

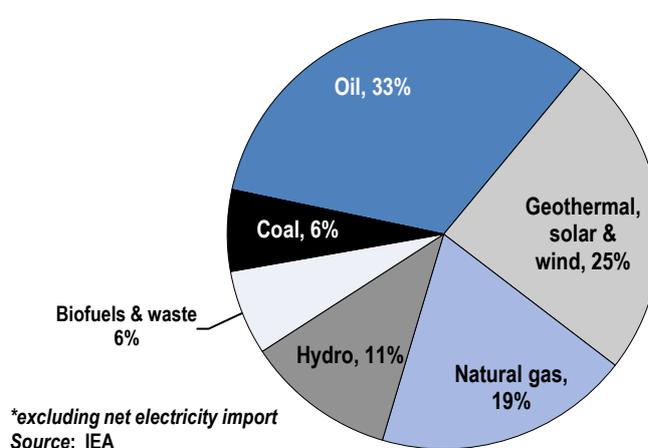
New Zealand

The OECD Inventory of Support Measures for Fossil Fuels identifies, documents and estimates direct budgetary support and tax expenditures supporting the production or consumption of fossil fuels in OECD countries and eight large partner economies (Argentina, Brazil, the People's Republic of China, Colombia, India, Indonesia, the Russian Federation, and South Africa) and EU Eastern Partnership (EaP) countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine).

Energy resources and market structure

New Zealand is well-endowed with fossil-fuel resources for a country of its size. The country is a net exporter of coal but imports most of its oil. It imports no natural gas. Net production of natural-gas has grown in recent years, and was 19% higher during 2014-18 than a decade earlier. Consumption of natural gas in power plants has been declining, while that used by industrial users, particularly the chemicals industry, has been increasing. Owing to its location straddling the Pacific “Ring of Fire”, New Zealand has the second-largest share of geothermal energy in the OECD after Iceland. Geothermal share in electricity generation is relatively high as well, at 18%.

Total Primary Energy Supply* in 2018



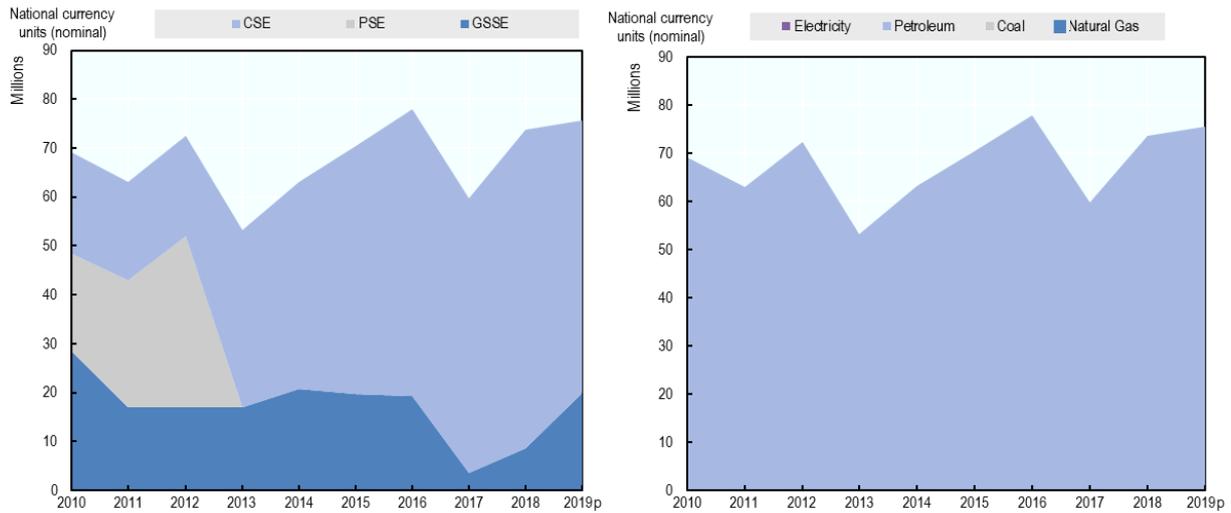
The New Zealand Government started liberalising the country's energy market in the 1980s. The State has continued to play an important role, however, notably in coal and electricity production. State-owned Solid Energy is the main producer of coal in New Zealand. In August 2015 Solid Energy declared insolvency; and has subsequently sold its assets to three companies based in New Zealand. In 2018, the government passed a legislation banning the issuance of new offshore oil exploration permits as part of its policy efforts to tackle climate change. Similarly, the natural-gas market has undergone deregulation, though the government still holds an interest in downstream retailers through two state-owned enterprises (SOEs), namely Genesis Energy and Mighty River Power.

State-owned Meridian Energy, along with Contact Energy, Genesis, Mighty River, and TrustPower together hold the bulk of power-generating capacity. Transpower, another SOE, is responsible for transmission. About 30 companies own and operate local distribution networks. Most of the distribution companies are owned by trusts. The retail market is contestable with distribution and retailing completely unbundled. However, almost all retail sales remain controlled by the five main generators.

Energy prices and taxes

Prices for energy products and services sold in New Zealand are set freely by the market. A goods and services tax (GST) is levied at a uniform rate of 15% (rate since 2010) on all fuel and energy services. Gasoline, LPG, and compressed natural gas are all subject to excise taxes and various special levies. Diesel vehicles are subject to distance-based road-user charges and other fees. An Energy Resources Levy is applied to natural gas produced from fields discovered before 1986 and on some open-cast coal production. Safety-related regulatory activities are funded through special levies on natural gas and electricity. The government does not subsidise natural gas or electricity for low-income users.

Total support for fossil fuels in New Zealand by support indicator (left) and fuel type (right)



Note: CSE=Consumer Support Estimate; PSE=Producer Support Estimate; GSSE=General Services Support Estimate.

Recent developments and trends in support

The New Zealand Government provides some incentives for fossil-fuel production by allowing certain exploration and development expenditures to be amortised for tax purposes over a shorter period than the productive life of the asset. This measure can result in an asymmetry of treatment compared with other industries, but its impact appears to be minor. On the consumer side, off-road users of gasoline, LPG, and compressed natural gas (e.g. in the farming sector) can obtain refunds for payments under New Zealand's motor-spirits excise duty. This is because all revenue from the excise duty is hypothecated to road construction and maintenance. Total refunds have increased in recent years, representing about NZD 50-60 million annually. In 2019, majority of support for the oil industry was withdrawn together with the banning of new offshore oil exploration permits enacted in 2018.

Examples of measures

Non-Resident Drilling Rig and Seismic Ship Tax Exemption

On 1 October 2005, an exemption from income tax was introduced for income derived from petroleum exploration and development activities undertaken in an offshore permit area in New Zealand by a non-resident company. The original exemption was for a five-year period, starting at the beginning of the non-resident company's 2005/06 financial year and ending on 31 December 2009. The exemption was, however, subsequently extended three times to end on 31 December 2024.

This particular provision was introduced as part of the package announced in June 2004 to boost natural-gas exploration in response to the downward revision of the Maui field in the early 2000s.