



BRIEFING

Commercial proposals for supporting security of fuel supply

Date:	8 April 2026	Priority:	Urgent
Security classification:	Restricted	Tracking number:	BRIEFING-REQ-0030521

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Note and agree to the recommendations	9 April 2026
Hon Shane Jones Associate Minister of Energy	Note and agree to the recommendations	9 April 2026

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Nic Blakeley	Chief Executive	Privacy of natural persons	✓
Chris Bunny	Deputy Secretary, The Treasury		
Andrew McGavin	Commercial Lead, Fuel Response		
Alistair Dixon	Policy Director		

The following departments/agencies have been consulted
The Treasury was involved in preparation of this briefing.

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 Withdrawn |

Comments



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Purpose

To brief you on proposals received to support fuel supply, including in response to the request, NZ Fuel Market – Supply, Resilience and Commercial Options.

Executive summary

On 31 March 2026, Cabinet agreed urgent work to strengthen fuel supply resilience, including assessing commercial options with existing fuel importers and, where appropriate, progressing government support arrangements. A request for supply solutions was sent to the five New Zealand fuel importers. Submissions closed Tuesday 7 April 2026.

Commercial Information

Separately, officials have received unsolicited proposals from fuel traders; these generally carry higher financial, legal and operational risk and require further due diligence (including, for some offers, potential sanctions risk).

You are being asked to agree that officials proceed to evaluate and negotiate with Z Energy, and report back to Ministers with a final, fully costed proposal before any commitments are entered into. Negotiations with Z Energy do not lock in the Crown; they are intended to develop one credible, fully costed option for Ministers to consider alongside any alternatives that may emerge.

You are also being asked to agree that negotiations proceed on the basis that the Minister of Finance is willing to consider Public Finance Act mechanisms that may be required to manage risk (with any specific approvals sought once the mechanisms are sufficiently defined).

At a high level, Z Energy proposes to bring in additional volumes equivalent to around 12 days diesel and 9 days jet fuel, arriving early June. Z proposes storing 90 million litres of diesel in recommissioned storage at Marsden Point, 45 million litres in floating storage, and storing 45 million litres of jet fuel in floating storage until Z's new jet storage is available in early July. Z's commercial position is that the Government would cover key downside costs and risks (including freight, demurrage, additional storage costs and provision of working capital), on a basis intended to leave Z with zero downside risk.

This approach is consistent with International Energy Agency (IEA) expectations for members to support market stability and is broadly aligned with the approach being taken by Australia.

Key issues to test through evaluation and negotiation are: (1) deliverability and system integration, noting Z is an incumbent importer with established infrastructure; (2) the overall value-for-money and the balance of risk between Z and the Crown, given the proposal shifts material downside risk to government; and (3) the cost and operational complexity of relying on floating storage pending onshore capacity at Marsden Point.

Next steps are for officials to complete detailed evaluation and costing and commence negotiations with Z Energy within agreed parameters [redacted] Commercial Information [redacted]. Officials will report back to Ministers with a recommended approach, including any Public Finance Act approvals required, before any final commitments are entered into.

Recommended action

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

a **Note** that a proposal from Z Energy has been received in response to the request for supply of diesel and jet fuel, which closed at 5pm Tuesday 7 April.

Noted

b **Note** that the Z proposal involves:

- 90 million litres diesel (equivalent to about 8-9 days demand) stored at Marsden, re-commissioned storage, and 45 million litres diesel floating.
- 45 million litres Jet floating until Z's new Jet storage is available in early July.
- the Government covering downside risk / costs including freight, demurrage costs, additional storage costs, and provision of working capital fund all on the basis of a zero risk to Z

Noted

c **Note** that discussions are continuing with both [redacted] Commercial Information [redacted]

Noted

d **Agree** that, subject to detailed evaluation of the proposal, officials should progress negotiations with Z Energy, with a focus on the 90 million litres of diesel proposed to be stored at Marsden, and that officials will report back to Ministers with a formal proposal once negotiations have completed.

Agree / Disagree

e **Agree** that officials should progress discussions on alternative options with [redacted] Commercial Information [redacted] as well as the major trading houses in Singapore including, but not necessarily limited to, [redacted] Commercial Information [redacted] and report back to Ministers as soon as possible.

