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Quarterly Fuel Monitoring Report

For the quarter ended 30 September 2023

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Executive summary

New Zealand's fuel prices increased significantly in the September 2023 quarter amid a global crude oil price rise, increasing importer costs and the return of the domestic fuel excise tax to its prior level (before the reduction on 14 March 2022). Since October 2023, global oil prices have fallen and this has provided some price relief for consumers in New Zealand (this period will be covered by our next report).

Encouragingly, since June 2022, there has been a noticeable increase in the proportion of fuel sourced by distributors from more than one wholesale supplier (multi-sourcing). Multi-sourcing can promote competition as it means that wholesale customers are negotiating with multiple suppliers, potentially giving them greater leverage to obtain lower prices.

In recent analysis we have found that dealers generally pay higher wholesale prices than other wholesale customers, such as distributors.¹ Given that there are additional costs to importers associated with supporting dealer operations, this was not an unanticipated result. However, the extent to which any price differences can be attributed to higher costs incurred by importers is yet to be determined and may be addressed in a later publication.

The wholesale fuel market continues to evolve, albeit with a consistent trend of terminal gate prices (TGPs) appearing high both when considering the cost of importing fuel into New Zealand and in comparison to other reference points such as Australian TGPs. While there have been few ad hoc TGP sales to date, there is evidence that the TGP regime has supported competition by providing a publicly visible reference point for use in wholesale contracts as well as incentivising importers to offer wholesale contracts to downstream competitors.

Further, the Fuel Industry Amendment Act 2023 came into effect on 27 July 2023, adding Part 2A to the Fuel Industry Act 2020. This amendment introduces a mechanism by which, in certain circumstances, the Commission may recommend price regulation of TGPs to help promote competition in the wholesale market.

As mentioned above, in July 2023, prices increased at the pump as the domestic fuel excise tax was restored to its prior level, adding 28.75 cents per litre (cpl) to retail prices for petrol grades. Further, and particularly noticeable for diesel, overall importer margins were reduced during this quarter.²

There continue to be wide variations in retail prices (discounted and non-discounted), both within and between cities. We are working through further detailed analysis of regional price variations and expect to publish the results in the coming months.

Once again, we emphasise to all consumers 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. Our message to consumers remains that we encourage them to shop around for the best price for their fuel.

¹ Dealers are the individual owners of dealer retail sites that carry the brand of a single fuel firm only. They differ from distributors in that distributors acquire fuel on a wholesale basis and then sell and distribute that fuel to commercial customers and/or through their own network of truck stops and retail sites that carry their brand. Examples of distributors include Allied, Waitomo, NPD and McKeown.

² The importer margin is the difference between the importer cost and the retail price of fuel at a retail service station.

Our role

The Commerce Commission is an independent Crown entity that administers and enforces laws relating to competition, fair trading, consumer credit and economic regulation. We have responsibilities for monitoring and regulating engine fuel markets in New Zealand under the Fuel Industry Act 2020 (the Act). The Act's purpose is to promote competition in engine fuel markets for the long-term benefit of end users of engine fuel products.³

The Act provides that, in 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.⁴ 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.⁵

Our analysis for these quarterly monitoring reports is based on the information disclosed to us by importers (ID data).⁶ Five companies currently import fuel into New Zealand: BP, Mobil, Z Energy, Gull and Timaru Oil Services Limited (TOSL).⁷

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.⁸ We monitor compliance with the requirements of the Act and, if we have concerns about potential non-compliance, we may investigate further.

³ Section 3 of the Act.

⁴ Sections 25 and 28 of the Act.

⁵ Part 3A of the Regulations.

⁶ See reg 3 of the Regulations: 'Fuel importer' is defined as a fuel industry participant that imports fuel into New Zealand.

⁷ 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.

⁸ See Part 3 of the Act.

The wholesale fuel market

Importers sell fuel to wholesale customers (including distributors, dealers, other importers and commercial end users) as well as retail customers.⁹ Fuel sales in the wholesale market are usually through fixed wholesale contracts, although there is an opportunity for wholesale customers, under certain circumstances, to purchase fuel on an ad hoc basis using a spot price or an importer’s published TGP for the relevant terminal.

The Act introduced a number of requirements for fuel industry participants, including conditions around TGPs and fixed wholesale contract terms. As prescribed in the Act, from July 2023, TGPs may be subject to price regulation.¹⁰

We present the information disclosed to us by the different types of wholesale customer, particularly focusing on sales to distributors and dealers rather than by type of sale (ie, contract or ad hoc sales).¹¹ Prices, costs and margins are the average for the quarter of data presented (usually a national average). Wholesale prices include handling and delivery costs but exclude all other taxes and charges to enable a simpler comparison with importer costs.¹²

Wholesale prices and components

Table 1: Wholesale price changes (excl. taxes and charges)

Regular 91	↑	11 cpl	9%	Wholesale price changes from June 2023 to September 2023 quarter
Premium 95	↑	10 cpl	8%	
Premium 98	↑	16 cpl	11%	
Diesel	↑	20 cpl	17%	

Table 2: Wholesale prices (cpl, excl. taxes and charges) by fuel type from June 2022 quarter to September 2023 quarter

Fuel type	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Regular 91	155	140	122	120	118	129
Premium 95	164	150	131	130	129	139
Premium 98	178	162	145	147	145	161
Diesel	170	167	157	130	115	135

Source: ID data. Note: Wholesale prices are for fixed wholesale contracts only. TOSL is excluded.

Breakdowns of the components of contracted wholesale prices and trends over time are shown in Figure 1 to Figure 3 below.

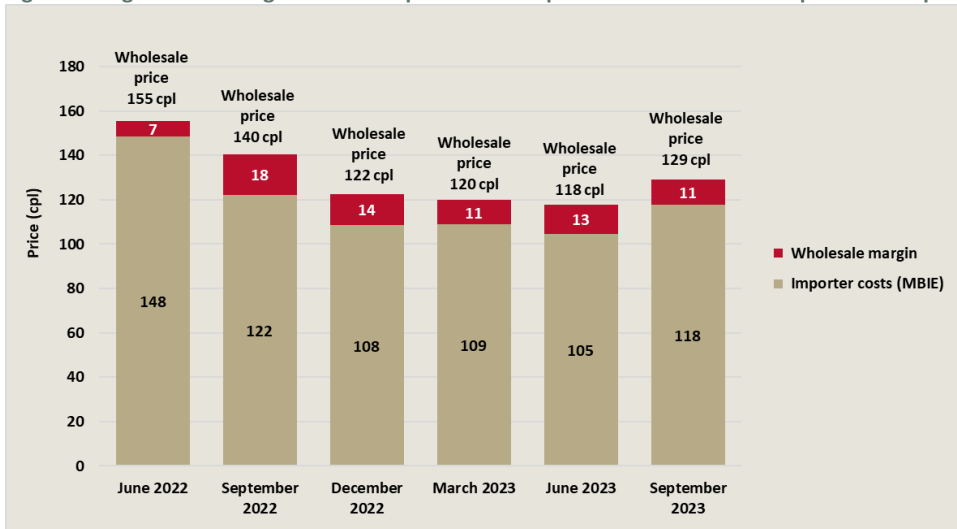
⁹ Note that, while the ID data we analyse for the retail market represents importers selling to retail and commercial end user customers, the wholesale market data also includes sales to other importers, distributors and dealers. As such, retail prices cannot be directly tracked through from the wholesale chapter to the retail chapter 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.

¹⁰ The Fuel Industry Amendment Act 2023 added Part 2A to the Fuel Industry Act 2020 in July 2023.

¹¹ Distributors and dealers as defined in the Act, <https://www.legislation.govt.nz/act/public/2020/0060/latest/LMS358114.html>.

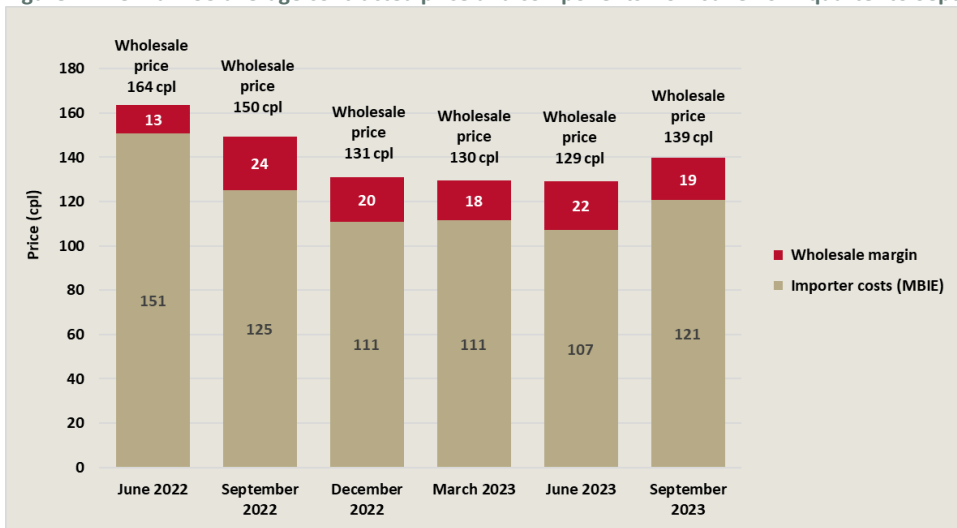
¹² Charges are costs over and above the price of fuel that are payable by the wholesale customer (excluding handling and delivery costs as above).

