MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Dr Megan Woods	**Portfolio**	Energy and Resources
Title of Cabinet paper	Minimum Onshore Fuel Stockholding	**Date to be published**	13 April 2022

List of documents that have been proactively released		
Date	**Title**	**Author**
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Information redacted **YES**

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Some information has been withheld for the reasons of Confidentiality and National security or defence.

[Restricted]

Office of the Minister of Energy and Resources

Cabinet Economic Development Committee

Minimum Onshore Fuel Stockholding

Proposal

1 This paper seeks agreement to release a public consultation document on the government's approach to minimum onshore fuel stockholding following Refining NZ's announcement to convert its Marsden Point oil refinery to a fuel import terminal.

Relation to government priorities

2 Reliable and resilient fuel supplies and transport systems are essential enablers for a productive, sustainable and inclusive economy, which is the central objective of the government's Economic Plan.

Executive summary

3 Refining NZ has announced its final investment decision to convert its Marsden Point oil refinery to a fuel import terminal, with the conversion expected to be completed by April 2022. While the refinery's closure and loss of crude oil stocks should not have a major impact on New Zealand's fuel security, it is prudent and timely to consider options to improve fuel supply resilience.

4 In September 2021, Cabinet agreed that officials should investigate the option of increasing minimum levels of fuel stock held in New Zealand [CBC-21-MIN-0101 refers]. Cabinet invited the Minister of Energy and Resources to report back for approval to release a consultation paper on minimum fuel stockholding levels. This consultation document is attached as **Annex One**. The consultation document will seek stakeholder and public feedback on the level of onshore stocks New Zealand should hold, and on how this could be achieved.

5 While there is no readily quantified optimal onshore fuel stockholding level, there is a case for setting the minimum above the current level to mitigate fuel security risks. The consultation document includes a proposal to introduce a minimum onshore stockholding level similar initially to that proposed in Australia (24 days of cover for petrol and jet fuel, and 28 days of cover for diesel), with a review after five years of implementation.

6 The consultation document discusses three options for achieving a target level of onshore fuel stocks, which are not mutually exclusive:

- procuring tickets for onshore fuel stocks (if available);
- requiring fuel wholesale suppliers to meet a minimum onshore fuel stockholding level; or
- establishing a stockholding agency to manage the minimum stockholding obligations of fuel industry participants and the government.

7 The Ministry of Foreign Affairs and Trade (MFAT) suggests a more risk averse approach to minimising the supply chain risks associated with the refinery's closure, noting that the Sustainability Council has suggested revisiting the costs and benefits of the refinery's closure, and suggests a much higher minimum onshore fuel stockholding level than the options proposed in the consultation paper.

Background

8 Refining NZ has announced its final investment decision to convert its Marsden Point oil refinery to a fuel import terminal. Refining NZ supplied about 65 to 70 per cent of New Zealand's demand for refined fuels and 100 per cent of its jet fuel. The balance was imported, mainly from refineries in Singapore and South Korea. With the Marsden point refinery closing, New Zealand will soon rely on imports for all its refined fuel products. There will be a significant increase in reliance on imports of some essential goods that are by-products of the refinery, such as bitumen, food-grade carbon dioxide, and sulphur (used in the production of fertiliser and sulphuric acid, which is used in several industries).

9 The decision to close the refinery has been well signalled. It follows a strategic review initiated in April 2020 into the company's future within the New Zealand fuel supply chain in response to low refining margins globally and oversupply in the Asia region. Refining NZ will transition to an import-only fuel terminal, called Channel Infrastructure, from April 2022.

10 I most recently briefed Cabinet on the implication for fuel supply resilience of the refinery's closure in September 2021 [CBC-21-MIN-0101 refers]. That paper was based on a report commissioned to examine this issue which found closure and loss of crude oil stocks would not have a major impact on fuel security under almost all disruption scenarios.

11 Industry and independent expert advice is that a 100 per cent fuel import model is more resilient to domestic disruption scenarios than having a domestic refinery. There is no longer a 'single point of failure risk' associated with refining, and import shipments of refined fuels provide more flexibility to respond to local disruptions.

