



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Associate Energy
Title of Cabinet paper	Temporary Alignment with Australian Fuel Specifications	Date to be published	6 May 2026

List of documents that have been proactively released

Date	Title	Author
March 2026	Temporary Alignment with Australian Fuel Specifications	Office of Associate Minister for Energy
23 March 2026	Temporary Alignment with Australian Fuel Specifications CAB-26-MIN-0085 Minute	Cabinet Office

Information redacted

NO

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[Sensitive]

Office of the Associate Minister for Energy

Cabinet

Temporary alignment with Australian fuel specifications

Proposal

- 1 This paper seeks agreement to temporarily allow fuel that meets the Australian fuel specification to be supplied in New Zealand, excluding Australia's recently relaxed sulphur limit for petrol, by amending the *Engine Fuel Specifications Regulations 2011*.

Relation to government priorities

- 2 This proposal supports the Government's approach to managing the impact of potential disruption to fuel security stemming from the current conflict in the Middle East.

Executive Summary

- 3 The Middle East conflict has tightened global fuel supply, with refineries under increasing pressure to fulfil orders. Fuel importers have asked for New Zealand's fuel specifications to be relaxed to increase optionality for them. This is to reduce the risk that a fuel order that needs to meet our bespoke specifications would be declined on technical reasons, or that we cannot take advantage of economies of scale by cooperating with Australia.
- 4 This paper proposes allowing the sale of fuel that meets the Australian specification. The Australian fuel specification is almost identical to New Zealand's across most key parameters, and external experts advise that the differences are not material.
- 5 There is one important carve out. Australia has recently relaxed its sulphur specification to 50ppm so it can use petrol from its Brisbane refinery. Sulphur is a pollutant and can damage vehicle emissions technologies. I therefore propose New Zealand would retain its lower sulphur level of 10ppm. The Minister of Finance and Associate Ministers of Finance will make any further decisions on sulphur or other fuel specifications changes if it is clear that further amendments are needed to bolster supply.
- 6 Allowing the sale of Australian spec fuel will be limited to six months. I will revoke the regulations before then if the supply constraints resolve.

Background

- 7 The current Middle East conflict, and the resulting shipping disruption through the Strait of Hormuz, have tightened global fuel supply and increased price volatility.
- 8 Supplies of refined products that New Zealand fuel companies have ordered are enroute so there is no immediate supply issue, although fuel prices are rising quickly, reflecting the global fuel market uncertainties.
- 9 New Zealand's fuel is predominantly sourced from Asian refineries, which are heavily reliant on crude oil from the Middle East. The scale of disruption for New Zealand will largely be determined by the ability of these refineries to source crude from other areas and drawn down stocks along with the ability of New Zealand importers to source refined fuels from other regions.
- 10 On 16 March 2026, Cabinet discussed the impact of the Middle East conflict on fuel supply and invited me to submit a paper to Cabinet presenting options to diversify New Zealand's fuel supply [CAB-26-MIN-0081].

Aligning fuel specifications

- 11 I seek agreement to temporarily allow fuel that meets the Australian specification to be supplied in New Zealand, excluding Australia's recently relaxed sulphur limit for petrol. The intention is that any changes made to Australia's specifications will be allowed automatically, unless there is a clear reason otherwise (see discussion on exceptions below).
- 12 Fuel specifications set the minimum technical requirements that petrol, diesel and other transport fuels must meet before they can be supplied in New Zealand. They protect fuel quality, vehicle compatibility, emissions performance, and consumers.
- 13 New Zealand fuel specifications are set through the *Engine Fuel Specifications Regulations 2011*¹. Like most jurisdictions, New Zealand reviews its specifications periodically as vehicle technology, emissions standards, and international fuel markets evolve.
- 14 Fuel specifications vary internationally due to differences in climate, vehicle emissions standards and refinery capability. Not all refineries can readily produce fuel that meets the most stringent specifications, particularly during periods of disruption.
- 15 Since the Marsden Point refinery closed in 2022, New Zealand relies almost entirely on imported refined fuel. This makes access to a wide pool of compliant fuel cargoes important for fuel security.
- 16 Fuel importers have asked officials to consider temporarily relaxing fuel specifications. Fuel importers consider this could reduce the risk of New

¹ Which are authorised by the *Energy (Fuels, Levies, and References) Act 1989*.

Zealand fuel orders being declined by refineries purely for technical reasons during a supply constrained period. Officials have consulted with transport associations, who support temporarily allowing the sale of Australian specification fuel.²

Why align with Australian fuel specifications?

