

Submitter information

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MBIE would appreciate if you would provide some information about yourself. If you choose to provide information in the section below, it will be used to help MBIE understand how different sectors view the proposals and options for requiring and achieving minimum onshore fuel stockholding. Any information you provide will be stored securely.

Your name, email address, phone number and organisation

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Fuel security risk assessment

1. Do you agree with the description of fuel supply disruption risks in the consultation paper on *Onshore Fuel Stockholding*? What other disruption scenarios or types of risk should be considered?

Yes Yes, with changes No Not sure/No preference

Please explain your views.

Yes, we are closely aligned and very supportive of additional Onshore stockholdings, we offer some additional perspectives for your consideration:

New Zealand is a small, remote market with limited growth opportunities for large multi-national oil companies. Uncertainty regarding the future profitability of the NZ downstream market was signalled early with Shell electing to exit the market some years ago (followed later by Mobil), and the fundamental drivers of that decision remain today with the added pressures of increasing crude oil price (affordability reduces public demand) and climate change sentiment, which have an individual and in combination a compounding impact on the viability of downstream operations in a small, remote market.

With global supply chains potentially disrupted for a long period if not permanently structurally altered, and the just in time (JIT) manufacturing and supply systems on which global crude-based fuel production is based no longer effective, it is timely for the Government to explore the options to increase the security of NZ's fuel supply. The key risk in our view is the low appetite of offshore-based oil companies for capital (e.g., tank and pipeline) investment into what is considered a limited and remote market – as has been seen recently in Australia (with a significantly larger market) where the Australian government has had to step in to fund additional new fuel storage tanks. In NZ the situation appears to be similar with Refining NZ undertaking a capital raise in late 2021 to fund additional private storage at Marsden Point – in the absence of oil company commitment – which signals their concern in about the risks associated with investing in stranded and/or non-profit making assets.

2. Do you agree with the fuel security assessments risks in the consultation paper on *Onshore Fuel Stockholding* (and in the [2020 Hale & Twomey report](#)), including the implications of the Marsden Point Refinery's closure? If not why not?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Please explain your views.

In respect of the post-refinery closure 2020 Hale & Twomey report we recommend the entire IEA 90-day stockholding should be required to be held domestically within New Zealand for national security and resilience.

3. Do you consider that regional ports other than Northport at Marsden Point have sufficient infrastructure to maintain a satisfactory level of fuel supply resilience? If not, which fuels may need better storage and distribution facilities at those regional ports and why?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Please explain your views.

There is currently no infrastructure at Ports of Auckland which offers any possible resilience to more than a week's outage of the Refinery to Auckland Pipeline. The premise of supplying emergency fuel, particularly jet fuel into Auckland at the required rates via shipping and temporary pumping facilities

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completely overlooks the limited availability of certified road tankers to transfer the jet fuel to Wiri Oil Services Ltd or the JUHI facility at Auckland's Airport. This, combined with the turnaround time to navigate through Auckland's metropolitan traffic network, makes any notion of a ship to port and road tanker solution being a viable supply route into Auckland unworkable for the aviation sector.

4. Should New Zealand hold fuel stock equivalent to more than 90 days of net fuel import demand (i.e more than the minimum level required by the membership of the International Energy Agency (IEA))? If so, how much more and why?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

90 days is the appropriate level of onshore stockholding given geopolitical uncertainty and aligns with current NZ industry norms from point of order placement to delivery in a 'business as usual' environment. However the notion of spot cargos always being available is at significant risk as any sign of global upset sees individual states scramble to secure fuel stocks. Further, given the significant reduction in refinery capacity in many western nations, supply chain vulnerability is illustrated on any occasion just one major refinery has an unplanned outage.

