MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Overview of diesel supply, demand and economic significance for New Zealand

Date:	8 April 2026	**Priority:**	High
Security classification:	Restricted	**Tracking number:**	BRIEFING-REQ-0030539

Action sought		
	Action sought	**Deadline**
Hon Nicola Willis **Minister of Finance**	**Note** the contents of this briefing.	10 April 2026
Hon David Seymour **Associate Minister of Finance**		
Hon Chris Bishop **Associate Minister of Finance**		
Hon Shane Jones **Associate Minister of Finance**		
Hon Simeon Brown **Minister for Energy**		

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Justine Cannon	GM, Energy Markets	Privacy of natural persons	
Scott Russell	Manager, Fuel Supply Policy	Privacy of natural persons	✓
Kasturi Sukhapure	Acting Manager, Fuel Supply Policy	Privacy of natural persons	

The following departments/agencies have been consulted
Ministry for Primary Industries, Ministry of Transport, Treasury

Minister's office to complete:

- ☐ Approved
- ☐ Noted
- ☐ Seen
- ☐ See Minister's Notes
- ☐ Declined
- ☐ Needs change
- ☐ Overtaken by Events
- ☐ Withdrawn

Comments

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Purpose

To provide you with an overview of diesel supply, demand and economic significance in New Zealand.

Executive summary

Key Messages:

- Diesel is an essential input into the New Zealand economy. It plays a critical role in food production, transporting essential goods, emergency services, electricity generation, and other essential services. This means that demand flexibility for diesel is low – it is highly inelastic. This means that increasing prices and supply shortages would have significant and adverse effects on the economy.
- New Zealand consumes around 3,851ML diesel annually or 10.7ML diesel a day.
- Transport accounts for around 76 percent of total diesel consumption, primarily used in freight and commercial transport.
- Primary production sectors (agriculture, forestry and fishing) account for around 9 percent of total diesel consumption followed by the industrial sector, which uses 8 per cent. Agriculture diesel demand is highly seasonal with peaks in spring and autumn.
- The 2025 Fuel Security Study estimates that lifeline utilities account for less than 5 per cent of the normal diesel demand. Including critical transport use (e.g., food distribution and essential workers) equates to a further 5-15 per cent of petrol and diesel demand.
- Diesel prices have spiked considerably since the beginning of the war (102% compared to 37% for 91 petrol, as at 8 April 2026).
- In MBIE's engagement with the Major Fuel Users group, sectors outlined severe cost pressures, noting that diesel represents a substantial share of operating costs and that price increases are difficult or impossible to pass through to customers in some sectors.
- Within sectors, diesel use will have a merit order, with some activities being critical to current production and avoiding long term productivity losses (e.g. crop harvest and livestock processing, or transporting high value and essential goods), and other uses being less critical.
- Refined product prices for diesel are increasing due to already constrained global supply and inelastic demand in freight, agriculture, and construction. Meanwhile, petrol is sufficiently supplied, with weaker, more elastic demand. This widening gap between global prices for diesel and petrol is now a key factor influencing our domestic pricing.

Recommended action

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

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

Noted

Privacy of natural persons

Justine Cannon
General Manager, Energy Markets
Building, Resources and Markets, MBIE

08 / 04 / 2026

Hon Chris Bishop
Associate Minister of Finance
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Hon Nicola Willis
Minister of Finance
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Hon Shane Jones
Associate Minister of Finance

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Hon David Seymour
Associate Minister of Finance
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Simeon Brown
Minister for Energy

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New Zealand supply chains

Our fuel importers import diesel mainly from Asian refineries

1. In 2025, New Zealand imported 4,000ML of diesel, with around 85 per cent from South Korea (51 per cent) and Singapore (34 per cent).

2. Commercial Information .

Diesel storage and stock volumes are spread across New Zealand regions

3. The Minimum Stockholding Obligation (**MSO**) requires fuel importers to hold 21 days of diesel physically in New Zealand or on ships within New Zealand's Exclusive Economic Zone. From 1 July 2028, the MSO for diesel will increase to 28 days for the three majors – bp, Mobil and Z Energy.

4. Since the MSO came into force on 1 January 2025, fuel companies have consistently held more than the 21 days requirement, Commercial Information

5. New Zealand has 434ML of diesel storage capacity across our 10 fuel import terminals and two inland terminals (Wiri and Woolston).

