MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

COVERSHEET

Minister	Hon Shane Jones	**Portfolio**	Associate Energy
Title of Cabinet paper	Improving our diesel resilience	**Date to be published**	14 May 2025

List of documents that have been proactively released		
Date	**Title**	**Author**
April 2025	Improving our diesel resilience	Office of the Associate Minister for Energy
2 April 2025	Improving our diesel resilience ECO-25-MIN-0044 Minute	Cabinet Office
26 March 2025	Regulatory impact statement: Increasing the minimum stockholding obligation for reserve diesel	MBIE

Information redacted **YES / NO** *(please select)*

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Some information has been withheld for the reason of commercial information.

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

Regulatory Impact Statement: Increasing the Minimum Stockholding Obligation for Reserve Diesel

Decision sought	To increase the minimum stockholding obligation for reserve diesel to 28 days cover.
Agency responsible	Ministry of Business, Innovation and Employment
Proposing Ministers	Associate Energy
Date finalised	26 March 2025

Increasing the Minimum Stockholding Obligation for Reserve Diesel

This regulatory proposal is to increase the Minimum Stockholding Obligation (**MSO**) for reserve diesel from 21 to 28 days from 1 July 2028 for fuel importers with a market share over 10 per cent.

The current MSO for diesel came into effect on 1 January 2025, requiring fuel importers to hold 21 days' worth of diesel either onshore or on ships in New Zealand's Exclusive Economic Zone (**EEZ**). When the MSO level was selected in 2022, 21 days' cover represented the average diesel stockholding level that was expected to be held in the absence of government intervention. This level minimised compliance costs and maintained the current level of diesel fuel security.

The intention at the time the MSO was established was to improve diesel resilience by increasing the MSO to 28 days cover, with the government procuring the additional seven days of diesel. Following further consultation with industry and analysis of different available options, the proposed solution will require the larger fuel importers to meet the increased obligation, as we have confidence that they have the ability to do so. A decision on increasing the obligation for smaller importers (below 10 per cent market share) will be made in early 2026, informed by a years' worth of MSO monitoring data.

Summary: Problem definition and options

What is the policy problem?

New Zealand is particularly vulnerable to international fuel supply disruptions, given our distance from the rest of the world and because we import nearly all our engine fuels. Diesel will continue to be our most strategically important engine fuel for the foreseeable future. It plays a critical role in food production, transporting essential goods around the country, for emergency services, emergency electricity generation and other essential services.

Despite its strategic importance for our economy, the 21 days' cover of diesel that fuel importers must hold onshore in reserves is insufficient and exposes our economy to significant cost in the event of a supply disruption.

Increasing our diesel stockholding to 28 days has been identified as an appropriate level of diesel resilience. An additional seven days cover will allow New Zealand's essential services to operate for a month longer, providing more time to reestablish supply chains in the event of a disruption and reducing the impact on the economy. However, there is little commercial incentive for fuel companies to invest in infrastructure to increase their diesel stockholding levels beyond the 21 days' cover they have been obligated to hold since 1 January 2025.

What is the policy objective?

There are two main objectives:

- To improve diesel resilience in New Zealand by increasing diesel reserves to an average of 28 days' cover as soon as practicable.
- To provide a cost-effective solution that minimises costs to consumers.

The policy will be monitored through fuel importers providing monthly stockholding data to MBIE.

What policy options have been considered, including any alternatives to regulation?

Five options have been considered to increase New Zealand's diesel reserves to 28 days' cover:

- **Option 1:** Status quo, the minimum stockholding level for diesel remains at 21 days' cover
- **Option 2A:** Introduce regulations to increase the stockholding obligation for diesel from 21 to 28 days' cover for all fuel importers
- **Option 2B (preferred):** Introduce regulations to increase the stockholding obligation for diesel from 21 to 28 days' cover for fuel importers with a market share above 10 per cent
- **Option 3:** Crown procurement of diesel and its storage, either fully or partly funded by the Levy
- **Option 4:** Increase the MSO for diesel but provide government support (eg grants).

Option 2B is preferred by both officials and the Minister.

What consultation has been undertaken?

We have consulted twice on increasing our diesel reserves.

2022 consultation

We also consulted in 2022 with the release of the discussion document *Onshore fuel stockholding*. This consultation informed the development of the MSO for diesel, petrol and jet fuel. Many submissions noted the importance of fuel resilience and onshore stockholding while some emphasised the particular importance of diesel for emergency and essential services. Fuel industry participants opposed the option of requiring them to hold fuel stocks above their normal commercial stockholding level.

2024 consultation

Public consultation ran from 14 October to 6 December 2024 with the release of the discussion document *Improving our diesel resilience*. The discussion document sought feedback on how best to increase our diesel reserves from 21 to 28 days' cover. Submitters'

views were mixed on whether we need to increase our diesel reserves. The submitters that supported the status quo preferred options that involved the government – either through fully procuring reserve diesel or contributing financial support.

We did not consult on the preferred option (in this RIS and the Cabinet paper) to introduce the increased stockholding obligation to fuel importers with a market share over 10 per cent. This option was developed in response to feedback received from consultation and early MSO reporting data.

Is the preferred option in the Cabinet paper the same as preferred option in the RIS?

Yes.

Summary: Minister's preferred option in the Cabinet paper

Costs (Core information)

The recent Fuel Security Study (the **Fuel Study**)[1] estimated that holding an extra seven days' cover would cost NZ$27.5 million per annum, assuming the additional fuel was held in seven tanks. The preferred option would see this cost borne by fuel importers and passed on to consumers. With around four billion litres of diesel sold every year, a straight passthrough of costs could see prices of diesel at the pump increase by 0.7 cents/litre, assuming fuel importers do not pass on any margins or compliance costs.

During our 2024 consultation, one fuel importer estimated that increase the MSO would cost an extra 2 cents/litre, although this has not been corroborated by other fuel importers and we have not independently verified this estimate.

Excluding smaller operators with a market share below 10 per cent is expected to minimise any potential adverse effects on competition. Smaller fuel importers may find it difficult or expensive to comply with an increased obligation as they have fewer options than larger importers. In turn, this could limit their growth, force them to exit the market or discourage new entrants and overall reduce competition in the fuel sector.

Benefits (Core information)

The Fuel Study concluded that increasing diesel storage is one of the most cost-effective strategies for enhancing fuel resilience, due to the high resilience benefits for the cost, and holding an extra seven days of diesel in reserve would significantly improve resilience.

The Fuel Study considered our stockholding levels if fuel could not reach New Zealand for 90 days. With our current 21-day diesel stockholdings, we would be able to meet 27 per cent of normal diesel demand. 28 days' cover would increase this to 33 per cent of normal demand. The Fuel Study did not model the economic impacts of a 90-day disruption event as the impacts on our economy would likely go beyond fuel supply. However, the Study estimated an event that reduces our fuel supply by 50 per cent would cost $1.5 billion (or 0.56 per cent of GDP), based on the combination of shortages and higher fuel prices for petrol and diesel.

