



# BRIEFING

## Overview of the refined fuel spot market

|                                 |               |                         |                      |
|---------------------------------|---------------|-------------------------|----------------------|
| <b>Date:</b>                    | 10 April 2026 | <b>Priority:</b>        | High                 |
| <b>Security classification:</b> | Restricted    | <b>Tracking number:</b> | BRIEFING-REQ-0030784 |

| Action sought   |   |               |
|---|---|---------------|
|   | Action sought                             | Deadline      |
| Hon Nicola Willis<br><b>Minister of Finance</b>           | <b>Note</b> the contents of this briefing | 13 April 2026 |
| Hon David Seymour<br><b>Associate Minister of Finance</b> |   | 13 April 2026 |
| Hon Chris Bishop<br><b>Associate Minister of Finance</b>  |   | 13 April 2026 |
| Hon Shane Jones<br><b>Associate Minister of Finance</b>   |   | 13 April 2026 |
| Hon Simeon Brown<br><b>Minister for Energy</b>            |   | 13 April 2026 |

| Contact for telephone discussion (if required) |                             |                            |             |
|--|-----------------------------|----------------------------|-------------|
| Name   | Position                    | Telephone                  | 1st contact |
| Justine Cannon                                 | GM, Energy Markets          | Privacy of natural persons | ✓           |
| Kasturi Sukhpure                               | Acting Manager, Fuel Supply |                            |             |
| Maria Botes                                    | Team Lead, Data and Domains |                            |             |

| The following departments/agencies have been consulted |
|--|
|  |

Minister's office to complete:

- |   |  |
|---|--|
| <input type="checkbox"/> Approved             | <input type="checkbox"/> Declined            |
| <input type="checkbox"/> Noted                | <input type="checkbox"/> Needs change        |
| <input type="checkbox"/> Seen                 | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn           |

Comments



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### Purpose

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To provide you with an overview of how the refined fuel spot market works and how it operates when supply chains are under pressure.

### Recommended action

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The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the contents of this briefing

*Noted*

### Privacy of natural persons

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Building, Resources and Markets, MBIE

10 / 04 / 2026

Hon Chris Bishop  
**Associate Minister of Finance**  
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Hon Nicola Willis  
**Minister of Finance**  
..... / ..... / .....


Hon Shane Jones  
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Hon David Seymour  
**Associate Minister of Finance**  
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Simeon Brown  
**Minister for Energy**  
..... / ..... / .....

## Contracting in the oil markets

### The spot market provides flexibility but becomes constrained under stress

1. Contracts for supply and purchase of crude oil and refined products is typically done as a combination of:
  - Term contracts – for supply of multiple parcels over an extended timeframe (1-3 years)
  - Spot contracts – supply of an individual parcel (under 3 months)
2. Buyers typically manage risk by ensuring they have a diverse range of supply options (countries, refineries etc.) and a mix of term and spot contracts. New Zealand fuel importers use the spot market to supplement term supply, respond to changes in demand, or replace disrupted deliveries. The split between term and spot contracts depend on each company's trading plans and will adjust over time.
3. The spot market is therefore an important source of flexibility in normal conditions, but it becomes more costly and difficult to access when supply chains are under stress, as they are right now. **Commercial Information**  

4. Envisory's analysis shows that the spot market in the Asia-Pacific region is deep and liquid under normal conditions, particularly in and around Singapore, which acts as the main regional trading, pricing and storage hub. A large number of refiners, trading companies and storage operators participate in this market, providing multiple supply options for buyers with established relationships.

### Spot market transactions operate on relatively short timeframes

5. The process from supply planning to distribution normally commence around three months before delivery.



6. Process could be longer for more distant voyages, shorter for those nearby.  
For term contract imports, the buyer will normally give its supplier notice of when a cargo is required (in Asia-Pacific this is usually about six weeks' notice). Where shipping is required, this is usually secured two to three weeks before loading. In spot markets, this is relatively closer.