Figure 1: Regular 91 average contracted price and components from June 2022 quarter to September 2023 quarter



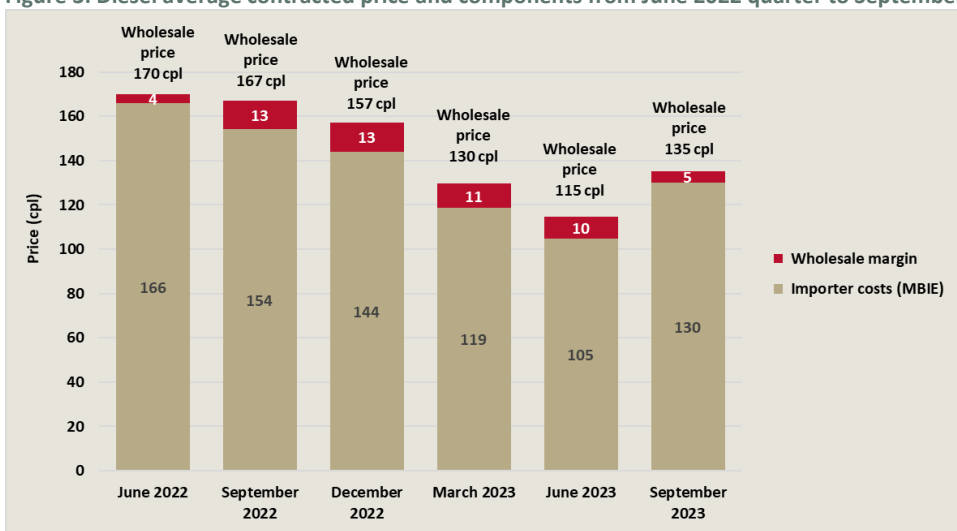
Source: ID data; MBIE.

Figure 2: Premium 95 average contracted price and components from June 2022 quarter to September 2023 quarter



Source: ID data; MBIE.

Figure 3: Diesel average contracted price and components from June 2022 quarter to September 2023 quarter



Source: ID data; MBIE.

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. A reduced wholesale margin can indicate an increase in competition whereas increases in the margin can indicate 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 and charges) that importers receive for the fuel sold to wholesale customers.

Table 3: Wholesale margin changes

Regular 91	↓	-2 cpl	-15%	Wholesale margin changes from June 2023 to September 2023 quarter
Premium 95	↓	-3 cpl	-14%	
Diesel	↓	-5 cpl	-50%	



Observations on wholesale prices and components

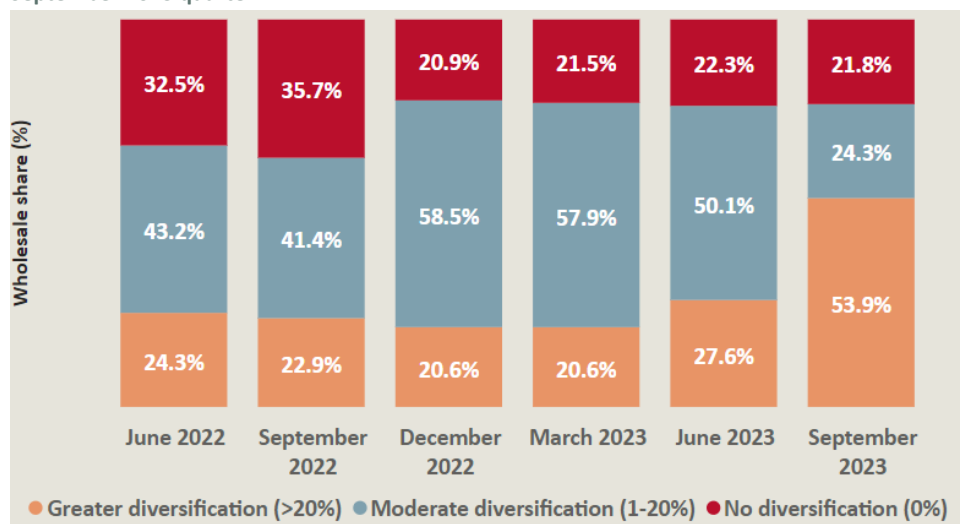
- Average wholesale prices increased significantly for all fuel grades in the September 2023 quarter compared to the June 2023 quarter. Prices in the wholesale market were impacted by higher importer costs as global oil prices rose due to increased demand, ongoing supply cuts, low stocks, and continued geopolitical unrest. Product prices were robust over the northern hemisphere summer with refining margins at record highs, although there was some evidence of demand reduction towards the end of the quarter, particularly gasoline consumption in the United States. While oil markets have stabilised since the start of the conflict in Israel and Gaza, there was significant continued oil price volatility and this has had the greatest impact on the wholesale price of diesel (see Attachment D, Figure 20 and Table 9 for importer costs).
- Wholesale margins for all fuel types were volatile when our monitoring commenced, with the Russia-Ukraine conflict contributing significantly to a spike in importer costs. Subsequently, wholesale margins remained relatively stable. However, with the increase in importer costs in the September 2023 quarter (as detailed above), wholesale margins have decreased for all fuel types. The most significant decrease in wholesale margins is for diesel with a 25 cpl increase in costs, a price increase of 20 cpl and a wholesale margin reduction of 5 cpl (from about 10 cpl to 5 cpl). We will continue to monitor changes in wholesale margin levels as well as how they affect competition.

Wholesale customers

Below, we focus on dealers and distributors as well as multi-sourcing of fuel supply. Approximately 80% of wholesale volumes sold by importers are to dealers and distributors. Typically, distributors are able to source their supply from more than one importer, whereas (with rare exceptions) dealers purchase from a single supplier and have no option to source from multiple suppliers. Sourcing fuel from more than one supplier can promote competition as wholesale customers can negotiate with multiple suppliers, potentially giving them greater leverage to obtain lower prices. The Regulations set out that no single contract may require a reseller (other than dealers) to purchase more than 80% of their fuel requirements from any one supplier in a year.¹³

We monitor any supplier switching and multi-sourcing taking place over time to provide insight on the impact of the Act and Regulations on the wholesale market.¹⁴

Figure 4: The proportion of distributors sourcing fuel volumes from single or multiple suppliers from June 2022 quarter to September 2023 quarter



Source: ID data.

For a breakdown by different customer types (dealer, distributor, commercial end use and importer), see Attachment D Table 10 for wholesale prices and Table 11 for sales volumes.

For a breakdown of the components of the wholesale prices for dealers and distributors showing importer costs and wholesale margins, see Attachment D Table 12 for Regular 91 and Table 13 for diesel.

¹³ Section 18 of the Act, reg 15 of the Regulations.

¹⁴ Hon Megan Woods "Regulatory Impact Statement: Fuel Industry Act 2020 – Information Disclosure Regulations" (11 October 2021), p. 27, <https://www.mbie.govt.nz/dmsdocument/17499-regulatory-impact-statement-fuel-industry-act-2020-information-disclosure-regulations-proactiverelapse-pdf>.



Observations on wholesale customers

- Distributors buy approximately 50% of wholesale volumes and can shop around, unlike dealers who account for about 30% of wholesale volumes and are generally unable to source from multiple suppliers.¹⁵
- Figure 4 shows that, since monitoring began in June 2022, there has been a noticeable increase in the proportion of fuel sourced by distributors from more than one supplier. This diversification in supply has increased from 68% of volumes purchased by distributors to 78%.
- Dealers generally pay higher wholesale prices than other wholesale customers (see Attachment D Table 10). We would expect this to some degree for a number of reasons.
 - As a general rule, dealers source from a single supplier (there is no diversification of supply due to contractual relationships), so the ability of dealers to negotiate a lower price may be affected.
 - Dealer wholesale margins may be utilised to cover the importer's costs such as site branding, head office support or specific agreed investments (eg, new storage tanks or shop fit-outs).
 - Individual dealer transactions may be more frequent, of lower volumes than other customer types and often made up of multiple fuel types, and as such incur higher incremental costs.
- The extent to which the higher prices and margins on dealer contracts can be attributed to the higher costs incurred by importers or a restrained negotiating position for dealers is an area requiring further investigation.
- Prices paid by importers buying from other importers are generally lower than for all other wholesale customers (see Attachment D Table 10). This is to be expected, in particular as importer to importer contracts are generally of high volumes compared to other customer contracts and may involve a degree of reciprocity (ie, at Port #1, Importer A purchases 50 million litres of fuel from Importer B, and at Port #2, Importer B purchases 50 million litres of fuel from Importer A).

