MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Implications to oil and gas markets of Middle East conflict

Date:	1 March 2026	**Priority:**	Urgent
Security classification:	In Confidence	**Tracking number:**	BRIEFING-REQ-0028444

Action sought		
	Action sought	**Deadline**
Hon Simon Watts **Minister for Energy**	**Note** the contents of this briefing	5 March 2026
Hon Shane Jones **Associate Minister for Energy**	**Note** the contents of this briefing	5 March 2026

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Dominic Kebbell	Manager, Gas and Fuel Policy Team	Privacy of natural persons	✓
Caroline Ryder	Principal Policy Advisor, Gas and Fuel Policy Team	Privacy of natural persons	

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☐ Withdrawn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

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Implications to oil and gas markets of Middle East conflict

Date:	1 March 2026	**Priority:**	Urgent
Security classification:	In Confidence	**Tracking number:**	BRIEFING-REQ-0028444

Purpose

To provide you with information about the potential implications of the Middle East conflict to the oil and gas markets.

Recommended action

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

a **Note** that markets have not yet responded to the Middle East conflict, but speculation is that crude prices will increase.

Noted

b **Note** that any increase in crude prices would be passed on to New Zealanders in the form of higher prices at the pump and higher prices for goods and many services.

Noted

c **Note** that feedback from fuel importers is that domestic stocks are healthy and scheduled deliveries are on track.

Noted

d **Note** that although we expect fuel price rises, we are not anticipating domestic fuel shortages in the short or medium term.

Noted

e **Note that** the IEA is monitoring the situation but there has been no talk of collective IEA action yet.

Noted

Privacy of natural persons

Dominic Kebbell
Manager, Gas and Fuel Policy Team
Building, Resources and Markets, MBIE

1 / 3 / 2026

Hon Simon Watts
Minister for Energy

..... / ...... / ......

Hon Shane Jones
Associate Minister for Energy

..... / ...... / ......

Background

1. On 28 February 2026 (NZT), joint US and Israeli military strikes on Iran sharply escalated tensions in the Middle East, with retaliatory Iranian strikes targeting Gulf states and a series of warnings to commercial shipping in the Strait of Hormuz.

2. Iran's Islamic Revolutionary Guard Corps broadcasted radio messages stating that vessels were not permitted to transit the Strait, leading several tanker owners, oil majors and trading houses to suspend or delay voyages amid concerns over safety and insurance coverage.

3. The Strait of Hormuz is a critical global chokepoint, handling roughly one-fifth of the world's oil and liquefied natural gas (**LNG**). Even short-lived disruption can heighten market volatility and raise concerns about potential spillovers to global energy prices, shipping costs and supply chains.

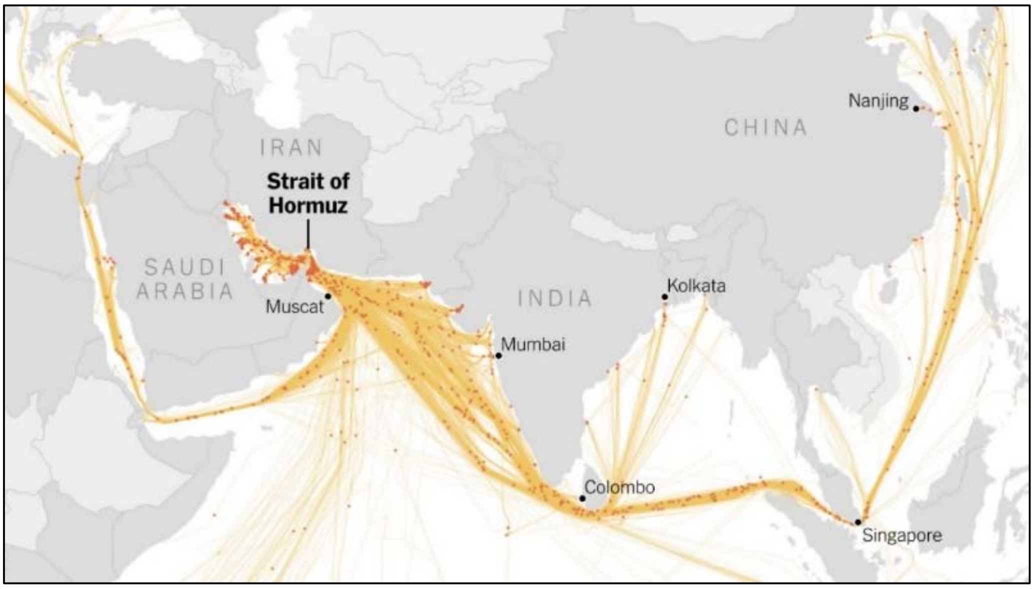

Figure 1: Middle East water-borne oil supply lines

Impact of Middle East Conflict on global oil market

4. Brent crude prices have been tracking up since January 2026, increasing by around US$10 per barrel over January. The International Energy Agency (**IEA**) attributes this to supply disruptions, winter weather impacts and escalating geopolitical tensions, including uncertainty in the Persian Gulf. Figure 2 below shows the Brent crude prices over the past 12 months. Of note, the June 2025 peak was due to last year's US/Iran conflict.

