Office of the Associate Minister of Transport

Cabinet Economic Policy Committee

Approval of Proposed Increases to the Maritime and Oil Pollution Levies

Proposal

1. This paper seeks approval of changes to the Maritime Levy and Oil Pollution Levy from 1 July 2024. It was originally considered by the Cabinet Economic Policy Committee on 28 February 2024.

2. Cabinet requested that the paper should be resubmitted with additional detail on the consultation process to demonstrate that relevant sectors were consulted. This information has been added in sections 48 – 51 and **Appendix Three.**

Relation to Government Priorities

3. Supporting these proposals will help the maritime sector avoid unnecessary supply chain disruptions, reduce regulatory costs, promote innovation, and mitigate significant environmental damage or harm to people from maritime incidents. For this reason, it directly relates to the Government's emphasis on lifting economic growth.

4. It will also ensure that Maritime NZ can return to cost recovery, consistent with the Government's focus on fiscal sustainability and treating taxpayers' money with respect.

Executive Summary

5. Maritime NZ is the regulator for maritime and port safety, security, and the environment. It is also responsible for coordinating broader search and rescue activities, maintaining marine oil pollution readiness and response capabilities, running maritime distress radio and aides to maritime navigation.

6. Maritime NZ's funding for frontline regulatory services is largely provided by maritime operators via the Maritime Levy. Its oil pollution readiness and response activity is funded by the Oil Pollution Levy (OPL) paid by ships carrying oil around New Zealand.

7. When the Government closed New Zealand's borders in response to COVID-19, there was a reduction in activity levels in the maritime sector, including the cessation of cruise. This led to a corresponding reduction in levy revenue for Maritime NZ. This revenue shortfall was exacerbated by changes in the way oil is moved around the coast, cost pressures and the introduction of new Government initiatives for Maritime NZ to implement.

8. Cabinet issued a moratorium on border transport agency funding reviews in response to COVID-19, which it lifted in 2021. Due to the moratorium, there has not been a way of addressing the levy shortfall since the Maritime Levy and the OPL were reviewed in 2018/19.

9. Prior to the resumption of the current funding review, Maritime NZ undertook an efficiency and effectiveness review, which included engagement with the sector. This review assessed the efficiency and effectiveness of the organisation and highlighted critical issues around performance that stakeholders wanted to be addressed. These issues relate to:

9.1. insufficient inspections of poor-quality ships around New Zealand's coast;

9.2. outdated rules causing cost and complexity for the sector and inhibiting innovation;

9.3. inefficient regulatory services impacting on operation of the sector; and

9.4. third parties carrying out delegated regulatory responsibilities having limited oversight resulting in issues with competition, costs, and the quality of their service.

10. Between 19 July and 16 August 2023, Maritime NZ publicly consulted on proposed levy increases. Each proposal received the support of 80% or more submitters including support from the key maritime industry bodies. In my view, the opposing submissions did not provide sufficient justification to remove or reduce any of the proposals.

11. Levy increases are supported by Te Manatū Waka Ministry of Transport (the Ministry), The Treasury and other sector stakeholders. It will minimise the financial burden on the Crown and ensure that Maritime NZ is adequately resourced to fulfil its statutory responsibilities.

Background

12. Maritime NZ's core business is funded from multiple sources. In line with cost recovery principles in the transport sector, the bulk of funding for relevant activities comes from levies on maritime operators. Its oil pollution readiness and response activity is funded by OPL paid by large ships carrying oil around the coast of New Zealand.

13. Prior to COVID-19, Maritime NZ would typically operate on a three-year funding cycle, alternating 'mid-point' reviews with more fundamental reviews every six years. The most recent funding reviews concluded in 2018/2019 and the next review was scheduled to be completed in 2021/22 but was deferred due to a moratorium being placed on transport agency funding reviews.