The NZ economy is still heavily reliant on jet and diesel fuel products to power the movement of goods and people around the country and in the absence of alternatives. As has been copiously illustrated throughout the COVID-19 pandemic, the value of a highly functioning aviation sector is unarguable for the export of high value NZ goods, as well as the importation of emergency response materials and equipment - especially in the face of a dwindling reliable global shipping service,

Reflecting on the IEA member condition being "90 days crude or product to which the Government has immediate access to" we strongly advocate a move to holding this level of finished product fully onshore in NZ.

New Zealand's primary legislation does not specify a location for the IEA storage requirement. Based on the above we consider this review of the onshore fuel stockholding is timely and our submission is that - in combination with our need to adjust to a future without any onshore refining capacity – the process of updating and advancing New Zealand's fuel security programme leads to the unavoidable conclusion that the 90-day IEA requirement should be held in full, in the form of finished fuels, domestically within New Zealand.

Objectives and evaluation criteria

5. Are the evaluation criteria used for assessing options for onshore fuel stockholding the right ones? What other criteria should be considered?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

We strongly support New Zealand holding 100% of its finished fuel stocks onshore to mitigate the geopolitical risk associated with stocks held offshore, including and especially if the alternative is that in any NZ stocks would otherwise be held in the northern hemisphere, for example.

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What level of onshore stocks should be held?

6. Do you agree that the minimum onshore fuel stockholding level should be above the current level?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Yes, as described in item 4 and 7

7. Which option for minimum onshore stockholding level do you consider to be the best? Why do you choose that option?

- Status quo
- Option 1 (current level or 20 days of cover for meeting daily fuel consumption)
- Option 2 (24-28 days of cover similar to the Australian level)
- Option 3 (40 days of cover)
- Option 4 (60 days of cover similar to EU countries)
- Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

We advocate a greater quantity than is proposed in option 4 above and submit that NZ's fuel security is more assured under the IEA requirement for 90 days supply in light of the remoteness of our island nation and the heavy reliance on fuels for the movement of goods to, from and within NZ. We further submit that the mix of fuels should be approximately 32 days jet fuel, 30 days diesel and 28 days petrol. We would point out that our recommendations are slightly only higher from those set out in the 2020 Hale & Twomey post Refinery closure report, but takes into account our concerns relating to single point of failure of Jet fuel supply into Auckland from the RAP.

We also note that the usage and turnover of stock held within NZ could still meet the 90-day requirements of the IEA if replacement stock is inbound.

Achieving the target level of onshore stocks

8. Do you agree that any biofuel sales should be counted for the purpose of determining a wholesaler's stockholding obligation and any biofuel stocks be counted for the purposes of meeting a wholesaler's obligation?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Auckland Airport supports the introduction of Sustainable Aviation Fuel (SAF) into the aviation market (provided it meets the specifications of ASTM D7566, ASTM D1655, Defence Standard 91-091, and EI JIG 1530, and considers SAF stocks should be counted towards the wholesaler's obligations in respect of the jet fuel proportion.

9. Do you agree that the Government should adapt its oil ticket strategy to procure tickets for onshore fuel stocks if the fuel industry participants in New Zealand offer such tickets?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

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Is there anything you would like to tell us about the reason(s) for your choice?

Yes, as stated Auckland Airport advocates that 90 days supply of finished fuel stocks should be held domestically within New Zealand.

10. Do you agree that fuel wholesale suppliers should be required to meet minimum onshore stockholding level?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Yes, wholesalers who want to participate in the New Zealand market should have a level playing field. Auckland Airport acknowledges there is a current level of complexity that needs to be addressed if new suppliers are to have an opportunity to enter the market, and in particular how a newcomer's emerging market share would translate to stockholding obligations.

11. Do you consider that there should be minimum stockholding requirements specific to the type of fuel?

Yes To some extent No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Refer to our response to 7 in which we submit that the mix of fuels held within NZ should be approximately 32 days jet fuel, 30 days diesel and 28 days petrol.

