customer segments.

Figure 17: Wholesale share of volumes by supplier relationship for all wholesale customers from June 2022 to June 2023 quarter



Source: ID data.

²⁹ Hon Megan Woods, Regulatory Impact Statement: Fuel Industry Act 2020—Information Disclosure Regulations 2021, page 27, <https://www.mbie.govt.nz/dmsdocument/17499-regulatory-impact-statement-fuel-industry-act-2020-information-disclosure-regulations-proactiverelease-pdf>.

³⁰ Section 18 of the Act, reg 15 of the Regulations.

³¹ 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.

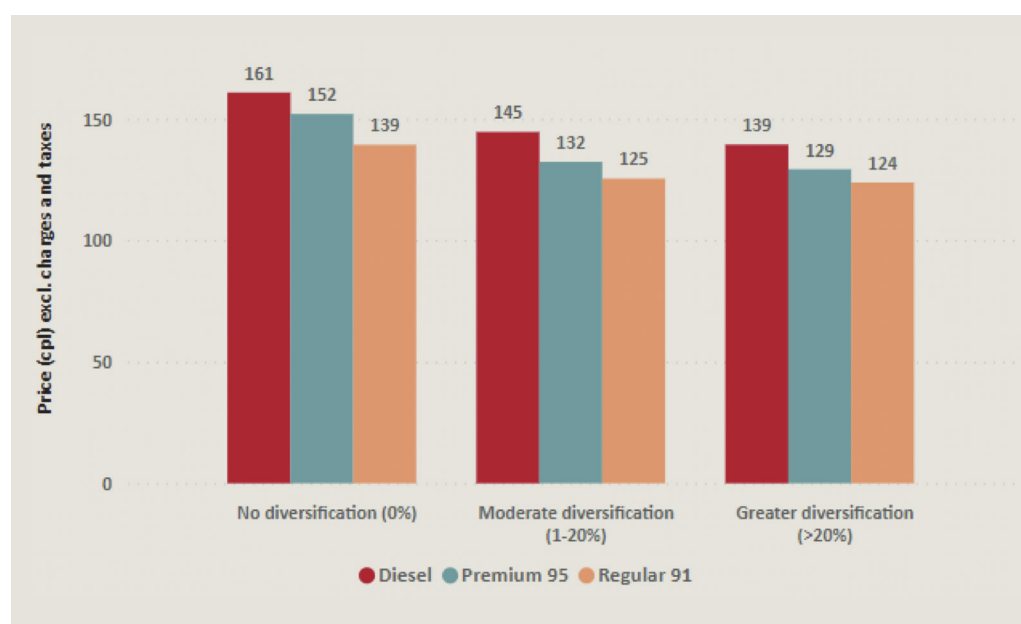
The more diversified the wholesale supply, the lower the price

Diversification in the wholesale market can promote competition as wholesale customers are able to negotiate with multiple suppliers, potentially giving them greater leverage to obtain lower prices.

Figure 18 below shows the average price per litre paid by wholesale customers (excluding taxes and charges) for Diesel, Premium 95 and Regular 91, depending on whether the fuel is supplied by a single supplier or a proportion is supplied by a different supplier. The price for fuel supplied by a single supplier (no diversification of supply) is higher than the price for fuel where a proportion is supplied by another supplier. These figures represent the average prices across all five quarters of data (June 2022 to June 2023 quarters).

- Diesel:** average wholesale price of 161 cpl when relying on only one supplier; average wholesale price of 145 cpl when relying on other suppliers for less than 20% of their supply; and average wholesale price of 139 cpl when relying on other suppliers for 20% or more of their supply.
- Regular 91:** average wholesale price of 139 cpl when relying on only one supplier; average wholesale price of 125 cpl when relying on other suppliers for less than 20% of their supply; and average wholesale price of 124 cpl when relying on other suppliers for 20% or more of their supply.
- Premium 95:** average wholesale price of 152 cpl when relying on only one supplier; average wholesale price of 132 cpl when relying on other suppliers for less than 20% of their supply; and average wholesale price of 129 cpl when relying on other suppliers for 20% or more of their supply.

Figure 18: Average wholesale price by supplier relationship and fuel type for all wholesale customers, for the five quarters June 2022 to June 2023 combined



Source: ID data.

The Terminal Gate Pricing regime

During the June 2023 quarter, Mobil continued to post the highest TGPs for Regular 91 and Premium 95. Mobil and BP had the highest TGPs for Diesel. Z had the lowest TGP for Regular 91, while Tasman Fuels offered the lowest TGPs for Premium 95 and Diesel (note that Tasman Fuels are present in Timaru only).

TGPs continue to appear high compared to the cost of importing fuel into New Zealand. New Zealand TGPs also remained high relative to TGPs observed in Australia, although the difference was lower in the June 2023 quarter (compared to March 2023 quarter) in the case of Regular 91.

The regime

One of the key interventions introduced under the Act was the terminal gate pricing regime. This regime requires wholesale suppliers to post a TGP for each fuel that it has the right to draw at a bulk storage facility to achieve more transparent wholesale prices.³²

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 wholesale customers, 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.³³

The wholesale supplier must supply wholesale customers with their requested volumes at the supplier's TGP, unless the wholesale supplier has reasonable grounds to refuse to supply.³⁴

The price payable by the reseller must not exceed the TGP posted at the time of the request. Terminal gate pricing currently only applies to regular grade petrol (Regular 91), premium grade petrol (Premium 95) and Diesel.³⁵

³² See section 9 of the Act; MBIE, 'Market study into retail fuel', www.mbie.govt.nz.

³³ Ministry of Business, Innovation and Employment "Response to the Commerce Commission's Retail Fuel Market Study" Fuel Industry Bill (27 February 2020).

³⁴ See section 8(2) of the Act; Premium 98 is excluded under reg 4 of the Regulations, as well as any Diesel or Petrol that contains more than 1.0% biofuel volume.

Our approach to monitoring TGPs

Over the last quarter, we have continued to monitor and compare the TGPs offered by each importer at the different terminal locations around New Zealand. We are building a picture of performance as more data becomes available over time.

In our analysis of TGP levels in New Zealand, we currently use several reference points to provide an indication of whether TGPs are at a level we would expect to see in a workably competitive market. These include:

- importer costs (the cost of importing fuel into New Zealand);
- fixed wholesale contract prices;
- retail prices; and
- TGPs in Australia (noting that Australia has a more mature regime with greater terminal competition).