Balance of benefits and costs (Core information)

Does the RIS indicate that the benefits of the Minister's preferred option are likely to outweigh the costs?

[1] Available at https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-generation-and-markets/liquid-fuel-market/fuel-security-in-new-zealand.

Our assessment is that the benefits of introducing regulations requiring large fuel importers to increase their diesel stockholding to 28 days outweigh any potential costs. While the risk of a sustained and severe disruption is low, the consequences to the economy would significantly outweigh this.

Managing stock is part of a fuel importers day-to-day business, with larger companies having access to multiple storage options to meet the increased obligation, which reduces the compliance costs and is more administratively efficient compared to Crown procurement. This includes their existing shared fuel storage infrastructure, the ability to enter into entitlement agreements, capacity to take on more frequent shipments and count stock on water in New Zealand's EEZ.

The Fuel Study modelling forecasted diesel demand to rise initially before beginning to decline from around 2030 as parts of the economy transition off liquid fossil fuel dependence. The stockholding obligation has been designed to be set at a level relative to current diesel consumption, therefore the volume required to be stored and costs for this storage will reduce in parallel.

Implementation

How will the proposal be implemented, who will implement it, and what are the risks?

The diesel MSO will be introduced by creating new regulations under the *Fuel Industry Act 2020* (**the Act**), with the increased obligation commencing on 1 July 2028.

The timeline for implementation was informed by feedback from fuel importers on how long it will take to secure additional storage tanks or refurbish existing tanks to prepare for an increased obligation.

There is a risk that the development of storage infrastructure is slower than expected and obligated parties are non-compliant when the regulations come into effect. MBIE considers this risk is low, as fuel importers can also count stock on water or enter into entitlement agreements to have the right to count other fuel importer's diesel as their own. Fuel importers can also seek to enter into an 'enforceable undertaking' with MBIE, whereby they commit to actions to ensure future compliance.

There are existing penalties and enforcement clauses in the Act if obligated parties are not meeting the obligation.

In 2024, the *Fuel Industry Regulations 2021* were amended to allow the government to collect information from obligated parties to give government a clearer oversight over New Zealand's fuel resilience.

Limitations and Constraints on Analysis

This Regulatory Impact Statement (**RIS**) focuses solely on options to increase New Zealand's diesel reserves from 21 to 28 days' cover.

1. Limited access to data to quantify the cost of additional storage

A major constraint on our ability to assess the potential impacts of options is that we are not privy to commercially sensitive information, detailed breakdowns of fuel companies' operational costs, or how they optimise their stock management practices.

It is therefore difficult for us to know with confidence what impact increasing the MSO would have on diesel prices. The cost of increased diesel stockholding and storage is likely to be different for each fuel importer depending on how they decide to meet the increased

obligation. However, based on analysis in the Fuel Study and feedback from fuel importers (mentioned above), diesel prices could increase between 0.7 to 2 cents per litre.

2. Lack of detailed information on fuel companies' current fuel stock levels

Until recently, the government has not had good quality information about New Zealand's fuel, including where it is sourced and terminal tank capacities.

From 1 January 2025, the *Fuel Industry Regulations 2021* require 'obliged persons' under the MSO regime (fuel importers with access to bulk storage facilities) to disclose certain information to the government on a monthly basis. This information includes data on daily stock levels at an individual terminal basis, how much stock is held on water in New Zealand's EEZ, and the load and discharge ports for the fuel delivered to New Zealand. The first reports for the month of January 2025 were received from fuel importers on 21 February 2025. Some importers also volunteered data from December 2024.

We anticipate that the MSO reporting information will provide more evidence on fuel importers' ability to comply with an increased MSO. Early indications are that most can, but more information is needed to determine trends.

We intend to monitor the MSO reports and provide advice before the new regulations are finalised (October 2025) about whether any changes are needed to the increased MSO commencement date, the market share threshold, or whether any more specific policies to mitigate potential adverse effects on competition are needed.

3. Limited ability to quantify costs and benefits of the proposal

Our understanding of the costs and benefits of fuel security measures (including increasing diesel stockholding) is supported by analysis completed for the Fuel Study. Our analysis is therefore limited to the supply disruption scenarios that were modelled for in the Fuel Study.

This includes the following categories of international supply disruptions:

- **Severe disruption**: an extreme event that disrupts supply to New Zealand completely, for an extended period. There are several potential causes, and New Zealand's economy would be drastically and seriously impacted beyond fuel supply.
- **Major disruption**: an event for which there are several precedents over the past 50 years, such as a major conflict or natural disaster that disrupts oil production or international fuel supply chains. This leads to some of New Zealand's fuel supply being disrupted, with international and local price increases.
- **Minor disruption**: all or part of a cargo lost, delayed or off-specification.

The economic impact of a supply disruption event is very sensitive to the nature and duration of the specific event, and it is possible that a disruption event exists beyond what has been modelled for in the Fuel Study.

In addition, while we have a good understanding of the risks, we are not able to quantify the benefits of having essential services continue to operate during a severe and sustained supply disruption.

I have read the Regulatory Impact Statement and I am satisfied that, given the available evidence, it represents a reasonable view of the likely costs, benefits and impact of the preferred option.

Responsible Manager(s) signature: 

Dominic Kebbell

Manager, Gas and Fuel Policy
Energy Markets Branch
17/03/2025

Quality Assurance Statement	
Reviewing Agency: MBIE	**QA rating:** Meets
Panel Comment: A MBIE Quality Assurance review panel has reviewed this Regulatory Impact Statement (RIS) and considers that the information and analysis summarised in the RIS meets the Quality Assurance criteria.	

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

Diesel is New Zealand's most strategically important engine fuel

1. Diesel plays a critical role in food production and distribution, emergency electricity generation, emergency services and the movement of essential goods and services.

2. On a day-to-day basis, New Zealand's diesel supply is resilient. Following the closure of the Marsden Point Refinery in 2022, New Zealand meets all its fuel demand from fuels refined overseas. The majority of New Zealand's refined fuel supply comes from the major Asian refining centres in South Korea and Singapore, shown in Figure 1 below. Diesel arrives on most fuel shipments into New Zealand. There is also more flexibility to relax standards for diesel quality compared to other fuels, so shipments intended for other countries can be relatively easily diverted to New Zealand in the case of a domestic shortage.

