MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Update on rural fuel distribution issues

Date:	27 March 2026	**Priority:**	Urgent
Security classification:	Restricted	**Tracking number:**	BRIEFING-REQ-0030164

Action sought		
	Action sought	**Deadline**
Hon Nicola Willis **Minister of Finance**	**Note** the contents of this briefing	28 March 2026
Hon David Seymour **Associate Minister of Finance**		28 March 2026
Hon Chris Bishop **Associate Minister of Finance**		28 March 2026
Hon Shane Jones **Associate Minister of Finance**		28 March 2026
Hon Simon Watts **Minister for Energy**		28 March 2026

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Scott Russell	Manager, Energy Use Policy	Privacy of natural persons	✓
Neel Vanvari	Policy Advisor, Gas and Fuel Policy		

The following departments/agencies have been consulted

Minister's office to complete:

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☐ See Minister's Notes ☐ Withdrawn

Comments

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Purpose

To update you on the current regional fuel supply situation after recent engagements with fuel importers, distributors and retailers.

Executive Summary

On Thursday you asked us to look into the regional distribution issues. Following discussion with fuel importers, the Z Energy CE has said it will be making two changes in response to the issue:

1. Commercial Information
2. Providing better information to their customers on truck-stop outages and alternative fuel supply locations.

We think this will ease a lot of the pressure and the complaints, but we will continue to monitor the situation and have explored other options should this situation continue or if you wish to more direct action.

We do not recommend further actions at this time as this is a fuel importers problem they are working to address.

Recommended action

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

a **Note** MBIE has engaged with fuel importers and distributor regarding the reports of rural fuel supply disruptions

Noted

b **Note** MBIE and fuel importers consider the problems have been driven by excessive demand and distribution challenges rather than supply issues

Noted

c **Note** the issues appear to have been most acute for Z and their customers, compounded by their decision to move to a weekly allocation model at terminals

Noted

d **Note** that today Z has decided to:

   a. Commercial Information
   b. Provide better information to their customers on truck-stop outages and alternative fuel supply locations.

Noted

e **Note** we consider this will alleviate some pressure, and MBIE will continue to monitor the situation closely.

Noted

Privacy of natural persons

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

27 / 03 / 2026

Hon Nicola Willis

Minister of Finance

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Hon David Seymour

Associate Minister of Finance

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

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Simon Watts
Minister for Energy

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Rural fuel distribution issues reported since the Middle East crisis

3. Since the onset of the Middle East crisis, some fuel importers have changed their approach to managing risk in the fuel supply chain. While national fuel availability remains broadly adequate, changes to how fuel is allocated at terminals and distributed have created regional distribution pressures, particularly for rural and commercial customers outside the main centres.

4. MBIE has engaged with NPD, Allied and Fern after they alerted MBIE through the Fuel Sector Coordination Entity about fuel shortages in the regions and their inability to access stock from fuel importers.

5. We understand Z Energy have shifted from monthly to weekly fuel allocations at import terminals. This change reduces distributors' ability to respond to short-term, seasonal demand spikes, even where underlying supply remains sufficient. Importers have indicated these measures are intended to preserve system stability and avoid larger shortages if international disruptions worsen. However, the move to weekly allocations has made the system less flexible at a time when some regions face predictable, time-critical demand.

6. The impacts are being felt most acutely by independent fuel retailers and rural distributors, whose customer base is weighted towards agriculture, forestry and other primary sector activities. These effects are concentrated in regions supplied by constrained terminals, particularly Nelson, Napier and Bluff, during the peak harvest period. Distributors report that commercial and agricultural demand has increased by 20 to 40 per cent, driven by harvest timing and seasonal activity. There is also likely to be some precautionary buying.

7. At the same time, distributors report that retail fuel demand is beginning to ease following the initial spike linked to public uncertainty about international supply. Despite this, importers have generally not relaxed weekly allocation settings. This has limited distributors' ability to shift fuel from easing retail demand to meet time-critical rural and commercial needs.

8. To manage the shortfall, distributors need to truck fuel between regions, including from Lyttelton to Nelson and from Mount Maunganui to Napier. Rural distributors are also part-filling orders and spreading limited allocations across their customer base to keep essential activities operating. While most commercial customers continue to receive fuel, some experience delays or reduced volumes. Commercial Information .

9. Rural distributors have raised concerns that current allocation practices may be prioritising retail sites over commercial customers. We have not seen clear evidence of systematic prioritisation. However, the move to rigid weekly allocations disadvantages customers whose demand is uneven or seasonally concentrated.

10. We have referred these concerns to the Commerce Commission to assess whether any anti-competitive behaviour is occurring. Commercial Information The Commerce Commission has advised that fuel importers' decisions to change allocation settings, including moving customers from monthly to weekly allocations, do not in themselves breach competition law, even where these changes have adverse impacts on the business operations of distributors. The Commission has indicated that allocation decisions made to manage supply risk or demand pressures are generally permissible, provided they are not intended to lessen competition or exclude rivals.

Response from fuel importers

11. Following concerns raised by distributors about regional fuel shortages and limited access to stock, MBIE has engaged directly with fuel importers to clarify the nature of the issue, assess supply conditions and understand allocation decisions.

12. MBIE held bilateral conversations with bp, Mobil, Gull and Z. Importers consistently described the situation as a demand management issue rather than an underlying supply shortage. They advised that national fuel volumes and contracted monthly supply levels have not changed since the Middle East crisis began, and that onshore stocks at major terminals remain adequate.