12 On the other hand, the loss of domestic refining could result in more adverse outcomes in a scenario where New Zealand cannot import fuels from international markets for an extended period. Nevertheless, even if the refinery remained, the refinery would likely be able to operate in a limited

capacity only in such a scenario. Confidentiality The refinery is configured to refine overseas crude oil, and significant reconfiguration would be required before the refinery can process low density domestic crude oil. The refinery's operation would also be dependent on the ability to continue to access other essential refining inputs, some of which would need to be imported. All these factors mean that significant rationing of fuels would still be required during an extended "closed border" event.

13 The risk of the "closed border" scenario was discussed in the Cabinet paper in September 2021 National security or defence MFAT's views on this risk, the implications for supply chain, and the options for mitigating this risk are discussed in a separate section later in this paper. At the September 2021 meeting, I outlined the options available to avoid or mitigate a reduction in fuel supply resilience following the closure of the refinery. These options included:

a) delay the refinery closure until New Zealand is less dependent on imported fossil fuels;

b) ensure sufficient fuel stocks are held in New Zealand at all times to provide an adequate buffer against an extended global fuel supply disruption; and

c) accelerate the development of a domestic biofuels industry, and electrification of transport, to more rapidly reduce New Zealand's reliance on imported fossil fuels.

14 Cabinet noted that there was not a strong case to maintain refinery operations on the basis of fuel security alone. Rather, Cabinet agreed that officials investigate the option of increasing minimum levels of fuel stock held in New Zealand and invited me to report back to Cabinet by 20 December 2021 for approval to release a consultation paper on minimum fuel stockholding obligations [CBC-21-MIN-0101 refers].

15 This paper is my report back. The consultation document is attached as **Annex One**, with the key proposals in the document outlined below.

Key proposals and options in the consultation document

16 The consultation document will seek feedback on the level of onshore stocks New Zealand should hold and on how this could be achieved. It also proposes that any stockholding costs incurred by the government continue to be recovered through the existing fuel industry levy.

What level of onshore stocks should be held?

17 As a member of the International Energy Agency (IEA), New Zealand must hold oil or fuel stocks equivalent to at least 90 days of net oil and fuel imports (i.e. demand net of any oil production) of the previous calendar year. For New Zealand, this requires maintaining reserve stocks – which are stocks over and above the stocks usually held for normal commercial operations. To meet the IEA 90-day requirement, the New Zealand government currently makes up the difference between commercial stock levels and the IEA 90-day requirement by purchasing oil tickets, which gives the government the right to purchase oil and fuel stocks.

18 Current commercial stock levels in New Zealand are approximately 20 days of gross inventory of fuels on average. This is expected to increase slightly following closure of the refinery, although total stocks of fuels plus crude oil will fall significantly given that crude feedstocks will no longer be required.

19 Many other countries maintain government-owned stocks or place obligations on fuel industry participants to hold minimum levels of stocks. Australia is currently implementing a minimum stockholding obligation on industry equivalent to around 24 days for petrol and jet fuel, and about 28 days for diesel. European Union member countries hold stocks equivalent to at least 60 days of consumption. Some countries hold even more; Japan, for example, currently holds about 145 days of consumption.

20 The consultation document includes a proposal to introduce a minimal onshore fuel stockholding level similar to that proposed in Australia, with a review after five years. This means 28 days of cover for diesel consumption, and 24 days of cover for petrol and jet fuel. Biofuels equivalents of these fuels can be counted towards the minimum stockholding level. This proposed level can improve fuel security at a relatively modest cost. The additional onshore fuel storage costs are indicatively $22 million a year. To put it in context, a disruption resulting in some fuel shortage for up to six weeks (before supply can be restored by new imports) could have a cost in the order of more than $2 billion or 0.8 per cent of GDP.[1]

21 The consultation document discusses other options for minimum onshore stockholding levels, including:

- Minimum stockholding level similar to the current commercial level (approximately 20 days);
- Minimum stockholding level equivalent to double the current level (40 days); and
- High minimum stockholding level for all transport fuels - similar to the European Union level (60 days).

[1] Market Economics (2019), Economics of Fuel Supply Disruptions and Mitigations. https://www.mbie.govt.nz/assets/economics-of-fuel-supply-disruptions-and-mitigations.pdf

22 The more ambitious options (40 days or 60 days of cover) would require upfront capital investments in the order of hundreds of millions of dollars in addition to the cost of holding the fuel inventory. Such costs could outweigh the fuel security benefits of these options in view of the low probability of a "closed border" event causing significant disruptions to fuel import supply. Significant investments in fuel storage facilities would be needed to implement these options, and it would take time to build such facilities, taking into consideration the resource consent process. If the Government wishes to pursue these options, it will be desirable to take a gradual and phased approach to introducing higher minimum stockholding levels over time.