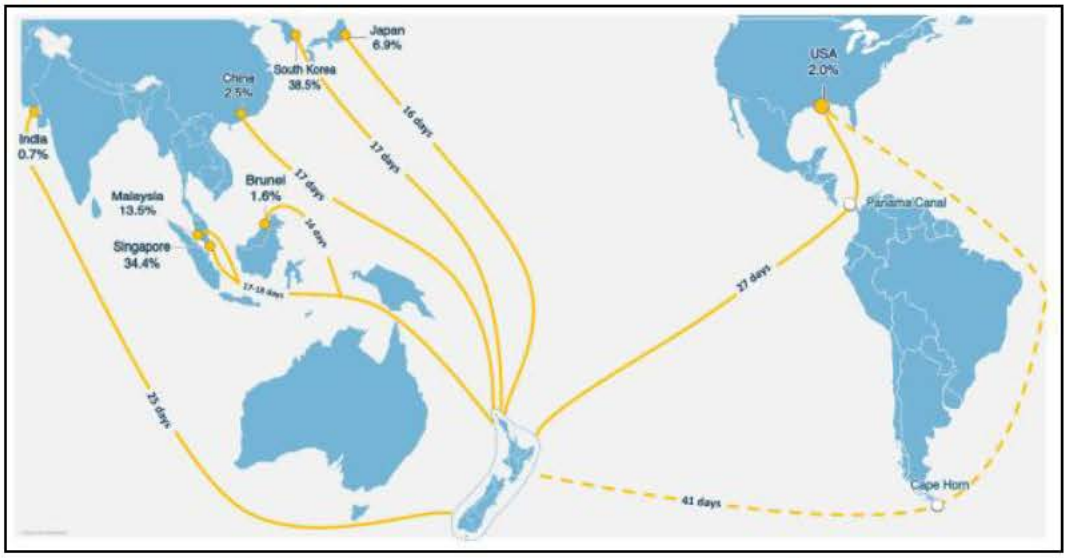

Figure 1: New Zealand's fuel supply chains (from the Fuel Security Study, 2025)

3. New Zealand's reliance on importing diesel exposes us to some security of supply risks. International supply chains can be disrupted by geopolitical conflicts and natural or physical disasters that impede shipping. New Zealand is also vulnerable to price shocks

caused by global events in oil producing regions. It is therefore critical that New Zealand holds enough domestic fuel stocks in reserves to ride out any supply disruptions.

4. While the risk of a sustained diesel supply disruption is low, the consequences could be devastating for New Zealand. Social unrest could result from difficulties in delivering goods and services, and the adverse economic impact could be in the order of billions of dollars for a disruption lasting more than several weeks. Such a disruption is a low probability but very high consequence event.

5. In the event of a significant fuel supply disruption, the International Energy Agency (**IEA**) will step in to coordinate a global response. The threshold to trigger IEA coordination is high, with the most recent occurring in 2022 responding to the fuel supply disruption caused by Russia's invasion of Ukraine.

6. As an IEA member, New Zealand is required to hold 90 days' worth of oil reserves that can be released in the event of an IEA coordinated response. New Zealand meets this obligation through a combination of domestic stock and 'ticket' contracts, which are held in other countries and give New Zealand the right to purchase stocks. This stock can only be released in an IEA-declared emergency for global events, not a domestic supply disruption.

New Zealand Fuel Participants

7. There are five fuel importers in New Zealand. The 'three majors' include Z Energy, bp and Mobil, who collectively import around [redacted] per cent of New Zealand's diesel. The three majors have access to multiple terminals in all major ports around New Zealand.

8. The smaller importers are Gull and Timaru Oil Services (**TOSL**) who hold a market share of approximately Commercial Information respectively. Both operate single import terminals, with Gull importing to Mount Maunganui and TOSL to Timaru.

Minimum stockholding obligation

9. In 2023, the *Fuel Industry (Improving Fuel Resilience) Amendment Act* was passed. This legislation introduced a minimum stockholding obligation (**MSO**) that required fuel importers to hold, either onshore or on ships in New Zealand's exclusive economic zone (**EEZ**), 21 days' cover for diesel, 24 days' cover for jet fuel and 28 days' cover for petrol from 1 January 2025.

10. Despite it being a more strategically important fuel, diesel's minimum stockholding level (at 21 days' cover) is lower than that for petrol or jet fuel. When the MSO levels were chosen in 2022, 21 days' cover was the average diesel stockholding level that would be expected to be held in the absence of government intervention – effectively the status quo. Keeping the status quo levels of diesel meant that compliance costs would be minimised and the current level of diesel fuel security would be maintained over time.

11. The intention at the time was to increase diesel reserves to 28 days through the 'reserve diesel scheme'. This involved the government investigating procuring and storage of 70 million litres of diesel – roughly equivalent to seven days' extra cover. However, because of the high capital costs involved, Government decided to stop work on Crown procurement so that it could have a thorough understanding of the benefits and costs of other options.

Fuel Security Study findings

12. In February 2025, the Fuel Study was released. The Fuel Study found that holding a minimum of 21 days' cover for diesel may not be enough for us to manage an expected supply disruption. One of the causes of New Zealand's low diesel reserves was that

demand for diesel has increased by 50 per cent over the past 20 years, but there have been only minimal increases in storage until recently.

13. If supply from Southeast Asia was interrupted, Z Energy conservatively estimated that it would take a minimum of 49 days to reestablish supply from an alternative market.

14. The Study considered our stockholding levels if fuel could not reach New Zealand for 90 days. With our current 21-day diesel stockholdings, we would be able to meet 27 per cent of normal diesel demand. 28 days' cover would increase this to 33 per cent of normal demand. For context, during COVID-19 Level 4 restrictions, diesel demand dropped to 30-40 per cent of normal demand.

15. The Study did not model the economic impacts of such an event as the impacts on our economy would likely go beyond fuel supply. However, the Study estimated an event that reduces our fuel supply by 50 per cent would cost $1.5 billion (or 0.56 per cent of GDP), based on the combination of shortages and higher fuel prices for petrol and diesel.

16. The Fuel Study concluded that increasing diesel storage is one of the most cost-effective strategies for enhancing fuel resilience, due to the high resilience benefits offered for the cost, and holding an extra seven days of diesel in reserve would significantly improve resilience. In contrast, the Fuel Study found the stock levels for petrol and jet fuel to be satisfactory or expected to improve with the MSO.

Interdependencies

17. This work has connections to the Government's priorities related to improving fuel security:

    - Fuel Study. Released in February 2025, the Fuel Study (undertaken by Envisory and Castalia) provides an evidence base to improve our understanding of New Zealand's fuel security requirements from now to 2035, including quantifying the impacts of disruptions.
    - Fuel Security Plan. Findings from the Fuel Study will feed into the development of a Fuel Security Plan, which will be a strategic document for building resilience in the medium to long term.
    - The National Fuel Plan sets out the emergency response and readiness framework for coordination between the government and fuel supply industry.
    - Location-specific jet fuel requirements. From November 2026, new regulations will require fuel companies to hold at least 10 days of jet fuel at Auckland airport to provide resilience against supply disruptions. These regulations respond to the recommendations from the 2019 Government Inquiry into the Auckland Fuel Supply Disruption.

What is the policy problem or opportunity?

