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Kuwait Petroleum Aviation (Australia) Pty Ltd.
Level 17, 383 Kent Street,
Sydney NSW 2000, Australia.

Commerce Commission
44 The Terrace, Wellington Central,
Wellington 6011,
New Zealand

20 May 2022

Dear Commerce Commission,

Re: Confirmation of Contract – Public Version

Kuwait Petroleum Aviation (Australia) Pty Ltd (Q8) is part of Kuwait Petroleum International, which is the international subsidiary of Kuwait Petroleum Corporation (KPC).

KPC is the state-owned organisation which manages the oil interests of Kuwait; its extensive business spans exploration, drilling, manufacturing, transportation and sales and marketing. KPC is one of the largest manufacturers of aviation fuel in the world and imports the highest volume of jet fuel into Europe.

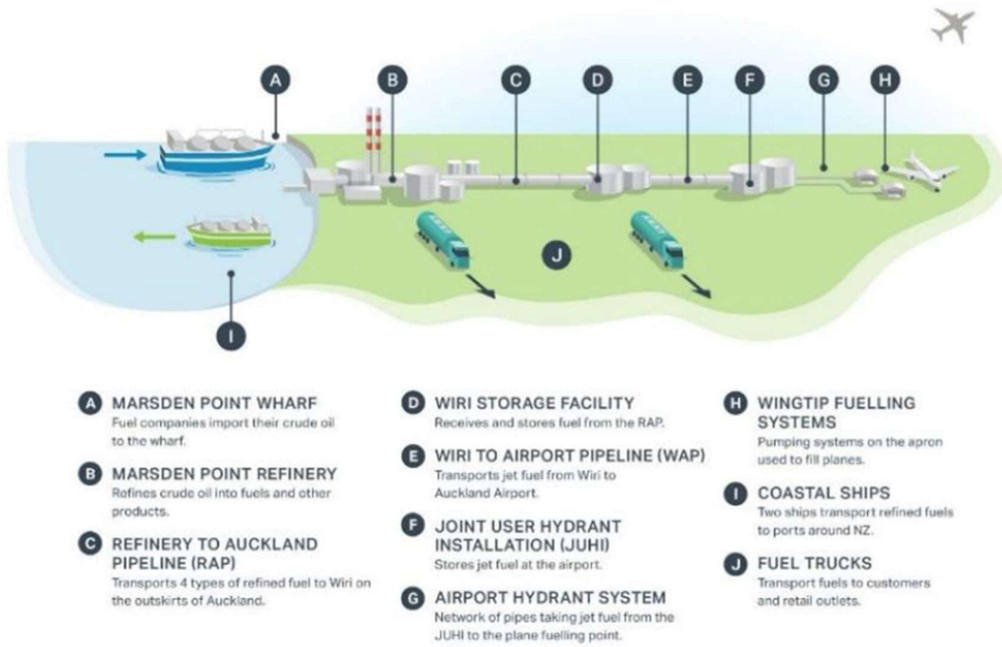
Q8Aviation provides a fuelling service at many of the world's leading international and regional airports.
Our expertise in jet fuel is also offered as a specialist technical and marketing consultancy service to clients across the globe.

With annual worldwide jet fuel sales of around 8 billion litres, we are a dynamic and fast-growing company.

Backed by the major oil producing state of Kuwait, Q8Aviation is in the unique position of offering a strong supply chain that stretches from well-head to wing tip. This supply chain is supported by our state-of-the-art import facilities at major ports in the UK, France, the Netherlands, Slovenia and Australia where we run successful import programs.

We In respect to the request for submission on Mobil/WAP and JUHI jet fuel assets dated 11th May 2022 would like to make a submission.

New Zealand currently has a unique opportunity to open up the market to more suppliers and thus increase competition on Airports in the North island



The fuel supply chain

A single supply chain delivers most of the fuel that Auckland and North Island uses.

In summary:

• Refining NZ become Channel Infrastructure on 1st April 2022 and changed its business model from a refinery to an import terminal cater to long term importers of fossil fuel into New Zealand. The Channel Infrastructure Import Terminal System(ITS) handles between 3 and 3.5 billion litres of transport fuels annually, primarily supplying the Auckland and Northland markets, which make up 40% of New Zealand's fuel demand.

• Channel Infrastructure allow import and stores fuel on behalf of BP, Mobil and Z Energy on a comingled basis, in approximately 180-million litres of shared product tanks and an additional 100- million litres of private storage tanks currently but has stated they are an independent commercial entry that will host other importers/suppliers.