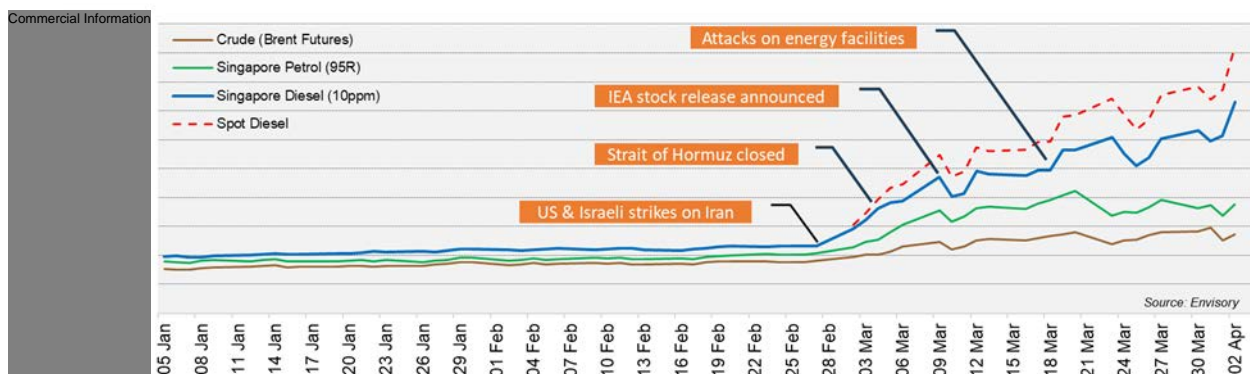
7. While spot purchases are operationally closer to delivery than term contracts, they still require planning and lead time. Even when a buyer moves quickly, replacement cargoes sourced through the spot market are normally delivered around 30 days after purchase, reflecting loading windows, shipping availability and sailing time.
8. It is normal for consignments to firm up over time and at times be rearranged, especially when booking consignments 5-6 weeks in advance. **Commercial Information**  
**Commercial Information** Although the current market is volatile, we understand that this is a normal part of operating practice. **Commercial Information**  
**Commercial Information**

*Forward pricing is central to how spot markets work*

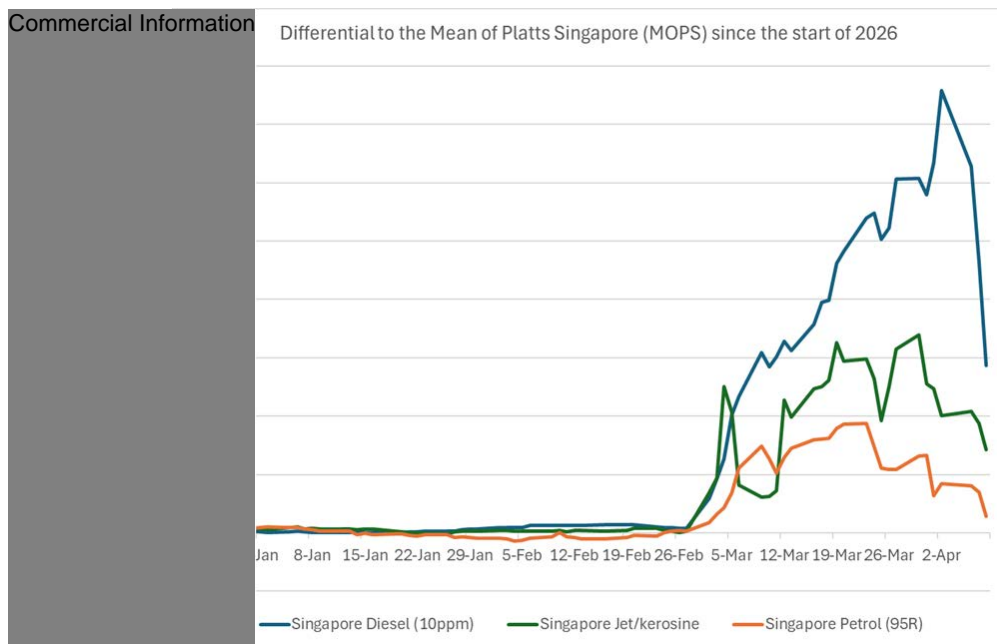
9. Products in the Asia-Pacific region are typically traded against the Platts benchmark price, with adjustments for fuel quality. The market estimates that this cargo will be a mean of the benchmark prices around the day of future loading. This is referred to as the MOPS (mean of Platts Singapore).
10. On top of this, there is a forward component added on that adjusts for real-world factors such as timing of deliveries and tightness of markets. This is referred to as the MOPS strip.
11. In stable market conditions, the MOPS Strip premium is usually small (< +/- US\$1/bbl), sometimes its above, and sometimes it's below depending on market conditions at the time.
12. Historically, suppliers embedded this cost in product premiums, and few customers were aware of it. Following Russia's invasion of Ukraine in 2022, these premiums increased sharply – reaching around US\$10 per barrel – resulting in losses for traders who could not pass the cost through existing contracts. Since then, traders have changed their pricing and contracting practices to ensure they can pass these costs on to customers.
13. The trading premium increases have been even more serve for the current events. Spot purchases in the current market are higher than term purchases.

