



## BRIEFING

### Updated - Support options for Marsden Point fuel storage

<b>Date:</b>	31 March 2026	<b>Priority:</b>	Urgent
<b>Security classification:</b>	Sensitive	<b>Tracking number:</b>	BRIEFING-REQ-0030336

Action sought		
	Action sought	Deadline
Hon Nicola Willis <b>Minister of Finance</b>	<p><b>Agree</b> to provide up to \$21.6 million from the Regional Infrastructure Fund to allow the Crown to enter a commercial arrangement with Channel Infrastructure NZ Limited to increase its diesel storage capacity by 93 million litres for up to 18 months.</p> <p><b>Agree</b> to delegate authority to the Minister of Finance and Minister for Regional Development to approve any further decisions to operationalise the commercial arrangements with Channel Infrastructure NZ Limited.</p>	1 April 2026
Hon Chris Bishop <b>Minister for Infrastructure</b>		
Hon Tama Potaka <b>Minister for Māori Development</b>		
Hon Simon Watts <b>Minister for Local Government</b>		
Hon Shane Jones <b>Minister for Regional Development</b>		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robert Pigou	Deputy Chief Executive, Regional Development & Commercial Services	Privacy of natural persons	✓
Josh Hercus	Director, Strategic Initiatives and Engagement - Regional Development & Commercial Services	Privacy of natural persons	

The following departments/agencies have been consulted
The Treasury have been informed.

#### Comments



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### Purpose

To seek decisions from the Regional Development Ministerial Group (RDMG) on providing up to \$21.6 million from the Regional Infrastructure Fund to support the upgrade of fuel storage facilities at Marsden Point.

### Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends **Regional Development Ministerial Group (RDMG) Ministers:**

- a. **Agree** to provide up to \$21.6 million from the Regional Infrastructure Fund to allow the Crown to enter a commercial arrangement with Channel Infrastructure NZ Limited to increase its diesel storage capacity by 93M million litres for up to 18 months.  
*Agree / Not agree*
- b. **Agree** to delegate authority to the Minister of Finance and Minister for Regional Development to approve any further decisions to operationalise the commercial arrangements with Channel Infrastructure NZ Limited.  
*Agree / Not agree*
- c. **Note** the indicative proposed terms for this project.

Terms	Proposed terms for this project
<b>Entity</b>	Channel Infrastructure NZ Limited
<b>Lease Amount</b>	Up to \$21.6 million
<b>Purpose</b>	To support the upgrade of existing fuel storage tanks to hold up to 93ML of diesel.
<b>Maximum Term</b>	<b>Commercial information, negotiations</b>
<b>Payment Conditions</b>	

*Noted*

- d. **Note** that Channel Infrastructure are working closely with WorkSafe to meet their obligations to hold hazardous material and that it is expected that a prompt, pragmatic resolution can be implemented.

e. Confidential advice to Government

f.

## Section 65L of the Public Finance Act 1989 – Public Interest Test

MBIE recommends that the **Minister of Finance:**

g. **Note** all terms are expected to fall within the 'Approved RIF Loan Framework' (REQ-2425-0792 refers) and so are considered under section 65L of the Public Finance Act 1989 to be necessary or expedient in the public interest.

*Noted*

h. **Note** you have delegated to the Secretary of The Treasury (who has sub-delegated to the Chief Executive of MBIE and further to the Deputy Chief Executive – Regional Development & Commercial Services) the power to execute loan documentation.

*Noted*

Privacy of natural persons

Robert Pigou  
**Deputy Chief Executive, Regional Development & Commercial Services**  
MBIE

Hon Nicola Willis  
**Minister of Finance**

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31 / 03 / 2026

Hon Chris Bishop  
**Minister for Infrastructure**

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Hon Tama Potaka  
**Minister for Māori Development**

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Hon Simon Watts  
**Minister for Local Government**

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Hon Shane Jones  
**Minister for Regional Development**

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## Background

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1. As a result of the closure of the Strait of Hormuz, there is a risk that the refineries in Asia where New Zealand gets most of its fuel – Singapore and South Korea – will run low on feedstock of crude oil from April to May.
2. Significant fuel disruptions will result in high economic cost. In a scenario (modelled by Treasury) involving prolonged conflict, severe disruption to supply and long-tail of normalisation, the oil price is assumed to average US\$180 per barrel in Q2 and Q3 2026. In this scenario, inflation peaks at 7.5% and real GDP is 3.0 % lower than the baseline in 2027.
3. Advice on government-led fuel supply options were provided to the Minister of Finance and Associate Minister for Energy on 28 March 2026 [BRIEFING-REQ-0030100 refers].
4. As previously in the briefing, any increase in fuel supply, above the minimum stockholding obligation (MSO), could have corresponding storage problems.
5. On Monday 31 March, Cabinet considered a paper on *A Government-led Strategy to Bolster fuel supply*. It contained a noting recommendation that “the Associate Minister of Energy will bring a proposal shortly to the Regional Development Ministerial Group in response to an approach by Channel Infrastructure to refurbish two tanks to allow for additional diesel storage.”
6. This briefing provides further advice on Channel Infrastructure’s proposal. It is an updated version of advice provided on 30 March that incorporates feedback from Ministers [BRIEFING-REQ-0030190 refers]