12. Do you consider that there should be minimum stockholding requirements that apply to specific locations?

Yes To some extent No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Of vital importance – as amply demonstrated during the 2017 Refinery to Auckland Pipeline (RAP) rupture - is the construction of additional Jet A1 storage capacity in Auckland. Since the RAP ruptured in 2017 there has been no change that has improved the aviation sector's resilience to a single point of failure. The RAP is still exposed to unauthorised third-party intervention, either deliberate acts to disrupt supply or accidental damage related to rural or urban construction activities. Further, in consideration of NIWA forecasting of more extreme weather events increased rain intensity and associated land movement (threat to pipeline) cannot be discounted.

As the Government Enquiry concluded, the 12-day RAP outage in 2017 was well managed by Refining NZ at the time, which was partly attributed to the particular product in the pipeline at the time of rupture, the flat and accessible topography of the rupture site, and the proximity of the point of rupture to the refinery. Given that: a large percentage of the RAP traverses through remote and steep land; and it is a multi-product pipeline containing highly vaporous and inflammable petrol at times, in the event of a similar incident in the future the risk of a longer repair time should not be underestimated.

Pre-pandemic, supply of Jet A1 to Auckland Airport was approximately 5 million litres per day meaning on occasion the "usable" number of days cover of jet fuel stock in Auckland was dipping below half of what was considered industry norms in previous years when fuel usage was lower. In simple terms the original days' cover available in Auckland has not kept pace with demand.

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To facilitate a timely solution for the construction of additional storage tanks in Auckland, it should be noted that the Environment Court has already consented the building of additional storage capacity at the Wiri Oil Terminal, approving the long-term development plan drawing C210 which is attached to our submission for your information.

Auckland Airport sees this as a prime opportunity for a government and private company agreement to advance meaningful investment which - especially in combination with increased domestic stockholding requirements - would be a significant mitigation against the serious impact of another single point failure of the RAP for New Zealand's largest City and airport. Increasing the available finished fuel storage in Auckland would form part of a nationwide fuel storage asset adjustment and support New Zealand's ability to meet its IEA stockholding requirement as refined product within New Zealand, improving New Zealand's current fuel security exposure.

- 13.** Do you agree that a stockholding agency should be set up to manage the compliance, enforcement and monitoring activities associated with the minimum stockholding obligations on the fuel wholesale suppliers?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Yes, for monitoring and enforcement purposes. However the fuel itself industry is better equipped to manage the assets and processes associated with meeting the minimum stockholding requirements.

- 14.** Do you consider that a stockholding agency (if established) should take over the responsibility for managing compliance with New Zealand's IEA obligations, including procurement of oil tickets?

Yes To some extent No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

If - as Auckland Airport advocates - NZ's IEA stock holding requirement is stored domestically within NZ (noting also our comments regarding inbound supply at item 7), the required role of any future government agency would be stock level monitoring, compliance and enforcement.

- 15.** Do you consider that a stockholding agency (if established) should take on a role in managing responses to fuel disruptions and coordinating the relevant contingency planning and emergency exercises?

Yes To some extent No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

No, Auckland Airport supports the current arrangements where the NEMA is charged with managing fuel stocks in any emergency.

- 16.** Do you consider that a stockholding agency (if established) should develop or manage other fuel resilience mitigation measures, such as investments in fuel storage and distribution facilities?

Yes To some extent No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

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Auckland Airport's view is that the fuel industry should be permitted to self-manage given their existing expertise, but with clear regulatory guidance. We acknowledge the potential that Government investment may be required to make additional domestic storage commercially viable.

17. If a stockholding agency is established, should it be government-funded, industry-funded or co-funded by government and industry?

Government-funded Industry-funded Co-funded by Government and industry
 Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

For expediency we would support such an entity being government funded especially if part of its remit was a storage development programme. Large multinational companies operate on an at least 5-year capital planning cycle which would potentially be an impediment to any real impetus to resolve New Zealand's fuel security exposure.