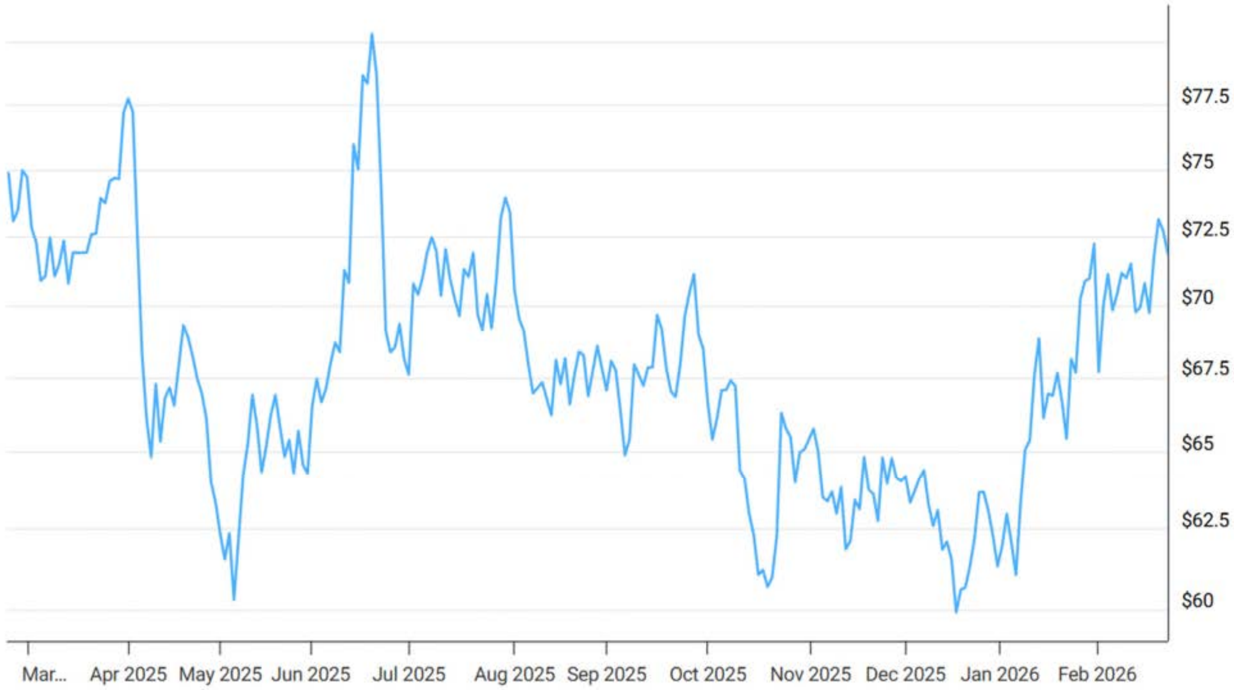

Figure 2: https://www.macrotrends.net/2480/brent-crude-oil-prices-10-year-daily-chart

5. Markets have not yet reopened following the strikes. Speculation from market analysts is that Brent crude will open higher, reflecting increased uncertainty and risk. Current estimates on the market response range from a 7-15 per cent increase, reflecting increased geopolitical risk but no physical impacts (to date) to shipping or energy infrastructure.

6. Reuters reports some oil majors and top trading houses have suspended crude oil and fuel shipments via the Strait of Hormuz because of the attacks.

7. If shipping in the Strait was disrupted for a short period, market participants cited by Reuters warn that oil prices could quickly move into the high-US$80s or around US$90 per barrel, driven by shipping disruption and risk premiums.

8. Goldman Sachs estimates that Brent crude could briefly peak around US$110 per barrel if oil flows through the Strait of Hormuz were halved for one month and remained partially disrupted thereafter. In a severe scenario involving closure of the Strait of Hormuz, JP Morgan estimates that oil prices could surge to US$120–130 per barrel.

9. The previous peak in crude oil prices occurred following the Russian invasion of Ukraine, when Brent crude peaked at US$115/barrel in March 2022.

International Energy Agency response

10. In the event of significant disruptions to global oil supply, the IEA can intervene to mitigate the impact on the market by coordinating release of strategic oil reserves from their member states – including New Zealand. The decision driver for an IEA response is a sudden physical loss of supply rather than high market prices, and prices can still stay elevated for some time following IEA action.

