



BRIEFING

Fuel mitigation scenarios and triggers

Date:	17 March 2026	Priority:	Urgent
Security classification:	Sensitive	Tracking number:	0029343

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Agree indicative escalation triggers in recommendation e.	17 March 2026
Hon Chris Bishop Minister of Transport	Agree indicative escalation triggers in recommendation e.	17 March 2026
Hon Todd McClay Minister for Trade and Investment Minister of Agriculture	Agree indicative escalation triggers in recommendation e.	17 March 2026
Hon Simon Watts Minister for Energy	Agree indicative escalation triggers in recommendation e.	17 March 2026
Hon Shane Jones Associate Minister for Energy	Agree indicative escalation triggers in recommendation e.	17 March 2026
Hon Brooke van Velden Minister of Internal Affairs	Agree indicative escalation triggers in recommendation e.	17 March 2026
Hon Scott Simpson Minister of Commerce and Consumer Affairs	Agree indicative escalation triggers in recommendation e.	17 March 2026

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
James Hartley	Acting Deputy Secretary BRM	Privacy of natural persons	✓
Dominic Kebbell	Manager, Gas and Fuel Policy		

The following departments/agencies have been consulted

The Treasury, Ministry of Transport, NEMA, Ministry of Primary Industries, Public Service Commission, and Ministry of Foreign Affairs and Trade were consulted in the preparation of this briefing. DPMC were informed.

- Minister's office to complete:
- | | | |
|--|---|------------------------------------|
| <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 Withdrawn |
| <input type="checkbox"/> Approved | | <input type="checkbox"/> Declined |

Comments



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Purpose

To provide advice about potential scenarios for fuel supplies and identification of trigger points that suggest a move to a higher level in the National Fuel Plan (NFP) is needed. The briefing also provides further information about the policy and operational judgements that will be needed for the mitigations within the fuel plan.

Executive summary

This is the second briefing in a series that outlines the potential fuel supply scenarios and the mitigations available to the Government to manage them. MBIE sees three potential scenarios arising from the Strait of Hormuz being closed or constrained for a sustained period:

- Scenario A: prices rise rapidly and for a period of time that reduces global demand, with available fuel supplies directed to those countries with higher willingness to pay.
- Scenario B: prices rise sufficiently to incentivise global fuel supply chains to find alternative options to Middle Eastern crude e.g. US Gulf Coast. This scenario sees more moderate price rises than scenario A.
- Scenario C: this is the worst-case scenario where the combination of price increases and the exploration of alternative sources are insufficient to avoid shortages in New Zealand.

Our discussions with the International Energy Agency (IEA) and Australian counterparts suggests there is still significant uncertainty over which of these scenarios is the most likely. Some experts see scenario B is the least likely scenario based on the information currently available, while others are optimistic that new supplies will come online at higher price points. All of this suggests to us that it would be prudent for New Zealand to plan for both sustained higher prices and potential shortages.

A critical component of this planning is the triggers that will be used to escalate through the levels in the fuel plan. Our assessment is the most critical indicator of our fuel supply situation is the number of days' supply that is enroute to New Zealand. Under this measure, care is needed to differentiate between changes in the trend versus individual shipments that can be redirected as part of fuel importers and their parent companies optimising their portfolio. With this in mind, our suggested indicative triggers are:

- Level 2 Escalation Trigger: Less than 15 days' supply of petrol or diesel enroute to NZ
- Level 3 Escalation Trigger: Less than 10 days' supply of petrol or diesel enroute to NZ, and little prospect of a significant improvement

- Level 4 Escalation Trigger: Stocks of petrol or diesel are forecast to be exhausted within 30 days

While the triggers for escalation between levels 2, 3, and 4 are designed to enable a staggered approach to escalation if there is a gradual and sustained downturn in our fuel stocks, a rapid downturn in the outlook for New Zealand's fuel stocks could require the Government to move quite quickly through the levels. This flexibility is designed to minimise the need for level 4 restrictions as these would be likely to significantly curtail economic activity. Data from the COVID Level 4 lockdowns suggests petrol consumption could drop by 75-80% and diesel by 60-70% depending on the strength of the restrictions.

Recommended action

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

- a **Note** that fuel prices are continuing to rise as the market adjusts to supply disruptions.

Noted

- b **Note** that there is still considerable uncertainty around how supply chains will adapt to high fuel prices, including the prospects of US Gulf Coast production facilities and refineries stepping up their production to fill the void left by Middle Eastern crude.