Problem definition

18. New Zealand is particularly vulnerable to international fuel supply disruptions, given our distance from the rest of the world and because we import nearly all our engine fuels. Diesel will continue to be our most strategically important engine fuel for the foreseeable future. It plays a critical role in food production, transporting essential goods around the

country, for emergency services, emergency electricity generation and other essential services.

19. Despite its strategic importance for our economy, the 21 days' cover of diesel that fuel importers must hold onshore in reserves is insufficient and exposes our economy to significant cost in the event of a supply disruption.

20. Increasing our diesel stockholding to 28 days has been identified as an appropriate level of diesel resilience. An additional seven days cover will allow New Zealand's essential services to operate for a month longer, providing more time to reestablish supply chains in the event of a disruption and reducing the impact on the economy. However, there is little commercial incentive for fuel companies to invest in infrastructure to increase their diesel stockholding levels beyond the 21 days' cover they have been obligated to hold since 1 January 2025.

Root causes

21. The current market design incentivises fuel companies to maximise efficiencies and keep prices low. Therefore, there is a market failure occurring whereby fuel importers do not value the benefits of increased diesel resilience beyond their own commercial operations.

22. There is little commercial incentive for fuel companies to invest in infrastructure to increase their diesel stockholding levels, beyond the 21 days' cover they have been obligated to hold since 1 January 2025. Any additional stockholding can be difficult to justify from a commercial perspective because it can reduce efficiency and competitiveness of business operations, but also because national interest (benefits to third parties) is not typically a key consideration in business decisions.

Significance of 28 days' cover

23. Increasing New Zealand's diesel reserves to an average of 28 days' cover will benefit the public through increased fuel resilience. In the event of a severe and sustained fuel disruption, essential services will be able to operate for a month longer than the status quo (assuming rationing at 25 per cent). These essential services include food production and distribution, emergency services and emergency electricity generation.

24. There is no objective measure for determining the 'right' level of fuel resilience, but in selecting 28 days' cover we factored in:

    - modelling results that suggested the impacts of a partial fuel import disruption (which is more plausible than a closed-border event cutting off New Zealand from the rest of the world) would be manageable, should there be 20 days' cover of fuels
    - time it would take to re-establish supply chains, particularly for fuel sourced from India or the United States of America.

25. For reference, our onshore fuel stocks before the Refinery's closure was roughly 20 days' cover for diesel in the country plus five days' cover for crude oil for the Refinery's operation. We have also considered the international policy landscape, most notably

Australia's minimum stockholding requirements for diesel, which increased to 32 days on 1 July 2024 (from 20 days previously).

26. As noted above, analysis by Z Energy suggests it would conservatively take 49 days to reestablish supply from an alternative market if supply from Southeast Asia was disrupted.

27. Findings from the Fuel Study also supports the increase to 28 days, showing that an extra seven days of diesel in reserve would sufficiently improve our resilience.

What objectives are sought in relation to the policy problem?

28. This RIS focuses on options to increase reserve diesel stockholding to 28 days. There are two main objectives:

    - To improve diesel resilience in New Zealand by increasing diesel reserves to an average of 28 days' cover as soon as practicable.
    - To provide a cost-effective solution that minimises costs to consumers.

What consultation has been undertaken?

2022 consultation

29. In 2022, we released the discussion document *Onshore Fuel Stockholdings*, which informed the development of the MSO for diesel, petrol and jet fuel.

30. The consultation document covered a number of options for onshore fuel stockholding policies, and indicated that the following options were preferred:

    - a minimum onshore fuel stockholding level higher than the status quo and similar to that proposed in Australia, namely 28 days of cover for diesel, and 24 days of cover for petrol and jet fuel
    - the introduction of a minimum stockholding obligation for fuel wholesalers.

31. We received 21 submissions, mostly from the fuel and transport sectors. Many submissions noted the importance of fuel resilience and onshore stockholding while some emphasised the particular importance of diesel for emergency and essential services.

32. Fuel industry participants opposed the option of requiring them to hold fuel stocks above their normal commercial stockholding level. They submitted that:

    - New Zealand fuel supplies will remain resilient under the new 100 per cent fuel import model.
    - An increase in stockholding would likely require increased investment in infrastructure with flow-on costs through the supply chain. The fuel sector's comments on the relevant costs are discussed in this RIS.
    - The costs of increased stockholding would exceed the benefits.
    - If the Government wishes to have more onshore fuel stocks, it should fund the onshore storage of reserve fuel stocks, and the fuel sector can manage the turnover of reserve fuel stocks.

2024 consultation

33. Public consultation ran from 14 October to 6 December 2024 with the release of the discussion document *Improving our diesel resilience*. The discussion document sought

feedback on how best to increase our diesel reserves from 21 to 28 days' cover. Options were:

- **Option 1:** status quo, the MSO for diesel remains at 21 days' cover
- **Option 2:** increase the MSO for diesel from 21 to 28 days' cover
- **Option 3:** Crown procurement of roughly 70 million litres of diesel and its storage, either fully or partly funded by the Petroleum or Engine Fuels Monitoring Levy (**the Levy**)
- **Option 4:** increase the MSO for diesel but provide government support (eg grants).

34. Eleven submissions were received, predominately from the fuel sector but also from major diesel users (Foodstuffs and Transporting New Zealand) and individuals. Submitter's views were mixed on whether we need to increase our diesel reserves. Mobil, bp, Business New Zealand and Energy Resources Aotearoa (**ERA**) consider the status quo satisfactory. Z Energy, Foodstuffs, Transporting New Zealand, Electric Power Engineering Centre (**EPEC**) and three individual submitters supported increasing our diesel reserves.

35. The submitters that supported the status quo preferred options that involved the government, either through fully procuring reserve diesel or contributing financial support. Those that supported government procurement considered it more equitable to fund reserve diesel though general taxation rather than a levy imposed on fuel consumers. Mobil suggested an alternative option whereby the government procures storage space, which would then be provided to fuel importers.

36. Z Energy and EPEC supported increasing the MSO.

Section 2: Assessing options to address the policy problem

What criteria will be used to compare options to the status quo?

37. The criteria for the assessment of the options are linked to the objectives:

    - **Overall objective:** New Zealand's diesel resilience is enhanced by holding 28 days' cover for diesel.
    - **Impacts on competition:** fuel sector competition is maintained.
    - **Cost impact:** costs to third parties (consumers or taxpayers) are minimised.
    - **Administrative efficiency:** compliance burden on industry and the government is minimised.
    - **Timing:** how soon would the option result in an average of 28 days' cover (ie diesel in tanks).

38. These criteria are equally weighed. However, there is some overlap. The cost impacts could also be greater if competition between fuel importers was reduced, or the compliance burden was high. While there is overlap, we consider these criteria to be sufficiently important so have kept them separate.

What scope will options be considered within?