13. Importers reported that the primary driver of pressure across the network has been surge behaviour and overlifting, particularly in the first two weeks following the escalation of geopolitical tensions. Commercial Information [redacted]. Importers responded by introducing or tightening Active Volume Management (AVM), including moving customers from monthly to weekly allocation settings, to distribute fuel more evenly across their networks.

14. Commercial Information [redacted]

15. Officials asked importers whether current allocation settings allow sufficient flexibility to meet time-critical primary sector demand, including harvest-related peaks that are unevenly spread through the month. Importers acknowledged that commercial and agricultural demand can be “lumpy” Commercial Information [redacted]. Importers emphasised the importance of maintaining consistent settings to avoid worsening instability or encouraging further surge behaviour.

16. MBIE also raised concerns about the impact of allocation changes on regional distributors and rural customers, particularly in Nelson, Napier and Bluff. Importers advised that they are continuing to refill sites as quickly as logistics allow and are engaging directly with distributors where issues arise. Commercial Information [redacted].

17. Officials have asked fuel importers to provide additional data so the reported surge in demand can be quantified and the regions experiencing the most acute impacts can be clearly identified.

Australia has experienced similar issues

18. Australia is experiencing similar regional and rural fuel distribution pressures following the escalation of the Middle East conflict and associated disruption to global shipping routes. As in New Zealand, panic buying and a short-term surge in demand compounded underlying distribution constraints, with the most acute impacts felt in regional and rural areas.

19. In response, the Australian Government has enacted a suite of emergency legislative and regulatory measures. These measures focus on increasing effective supply into the system and ensuring fuel reaches priority regional users.

20. Key measures adopted by Australia to date include:

    a. Temporary reductions to minimum stockholding obligations (MSOs) to allow fuel companies to release large volumes of petrol and diesel from domestic reserves into the supply chain. Access to this relief is conditional on companies prioritising supply to regional, rural and agricultural customers and submitting regional supply plans to government.

b. Direct prioritisation of regional supply, with suppliers required to allocate reasonable additional volumes to independent regional distributors and prevent fuel released from reserves being used for panic buying or stockpiling.

c. State-level emergency powers, including declarations allowing governments to direct fuel to specific regions, mandate supplier allocation, and intervene operationally where market mechanisms prove insufficient.

d. Temporary fuel quality flexibility, including higher permissible sulphur levels in petrol and adjusted diesel specifications, enabling additional international fuel supplies to enter the domestic market more quickly and be redirected to affected regions.

21. Australia has also taken steps to support domestic refining capacity and defer maintenance to increase onshore fuel production during the period of international disruption.

22. We are intending to meet DCCEEW officials to share insights on the policy response on 28 March.

We are pushing the sector to address rural fuel supply shortages

23. Based on MBIE's engagement, we think the best course of action is to continue pushing the fuel importers and distributors to work together on finding solutions to better meet demand. This includes:

a. Better communication by importers with their customer base about stockouts (particularly at truck stops and rural stations)

b. More flexibility on import terminal allocations to help meet demand from distributors and the agriculture sector, and

c. Better management of supply chains by the importers and distributors.

24. We have spoken to the Chief executives of both Z Energy and bp. [redacted] Commercial Information. Z Energy acknowledged to MBIE on 27 March that [redacted] but they will:

a. improve communication with customers regarding outages (truck stops in particular) so customers are aware of which truck stops are stocked, and

b. [redacted] Commercial Information

Regulatory responses are unlikely to fit with the wider response strategy, or make a difference in time

25. We do not recommend pursuing regulatory responses at this time. Government could explore:

a. [redacted] Confidential advice to Government

[redacted]

26. Confidential advice to Government, Free and frank opinions [redacted].

Next steps

27. MBIE will continue to monitor the situation closely, engage with fuel importers and distributors, and work with agencies including Ministry for Primary Industries to minimise rural fuel supply shortages.

28. Officials will also continue to seek additional data from importers to better quantify current demand surges and how importers' response to the issues are evolving.

Annexes

Annex One: Background- New Zealand's fuel market

Annex Two: Map showing retail fuel sites of importers and distributors

Annex One: Background- New Zealand's fuel market

29. New Zealand's fuel market is dominated by a small number of importers—bp, Gull, Mobil, Timaru Oil Services (**TOSL**) and Z Energy (**Z**). These firms source fuel from offshore refineries and manage the import, storage and primary distribution of petrol and diesel through terminals at major ports. The three majors – bp, Mobil and Z – share much of this infrastructure, including terminals and coastal shipping arrangements, which allows them to distribute fuel efficiently nationwide and manage supply across regions.

30. Importers supply fuel in three main ways. They sell directly through retail sites they own or control; they supply dealer-owned sites that operate under their branding; and they sell fuel at wholesale to distributors. Distributors—such as NPD, Waitomo and Allied—purchase fuel from an importer, manage secondary distribution by road, and then supply commercial customers and their own branded retail sites. Most distributors operate under long-term wholesale contracts with a single importer, which shapes how fuel moves from terminals to retailers.

31. Retailers sell fuel to consumers through a mix of full-service stations, unmanned sites and truck stops. Retail prices reflect international fuel costs, taxes and wholesale supply terms, as well as local competition and discounting. While there are many retail brands, all fuel sold in New Zealand ultimately originates from one of the importers, either directly or through distributors, meaning importer–distributor relationships play an important role in how fuel is supplied across the country.

32. The fuel importers typically operate retail sites in urban centres or along high-traffic routes such as major highways. Distributors' retail sites, on the other hand, tend to be located outside of the most densely populated urban areas.

Annex Two: Map showing retail fuel sites of importers and distributors