In our view, these provide useful and relevant points of reference and shed light on the progress of New Zealand's TGP regime for the following reasons:

- **Importer costs:** the costs of supplying fuel at the terminal gate are comprised of a number of components, including the cost of importing fuel into the port at which the terminal is located, as well as the costs associated with building and operating the terminal facility. For the purposes of our monitoring, we have used MBIE's importer cost series as a reference point, although we note that terminal-related costs are not included.³⁵
- **Fixed wholesale contract prices:** wholesale contract prices are another reference point for TGP analysis. While these prices are based on similar costs to TGPs for the importers, wholesale contracts assure supply and, therefore, wholesale contract prices are lower than TGPs on average, as we would expect. However, the difference between wholesale contract prices and TGPs ('the TGP premium') in New Zealand is larger than what is observed in Australia. Australian wholesale contract prices and TGPs are much closer than in New Zealand.
- **Retail prices:** a comparison of TGPs with retail prices may reveal whether TGPs leave sufficient margin from retail board prices for an efficient competitor to compete.
- **TGPs in Australia:** we have also compared TGPs in New Zealand with TGPs in Australia, where there is a more mature TGP regime and greater terminal competition. As discussed below, we have made a number of adjustments when comparing TGPs in Australia and New Zealand, to take into account differences in taxes in each country.³⁷

TGPs that are closer to importer costs and wholesale contract prices in New Zealand, as well as Australian TGPs, are likely to enable TGPs in New Zealand to be a more viable option for potential purchasers of fuel. Our analysis of TGPs centres on the TGP comparisons with importer costs, wholesale contract prices (see Figures 14 to 16), and Australian TGPs, rather than retail prices for these reasons, as any movement toward these reference points would help improve retail price competition.³⁸

35 MBIE, Weekly table; <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/weekly-fuel-price-monitoring/>.

36 We also discuss below that we are interested in any evidence of other cost-related differences which could explain some of the differences in TGPs between the two countries.

37 In future, we may look further into the estimated delivered margins available to a new entrant into the retail market, in light of the costs that we can estimate and the range of prices that we are observing.

Tracking TGP sales volumes over five quarters

According to information disclosed to us, the volume of TGP sales has been low:

- during the June 2022 quarter, TGP sales amounted to 122,000 litres (0.014% of total wholesale sales);
- during the September 2022 quarter, TGP sales amounted to 41,000 litres (0.004% of the total);
- during the December 2022 quarter, TGP sales amounted to 300 litres; and
- during the March 2023 and June 2023 quarters, no TGP sales were recorded in the information disclosed to us.

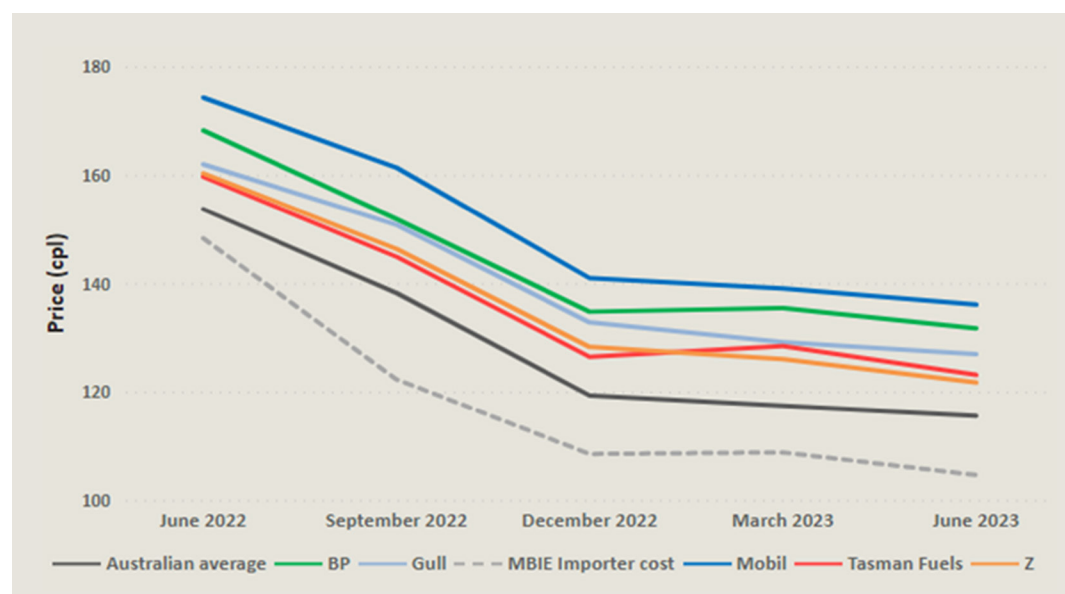
New Zealand TGPs continued to appear high relative to importer costs

Importer costs were similar to previous quarters, but average TGPs for Regular 91 continued to appear high over the June 2023 quarter relative to such costs.

Mobil's average TGPs were the highest over the last five quarters for all fuel types.

Tasman Fuels consistently had the lowest TGPs for Premium 95 and Diesel. However, in the March 2023 quarter, Tasman Fuels' average TGP for Regular 91 moved above Z Energy and remained so for the June 2023 quarter.

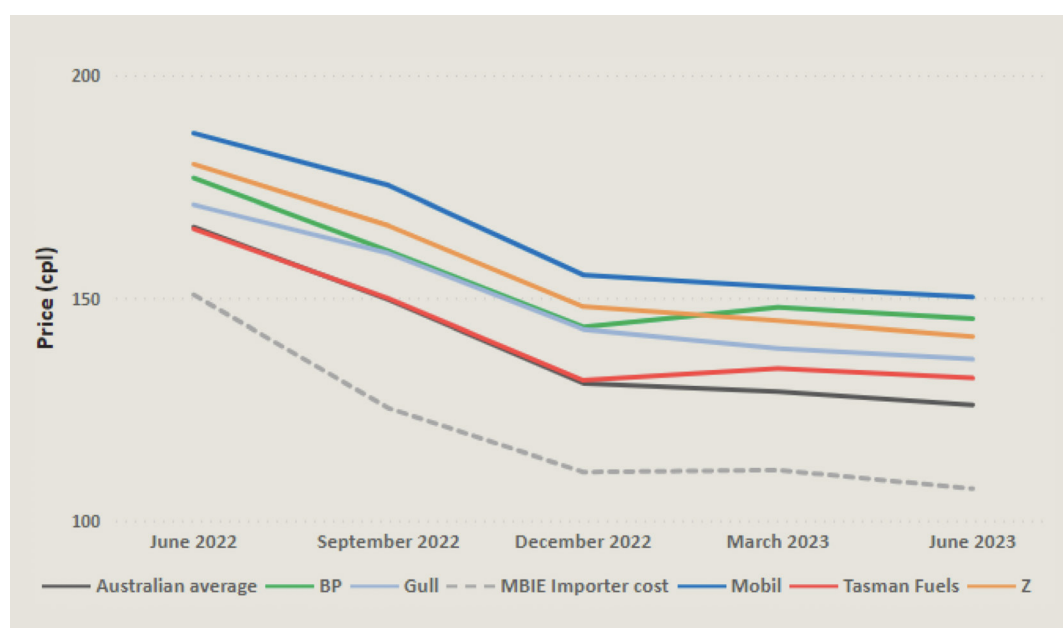
Figure 19: Average Regular 91 TGPs by supplier (excl. taxes) from June 2022 quarter to June 2023 quarter



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

Also of note was that BP's average TGP for Premium 95 became the second highest of the importers in the March 2023 quarter and it has retained this position in the June 2023 quarter.