Achieving the target level of onshore stocks

23 The consultation document discusses three options for achieving a target level of onshore fuel stocks, which are not mutually exclusive. These options are:

- **Option A:** Procuring tickets for onshore fuel stocks (if available);
- **Option B:** Requiring fuel wholesale suppliers to meet a minimum onshore fuel stockholding level; or
- **Option C:** Establishing a stockholding agency to manage the minimum stockholding obligations of fuel industry participants and the government.

24 Under Option A, the government would adapt the current oil ticket procurement strategy to actively seek tenders from the fuel companies in New Zealand for tickets for onshore reserve stocks. Costs would be recovered through the existing fuel industry levy, which is passed through to fuel consumers.

25 To date the stocks covered by oil tickets have been held offshore because no compliant offers of onshore stocks have yet been received. MBIE will next invite tenders for onshore and offshore stocks in January 2022. As part of the registration of interest process, MBIE indicated to potential suppliers that the government will value onshore stocks higher than offshore stocks given their proximity benefit when responding to a domestic supply disruption. However, no interest has yet been registered.

26 Option B (minimum onshore fuel stockholding obligation on fuel wholesaler suppliers) is my preferred option for achieving the target level of onshore stocks at this stage. The consultation document includes some high-level discussion on the potential requirements for implementing this option. All wholesale fuel suppliers would be required to hold a minimum level of fuel stocks in New Zealand, based on their volume share of the wholesale market. As is common practice in other countries with similar arrangements, fuel wholesale suppliers would be able to trade with others to meet the minimum fuel stockholding obligations through entitlement agreements between them. This option would provide greater certainty of improving fuel security. It would

also increase compliance costs for wholesale suppliers and we expect those costs would be passed through to fuel consumers.

27 Option C would see the establishment of a stockholding agency to manage the compliance, enforcement and monitoring activities associated with the minimum stockholding obligations on the fuel wholesale suppliers. This could be done through a wholly government agency, an industry-sponsored organisation or a combined approach. A combined approach could potentially improve the coordination between the Government and the industry in managing and planning for fuel disruptions.

28 If the Government runs or co-funds the stockholding agency, I envisage that the agency would:

- manage the compliance, enforcement and monitoring activities associated with the minimum stockholding obligations on the fuel wholesale suppliers
- take over the responsibility for managing compliance with New Zealand's IEA obligations, including procurement of oil tickets
- take on a role in managing responses to fuel disruptions and coordinating the relevant contingency planning and emergency exercises
- develop or manage other fuel resilience mitigation measures, such as the temporary mobile fuel truck loading facilities that can be deployed in fuel emergencies.

29 Subject to funding availability, the stockholding agency could also potentially invest in fuel storage and distribution facilities. The consultation paper includes a question seeking stakeholders' views on whether the stockholding agency should contribute to such investments.

Amending levy to reflect oil ticket costs better and to support onshore stockholding

30 I also propose to consult on changes to the formula for calculating the petroleum and engine fuel monitoring levy (PEFML), which would allow the levy rate to be set in a more transparent way and align better with the projected cost of maintaining New Zealand's fuel reserve commitments.

31 At present, under clause 5 of the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017, the PEFML rate is calculated by summing a fixed rate of 0.5 cents per litre and a variable rate determined annually by the Minister of Energy and Resources. The fixed rate component of PEFML is used to cover the costs associated with work on fuel quality, quantity measurement and safety, and the IEA-related costs. The variable rate component of PEFML is used to cover the EECA-related costs. The PEFML account is now in surplus, as oil ticket prices fell in 2020 due to the negative impact of COVID-19 on fuel demand. The accumulated surplus in the PEFML account was $23 million as at 30 June 2021.

32 Under the proposal, there would be a separate variable levy rate for recovering the IEA-related costs, subject to three yearly review. The formula for this variable levy rate would be prescribed in the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations and based on projections of oil ticket costs and other IEA-related costs (possibly including the operational cost of a stockholding agency if it is set up). As part of the three-yearly review of this proposed variable levy rate, MBIE would consult on the proposal for the variable levy rate, and the Minister of Energy and Resources would have the delegated authority to approve the final variable levy rate.