11. Collective releases of crude oil reserves support the global market by offsetting sudden supply losses in affected regions and prevent extreme price spikes. For example, after the Russian invasion of Ukraine, the collective actions of IEA member states resulted in 182.7 million barrels of strategic petroleum reserves being released into the global oil market to alleviate short term tightness.

Potential impact to New Zealand fuel market

12. New Zealand imports petrol, diesel and jet fuel mainly from refineries in Asia, predominately from South Korea and Singapore. The majority of the daily 20 million barrels of crude oil passing through the Strait of Hormuz is to Asian refineries.

13. Previous surges in global oil prices have flowed on to temporary increases of fuel prices at the pump. Any impact to domestic fuel prices will likely be lagged by up to a month following a surge in crude prices. Based on previous events, we estimate that a 10 per cent increase in global crude oil could increase our fuel prices at the pump by 8 to 10 per cent.

14. As at Sunday 1 March, Z, bp, Mobil and Gull reported that domestic stocks are healthy, cargoes are planned and on their way from Asia. Fuel importers will provide further updates if anything changes.

15. In the event of a supply disruption, we would activate the Fuel Sector Coordinating Entity (which coordinates responses to fuel emergencies between government and fuel companies) and consider other measures outlined in the National Fuel Plan.

16. New Zealand has reserves of fuel – mandated by the Minimum Stockholding Obligation (**MSO**) that could be drawn on in an emergency. Under the MSO, fuel importers must hold 28 days' cover petrol, 24 days' jet fuel and 21 days' for diesel (note that the diesel MSO will increase for larger fuel importers to 28 days' cover in 2028).

17. Fuel importers routinely hold in excess of what they are required to hold under the MSO. For January 2026, fuel importers held:

- 36 days' cover for petrol (the MSO minimum is 28 days)
- 30.7 days' cover jet for fuel (the MSO minimum is 24 days)
- 28.7 days' cover for diesel (the MSO minimum is 21 days).

18. While we expect fuel price rises, we are not anticipating domestic fuel shortages in the short or medium term. Confidential advice to Government

Impact on LNG

19. Although Iran does not produce LNG, around one-fifth of global LNG supply – approximately 19 per cent – transits the Strait of Hormuz each year. Qatar provides the bulk of these flows at about 9.3 billion cubic feet per day, with smaller volumes originating in the United Arab Emirates.

20. Security conditions in the region have already altered shipping behaviour. On 28 February 2026, at least nine LNG carriers diverted away from the Strait and no LNG carriers were approaching the Strait by 19:00 GMT.

21. Recent market behaviour underscores the risk of short-term price rises. During the June 2025 Israel–Iran escalation, European TTF month-ahead gas rose 18 per cent to USD 14/MMBtu (10–19 June 2025) and Asian spot LNG (Platts JKM) increased 16 per cent to USD 14.8/MMBtu, a four-month high. Prices fell almost 20 per cent after the 24 June 2025 ceasefire, returning to near pre-crisis levels, showing how quickly a Hormuz risk premium build up and subside.

Next steps

22. We are closely monitoring the situation with fuel companies, other government agencies and the IEA. We will update your Offices if the situation changes.

23. We have prepared a set of Q&A at Annex One to support responses to any queries.

Annexes

Annex One: Q&A on Effect of Geopolitical Situation in Iran on Fuel Prices

Annex One: Q&A on Effect of Geopolitical Situation in Iran on Fuel Prices

What happens if Iranian oil supply to global markets is disrupted, or shipping via the Strait of Hormuz is blocked?

- New Zealand, as an IEA (International Energy Agency) Member Country, would work with the IEA Governing Board to investigate if collective action from the 32 IEA Member Countries is required.

- This occurred after the Russian invasion of Ukraine. The collective actions during that event amounted to 182.7 million barrels of strategic petroleum reserves being released into the global oil market to alleviate short term tightness.

Will fuel prices in New Zealand increase?

- It is too early to say what impact the current conflict will have at the pump.

- However, past trends show we're not immune to volatile crude oil prices. For this reason, the government is keeping an eye on the escalating situation.

How is New Zealand protected against global oil market volatility?

- If there is a significant disruption to global oil supply, the IEA (International Energy Agency) can intervene to mitigate the impact on the market by coordinating release of strategic oil reserves from its member states – including New Zealand.

- Collective releases of crude oil help the global market provide additional supply to offset reduced supply from affected regions. For example, after the Russian invasion of Ukraine, the collective actions of IEA member states resulted in 182.7 million barrels of strategic petroleum reserves being released into the global oil market to alleviate short term tightness.

- In addition, New Zealand recently introduced regulations that require fuel importers to hold 28 days' cover for petrol, 21 days' cover of diesel and 24 days' cover of jet fuel onshore to protect us against fuel supply disruptions.