Agree / Disagree

f **Note** that an additional ten unsolicited proposals at varying stages of maturity have also been received from various oil traders, but these options generally carry higher financial, legal, and

operational risk than working with existing NZ importers and would require significant additional due diligence.

Noted

- g **Note** that the commercial framework outlined in this paper allows for a repeatable process, if required eg. for further supply or replenishment of reserves.

Noted

- h **Note** any commercial arrangement that is negotiated is likely to propose the management of risk by way of mechanisms requiring the approval of the Minister of Finance under the Public Finance Act.

Noted

- i **Note** the Minister of Finance may approve derivatives, indemnities, guarantees or lending if it appears to her to be necessary or expedient in the public interest.

Noted

- j **Agree** that discussions will proceed on the basis that the Minister of Finance is willing to consider these mechanisms.

Agree / Disagree

- k **Note** the Minister of Finance's approval to any proposed mechanisms will be sought once there is sufficient certainty this is required and prior to any final agreement regarding those mechanisms with commercial parties.

Noted

- l **Note** that the proposals are likely to have fiscal implications, which will be a mix of capital and operating expenditure, depending on further development and assessment of the details of the proposals. Therefore, would impact on the operating balance before gains and losses excluding ACC (OBEGALx) and net core Crown debt.

Noted

- m **Note** that Ministers can choose to manage any fiscal impacts on key fiscal indicators through Budget allowances.

Noted

- n **Note** that most of the proposals are likely to have a fiscal impact when entered into, rather than being recorded as contingent liabilities. However, this assessment could change as further policy detail becomes available.

Noted

- o **Direct** Treasury to provide advice on the negotiated proposal with a view to assessing its economic, financial and commercial impacts.

Agree / Disagree

Privacy of natural persons



Andrew McGavin
Commercial Lead, Fuel Response
MBIE

08 / 04 / 2026

Hon Nicola Willis
Minister of Finance

___ / ___ / 2026

Hon Shane Jones
Associate Minister of Energy

___ / ___ / 2026

Background

1. On 31 March 2026, Cabinet agreed to a strategy to bolster fuel supply. This included:
 - a. Urgently progressing assessment of commercial proposals with existing fuel importers to support procurement of additional fuel supply
 - b. The Associate Minister of Energy bringing a proposal to the Regional Development Ministerial Group in relation to refurbishment of two tanks to allow for additional diesel storage by Channel Infrastructure
 - c. Assessing unsolicited proposals for additional supply and providing recommendations on these proposals to responsible Ministers.
2. A request, NZ Fuel Market – Supply, Resilience and Commercial Options, was released Thursday, 2 April 2026 to the following fuel importers: BP, Gull, Mobil, Timaru Oil Services Limited (TOSL), and Z Energy. Proposals were sought for:
 - a. Support to provide additional fuel stockholdings to increase New Zealand’s resilience to fuel supply chain disruptions
 - b. Use of New Zealand’s ‘tickets’ (purchase options held under the International Energy Agency Treaty) to support resilience in the New Zealand distillate (fuel) supply market.
3. Separately, unsolicited proposals for additional fuel supply have been received from global fuel traders over the last couple of weeks. The proposals generally assume the New Zealand Government as a counter party.
4. At this point, New Zealand importers are not seeking additional government support, but they are supportive of the Government’s initiative to look at ‘insurance’ options. Commercial Information Commercial Information have verbally confirmed they are committed and comfortable with their ability to continue to supply New Zealand.
5. This briefing provides an early assessment of the proposals that have been received in response to the request and the commercial terms that might be appropriate to apply to the preferred proposal(s). It also discusses detail on the commercial terms offered in relation to unsolicited proposals where we have been able to obtain this information, along with options for storage of additional supply
6. Separate to the question of obtaining additional supply of fuel as ‘insurance’ against future disruptions, the Minister of Finance has also requested advice about maintaining ‘business as usual’ volumes to ensure sufficient fuel supply. This briefing discusses this issue and outlines potential options for maintaining business and usual volumes.
7. The briefing then discusses the approach to financing government support of fuel supply.