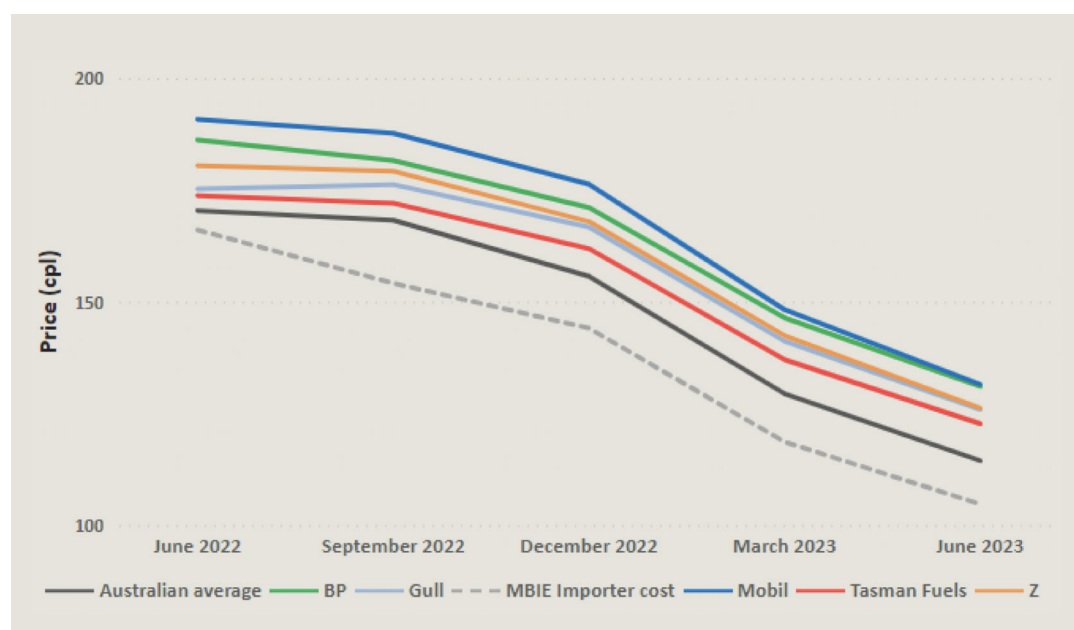
Figure 20: Average Premium 95 TGPs by supplier (excl. taxes) from June 2022 quarter to June 2023 quarter



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

The difference between BP's and Mobil's Diesel TGPs reduced over the March 2023 quarter, and in the June 2023 quarter BP and Mobil had the highest TGPs for Diesel.

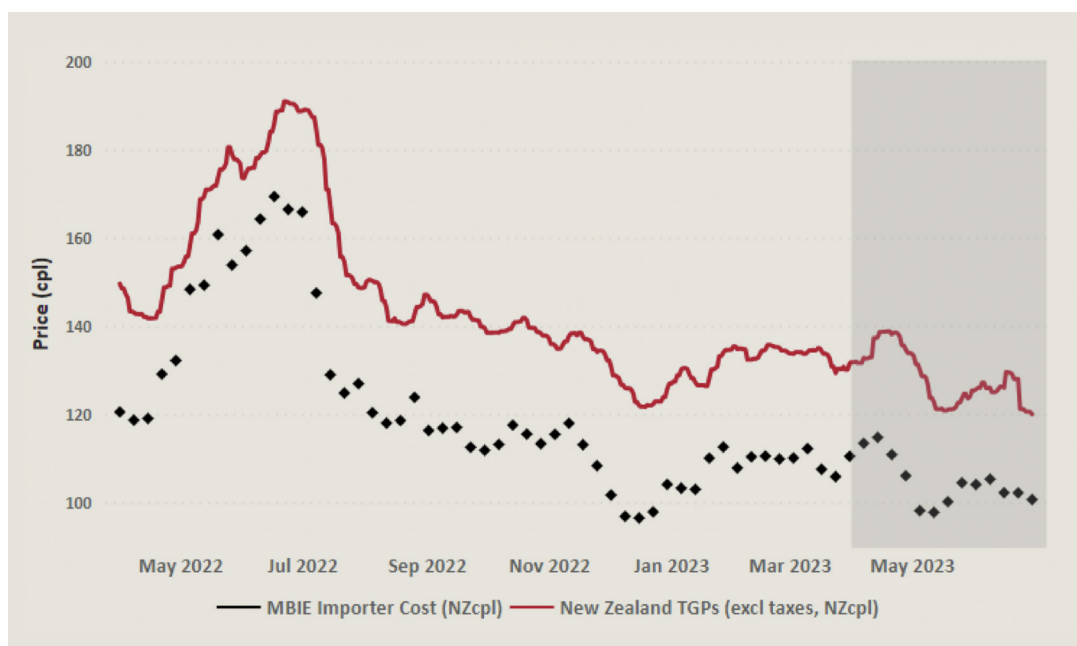
Figure 21: Average Diesel TGPs by supplier (excl. taxes) from June 2022 quarter to June 2023 quarter



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

Domestically, Regular 91 TGPs decreased by 4 cpl between the March and June 2023 quarters, from 132 cpl to 128 cpl. Importer costs also decreased by 4 cpl between the March and June 2023 quarters from 109 cpl to 105 cpl.

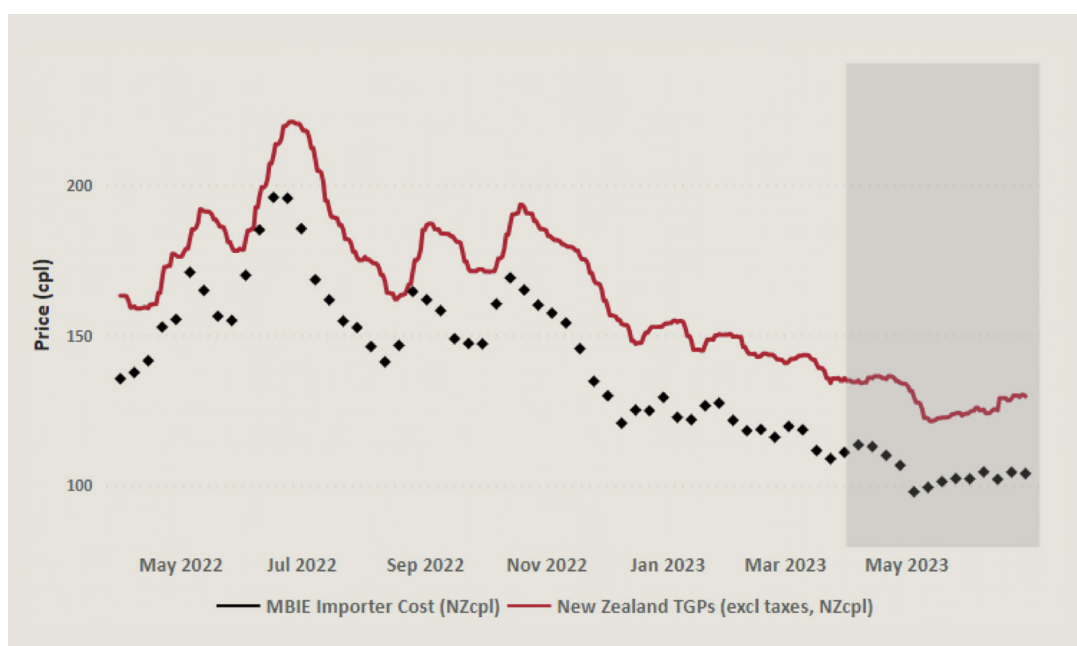
Figure 22: Average Regular 91 TGP (excluding taxes) from April 2022 to June 2023