33 There would be also be a separate fixed levy rate of 0.05 cents/litre for monitoring, compliance and enforcement activities associated with fuel quality and safety. This would keep the levy funding for such activities at about $3.1 million per annum.

34 MFAT advised that any amendments of the existing PEFML, as outlined in the options of the Consultation Paper, needs to be undertaken in a manner consistent with international trade rules. New Zealand is negotiating the Agreement on Climate Change, Trade and Sustainability (ACCTS), which seeks to establish disciplines to eliminate harmful fossil fuel subsidies. The disciplines are still being developed in the negotiations and so the full scope of measures which could be captured in the ACCTS is yet to be determined.

35 The PEFML, identified as a support measure in New Zealand's voluntary peer reviews in APEC (2015) and OECD (2018) has been recently (October 2021) reviewed by MBIE and found to be consistent with New Zealand's international position on fossil fuel subsidy reform. Should the option to amend the levy be pursued following consultation, MBIE would work with MFAT to seek to ensure amendments and New Zealand's developing obligations under ACCTS are mutually supportive.

Indicative timeline

36 Subject to Cabinet's decision, I propose to release the discussion document in January. Stakeholders should be given between six and eight weeks to submit.

37 Following the consultation period, it will be necessary to allow time to analyse submitters' responses, complete a regulatory impact assessment, finalise advice to the Minister of Energy and Resources and prepare a Cabinet paper. I propose a report back to Cabinet by July 2022.

Update on the supply of refinery's by-products

38 Refining NZ ceased bitumen manufacture in January 2021, well in advance of the full shutdown announced for Marsden Point. Since then, all of New Zealand's bitumen requirements have been imported. To date, the import model has functioned well, and a sufficient and secure supply of bitumen is expected to be available to meet upcoming needs.

39 Waka Kotahi NZ Transport Agency continues to closely monitor bitumen supply to New Zealand. Waka Kotahi is developing a strategic response to ensure security of supply, transparent pricing, and fair and open access to bitumen to protect value for money in roading activities. This ongoing work includes analysis of future strategic bitumen sourcing options, and may include in the future investigating a bitumen storage option at Marsden Point.

40 Sulphur produced in the refining process currently supplies around 30 per cent of New Zealand's domestic market. Sulphur is used in the production of fertiliser and a related product, sulphuric acid, is used in various other sectors. Following the refinery's closure all sulphur, like other refinery products, will be fully imported. Current arrangements are in place to import sulphur from Canada.

41 The Marsden Point refinery is a significant source of high quality (food grade) carbon dioxide (CO_2) which has a range of uses including water treatment. The primary domestic source of CO_2 is the Kapuni gas production station, which meets about 60 per cent of the market. There are options to increase production capacity at Kapuni and potentially other CO_2 sources (including geothermal fields) to replace the Marsden Point production, but this will take time.

42 CO_2 will be imported to make up for the loss of production at Marsden Point from April 2022. Confidentiality [redacted] The market will likely face higher prices and a greater risk of supply disruption until alternative domestic production is established. Essential services (e.g. medical uses and water treatment) will be prioritised should there be a need to ration available supplies.

MFAT's comments on onshore stockholding

43 National security or defence [redacted]

44 National security or defence [redacted]

45 Regarding fuel supply resilience, MFAT notes the differences between New Zealand and Australia and the European Union (EU). Unlike New Zealand, Australia has retained some domestic oil-refining capacity and remains a significant oil producer. EU member countries are not isolated island states like New Zealand and have access to substantial refining capacity within the EU.

46 In light of this, MFAT suggests that the consultation document includes an option of setting the minimum onshore fuel stockholding level at 110 days of cover[2], which is much higher than the levels under the options presented in the consultation paper. I do not intend to include this option explicitly in the consultation paper, but there is a consultation question about whether New Zealand should hold more than 90 days of cover of fuel stocks.

47 In light of the capital costs and resource consent process for building additional fuel storage facilities, MFAT suggests that the Government could consider the option of taking the lead in building such facilities, with the fuel industry managing collectively that new capacity (with continual re-supply and drawdown) under some form of government monitoring. The consultation paper includes a consultation question seeking feedback on this option.

48 MFAT notes that the Sustainability Council has suggested that government might want to revisit the costs and benefits of closing the Marsden Point refinery capability. This should include a comparison with the costs of increasing domestic storage, and take into account the loss of the refinery's by-products, such as food-grade CO_2.