¹⁵ Dealers are the individual owners of dealer retail sites that carry the brand of a single fuel firm only and are generally contractually obligated to purchase all of their fuel requirements from that single fuel firm.

Terminal gate pricing

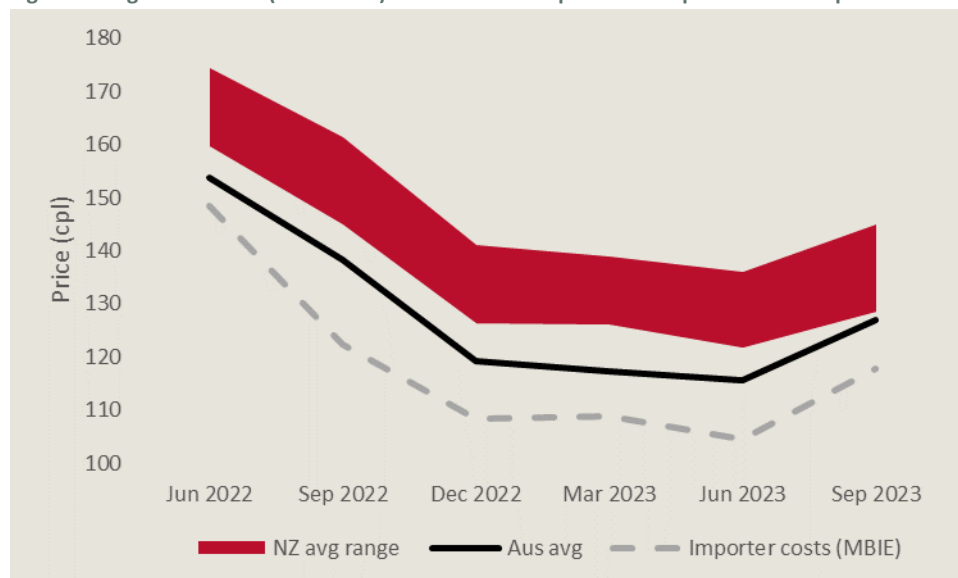
The terminal gate pricing regime under the Act was introduced to work together with the wholesale contract regulations to create the conditions for a more active wholesale fuel market in New Zealand. To achieve more transparent wholesale prices, the regime requires wholesale suppliers to post a TGP for each fuel type that it has the right to draw at a bulk storage facility.¹⁶ See Attachment B for further information on the regime and our approach to monitoring TGPs.

Our analytical focus is to compare TGPs with importer costs and wholesale contract prices (rather than retail prices), as any movement towards these reference points could potentially lower retail prices, which in turn may increase competition.

Additionally, Australian TGPs are used as a reference point for what we might expect a workably competitive TGP market to look like. When comparing TGPs in Australia and New Zealand, we have removed the taxes that apply in each country to ensure a consistent comparison and have converted the Australian TGPs into New Zealand dollars.¹⁷

TGPs are the average for the quarter or month of data presented (shown as the average for the supplier or sometimes for New Zealand or Australia).

Figure 5: Regular 91 TGPs (excl. taxes) from June 2022 quarter to September 2023 quarter

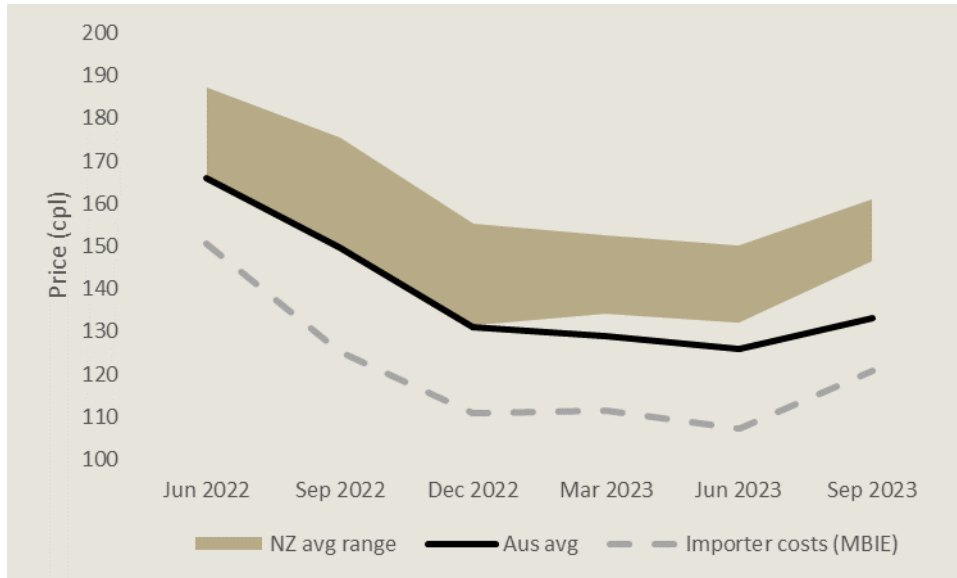


Source: ID data; MBIE; Australian importer websites; Australian Institute of Petroleum (the Australian TGP data covers the seven main port locations in Australia). Note: 'NZ avg range' is the range of average TGPs by supplier as shown in Attachment B Table 6.

¹⁶ See Part 2 of the Act, <https://www.legislation.govt.nz/act/public/2020/0060/latest/whole.html#LMS321426>.

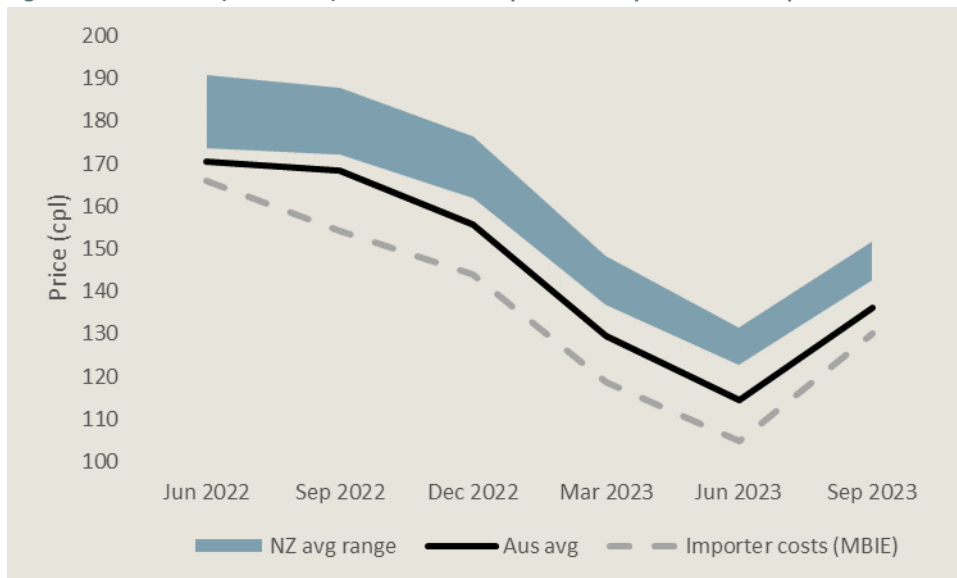
¹⁷ For further details of the tax adjustments, see Attachment C.

Figure 6: Premium 95 TGPs (excl. taxes) from June 2022 quarter to September 2023 quarter



Source: ID data; MBIE; Australian importer websites; Australian Institute of Petroleum (the Australian TGP data covers the seven main port locations in Australia). Note: 'NZ avg range' is the range of average TGPs by supplier as shown in Attachment B Table 6.

Figure 7: Diesel TGPs (excl. taxes) from June 2022 quarter to September 2023 quarter



Source: ID data; MBIE; Australian importer websites; Australian Institute of Petroleum (the Australian TGP data covers the seven main port locations in Australia). Note: 'NZ avg range' is the range of average TGPs by supplier as shown in Attachment B Table 6.



