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Coal stocks and supply chain, and international price impacts on the NZ electricity market

Date:	17 March 2026	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0029454

Information for Minister(s)
Hon Simon Watts Minister for Energy
Hon Shane Jones Minister for Resources

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Tamara Linnhoff	Manager, Electricity Markets Policy	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 Withdrawn |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

To provide an update on coal stock levels at Huntly, the security of coal supply, current international coal price trends (in light of the current conflict), and the expected impact of any price increases on the New Zealand electricity market.

Privacy of natural persons

Tamara Linnhoff
Manager, Electricity Markets Policy
Building, Resources and Markets, MBIE

17 / 03 / 2026

Coal stocks at Huntly are high, and are not declining

1. Genesis advises they currently have 1.1 million tonnes of coal on the Huntly stockpile, including both coal for Genesis' own use and the strategic reserve (contracted to other generators).
2. With hydro storage sitting 4% above average, Genesis notes that - absent an unexpected disruption such as a major asset failure - they are not currently concerned about security of supply. Transpower's February 2026 Energy Security Outlook notes thermal storage (coal and gas) remains "close to maximum levels", indicating confidence in the adequacy of current stocks for security-of-supply requirements.

Genesis is not concerned about ongoing access to coal

3. Genesis reports no current need to replenish coal stocks, which significantly reduces near-term exposure to international supply conditions. Genesis is not concerned about coal supplies. Genesis has secured and diversified supply. A two-year contract with BT Mining provides 240,000 tonnes of domestic coal annually, reducing exposure to international supply-chain risk.
4. Shipping from Indonesia is not currently impacted, but there are second order impacts on the supply chain, including from constrained supply of other fuels increasing demand for coal from those applications that are able to substitute fuels. Genesis is actively maintaining engagement with its Indonesian supplier to ensure that, as and when it needs to replenish the stockpile, it remains in their plans.
5. With the current contracted volumes, domestic supplementation, and high on-site stocks, Genesis has no immediate concerns about securing ongoing supply.

There are no immediate concerns about international coal price inflation

6. The crisis is having an influence on international coal prices, with the Newcastle index rising from US\$115/t pre-crisis to around US\$135/t today. However, this remains within normal volatility ranges for the market and does not constitute a sustained surge.
7. Global demand remains broadly flat, and benchmark Australian thermal coal prices are expected to remain around US\$110/t in 2026, consistent with 2025. Oversupply and soft demand in major Asian markets (China, India) continue to limit upward pressure.
8. Genesis also points to the insulating effect of long-term contracting, which limits direct exposure to short-term price movements.
9. When Genesis needs to resume imports it will be subject to the prevailing shipping costs at that time. At this stage it is unclear what those may be, given the duration and impact of the conflict remains uncertain.

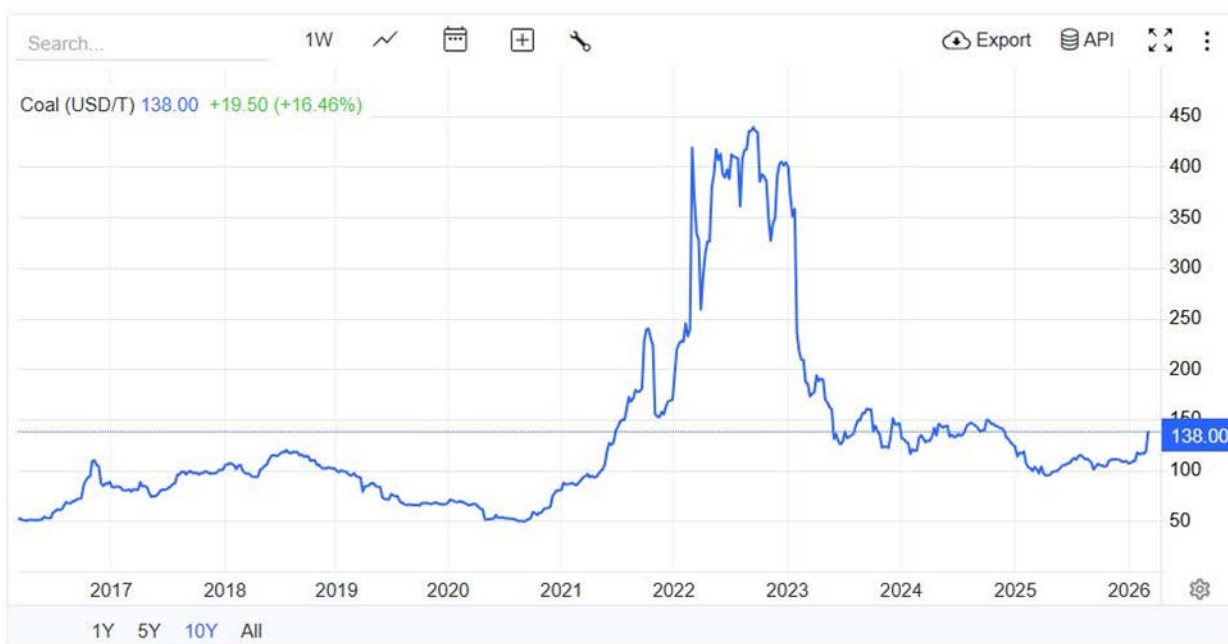
If coal prices do rise we expect minimal impact, given long term supply contracts and current lake levels

10. It is reasonable to expect that increases in key input costs (including coal) would be reflected in thermal offer prices into the wholesale electricity market.
11. However, the Electricity Authority notes that thermal costs only influence spot prices when thermal units are on the margin, which typically occurs when hydro storage is low. Currently, hydrology remains strong, with national controlled storage at 113% of the historical mean (February 2026), significantly reducing the likelihood of coal-fired units setting the wholesale price.
12. In addition, forward market indicators show low expectations of thermal-driven price pressure, with 2026 futures falling to ~\$145/MWh, a 26% decline in January.
13. Given high lake levels, strong storage, and Genesis' long-term contracting arrangements, any increase in international coal prices would have minimal expected impact on wholesale electricity prices in the near term.

Annex: Effective contracting managed the 2022-23 coal price spike

14. During the first year of the Ukraine war, international coal markets experienced extreme volatility. Global Newcastle thermal coal prices rose from around US\$85/t in 2021 to a peak of ~US\$450/t, before easing back to around US\$178/t by March 2023. This was one of the largest and fastest commodity price swings in recent decades, as reflected in the chart below.

Figure 1: Newcastle thermal coal prices rose more than five-fold during the Ukraine-war period, yet New Zealand's actual coal procurement costs increased only modestly



15. Despite the unprecedented spike in global prices, Genesis' actual landed coal cost rose only from \$6.6/GJ to \$7.9/GJ between 2021 and 2023, an increase of about 20%, not the multi-fold escalation seen on the international market.
16. This divergence illustrates:
- New Zealand's exposure to global commodity volatility is manageable.**
Even at peak international prices, domestic procurement costs were controlled.
 - Timely contracting and hedging significantly dampen global shocks.**
Genesis avoided the worst of the international spike through forward purchasing and contract timing.
 - Small market size does not impede effective risk management.**
New Zealand's limited buying power did not prevent securing supply on reasonable terms.
17. Overall, the 2022-23 experience demonstrates that even severe international price spikes do not automatically translate into unmanageable domestic cost impacts. Volatility is a normal feature of commodity markets and can be successfully managed.