



BRIEFING

Advice on increasing the Minimum Stockholding Obligation

Date:	31 March 2026	Priority:	Urgent
Security classification:	Restricted	Tracking number:	BRIEFING-REQ-0030316

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Note the contents of this briefing	1 April 2026
Hon Shane Jones Associate Minister for Energy	Note the contents of this briefing	1 April 2026

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Dominic Kebbell	Manager, Gas and Fuel Policy	Privacy of natural persons	✓
Gareth Wilson	Strategic advisor	Privacy of natural persons	

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 Withdrawn |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

This briefing provides advice on increasing the Minimum Stockholding Obligation.

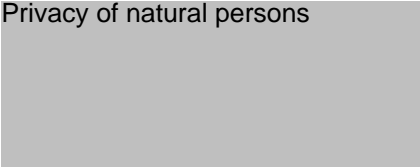
Recommended action

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

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

Noted

Privacy of natural persons



Dominic Kebbell
Manager, Gas and Fuel Policy
Energy Markets, MBIE

31 / 03 / 2026

Hon Nicola Willis
Minister of Finance

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Hon Shane Jones
Associate Minister for Energy

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Background

1. Faced with a major global fuel supply disruption, New Zealand fuel importers may soon struggle to procure sufficient stock to meet expected fuel demand. Fuel importers may also face increased price risk and fuel holding costs in a stressed global fuel market, due to increased volatility in the margin between the price of fuel purchased and the price of fuel sold in New Zealand.
2. The Government is considering options that could assist fuel importers to purchase fuel stocks and to offset or share the commercial risk of trading fuel in a volatile market.
3. The Government is also considering options to increase onshore fuel storage capacity that could be made available to fuel importers in the short term. One option is to repurpose two tanks at Marsden Point for use as diesel storage, providing about 100 million litres or 9 days of current average national diesel demand.
4. The Government is also considering options involving the Government directly engaging in the market to procure fuel (by exercising the purchase option in its oil tickets or otherwise).
5. This briefing considers how Minimum Stockholding Obligation (**MSO**) regulations could be used, in this context, to require fuel importers to purchase stock that is reasonably available in the near term, to augment our onshore fuel stock reserves and thereby alleviate the impact of a future fuel supply disruption. A future disruption could result from continued blockage of the Strait of Hormuz and depletion of global reserve stocks, or from other disruptions due to widening of the conflict, or from separate events such as extreme weather.

Increasing the MSO

6. Our advice on increasing the MSO is given in the following context:
 - The Government is considering actions to enable fuel importers to have reasonable access to global fuel stocks and reasonable access to domestic storage capacity in the short-term (eg the next few months).
 - Free and frank opinions
 - A future fuel supply restriction (less than demand at the prevailing price) could require demand restraint (non-price rationing) of fuel to essential services, with a heavy economic and social impact.
 - Onshore fuel stocks built in the short-term (next few months) could be drawn down to defer or soften the impact of any future fuel restrictions.
7. MSO levels can be adjusted by way of regulations made under section 58 of the *Fuel Industry Act 2020*. These regulations can set out the types of fuel that are obligation fuels, the types of industry participants that are subject to obligations and the minimum level of cover required.
8. Before the Minister can recommend regulations, the Minister must:
 - have consulted fuel industry participants that are significantly affected
 - be satisfied that the regulations are necessary or desirable having regard to the costs and benefits
 - have had regard to the current or recent commercial stockholding levels.

Key design choices

9. The key design choices for increasing the MSO are discussed below.

What national future stock level should be targeted for each fuel under the MSO?

10. This could depend on the quantity of fuel stock that the Government can facilitate access to by importers, and the quantity of stock that can feasibly be held in bulk storage facilities.
11. Evidence from the last 13 months of MSO reporting by fuel importers is that there is some scope for them to meet a slightly higher diesel MSO using existing storage capacity. The data indicates that all importers held monthly stocks above the required 21 days of cover, in some cases with a margin of 2 or more days. TOSL is an outlier, with monthly average stocks exceeding Commercial Information, because it has a low demand relative to its bulk storage capacity.
12. A new MSO level would need to be set at a level that fuel importers could achieve. Penalties for non-compliance are significant. The maximum pecuniary penalty for a company is the greater of \$5 million, or three times the commercial gain, or 10 per cent of turnover. For a company like Z, which has the largest share of the fuel market in New Zealand, this means the maximum pecuniary penalty could be in the order of \$400 to \$600 million based on their estimated turnover.
13. Channel Infrastructure has identified an option to bring just under 100 ML of diesel storage into service within about 2 months, which could hold around 9 days of national cover. This storage could readily be integrated into the existing terminal operations at Marsden Point.
14. The three largest importers, bp, Mobil and Z Energy are the existing customers of Channel Infrastructure's import terminal and jointly operate the nearby truck loading facility (serving the Northland fuel market). They also jointly operate the Wiri fuel terminal that is connected to the import terminal by pipeline.