Noted

- c **Note** that MBIE is continuing to work at pace with fuel importers and Australian colleagues to model potential scenarios so we can provide Ministers with early indications of when escalation to higher level mitigations in the National Fuel Plan may be required.

Noted

- d **Note** that MBIE considers the three most likely scenarios based on the Strait of Hormuz being closed or constrained for a sustained period of time are:

- Scenario A: Prices do the heavy lifting - prices rise rapidly and in a way that permanently reduces global demand, and remaining supplies are bought by countries with higher incomes that can sustain a materially higher equilibrium price.
- Scenario B: Supply chains adapt to find alternatives to Middle Eastern crude - prices rise sufficiently to incentivise global fuel supply chains to find alternative options to Middle Eastern crude e.g. US Gulf Coast. This scenario sees more moderate price rises than scenario A.
- Scenario C: Supply chains adapt, but not fast enough to avoid shortages - this is the worst-case scenario where the combination of price increases and the exploration of alternative sources are insufficient to avoid shortages in New Zealand.

Noted

- e **Agree** to the following indicative escalation triggers for moving to levels 2, 3 and 4 to provide officials with clear thresholds to inform this modelling work:
- i. Escalation to Level 2: less than 15 days of petrol or diesel enroute to New Zealand
 - ii. Escalation to Level 3: less than 10 days of petrol or diesel enroute to New Zealand, and little prospect of a significant improvement
 - iii. Escalation to Level 4: stocks of petrol or diesel projected to be exhausted within 30 days

Agree / Disagree

- f **Direct** MBIE officials to test these indicative escalation triggers with trusted industry players and report back to Ministers

Yes / No

- g **Direct** MBIE to work with the Energy Efficiency and Conservation Authority to develop a public information campaign (for Ministerial approval) to assist New Zealanders to cope with the impact of higher fuel prices including measures like encouraging car pooling and checking tyre pressures

Yes / No

- h Confidential advice to Government

-
-

Noted

Privacy of natural persons

James Hartley
Acting Deputy Secretary
 Buildings, Resources and Markets, MBIE

Hon Shane Jones
Associate Minister for Energy

17 March 2026

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Hon Nicola Willis
Minister for Finance

Hon Simon Watts
Minister for Energy

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Hon Todd McClay
Minister for Trade and Investment
Minister of Agriculture

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Hon Chris Bishop
Minister for Transport

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Hon Brooke van Velden
Minister of Internal Affairs

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Hon Scott Simpson
Minister of Commerce and Consumer Affairs

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Background

1. This is the second briefing in a series of MBIE briefings that outlines the potential scenarios flowing from the closure of the Strait of Hormuz, along with the range of possible the mitigations the Government has available to it. Supplies of refined products that New Zealand fuel companies have ordered are enroute so there is no immediate supply issue, though the prices are rising quickly reflecting the global fuel market uncertainties.