Observations on terminal gate pricing

- While we have not seen a significant number of ad hoc TGP sales since monitoring commenced, the TGP regime has a role in promoting competition by providing a publicly visible reference point that is used in a portion of the importers' wholesale contracts with customers. The regime could also incentivise spot sales under existing contractual arrangements (rather than being formally sold under the TGP regime).¹⁸
- Figure 5 to Figure 7 above shows the range of average TGPs by supplier in New Zealand. For more detail on TGPs by supplier, see Attachment B Table 6.
 - For Regular 91, the lower end of the spread moved closer to the Australian average (see Figure 5), with Z having the lowest average TGPs in the September 2023 quarter.
 - For Premium 95, the lower end of the spread moved further away from the Australian average, although the range of average TGPs has narrowed (see Figure 6). Gull offered the lowest average TGPs for Premium 95 in the September 2023 quarter.
 - For diesel, the spread of average TGPs has been narrowing but remains consistently above the Australian average (see Figure 7), with Z having the lowest average TGPs in the September 2023 quarter.
 - Mobil posted the highest TGPs for all fuel grades.
- Although New Zealand TGPs appeared high relative to TGPs observed in Australia and the difference had been increasing, the gap has reduced over the last two quarters for diesel and Regular 91. For Premium 95, the gap continued to increase between New Zealand and Australian TGPs (see Attachment B Figure 16). We note that, because Australian TGPs are subject to exchange rate conversion, exchange rate volatility may influence comparison between quarters.
- TGPs continue to appear high compared to the cost of importing fuel into New Zealand (see Attachment B Table 6, Figure 14 and Figure 15).
- The TGP premium, the difference between TGPs and the average wholesale contract price, has remained fairly stable from the June 2023 to September 2023 quarters (see Attachment B Figure 17 to Figure 19).

¹⁸ In the June 2022 quarter, TGP sales amounted to 122,000 litres (0.014% of total wholesale sales), reducing to 41,000 litres in the September 2022 quarter, and no sales have been recorded in the information disclosed to us since the March 2023 quarter.

The retail fuel market

In this chapter we review competition in the retail market, summarising trends in retail fuel prices as well as importer costs and margins. Our analysis for these quarterly monitoring reports is based on the information disclosed to us by fuel importers (ID data).¹⁹ That means our analysis of retail sites is confined to those sites that are operated or owned by importers and does not include independent operators, such as NPD and Waitomo. The five companies that currently import fuel into New Zealand are BP, Gull, Mobil, TOSL, and Z Energy.²⁰

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.²¹ Prices, costs, discounts and margins are the average for the quarter of data presented (usually a national average, although the price variation analysis by cities uses city averages).

For this and subsequent reports we have refined the methodology for calculating average prices and discounts.²² Previously, these figures were calculated using a simple average or mean which reflected prices that consumers were likely to pay. This has been changed to average prices or discounts weighted by volumes sold. This enhancement better reflects the prices consumers actually paid and the market share of each importer, as well as the magnitude of their effect on the average prices and discounts.²³ The change has been applied to all quarters of data and has had little effect on reported retail petrol prices and discounts. There is a more noticeable change in the estimations for diesel, which mainly relates to commercial fuel card use at the pump.²⁴

Retail prices and components

Table 4: Retail price changes

Regular 91	↑	44 cpl	18%	Retail price changes from June 2023 to September 2023 quarter
Premium 95	↑	44 cpl	17%	
Premium 98	↑	43 cpl	16%	
Diesel	↑	21 cpl	11%	

Breakdowns of the components of the retail board price and trends over time are shown in Figure 8 to Figure 10 below.²⁵

¹⁹ See reg 3 of the Regulations: ‘Fuel importer’ is defined as a fuel industry participant that imports fuel into New Zealand.

²⁰ 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.

²¹ We use the MBIE importer cost series to estimate the cost of importing fuel into New Zealand. This includes the cost of purchasing the fuel in Singapore, shipping it to New Zealand, insurance and losses, and wharfage and handling.

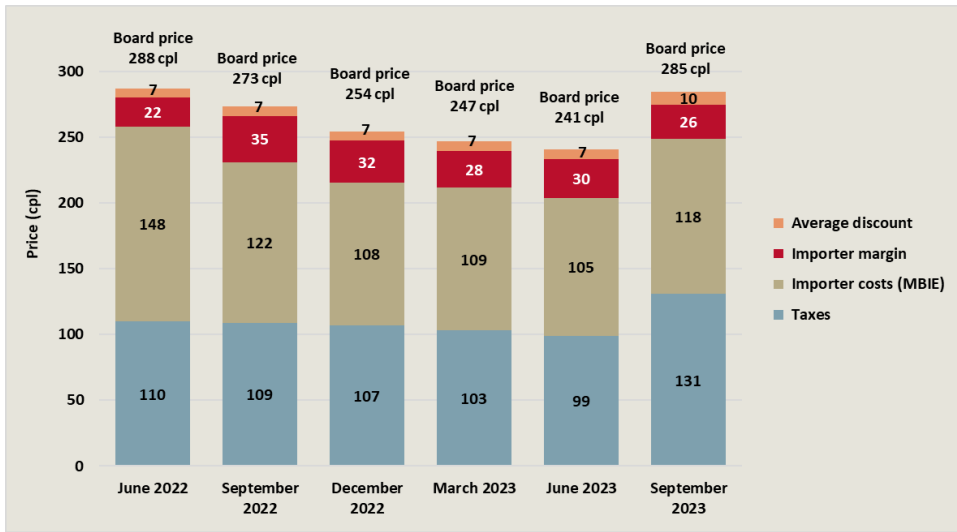
²² Note that the new calculations are applied only when calculating prices and discounts for the market. Individual importer price and discount calculations have not been changed.

²³ Note that, for this and other quarterly reports, the size of the market discussed is limited to sales made by importers. This is because, under the Regulations, other operators of retail sites (such as distributors) are not required to disclose any sales information to us on a quarterly basis.

²⁴ Commercial fuel cards are issued to business customers who then issue the cards to their fleet of vehicles, with fuel spend invoiced to the business on a regular basis.

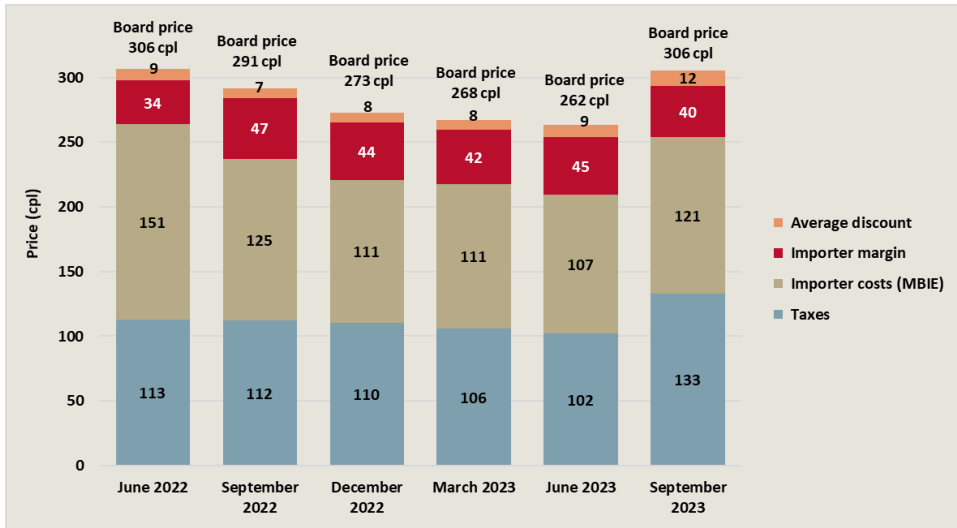
²⁵ The retail board price is the standard retail price of fuel for sale at a retail fuel site and displayed on a board, sign, or notice at the site.

Figure 8: Regular 91 retail board price and components from June 2022 quarter to September 2023 quarter



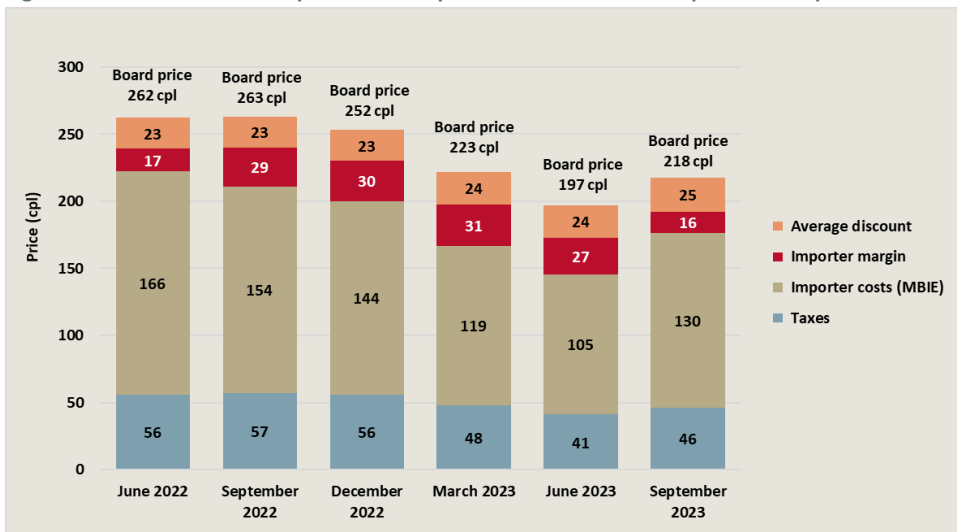
Source: ID data; MBIE.