Source: ID data; MBIE. Data for the June 2023 quarter is displayed in the grey area.

Diesel TGPs decreased by 16 cpl between the March and June 2023 quarters, from 145 cpl to 129 cpl. Importer costs dropped by 14 cpl between the March and June 2023 quarters from 119 cpl to 105 cpl.

Figure 23: Average Diesel TGP (excluding taxes) from April 2022 to June 2023



Source: ID data; MBIE. Data for the June 2023 quarter is displayed in the grey area.

Decrease in gap between New Zealand and Australian TGPs for Regular 91, slight increase for Premium 95, flat for Diesel

As noted above, we use the Australian TGPs as one reference point for what we might expect a workably competitive TGP market to look like.

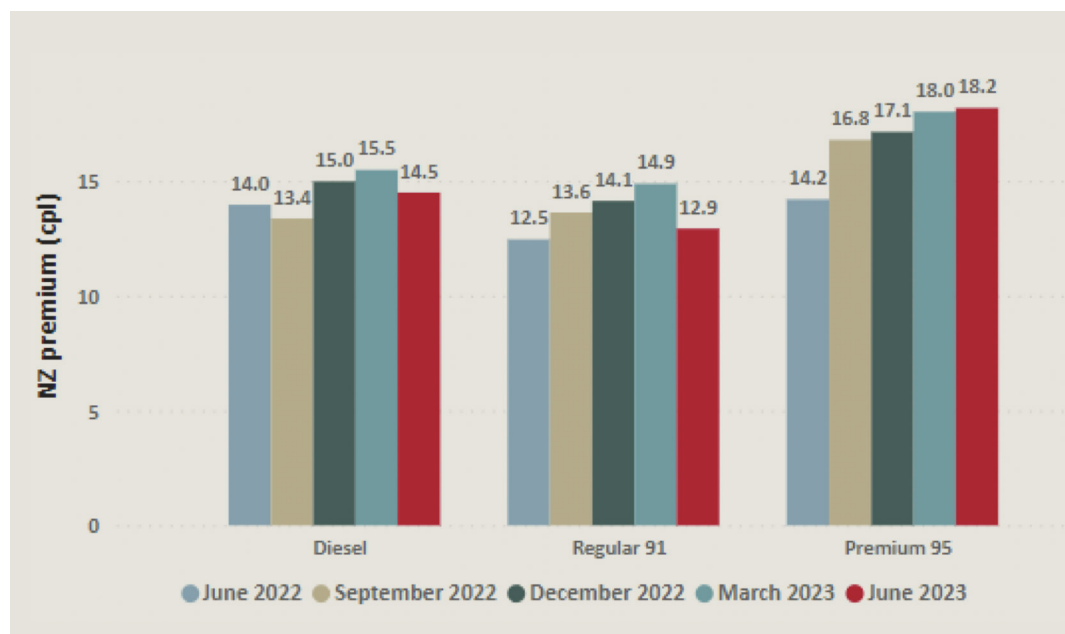
For our Australian comparison, we take a quarterly average of TGPs from the Australian Institute of Petroleum (AIP) for Regular 91 and Diesel.³⁹ For Premium 95, we calculate the quarterly average TGP from four Australian importer websites at the same seven terminal locations used by the AIP (Sydney, Melbourne, Brisbane, Adelaide, Darwin, Perth and Hobart).

When comparing TGPs in Australia and New Zealand, we have removed the taxes that apply in each country to ensure a consistent comparison.⁴⁰ We have also converted the Australian TGPs into New Zealand dollars.

Between the June 2022 quarter and the March 2023 quarter, the gap between New Zealand and Australian TGPs has gradually increased. In the June 2023 quarter, the gap decreased for the first time since our monitoring started, for Diesel and Regular 91.⁴¹ For Premium 95 the trend of an increasing gap between New Zealand and Australian TGPs continued over the five quarters (from 14.2 cpl in June 2022 to 18.2 cpl in the June 2023 quarter). From the March 2023 to June 2023 quarters:

- **Diesel:** the gap reduced by 1 cpl, from 15.5 cpl to 14.5 cpl;
- **Regular 91:** the gap reduced by 2 cpl, from 14.9 cpl to 12.9 cpl; and
- **Premium 95:** the gap continued at approximately 18 cpl.

Figure 24: Average difference between NZ TGPs and Australian TGPs from June 2022 quarter to June 2023 quarter



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

38 Australian Institute of Petroleum, <https://www.aip.com.au/>.

39 For further details of the tax adjustments, see Attachment F.

40 Because Australian TGPs are subject to exchange rate conversion, exchange rate volatility may influence comparison between quarters.