6. As at 11:59pm on Sunday, April 5, New Zealand has 52 days of diesel cover – 24 days of diesel held in-country, 2 days on ships within our EEZ and around 26 days on ships en route to New Zealand.

7. Key diesel import, storage and stock statistics are included at **Annex One**.

Demand and consumption in New Zealand

8. Diesel plays a critical role in food production, transporting essential goods around the country, for emergency services, back-up electricity generation and other essential services.

9. New Zealand consumes around 3,851ML diesel annually or 10.7ML diesel a day.

    a. Roughly, a quarter to a third of diesel is delivered through bulk deliveries direct to consumers (for example to bulk tanks) for off-road uses across agriculture, forestry, fishing, building and construction, mining, industrial, commercial, residential and marinas.

    b. The rest is distributed through the retail network (stations and truck stops) for on-road uses.

    c. A small amount of diesel that is imported into New Zealand is shipped to Chatham Islands, Niue and the Cook Islands.

10. Diesel consumption has been steadily increasing in New Zealand. It increased by around 10 percent between 2017 and 2023, while petrol demand declined over the same period with engine efficiency improvements and uptake of electric vehicles (EVs).

11. According to the 2025 Fuel Security Study, diesel demand is projected to rise initially over the next 5-10 years and decline from mid 2030s as alternatives to diesel uses become economical. For instance, in China, electric trucks are now cheaper than diesel trucks over their lifetime, with cost parity expected in Europe and the United States by 2030.

12. In the short run diesel usage is highly inelastic – demand cannot be substituted or easily reduced in the face of temporary price or supply shocks.

Diesel use by sector

Transport

13. Transport accounts for around 76 percent of total diesel consumption, equivalent to approximately 2,956ML per year, primarily used in freight and commercial transport. Diesel powers almost all heavy trucks, freight rail, marine transport, most off-road machinery and many buses.

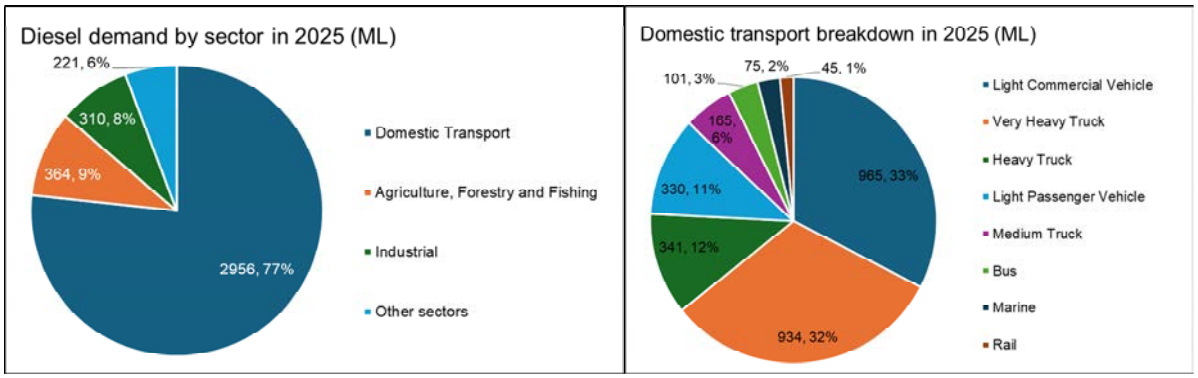


Figure 1: Diesel demand by sector and within transport in 2025 (source: MBIE, EECA and Envisory)

14. According to Ministry of Transport's data, as of March 2026 New Zealand's diesel vehicle fleet comprised:

    a. 659,000 light commercial vehicles (57 per cent of all diesel vehicles)

    b. 311,000 light passenger vehicles (27 per cent)

    c. 190,000 heavy vehicles (16 per cent)

15. In addition, there are approximately 13,000 hybrid diesel or diesel plug-in hybrid (PHEV) vehicles.

Agriculture, forestry and fishing

16. Outside transport, the next big users are agriculture, forestry and fishing. Diesel use in these sectors, particularly agriculture, is largely non-discretionary and underpins all stages of food and fibre production, including on-farm operations, harvesting, processing, livestock transport, food distribution, and the operation of rural water systems. There is little scope for short-term substitution or further demand reduction in these activities without stopping work, risking crop losses or compromising animal welfare.

17. Diesel demand in these sectors is also seasonal, which amplifies risk for different sectors. For sectors that are harvesting or planting (eg arable crops, wine, kiwifruit), April is one of the most fuel intensive points of the year. Even short disruptions could have medium to longer term structural impacts on production, now and in later years.