What should be the share of government funding if a stockholding agency is established and co-funded by government and industry?

For consideration, as stated above in the interests of expediency and a more rapid resolution of the issues canvassed, a fully Government-funded fuel storage assets programme, leased back to users, would remove uncertainty around the risk of stranded assets for major industry providers, as the potential of renewable fuels to negate or significantly reduce returns on investment in crude-based infrastructure is a risk that exists.

18. Do you agree that the Petroleum or Engine Monitoring Fuel (PEFM) levy should be used to provide government funding for a fuel stockholding agency if it is set up?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Agree in part. Funding should ultimately be directed to all consumers via a collection mechanism.

19. Do you agree that a stockholding agency, if established, would improve coordination between the Government and the fuel industry in managing fuel supply resilience? If so, in what ways?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

We submit that there should be new legislation developed to provide the necessary framework but recommend leaving the actions required to achieve improved fuel supply resilience to the expert industry providers on the basis that they have existing multi-layered connections into the global manufacturing and supply network.

20. In your view, how much resources would be needed for the operation of a stockholding agency if established?

If the framework was established, and fuel storage assets were funded by the Government we would see the requirement for a small team of experts with specific competencies - for example asset

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management, asset engineering, commercial and stock compliance management, with auditing and any enforcement capability provided by MBIE.

21. Are there any other options for meeting the target level of onshore stockholding?

Yes No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Yes combine the IEA 90 day requirement with the refinery closure requirement as set out in the 2020 Hale & Twomey report and 'level up' to the higher stockholding (the IEA requirement).

Amending levy formula

22. Do you agree that the PEFM levy formula should be amended to distinguish the component of managing IEA-related costs (including procurement of tickets for onshore fuel stocks and possibly funding for a stockholding agency in the future)?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Clarity distinguishing between the two would enhance any cost benefit analysis

23. Do you agree that the PEFM levy rate for covering the IEA-related costs should be variable, subject to three-yearly review and the Minister of Energy and Resources' approval? If not, why not?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

All consumers will need to contribute to the funding of fuel resilience through an equitable mechanism. Three yearly review (without obligation to change) and Ministerial approval would ensure currency and oversight at an appropriate level.

Implementing minimum stockholding obligations (if required)

24. Do you agree that fuel wholesale suppliers should file monthly returns on onshore fuel stockholding? If not, why not?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

Strongly agree. Visibility of stockholding is imperative for assurance and accountability.

25. Do you have any view on the information disclosure requirements for monthly returns on onshore fuel stockholding, particularly the type of information to be provided and relevant record-keeping requirements??

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As a significant participant in the aviation sector supporting Air New Zealand's hub operation, Auckland Airport is strongly supportive of monthly stockholding reports (quantities and locations of the stock held) and that these are visible not only to the Government but also to Auckland Airport, to assist with (in particular) the preparation of incident response and contingency plans.

26. Do you agree that fuel wholesale suppliers should be allowed to trade with each other to meet the minimum fuel stockholding obligations through entitlement agreements between them? If not, why not?

Yes, I agree I agree in part No, I don't agree Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

This should be permitted. They are Industry experts with the knowledge and dexterity to respond to ensure stock is turned over in a timely and efficient manner.

27. Do you think the proposed penalties for non-compliance with minimum stockholding obligations are appropriate? If not, why?

Yes To some extent No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

The proposed penalties are appropriate however 'force majeure' exclusions should apply.

28. Do you think the proposed penalties for knowingly providing false or incomplete information are appropriate? If not, why?

Yes To some extent No Not sure/no preference

Is there anything you would like to tell us about the reason(s) for your choice?

False information could have significant downstream implications for NZ. All agency pre-plans (for example, Auckland Airport's) in the event of an incident or major emergency would rely on a reported resource level. Failure to accurately account or report that information should be disincentivised and met with appropriate penalties.

29. Any other comments?

[insert response here]