BRIEFING

Finalising accelerated diesel storage commercial arrangements

Date:	15 April 2026	**Priority:**	Urgent
Security classification:	Restricted	**Tracking number:**	BRIEFING-REQ-0030933

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance** Hon Shane Jones **Minister for Regional Development**	**Agree** to the proposed indicative commercial terms between the Crown and Channel Infrastructure to support an additional 93 million litres of diesel storage at Marsden Point. Commercial information, Negotiations [redacted] **Agree** to delegate authority to MBIE officials to continue negotiations and finalise all commercial and operational arrangements to enable the use of the diesel storage facilities.	16 April 2026

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Robert Pigou	Deputy Chief Executive, Regional Development & Commercial Services	Privacy of natural persons [redacted]	✓
Josh Hercus	Director, Strategic Initiatives and Engagement - Regional Development & Commercial Services		

The following departments/agencies have been consulted

Comments

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Finalising accelerated diesel storage commercial arrangements

Date:	15 April 2026	**Priority:**	Urgent
Security classification:	Restricted	**Tracking number:**	BRIEFING-REQ-0030933

Purpose

To seek your approval to finalise commercial arrangements relating to up to $21.6 million from the Regional Infrastructure Fund to support the refurbishment of diesel storage facilities managed by Channel Infrastructure NZ Limited.

Recommended action

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

a. **Note** on 1 April 2026, the Regional Development Ministerial Group (RDMG) agreed to provide up to $21.6 million from the Regional Infrastructure Fund (RIF) to allow the Crown to enter a commercial arrangement with Channel Infrastructure NZ Limited to increase its diesel storage capacity by 93 million litres for up to 18 months [BRIEFING-REQ-0030336 refers].

Noted

b. **Note** that RDMG also agreed to delegate authority to the Minister of Finance and Minister for Regional Development to approve any further decisions to operationalise the commercial arrangements with Channel Infrastructure NZ Limited.

Noted

c. **Note** that matters that may have hindered the project including Worksafe compliance, Regional Infrastructure Fund eligibility, and availability of OPEX in the Regional Infrastructure Fund, have been resolved.

Noted

d. **Note** that updated Regional Infrastructure Fund (RIF) investment decision forecasts show there is sufficient OPEX to provide $21.6 million to Channel Infrastructure NZ.

Noted

e. **Note** that the funding is being provided as a conditional grant on the basis that it both enables the construction of additional diesel storage infrastructure and secures the Crown the right to use the storage until the end of December 2027.

Noted

f. **Note** that Channel Infrastructure NZ Limited has commenced works to provide the additional storage capacity sought by the Crown within the expected timeframe, notwithstanding that no formal contract is currently in place, and have incurred $[redacted] million of costs to date.

Noted

g. **Note** any delays in signing contractual arrangements between Channel and the Crown will extend the timeframes to complete and operationalise the refurbished diesel storage tanks.

Noted

h. **Note** [redacted] Commercial Information, Negotiations

Noted

i. **Note** the proposed contractual arrangements between Channel and the Crown allows the Crown to designate a 'Crown Nominated User' to use the diesel storage Commercial Information, Negotiations [redacted]

Noted

j. **Note** the proposed contractual arrangements include Commercial Information, Negotiations [redacted]

Noted

k. **Agree** to the proposed indicative commercial terms between the Crown and Channel Infrastructure to support an additional 93 million litres of diesel storage at Marsden Point.

Terms	**Proposed terms – Refurbishment of diesel storage tanks**
Recipient	Channel Terminal Services Limited (Channel)
Amount	Up to $21.6 million.
Purpose	To support the upgrade of existing fuel storage tanks to hold up to 93 million litres of diesel and provide import terminal services until 31 December 2027.
Term	Once tanks are operational (currently expected week of June 1) until 31 December 2027.
Payment Conditions	Commercial Information, Negotiations [redacted]
Construction	[redacted]
Usage rights	[redacted]

Agree / Not agree

l. **Agree** Commercial Information, Negotiations [redacted]

Agree / Not agree

m. **Agree** to delegate authority to MBIE officials to finalise any commercial arrangements, including minor amendments to the proposed terms, with Channel Infrastructure NZ Limited.

Agree / Not agree

Privacy of natural persons [redacted]

Robert Pigou
Deputy Chief Executive, Regional Development & Commercial Services
MBIE

15 / 04 / 2026

Hon Nicola Willis
Minister of Finance

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

Hon Shane Jones
Minister for Regional Development

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

Background

1. New Zealand faces a material risk of disruption to fuel imports if conflict in the Middle East escalates and further constrains shipping through the Strait of Hormuz, affecting crude supply to Asian refineries that supply New Zealand.