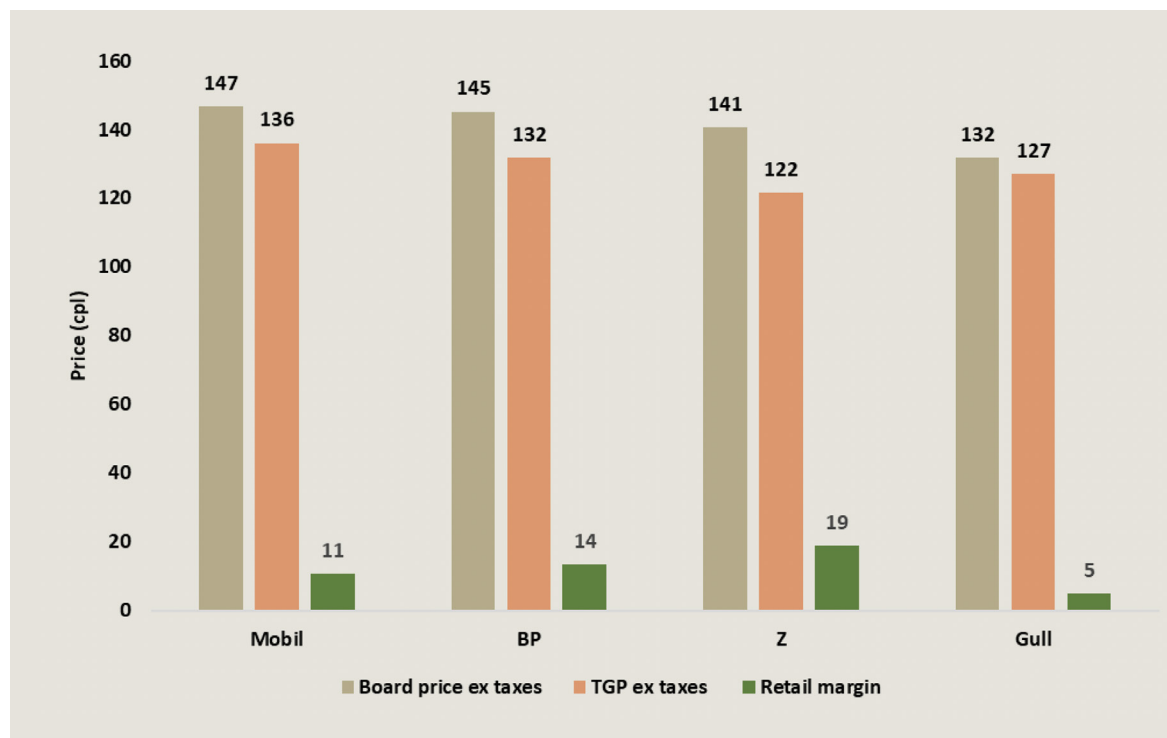
Retail prices and TGPs for Diesel

A comparison of TGPs with retail prices could reveal whether or not there is sufficient margin available for a reseller to buy fuel at TGP and compete with an importer-owned retail site for volume. At current observed levels, it is possible a reseller may find it challenging to compete with importers if buying at TGP and selling at similar retail prices as importers.

Below we compare TGPs against the retail board price (excluding taxes) for the June 2023 quarter for Regular 91, Premium 95 and Diesel. Our analysis shows that:

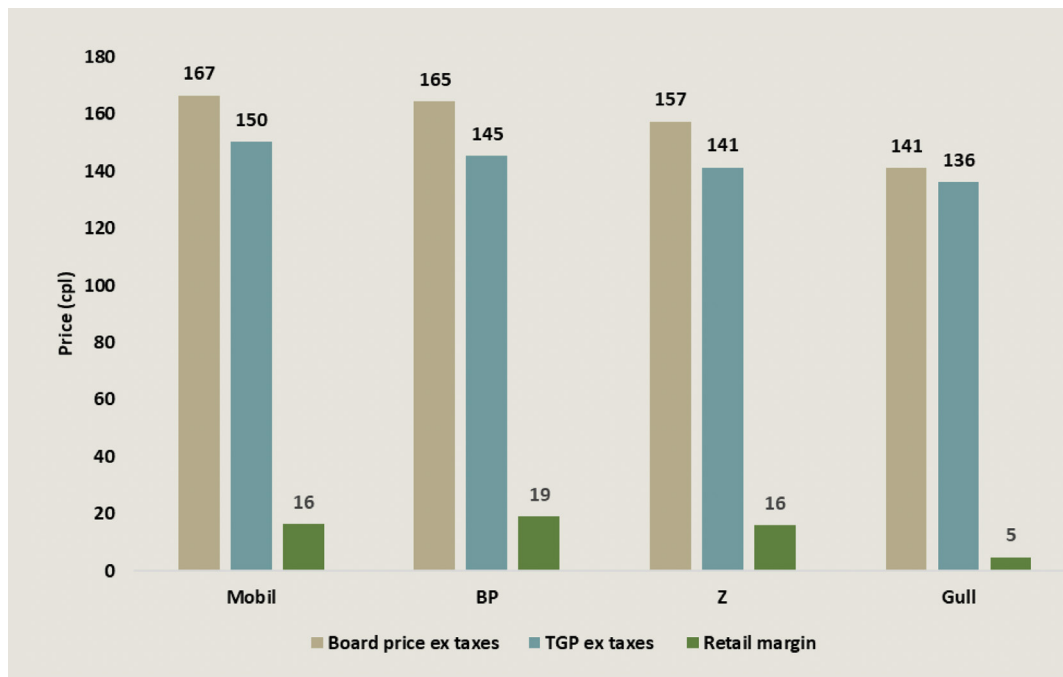
- **Regular 91:** the margin between the importer's board price and TGP ranges from 5 cpl (Gull) to 19 cpl (Z);
- **Premium 95:** the margin between the importer's board price and TGP ranges from 5 cpl (Gull) to 19 cpl (BP); and
- **Diesel:** the margin between the importer's board price and TGP ranges from 16 cpl (Gull) to 26 cpl (Z).

Figure 25: Average Regular 91 TGP by supplier (excl. taxes) and retail prices (excl. taxes) for the June 2023 quarter



Source: ID data, MBIE.

Figure 26: Average Premium 95 TGP by supplier (excl. taxes) and retail prices (excl. taxes) for the June 2023 quarter



Source: ID data, MBIE.

Figure 27: Average Diesel TGP by supplier (excl. taxes) and retail prices (excl. taxes) for the June 2023 quarter