Figure 9: Premium 95 retail board price and components from June 2022 quarter to September 2023 quarter



Source: ID data; MBIE.

Figure 10: Diesel retail board price and components from June 2022 quarter to September 2023 quarter



Source: ID data; MBIE.

Table 5: Importer margin changes

Regular 91	↓	-4 cpl	-13%	Importer margin changes from June 2023 to September 2023 quarter
Premium 95	↓	-5 cpl	-11%	
Diesel	↓	-11 cpl	-41%	



Observations on retail prices and components

- According to the information disclosed to us, retail prices had been decreasing over the first five reporting quarters (the June 2022 quarter to the June 2023 quarter). However, there was a large increase in retail prices in the September 2023 quarter. This was anticipated with the restoration of fuel excise tax to its prior level from 1 July 2023, adding 28.75 cpl to the retail price of petrol grades.²⁶ Road user charges and public transport charges also returned to prior levels as the government's transport relief package ended (the package had been in effect since 15 March 2022).
- The upward movement of retail prices was compounded by the rise in the cost of crude oil and higher importer costs from July 2023. As commented on in the wholesale fuel market chapter, the largest increase in importer costs was for diesel.
- Importer margins have decreased this quarter compared to the June 2023 quarter, most noticeably for diesel. Margins are the lowest they have been since our reporting began for the June 2022 quarter amid rising importer costs.
- Since the June 2022 quarter, we estimate that retail discounts on all fuel types have increased by 2–3 cpl.
- Our change in methodology to estimate average prices and discounts using a weighted average approach has had little effect on the retail petrol price discounts and margin estimation presented in previous reports. There is a more noticeable change for diesel with larger discounts being calculated, which means smaller estimated margins for importers (see Figure 10).²⁷

Discount and loyalty programmes

We monitor discounting practices as discount and loyalty programmes can soften board price competition. Their use can create 'customer stickiness' to a brand and can focus consumer attention on the level of discount offered 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 could have a negative impact on competition and limit the benefits to consumers.

A number of importers offer discount and loyalty programmes, which provide discounts off retail board prices using both cards and supermarket docketts, eg, AA Smartfuel, Airpoints, Flybuys, Mobil Smiles, Z

²⁶ 25 cpl + GST = 28.75 cpl.

²⁷ For example, using a simple (unweighted) calculation, the average diesel discount is estimated to be about 16 cpl for the June 2023 quarter (as reported in our June 2023 quarterly report), whereas using a volume-weighted approach (weighted by the volumes sold by different importers) estimates the average diesel discount to be about 24 cpl for the June 2023 quarter (as shown in Figure 10 above).

Pumped, PAK'nSAVE, and Foodstuffs. The average level of discounts for each quarter is estimated using information disclosed to us, including revenue, volumes sold and retail board prices.

Figure 11: Retail and discounted prices for Regular 91 from June 2022 quarter to September 2023 quarter



Source: ID data. Note: These average prices and discounts are not weighted by volumes sold.



Observations on discount and loyalty programmes

- Each quarter the average retail board price for Regular 91 has typically been 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 (see Figure 11 above).²⁸
- Although sites offering a loyalty programme offer larger average discounts than Gull, typically Gull's retail price is still lower than the loyalty programme discounted price and Gull's discounted prices are lower still.
- Our analysis shows that discount and loyalty programmes may not result in the lowest average retail price. 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'. As noted in our previous report, although it is possible to obtain the lowest prices through the use of loyalty programmes, this requires consumers to exhibit certain patterns of behaviour that are unlikely to be achieved by most.²⁹
- Consumers benefit from knowing that just because a retail board price is discounted through a discount day, loyalty card or other programme, it does not mean that it is necessarily the cheapest price available.
- Our overall message remains that we encourage consumers to shop around for the best price and find the best discount for them.

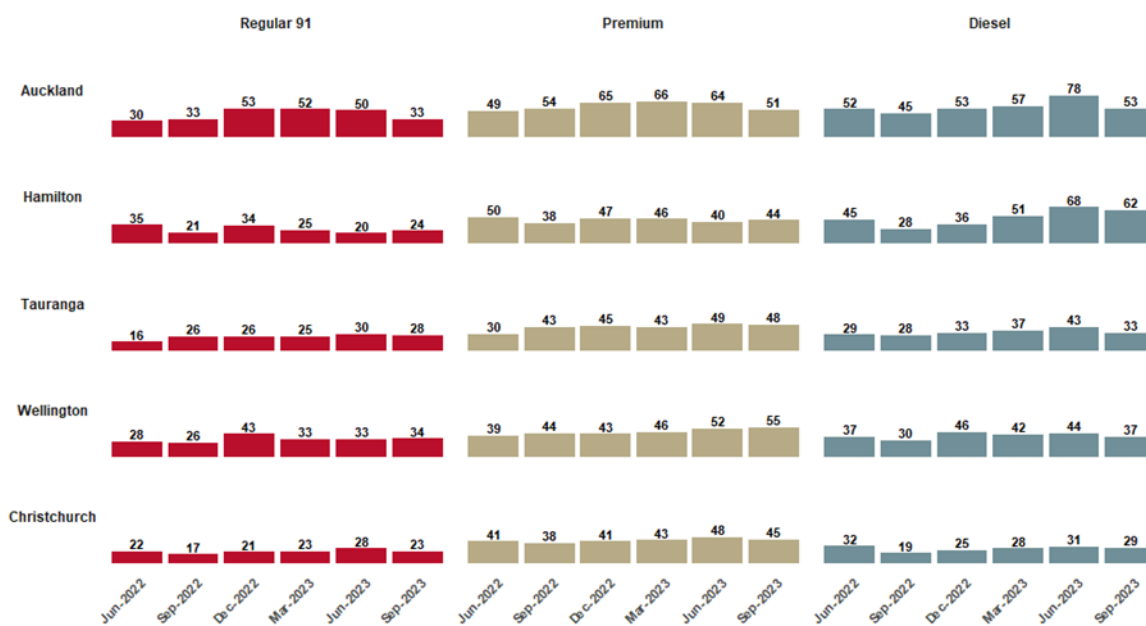
²⁸ Due to how the discounts are structured and their accessibility to the public, the discounted fuel prices offered by Gull are not defined as discount and loyalty programmes under the Regulations.

²⁹ Commerce Commission "Quarterly Fuel Monitoring Report – June 2023" (6 December 2023), pp. 16–17, 37–39, https://comcom.govt.nz/data/assets/pdf_file/0024/336714/Quarterly-fuel-monitoring-report-Quarter-ending-30-June-2023-.pdf.

Retail price variation in New Zealand

Retail price variation is calculated as the daily difference between the most and the least expensive site for each fuel type in a city, averaged over the quarter. The retail prices are discounted by average discounts and exclude the Auckland regional fuel tax. Military sites are excluded from the analysis.³⁰

Figure 12: Retail price variation (cpl) within New Zealand cities from June 2022 quarter to September 2023 quarter



Source: ID data. Note: Premium includes 95 and 98.



Observations on retail price variation

- From Figure 12 above, we can see that the variation in price in Auckland for Regular 91 has reduced in the September 2023 quarter and is now similar to price variation levels a year ago, although Auckland still has more price variation than Christchurch (33 cpl compared to 23 cpl). All cities had a wide variation in prices for Premium fuel grades ranging from 44–55 cpl. Diesel prices showed the widest variation in Hamilton (62 cpl) and Auckland (53 cpl), while Christchurch had the smallest variation of the five cities (29 cpl).
- Further, our analysis of discounted retail prices in the five largest cities shows that Tauranga had the lowest prices on average for Regular 91 and Hamilton for Premium fuels (264 cpl and 283 cpl), with Christchurch and Wellington the most expensive for Regular 91 (272 cpl), and Auckland, Wellington and Christchurch for Premium fuels (293 cpl). Wellington and Christchurch had the lowest discounted diesel prices on average (185 cpl) and Auckland the most expensive (191 cpl). See Attachment D Table 14.
- Prices are influenced by the degree of competition in different locations so it is not surprising to see some price variation between and within cities that is not simply related to the cost of

³⁰ New Zealand Army and Royal New Zealand Air Force sites, which are not accessible to the general public. Military sites were included in the analysis in some previous reporting. As a result, some city-wide price variations were overstated in previous reports.