- 17 Technical advice from MBIE's consultants *Envisory* indicates that New Zealand and Australian fuel specifications are almost identical across most key parameters. The remaining differences are not safety critical and do not reflect material differences in fuel quality. Annex 1 and 2 show the differences for petrol and diesel respectively.
- 18 Alignment with Australia would:
 - 18.1 Increase optionality for fuel importers during a disruption
 - 18.2 Improve access to fuel already trading in regional markets
 - 18.3 Reduce the risk of New Zealand specific cargoes being deprioritised in tight markets
 - 18.4 Do so at minimal cost and risk.
- 19 Aligning with Australia could improve access to large, long-haul shipments, particularly from the United States. As Australia and New Zealand are on the same shipping route from the United States, it may be more cost-effective to ship products to both countries at the same time. Provided that New Zealand can accept Australia-spec fuel, overseas refineries will treat Australia and New Zealand as one single market. Better economies of scale will improve our bargaining power for securing fuel shipment orders.
- 20 There are some differences between New Zealand and Australian specifications that reflect different climatic conditions. However, this would be dealt with by the requirement that fuel sold in New Zealand must still be 'fit for common purpose' and could be supported by guidance from MBIE. This requirement means, for example, that diesel for hot climates cannot be used in very cold ones. In practice, it might mean that a shipment of diesel can be used in the Upper North Island but not distributed further south.

Exclusion of Australia's higher sulphur petrol standard and other exceptions

- 21 Australia has recently announced a temporary increase in its petrol sulphur limit to enable it to use fuel from its Brisbane refinery (instead of exporting that fuel). The change will apply for two months, while the refinery completes upgrades. Officials do not recommend adopting this higher sulphur level at this stage.

² Officials consulted with the AA, Motor Industry Association, the Motor Trade Association, the National Road Carriers Association, NZ Truck-Trailer Manufacturers' Association and Transporting New Zealand.

- 22 New Zealand's existing suppliers in Asia have largely transitioned to 10ppm sulphur petrol as their standard. This is also the standard for newer vehicle models, so many refineries have the infrastructure to supply such petrol.
- 23 Increasing sulphur limits would directly increase sulphur dioxide emissions, reduce the effectiveness of catalytic converters, and harm some newer vehicles optimised for low sulphur fuel. These risks outweigh the incremental supply benefits at this time.
- 24 Excluding the relaxed sulphur standard was supported by industry associations because of concerns of potential damage to vehicle emissions control technologies.
- 25 Australia may make other changes to their specifications. For example, we understand (In-Confidence) that Australia is considering lowering the diesel flash point specification from 61.5 to 60.5 degrees Celsius next week. Envisory has advised this small change would not present any concerns (New Zealand's current specification is a minimum flash point of 60 degrees so the change would be marginal).
- 26 The intention is that changes made to the Australian specifications would automatically apply in New Zealand. However, I propose to retain the ability to make further exceptions on a case-by-case basis (with authority delegated to the Associate Minister for Energy) if a particular change is not appropriate.
- 27 My officials are working with the Parliamentary Counsel Office and Crown Law to determine how best to give effect to this intended outcome.

Consideration of further specification changes (beyond alignment with Australia)

- 28 Fuel companies were asked whether further specification changes would materially improve supply.
- 29 Technical advice to date indicates that, aside from sulphur limits, most other proposed changes (over and above aligning with Australia) would have little or no impact on supply availability in the near term.
- 30 Relaxing the petrol sulphur limit to 50ppm could expand access to some smaller Asian or US refineries, but this would come with downsides for emissions, vehicle compatibility, and consumer protection.
- 31 I seek delegated approval for the Minister of Finance and Associate Ministers of Finance to make decisions on sulphur limits or if there are other specification changes that are needed to bolster supply. If this is the case, Ministers will consider the size of increased supply and implications for the environment, health and New Zealand's vehicle fleet.

Time-limited measure

- 32 I propose to limit our acceptance of Australian-spec fuel to six months. I will return to Cabinet to revoke the changes earlier if international fuel supply constraints are alleviated and the relaxed standards are no longer needed.

Transitional provisions will be needed

- 33 Transitional provisions will be needed to allow fuel that is imported under the Australian specification to be sold in New Zealand after the six-month accepted period has ended. Transitional provisions may need to account for orders that have been made while the relaxed specifications are in place and the time it will take time for Australian-spec fuel to fully cycle out of bulk storage tanks. My officials will work with fuel importers during the drafting process to develop these transitional provisions.

Proposed process

- 34 I seek authorisation to instruct PCO to draft amendments to the regulations that will provide for Australian-spec fuel to be temporarily permitted.
- 35 The amended regulations need to be drafted as a matter of urgency. Any further consultation, if needed, will necessarily be brief and targeted, for example with fuel importers, large fuel users, the AA, and the Motor Trade Association. There are no specific consultation requirements in the *Energy (Fuels, Levies, and References) Act 1989*.