14. The closure of borders led to a reduction in activity levels in the maritime sector (for example cruise ships) and a corresponding reduction in levy revenue. Since 2020, to cover the gap between forecast levy revenue and actual revenue Cabinet agreed to provide additional Crown funding. This funding, via the multi-year appropriation Protection of Transport Sector Agency Core Functions (liquidity facility), is scheduled to expire on 30 June 2024. Beyond that point, Maritime NZ will face a funding gap, which will lead to a large reduction in frontline services. This gap can either be addressed through increased levies on the maritime sector, or through further Crown funding.

15. On 15 August 2023, to address the risk that Crown support may be required into 2024/25, the previous Government provided Maritime NZ with a Letter of Comfort to enable its Board to continue to operate on a going concern basis until 30 June 2025. The best way to provide that comfort beyond 30 June 2024 will be to support Maritime NZ to return to cost recovery through levy revenue.

16. While revenue has since recovered, it is not sufficient to cover costs and Maritime NZ has been reliant on the liquidity facility. The shortfall has been driven by:

16.1. the 2022 closure of Marsden Point Oil Refinery changing the way oil moves around the coast and who pays, meaning the OPL was not fit for purpose;

16.2. the Government introducing two new initiatives: MARPOL Annex VI (controlling emissions from ships) and the seafarer welfare fund, together costing $3.3 million; and

16.3. inflationary cost pressures such as staff, maritime safety infrastructure and services.

17. Maritime NZ is seeking to recover the shortfall from levies and not to rely on Crown liquidity funding from 1 July 2024.

Maritime NZ has been working to ensure its efficiency, effectiveness, and productivity

18. To ensure that any future levy rate increases are made on the basis that Maritime NZ is efficient and effective, it has undertaken a review of itself over the past two years, supported by an external party. The review was undertaken in collaboration with the sector to understand stakeholder issues. It focused on what Maritime NZ needed to do to deliver better outcomes and regulatory services.

19. This review has resulted in changes to organisational design and improvements to processes, practice, and systems. It has ensured overhead costs are at an appropriate level (25 - 28%) and removed unnecessary management and administrative layers. It also disestablished roles (64) and re-deployed staff (33) to re-prioritise effort to where it was needed to achieve outcomes. As a part of the review, Maritime NZ will reduce its spend on contractors and consultants to 9% of operating expenditure by 1 July 2024.

20. Maritime NZ has been working closely with the Ministry to identify where it can reduce its total baseline expenditure. Returning to cost recovery through the funding review will remove reliance on Crown funding for levy revenue shortfalls.

Maritime NZ's funding review includes eight proposals requiring increases to the maritime and oil pollution levies

21. On 9 June 2023, joint Ministers agreed to the release of a consultation document recommending eight proposals funded by increases to the Maritime Levy and OPL. With these proposals, Maritime NZ will continue undertaking its statutory functions without incurring a funding gap that requires it to reduce its regulatory activities, impeding efficient and effective operation of the sector. It addresses the compound effects of inflationary cost pressures, system changes and new and increased regulatory activity since the levies were last increased. Refer to the Cost Recovery Impact Statement (CRIS) in **Appendix One** for more context.

22. For more detail on the impacts from levies increases, refer to **Appendix Two**.

Proposal 1. Managing the risks of substandard shipping through maintaining and enhancing regulatory operations (port and flag state control)

23. Maritime inspectors audit ships operating around our coast (including those involved in live-animal export) for compliance with safety and marine protection requirements. These activities mitigate the risk of catastrophic maritime incidents, the consequent impact on safety, the environment and economy, and minimise the potential of harm for New Zealanders working with ships when alongside ports. Countries that have rigorous inspection regimes are less likely to receive poor quality vessels.

24. The quality of vessels operating around the coast has declined in the last few years. Six large ships have had near groundings or lost engine propulsion over the last two years (compared with only one vessel in the five years prior). Over the last year, Maritime NZ has had to detain

more vessels than the previous three years combined, taking up valuable berth space at ports. There are increasing serious injuries and risks of fatalities for those working on the vessels. This can cause significant disruption to supply chains and increased costs to move imports and exports, which are passed onto consumers and adversely impact the economy.