• Fuel is distributed via the 170-kilometre multi-product pipeline that runs from Marsden Point (RAP which is also owned by Channel Infrastructure) to the Wiri Terminal in South Auckland (the Marsden Point to Auckland pipeline), or via a short pipeline that runs from their site to the adjacent truck loading facility (TLF) next door to their site.

- The Refinery to Auckland Pipeline (RAP) transports two grades of petrol, diesel, and jet fuel 170 kilometres from the refinery to a storage facility at Wiri on the outskirts of Auckland;

- The Wiri Terminal is operated by Wiri Oil Services Ltd (WOSL), a joint venture of BP, Mobil and Z Energy; the TLF is also owned by BP, Mobil and Z Energy and is situated on land owned by Channel Infrastructure.

- petrol and diesel are trucked from Wiri to customers and retail outlets;
- jet fuel is transported along a short pipeline from Wiri to Auckland Airport (the WAP), where it is stored in tanks at the Joint User Hydrant Installation (JUHI);
- from the JUHI, a hydrant system moves the jet fuel to the airport apron, where it is pumped into aeroplanes.

Three major fuel companies (BP, Mobil, and Z Energy) own, control, or have exclusive use of all the infrastructure making up this supply chain, through a complex series of joint ventures and commercial agreements.

Ownership
WOSL was set up by New Zealand's four main oil companies and is now owned by BP, Mobil, Z Energy and Z Energy 2015 (formerly Chevron). The WOSL Board is made up of one director for each shareholder, and the chair rotates annually. All decisions require a unanimous vote. Mobil, BP and Z Energy are the largest shareholders with 28% each. Z Energy (2015) is the smallest shareholder, with a 16% stake.
The shareholders own the Wiri Terminal land on which WOSL operates. WOSL manages the site and assets, which are owned by Refining New Zealand. The Marsden Point Terminal has a slightly different structure. The land there is owned by Refining New Zealand, while the shareholders provide the assets. WOSL manages the site.

Q8 supported Mobil's intention for an open access regime for the WAP and JUHI assets as it will help to increase competition for the airlines and ultimately benefit the end-user consumers at Auckland airport. This is the global trend that we have seen across airports that create opportunity for more suppliers to enter the markets. However, from our understanding, the current infrastructure supplying Auckland (namely WAP pipeline capacity) was extremely tight in moving products from WIRI into the airport prior to Covid and the current JUHI facility in Auckland airport is not built for road receiving purposes.
Therefore, without changes to the current infrastructure, Auckland will become constrained once again as borders open up. This will restrict any potential new entry into the market totally nor allow the new market entrants to help alleviate any shortages.

If Mobil is committed in making the WAP and JUHI assets open access for new suppliers as one of the reasons for buying the remaining shares of Z energy, there must be a clear and transparent methodology for any new suppliers to access the WIRI.

Auckland airport is the main gateway to New Zealand and Pacific islands. As such it needs a strong and robust supply chain which will allow competition and new entries to enhance its fuel supply.   Ideally an independent company can operate WIRI and the rest of the supply chain that allow other suppliers to access and compete equally across the market.

Whatever model is adopted, there must be an open and transparent methodology that would enable fuel suppliers to either purchase shares/throughput the facilities on a fair and equal basis in order to create true competition for the airline customers.

In the less desirable situation where an existing fuel supplier, or joint venture including a current supplier, becomes involved in the operation of the facility there should be a transparent mechanism to allow through putting by all current and prospective fuel suppliers

It is recommended from experience at other major airports around the globe that the preferred model is for an independent operator (one who is no involved in the sale of Jet Fuel) to undertake the responsibility at Auckland Airport

Whilst there are many similarities between pre and on-airport Jet Fuel storage and pipeline, there is real merit on choosing an independent partner to operate who can demonstrate first hand global experience with regard managing Jet Fuel through on-airport storage and hydrant systems

We understand from the submission from Mobil that other suppliers can supply the airport through building a different supply route into the airport.

However, the levels of investment involved in extra supply routes, which would ultimately increase competition and benefit all new entrants, must be undertaken in a way that create a level playing field in terms of cost in the medium term. One option, seen in other locations, is the investment to be fronted by the airport authority and recovered in the form of an airport fee payable by all suppliers

Many thanks,

Yours sincerely,

Scott Lin
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Q8 Aviation

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