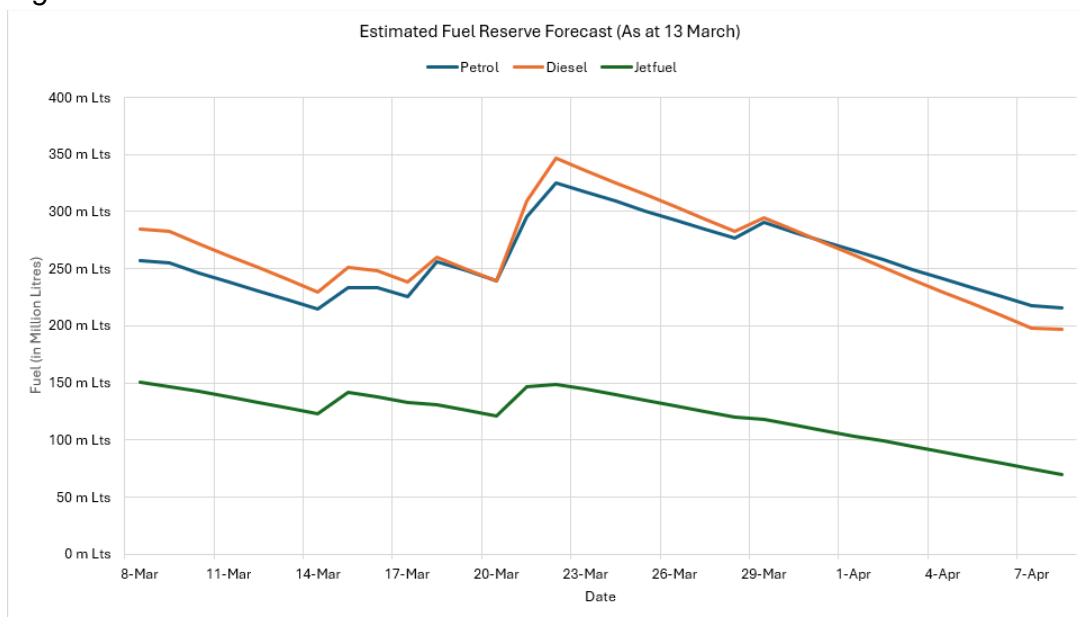
The market is adjusting

2. Higher prices will reduce some demand at the global level but also within New Zealand. Prices will reduce market demand back to available supply both at the global level and at the domestic level.
3. Information out of the IEA suggests global demand has already decreased by about 1mb/d (a bit less than 1%) since the conflict began. But there is the potential for a bigger impact on demand from higher prices. While oil prices are difficult to predict, an increase of 50% to \$USD150/barrel is being discussed as realistic. Prices at this level would raise significant affordability questions for many emerging economies.
4. We understand other countries are rationing supplies (See Annex One for a table of rationing measures being taken by other countries). If demand from those countries reduces, there may be sufficient supply available to meet New Zealand's needs if there is sufficient willingness to pay. How the market adjusts will play a large role in determining what actions are needed and when by New Zealand.

Current market situation in NZ

5. The current data shows that there is sufficient fuel supply enroute between now and early April to meet usual demand without breaching the Minimum Stockholding Obligation (MSO).

Figure 1: Estimated Fuel Reserve Forecast as at 13 March



Source: MBIE estimates

Upstream indicators will also be valuable

6. However, there are many upstream steps that lead to refined product being put on a ship to New Zealand. Information about product flows to the Asian refineries, the amount of product being produced by those refineries and orders fulfilled are all important indicators that supply will be available for New Zealand when needed.
7. A key step is the Asian refineries being able to access crude oil. Given Asian refineries get such a high proportion of their crude oil from the Middle East, their ability to source crude from other areas and to draw down emergency reserve stocks is crucial. If alternatives are not readily available, then refinery output will be reduced. This will likely be a signal of future supply disruption to New Zealand unless NZ importers can fully replace their cancelled orders from refineries outside the region, including the US Gulf Coast.
8. There is no readily available data source that we could use as reliable indicators of these upstream supply links. We are using market and country intelligence to gather information and looking for other reliable data sources.