49 However, MBIE considers that the case for revisiting the costs and benefits of closing the Marsden Point refinery is not strong [redacted] Confidentiality

50 Another key consideration is that our vehicle fleet used for critical services could potentially be less reliant on liquid fuels produced by the refinery over time, and our self-sufficiency in meeting fuel demand could improve in the future. More electric trucks are becoming available in the market, and other alternative fuels, such as hydrogen, are also being developed. The Government can help accelerate the uptake of these new technologies and fuels through initiatives such as the Low Emission Transport Fund. If an advanced drop-in biofuels plant is developed in New Zealand in the future, biofuels from this plant can also meet some of our fuel demand during a "closed border" event.

51 Furthermore, it is likely too late to reverse the decision to close the refinery, as Refining NZ has already started transitioning towards a fuels import terminal model. It has entered into long-term agreements with its customers on fuel

[2] The intention is to ensure that all the stocks for meeting our reserve commitments are held onshore. On top of the commercial stock providing about 20 days of cover, MFAT suggests holding another 90 days of cover of onshore stocks. This would provide buffer stocks a little beyond meeting New Zealand's IEA commitment to hold 90 days of net oil/fuel imports.

storage, and is developing plans to further invest in fuel storage. Refining NZ is expected to complete its transition by April next year.

Financial implications

52 Some of the options in the consultation paper, such as implementation of a minimum fuel stockholding obligation and procuring tickets for onshore fuel stocks, could have financial implications. Details on the financial implications will be provided in the final report back to Cabinet after public consultation.

53 If the Government implements a minimum onshore fuel stockholding obligation on fuel wholesaler suppliers, it is expected that fuel wholesale suppliers will be responsible for the additional onshore fuel storage costs, which may be at least partly passed on to fuel consumers. The potential financial implications of different options for minimum onshore stockholding level are summarised in the table below.

	Option 1 (Minimum at current level)	**Option 2 (Australian level)**	**Option 3 (Double current level)**	**Option 4 (European level)**	**MFAT's suggested option**
Days of cover	20 days	24-28 days	40 days	60 days	110 days
Additional onshore fuel storage costs (conservative estimates only)	Negligible	$22 million per year	$80 million per year	$168 million per year	$388 million per year
Petrol price increase	Negligible	0.2 c/L	0.9 c/L	1.8 c/L	4.1 c/L
Diesel price increase	Negligible	0.4 c/L	0.9 c/L	1.8 c/L	4.2 c/L
Jet fuel price increase	Negligible	0.2 c/L	1.0 c/L	1.9 c/L	4.3 c/L

Note: The estimates of fuel price increases are based on the assumption that the fuel industry passes through all the additional costs to consumers. c/L means cents per litre.

54 The Government will continue to be responsible for the costs of the tickets for offshore and any onshore fuel stocks required to meet the IEA 90 day obligation. These costs will continue to be levy-funded. If the Government proceeds with setting up a stockholding agency, I expect the administration of this agency to be levy-funded, but stakeholders' views on this funding arrangement will be sought during public consultation.

Legislative implications

55 This paper does not require legislation, but subsequent decisions following consultation could. The minimum stockholding obligation option would need to be implemented through new legislation or amendments to the International Energy Agreement 1976. The legislation would specify:

- the main elements of the minimum fuel stockholding obligations, including the minimum stockholding level, and the point of obligation;
- the obligation to monitor and report on fuel stock data and performance against minimum stockholding level;
- the penalty regime;
- the ability for producers to trade fuel stocks between each other to meet the minimum stockholding obligations; and
- functions of the fuel stockholding agency (if this option is pursued).

56 Supporting regulations may also be needed to prescribe more detailed information disclosure or other requirements.

57 Should proposed changes to the PEFML formula be pursued, the Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017 will need to be amended.

Impact analysis

Regulatory Impact Statement

58 The Regulatory Impact Analysis panel at the Ministry of Business, Innovation and Employment has reviewed and confirmed that the discussion document can substitute for an interim Regulatory Impact Statement. It will lead to effective consultation and support the eventual development of a quality Regulatory Impact Statement.

Climate Implications of Policy Assessment

59 The Ministry for the Environment has been consulted and confirms that the Climate Implications of Policy Assessment (CIPA) requirements do not apply to proposals relating to adequate stock holding, as the threshold for significance is not met.