39. The options discussed in this RIS focus only on supporting the Government's objective to increase New Zealand's diesel reserves to 28 days (but including the status quo). It does not consider other options that might improve New Zealand's diesel resilience, such as alternative fuels or domestic biorefineries as these will be considered as part of the Fuel Security Plan.

40. The opportunity to share the responsibility of increasing our diesel reserves between fuel importers and the government has also been considered and ultimately discarded. This option would see fuel importers hold 24 days' worth of stocks and government procuring the remaining four days. We did not consult on this option and did not see value in pursuing it further. Our preliminary assessment shows a mixed procurement approach would impose high costs to both the government and to fuel importers.

41. Previous engagements with terminal operators indicate that the cost of storing additional diesel would be much higher on a per-litre basis if the government rents less than seven days storage space. Sharing responsibility for diesel reserves could compound price increases at the pump, while reducing the government's ability to have certainty and control of costs being passed down from procuring the full seven days stock. Partial government procurement also reduces the ability for government to reduce market distortion and competition and is administratively inefficient as the Government are not in the business of fuel stock management.

42. Given these disadvantages, it would make more sense to provide financial support to reduce the cost and administrative burden on fuel importers and achieve the intended effect of alleviating price increases at the pump.

What options are being considered?

43. We have identified five options to increase New Zealand's diesel reserves to 28 days' cover. These options, with the exception of Option 2B, were included in the 2024

discussion document. Option 2B (preferred option) was developed in response to feedback and early MSO monitoring data.

- **Option 1:** status quo, the MSO for diesel remains at 21 days' cover
- **Option 2A:** Introduce regulations to increase the stockholding obligation for diesel from 21 to 28 days' cover for all fuel importers
- **Option 2B (preferred):** Introduce regulations to increase the stockholding obligation for diesel from 21 to 28 days' cover for fuel importers with a market share above 10 per cent
- **Option 3:** Crown procurement of diesel and its storage, either fully or partly funded by the Levy
- **Option 4:** Increase the MSO for diesel but provide government financial support (eg grants).

44. We also considered deferring the decision on how to increase our diesel reserves until we had more MSO reporting data. This would delay a decision until 2026 and would push implementation timeframes out by at least a year.

45. We rejected this option as delaying a decision would prolong New Zealand's exposure to diesel supply disruptions. The MSO reporting data collected so far indicates that Commercia could meet an increased diesel obligation, therefore there is little benefit in delaying a decision in order to improve our information.

46. We did not consider any non-regulatory options. There is a market failure whereby fuel importers do not value the benefits of increased diesel resilience beyond their own commercial operations. Options 2A, 2B and 4 increase the stockholding obligation on fuel importers, which would require amendments to regulations made under *the Fuel Industry (Improving Fuel Resilience) Amendment Act*. Option 3 would likely use Levy funding, which would likely require an amendment to the levy rate through the *Energy (Petrol, Engine Fuel, and Gas) Levy Regulations 2017*.

Option 1 – Status Quo / Counterfactual

47. Relying on the current minimum stockholding obligation settings for diesel will leave New Zealand with an average of 21 days' cover, equivalent to three months' supply for essential services with rationing. Fuel importers are unlikely to hold surplus stock beyond MSO requirements because there is no commercial incentive to do so.

48. This option does not meet the objectives as it does not improve our diesel resilience. The Fuel Study found that holding 21 days' cover for diesel may not be sufficient to manage a foreseeable disruption event. It would leave New Zealand vulnerable to a sustained supply disruption despite diesel being a critical fuel.

49. Mobil, bp and ERA support this option.

Option 2A – Introduce regulations to increase the stockholding obligation for diesel from 21 to 28 days' cover

50. The existing MSO requires fuel importers to hold, on average, 21 days' cover of diesel from 1 January 2025. The stockholding levels can be adjusted through regulations – either up or down – for particular fuels. Under this option, the MSO for diesel would increase

from 21 to 28 days' cover. Fuel importers would need to increase their diesel stockholding to meet the increased obligation.

51. While this option meets the overall objective of increasing diesel reserves to 28 days cover and is administratively simple, it could distort fuel market competition. It could also be the highest cost option for consumers.

Impacts on competition

52. New Zealand has five fuel importers. Three dominate the market and would likely find it easier to comply with an increased obligation than the two smaller importers. The three larger companies have access to multiple fuel terminals with more storage options and have more capacity to take on more frequent shipments and therefore can better smooth out their stock fluctuations. These larger fuel importers also have some existing shared fuel storage infrastructure, while smaller fuel importers could find it challenging to enter into agreements to access such infrastructure.

53. In a worst-case scenario, increasing the MSO for all importers could result in a small importer exiting the market or limiting their growth, which could decrease competition. One such importer has told us that increasing the MSO would make them uncompetitive, as they would be forced to build new tanks, and would impose a payback period of three years (which is unusually short in the fuel sector).

54. **[COMMERCIAL IN CONFIDENCE]** Early data on daily stock levels received by MBIE indicates the Commercial Information may be able to meet an increased diesel obligation, but the remaining Commercial Info. importer may not. However, we need several months' worth of reporting to determine trends across the smaller importers as stock levels may be unusually high if a shipment had just arrived.

Cost impact

55. This is a low-cost option for the Crown but could be the highest cost option to consumers at the pump. Fuel importers will likely pass on the costs of additional diesel and its storage.

56. It is difficult for us to know with confidence what a possible price increase could be as we are not privy to commercially sensitive information. The cost of increased diesel stockholding and storage is likely to be different for each fuel importer depending on how they decide to meet the increased obligation. This makes it difficult to estimate flow on costs.

57. However, the Fuel Study estimated that holding an extra seven days' cover would cost NZ$27.5 million per annum, assuming the additional fuel was held in seven tanks. With around four billion litres of diesel sold every year, a straight passthrough of costs could see an increase of 0.7 cents/litre, assuming fuel importers do not pass on any margins or compliance costs. During our 2024 consultation, one fuel importer estimated that increasing the MSO would cost an extra 2 cents/litre, although this has not been corroborated by other fuel importers and the same importer had estimated 10 cents a few months earlier.

58. Disproportionate impacts to smaller players could also reduce competition in the sector and cause higher costs to consumers overall, as noted above.

Administrative efficiency and timing

59. This option is consistent with the MSO regime and avoids the complexity of establishing and administering a parallel solution. It is a low burden option for the Crown. We would need to adjust the MSO, but that can be done relatively easily and quickly via regulations.

60. We consider increasing the MSO is a more efficient option than the Crown's direct involvement because it is part of a fuel importer's day-to-day business and they have more options to meet the increased obligation than the Crown. For example, fuel importers can count stock on water that is within our EEZ, giving them more flexibility in meeting an increased MSO and helping to minimise compliance costs compared to the Crown.

