MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

AIDE MEMOIRE

Global supply update – insights for New Zealand's fuel supply

Date:	22 May 2026	**Priority:**	High
Security classification:	Sensitive	**Tracking number:**	REQ-0033379

Information for Minister(s)
Hon Nicola Willis **Minister of Finance**
Hon Shane Jones **Associate Minister of Finance**
Hon David Seymour **Associate Minister of Finance**
Hon Chris Bishop **Associate Minister of Finance**
Hon Simeon Brown **Minister for Energy**

Contact for telephone discussion (if required)

Name	**Position**	**Telephone**	**1st contact**
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Sarah Drought	Principal Policy Advisor		
Kasturi Sukhapure	Senior Policy Advisor		

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☐ Overtaken by Events ☐ See Minister's Notes ☐ Withdrawn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 summarise developments in global oil supply chains and identify any emerging risks for New Zealand's future fuel supply. It draws on a range of sources, including the independent Envisory and Brewis reports commissioned this week.

Key points

- Fuel importers continue to indicate confidence in supply, albeit at elevated prices, over the usual planning window of up to 90-days, with forward cargo plans extending into August.
- Asian refineries have rapidly diversified crude imports, securing alternative supply from the United States and increased Gulf exports via the Rea Sea, and have confidence in feedstock supply ranging from June to August.
- A rapid drawdown of global inventories has been buffering the supply shock. However, the starting point for inventories was elevated and analysis from Envisory indicates that inventories can still provide a buffer for coming months. This needs close monitoring.
- Product prices are a key indicator for market tightness and concerns about future supply. If the disruption persists and inventories keep reducing, prices will need to increase to bring demand and supply into balance.
- Overall, while global supply remains tight, our base case remains that the main impact for New Zealand is likely to be elevated fuel prices rather than physical supply disruption. Nonetheless, uncertainty and risks persist, particularly the longer the Strait remains closed.
- MBIE intends to update Ministers regularly on global supply developments, building on the framework outlined in this briefing.

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

22 / 05 / 2026

Background

1. Global oil supply chains which impact New Zealand include crude production and inventory draw down, crude flows into Asia, and Asian refinery operations. Disruption in these supply chains upstream of New Zealand will give an early warning sign of potential issues for our forward supply.

2. MBIE monitors upstream supply chains using a range of information sources including discussions with the oil industry, oil market data and intelligence services, engagement with Australian officials, International Energy Agency (IEA) reports, reporting from MFAT posts and media reports.

3. We also draw on bespoke independent analysis from oil markets experts, such as on global inventories from Envisory and Robert Brewis [BRIEFING-REQ-0033378 refers]. Information from these two independent analyses is incorporated into our analysis in this briefing.

4. Officials intend to use these regular updates on global supply developments to inform related advice for the fuel response, for example, on increasing New Zealand's fuel resilience [BRIEFING-REQ-0031183 refers] and considerations for moving between phases if needed.

A framework to monitor global supply developments

5. The meetings that the Prime Minister, Minister of Finance and senior Fuel Response officials had with fuel companies in Asia in early May provided a relatively consistent message of confidence in the outlook for fuel supply for New Zealand over the next three months.

6. Building on the key messages from that trip and ongoing discussions with fuel importers, MBIE has developed a framework to streamline and triangulate information on global oil supply to clearly articulate how we view emerging risks to our supply.

7. Triangulation across sources is important to understand the potential risks for New Zealand fuel supply. Each piece of information will have a different level of insight of the potential risk for New Zealand and over what time horizon. For example:

    a. Signals closer to us like a direct notification from an importer of issues securing cargos provide the strongest signal of potential supply disruption but with less lead time (eg six weeks)

    b. Signals further up the supply chain such as drawdowns in inventories or a disruption in crude feedstock flows to a refinery provides longer lead time but much less certainty that it will affect fuel supply in New Zealand (and instead could manifest in higher global prices, lower demand and/or reduced supply to other markets).

8. We have identified three high-level and interrelated assumptions that are important for confidence in New Zealand's fuel supply:

    a. Importers continue to secure cargoes as per normal operations.

    b. Asian refiners continue to access crude feedstock.

    c. Prices play a key role balancing global supply and demand and are an important indicator for concerns about future supply.

9. We have identified key “watch points” under each assumption that we consider to be particularly important for providing early warnings about potential supply risks for New Zealand. Annex One sets out these watch points in more detail.

10. The watchpoints and framework will continue to evolve as the context changes. Ampol has indicated that they will provide a monthly dashboard using a rating system of how they are seeing the upstream crude supply picture. We expect that this dashboard will inform future updates.