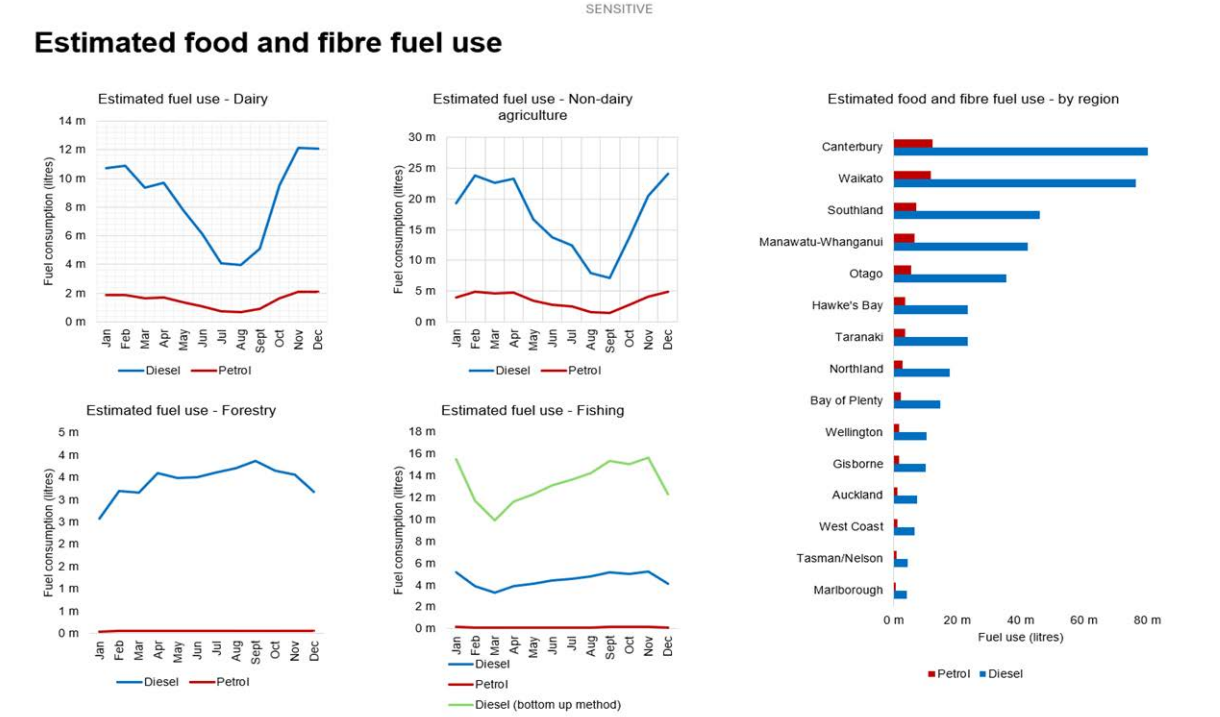


Figure 2: Agriculture, forestry and fishing seasonal use profile (source: MPI, indicative estimates derived from EECA)

18. Dairy and non-dairy agriculture have a clear peak use from December to April – begins to fall after April. We have sufficient stock nationally for the remainder of the peak season.

19. MBIE's engagements with NPD, Allied and Fern confirmed that current regional diesel demand pressures largely reflect predictable seasonal patterns in the primary sector.

20. Distributors advised that agricultural and forestry activity is at or near peak fuel use during the harvest period, contributing to elevated and uneven diesel demand through March and early April. They expect demand to begin tapering once the main harvest season concludes in April, which should ease pressure on rural distribution networks, provided allocation and delivery settings adjust accordingly [BRIEFING-REQ-0030164 refers]

Electricity generation

21. There are two grid-scale diesel peaker plants – Contact's 155MW Whirinaki diesel peaking plant in Hawke's Bay and the 50MW peaking unit 6 in Genesis' Huntly power plant, which can run on both gas or diesel.

22. They only operate when wholesale prices are high enough to make them economical. Current hydropower storage levels and the availability of lower-cost generation mean these plants are not expected to operate this year.

23. Diesel is also used in back-up electricity generators, such as in hospitals, in New Zealand and in our realm countries. For example, Chatham Islands traditionally use 2.2ML diesel each year, much of it for electricity generation. The Government-funded wind farm finished in 2025 has reduced diesel use by around 70%, but there is still need for some diesel backup.