Proposals for additional supply

Proposals received

8. The following responses were received:

Commercial Information



We have obtained further details about unsolicited proposals for additional supply

9. Of the unsolicited proposals that have been received to date, the following have been developed to a sufficient level of detail to identify how they might be taken forward:
 - a. Commercial Information
 - b. Commercial Information

Proposal from Commercial Int

Commercial information, negotiations

Proposals from various oil traders

14. Details of proposals from various oil traders are set out in Annex 1. While commercial terms have been provided to a moderate level of detail for some of the proposals, further work is likely to be needed for them to be in a form the government could consider. We note at least some proposals are unlikely to be acceptable as there is a high likelihood the oil is subject to sanctions, e.g. the product is sourced from Russia.

Assessment of proposals for additional supply

15. Since the proposals have only just been received, we are still analysing them in detail.
16. National security or defence is an existing, systemically important importer with: Z

- Established infrastructure,
- Deep integration into the NZ supply chain,
- A strong incentive to maintain domestic fuel security.

17. [Redacted] Commercial Information [Redacted]
 [Redacted]
 [Redacted]

18. Working with incumbents reduces execution risk, the risk of distorting the market, and avoids the need for government to directly own or trade fuel.

19. [Redacted] Commercial Information [Redacted]
 [Redacted]
 [Redacted]

20. [Redacted] Commercial Information [Redacted]
 [Redacted]
 [Redacted]
 [Redacted]

21. Officials recommend that, subject to detailed evaluation and assessment of the Z proposal, officials should proceed to formal negotiations with Z. [Redacted] Commercial Information [Redacted]
 [Redacted] Commercial Information [Redacted] At the conclusion of these processes officials would provide a formal recommendation to Ministers.

Use of IEA tickets should be retained as a later measure to consider

22. One of the unsolicited proposals [Redacted] Commercial Information [Redacted] offered to convert New Zealand’s oil tickets to deliveries of diesel and jet fuel to Marsden point in the last week of April and first week of May. Feedback from other importers is that the oil tickets are complex, and it is simpler and likely less costly to source fuel from the market.

23. We consider tickets should be pursued as one of the last measures Government might use to secure additional supply. The reasons for this are as follows:

- The other government support measures are more straightforward to implement and more likely to result in additional supply when we need it. Further pursuing the commercial details of these measures remains the priority.
- Tickets are complex to utilise as they likely require products we hold to be converted into something New Zealand can use which adds time and complexity in the required commercial structure.
- Importers could not immediately “receive” the additional supply that tickets would be converted to, as they continue to report no gaps in their orders. [Redacted] Commercial Information [Redacted]
 [Redacted] Commercial Information [Redacted]
 [Redacted]
- If the crisis is prolonged, there is a chance that the IEA members agree another collective action (IEA officials have begun mooting this idea internally, but it is not a formal proposal yet and it is not clear whether IEA members support further

actions). Our tickets are New Zealand's only way of complying with such an action if it happens (however we could also oppose the IEA undertaking such an action).

Potential commercial terms for additional supply

Context

24. The Government has set an objective to increase the amount of fuel 'insurance cover' it holds by increasing NZ's aggregate fuel stockholdings.
 - a. Fuel importers have a just-in-time operating model that means importers only hold as much stock as necessary to supply their market share.
 - b. Generally, this means they hold approximately 15 days of fuel supply across their domestic supply chain infrastructure (e.g. pipelines, storage, transfer stations, retail outlets, on trucks); this is their business-as-usual (BAU) operational requirements and is over and above the Minimum Stockholding Obligation (MSO) they also hold to comply with regulatory requirements.
25. Any additional 'insurance cover' that the Government seeks should be in addition to BAU and MSO requirements, otherwise any support provided will merely subsidise importers' BAU activities and not achieve the Government's objectives.
26. The Australian Government have announced similar objectives and that they will support importers through underwrites, guarantees, indemnities and loans to import additional fuel and related products. The Export Finance Australia (EFA) is tasked with operationalising this policy objective; Officials have connected with EFA counterparts to understand their direction and process, and this has been feed-in to our recommended commercial arrangement.

Proposed commercial framework

Commercial Information

Commercial Information

34. The potential fiscal impacts are covered later in this report.
35. We recommend Ministers agree to officials negotiating a commercial arrangement with NZ importers and other suitable participants according to and within the bounds of the framework set out above. This framework will allow for a repeatable process, if required eg. for further supply or replenishment of reserves.