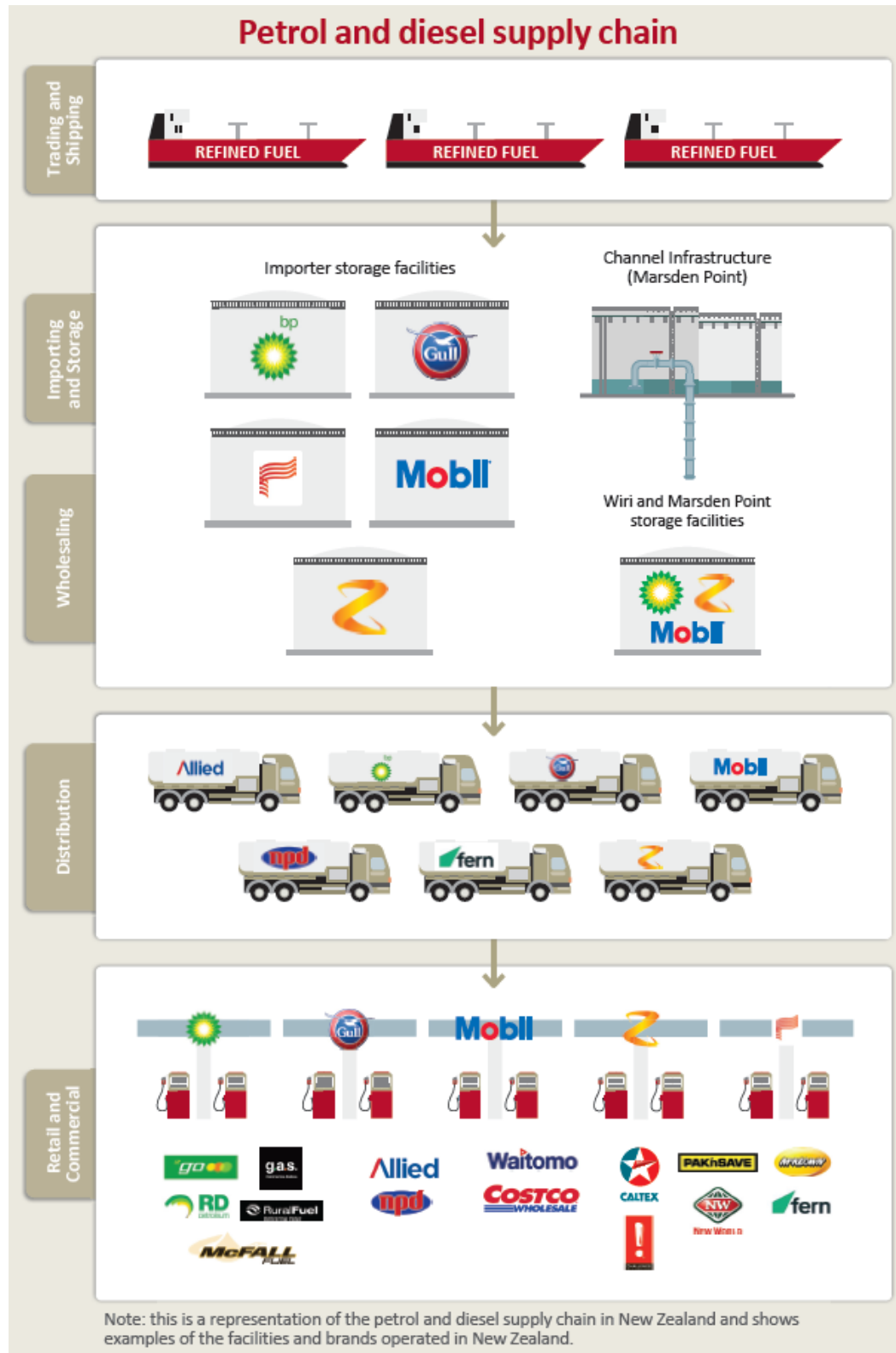
supply. It appears that price differences within a city can also vary from quarter to quarter. We intend to continue looking for factors that can explain the patterns we observe.

- We have observed that prices in Whangārei, which were previously the highest of the cities we had analysed, appear to have dropped in recent months in comparison to prices in other cities.

Attachment A: New Zealand's fuel supply chain

Figure 13 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 13: New Zealand's petrol and diesel supply chain



Source: Commerce Commission.

Attachment B: The terminal gate pricing regime

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.³¹

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.³² 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.³³

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:

³¹ Ministry of Business, Innovation and Employment "Response to the Commerce Commission's Retail Fuel Market Study: Fuel Industry Bill" (27 February 2020), <https://www.mbie.govt.nz/dmsdocument/11217-regulatory-impact-statement-fuel-industry-bill%20p.28>.

³² Section 11 of the Act.

³³ See section 8(2) of the Act. Premium 98 is excluded under clause 4 of the Regulations as well as any diesel or petrol that contains more than 1.0% biofuel volume.

- **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,³⁴ although we note that terminal-related costs are not included.
- **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. Wholesale contract prices and TGPs in Australia are much closer than those 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.³⁵

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.

³⁴ MBIE, <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/weekly-fuel-price-monitoring>.

³⁵ We are also interested in any evidence of other cost-related differences that could explain some of the differences in TGPs between the two countries.

TGPs by wholesale supplier

Table 6: New Zealand average TGPs by supplier compared to Australia and to importer costs from June 2022 quarter to September 2023 quarter

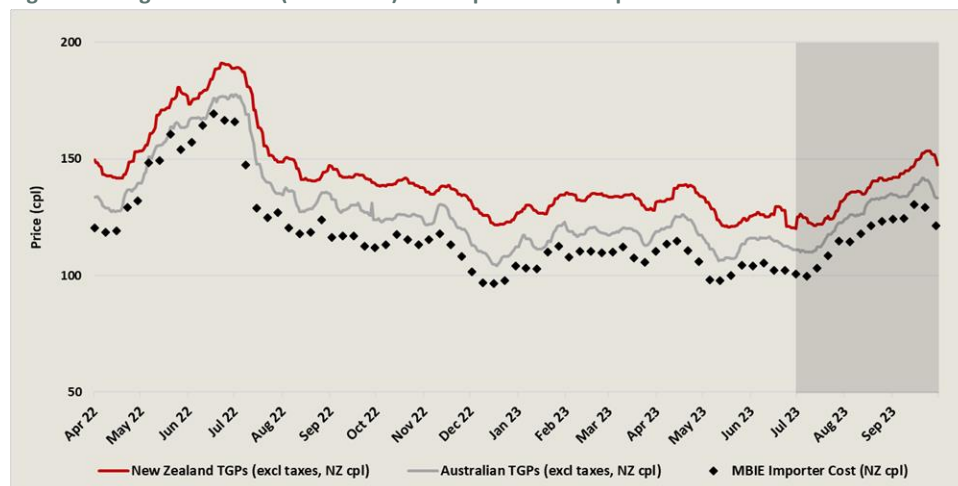
Measure	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Regular 91 (cpl)						
<i>MBIE importer cost</i>	148	122	108	109	105	118
<i>Australian average</i>	154	138	119	117	116	127
BP	168	152	135	135	132	141
Gull	162	151	133	129	127	137
Mobil	174	161	141	139	136	145
Tasman Fuels	160	145	126	128	123	135
Z	160	146	128	126	122	129
Premium 95 (cpl)						
<i>MBIE importer cost</i>	151	125	111	111	107	121
<i>Australian average</i>	166	150	131	129	126	133
BP	177	161	144	148	145	154
Gull	171	160	143	139	136	146
Mobil	187	175	155	153	150	161
Tasman Fuels	166	150	132	134	132	148
Z	180	166	148	145	141	150
Diesel (cpl)						
<i>MBIE importer cost</i>	166	154	144	119	105	130
<i>Australian average</i>	170	168	156	129	114	136
BP	186	182	171	146	131	150
Gull	175	176	167	141	126	144
Mobil	191	188	176	148	131	152
Tasman Fuels	174	172	162	137	123	147
Z	180	179	168	142	126	143