Lifeline utilities and critical users

24. During Covid level 4 restrictions, diesel consumption dropped to 30-40 per cent compared to business-as-usual consumption. The 2025 Fuel Security Study estimates that lifeline utilities account for less than 5 per cent of the normal diesel demand. Adding critical transport use

(eg food distribution and essential workers) may only raise the demand for petrol and diesel by another 5-15 per cent of normal demand.

Diesel prices are rising globally

25. Diesel is a middle-distillate fuel. When crude is refined, it condenses at intermediate temperatures in the middle portion of the distillation column, positioned between lighter products (such as petrol) and heavier products (such as heavy fuel oil).

26. Diesel is denser than petrol and is more expensive to produce. Refiners typically produce about two barrels of petrol for every one barrel of diesel.

27. Reduced crude availability has raised refined product prices, especially for diesel, due to competition from jet fuel (as middle distillates) and inelastic demand in freight, agriculture, and construction. Meanwhile, petrol is sufficiently supplied, with weaker, more elastic demand and no significant competition from substitutable products, leading to softer margins compared to diesel and jet fuel. This widening gap between diesel and petrol global refined prices is now the main factor influencing our domestic prices.

28. Diesel has been in tight supply for years. Confidential information entrusted to the Government . Large parts of the global refining system are already maximising middle distillate yields.

Some sectors are particularly exposed to higher diesel prices

29. In our engagements with large diesel users we have heard that price is already constraining operations. Some sectors are more exposed than others.

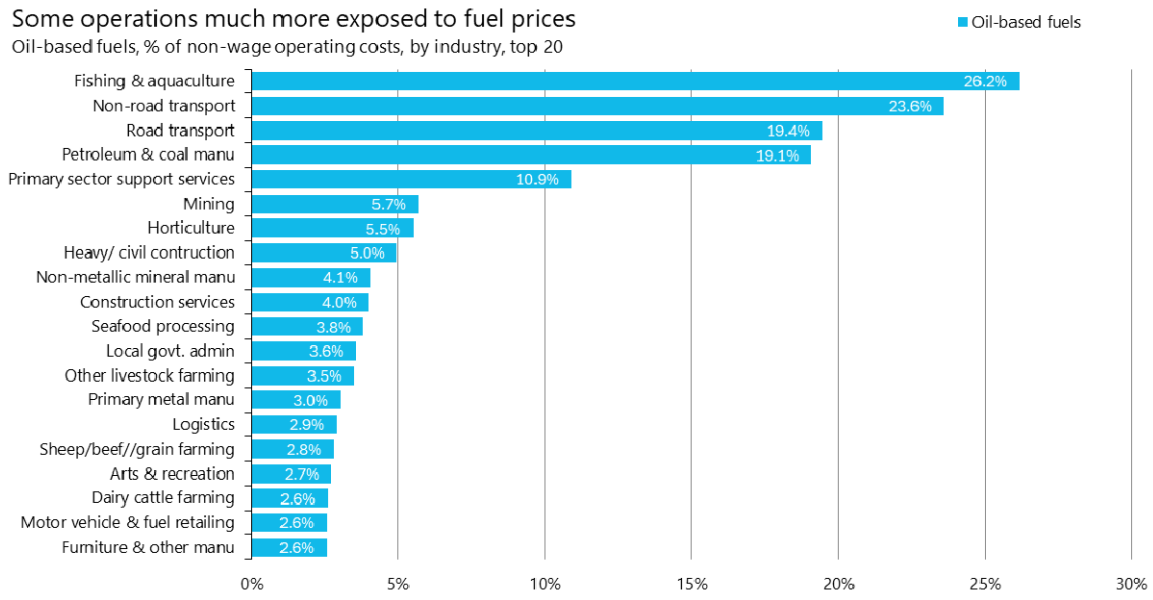


Figure 3: Industry exposure to fuel and transport costs (source: Infometrics analysis, March 2026)

30. Commercial Information, Confidential information entrusted to the Government

Commercial Information, Confidential information entrusted to the Government

Current measures related to diesel

Fuel specifications

35. Fuel specifications set the minimum technical and environmental requirements that petrol, diesel and other transport fuels must meet before they can be supplied in New Zealand. Our fuel specifications are set through the Engine Fuel Specifications Regulations 2011. The regulations have been amended to allow Australian-specification fuel (with the exception of sulphur) to be supplied in New Zealand. Confidential information entrusted to the Government .