60 Emissions associated with fuels are counted when they are consumed. The onshore fuel stockholding options discussed in this paper would affect the amount of stocks stored in New Zealand, rather than the amount of fuels consumed in New Zealand. If more fuel storage facilities were built as a result of the introduction of minimum onshore fuel stockholding obligations, there would be some emissions associated with the construction of such facilities. Nevertheless, overall, the above-mentioned onshore stockholding options are not expected to have significant impacts on emissions.

Human rights

61 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Communications

62 Subject to Cabinet's agreement, I intend to issue a media statement announcing the public consultation on onshore fuel stockholding policies in January.

Proactive release

63 I propose to proactively release this Cabinet paper subject to any necessary redactions National security or defence This would be done within 30 business days following confirmation of Cabinet's decisions.

Recommendations

The Minister of Energy and Resources recommends that the Committee:

1 **Note** that Refining NZ has announced its final investment decision to convert its Marsden Point oil refinery to a fuel import terminal, with the conversion expected to be completed by April 2022.

2 **Note** that New Zealand currently has significantly lower onshore fuel stockholding than many comparable countries, and has vulnerabilities as an isolated island state.

3 **Note** that, in September 2021, Cabinet agreed that officials should investigate the option of increasing minimum levels of fuel stock held in New Zealand and invited the Minister of Energy and Resources to report back to Cabinet for approval to release a consultation paper on minimum fuel stockholding obligations.

4 **Note** that the Cabinet paper in September 2021 included advice that a "closed border" event is deemed to be unlikely National security or defence

National security or defence

6 **Note** the consultation document on onshore fuel stockholding attached as Annex One.

7 **Agree** to the Ministry of Business, Employment and Innovation releasing the attached public consultation document on onshore fuel stockholding.

8 **Agree** to consult on options for minimum onshore fuel stockholding levels, including the preferred option of setting the level similar to that proposed in Australia (i.e. 28 days of cover for diesel consumption, and 24 days of cover for petrol and jet fuel).

9 **Note** that there is a case for setting the minimum level above the current level to improve fuel security in New Zealand.

10 **Note** that the Government is adapting the current oil ticket procurement strategy to seek tenders from the fuel companies in New Zealand for tickets for onshore reserve stocks.

11 **Agree** to consult on the option to require all fuel wholesale suppliers to hold a minimum level of fuel stocks in New Zealand, based on their volume share of the wholesale market.

12 **Note** that a minimum onshore fuel stockholding obligation on fuel wholesale suppliers would increase business costs and could have flow-on effects on fuel prices.

13 **Agree** to consult on the option to establish a stockholding agency to manage the minimum stockholding obligations of fuel industry participants and the Government.

14 **Agree** to consult on proposed changes to the formula for calculating the petroleum and engine fuel monitoring levy, which would allow the levy rate to be set in a more transparent way and align better with the projected cost of maintaining New Zealand's fuel reserve commitments.

15 **Note** that New Zealand's measures to increase onshore stocks and associated amendments to the petroleum and engine fuel monitoring levy would need to be consistent with international trade rules, particularly our existing World Trade Organization subsidy obligations and fossil fuel subsidy reform advocacy.

16 **Agree** that public consultation on onshore fuel stockholding occur between January and February 2022.

17 **Invite** the Minister of Energy and Resources to report back to the Cabinet Economic Development Committee on the outcome of the consultation and on final proposals in the second half of 2022.

18 **Note** that the cessation of domestic refining will increase New Zealand's dependence on imported inputs which are by-products of the refinery (such as sulphur and carbon dioxide) and there are some challenges in the import supply chain for carbon dioxide.

19 **Note** that, in separate consultations with business about options to increase the resilience of New Zealand's general supply chains, the Sustainability Council encouraged officials to look again at the overall cost/benefit of maintaining the Refinery compared to the costs of increasing domestic storage.

20 **Note** that the case for revisiting the costs and benefits of closing the Marsden Point refinery is not strong, given its limited production capacity during a "closed border" event, and the potential to increase the uptake and/or production of alternative fuels and vehicle technologies for critical services in the future.

21 **Note** that Refining NZ has already started transitioning towards a fuels import terminal model, with its transition due to be completed by April next year.

22 **Note** that, should the risk of an extended “closed border” event increase significantly, Cabinet could consider the case for introducing further measures in addition to the proposals in the consultation paper on onshore fuel stockholding to mitigate the heightened risk.

Authorised for lodgement

Hon Dr Megan Woods

Minister of Energy and Resources