What fuel storage capacity is available to importers within the timeframe contemplated?

15. This depends on how much additional storage capacity comes into service as a result of Government actions.
16. Some existing fuel storage capacity could potentially be freed up, at the margins, by importers reducing ullage, scheduling more partly-loaded vessels and increasing demurrage. Reducing coastal distribution efficiency would raise unit costs.

What is a meaningful timeframe for an increased MSO to come into effect?

17. If the increase in MSO levels was to be accompanied by work to increase diesel storage at Marsden Point, the coming into effect of the MSO increase would need to be coordinated with the time the new diesel storage would come online.
18. Diesel importers will also need time to secure the necessary additional fuel stock and bring it by ship to New Zealand waters. This is likely to take a minimum of 2 months.

Which fuel importers can reasonably be expected to meet an increased MSO?

19. This may depend on the level by which the MSO is increased and each importer's ability to take up the stock purchase and storage capacity options that Government makes available. This would be informed through consultation.
20. Two importers – Gull and TOSL – have a relatively small share of the domestic diesel fuel market (together around Commercial Information).
21. Constitutional conventions [redacted] They each operate a single bulk storage facility (one in Tauranga, one in Timaru). Neither fuel importer has a presence at Channel

22. Constitutional conventions

Consultation with fuel importers would inform the judgements needed to increase the MSO

23. All of the questions above would need to be considered in consultation with fuel importers.

Potential risks with increasing the MSO

24. Increasing the MSO could be regarded, internationally, as a hoarding response by New Zealand and inconsistent with our recent agreement to join the IEA collective action to release emergency reserve stocks. It could also be considered inconsistent with the IEA treaty itself, given its purpose is to alleviate the impact of global disruptions by member countries acting collectively and in a coordinated way, rather than by each pursuing its own interests at the expense of others. While we are a very small fuel consumer, in the global context, increasing reserve stocks at a time when global supply is significantly short could be perceived as exacerbating the shortage for others.
25. However, increasing our onshore stocks could also be seen as a rational effort to improve New Zealand's resilience to further or more significant disruptions in the future. It could soften the hard landing that will come should fuel demand restraint (non-price rationing) be required in the future.
26. Increasing the MSO would leave fuel companies two options for building up their stockholdings: increase international supply relative to domestic demand or reduce domestic supply relative to international supply. If they were unable to increase supply for whatever reason, it could create a perverse incentive to hold back domestic supply to avoid breaching the MSO.
27. An importer's ability to meet an increased MSO will depend, initially, on its ability to procure fuel stock at a rate that exceeds its current fuel demand. Once the required stock is built, it will need to continue procuring sufficient stock to at least match demand over time.
28. Increasing the MSO could accelerate applications for exemptions if importers consider they face exceptional circumstances despite assistance from any Government measures.
29. If an importer considers that it cannot meet the increased MSO, with or without any assistance measures offered by the Government, then it could seek a judicial review of the decision to increase the MSO or the reasonableness of the settings chosen. A judicial review could succeed, which could render any amendment regulations invalid, if a Court found that decision to be unreasonable in view of the relevant considerations. At this stage, we think an importer would more likely apply for an exemption than to seek judicial review (noting that refusing an exemption is also a reviewable decision).

Next steps

30. If you wish to consider an increase in the MSO, either in conjunction with complementary measures or otherwise, the next step is to consult with importers on the impacts to inform consideration of the costs and benefits.

31. We consider that consultation could be relatively short, but should include clear proposals for the importers to consider, including clear descriptions of any complementary measures that would assist fuel importers comply with an increased MSO.