36. Diesel specifications are more globally consistent than petrol. Of the specifications that have been recommended for relaxation by our technical experts and fuel companies, most of these have already been actioned through the changes to allow Australian specifications. We Confidential information entrusted to the Government .

Fuel supply

37. The Government has taken steps to strengthen onshore diesel supply. In April 2026, Ministers approved funding of up to $21.6 million from the Regional Infrastructure Fund to support Channel Infrastructure to recommission unused storage tanks at Marsden Point, increasing onshore diesel storage capacity by around 90 million litres.

38. This additional capacity is equivalent to approximately eight days of national diesel supply and is expected to be available within two months. The measure improves New Zealand's ability to store and manage diesel during periods of international supply disruption, increases flexibility for fuel importers to secure additional cargoes when opportunities arise, and

materially strengthens fuel resilience without requiring the Crown to own or hold physical fuel.

Fuel Response Plan 2026

39. On 25 March, the Ministerial Economic Security and Supply Chains Group (the Oversight Group) agreed the Fuel Response Plan 2026, to ensure New Zealand's fuel security by providing a structured, four-phase response to major fuel supply disruptions. We are currently at Phase 1 for all fuel types (petrol, diesel, jet fuel).

40. The Ministerial Oversight Group can decide to shift to Phase 2 for any fuel type at any time, with the standard process being that the Group meets once criteria have been met for an assessment and, in making its decision, considers advice from officials and industry.

41. Confidential advice to Government

42. Confidential advice to Government .

Annexes

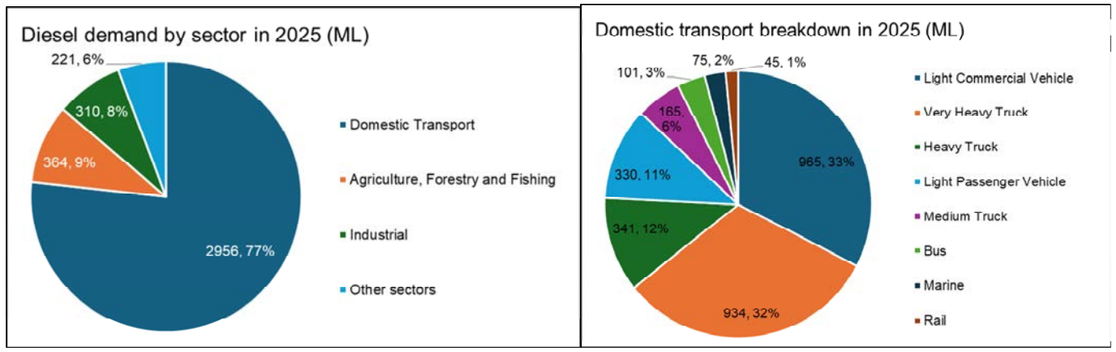
Annex One: Key diesel statistics

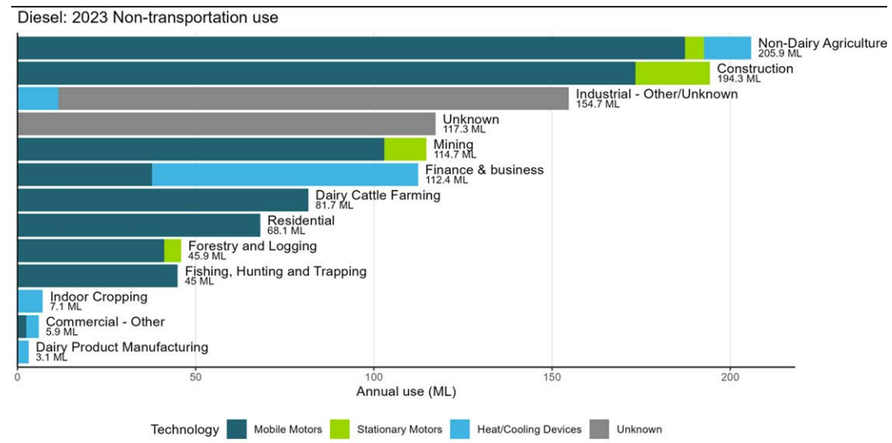
Annex One: Key diesel statistics – supply, demand and prices

New Zealand imported **4,000ML of diesel in 2025**, with around 85% from South Korea and Singapore. We use roughly **10.7ML of diesel every day**.

Commercial Information

Diesel demand and exposure to prices by sector





*Note that above graph is for year 2023.