## Proposal from Channel Infrastructure to upgrade its fuel storage capacity

7. Channel Infrastructure (Channel) owns and operates New Zealand’s largest fuel import terminal at Marsden Point. In addition to tanks currently contracted to fuel companies, Channel has unutilised storage tanks that require upgrades to meet current regulatory and operational standards for refined fuel storage.
8. Channel has proposed to MBIE officials an accelerated programme to bring storage tanks at Marsden Point back into service, with the objective of delivering a material increase in national diesel storage capacity. An overview of the delivery plan is attached in **Annex One**.
9. If commenced now, Channel have advised that their best estimate is that the project could be completed in two months. However, Channel state that this timeframe would initiate when funding arrangements are formally confirmed. MBIE officials have a high level of confidence that their estimated time frames can be achieved based on the work programme they have provided.
10. The proposal involves two existing tanks with a combined capacity of approximately 93 million litres of diesel. Channel has indicated equates to around nine days of New Zealand’s diesel consumption. New Zealand’s current in-use diesel capacity is 434 ML. An increase of 93ML represents approximately 20% additional capacity.
11. 

Commercial Information

However, in this instance, Channel Infrastructure are providing the government with the option to accelerate upgrades and secure access to emergency fuel storage by entering a commercial arrangement that allows Channel Infrastructure to recover the cost of the upgrades from the government.
12. This acts as a de facto guarantee for Channel to proceed with the works and provides the government with certainty that if it needed to secure fuel supplies that there would be somewhere to store it.
13. Channel has asked for a response from the government as soon as possible since the completion time of the project will be linked to the confirmation of funding decisions.

# Commercial Information

*Channel Infrastructure are working closely with Worksafe to resolve compliance matters, which are expected to be resolve promptly and pragmatically.*

# Commercial Information

*If the compliance matters are resolved with Worksafe, the Channel's storage tanks are expected to be compliant until December 2027*

25. The 80ML tank has an inspection certificate through to 2034 while the associated Health and Safety at Work Act (HSWA) 2015 compliance plan requires the surrounding bund to be upgraded to current standards by the end of 2027.

Commercial Information

26. The 13ML tank has an inspection certificate to August 2027 and Channel is currently undertaking inspections to extend this to the end of 2027. The tank would then require a 6-to-9-month tank outage to install new fire systems to keep it in service. The bund surrounding this tank has already been upgraded as part of other tank conversions.

27. Commercial Information

28. Commercial Information

*A commercial arrangement between the Crown and Channel Infrastructure to support accelerating the fuel storage upgrades can be funded out of the Regional Infrastructure Fund*

29. The proposal involves Commercial Information

30. Commercial information, negotiations

31. Commercial information, negotiations The total cost is up to \$21.6 million. Commercial Information

32. There is approximately \$ Commercial Information remaining in the Regional Infrastructure Fund (RIF) that could be used to fund the payment costs. Commercial information, confidential advice to government

33. Confidential advice to Government

34. Decisions to fund this project would have minimal impact on broader funding decisions for the RIF due to the existing unallocated funds available. RDMG Ministers could reprioritise existing ringfenced allocations and funding decisions if required.

35. The payment structure is intended to enable rapid delivery while ensuring the Crown does not permanently subsidise infrastructure that could later be utilised by commercial fuel companies if market conditions change.

36. If progressed, officials would explore options to Commercial Information

## Analysis

37. Previous advice provided by MBIE indicates that a combination of additional in country fuel storage and securing a supply of fuel could act as 'insurance' to help insulate New Zealand from the economic impact of a prolonged deterioration of the fuel market.

38. Channel's proposal is more advanced and actionable than the other two high level options presented to officials, one of which is already being implemented by the private sector.

### Advantages

- 39. Based on the available information, Channel Infrastructure’s proposals creates a large amount of diesel storage capacity in a short time frame.
- 40. Increasing on-shore stocks could also be seen as a reasonable effort to improve NZ’s resilience to further/later disruptions, even if temporary, as it could soften the hard landing that will come should diesel demand restraint (non-price rationing) be required in the months ahead.
- 41. In conjunction with securing additional fuel supplies, physically holding fuel onshore provides a greater level of certainty that domestic fuel use can continue uninterrupted.
- 42. Channel Infrastructure NZ will incur the CAPEX costs and project risk of undertaking the works.

### Risks

- 43. Funding may be viewed as a market intervention that could distort market signals.
- 44. The storage facility may be underutilised if it becomes more challenging to secure diesel supplies. This would incur a sunk cost to the Crown.
- 45. [Redacted] Commercial information, confidentiality, negotiations [Redacted]  
[Redacted]  
[Redacted]
- 46. The success of the project is heavily reliant on Channel Infrastructure NZ’s ability to deliver the project on time and within its budget.

## Next steps

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- 47. If you agree to fund the fuel storage project at Marsden Point, MBIE officials will work with Channel Infrastructure to finalise the commercial arrangements, and present these to the Minister for Finance and Minister for Regional Development for final approval.
- 48. It is critical that the compliance matters with Worksafe are resolved and this will be a condition of any funding arrangements.
- 49. Officials will work with Channel on the commercial structure of the deal with the Crown and provide further advice to Ministers.
- 50. Channel Infrastructure have indicated that they would move quickly to initiate the project once funding is secured.
- 51. If you do not agree to funding project, officials can explore alternative options for fuel storage.

## Annexes

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### Annex One: Channel Infrastructure – Accelerated diesel storage project and resourcing plan

Withheld under [Redacted] Commercial information, confidentiality, negotiations [Redacted]

Commercial information, confidentiality, negotiations

Commercial information, confidentiality, negotiations

Commercial information, confidentiality, negotiations

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