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

New Zealand and Australian TGPs and importer costs

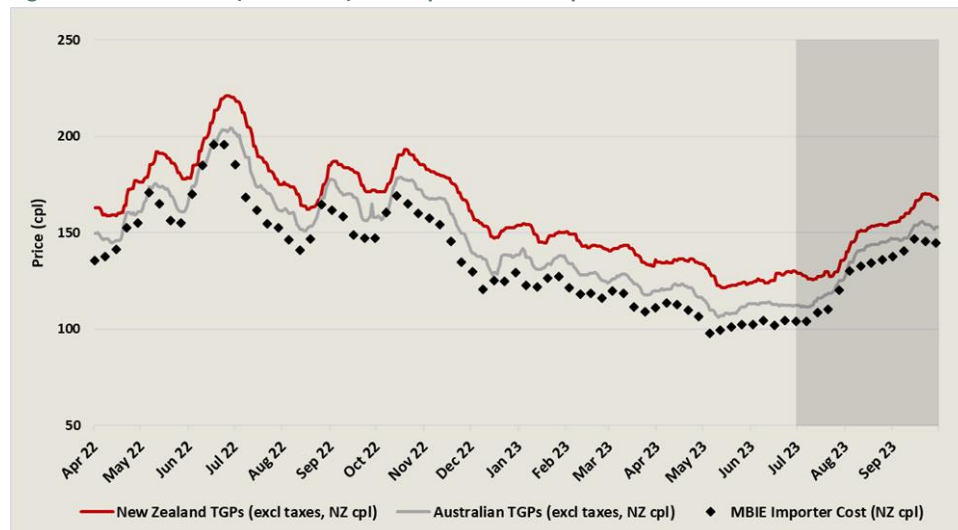
For our Australian comparison, we take a quarterly average of TGPs from the Australian Institute of Petroleum (AIP) for Regular 91 and diesel.³⁶ For Premium 95, we calculate the quarterly average TGP from four Australian importer websites at the same seven terminal locations used by the AIP (Sydney, Melbourne, Brisbane, Adelaide, Darwin, Perth and Hobart).

Figure 14: Regular 91 TGPs (excl. taxes) from April 2022 to September 2023



Source: ID data; MBIE, Australian Institute of Petroleum, <https://www.aip.com.au>. Data for the September 2023 quarter is displayed in the grey area.

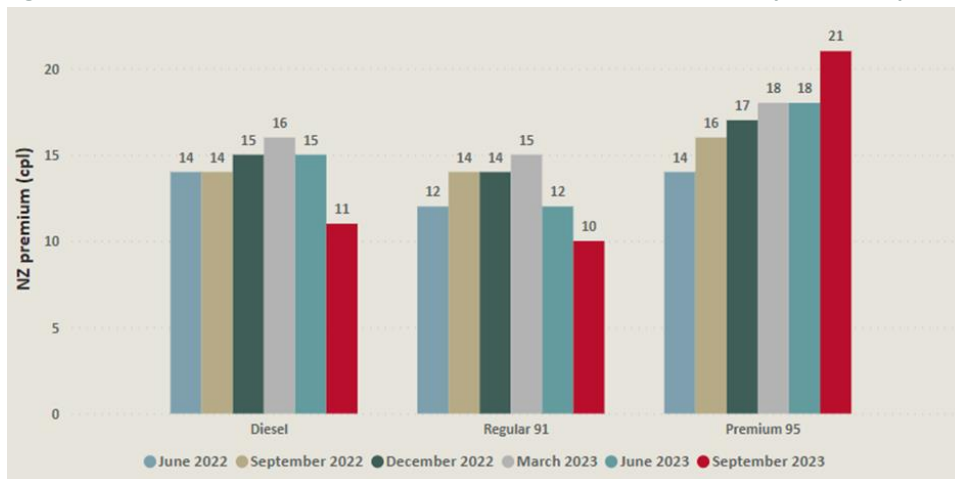
Figure 15: Diesel TGPs (excl. taxes) from April 2022 to September 2023



Source: ID data; MBIE, Australian Institute of Petroleum, <https://www.aip.com.au>. Data for the September 2023 quarter is displayed in the grey area.

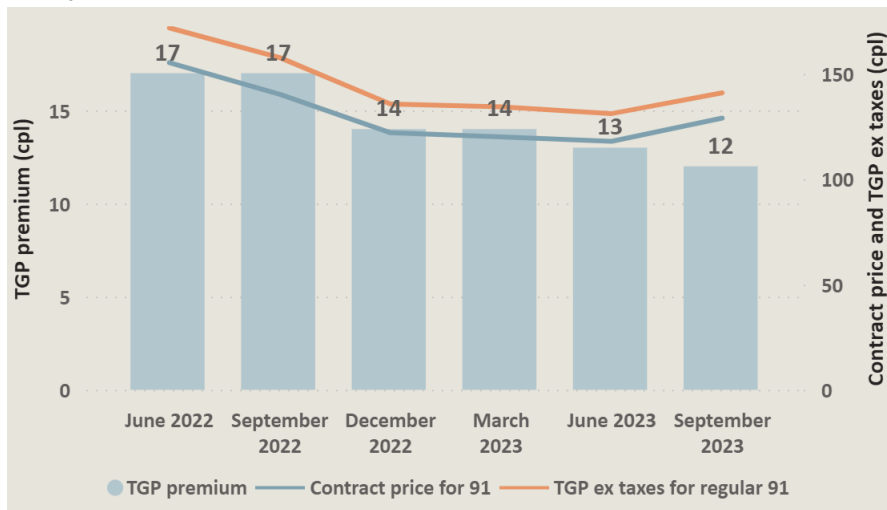
³⁶ Australian Institute of Petroleum, <https://www.aip.com.au>.

Figure 16: Difference between NZ TGPs and Australian TGPs from June 2022 quarter to September 2023 quarter



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

Figure 17: Regular 91 TGP offer price, average wholesale contracted price and TGP premium from June 2022 to September 2023 quarters



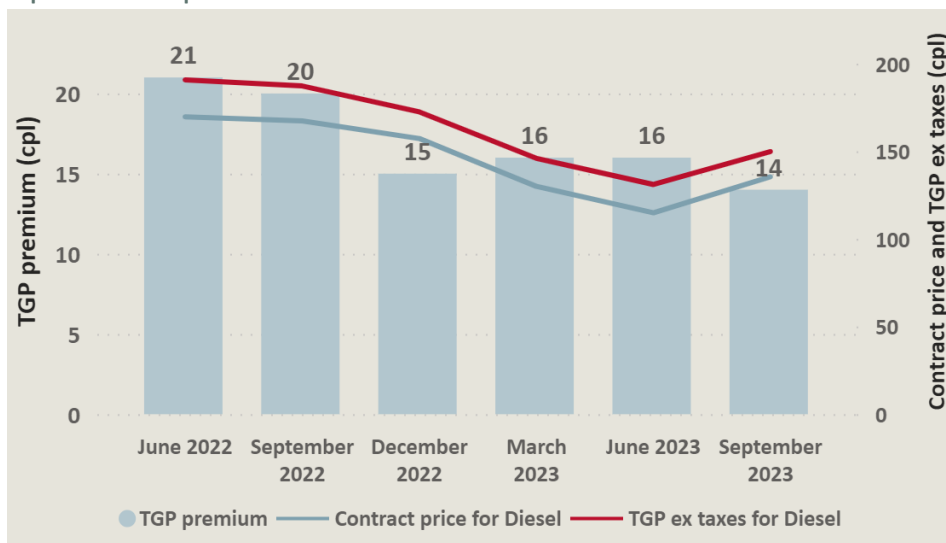
Source: ID data.

Figure 18: Premium 95 TGP offer price, average wholesale contracted price and TGP premium from June 2022 to September 2023 quarters



Source: ID data.

Figure 19: Diesel TGP offer price, average wholesale contracted price and TGP premium from June 2022 to September 2023 quarters



Source: ID data.

Attachment C: 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 7: New Zealand taxes, levies and ETS costs applicable to fuel types for the quarter ended September 2023

New Zealand (cpl)			
	Regular 91	Premium 95	Diesel
National Land Transport Fund (NLTF) ³⁷	70.02	70.02	-
ACC levy ³⁸	6.00	6.00	-
Petroleum or engine fuel monitoring levy ³⁹	0.72	0.72	0.72
Local authority fuel tax	0.66	0.66	0.33
Regional fuel tax (Auckland) ⁴⁰	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>; Inland Revenue, <https://www.ird.govt.nz/gst>.

Table 8: Australian taxes applicable to fuel types

Australia (Australian cpl)			
	Regular 91	Premium 95	Diesel
Excise tax (up to 1 August 2023)	47.7	47.7	47.7
Excise tax (from 1 August 2023)	48.8	48.8	48.8
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>; <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.⁴¹

³⁷ The NLTF rate was reduced from 70.02 cpl to 45.02 cpl from 15 March 2022 to 30 June 2023.