## Signs the market is under stress

14. Oil prices and in particular MOPS prices indicate how well the supply chain is functioning.
15. Increase in crude prices suggests that oil stocks are lower and/or there is concern about forward availability of crude. Similarly, refined product prices will start to rise if the markets appears to be short of supply. We have seen this in the current market with Singapore diesel trading around double the price of crude, indicating tight supply.
16. The chart below shows that Singapore diesel commodity prices have risen sharply compared to crude and how spot prices are even higher.



17. According to Envisory, the best indicator of market dysfunction is the MOPS strip prices, because it reflects the cost of securing fuel for delivery in the following month. When markets operate normally, these forward premiums are small. When supply tightens, MOPS Strip increases sharply, indicating difficulty in securing future cargoes.
18. From 1 January 2026 to the start of the current conflict, the differential was averaging +/- USD 1.0 per barrel. Following the start of the conflict, differentials have increased significantly for diesel which peaked at USD 75.8 per barrel on 4 April 2026. The announcement that a ceasefire had been agreed to on 8 April 2026 including that the Strait of Hormuz would reopen saw differentials fall.



*Note: This is based on data that the Ministry of Business, Innovation and Employment has obtained under a commercial license and is not for further distribution.*

19. The spot market also shows stress through availability rather than price alone. Envisory notes that buyers without established supply relationships or term contracts can find it difficult to secure any product during periods of disruption, particularly diesel, regardless of their willingness to pay higher prices. In these conditions, pricing signals alone understate the severity of supply constraints.

## **Lag times for international prices to show up at New Zealand pump**

### *How global prices flow through to the NZ pump price*

20. NZ fuel prices are largely driven by international refined product prices, with crude oil prices influencing them indirectly. Domestic fuel prices comprise international benchmark refined prices, translated from USD to NZD based on exchange rates, together with shipping and supply chain costs.
21. Global markets move first: crude oil and refined product benchmarks (plus freight and insurance) set the imported cost base; NZD/USD converts this into NZD. Imported fuel cost then flows into wholesale/terminal prices and distribution, and finally into retail board and "price paid" measures.
22. Retail price changes are not instantaneous because the system holds inventory and because retailers adjust prices at different speeds, especially when costs fall.

*Typical lag in pricing flowing through to the pump*

23. According to the June 2024 Commerce Commission analysis, these cost changes typically flow through to the pump over about 1–2 weeks. Prices tend to rise quickly when costs rise but fall more slowly when costs drop, called as 'rockets-and-feathers' phenomenon, which is a short-lived effect.
24. We are currently observing that international price increases in response to the current conflict are flowing through more rapidly to the pump prices than we have seen historically.
25. Commerce Commission's monitoring in response to the conflict indicates international benchmark petrol costs have stabilised at elevated levels, while international diesel costs continued to increase, pushing diesel pump prices higher.

## Information on the fuel spot market

*Prepared for the Ministry of Business, Innovation and Employment*

*8 April 2026*

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This paper provides an overview of processes and timelines for trading refined petroleum products in the Singapore region.

### Contracting in the petroleum market

Each step in a petroleum supply chain is supported by a contract in some shape or form. Most transactions are for the supply of crude or refined products, and the associated shipping or other logistics options (pipeline, rail, storage). These contracts underpin the movement of liquids.

There are also contracted transactions to support ancillary services (e.g. quality inspection, ship agency service), although these transactions are minor in comparison to petroleum and shipping.

### Nature of petroleum contracts

Contracts for supply and purchase of crude oil and refined products can include:

- Longer duration (term) contracts – for supply of a number of parcels over an extended timeframe (e.g. 1-3 years)
- Short duration (spot) contracts – supply of an individual cargo or parcel of product

Regardless of duration, contracts will contain provisions for setting timing for shipment and the responsibilities for delays. Shipping is central to petroleum logistics, so contracts are drawn in a way that allows both parties to deal with the inherent characteristics of shipping where delay can arise through weather, congestion or sometimes mechanical breakdown.

Suppliers will prefer to limit the window for loading a cargo (1-3 days) to minimise the impact of shipping on the production facilities. Whereas buyers will look to maximise their flexibility both for volume and timing to allow for delays that can arise, or to provide commercial opportunities to improve supply efficiency, such as to defer lifting to secure a better shipping option.

Contracts are typically designed in a way that gives a high degree of flexibility initially (timing and volume), which gradually reduces as the commitment comes closer to being operational. Typically, the contractual process would start with a broad nomination (e.g. cargo to be lifted within a 15-day window), which gradually reduces to a narrower window (5 days), and finally fixes to a contractual window (3 days) when the tanker is obliged to arrive and the parcel is to be available. The contract terms will then address how risks are allocated for non-performance.