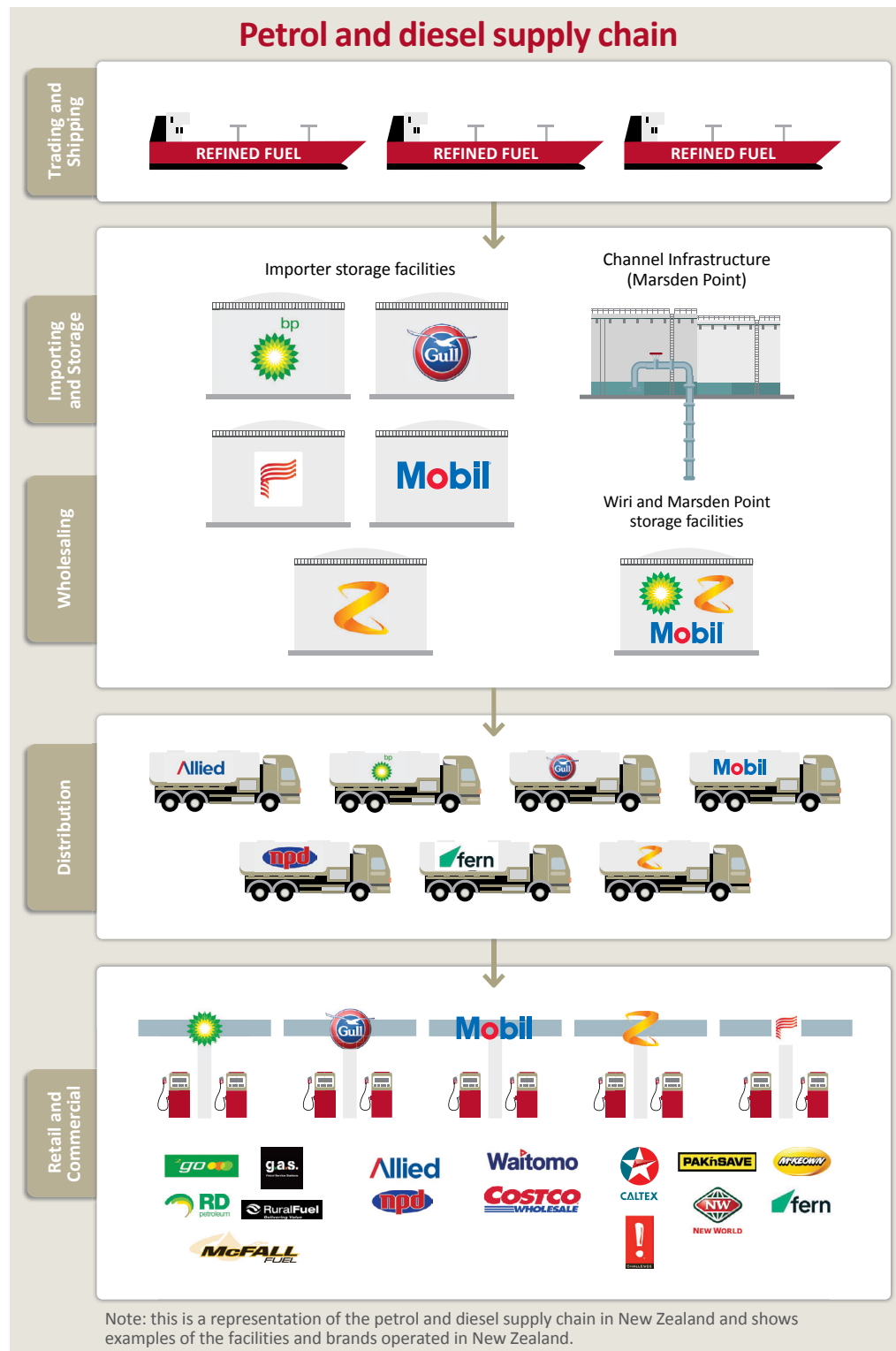


Source: ID data, MBIE.

Attachment A: New Zealand's fuel supply chain

Figure 28 below shows New Zealand's fuel supply chain and fuel industry participants—from transporting and importing fuel into New Zealand to the wholesale, distribution and retail stages.

Figure 28: New Zealand's Petrol and Diesel supply chain

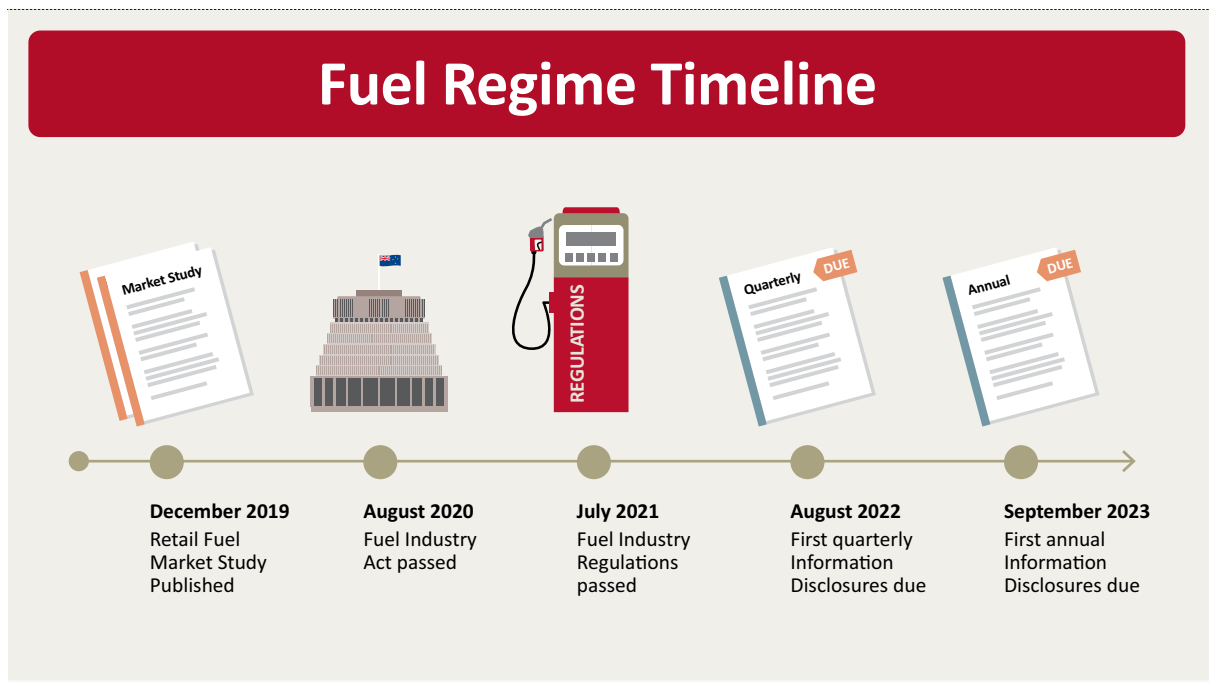


Source: Commerce Commission.

Attachment B: Fuel regime key dates

Figure 29 below provides a timeline of the key dates for New Zealand's fuel regime, including the 2019 Market Study, the passage of the Act and Regulations, and the first disclosure of quarterly and annual information by fuel industry participants.

Figure 29: Key dates of New Zealand's fuel regime (2019 - 2023)



Source: Commerce Commission.

Attachment C: Additional information regarding fuel discounting and loyalty programmes

Major importer-owned retail fuel sites usually post higher board prices than unmanned fuel sites, however, the potential discounts through membership programmes are also usually greater. This raises the question of whether the greater discounts that are potentially available at the majors' sites can offset the higher board prices, or whether other retailers' prices (with or without discounts) are more competitive.

Our analysis compares the discounting programmes of the three majors (BP, Mobil and Z) with PAK'nSAVE Fuel, which had the lowest board price in Lower Hutt on Wednesday, 20 September 2023, according to Gaspy. The fuel sites used in the comparison are the sites of each brand in closest geographical proximity to PAK'nSAVE Lower Hutt, and all prices are for Regular 91.

How do the loyalty programmes and discounting work?