61. Fuel tankers hold significant volumes of fuel, ranging from between approximately 3.5 to 4.5 days' supply for the smaller tankers that can access all ports with fuel terminals to the larger tankers that can only access Marsden Point but can hold between 6.5 to 11 days' supply, depending on their size. Fuel importers can also enter into entitlement agreements, giving that fuel importer the right to consider the other's diesel as meeting the obligation.

62. During consultation, fuel importers said they would need time to decide how to incorporate additional diesel into their networks. Refurbishing a fuel storage tank will take at least 18 months and a new build would take longer. Fuel importers asked for a minimum of three years. Assuming a decision is made by mid 2025, we estimate that tanks could be filled with diesel to meet the increased obligation from mid-2028.

Option 2B - Introduce regulations to increase the stockholding obligation for diesel from 21 to 28 days' cover for fuel importers with a market share above 10 per cent (preferred)

63. This option proposes to increase the existing stockholding obligation to 28 days from mid-2028, same as Option 2A. However, it would only apply to fuel importers that have more than 10 per cent of the market share for diesel (in effect, Mobil, Z Energy and bp). Fuel importers with less than 10 per cent of the market share (Gull and TOSL) will continue to be required to hold 21 days' cover, with the intention to extend the obligation to them once trends in their stockholding levels are better understood.

64. We will review the stockholding requirements for small importers in early 2026. This will involve analysing their 2025 data provided through the existing MSO arrangement, including information on their fuel stocks, shipments and tank capacities to inform when and how the 28-day MSO could be extended to them.

65. While this option mitigates the competition risk, excluding importers with a market share below 10 per cent may mean New Zealand does not have a minimum of 28 days' cover for diesel. [COMMERCIAL IN CONFIDENCE] Our two smallest fuel importers have a combined market share of about Commercial Information but are responsible for delivering Commercial Informatio litres/day. However, fuel importers will typically hold more than the minimum required to maintain an operational buffer.

Impacts on competition

66. The potential impacts on competition seen under Option 2A could be reduced by imposing the MSO only on those fuel importers with a market share above 10 per cent.

67. This threshold was selected as it is high enough to clearly exclude New Zealand's two smallest fuel importers (who only have access to one terminal) to minimise any potential adverse effects on competition from increasing the MSO. It is also low enough to include the three majors. Any lower threshold (ie five per cent) would risk preventing growth amongst smaller operators.

68. We did not consult on this variation. As this places a burden on three companies and not the other two, this option could give an unfair advantage to those importers that fall under

the threshold. This is considered to be outweighed by the risks of decreased competition if the 28-day stockholding obligation resulted in Gull and TOSL exiting the market.

69. By early 2026, we will hold a year's worth of MSO monitoring data and therefore be better positioned to assess whether smaller operators would be able to meet an increased obligation. This will inform subsequent advice to Cabinet in April 2026 on how to ensure they are contributing to diesel resilience without adversely impacting market competition.

Cost impact

70. As with Option 2A, imposing the cost on fuel importers is low-cost for the Crown, but could be the highest cost option to consumers. Fuel importers will recover the cost of additional diesel storage by increasing costs at the pump, likely between 0.7 and 2 cents per litre.

71. Omitting smaller fuel importers from the increased obligation at this stage will allow us to understand whether there is a risk to decreasing fuel market competition, which could reduce downward pressure on diesel prices.

Administrative efficiency and timing

72. Increasing the obligation for larger importers by mid-2028 requires an amendment to the MSO regulations to adjust the diesel stockholding levels. Since the introduction of the MSO, collecting data from fuel importers is an established government process. Little additional resource is required to analyse trends across smaller importers stocks to determine their ability to meet an increased MSO. This analysis will inform the review in early 2026 on whether the increased MSO can be extended to smaller importers.

Option 3 – Crown procurement of 70 million litres of diesel (equal to 28 days' cover)

73. This option would involve the government entering into a long-term lease agreement for new diesel storage capacity and procuring up to 70 million litres of onshore reserve diesel stocks.

74. The initial procurement of diesel and ongoing operational costs could either be entirely Levy funded, or through a mix of general taxation for the procurement of diesel with the Levy funding ongoing operational costs. The latter was what was envisaged as part of the former 'reserve diesel arrangement'.

75. We anticipate the government would seek requests for proposals for storage before procuring diesel. While this could allow the government to take a strategic view of where diesel reserves are sited to potentially enhance our domestic resilience, it would take time and be less efficient and administratively complex compared to Options 2A and 2B (increasing the MSO).

Impacts on competition

76. This option would minimise the market distortions that could otherwise result from requiring fuel importers to hold more stocks in addition to the MSO requirements.

Cost impact

77. Crown procurement may have a lower cost impact to consumers at the pump than Options 2A and 2B, although the difference may only be marginal. There would be a one-off cost for procuring 70 million litres of diesel of approximately NZ$73 million (based on diesel import prices as at 7 March 2025). In addition, the storage lease and stock management costs (excluding turnover costs) could cost the Crown between

NZ$150,000 to $250,000 per million litres of diesel annually, over 15 years, based on preliminary numbers from stakeholders.

78. This option gives the government the most certainty and control over the costs being passed down to consumers. The government does not have the same commercial drivers as fuel importers. Fuel companies require a higher rate of returns on investments and face a higher cost of capital than the government, as they need to deliver profits for their shareholders to remain viable.

79. If we were to use Levy funding to fund the procurement of reserve diesel as well as operational costs, the Levy rate would likely need to increase by around 0.5 cents per litre for the first three years (from 2026/27). This would cover the cost of diesel procurement and storage lease costs (including both capital and operational expenditure). The increase would drop down to around 0.25 cents per litre thereafter to cover ongoing storage lease costs, stock turnover and other management costs.

Table 1: Levy rate increase over time

Year	2026/27	2027/28	2028/29	2029/30 and onwards
Levy rate increase (cents per litre)	0.4 - 0.5			0.25

80. The exact cost (and therefore Levy impact) would depend on the costs of tank storage and stock management, fluctuation of diesel costs, and any smoothing of the Levy rate increase. We have assumed that we can build up a surplus in the Levy over three years so we could procure the diesel while minimising impacts to consumers.

81. An increase in onshore stockholding would mean New Zealand would not need to purchase so many IEA oil tickets to meet our 90-day obligation. It is therefore possible the Levy rate increase could be lower but we have not factored this in.

82. If we were to rely on general taxation, most of the costs of diesel procurement would fall on taxpayers, as opposed to fully using the Levy, which would impose the cost on fuel consumers only. We consider this could also be appropriate as all New Zealanders will benefit from improved diesel resilience in the case of a supply shortage/emergency. In addition, this option is likely to be fiscally neutral over time. As diesel is a non-depreciating asset, the initial cost of diesel procurement could be recovered when the diesel is sold.

Administrative efficiency and timing

83. This option is likely to take longer than simply increasing the MSO for diesel as it would require the government to progress another procurement process. If a decision were made in 2025, we would expect diesel in tanks by 2029 – 2030 assuming that existing tanks would take two years to be converted to diesel. Funding for diesel and its storage would also need to be committed before the government could enter into negotiations with a successful tenderer.