2. On 31 March 2026, Cabinet agreed to a strategy to bolster fuel supply resilience [CAB-26-MIN-102]. This included an urgent assessment of commercial proposals from existing importers, progressing additional diesel storage at Marsden Point, and assessing unsolicited proposals.

3. Channel Infrastructure NZ Limited (Channel) owns and operates New Zealand's largest fuel import terminal at Marsden Point. In addition to tanks currently contracted to fuel companies, Channel has unutilised storage tanks that require upgrades to meet current regulatory and operational standards for refined fuel storage.

4. Channel proposed to MBIE officials an accelerated programme to bring storage tanks at Marsden Point back into service, with the objective of delivering a material increase in national diesel storage capacity until December 2027.

5. On 1 April 2026, The Regional Development Ministerial Group (RDMG) agreed to provide up to $21.6 million from the Regional Infrastructure Fund (RIF) to allow the Crown to enter a commercial arrangement with Channel to increase its diesel storage capacity by 93 million litres for up to 18 months [BRIEFING-REQ-0030336 refers].

6. RDMG also agreed to delegate authority to the Minister of Finance and Minister for Regional Development to approve any further decisions to operationalise the commercial arrangements with Channel.

7. Following these decisions, Channel has already commenced works on the tanks and other associated infrastructure to provide the additional storage capacity sought by the Crown within the expected timeframe, notwithstanding that no formal contract is currently in place. Channel has advised that it has already incurred $Commerc million of costs so far and has done this in good faith, and acknowledging the benefits to New Zealand of having the storage in place promptly.

8. On 2 April 2026, a request for support to provide additional fuel stockholdings to increase New Zealand's resilience to fuel supply chain disruptions was released to New Zealand fuel importers.

9. Only Z Energy submitted a substantive proposal by the deadline in response to the request, which included storing diesel at the refurbished Channel tanks once completed. Commercial Information
Commercial Information, Negotiations

10. This briefing seeks approval to finalise commercial arrangements with Channel.

Resolution of outstanding matters to progress commercial arrangements

11. There were several outstanding matters that could have hindered progress to finalise commercial arrangements between the Crown and Channel. They are now resolved.

Worksafe compliance

12. Channel previously indicated they were working with Worksafe on a compliance matter relating to the proposed upgrades to the diesel storage tanks. The matter is now resolved.

13. On 3 April 2026, Channel confirmed that Worksafe approved the change to their compliance plan. This change means that the other compliance requirements for a tank certification can be met through operational measures by Channel until December 2027 when further upgrades are due.

OPEX funding available under the RIF

14. Confidential advice to Government [redacted]

15. Further advice on CAPEX and OPEX allocations will be provided to RDMG in late April.

RIF eligibility

16. During the process to finalise commercial arrangements with Channel, it was identified that, depending on the final agreed commercial structure, the proposal may fall within the RIF criteria for investments projected to deliver direct private benefit alongside wider spillover benefits, which require the Crown's contribution to be limited to no more than 50 per cent of total project costs.

17. An exemption from the RIF co-funding requirement was agreed to by Cabinet on 13 April 2026 [CAB-26-MIN-0121 refers]. Without an exemption the works would not be eligible for RIF funding.

Proposed commercial arrangements with Channel Infrastructure

18. The commercial objective of Crown support is to provide certainty to Channel to undertake works to enable additional diesel storage to be available in a short timeframe, in exchange for assurances that the Crown will cover costs relating to the storage.

19. In return, the Crown temporarily increases New Zealand's diesel storage capacity by around 20% as part of its broader fuel response policy objectives.

20. Commercial information, Negotiations [redacted]

21. Confidential advice to Government [redacted]

22. While contract negotiations between the Crown and Channel have progressed, Channel has continued to progress the project in good faith. This has included ordering the required pipes for the upgrade works and commencing work on installing these and cleaning the tanks.

23. Contractual arrangements need to be finalised to enable Channel to continue with the works. Any delays will push out completion timeframes.

A Fuel Storage Availability Agreement best reflects the requirements for all parties

24. After further discussions with Channel and Chapman Tripp, a Fuel Storage Availability Agreement has been drafted to reflect that the Crown's role differs to that of a typical fuel importer. These distinctions are that:

    a. there is a need for some flexibility in how the storage may be used to support the Crown's broader fuel supply policy objectives;

    b. the Crown is not expected to be a fuel importer and has minimal involvement with the operational matters relating to the use of the storage tanks, such as direct sourcing of diesel and its integration into the domestic supply. This role is expected to be undertaken by a third party;

c. While not directly funding the capital costs of the diesel tank upgrades, the Crown's support using the RIF is intended to catalyse the infrastructure by agreeing to cover the storage fees once completed;

25. Rather than a lease, the agreement is structured as a series of conditional grant payments to reflect that the Crown is not controlling the assets operationally, and that the funding is being used as a temporary solution to support the government's fuel policy objectives.