Both BP and Z have similar discounting programmes. Both allow members to redeem a 6 cpl discount (10 cpl discount on Wednesdays) for each fuel purchase, up to a maximum of 50 litres. However, if the amount spent is equal to or greater than \$40, the member has the option to 'accumulate' or 'stack' their 6 (or 10) cpl discount. Members can accumulate discounts an unlimited number of times until they expire at the end of the following calendar month (eg, a discount accumulated on 20 September 2023 would expire on 31 October 2023).

PAK'nSAVE allows customers to save 6 cpl (for up to 50 litres) from the PAK'nSAVE Fuel board price with any spend of \$1 or more at the same PAK'nSAVE supermarket.

Mobil's discounting programme also provides a 6 cpl discount off the board price. In addition, customers can acquire 'Smiles points' which can be redeemed for vouchers. One Smiles point is earned for each litre of Regular 91 purchased, and 1.5 Smiles points are earned for each litre of Premium 95 or 98 purchased. Smiles points can be redeemed for dollars that can be spent in-store. 300 points can be redeemed for \$5, 500 points can be redeemed for \$10, and 1,500 points for \$30.

Because PAK'nSAVE and Mobil's discounting programmes provide a flat discount rate without the option of accumulation, their average discount remains 6 cpl for any volume purchased.

Fuel discounting programmes—how do the benefits compare?

Scenario 1

This scenario assumes that consumers buy petrol on a Wednesday and use the available discount. In this scenario PAK'nSAVE offers the cheapest price.

Table 8: Scenario 1—the discounted prices for Regular 91 at sites in Lower Hutt

Site	Board price (cpl)	Wednesday discount (cpl)	Discounted price (cpl)
PAK'nSAVE Lower Hutt	286.7	6	280.7
BP Connect Melling	309.9	10	299.9
Z VIC Corner	309.9	10	299.9
Mobil Lower Hutt	309.9	6	303.9

Source: Gaspy; company websites.

Scenario 2

The assumptions on which scenario 2 is based are the same as for scenario 1 for PAK'nSAVE and Mobil sites: that consumers buy petrol on a Wednesday and use the available discount.

Under the discounting programmes of BP and Z, a member could increase the average discount they receive through accumulating discounts across minimum purchases (\$40, or approximately 13 litres at the above price for both) each Wednesday and redeeming the total accumulated discount for the maximum volume of 50 litres on the last Wednesday of the following month.

Taking September to October 2023 as an example period, this would mean that the total discount accumulated on 25 October (the eighth Wednesday of the two-month period) would be 80 cpl. Redeeming this discount for a 50 litres purchase would mean that it would be purchased for 229.9 cpl. If this purchasing pattern were to be followed for all four fuel sites (assuming the above prices as constant), the average discounts and discounted prices would be as follows:

Table 9: Scenario 2—average discounted prices for Regular 91 at sites in Lower Hutt (accumulating discounts)

Site	Total fuel purchased	Board price (cpl)	Average discount (cpl)	Average discounted price (cpl)
PAK'nSAVE Lower Hutt	140 L	286.7	6.0	280.7
BP Connect Melling	140 L	309.9	28.5	281.4
Z VIC Corner	140 L	309.9	28.5	281.4
Mobil Lower Hutt	140 L	309.9	6.0	303.9

Source: Gaspy; company websites.

As shown above, using the discounting programmes of BP and Z strategically can bring the average price paid at these sites down, closer to the lower board price option of PAK'nSAVE. Meanwhile, Mobil's flat discount rate leaves its average discounted price substantially higher than the other fuel brands.

Although Mobil's discounting programme has the added benefit of allowing members to earn Smiles points, the amount purchased would only provide 140 points, less than half of what is required for a

\$5 in-store redemption. Even if the \$5 reward was earned, and if we were to ignore the restrictions on its use, spreading the \$5 value across the 140 litres purchased would only bring the average discounted price down to 300.3 cpl. Flybuys and Airpoints, which can be earned through Z's discounting scheme, similarly have little effect on the average discounted price calculations.

Scenario 3

With PAK'nSAVE's discounting programme requiring an in-store purchase, it is reasonable to make one other consideration for this comparison regarding groceries. BP's discounting programme includes Countdown as a partner retailer, at which discounts can be accumulated, similar to fuel purchases at BP sites. Assuming a membership-holding household spends over \$200 on groceries per week, this would add 6 cpl to the accumulated discount each week, raising the total accumulated discount on 25 October by 48 cpl (8 weeks x 6 cpl) from 80 cpl to 128 cpl. Including this in the above calculations would result in the following average discounts and discounted prices:

Table 10: Scenario 3—average discounted prices for Regular 91 at sites in Lower Hutt (accumulating discounts + grocery)

Site	Total fuel purchased	Board price (cpl)	Average discounted (cpl)	Average discounted price (cpl)
PAK'nSAVE Lower Hutt	140 L	286.7	6.0	280.7
BP Connect Melling	140 L	309.9	45.6	264.3
Z VIC Corner	140 L	309.9	28.5	281.4
Mobil Lower Hutt	140 L	309.9	6.0	303.9

Source: Gaspy; company websites.

Therefore, if a member's behaviour can align with the fuel purchasing patterns required without incurring additional cost, and if they already shop at a supermarket which participates in the discounting programme, it is possible for a BP site to yield sufficient discounts to provide a lower average price than a lower board price competitor such as PAK'nSAVE.

These purchasing patterns do, however, involve a member needing to purchase a relatively small amount of fuel each week before purchasing, and having capacity for, a relatively large volume at the end of the two-month period. If a member's demand for fuel (and groceries) does not allow for such strategic fuel purchases and discount accumulation, a discount programme may not provide the best average price for fuel. This reinforces and expands the 'shop around' message to include potential discounting programme benefits as well as board prices.

Attachment D: Summary of information disclosed to the Commission under Fuel Industry Regulations 2021

Industry participants disclose information to the Commission under Part 3A of the Regulations.

Table 11 below sets out the relevant information disclosure (ID) requirements of fuel importers, wholesale suppliers and distributors under the Regulations.

Table 11: Information disclosure requirements as set out in the Regulations

Participant	Reg	Disclosure	Frequency	Deadline ⁴²	First period for which information must be disclosed	First disclosure date
Fuel importer	17D	Fixed wholesale contracts	Annual	By 1 September each year	Contracts in force as at 11 August 2022 ⁴³	1 September 2022
	17F	Certain formulas and volumes	Annual	By 1 September each year	1 April 2022–31 March 2023	1 September 2023
	17H	Certain discounting or loyalty programmes	Annual	By 1 September each year	1 April 2022–31 March 2023	1 September 2023
	17I	Storage capacity	Annual	By 1 September each year	1 April 2022–31 March 2023	1 September 2023
	17K	Fuel supply	Quarterly	By no later than 30 days after end of each financial quarter	1 April 2022–30 June 2022	1 August 2022
	17G	Certain travel distances	Annual	By 1 September each year	1 April 2022–31 March 2023	1 September 2023
	17L	Retail fuel sites	Quarterly	By no later than 30 days after end of each financial quarter	1 April 2022–30 June 2022	1 August 2022
Wholesale supplier or distributor	17E	Certain financial statements	Annual	By 5 months after wholesale supplier/distributor's balance date	First balance date after 1 April 2022	Varies according to balance date
	17J	Retail supply	Annual	By 1 September each year	1 April 2022–31 March 2023	1 September 2023

⁴¹ If a deadline falls on a weekend or public holiday, industry participants can submit on the next working day.