25. Maritime NZ's inspections team is currently too small to inspect the riskiest ships in our waters. Sufficient inspection of high-risk ships is a critical issue identified by ports, stevedores, marine pilots, unions, regional councils, and harbourmasters. Maritime NZ wants to increase the Maritime Levy to recruit a small number of additional frontline maritime inspectors to inspect all high-risk vessels. This will also enable a small number of random inspections each year to deter sub-standard ships. Twenty-five submitters supported this proposal, five partially supported and one opposed it. Some submitters wanted more inspectors than proposed.

Proposal 2. Reducing sector costs and enabling innovation by updating outdated Maritime and Marine Protection Rules

26. Maritime NZ has a small team that makes and amends maritime rules with the cost shared between the Crown and the Maritime Levy. Over the last 25 years, there have been over 70 Maritime and Marine Protection Rules created with thousands of individual provisions. Many of these rules are outdated, requiring the sector to apply and pay for exemptions to continue operating and do not easily enable innovation. This is becoming ever more problematic as new technologies, such as electric vessels, autonomous vessels, and wing-in-ground craft are being commercialised.

27. Work on these issues is delivered through a regulatory reform programme. But the availability of policy, drafting and technical advice is affecting the speed of progress. Maritime NZ proposes to increase the Maritime Levy to fund additional resources to remove or update outdated and costly maritime rules. Twenty-three submitters supported this proposal, four partially supported it, and three opposed it.

Proposal 3. Improving performance in responding to notifications and maintaining critical improvements in the process of licensing applications

28. All commercial seafarers and operators must be licensed to operate, ensuring the fitness of participants in the maritime system. An increased number of seafarer and operator applications has led to significant delays in the processing of licensing applications. This has been exacerbated by issues related to capacity and capability and rules, impacting on the effective and efficient operation of the maritime transport sector.

29. Liquidity funding was used to improve licensing capacity and capability. This has seen significant timeliness and quality gains. Over the last financial year, 67% of seafarer and operator applications were processed within 20 working days (an improvement of 52% and 20% respectively). Maritime NZ proposes to increase the Maritime Levy to retain and improve on the progress made. If this licencing capability is not maintained when liquidity funding ends, the gains will be lost and backlogs will return, bringing frustration and cost for maritime operators and seafarers.

30. Maritime operators are required to notify Maritime NZ about a variety of matters and events. It is essential that Maritime NZ can respond in a timely and appropriate way to these notifications and enquiries. Lack of focused capacity in this area has led to inconsistent or delayed responses to safety incidents. To address these issues, Maritime NZ has used baseline savings to create a small, centralised Notifications and Enquiries team. Maritime NZ proposes to increase the

Maritime Levy to provide a small amount of additional capacity (two FTEs) to allow this team to be fully functional. Nineteen submitters supported this proposal, four partially supported it, and four opposed it.

Proposal 4. Providing effective oversight to third party regulators

31. There are hundreds of third-party regulators performing delegated regulatory functions in the maritime domain. Due to capacity constraints, Maritime NZ does not have a comprehensive view of their performance and is limited in its ability to intervene before issues arise. We have seen a range of regulatory failures in the broader New Zealand regulatory system over the last few years due to ineffective third-party oversight. The Transport Accident Investigation Commission and the International Maritime Organization have both raised risks in this area.

32. Maritime NZ proposes to increase the Maritime Levy to establish a team of four people to lead, support and improve third-party oversight activity. This will enable Maritime NZ to be more proactive, reducing risk of regulatory failure and supporting safety and maritime protection outcomes. It will help to ensure costs are reasonable and services are high-quality (both issues raised by stakeholders). Twenty submitters supported this proposal, four partially supported it and three opposed it.