State of global oil supply – key insights for New Zealand

Importers continue to secure cargoes as per normal operations

11. Disruption to importers’ ability to secure cargoes is our strongest signal of a supply disruption for New Zealand. Depending on where in the planning cycle the disruption occurred, this would provide a lead time of between 3 and 12 weeks. Commercial Information [redacted].

12. Related factors that we are monitoring which affect importers’ ability to secure forward orders include export bans (particularly from New Zealand’s suppliers) or other significant policy changes that would impact how the market can function to allocate supply.

Current status

13. Feedback from all our fuel importers indicates that cargoes continue to be secured within normal ordering timeframes (up to 90-days) and importers have confidence ranging from June to August depending on the importer Commercial Information [redacted]

14. Commercial Information [redacted]

Commercial Information [redacted]

15. Overall, the message from importers is that cargoes continue to load and arrive as expected, with no disruption to consignments or change to planning horizons, and no widespread force majeure events observed.

Looking ahead

16. While confidence in cargoes ranges from June to August depending on the importer, given the unprecedented global supply shock there is uncertainty beyond this usual planning window. We meet weekly with fuel importers to get updates on their confidence in their forward orders and how they are assessing broader upstream developments and any emerging risks for future orders.

Asian refineries continue to access crude feedstock

17. The Strait closure has resulted in a loss of about 14 million barrels per day (mb/d) of crude and oil product exports – with over 90% of this destined for Asia. In response, Asian refineries have rapidly diversified crude imports – securing alternative supply from the United States, increased Gulf exports via the Rea Sea, and have also used inventories to cover the supply shortfall.

18. Our key watch points for this are

    a. crude flows from the Gulf bypassing the Strait of Hormuz (eg Yanbu and Fujairah pipelines remain intact and Red Sea avoids material disruption) and the US

    b. global inventory levels, and

    c. Asian refinery operations (their crude outlook and refinery run rates).

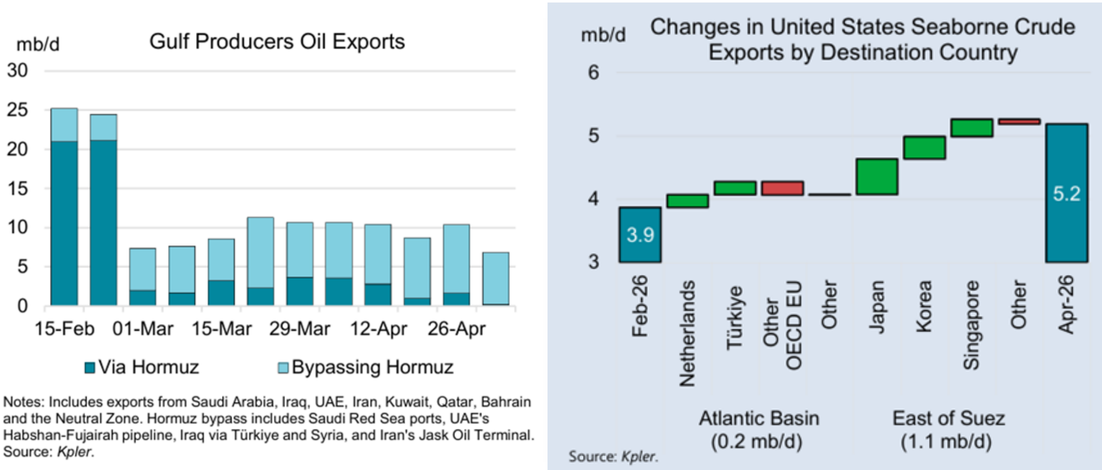
19. Engagement with the offshore traders of our fuel importers and refineries (such as the recent visit the Prime Minister, Minister of Finance and senior Fuel Response officials with fuel companies in Asia in early May) provides us timely candid information. Other key sources include Argus market intelligence, the IEA and reporting from MFAT posts in Asia. One potential gap is timely and consistent data on feedstock flows to Asian refineries. MBIE is currently looking at options from third-party data providers.

Current status

20. Some crude oil is still flowing from Middle East locations not affected by the Strait closure as both Saudi Arabia (to the Red Sea) and the UAE (to Fujairah) maximise alternative supply pipeline routes (see figure 2a). A handful of tankers are still crossing the Strait – for instance, a Japan-linked oil tanker transited on 14 May carrying around 1.9mb of crude oil, expected to arrive in Japan in late May or early June.

21. US crude has acted as a stabilising force in Asia, with total US crude exports surging to over 5.5mb/d in the four weeks to 15 May 2026, up 1.8mb/d (nearly 50%) from a year ago. Most of the increase in exports have been directed towards Asia (figure 2b). This increase in US exports has been supported by restarting imports of crude from Venezuela (which suits US refineries while it exports more of its lighter indigenous crude) and a drawdown of inventories.