84. Beyond the procurement of storage and stock, the Crown would have to manage ongoing storage and stock management contracts. The government holding such a large asset comes with its own risks, particularly as the government is not in the business of importing fuel. Fuel importers are able to import, store and manage diesel more efficiently than government as they will be best placed to consider how to hold extra diesel within their existing networks. If fuel importers have spare storage capacity in the networks, they could likely store diesel at a lower cost than the Crown could.

85. Fuel importers would also be able to count stock on water provided the ship is in our EEZ and scheduled for delivery at a New Zealand port, whereas the Crown would not have that option. This can be significant as a single ship, depending on its size, can hold between 3.5- and 11-days' supply of diesel.[2] The Crown would also have ongoing administrative costs.

Option 4: Increase the stockholding obligation for diesel as in Option 2 but the government supports new additional storage

86. As with Option 2, under this option the MSO would increase to 28 days. However, under Option 4, the government would provide financial support to the industry to help alleviate flow on costs to end consumers. This could include grants for tank conversions or new builds, or the Crown providing tank storage. Project proposals would have to meet certain criteria to ensure they are aligned with the overall objectives of the fuel resilience policy package.

87. This is the approach Australia took. Australia provided matching grants (up to 50 per cent for each project) totalling AU$227 million for eight additional storage projects through its 'Boosting Australia's Diesel Storage Program'. Approved projects were required to be completed by 30 June 2024.

88. While this option would achieve the overall objective of increasing the diesel reserves to 28 days, it would create fuel market competition risks and is the most administratively complex option.

Impacts on competition

89. Similar to Option 2A, this option could also reduce competition as the increased obligation would be on all fuel importers. However, providing financial assistance may reduce the impact on smaller fuel importers, provided they have the ability to take up any assistance. As smaller fuel importers operate out of a single terminal, that terminal may have constraints that limit constructing new tanks.

Cost impact

90. The main benefit of this option is that it could reduce costs to consumers by alleviating costs to the fuel sector. The Government would also have better oversight of the commercial details of projects it funds, providing more information about what drives fuel prices.

91. However, government financial assistance would need to be funded through the Levy or from general taxation. If from the Levy, the rate would need to increase by an estimates 0.25 cents per litre to fund tank storage, depending on the future cost of the financial support for diesel storage projects. Under this option, diesel prices could increase from fuel importers passing on their costs in addition to a Levy rate increase.

Administrative efficiency and timing

92. As with Option 2, the MSO can be adjusted relatively easily and quickly via regulations. The Government would need to secure funding to provide financial support for diesel storage projects. Once a grant scheme is set up, the Government would have to assess project proposals and award funding.

93. While procuring storage would be relatively easy, providing a subsidy to fuel importers has risks and some practical challenges that would require careful design. If the Crown

[2] Smaller tankers that can access all ports with fuel terminals can hold approximately 3.5 to 4.5 days' supply. Larger tankers that can only access Marsden Point can hold 6.5 to 11 days' supply, depending on their size.

provided tanks, there would be no guarantee fuel importers would use the Crown storage, potentially resulting in Crown tanks left empty, and the need for complex arrangements to allocate space for comingled stock.

94. A further year and a half to two years would be required for fuel importers to access additional storage, potentially longer if new build tanks are required. Therefore, we estimate that tanks could be filled with diesel to meet the increased obligation from 2028 – 2029.

How do the options compare to the status quo/counterfactual?

	Option 1 – Counterfactual	Option 2A – Increase diesel MSO from 21 days to 28 days cover for all fuel importers	Option 2B – Increase diesel MSO from 21 days to 28 days cover for fuel importers with a market share above 10 per cent (preferred)	Option 3- Government procurement of 70 million litres of diesel (equal to 28 days' cover)	Option 4 - Increase the MSO for diesel as in Option 2 but the government supports new additional storage
Increases diesel reserves to 28 days cover	- - Does not achieve.	+ + Achieves.	+ The national minimum diesel stockholding will increase from 21 days' but excluding diesel held by small fuel importers will mean the national target will not be met.	+ + Achieves.	+ + Achieves.
Impacts on competition	0	- Could reduce competition as smaller fuel importers with access to only one fuel terminal may find it more difficult to comply. Relative to major importers, those smaller importers have less capacity to take more frequent cargoes, have more fluctuations in stock level and might have to invest more in storage capacity. Potential impact will become clearer as more MSO reporting data is received.	0 Large fuel importers with access to multiple fuel terminals are expected to be able to more easily comply. Low risk of increased MSO being responsible for limiting company growth among smaller operators. Allows greater time to assess data to determine whether smaller operators would be able to meet an increased obligation.	0 Negligible.	- Could reduce competition but smaller fuel importers could be supported through grants. Impact may be less than Option 2.
Cost impact	0	- Estimated diesel price increase of 0.7-2 cents/litre. High degree of uncertainty. Fuel importers would face more costs associated with extra import shipments and storage investments. Costs passed on to consumers. Likely to be highest fuel price increase as fuel importers have commercial objectives.	- Estimated price increase of 0.7-2 cents/litre. High degree of uncertainty. Large fuel importers would still pass any increased costs onto customers (as with option 2a) but reduced risk of smaller importers exiting the market which would increase prices the highest.	- Levy rate increase required of estimated 0.5 cents/litre, dropping to 0.25 cents/litre once diesel is procured.	- Cost estimated to fall between Option 2 and 3. Levy rate would need to be increased to provide financial support. Fuel importers would have costs associated with stock procurement and management. Fuel importers could face more cost associated with extra import shipments, while Government would provide grant for storage investments. Costs passed on to consumers. However, impact is expected to be less than Option 2 but higher than Option 3.
Administrative efficiency	0	- Can be implemented via regulations enabled by the *Fuel Industry (Improving Fuel Resilience) Amendment Act 2023*. Would increase the burden on industry, who would need to acquire additional storage and decide how to incorporate the extra stock into their operations.	- Can be implemented via regulations enabled by the *Fuel Industry (Improving Fuel Resilience) Amendment Act 2023*. Would increase the burden on industry, who would need to acquire additional storage and decide how to incorporate the extra stock into their operations.	- - Increase Levy rate via regulation. Requires separate procurement process. Crown would have to manage storage contracts. Fewer options available to the Crown to store diesel.	- - Can be implemented via regulations enabled by the *Fuel Industry (Improving Fuel Resilience) Amendment Act 2023*. Government would have to establish and administer a grant scheme.