Proposal 5. Maintaining the administration of MARPOL Annex VI

33. In 2019, the New Zealand government became signatory to MARPOL Annex VI, part of an international convention that sets out a regime for the prevention of air pollution from ships. Due to the delay in the funding review, the cost of administering MARPOL Annex VI has been met by the Crown to date. However, the intent was that the funding review would enable a shift to cost recovery through the Maritime Levy.

34. Maritime NZ proposes increasing the Maritime Levy to cover the cost of administering MARPOL Annex VI. Twenty submitters supported this proposal, three partially supported it, and three opposed it.

Proposal 6. Continuing to support the provision of seafarer welfare services

35. Since 1 March 2017, New Zealand has had obligations under the Maritime Labour Convention. This establishes minimum working and living standards for all seafarers and sets obligations for seafarer welfare services. In recognition of these obligations, in 2021 Parliament amended the Maritime Transport Act to enable the Maritime Levy to be used for seafarer welfare services. The Maritime Levy rates set in 2018/19 did not account for this cost, and Maritime NZ has needed Crown funding to support the external delivery of these services, receiving $1.5 million to date.

36. Maritime NZ proposes increasing the Maritime Levy to cover the costs to provide seafarer welfare services. Thirty-three submitters supported this proposal, three partially supported it, and four opposed it. Many submitters sought more funding.

Proposal 7. Amending the OPL allocation methodology

37. The share of OPL paid by each stakeholder is allocated through a ‘likelihood and consequence’ model, based on assumptions about the operating environment in New Zealand. The model is costly to apply, time consuming and prone to significant errors. With the change in the type of fuel that moves around New Zealand following the closure of Marsden Refinery, the current

levy allocation model is no longer fit-for- purpose. If the methodology is not revisited it will be difficult to retain marine oil pollution readiness and response capabilities.

38. Maritime NZ proposes to implement a revised allocation methodology that aligns with the approach used for the Maritime Levy. This is well understood by industry. The revised methodology is simpler, less costly to implement and will ensure a fairer allocation across the sector. The Oil Pollution Advisory Committee (OPAC) supports the change to the model. OPAC includes statutorily appointed representatives from across all sectors with OPL liability (including oil and gas) as well as iwi, central government agencies and local government. Twenty-three submitters supported this proposal, three partially supported it, and three opposed it. The opposing submissions included OMV, the operator of the floating production storage and offloading (FPSO) site and two cruise submitters.

Proposal 8. Maintaining marine oil spill preparedness and response capability

39. Since the Rena oil spill in 2011, Maritime NZ has built its capability to manage oil spills, should they occur. This has included developing capabilities, relationships and contracts with international actors needed to address a major oil spill.

40. Maintaining this capability requires a small increase in OPL due to cost pressures. OPAC supports this increase. If this increase is not progressed it will put the ability to respond effectively to incidents at risk. The capability investment made by the sector and built over the last few years would be diminished. Twenty-two submitters supported this proposal, three partially supported it, and four opposed it (including OMV).

A thorough public consultation process has taken place

The coverage of the levy consultation was broad

41. Maritime NZ undertook public consultation on the proposals after a period of extensive engagement with key industry bodies representing the sector. This included ascertaining what stakeholders wanted to see from Maritime NZ and discussions with OPAC about challenges posed by the current oil pollution model.

42. Maritime NZ undertook public consultation over a four-week period between 19 July and 16 August 2023. Alongside the consultation document, it published its initial CRIS, an international and domestic comparison of levies, and an analysis of options for the oil pollution allocation methodology. Consultation was supported by two public webinars. An email inbox enabled stakeholders and the public to ask questions during the process. All levy payers (3,338 recipients) were alerted about the review by letter. Emails were sent to a wide range of interested parties including levy payers, unions, industry groups and seafarer welfare groups. Advertisements were also posted in a number of publications and on social media.

43. In total, Maritime NZ received 40 submissions on its proposals. OMV submitted on the levy review in August 2023. However, its submission was not received by Maritime NZ until March 2024 due to the original submission being sent to an incorrect email address. Maritime NZ is confident this was an isolated incident.