26. Previous advice referred to the Section 65L of the Public Finance Act 1989 (the Public Interest Test) and the Approved RIF Loan Framework. Neither are relevant to a conditional grant. MBIE has notified the Treasury of this view. The Treasury indicated that they did not see any issues with the position taken by MBIE.

27. A summary of the draft Fuel Storage Availability Agreement (FSAA) is attached in **Annex One**.

Overview of the key terms of the Fuel Storage Availability Agreement

28. Under the FSAA, Channel agrees to make available to the Crown or its Crown Nominated User the storage tanks once they are operational until 31 December 2027. The FSAA provides the following infrastructure service capabilities:

    a. 93 million litres of diesel storage capacity in two dedicated tanks;

Commercial information, Negotiations

[redacted]

29. Channel takes on the responsibility for the risks associated with how the refurbishment of the tanks is delivered and the cost of delivering the infrastructure.

30. Commercial Information, Negotiations [redacted]

31. Commercial Information, Negotiations [redacted]

32. Commercial Information [redacted]

Provisions in the contract are structured to maximise flexibility for the Crown to determine a storage user

33. The contract contains provisions that allow the Crown to nominate a user (or multiple users) to access and use the diesel storage facilities.

34. Since the arrangement covers most of the associated storage costs the Crown has a wide range of options on how it might utilise the storage including but not limited to:

Commercial Information, Negotiations

35. Commercial Information, Negotiations

36. This flexibility supports the government's continued commercial negotiations with fuel importers. Further advice on these options is expected to be provided to Ministers this week.

Commercial Information, Negotiations

37. Commercial Information, Negotiations

38. Commercial Information, Negotiations

There are several key outstanding matters that need to be resolved to progress contractual arrangements

39. MBIE officials consider there are three key outstanding contractual matters that remain unresolved. These are Commercial Information

Commercial Information, Negotiations

Commercial information, Negotiations

[redacted]

Refurbishment of the tanks only provides a temporary solution, and significant works are needed to enable long-term use

54. The diesel storage upgrades are temporary, purpose-built works designed to enable short-term operation only until the end of December 2027.

55. In discussions with Channel, MBIE officials queried the extent to which the storage tank upgrades that are supported through Crown funding could be used over a longer period and therefore, may be perceived as ‘gifting’ a private company with assets that could provide them with private benefit. Channel responded that they do not want to be viewed as having gifted public funds for private benefit.

56. Channel has advised that the accelerated upgrade pathway relies on engineering solutions chosen specifically to meet the Crown’s objective of bringing additional diesel storage capacity into service quickly. These configurations would not likely be adopted for a permanent upgrade, and in some cases may need to be removed entirely if a longer-term solution were pursued.

57. Channel notes that while the pipes used in the current upgrades are sufficient, they are not necessarily suitable for a longer-term solution. In addition, the tanks are not directly connected to the main fuel transfer pipeline, requiring fuel to be moved via an intermediary tank, which is operationally suboptimal.

58. Commercial Information [redacted]

59. Preparing the tanks for further long-term use currently requires significant work including Commercial [redacted] Commercial Information [redacted]

60. Based on the information above, MBIE officials have not sought to seek further recovery options beyond the life of the temporary storage solution as the private benefit of these upgrades to the long-term use of the tanks is minimal.

61. Commercial Information [redacted]

Analysis of risks and benefits

Benefits

62. Once completed, the refurbished fuel tanks will increase New Zealand's overall onshore fuel storage by around 20% until the end of December 2027. If utilised, this can increase the amount of fuel physically available in the country, adding resilience to supply chains by acting as a strategic reserve that can be utilised at a time the government deems to be suitable.

63. Even if the tanks do not end up being fully utilised, they could be considered as an 'insurance policy' if other commercial supply solutions fail and/or events transpire where it is advantageous for the Crown to have control over the storage of diesel.

64. Being in New Zealand does not entail the risks associated with other storage types such as tanks based overseas and storing fuel on vessels. These off-shore options are more exposed to shipping delays or cancelations than a solution where diesel stored in New Zealand, which can be directly released into domestic supply chains quickly.

