



## COVERSHEET

<b>Minister</b>	Hon. Dr Megan Woods	<b>Portfolio</b>	Energy and Resources
<b>Name of package</b>	Addressing the Increasing Cost of New Zealand's International Energy Programme Treaty Obligation	<b>Date of issue</b>	5 August 2019

<b>List of documents that have been proactively released</b>		
<b>Date</b>	<b>Title</b>	<b>Author</b>
24 June 2019	<i>Addressing the Increasing Cost of New Zealand's International Energy Programme Treaty Obligation</i>	<i>Office of the Minister of Energy and Resources</i>
24 June 2019	<i>CAB-19-MIN-0304</i>	<i>Cabinet Office</i>
25 June 2019	<i>Further advice on the PEFM Levy</i>	<i>The Ministry of Business, Innovation and Employment</i>

<b>Information redacted</b>	<b>YES / NO</b> (please select)
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# Cabinet

## Minute of Decision

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### Addressing the Increasing Cost of New Zealand's International Energy Programme Treaty Obligation

**Portfolio** Energy and Resources

On 24 June 2019, following reference from the Cabinet Economic Development Committee (DEV) Cabinet:

- 1 **noted** that New Zealand is a signatory to the *Agreement on an International Energy Programme Treaty* (the Treaty) and, as a result, has an international obligation to hold 90 days of oil stock to contribute to global oil security;
- 2 **noted** that in December 2012, the previous government agreed to recover the cost of meeting this obligation through the Petroleum or Engine Fuel Monitoring Levy, along with recovering the departmental costs of fuel safety and monitoring and engaging with the International Energy Agency [EGI Min (12) 29/9];
- 3 **noted** that the Minister of Energy and Resources was required to review the component of the Petroleum or Engine Fuel Monitoring Levy that covers the costs of the activities set out in paragraph 2 above by 1 July 2019 [CBC-15-MIN-0010];
- 4 **noted** that the cost of meeting the Treaty obligation has been rising due to a multitude of factors, and that an estimate of the impact is shown in the following financial forecast:

\$ million	2018/19	2019/20	2020/21	2021/22
Costs of meeting the Treaty obligation	\$20	\$26	\$29	\$33
Levy revenue based on current rate for the Treaty obligation	\$11	\$11	\$11	\$12
Annual surplus/deficit	-\$9	-\$15	-\$18	-\$21
Year-end position (cumulative)	-\$9	-\$24	-\$42	-\$63

- 5 **noted** that it is proposed in the paper attached to CAB-19-SUB-0304 to increase the Petroleum or Engine Fuels Monitoring Levy (the Levy) by 0.3 cents per litre to meet the increasing cost of meeting the Treaty obligation;
- 6 **noted** that the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017 will need to be amended to increase the Levy rate, and that the draft Energy (Petrol, Engine Fuel, and Gas) Levy Amendment Regulations 2019 (attached to the paper under CAB-19-SUB-0304) provide for this increase;

- 7 **noted** that a waiver of the 28-day rule is sought so that the regulations can come into force from 1 July 2019;
- 8 **authorised** a group of Ministers comprising the Prime Minister, Minister of Finance and the Minister of Energy and Resources to have Power to Act to take decisions on:
- 8.1 the amount of the increase in the Levy;
  - 8.2 the timing of when the regulations will come into effect;
  - 8.3 whether there should be a waiver of the 28-day rule;
  - 8.4 authorisation of the submission of the regulations to Executive Council and the timing of the Executive Council meeting;
  - 8.5 the financial implications of the proposal.

Michael Webster  
Secretary of the Cabinet

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**Hard-copy distribution:**

Prime Minister  
Deputy Prime Minister  
Minister of Finance  
Minister of Energy and Resources