44. Although the total number of submissions is relatively low in absolute terms, the webinar attendance, website views, downloads of the consultation document and number of submissions were consistent with past Maritime NZ funding reviews. Some industry bodies consulted with their members to develop a single submission on behalf of their members. Submissions were

received from all major groups of sector stakeholders including port operators, commercial vessel owners and operators, the cruise industry and seafarer welfare organisations..

45. I am comfortable that the consultation process reached the wider sector, directly or via representative organisations and submissions were received from all the key parties.

There was wide-reaching support from the submitters for the proposals

46. Given many of the issues had been identified by the sector itself, there was broad support for the proposals and levy increases, both by levy payers and beneficiaries. This meant that each proposal had at least 80% submissions in support of it. Key industry bodies like the Marine Transport Association (representing smaller passenger ferries, charters, domestic tourism and aquaculture), the Port Chief Executive Group, and NZ Shipping Federation (representing large coastal operators like Cook Strait ferries) supported the proposals along with Regional Councils and harbourmasters. Many were eager to have issues that were impacting them addressed and expressed concern that a Maritime NZ funding deficit could impact on frontline services and see regulatory timeliness and quality reduce.

47. Submitters from the cruise sector supported the proposals but suggested a one-year delay to increasing levies to factor them into their business operating model. I acknowledge their reasoning for preferring a delay, but the three-year cycle of funding reviews means it is difficult to provide stakeholders with more than one year's notice of levy increases. It would also require Crown funding of Maritime NZ for another 12 months. I note that the consultation process means that stakeholders have had notice of the likely timing and quantum of levy increases for 2024/25.

Some submitters supported the proposals or intent of the proposals but thought they should be funded differently

48. Where submitters opposed proposals, the reasons often related to disagreement with the levy construct and questions around whether some services were public goods that should be paid for by the Crown or through fees. For example, the Federation of Commercial Fishermen supported most of the proposals but indicated 'partial support' in many cases because it would have preferred them to be funded through fees.

49. I am comfortable that the proposals are consistent with best practice for cost recovery and follow the guidelines released by the Treasury and Office of the Auditor General for funding club goods. This is because the parties participating in the sector are the ones creating risk and the levies account for this risk. Other than the proposed change to the OPL model, this was not a review of the entire levy model, which had been reviewed in the last levy review.

50. I also note that the Maritime Levy is based on a club good across a range of activities, some of which it is difficult to charge fees for. Placing more of the emphasis on fees as a funding source would mean that some domestic operators, including the fishing sector, would face a higher proportion of the costs (given that approximately 90% of the levy is charged to foreign operators).

51. Making these changes within the current levy model is the most straightforward way to ensure that Maritime NZ can return to cost recovery from 1 July 2024.

A small number of submitters did not support changes to the Oil Pollution Levy

52. As required under s334 of the Maritime Transport Act, Maritime NZ consulted with OPAC on its intended recommendations. OPAC unanimously supports an increase in OPL revenue, and the associated levy rates changes required. The new risk allocation methodology is also fully supported by OPAC and the majority of submitters.

53. I note that a small number of submitters, including OMV and Cruise Lines International Association opposed the change in Oil Pollution methodology. This partly reflects the impact it would have on their individual levy rates. In particular, OMV does not consider the proposed increase in liability is justified given the measures it takes, or is required to take, to mitigate the likelihood and consequence of an oil spill. It also considers its current liability appropriately reflects Maritime NZ's oil pollution preparedness and response effort in relation to the offshore oil and gas sector, and that the modelling on which its proposed liability is based applied incorrect production assumptions.

54. The new methodology is intended to move away from complex calculations of risk mitigation which are increasingly unreliable and difficult to administer, especially with changes to oil movement around New Zealand. It is based on the risk brought to the system by a particular sector or operator involved in a particular scale of activity within a particular operating environment. All operators are required to undertake activities to mitigate the risk from oil pollution, not just OMV. The levy pays for the club good capability and equipment to respond should these mitigation measures fail for any particular operator.