⁴² Schedule 1 of the Regulations.

Attachment E: Relevant taxes, costs and levies

To ensure TGP comparisons are consistent between New Zealand and Australia and within New Zealand, we have adjusted TGPs to exclude taxes and levies in all fuel types. The tables below summarise the taxes, levies, and ETS costs that we have used to adjust TGPs in both countries.

Table 12: New Zealand taxes, levies and ETS costs applicable to fuel types for the quarter ending June 2023

New Zealand (cpl)			
	Regular 91	Premium 95	Diesel
National Land Transport Fund (NLTF) ⁴⁴	45.02	45.02	–
ACC Levy ⁴⁵	6.00	6.00	–
Petroleum Engine Fuels Monitoring Levy ⁴⁶	0.65	0.65	0.65
Local Authority Fuels Tax	0.66	0.66	0.33
Regional Fuels Tax (Auckland) ⁴⁷	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 13: Australian taxes applicable to fuel types

Australia (Australian cpl)			
	Regular 91	Premium 95	Diesel
Excise tax (from 1 February 2023)	47.7	47.7	47.7
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/historicalexciserates-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.⁴⁸

⁴³ The NLTF rate was reduced from 70.02 cpl to 45.02 cpl on 15 March 2022.

⁴⁴ ACC, 'Paying levies if you own or drive a vehicle', <https://www.acc.co.nz/about-us/our-levies/paying-levies-if-you-own-or-drive-a-vehicle/>.

⁴⁵ NZ Gazette, 'Notification of Levy Rates Under the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017 Notice 2022', <https://gazette.govt.nz/notice/id/2022-go2277>.

⁴⁶ NZTA, Regional fuel tax, <https://www.nzta.govt.nz/vehicles/regional-fuel-tax/>.

⁴⁷ Reserve Bank of New Zealand, "Exchange Rates and Trade Weighted Index" (6 July 2023).

Attachment F: Glossary

Term	Explanation
the Act	Fuel Industry Act 2020
ARFT	Auckland Regional Fuel Tax
BP	BP Oil New Zealand Limited
Bulk storage facility	As defined in the Act, means a facility for the storage of 5 million litres or more of engine fuel ⁴⁹
cpl	cents per litre
(the) Commission	New Zealand Commerce Commission
Dealer	As defined in the Act, 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	As set out in the Regulations, 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 volume⁵⁰
Discount and loyalty programmes	As defined in the Regulations, means a recurring or ongoing programme that provides retail customers with discounts off the standard retail price, or non-fuel related benefits provided by the fuel importer or another entity, or both
Distributor	As defined in the Act, means a reseller that is not a dealer
Dubai crude	The price of Dubai crude oil is used internationally as a price benchmark
End user	As defined in the Act, in relation to engine fuel, means a person who is the ultimate consumer of that engine fuel
ETS costs	As defined in the Regulations, means New Zealand emissions trading scheme costs under the Climate Change Response Act 2002
Fixed wholesale contract	As defined in the Act, means a wholesale contract that governs,— (a) (i) for a fixed period, the wholesale price and other conditions of sale and supply of engine fuel during the period; or (ii) for a fixed amount of engine fuel, the wholesale price and other conditions of sale and supply for that engine fuel; (b) 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

48 Terms are defined in the 'Interpretation' section of the Act; see section 4.

49 Terms are defined under reg 3 ('interpretation').

Term	Explanation
Fuel	Petrol and diesel fuels (unless specified otherwise)
Fuel industry participant	As defined in the Act, means 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
Gaspy	A fuel finding smartphone application with live fuel prices
GST	Goods and Services Tax
Gull	Gull New Zealand (NZ) Limited
Importer	Refers to ‘fuel importer’ as defined in regulation 3 of the Regulations: a fuel industry participant that imports fuel into New Zealand. We use this term throughout the report to refer collectively to BP, Mobil, Z, Gull, and TOSL.
ID	Information disclosed (pursuant to the Regulations)
Market study	Commerce Commission’s Retail Fuel Market Study (2019). A market study looking into the factors that may affect competition for the supply of retail petrol and diesel used for land transport throughout New Zealand.
MBIE	Ministry of Business, Innovation and Employment
Mobil	Mobil New Zealand Limited
NLTF	National Land Transport Fund
OECD	The Organisation for Economic Cooperation and Development
OPEC	Organisation of the Petroleum Exporting Countries
OPEC+	The 13 OPEC nations plus 10 other oil-producing countries
Premium (grade petrol) 95	As defined in the Act and Regulations, petrol supplied as having a research octane number of 95.0 or higher
Premium (grade petrol) 98	Petrol supplied as having a research octane number of 98.0 or higher
Price board	As defined in the Regulations, means a board, sign, or notice at a retail fuel site that displays the prices of types of engine fuel for retail sale at the site
(the) Regulations	Fuel Industry Regulations 2021
Regular (grade petrol) 91	Petrol supplied as having a research octane number of at least 91.0 but less than 95.0
Reseller	As defined in the Act, means (a) a person that purchases, or intends to purchase, engine fuel from a wholesale supplier to sell and supply to another person; but (b) does not include a person that does so, or intends to do so, only as an incidental part of their business

Term	Explanation
Retail fuel site	As defined in the Act, (a) means a place at which engine fuel is sold and supplied to an end user (eg, a petrol station or a truck stop); but (b) does not include a place at which the primary business is the hiring, leasing, or selling of motor vehicles, and (c) does not include a bulk storage facility
Road user charges (RUC)	A charge paid by drivers that contributes towards the upkeep of New Zealand roads
Tasman Fuels	Tasman Fuels Limited
Terminal gate price (TGP)	As per s 9 of the Act, a wholesale supplier must publicly post a price (terminal gate price) for each specified engine fuel that it has the right to draw at a bulk storage facility for the specified engine fuel
TGP premium	The premium that a customer may pay to buy the TGP at a port against the average wholesale contract price at that port
TOSL	Timaru Oil Services Limited
Wholesale contract	As defined in the Act, a contract between a wholesale supplier and a reseller for the sale and supply of engine fuel
Wholesale supplier	As defined in the Act, 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

This is a guideline only and reflects the Commission's view. It is not intended to be definitive and should not be used in place of legal advice. You are responsible for staying up to date with legislative changes.

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