Storage considerations for additional fuel supply

36. There are four main options for storing additional supply:
 - a. Channel Infrastructure's additional storage at Marsden Point
 - b. Surplus domestic storage Commercial Information
 - c. On-ship local storage
 - d. Overseas storage.
37. The Government's agreement with Channel Infrastructure to support an additional 90 million litres of storage at Marsden Point is expected to be available in 2 months' time. This storage has been earmarked for storage of diesel and has capacity for about 8 days' supply.
38. If storage is required to cover a longer duration, then further storage will need to be found elsewhere.

39. There is a total of 1,053 million litres of fuel storage at terminals around New Zealand, but this storage is in use by fuel companies. Fuel companies only have enough fuel storage capacity to enable them to meet their MSO and manage physical supply and demand.
40. Some additional storage could be found if fuel companies operated their storage less efficiently. Fuel tanks are around 60% capacity on average. This is because they get filled up then run down before being refilled (similar to the tank in a car). This temporary 'spare' capacity could be used to provide additional storage. For example, Z Energy have indicated they could potentially make available 50 million litres in this way but there would be additional costs such as demurrage (the costs of holding a ship at location).
41. There is also some potential additional storage at Port Taranaki Commercial Information but this is likely to take 12-18 months to get ready.
42. If further storage was required, there is the option of anchoring a ship with the necessary fuel in New Zealand waters, which would incur demurrage costs (which we understand are in the order of US\$40,000 to US\$100,000 per day).
43. The final option is to store the fuel overseas, e.g. at Singapore, where we understand large volumes of storage may be available. This would incur storage costs. There would also be the costs of getting the fuel to New Zealand, and the time for this, though this occurs under business as usual.

Maintaining BAU volumes

Supporting maintenance of BAU volumes could complement establishing a strategic reserve

44. Implementing a proposal for additional supply, whether from the request and or an unsolicited proposal, would establish a strategic reserve over and above the Minimum Stockholding Obligation. If there are physical supply gaps in the coming months, this can be deployed to cover these gaps. Concurrently, it also makes sense to consider what steps can be taken to ensure that existing flows continue without disruption.
45. The fuel companies have reassured officials that New Zealand is a premium destination for fuel supply so the risk of business-as-usual supplies being interrupted is low.
46. New Zealand does nevertheless face some exposure because it:
 - i. imports refinery product indirectly via Asia
 - ii. has limited storage
 - iii. largely relies on spot or short-term procurement.
47. To enhance security of existing supply, there is the option of de-risking supply to New Zealand by seeking to outcompete other markets on certainty as well as price. In a shorted oil market, suppliers value guaranteed offtake, credit certainty, logistics simplicity and political alignment.

Options to incentivise continuing BAU fuel supply

48. There are three main options for incentivising maintenance of the current volumes of fuel supply for a limited period (eg a few months)
 - a. **The Government establishes a Fuel Cargo Tender Scheme which underwrites a premium (\$/barrel) for cargoes delivered to New Zealand:** The premium would be

designed to cover war-risk insurance, freight escalation, and the opportunity cost of supplying New Zealand rather than Asia. The premium required would not be not expected to translate into large increases in pump prices over what would normally be paid.

This option could be implemented relatively quickly. It also relies on the market – rather than Government – signalling what support is needed to secure supply.

- b. **The Government provides a sovereign guarantee to New Zealand importers** to provide credit certainty for oil producers. It could also enable longer payment terms and priority allocation from trading houses Commercial Information. This could also have merit if NZ importers are likely to have issues with securing supply from producers/refiners that they do not ordinarily deal with, although this is uncertain.

49. Either approach (a) or (b) could be implemented in a way (eg incorporated into legislation) to allow them to be triggered in the future in the event of either (i) a global supply disruption, or (ii) NZ stock cover falls below a defined threshold (e.g. <30 days).
50. While the cost of either option (a) or (b) is potentially material, it needs to be considered against the potential economic impact of a sustain period of interrupted fuel supply.