55. Like other sectors, modelling was based on capacity to carry or store oil, not on actual carriage or storage. Capacity assumptions were based on OMV's publicly available consent documentation (45,000 barrels per day). It would be difficult and costly to calibrate the levy depending on individual operator capacity at a particular time given how regularly it varies for operators.

56. Most submitters support the changes to the new methodology and rates, as did OPAC. If Maritime NZ is unable to implement the revised methodology, the difficulties and unreliability with the current model will continue and result in significant levy increases for domestic operators, which are likely to be met with broad concern. Retaining it is therefore, in my view, infeasible and given the wide support from other submitters and OPAC, I am comfortable that the methodology change is appropriate.

57. Overall, I am satisfied that there has been an adequate level of awareness and public engagement and submissions have been considered. An overview of the consultation process is attached as **Appendix Three** and a summary of submissions is attached as **Appendix Four**.

Final Recommended Proposals from Consultation

58. I have considered the feedback received during public consultation. I have also undertaken my own consultation with my Ministerial colleagues including the Minister of Finance. Feedback reflected a general support for increasing the Maritime Levy and OPL in order to fund the proposals and return Maritime NZ to cost recovery. Other minor feedback, including more detail on the current and proposed levy changes outlined in **Appendix Two**, has been reflected in this paper.

59. I note that the consultation included options to scale three proposals. Specifically, this would have meant delaying implementation of Proposals 2 and 4 and reducing the funding for Proposal 6. Few submitters expressed support for these options and most that did, did so in the

context of an overall opposition to levy increases. Most submitters wanted to see the proposed changes occur as quickly as possible.

60. On the whole, there was support for the funding review and each of the proposals, noting that consultation highlighted minor areas of opposition from some groups to specific changes. There is no indication that any groups will oppose charges following implementation. There will be concern if the proposals do not go ahead, given the impact it will have on the sector.

61. Increasing these levies from 1 July 2024 means Maritime NZ will not need liquidity funding beyond 1 July 2024. 9(2)(f)(iv) [redacted] The changes will be announced as soon as possible, to allow maritime operators as much time as possible to plan and manage costs

Future Funding Reviews

62. The funding review is aimed at ensuring Maritime NZ is sustainably funded for the range of regulatory and response activities and functions required under current legislation, between 2024 and 2030. This includes the levels of the Maritime Levy and OPL as well as the OPL methodology.

63. Maritime NZ intends to maintain a regular review cycle going forward to address funding needs and ensure that cost recovery settings remain appropriate, relevant, and sustainable. This is likely to involve the completion of a full funding review within three years of 1 July 2024.

Implementation

64. If approved by Cabinet, the Ministry will prepare drafting instructions for the Parliamentary Counsel Office (PCO) to make changes to the relevant regulations. subject to Cabinet authorisation through the Legislation Committee, the (amendment) regulations will be made in the Executive Council and notified in the New Zealand Gazette with the new fees and charges targeted to take effect from 1 July 2024.

65. In recognition of the various stakeholders that will be affected by the new fees and charges, Maritime NZ intends to announce the proposed changes as soon as Cabinet has agreed to them and work closely with the sector on their implementation. It also intends to begin recruiting for any new roles as soon as it has this certainty.

66. The Maritime NZ Board will maintain oversight of the implementation of changes. The Ministry will provide performance advice to the Minister through its Crown Entity monitoring function. Maritime NZ has proposed several performance measures for its proposals, including existing measures where activity will continue. I expect it to report on these measures through its public accountability documents (Statement of Performance Expectations and Annual Report). This could include a measure of the sector’s satisfaction with the proposals. Refer to the CRIS in **Appendix One** for a list of these measures.

Risks

67. Should levy changes not be in place by 1 July 2024, Maritime NZ will request Crown funding to cover costs that would otherwise be recovered from the sector.