Climate change implications

- 36 External advice is that there will be no climate change impacts from allowing Australian-spec fuel (bar their recently relaxed sulphur limit) to be sold in New Zealand as the fuel specifications are so similar. The proposed change would not affect vehicle exhaust systems as the sulphur content of the fuel remains unchanged. As a result, emissions of nitrous oxide (N₂O) and methane (CH₄), both greenhouse gases, would not change.
- 37 Experts also expect fuel efficiency to be unaffected, as key performance characteristics such as octane rating and fuel density remain the same. Accordingly, carbon dioxide (CO₂) emissions per litre of fuel consumed would not change.
- 38 Accordingly, allowing Australian-spec fuel (bar their recently relaxed sulphur limit) is not anticipated to have any effect on the 2050 target for emissions reduction, the emissions budget or the emissions reduction plan.

Cost-of-living Implications

- 39 There are no cost-of-living implications from the proposal to align fuel specifications with Australia. As the Australian and New Zealand fuel specifications are almost identical, motorists will not notice any difference, including no differences in the fuel efficiency of their vehicles.

Financial Implications

40 There are no financial implications.

Legislative Implications

41 Implementing the proposal requires an amendment to the *Engine Fuel Specifications Regulations 2011*.

42 The amendment would be time limited and targeted, allowing fuel that meets the Australian specification (excluding sulphur) to be supplied in New Zealand during the current period of heightened supply risk.

43 Subject to Cabinet agreement, Parliamentary Counsel Office will draft amendment regulations for Cabinet consideration.

Impact Analysis

Regulatory Impact Statement

44 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor economic, social, or environmental impacts.

Climate Implications of Policy Assessment

45 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as the thresholds for significance are not met.

46 The temporary relaxation of New Zealand fuel specifications is not expected to have any discernible effect on New Zealand's emissions. The proposal is also not expected to alter demand for fossil fuels in a way that might increase or decrease emissions.

Population Implications

47 There are no population implications.

Human Rights

48 There are no *Bill of Rights Act*, Human Rights or Treaty of Waitangi implications.

Use of External Resources

49 Fuel specifications is a highly technical subject. External consultants were used to provide advice on the differences between the Australian and New Zealand fuel specifications and potential implications of adopting the Australian specifications.

Consultation

- 50 The following agencies were consulted on this Cabinet paper: the Ministries for Primary Industries, for the Environment, and of Transport, the Treasury, Maritime New Zealand, the National Emergency Management Agency, New Zealand Customs Service, New Zealand Defence Force, New Zealand Police, and NZ Transport Agency Waka Kotahi. The Department of Prime Minister and Cabinet was informed.
- 51 Limited and targeted consultation was held with fuel importers, the AA, Motor Industry Association, the Motor Trade Association, the National Road Carriers Association, NZ Truck-Trailer Manufacturers' Association and Transporting New Zealand.

Communications

- 52 I will make announcements about fuel specification changes following decisions.

Proactive Release

- 53 I propose to proactively release this Cabinet paper subject to any necessary redactions. This will be done within 30 business days following confirmation of Cabinet's decisions.

Recommendations

The Associate Minister for Energy recommends that Cabinet:

- 1 **note** that on 16 March 2026, Cabinet invited me to present regulatory options to Cabinet on diversifying New Zealand's fuel supply, including analysis of the associated benefits [CAB-26-MIN-0081];
- 2 **agree** to automatically allow fuel that meets the standards to be lawfully supplied in Australia to enter the New Zealand market for six months, with the following exceptions:
 - 2.1 New Zealand's fuel specifications for sulphur will prevail
 - 2.2 Further exceptions as determined by the Associate Minister for Energy and notified in the Gazette;
- 3 **agree** that fuel sold in New Zealand must still be 'fit for common purpose', meaning fuel must be suitable for the climate where it is sold;
- 4 **agree** that transitional provisions will be included to account for practical issues such as time for fuel to fully cycle out of bulk storage tanks, and these provisions will be designed in consultation with fuel importers;
- 5 **agree** that the Minister of Finance and Associate Ministers of Finance will make any further decisions on sulphur levels or other changes to fuel specifications, taking into account:

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- 5.1.1 the expected improvement in fuel supply to New Zealand
 - 5.1.2 implications for the environment, health, and New Zealand's vehicle fleet;
- 6 **agree** to authorise the Parliamentary Counsel Office to draft amendments to regulations to give effect to recommendations 2 to 5;
- 7 **agree** that the Associate Minister for Energy may make any technical changes that may arise during the drafting process.