For volume, the supplier may offer flexibility in the requested parcel size before a lifting is required or flexibility on the final cargo size (e.g. +/- 5%). This can be useful to the purchaser as it will provide some flexibility to manage changes such as to forecast demand. The volume obligations have to be declared using the same timeframes as when the lifting windows narrow.

## Supply Chain Timeframes

With the numerous steps required to deliver products to market, supply chains need sufficient lead time in order to accommodate the activities required for each step.

The time dimension for a supply chain can mean that for product delivered to the customer in the current month (M), the process for selection and purchase of the products, shipping of products to country and holding inventory before distribution to market will normally commence around three months before delivery (including the planning process). Each of these stages and activities occur continuously (i.e. stock is always being planned for and is continuously moving through the chain).



Process could be longer for more distant voyages, shorter for those nearby.

The operational phase of the process deals with the actual movement of product through the supply chain which includes organising and confirming ships, preparing loading arrangements, monitoring stock on the water, cargo discharging activities and continuous monitoring of inventory levels.

## Planning and execution

The supply-planning function will consider forecast inventory levels and future demand requirements when planning product purchases to ensure sufficient stocks, while ensuring vessels will be able to discharge their cargo on arrival.

Companies will often look to manage supply needs through a contractual arrangement for a period (“term” deal), especially in the case of independent marketing companies which may not have the dedicated trading resource. Larger integrated oil companies will have trading resources so may leave some of their supply open to spot purchases in order to actively participate in the market.

In all cases, buyers of product will look to manage risk by ensuring:

- A diverse range of supply options (countries, refineries, counterparties), with a mix of term and spot supply contracts
- A secure supply of ships, often via term arrangements with ship owners, and sometimes direct ownership, although most oil majors have exited ship ownership activities
- The ability to trade (or have a relationship with a supplier with this ability) in case there is disruption to primary supply

For imports the buyer will normally give its supplier notice of when a cargo is required (in Asia-Pacific this is usually about six weeks’ notice). Where shipping is required, this is usually secured two to three 3 weeks before loading. In spot markets, execution and operation are relatively closer.

## Trading, blending and storage

There is substantial trading activity in all major products (i.e. petrol, jet fuel, diesel) from the large export refineries in Asia, and there is also depth to the market provided by trading companies which take positions in the market by securing rights to refinery offtake and/or securing deals to supply independent marketers.

Commodity trading companies describe their process as putting a matrix of opportunities together covering numerous supply options and numerous demand requirements. Rather than dedicating a certain supply option with a particular demand requirement, they will have several supply options including term purchases, processing deals and occasionally refineries, which they will supplement with spot purchases. Their market demand (referred to as “shorts”) will be their own system demand (related marketing companies), supply deals to independent marketers and sales to other market participants. They will optimise their matrix of opportunities on a continual basis as the market provides opportunities to trade.

Disruption may require adjustment to this supply matrix although it can also provide opportunities to further optimise the supply. This may involve selling a cargo intended for system demand at short notice to cover another company's requirement and replacing that cargo from another source while making a margin between the sale price of one cargo and the purchase of the replacement.

This optimisation is supported by physical assets such as large storage facilities. These provide an option of putting product into storage if there is no market demand (at the right price) for the product at the time or to build product inventory to provide security and supply options for future demand. As with crude, the forward market pricing structure can impact the attractiveness of storage strategies.

The requirement to have regular demand for product (“shorts”) has seen both trading companies and companies with excess product (e.g. South Korean refiners) looking to secure independent market outlets in the Asia-Pacific region in recent years.

There are also companies that specialise in blending activities (including traders). In this case, refineries may produce components which cannot be absorbed within their petrol blending pool. Blenders purchase these components to take into their storage facilities. These are then blended with other components to make finished grade fuels for various markets. In Singapore, the blending of components in this way produces as much finished product for export as is actually refined in Singapore. Blending in some markets gives an alternative supply option for product buyers.

Product trading, blending and storage strategies add more depth to product markets. In effect, these provide extra inventory that can be called on to supplement market supply in a disruption. As with other market activity, these inventories are actively monitored and reported on. Changes in volumes stored can alter market perceptions on the supply-demand balance and influence market price.

## Pricing and spot market prices

Products in the Asia-Pacific region are typically traded against the Platts benchmark price with adjustment for the quality of the fuel being supplied. As the market price is unknown for when the cargo will be loaded these are often expressed as the MOPS (mean of Platts Singapore) price for a period of days centred around the Bill of Lading (BoL) date for the cargo. While the price dates vary, two common options are five days around BoL (more common in spot trades) and three weeks around BoL (this is more commonly used in term arrangements or by oil majors for internal sales to their affiliates).