68. In the absence of the levy changes or compensating Crown funding, baseline savings will need to be made by reducing levy-funded frontline services by around 18%. This would impact

licensing timeliness and quality, oil response assets and capabilities, and the quality of frontline regulatory activities. It will also increase safety risk. The Seafarer Welfare Fund would end, impacting compliance with international labour conventions. This is likely to result in concern from the sector (most of whom support the funding review) and erode confidence in the maritime regulator.

Financial Implications

69. The proposals require additional Maritime Levy revenue of $11.7 million on average per annum. This equates to a 33.1% increase in Maritime Levy revenue over the three years from 2024/25. The proposals also require additional OPL of $0.8 million on average per annum. This is an 8.8% increase in levy revenue over the same period.

70. 9(2)(f)(iv) [redacted]

71. The financial impact of the proposals depends on the type of vessel (weight, length and passenger capacity), and whether they operate domestically or internationally. However, I expect the impact on the sector to be small for a number of reasons:

    71.1. Approximately 90% of cost of proposed increased levy revenue is expected to be paid by operators of foreign vessels. These tend to be much larger and are levied on a per-port visit basis whereas domestic vessels pay levies annually.

    71.2. Overall, 81% of smaller domestic vessels pay annual levies of $500 or less and will see an annual increase from between somewhere of $21 to $150.

    71.3. A few larger domestic vessels are liable for both levies and due to the change in the model for the OPL, will see a large drop in their rates which will largely off-set increases in the Maritime Levy.

72. The only domestic sector for which the OPL would be higher is in the offshore oil and gas sector. Under the proposed methodology, its risk share goes from 0.02% to 0.9%. This translates to an $81,000 OPL liability increase from the current base of $858 for OMV. The increase is not expected to be material nor difficult to accommodate in per-unit prices. OPL liability would be lower than that faced by OMV before levies were changed in the 2018/19 funding review. For example, in 2016/17, OMV paid an OPL of $82,186 on the relevant installation.

73. Due to the high percentage increase facing OMV, I am proposing a two-year transition period which will see OMV OPL liability increase to $41,457 in 2024/5 and the full amount of $82,055 in 2025/6.

74. As this sector only includes FPSO sites, levies for contributing oil sites other than FPSOs listed in Schedule 2 of the Oil Pollution Levy will be revoked.

Legislative Implications

75. Changes to the Maritime Levies Regulations 2016 and the Maritime Transport (Oil Pollution Levies) Order 2016 will be required to implement the changes proposed in this paper.

Regulatory Impact Statement

76. Maritime NZ has provided a CRIS covering the final funding model post-consultation (refer **Appendix One**). The CRIS panel, run by the Ministry has reviewed the CRIS. The panel considers that the document meets the key requirements for a CRIS.

Climate Implications of Policy Assessment

77. A Climate Implications of Policy Assessment is not required because the funding proposals do not have direct emissions impacts or objectives.

Population Implications

78. No population implications have been identified.

Human Rights

79. No human rights implications have been identified.

Consultation

80. The Treasury, Customs, Department of the Prime Minister and Cabinet, Department of Internal Affairs, Ministry for Primary Industries, Ministry for Business, Innovation and Employment, Ministry for the Environment, Ministry for Foreign Affairs and Trade, Te Puni Kōkiri, New Zealand Police and WorkSafe New Zealand have been consulted on this draft Cabinet Paper. Comments have been reflected where appropriate.

81. Police supports the increased fees and charges proposed as they will fund critical activities that enable Maritime NZ to meet their statutory obligations and regulatory functions. These functions support the effective and safe operation of the maritime sector.

82. The Treasury supports completion of the funding review as soon as practicable to limit Crown funding required in Budget 2024 and to enable Maritime NZ to get back to financial sustainability sooner. The Treasury notes that the Maritime NZ has undertaken work to manage costs, considered scaled options and demonstrated that proceeding with the levy increases will have a positive impact on Crown financials compared to the counterfactual.