		Multiple options available to industry in terms of how they comply with the increased obligation.	Multiple options available to industry in terms of how they comply with increased obligation.		
Timing (diesel in tanks)	0	++ Diesel in tanks before 1 July 2028	++ Diesel in tanks before 1 July 2028	+ 2029/30	+ 2028/29
Overall assessment	**0**	**+**	**+**	**0**	**--**

Key for qualitative judgements:

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
--	much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

95. Options 2A and 2B scored the highest in our evaluation.

96. Option 2A scores higher in terms of meeting the overall objective (ie 28 days' cover) but poses a risk of adversely affecting competition between fuel importers. Option 2B makes a compromise by not meeting the 28-day target but is much less likely to impact on competition.

97. Our preferred option is Option 2B – increase the obligation to 28 days for fuel importers with a market share over 10 per cent. As this option involves a review in early 2026, we consider this would us to gather better information on the potential impacts of competition before deciding to expand the obligation.

Is the Minister's preferred option in the Cabinet paper the same as the agency's preferred option in the RIS?

98. Yes.

What are the marginal costs and benefits of the preferred option in the Cabinet paper?

Affected groups *(identify)*	**Comment** *nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.*	**Impact** *$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.*	**Evidence Certainty** *High, medium, or low, and explain reasoning in comment column.*
Additional costs of the preferred option compared to taking no action			
Regulated groups	Ongoing. Fuel Study estimated the cost of holding 7 days' cover of diesel, assuming that diesel is held across 7 tanks. Fuel importer costs could vary, depending on how they choose to meet the obligation and their access to spare tankage.	Estimate of NZ$27.5 million per annum, which will be passed on to other parties	Medium
Regulators	One-off costs of developing regulations. Marginal ongoing administration costs as already collecting information as part of MSO.	Low	High
Other parties	MBIE estimate assumes straight pass through of costs. Fuel importer estimate not corroborated by other parties. Medium certainty as unknown whether a margin is placed on fuel importers' extra costs.	Price increase of 0.7 cents/litre (MBIE estimate) to 2 cents/litre (fuel importer estimate)	Medium

Total monetised costs		NZ$27.5 million per annum (or 0.7-2 cents/litre)	N/A
Non-monetised costs		Low	High
Additional benefits of the preferred option compared to taking no action			
Regulated groups	Ongoing More stock onshore allows more time to reestablish supply chains in event of a disruption	Low	Medium
Regulators	MSO regulations allow for collecting information on fuel stock levels for facilities across the country. This information will be used for ongoing monitoring.	N/A	High
Other parties	Cost on economy of fuel shortages from a major or severe foreseeable disruption event.	High NZ$118 million to NZ$2.4 billion (depending on severity of event)	High
Total monetised benefits		N/A	
Non-monetised benefits		High	High

Section 3: Delivering an option

How will the proposal be implemented?

99. The diesel MSO would be increased by creating regulations under the Act. The increased obligation is expected to come into effect by 1 July 2028.

100. Fuel importers told us during consultation that they need three years to prepare for an increased obligation. Suitable and empty diesel tanks are rare, and it takes 18-24 months to refurbish an existing tank. The tanks and tank compounds need to be updated to modern standards and converted to diesel. The tank roof is fabricated offshore and has a 12–18-month lead-in time. Fuel importers would also need time to decide how best to meet an increased obligation.

Risk of development of storage infrastructure is slower than expected and obligated parties are non-compliant when the regulations come into effect

101. There is a risk that fuel importers are not able to develop additional storage infrastructure in time to allow compliance when the regulations come into effect.

102. MBIE consulted on an earlier commencement date than what is being proposed (18 months from a decision). During consultation, fuel importers told us it was too ambitious given the time needed to develop storage infrastructure. Consequently, we

recommended a three-year commencement date to allow for that infrastructure to be developed.

103. There are existing mechanisms under the Act that would allow fuel suppliers to seek enforceable undertakings. Should enforceable undertakings be accepted, obliged parties would not have to meet the minimum stockholding requirements under the proposed regulations temporarily. MBIE will consider applications for enforceable undertakings on a case-by-case basis.

Enforcement

104. There is a risk that obligated parties do not comply with meeting the stockholding obligation. This will be mitigated by the existing penalties and enforcement clauses in the Act.

Notification

105. We did not consult on the option of introducing new obligations to fuel importers over ten per cent market share, placing the burden on three companies and not the other two. It is possible that larger operators will raise concerns that exempting small importers from the increased obligation could give them an unfair competitive advantage. This will be managed through communicating the favourable characteristics of larger fuel importers that factored into this decision. This includes their ability to access multiple terminals and storage options to meet the increased obligation, including existing shared fuel storage infrastructure arrangements and entitlement agreements and capacity to take on more frequent shipments.

106. Communicating the intention to review whether the increased stockholding obligation should be extended to smaller importers in early 2026 following a collection of a years' worth of MSO reporting data is also expected to mitigate concerns.

How will the proposal be monitored, evaluated, and reviewed?

107. A key component of the fuel resilience policy package was to ensure that the Government was able to collect enough information to give it a clearer oversight over New Zealand's fuel resilience.

108. The *Fuel Industry Regulations 2021* were amended in 2024 to require obliged persons to record and retain certain information about petrol, diesel and jet fuel and to disclose it to the MBIE chief executive on a monthly basis.

109. This information includes:

- Information about bulk storage facilities
- Stock levels held at bulk storage facilities, including the total, minimum and maximum daily stock levels
- Average daily demand or consumption
- The name, loading port and total volume held aboard ships within our EEZ that are scheduled for delivery to a New Zealand port

110. The amended regulations commenced on 1 January 2025 with the first reporting period for the month of January 2025 received on 21 February 2025. We are actively evaluating this data to ensure compliance with the MSO regime and to identify any fuel security risks.

111. Fuel data can have peaks and troughs, influenced by very large shipments of fuel. We need several months' worth of reporting to determine trends as stock levels may be unusually high if a shipment has just arrived. Therefore, we will continue to evaluate

information provided by fuel importers over the next few months prior to seeking final Cabinet decisions on the new regulations in October 2025. More reporting data might support changes to the:

- commencement date
- threshold for exemption
- expansion of the increased obligation to all fuel importers.

112. We will also review data that we receive in 2025 and provide advice in early 2026 about whether the regulations should be amended to include smaller fuel importers into the increased obligation, or whether any other changes are needed to the regulations before the increased MSO comes into effect in mid-2028.

113. MBIE will also continue to monitor fuel price movements regularly. The Commerce Commission may undertake fuel market studies should there be significant concerns over fuel price increases following the diesel obligation's increase.

A comprehensive review of the MSO will occur by 2030

114. Section 61 of the Act requires the Minister to review the stockholding obligation within five years of its commencement. The Act requires the following matters to be considered as part of the review:

- the Government's emissions budget and emissions reduction plans
- fuel demand in New Zealand
- fuel mix for transport fleet
- any relevant data and findings on the resilience of New Zealand's supply chains, such as national and regional fuel stocks data and reports on resilience of international and domestic fuel supply chains, and
- domestic fuel production capacity – if it is developed to a significant scale, fuel storage capacity may not need to be as high as otherwise required.