Figure 2 (a) Gulf producers oil exports since the Strait closure (b) Changes in US crude exports since February 2026 (source: IEA May Oil Market Report)



22. Although refiners across Asia have not completely offset the lost crude, a range of sources suggest that they have secured sufficient crude over the next few months, and this confidence is resulting in a lift in run rates. For example, Singapore has certainty in crude supply until August and Malaysian refineries have secured 70-80% of their crude till July.

23. Companies are also considering greater diversification of crude feedstock flows moving forward. Commercial Information [redacted]

24. Global inventories are playing a critical role in keeping fuel supply flowing to consumers during this disruption. Inventories are typically held in three main forms:

    a. Strategic petroleum reserves (SPRs), held by governments to manage major supply shocks. The largest holders include China, the US, Japan, OECD Europe, Saudi Arabia and South Korea. These are not part of the normal operating stock required for system to function smoothly.

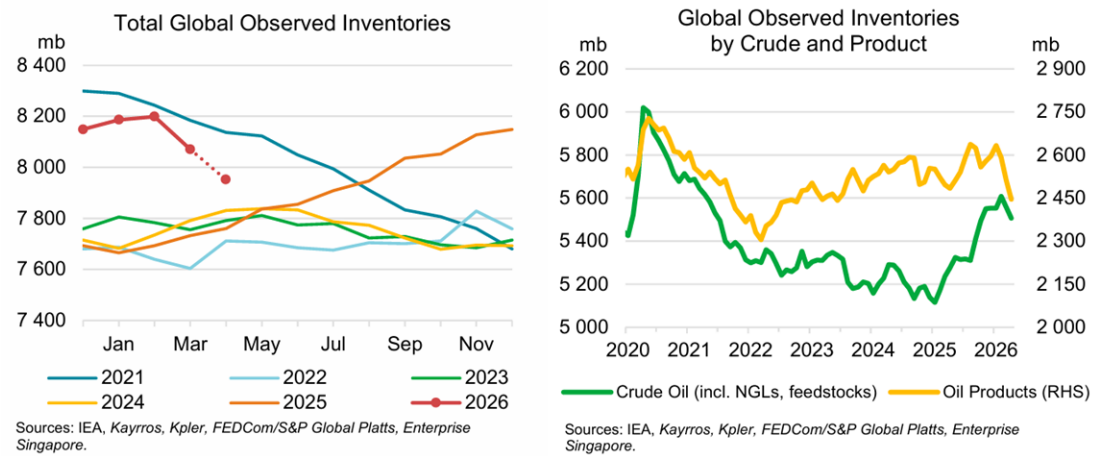
    b. Commercial stocks, held by producers, refiners, and traders to support market operations. Includes operating stocks like ships on water, and are larger than SPRs.

    c. National oil company crude storage in consuming countries, where national oil companies (e.g. Saudi Aramco, Abu Dhabi ADNOC) store crude in refining countries (e.g. Japan, Korea, India). In an emergency the refining country has immediate and priority access to these inventories.

25. Global inventories were high coming into this crisis providing a good buffer to the supply disruption so far. The prior build in inventories was in part due to increase in Russian crude on water and continued increase in supply from OPEC despite lower prices.

26. The latest data from the IEA shows that global observed oil stocks have plunged by a combined 246 million barrels (mb) or roughly 4 mb/d over March and April across all major regions (Figure 3). The estimated drop is even larger at 378 mb or over 6 mb/d excluding oil stored on land or at sea in the Gulf region.

Figure 3: Global inventories (source: IEA May Oil Market Report)



27. Inventory drawdowns were initially strongest in Asia to cover the immediate shortfall as planned cargoes from the Gulf did not arrive. While the pace of drawdowns in Asia is slowing (eg the Japanese Government confirmed it will not proceed with a planned third tranche of government strategic releases), inventory drawdowns in the US have accelerated over the past month to record rates.

28. The US has now drawn down 41 mb from the planned 172mb release of crude from the SPR (as part of the IEA collective action). At the current rate, it will take roughly 3 months to fulfil its committed release. Commercial stocks (across crude and products) are roughly at the same level as this time last year.

29. The reports from Robert Brewis and Envisory both highlight the role that China developments have on global balances, including via its ban on product exports (although this has been partially relaxed). Since the Strait closure, China is reported to have dropped crude oil imports significantly by 3.6 mb/d by reducing refinery runs and drawing down stocks, which has helped to balance oil markets. Based on reported inventories, China can do this for many months so is not dependent on the Strait opening immediately.