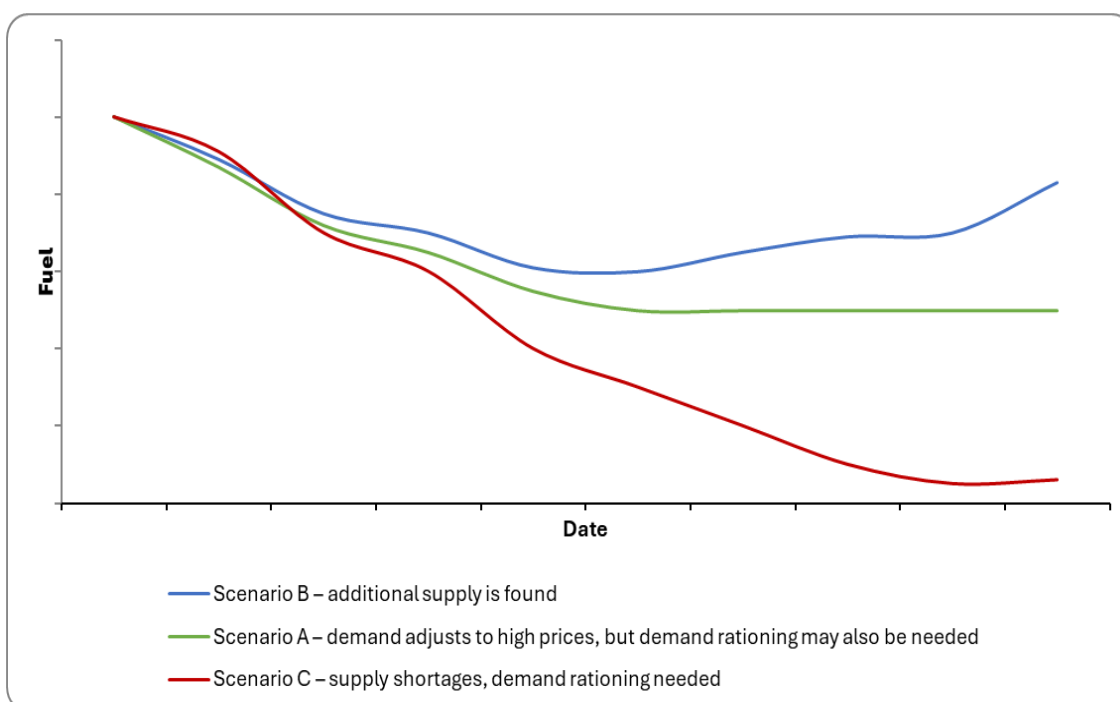
Future supply scenarios

9. MBIE currently sees three broad scenarios based on our working assumption that the Strait of Hormuz is closed or constrained for a sustained period of time:
 - a. Scenario A: Prices do the heavy lifting – under this scenario, prices rise rapidly and for a period of time that reduces global demand, with available fuel supplies directed to those countries with higher incomes and willingness to pay. This scenario would involve much higher long run equilibrium fuel prices that would see significant restructuring of global and New Zealand supply chains, including widespread decarbonisation and redirection of carbon intensive industries to higher margin goods and services.
 - b. Scenario B: Supply chains adapt to find alternatives to middle eastern crude – this scenario sees more moderate price rises than scenario A, but prices still rise

sufficiently to incentivise global fuel supply chains to find alternative options to Middle Eastern crude. Discussions with industry players suggest the most likely alternative source of supply would be from the United States Gulf Coast (USGC), and the scenario assumes that finished fuel products would reach New Zealand in a timeframe that avoids major fuel shortages in New Zealand. This is our most optimistic scenario as it would have the lowest short and long-term impacts on the New Zealand economy.

- c. Scenario C: Supply chains adapt, but not fast enough to avoid shortages – this is the worst-case scenario where the combination of price increases and the exploration of alternative sources are insufficient to avoid shortages in New Zealand and around the world. This could be because alternative sources such as USGC are not able to be brought to our part of the world fast enough, or because other countries take actions that restrict exports of crude oil and/or finished fuel products. Under this scenario, the stronger mitigations outlined later in this briefing are likely to be required.

Figure 2: Illustrative pictorial representation of fuel supply stocks under the different scenarios



- 10. MBIE’s discussions with the IEA and Australian counterparts suggests there is still significant uncertainty over which of these scenarios is the most likely. That said, our sense is that scenario B is the least likely scenario based on the information currently available. This is because no one we have spoke to expects alternative supply sources to come on stream with sufficient speed to effectively mitigate shortages or large price increases. To us, this suggests it would be prudent for New Zealand to plan for both sustained higher prices and/or potential shortages continuing for a considerable period of time.

Indicative National Fuel Plan Escalation Trigger Points

- 11. We have undertaken further work on the appropriate triggers for moving to the higher impact levels in the National Fuel Plan (NFP). Given the different enroute and onshore stock levels of the different fuels, the escalation points could be different for each fuel type. In particular, our lower diesel stock levels and the higher criticality of diesel are likely to mean that the trigger points for diesel are reached more quickly than for petrol.

12. Our assessment is the most critical indicator of our near future fuel supply situation is the number of days' supply that is enroute to New Zealand. However, fuel importers and their parent companies frequently optimise their portfolio of fuel deliveries to balance supply and demand across the different markets they serve. For this reason, discrete instances of ships being directed away or towards New Zealand is not a good candidate as a trigger. It is the overall trend in the quantity of fuel that is likely to be most critical indicator.
13. Given shipments from Asian refineries generally take 16-17 days to reach New Zealand, our assessment is that if there are less than 15 days' supply enroute then our fuel stocks are likely to be on a downward trajectory that warrants the implementation of stronger mitigations in level 2.
14. If the days of supply enroute to New Zealand is below 10 days, and there is little prospect of a significant improvement, then this is an indicator that our fuel supplies are at major risk that warrants the strong mitigations of level 3. For level 4, the trigger switches to a measure focussed on stocks are forecast to be depleted in 30 days i.e. our stocks are at severe risk of being exhausted and interventions are necessary to eek out as much time as possible for only the most essential services that support or sustain human lives.
15. There is a judgement call to be made in relation to whether to apply the triggers to jet fuel. We have excluded jet fuel at this point because its price elasticity is far higher than petrol or diesel, and therefore normal market mechanisms are likely to be able to balance demand and supply e.g. Air New Zealand has already cancelled around 1100 flights in response to high prices.