Spot trades will often include what is known as the MOPS Strip price. In simple terms this reflects the value of securing a cargo for delivery in 30 days' time – it is strongly correlated to the forward market for the product hence it is referred to as the strip (a strip is a term used for a series of forward prices). The premium is locked in when a cargo is purchased and is added to the price when the cargo is lifted. In a normal market the strip figures are quite small (< +/- US\$1/bbl) and can be both positive and negative.

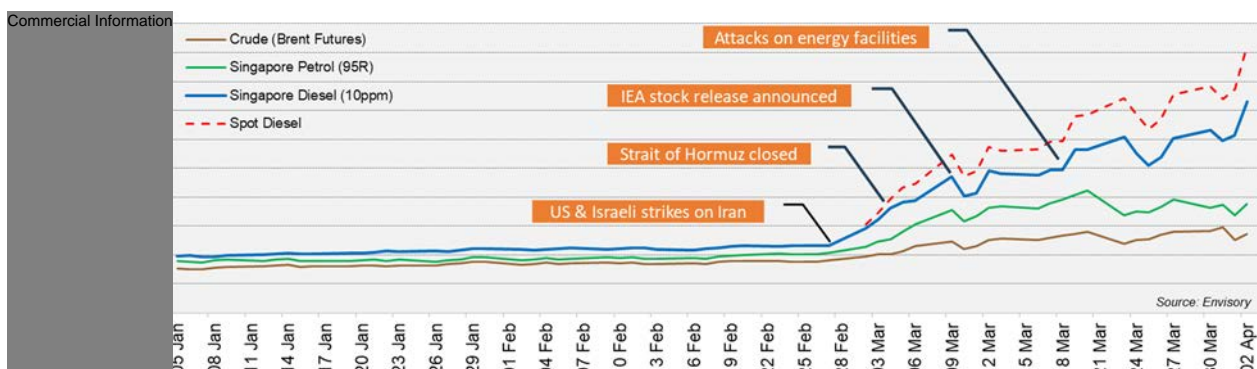
Historically this was built into product premiums, with few customers aware of this. These premiums blew out significantly (up to US\$10/bbl) in the aftermath of the Ukraine invasion (2022), catching out many traders leading to significant losses for those unable to pass these through in their supply contracts. Since then, traders have built the strip into pricing formulas or given themselves the ability to pass them through to avoid being caught out again.

The trading premium increases have been even more severe for the current event, reflecting that if a buyer does not have an established supply relationship, they will likely find it very difficult to get any product in this market (particularly diesel). It is important to emphasise that today's strip relates to a delivery in 30 days' time, not today's price.

Monitoring of oil prices and in particular the MOPS Strip prices is a useful measure of how well the supply chain is functioning. To give some examples:

- If crude oil prices are on the rise, this might suggest oil stocks are lower than normal and/or there is concern about the forward availability of crude, as was the case with the Strait of Hormuz shut, and the swift drop in prices following the two-week ceasefire announcement.
- Similarly benchmark prices for refined products will start to rise if a product market appears to be short. With the current events we have seen this with Singapore diesel trading around double the price of crude oil, suggesting product supply is short.
- Perhaps the best indicator of market disfunction is through monitoring of the MOPS Strip prices as those most likely to be impacted by a supply short will be those who are buying on the spot market, rather than buyers with term contracts.

The chart below illustrates how Singapore petrol (to some extent) and diesel commodity prices have risen sharply compared to crude (Brent futures on this chart) and how spot prices are even higher.



Monitoring of these prices over time provides a good measure of how well the supply chains are working for each commodity.

### Financial market risk

Like any other market, the flow of oil through the supply chain is dependent on the financial system continuing to process transactions relating to the sale and purchase of petroleum. Finance and credit are major considerations in each transaction.

As normal terms for payment for cargoes are 30 days following loading, the financial stability of the buyer is a major factor in the transaction. Any buyer that a seller considers to be financial risk (and since the 2008 Global Financial Crisis, this risk has increased), will be required to guarantee payment, normally via a letter of credit from a bank. Sometimes, a seller will even require payment before the cargo is loaded. Companies active in the market have developed capacity to continually assess counterparty risk, credit and who they are willing to trade with (and to what value).

**Envisory Limited** is an energy consultancy specialising in strategic issues affecting the energy sector, including the transition towards low or zero carbon fuels. With a comprehensive knowledge of local and international energy markets, we provide strategic advice, comprehensive analysis, and services across the entire sector.

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