Authorised for lodgement.

Hon Shane Jones

Associate Minister for Energy

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Annex 1: Differences between New Zealand and Australian fuel specs for petrol

Group	Why regulated	Property	NZ	Australia	Commentary
Aromatics Prevent engine knock.	Produces toxic exhaust pollutants and particulates. Can be harmful to human health Can interfere with modern emissions-control systems.	Max Cap Max pool average	45 % vol 42 %vol	45% vol 35% vol	Both have the same upper limit, with the Australian specification requiring more stringent aromatics limits across the monthly pool. New Zealand's fuel imports currently meet the tighter Australia specification.
Octane Enhancers Prevent engine knock. Allow modern engines to run efficiently and safely.	Depends on the enhancer. Some are toxic to human health (lead), the environment (MTBE contaminates groundwater, others affect fuel efficiency (ethanol)	Ethanol Lead DIPE ETBE MTBE TBA	max 10 %vol max 5 mg/l max 1 %vol	max 10 %vol max 5 mg/l max 1 %vol max 1 %vol max 1 %vol max 0.5 %vol	The Australian specifications regulate a broader range of octane enhancers than in New Zealand, although these limits are at a similar level to MTBE.
Distillation Measures of how petrol boils and evaporates across a temperature range.	Poor distillation characteristics can cause hard starting, stalling or increased emissions.	E70 E100 E150 Final Boiling Point	min 22%, max 48% min 45%, max 70% min 70%, max 75% 210 degC max	210 degC max	While the Australian specifications do not define intermediate distillation limits (they leave this to the fuel industry to control), given the similarities for most other properties we expect Australian fuel to be similar and once blended with petrol in tank largely should not cause non-compliance issues for suppliers at the pump.
Volatility (vapour pressure) Helps with cold starting.	High vapour pressure = more smog-forming emissions. Low vapour pressure = poor cold performance.	Auckland/ Northland: - Summer - Autumn & Spring - Winter	min 45 kPa / max 65 kPa min 45 kPa / max 80 kPa min 45 kPa / max 90 kPa	New South Wales: max 64 kPa, 62 kPa avg. Victoria:	The vapour pressure limits in Australia are set by State, with some States not having regulated limits.

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		Rest of the NI: - Summer - Autumn & Spring - Winter South Island: - Summer - Autumn & Spring - Winter	min 45 kPa / max 70 kPa min 45 kPa / max 80 kPa min 45 kPa / max 90 kPa min 45 kPa / max 75 kPa min 45 kPa / max 85 kPa min 45 kPa / max 95 kPa	max 64 kPa, 62 kPa avg. Western Australia: max 64 kPa, 62 kPa avg.	New Zealand specifications are more prescriptive. New Zealand fuel importers will be cognisant of the operability issues that can present with having a low RVP, so we expect they will be wary of importing cargoes below the regulated minimum.
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Annex 2: Differences between New Zealand and Australian fuel specs for diesel

Group	Why regulated	Property	NZ	Australia	Commentary
Cetane	Measures the ignition quality of diesel fuel – how quickly the fuel ignites after it is injected into the engine.	Index, Number, Derived Number	Either 51 min Index or 47 min Index and 51 min Number	46 min Index and 51 min Derived Number	Both are similar, but with different testing and measurements
FBT Measures how likely diesel will clog filters	Protects engines.	Max	2.5	2.0	The Australian specification is more stringent than for New Zealand.
Cold flow How diesel flows in colder temperatures	If diesel has poor cold flow properties, fuel filters can block and engines stall or fail to start. Needs to account for climatic differences.	Summer: Aklid/Northland Rest of NZ Winter (all NZ):	Cloud Point: +6 degC Cloud Point: +4 degC Cloud Point: +2 degC CFPP: -6 degC	Cloud Point degC 1 (Summer / Winter) QLD (nth) 7 / 4 QLD (Brisbane, etc) 4 / 1 NSW (Sydney, etc) 4 / 1 NSW (inland) 1 / -3 NSW (alpine) -1 / -6 VIC (Melbourne, etc) 4 / -1 VIC (alpine) -1 / -6	New Zealand cold flow properties include CFPP requirements for the winter period (15 April to 14 October inclusive). The cold flow properties (cloud point) for Australia are set by State and do not include any CFPP requirements. Diesel from QLD, particularly the tropical north, is unlikely to be suitable for New Zealand, even for blending with local diesel. However, diesel sourced from NSW and VIC is more similar to the New Zealand specifications, so may provide an option for blending with other diesel in country.