Communications and Proactive Release

83. I intend to release this Cabinet Paper proactively and in accordance with the Official Information Act 1982 within 30 business days of the public consultation process commencing.

Recommendations

The Associate Minister for Transport recommends that the committee:

1. Note that Maritime NZ has completed a funding review to fund eight proposals related to its core business.

2. Note that public consultation was undertaken between 19 July and 16 August 2023, with feedback being largely supportive.

3. Agree to the following Maritime Levy rates (GST exclusive), effective from 1 July 2024:

Vessel	Per Gross Tonnage Rate	Per Deadweight Tonnage Rate	Per Passenger Capacity Rate	Overall length
Foreign passenger (**per port call**)	$0.1282	$0.0105	$2.5839	N/A
Foreign non passenger (**per port call**)	$0.1504	$0.0121	N/A	N/A
NZ SOLAS (**annual**)	$9.9449	$0.5879	$59.6072	N/A
NZ non-SOLAS (24 metres or longer, **annual**)	$10.4870	N/A	$22.3834	N/A
NZ non-SOLAS (shorter than 24 metres, **annual**)	N/A	N/A	$22.3834	$19.5347

4. Agree to the following Oil Pollution Levy rates (GST exclusive), effective from 1 July 2024:

Vessel or oil site type	Basis of calculation	Oil Type	Levy
Foreign vessels (all charges per port call)[1]			
Passenger and cargo ships, harbour tugs and oil tanker bunker fuel [Ship using bunker fuel]	Per gross ton of the vessel	Bunker fuel	2.63 cents
Tankers carrying oil as cargo [Oil tanker, persistent oil as cargo]	Per tonne of oil carried as cargo	Persistent	35.46 cents
Tankers carrying oil as cargo [Oil tanker, non-persistent oil as cargo]	Per tonne of oil carried as cargo	Non-Persistent	20.86 cents
Domestic NZ vessels (all charges annual)[1]			
Passenger and cargo ships, harbour tugs and oil tanker bunker fuel [Ship using bunker fuel (other than New Zealand fishing vessel)]	Per gross tonne of the vessel	Bunker fuel	173.95 cents
Tankers carrying oil as cargo [Oil tanker, persistent oil as cargo]	Per tonne of oil carried as cargo	Persistent	12.85 cents
Tankers carrying oil as cargo [Oil tanker, non-persistent oil as cargo]	Per tonne of oil carried as cargo	Non-Persistent	7.56 cents
New Zealand Fishing vessels	Per gross ton of the vessel		30.86 cents

		Oil Type	Levy 1/7/24 to 30/6/25	Levy 1/7/25 to 30/6/26	Out-years
Oil sites (all charges annual)[2]					
Offshore oil and gas (FPSO)	Fixed Fee	Persistent	$41,457	$82,055.19	$82,055.19

[1] The bracketed [] text indicates how the classes of ship are described in the Maritime Transport (Oil Pollution Levies) Order 2016. There is no intention to change those descriptions.
[2] FPSOs are the only class of oil site that a change in levy is proposed.

5. Agree to revoke levies for contributing oil sites other than floating production storage and offloading (FPSO) sites.

6. Note that the revised levy rates include a 2-year phased approach for OMV oil pollution levy fees. OMV owns the only FPSO operating in New Zealand waters. FPSO OPL liability will increase to $41,457 in 2024/25 and the full amount of $82,055 in 2025/26 and outyears.

7. Note that the capability levies provided for in the Maritime Transport (Oil Pollution Levies) Order 2016 for contributing ships and contributing oil sites ended on 30 June 2022 and that there is no intention to continue the capability levies.

8. Invite the Associate Minister of Transport to issue drafting instructions to the Parliamentary Counsel Office to give effect to these decisions, including any necessary consequential amendments, savings, and transitional provisions.

9. Authorise the Associate Minister of Transport to make final policy decisions on implementation, including minor or technical changes that arise during the drafting process, without further reference to Cabinet.

Authorised for lodgement

Hon Matt Doocey

Associate Minister of Transport