30. Analysis from Envisory suggests that based on historical trends, the global market is comfortable operating at the 7,600-7,800mb range which is 200mb below the IEA's predicted April month end position. Envisory considers that a viable 'minimum level' could be as low as 6,900 – 7,100 barrels. Theoretically, this would provide a runway of around 5 months if drawdowns continued at around the current estimated rate of 6 mb/d. However, as the market becomes more concerned about reducing stock buffers product prices are expected to increase to reduce demand to slow the pace of drawdowns.

Looking ahead:

31. MBIE is closely monitoring developments that might affect upstream crude flows particularly from the Middle East and the US, and the ongoing pace of inventory drawdowns.

32. Inventories cannot be relied on indefinitely to offset the supply shortfall. Prices will need to rise to reduce demand to match available supply, with the extent of adjustment depending on how long the disruption persists. We expect concerns about inventories to first show up in rising prices for forward orders, as discussed in the section below.

Prices play a key role balancing global supply and demand

33. Prices are the key mechanism to balance global supply and demand and are an important forward-looking indicator for concerns about future supply. Discussions with importers have emphasised that we would expect to see strong price signals preceding any physical shortages. Prices also provide the key signal to pull supply into the regions and markets with the willingness and ability to pay. For example, high relative prices in Asia in March were an important balancing factor to attract crude and products from non-traditional sources such as the US.

34. However, while rising prices globally or in Asia would represent tightening supply or concerns about future supply it does not necessarily mean there would be disruption to New Zealand's physical fuel supply.

Current status

35. Prices for refined products in Asia remain elevated, reflecting ongoing tightness in product markets. However, prices for diesel and jet fuel are down significantly from the unprecedented levels in early April as feedstock arrived from new sources and refinery throughput increased. Product prices in Asia are now back in line with other regions and have been broadly stable over the past few weeks signalling relatively less concerns about physical supply in the near term (figure 4a).

36. The MOPS strip also indicates a much more settled product market in Asia (figure 4b). The MOPS strip is a forward component embedded in the price of a physical fuel cargo and adjusts for factors such as a timing of deliveries and tightness of markets. Envisory consider this to be a good indicator of market dysfunction as it indicates difficulty in securing future cargos.

Commercial Information

[redacted]

38. While there has been some reduction in global demand in response to higher prices, it has been relatively limited so far in comparison to the reduction in supply. According to the IEA, most of the estimated reduction in demand so far has occurred in low-middle income countries mainly for LPG (used in cooking) and naphtha, while the reduction in transport fuel globally has been more muted, in part due to panic buying in March. Overall, the IEA expects global demand in 2026Q2 to be 2.4 mb/d lower than a year ago. Lower global growth as a

result of the conflict (forecast by the IMF and others) will reduce oil demand by weakening economic activity, in addition to the direct dampening effect from higher prices.

Looking ahead – prices may need to adjust to bring supply and demand in balance

39. The global supply gap and the impact on prices have been buffered by the draw down of inventories. As discussed, if the disruption persists, prices will need adjust to bring supply and demand into balance.

40. We are watching a range of market price indicators, including brent crude prices, refined product prices within Asia, the MOPS strip, and time spreads as key indicators for increasing market tightness. We receive daily data and intelligence on prices from Argus with intel from importers providing a valuable 'on the ground' interpretation of what price signals may mean for future supply.

Next steps

41. Officials will continue to closely monitor global supply developments and will provide a regular briefing to Ministers on key insights for New Zealand supply and any emerging risks.

Annex one: Global oil supply monitoring

42. We have mapped out key watch points to monitor under each of the three assumptions that indicate whether the assumption still holds or there is growing concern about risks to New Zealand's fuel supply. This is not an exhaustive list of what officials are monitoring and will continue to evolve over time.

Key assumption	Watch points that could provide early warning	Examples of key sources
Importers continue to secure cargoes as per normal operations.	• Notification from importers on issues with booking cargoes • Status of shipping lanes to New Zealand affecting transit. • Fuel export bans that affect global supply and impede market functioning.	• Regular meetings with importers and their offshore trading arms in Asia. • Argus market data reporting • Media reports
Asian refiners continue to access crude feedstock.	• Crude flows through the Red Sea and Middle East alternative pipelines • Status of US crude inventories and production and signs of risks to this e.g. hurricanes • Status of Asian refineries eg refinery run rates and use of inventories	• Importer intel • Discussions with refineries in Asia and reporting through MFAT posts • IEA reporting • US Government weekly reporting on inventory drawdowns
Prices play a key role balancing global supply and demand.	• Crude prices indicating tightness in global crude supply and future confidence • Asian refined product prices for petrol, diesel and jet fuel indicating tightness of supply in the market • MOPS strip price (for petrol, diesel and jet fuel) highlights stress about future physical crude supply in Asia	• Argus market data and commentary • Importer intel