³⁸ 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>.

³⁹ NZ Gazette "Notification of Levy Rates Under the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017 Notice 2023", <https://gazette.govt.nz/notice/id/2023-go2283>. The levy changed on 1 July 2023 from 0.65 cpl.

⁴⁰ NZTA "Regional fuel tax", <https://www.nzta.govt.nz/vehicles/regional-fuel-tax>.

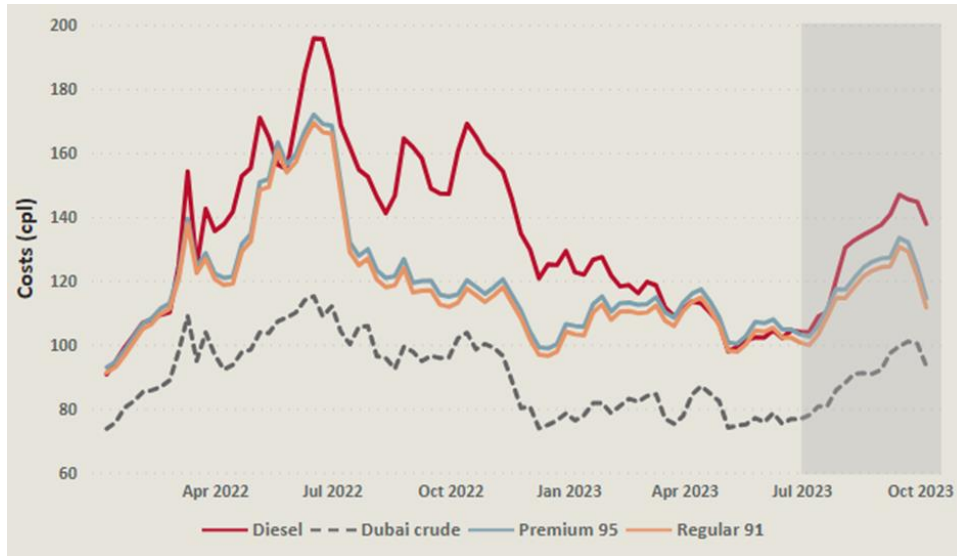
⁴¹ Reserve Bank of New Zealand "Exchange rates and Trade Weighted Index" (6 July 2023), <https://www.rbnz.govt.nz/statistics/series/exchange-and-interest-rates/exchange-rates-and-the-trade-weighted-index>.

Attachment D: Data

Importer costs

The cost of crude oil and importer costs and trends over time are shown in Figure 20. Data for the latest quarter is displayed in the grey area.

Figure 20: Importer costs and the cost of crude oil (cpl) by fuel type from January 2022 to September 2023



Source: MBIE.

Table 9: Importer costs (cpl) by fuel type from June 2022 quarter to September 2023 quarter

Fuel type	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Difference Jun 2023 to Sep 2023
Regular 91	148	122	108	109	105	118	+13
Premium 95	151	125	111	111	107	121	+14
Diesel	166	154	144	119	105	130	+25

Source: MBIE.

Wholesale market

Table 10: Average wholesale prices (excl. taxes and charges) by fuel type and buyer type, all sale types, from June 2022 to September 2023 quarters

Customer	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	Difference Jun 2023 to Sep 2023	
Regular 91 price (cpl)								
Dealer	160	145	128	126	124	136	12	+10%
Distributor	152	136	117	115	114	124	10	+9%
End user	150	141	136	130	129	149	20	+16%
Importer	149	134	115	112	110	120	10	+9%
Premium 95 price (cpl)								
Dealer	172	158	140	140	138	148	10	+7%
Distributor	159	144	125	123	123	134	11	+9%
End user	159	153	149	144	143	158	15	+10%
Importer	153	140	122	119	119	130	11	+9%
Premium 98 price (cpl)								
Dealer	178	163	146	148	146	162	16	+11%
Distributor	176	155	135	139	138	148	10	+7%
End user	181	154	140	138	141	180	39	+28%
Importer								
Diesel price (cpl)								
Dealer	175	172	162	138	122	141	19	+16%
Distributor	168	166	156	127	112	133	21	+19%
End user	168	168	155	131	116	137	21	+18%
Importer	164	165	156	126	111	130	19	+17%

Source: ID data. Note: Prices include handling and delivery costs.

Table 11: Total wholesale volume sold (in million litres) by customer type from June 2022 to September 2023 quarters

Customer	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023	% share
Dealer	283	292	321	310	296	273	28%
Distributor	401	481	547	534	529	526	54%
End user	113	63	53	57	43	43	4%
Importer	49	111	158	160	151	135	14%
Total	846	946	1,079	1,061	1,020	977	100%

Source: ID data. Note: TOSL volumes have been excluded from this table to be consistent with other parts of the report. Previous wholesale sales volumes reported included TOSL volumes. Prices include handling and delivery costs.

Table 12: Regular 91 average contracted price and components (excl. taxes and charges) for dealers and distributors from June 2022 to September 2023 quarters

Type	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Dealer contract price	160	145	128	126	124	136
Distributor contract price	152	136	117	115	114	124
Margin on dealer contract	12	23	19	17	19	18
Margin on distributor contract	4	14	9	6	9	6
Importer costs (MBIE)	148	122	108	109	105	118

Source: ID data. Note: Prices include handling and delivery costs.

Table 13: Diesel average contracted price and components (excl. taxes and charges) for dealers and distributors from June 2022 to September 2023 quarters

Type	Jun 2022	Sep 2022	Dec 2022	Mar 2023	Jun 2023	Sep 2023
Dealer contract price	175	172	162	138	122	141
Distributor contract price	168	166	156	127	112	133
Margin on dealer contract	9	18	18	19	17	11
Margin on distributor contract	2	11	12	8	8	3
Importer costs (MBIE)	166	154	144	119	105	130

Source: ID data. Note: Prices include handling and delivery costs.

Retail price variation in New Zealand

Table 14: Discounted retail prices (cpl) in New Zealand cities and nationally, June 2023 quarter and September 2023 quarter

June 2023 quarter				September 2023 quarter			
Location	Regular 91	Premium	Diesel	Location	Regular 91	Premium	Diesel
Auckland	229	252	169	Auckland	271	293	191
Hamilton	222	242	170	Hamilton	265	283	189
Tauranga	226	250	165	Tauranga	264	287	187
Wellington	229	251	163	Wellington	272	293	185
Christchurch	230	251	163	Christchurch	272	293	185
<i>Variance</i>	8	10	7	<i>Variance</i>	8	10	6
<i>Rest of NZ</i>	234	256	173	<i>Rest of NZ</i>	272	294	191
National	231	253	171	National	271	293	190

Source: ID data. Note: Premium includes 95 and 98. Prices are weighted average discounted prices.

Attachment E: 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. ⁴² Also known as a terminal.
cpl	Cents per litre.
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, diesel has the same meaning as in regulation 5(1) of the Engine Fuel Specifications Regulations 2011. Diesel (a) means 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.
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	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; but (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.
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.
GST	Goods and services tax.
Gull	Gull New Zealand (NZ) Limited.

⁴² Terms are defined in the 'Interpretation' section of the Act (see section 4).

Term	Explanation
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 to BP, Mobil, Z Energy, Gull, and TOSL.
importer cost	The cost per litre, by fuel type, that a fuel importer incurs in order to import fuel into its respective New Zealand domestic port/fuel terminal.
importer margin	The difference between the importer cost and the retail price of fuel at a retail service station.
ID	Information disclosure/information disclosed (pursuant to the Regulations).
market study	Commerce Commission's 2019 retail fuel 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 Oil New Zealand Limited.
NLTF	National Land Transport Fund.
OECD	The Organisation for Economic Co-operation and Development.
OPEC	Organisation of the Petroleum Exporting Countries.
OPEC+	The 13 OPEC nations plus 10 other oil-producing countries.
Premium 95	As set out in the Regulations, premium grade petrol has the same meaning as in regulation 5(1) of the Engine Fuel Specifications Regulations 2011. Petrol supplied as having a research octane number of 95.0 or higher.
Premium 98	As set out in the Regulations, premium grade petrol has the same meaning as in regulation 5(1) of the Engine Fuel Specifications Regulations 2011. 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.
Regulations	Fuel Industry Regulations 2021.
Regular 91	As set out in the Regulations, regular grade petrol has the same meaning as in regulation 5(1) of the Engine Fuel Specifications Regulations 2011. 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.
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 section 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.

Term	Explanation
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 margin	The difference between the cost to the importer of purchasing, landing and storing fuel into New Zealand-based terminals (importer costs) and the price (less taxes and charges) the importer receives for the fuel sold to a wholesale customer.
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.