Table 1: NFP escalation Triggers	Triggers for escalation
<p>Level 1 of the NFP – Minor Impact (current level)</p> <p>Potential for escalating fuel supply disruption to Levels 2-3, but minimal current impact on fuel distribution.</p>	<p>Notice of potential fuel supply disruptions from Fuel Sector Coordinating Entity (FSCE) - notice received and FSCE activated by MBIE</p>
<p>Level 2 of the NFP – Moderate Impact</p> <p>Moderate fuel distribution impacts, most customers still serviced but there is a material risk of shortages.</p>	<p>Less than 15 days' supply of petrol or diesel enroute to NZ.</p> <p>Leading indicators:</p> <ul style="list-style-type: none"> • Asian refineries unable to secure feedstock or shipments from key refineries disrupted • Forward contracts not available, or force majeure events declared • Clear signs the market cannot meet NZ demand • Export restrictions imposed by oil supplying or refinery countries
<p>Level 3 of the NFP – Major Impact</p> <p>Serious impact on fuel distribution with severe resource and capacity constraints and multi region and/or major impacts to critical customers.</p>	<p>Less than 10 days' supply of petrol or diesel enroute, and little prospect of an improvement.</p> <p>Lead indicators that incoming stock has been significantly disrupted:</p> <ul style="list-style-type: none"> • Forward projection of stocks falling below MSO levels at current supply and demand levels, within two weeks. • Multiple shipments fail to arrive as expected due to being diverted to other countries.

<p>Level 4 of the NFP – Severe Impact</p> <p>Severe impact on national fuel supplies.</p>	<p>Stocks of petrol or diesel projected to be exhausted within 30 days.</p>
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16. While the triggers for escalation between levels 2, 3, and 4 are designed to enable a staggered approach to escalation if there is a gradual and sustained downturn in our fuel stocks, a rapid downturn in the outlook for New Zealand’s fuel stocks could require the Government to move quite quickly through levels.

Preparatory work for higher National Fuel Plan levels

17. In addition to our work on the triggers for escalating between NFP levels, MBIE is continuing to work on the design of mitigations that can be used to address risks at the current level 1, as well as levels 2, 3, and 4 of the National Fuel Plan. This work is summarised in table 2 below, and sign posts the briefings MBIE will be providing over the next fortnight.

Table 2: NFP mitigations

	Mitigations	State of play and any suggested next steps
<p>Level 1 of the NFP – Minor Impact (current level)</p> <p>Potential for escalating fuel supply disruption to Levels 2-3, but minimal current impact on fuel distribution.</p> <p><u>Key focus:</u> Monitor and prepare as the risk of disruption is assessed as material.</p>	<p>Allow fuel prices to reflect market conditions and consumers to adjust their use according to their willingness to pay</p>	<p>Underway, with prices rising to reflect market uncertainty</p>
	<p>Information campaign to inform consumers how they can reduce fuel use. This could include:</p> <ul style="list-style-type: none"> • car-pooling • removing unnecessary items/weight from private vehicles • checking tyre pressures 	<p>Recommended. We suggest you direct MBIE to work with EECA to prepare a public information campaign to assist New Zealanders to cope with the impact of higher fuel prices by employing simple measures to reduce potentially unnecessary fuel use.</p> <p>Public messaging should be clear that:</p> <ul style="list-style-type: none"> • prices will go up, and that the Government’s guidance is to support consumers to mitigate the potential cost of living impacts • we’re not at the point where additional measures are required, but we’re planning for what the public might need to know if the fuel supply does tighten.
	<p>Talk to importers about the possible design of relaxing fuel specs – this enables us to import fuel from a wider number of sources.</p>	<p>Underway, with a briefing to be supplied by 17 March.</p>
<p>Level 2 of the NFP – Moderate Impact</p> <p>Moderate fuel distribution impacts, most customers still serviced but there is a material risk of shortages.</p> <p><u>Key focus:</u></p>	<p>Confidential advice to Government</p>	