65. Refurbishing the tanks at Marsden Point is the fastest available option to significantly increase New Zealand's onshore diesel storage capacity, which is estimated to take 2 months. Other credible options are understood to take between at least 6 to 18 months to bring online.

66. Channel takes on the project works risk to bring the infrastructure online. The company is incentivised to complete the works as soon as possible Commercial Information, Negotiations [redacted]

67. The contractual arrangements are intended to keep the Crown at arm's length from the operational risks of using the facilities since the operational agreement is between Channel and the fuel importers through a Terminal Services Agreement.

68. Channel have advised that given the limited duration of the proposed additional storage arrangement, Commercial Information [redacted] Channel consider that this represents a further value benefit to the Crown.

Risks

69. [redacted] Commercial Information, Negotiations

70. Despite Channel’s best efforts to progress as quickly as possible, external events outside their control such as adverse weather or procurement challenges may also push out project completion dates.

71. Once operational, the use of the storage tanks will heavily depend on the Crown’s arrangements to store diesel at the facilities. If no suitable arrangement is agreed to, it is possible that the tanks remain unused for the full duration of the agreement. This could be viewed as a sunk cost.

72. Commercial arrangements to source diesel to be sourced to fill the storage tanks are yet to be finalised. It is possible that if the Crown considered alternative fuel supply configurations preferable [redacted] Commercial Information that source fuel at the time it is needed, without the need for physical storage, then decisions will need to be made on whether it wishes to continue its arrangement with Channel. Ministers still have the option of not proceeding with the full Channel proposal noting [redacted] Commercial Information, Negotiations

73. Minister may wish to defer signing contracts with Channel until [redacted] Commercial Information, Negotiations Further advice can be provided, including [redacted] Commercial Information, Negotiations

74. [redacted] Commercial Information, Negotiations

75. The Crown will need to decide when it will release the stored diesel months before the end of December 2027 as this process needs to be done in a controlled and forecasted manner, if the fuel has not already been released from storage.

76. If the larger of the two tanks (80 million litres) experiences a fault, product issue, or other major event that interrupts its normal operations, the Crown is exposed to the concentration risk of most of the stored fuel being held in a single tank.

Next steps

77. If you agree to proceed, officials will finalise contractual arrangements with Channel as soon as practicable.

78. Channel has advised that it currently expects the diesel storage to be operational in the first week of June 2026. However, this could be delayed due to factors outside their control such as weather. Weekly updates will be provided with their estimated availability date and progress towards completing the works.

79. If you wish to defer decisions on finalising the contractual arrangements, this will delay the completion date of the works. [redacted] Commercial Information, Negotiations

80. If you do not wish to proceed with the diesel tank refurbishment, MBIE officials will provide further advice on next steps.

Annexes

Annex One: Summary of the draft Fuel Storage Availability Agreement

Annex Two: Diesel tank refurbishment project schedule – as at 14 April 2026

Annex One: Summary of the draft Fuel Storage Availability Agreement

Parties	The Sovereign in Right of New Zealand, acting through MBIE Channel Infrastructure NZ Limited (CIL)
Purpose	Refurbishment and recommissioning of existing fuel storage tanks and ancillary infrastructure at Marsden Point to provide additional diesel storage capacity for Crown-directed use in support of national fuel security objectives.
Assets	Existing CIL-owned tanks (Tank 7 and Tank 13) and associated ancillary infrastructure (pumps, pipework, conduits, etc.) at Marsden Point.
Term	Commences on once the assets are available for use and continues until the earlier of: • 31 December 2027, or • termination under the agreement (e.g. breaches)
Funding cap	$21.6 million plus GST (if any)
Payment Structure	Commercial Information, Negotiations
Control of Use	
Users of Capacity	
Crown Recovery	

Annex Two: Diesel tank refurbishment project schedule – as at 14 April 2026

Work Break-down Structure	Phase 1 - Storage and import/export line	Phase 2 - T13 slops handling system	Phase 3 - Pumping export/transfer system

Date		Scope	07-Apr	13-Apr	20-Apr	27-Apr	04-May	11-May	18-May	25-May	01-Jun	08-Jun	15-Jun	22-Jun	29-Jun	06-Jul	13-Jul
Week #			1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
Engineering																	
Procurement																	
Construction	WBS 1	Piping Point A to B															
	WBS 2	Piping Point B to C															
	WBS 3	Piping Point B to D															
	WBS 4	Tank - T07															
	WBS 5	Tank - T13															
	WBS 6	Tank - T16															
	WBS 7	Pumping Skid(s)															
Commissioning																	