



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Energy and Resources
Title of Cabinet paper	Gas (Levy of Industry Participants) Regulations 2022	Date to be published	12 July 2022

List of documents that have been proactively released

Date	Title	Author
May 2022	<i>Gas (Levy of Industry Participants) Regulations 2022</i>	<i>Office of the Minister of Energy and Resources</i>
12 May 2022	<i>LEG-22-MIN-0059 Minute</i>	<i>Cabinet Office</i>
14 April 2022	<i>Stage 2 Cost Recovery Impact Statement: Setting the Gas (Levy of Industry Participants) Regulations 2022</i>	<i>MBIE</i>

Information redacted

NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.



Cabinet Legislation Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Gas (Levy of Industry Participants) Regulations 2022

Portfolio **Energy and Resources**

On 12 May 2022, the Cabinet Legislation Committee:

- 1 **noted** that the Gas Industry Company, the co-regulator for the gas industry, is mostly funded by a levy on gas industry participants that has been in place since 2007;
- 2 **noted** that the Gas Act 1992 provides for the Gas Industry Company to make a recommendation to the Minister of Energy and Resources regarding levy regulations, including on levy rates, and that they can only apply to the financial year they are made in;
- 3 **noted** that Minister of Energy and Resources has received the Gas Industry Company's recommendation for levy regulations for the 2022/23 financial year;
- 4 **noted** the Gas Industry Company's levy recommendation for the 2022/23 financial year will enable it to recover up to \$4.58 million for the financial year beginning 1 July 2022 through:
 - 4.1 an annual retail levy on gas retailers of \$6.63 (excluding GST) per customer/Installation Control Points; and
 - 4.2 a wholesale levy on participants that purchase gas from producers of 1.3997 cents (excluding GST) per gigajoule (GJ) purchased;
- 5 **noted** that the total levy funding requirement of \$4.58 million (up from \$3.47 million) is a large increase from the 2021/22 financial year. This is being driven by:
 - 5.1 the levy for the previous financial year being insufficient for meeting GIC's costs. When compared to the budgeted total work programme costs for 2021/22 of \$4.77 million, GIC's current forecast has total work programme costs of approximately \$6 million. To make up for this gap, GIC funded a substantial portion of the work programme itself, rather than from the levy or market fees. Based on this, the expected year-on-year increase in total costs to deliver the work programme between 2021/22 (\$6 million) and 2022/23 (\$6.34 million) is \$340,373 (a small 5.7 per cent increase); and
 - 5.2 GIC's ambitious work programme for the 2022/23 financial year, including more work around the transition of the gas industry to a lower carbon future;
- 6 **noted** that the levy represents only a very small proportion of most consumers' gas bill (estimated 0.70 per cent of a residential gas consumers' annual bill). Large industrial users, who consume the most gas will pay the majority of the levy;

- 7 **noted** that section 43ZZD of the Gas Act 1992 requires the Minister of Energy and Resources to accept the Gas Industry Company's recommendation to make levy regulations if the Minister is satisfied that:
- 7.1 the levy rate or amount is reasonable, having regard to the industry body Statement of Intent, the latest industry body annual report, and any Government Policy Statement objectives and outcomes;
 - 7.2 the industry body has consulted with industry participants on the levy rate or amount; and
 - 7.3 the requirements of sections 43ZZB to 43ZZE have been met;
- 8 **noted** that Minister of Energy and Resources has accepted the Gas Industry Company's recommendation as she considers it satisfactorily meets these requirements;
- 9 **noted** that the Gas (Levy of Industry Participants) Regulations 2022 will give effect a retail levy and a wholesale levy for the financial year from 1 July 2022, to recover up to \$4.58 million;
- 10 **noted** these regulations will also revoke the Gas (Levy of Industry Participants) Regulations 2021 as they are now spent;
- 11 **authorised** the submission to the Executive Council of the Gas (Levy of Industry Participants) Regulations 2022 [PCO 24725/3.0];
- 12 **noted** that these regulations will be published in the Gazette no later than 2 June 2022 to comply with the 28-day rule;
- 13 **noted** that the Gas (Levy of Industry Participants) Regulations 2022 will come into force on 1 July 2022.

Rebecca Davies
Committee Secretary

Present:

Hon Andrew Little (Chair)
Hon Megan Woods
Hon Stuart Nash
Hon Kris Faafoi
Hon Michael Wood
Hon Meka Whaitiri

Officials present from:

Office of the Prime Minister
Officials Committee for LEG