<p>Monitor, plus support the market to reduce the likelihood of further escalations.</p>	<p>Confidential advice to Government</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>	<p>[Redacted]</p>
<p>Level 3 of the NFP – Major Impact</p> <p>Serious impact on fuel distribution with severe resource and capacity constraints and multi region and/or major impacts to critical customers.</p> <p>Key focus: Support critical services and help stretch supply</p>	<p>This would involve the promulgation of regulations under the Petroleum Demand Restraint Act that restrict the sale of fuels to ensure supply to critical consumers (scale of restrictions should be calibrated to help reduce risk of further escalation – see level 4 below).</p> <p>While the NFP does not rank priority for critical customers, it states that the high priority customers usually come from the following sectors: health, emergency services, lifeline utilities, corrections, CDEM, welfare (human and animals/livestock), defence, fast moving consumer goods, agriculture, and broadcasting.</p> <p>Confidential advice to Government, Free and frank opinions</p> <p>[Redacted]</p> <p>The NFP proposes to give priority customers dedicated retail outlets and lanes within retail outlets. The purpose of these dedicated retail channels is to ensure that, regardless of any other demand restraint measures and queuing, priority customers have timely access to fuel. This will require a combination of clear identification arrangements and supporting operational controls. Information or required documentation identifying priority customers would be distributed via the FSCE, CDEM groups or another appropriate body.</p> <p>Confidential advice to Government</p>	<p>Confidential advice to Government</p> <p>Confidential advice to Government</p> <p>[Redacted]</p> <p>[Redacted]</p> <p>[Redacted]</p>

	Confidential advice to Government	
	Confidential advice to Government	Confidential advice to Government
Level 4 of the NFP – Severe Impact Severe impact on national fuel supplies. Key focus: Ensure fuel supply to critical services are maintained.	Confidential advice to Government	s 9(2)(f)(iv)
		Confidential advice to Government

Evidence on the efficacy of demand restraint mitigations

18. COVID level restrictions provide a useful indication of the potential efficacy of demand restraint mitigations. Table 3 provides a summary of the impacts of different restraint levels.

Table 3: Reduction in fuel consumption during COVID levels

COVID Level	Restriction summary	Petrol	Jet Fuel	Diesel
Level 4	Stay-at-home order; Essential services businesses only operating; Travel severely restricted; All public venues closed.	75-80%	70-80%	60-70%
Level 3	Stay-at-home encouraged; Businesses allowed to operate for contactless transactions; Schools (year 1-10_ open but attendance voluntary; Local travel only; Small gatherings only	45-55%	70-80%	10-20%
Level 2	Business and schools open with safety measures; Domestic travel allowed Public venues open; Gatherings with limits indoor.	10-20%	60-70%	5-10%

Source: Castalia and Envisory (2025), *Fuel security study report*.

<https://www.mbie.govt.nz/assets/fuel-security-study.pdf>

Next steps

19. We are planning a series of briefings that covers the full range of mitigations under the different levels of the National Fuel Plan, as well as updates on our modelling work as market developments allow this to be firmed up.
20. In the meantime, we recommend you begin work on a public information campaign to inform New Zealanders how they can reduce their fuel use in the face of significant price increase. We also recommend you agree to our suggested triggers for moving to Levels 2, 3 and 4 in the National Fuel Plan.

Annexes

Annex 1: Measures taken by other jurisdictions to manage demand

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Measure	Voluntary / Involuntary	Country	Notes
4-day government work week	Involuntary	Philippines	Reduced commuting by shortening work week for government offices
50% government vehicle fuel reduction	Involuntary	Pakistan	Fuel allocation for government vehicle fleets cut by half
Energy consumption reductions for government	Involuntary	Philippines	Agencies ordered to reduce electricity and fuel consumption by 10–20%
Anti-hoarding campaigns	Voluntary	Multiple. Reports from Zambia, Vietnam, Thailand, Fiji	Governments warned citizens not to stockpile fuel
Encourage public transport / carpooling	Involuntary	Multiple countries	Government promoted public transport, cycling, and shared commuting. Vietnam has started this campaign in the current scenario.
Fuel price controls	Involuntary	South Korea	Government capped retail fuel prices to manage demand and inflation
Fuel subsidies	Involuntary	Indonesia	Large subsidy programme introduced to stabilise domestic fuel markets
Limits on petrol station price changes	Involuntary	Germany	Stations allowed to increase fuel prices only once per day – Note: this is planned as of 13 March
Limits on frequency of price increases	Involuntary	Austria	Petrol stations restricted to limited price increases only three times per week
Managing gas demand	Involuntary	India	LPG and gas supplies legally prioritised for essential users. Restaurants, hotels etc limited to 20% of monthly LPG usage.