Fiscal implications of securing additional fuel supply

51. The proposed arrangement for securing additional fuel could have a range of fiscal implications, and could be operating or capital in nature depending on the details of each arrangement. If operating expenditure is being incurred this will have an adverse impact on OBEGALx and net core Crown debt. If capital in nature, then this may impact net core Crown debt, but the individual arrangements may have an adverse or positive impact on net core Crown debt, with any associated operating costs impacting OBEGALx. To mitigate the impact on key fiscal indicators Ministers could manage any fiscal impacts against Budget allowances.
52. We would expect most of these transactions to have a fiscal impact when entered into, rather than being recorded as contingent liabilities. This is due to it being more likely than not the Government will have to incur expenditure based on the detail we have to date. This assessment could change as further policy detail becomes available.
53. It is expected that any commercial arrangement that is negotiated is likely to propose the management of risk by way of mechanisms requiring the approval of the Minister of Finance under the Public Finance Act, including derivatives, indemnities, guarantees or lending. The Minister of Finance may approve derivatives, indemnities, guarantees or lending if it appears to her to be necessary or expedient in the public interest. It is proposed that discussions will proceed on the basis that the Minister of Finance is willing to consider these mechanisms.
54. Discussions are proceeding on the basis that the Minister of Finance is willing to consider these mechanisms in principle. The Minister of Finance may direct that particular parameters or conditions are to inform those discussions.
55. The Minister of Finance's approval to any proposed mechanisms will be sought once the mechanism is certain enough for an assessment of whether it is necessary or expedient in the public interest to be made, and prior to any final agreement regarding those mechanisms with commercial parties. Even where decisions are to be taken by Cabinet or the Ministerial Oversight Group, approval of PFA mechanisms must be taken by the Minister of Finance alone

Consistency of Government support with IEA positions on the crisis / collective action

56. We have not seen any indication that the IEA considers other government support measures such as underwrites are negative or ill advised, and note IEA member countries are taking a broad variety of government measures to shore up fuel supply.
57. Officials have indicated to the IEA that we are considering using tickets strategically to support our own fuel supply. This approach is one of the ways in which IEA members can meet the collective action announced by the IEA on 11 March (as the release of our stocks, even if the resulting supply goes to NZ importers, supports the global market by removing demand). They would support New Zealand using its tickets in this way.

New Zealand will still need to comply with the first collective action

58. New Zealand still needs to implement its response to the IEA collective action announced on 11 March, but we have flexibility in when we do this. On 17 March Ministers agreed New Zealand would release oil tickets that comprise 178,500 tonnes of crude oil and 35,000 tonnes of gasoline held in the United States to meet our obligation. This was prior to Ministers indicating they wanted further government led support options.
59. We have not progressed this release while Ministers have been considering the strategic use of tickets for wider fuel supply. Should it be necessary we can also amend which tickets we choose to release.
60. The next steps in the release will involve MBIE advising the host government the release will occur, and the Associate Minister for Energy writing to the supplier(s) to implement the release. Following Ministers agreeing to the approach in this brief, we will provide a separate brief and supporting material to begin to implement the 11 March release.

Alternative of increasing the MSO

61. Instead of providing financial support for additional fuel there may be an alternative option to increase the MSO requirements for fuel importers (i.e. require them to hold more fuel). However, the MSO mechanism is not designed for crisis management, so this option is complex and may not be workable.
62. Given the current situation, there is a risk that the fuel companies may struggle to maintain the current MSO requirements and will resist (and potentially legally challenge) increases to the MSO.
63. There is the option of bringing forward the increase in the MSO for diesel (from the current 21 days to 28 days cover), which is currently set for 2028. However, any increase in the MSO would need to meet legislative requirements (set out in section 58 of the *Fuel Industry Act 2020*). There could be risk of legal challenge to the reasonableness of any increase in the MSO levels, given the current crisis. Increasing stockholding requirements may also increase the chance of valid exemption requests by companies, which would undermine the intent. The fuel companies will also require time to increase their stock. This means there is risk that any lift to the MSO would not be sufficiently timely to provide the necessary cover.
64. We are providing separate advice on the MSO, including strategic and legal considerations, and processes, for considering exemption requests from fuel importers seeking to access

some of their MSO volumes. We can also provide further advice on increasing the MSO stockholding levels more permanently.

Next steps

65. Should Ministers agree with the proposals in this paper, the next steps are:
- a. Officials undertake commercial negotiations with Z Energy on its fuel supply proposal.
 - b. Officials continue discussions **Commercial Information** and undertake conversations with **Commercial Information** on options for support of additional fuel supply
 - c. Officials report back to Ministers on any proposal for support of fuel supply once commercial negotiations have been completed.
66. The Treasury is preparing to support advice on the negotiated proposal with a view to assessing its economic, financial and commercial impacts

Annexes

Annex 1: Details on unsolicited proposals for additional supply.

Commercial Information



Commercial Information