



BRIEFING

Scenarios for potential fuel supply disruptions and possible policy options to address them

Date:	15 April 2026	Priority:	Urgent
Security classification:	Restricted	Tracking number:	BRIEFING-REQ-0030801

	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Note the advice below	16 April 2026
Hon Shane Jones Associate Minister for Energy		
Hon Chris Bishop Associate Minister of Finance		
Hon Simeon Brown Minister for Energy		
Hon David Seymour Associate Minister of Finance		

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Jivan Grewal	General Manager, Fuel Response	Privacy of natural persons	✓
Peter Bartlett	Director, Innovation and International, Energy Markets		

The following departments/agencies have been consulted
TSY

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☐ Withdrawn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

This brief sets out some initial work on plausible scenarios for disruption to fuel shipments. It provides early thinking on an indicative framework for considering different policy options to resolve a fuel supply shortage (MSO exemptions, a Government-led reserve, other options under the Fuel Response Plan).

Our independent advisors consider that any supply disruption will be small and short term, and therefore resolvable with no, or limited, government intervention. We nevertheless are preparing for the worst-case scenario where there is a more sustained or significant supply disruption which will require more active government intervention to resolve.

This advice will support discussions on Phases 3 and 4 of the response plan on 22 April.

Executive Summary

In deciding whether and when to use different policy tools, Ministers should consider the likelihood and volume of potential supply disruptions. Given the rapidly shifting global context, both are highly uncertain.

The likelihood of a supply disruption in the short-term is low

Given the significant alterations to the Asian market over the last six weeks without any inward supply disruptions for New Zealand, it is currently unclear that New Zealand will see a significant shortage if the crisis continues.

MBIE has commissioned expert fuel consultancy Envisory to produce some disruption scenarios that are potentially plausible. These scenarios, which have been reviewed by two other fuel experts, outline a range of situations from 1-2 cancelled shipments. MBIE has then extended these to two other scenarios up to a sustained 50% reduction for three months.

In the first three scenarios, our initial view is that no demand reduction tools would be required (apart from the natural effect of price dampening demand). In the last two, demand reduction would be required of 15-20%, on top of deploying a government reserve (assumed 9 days) and allowing a temporary relaxation of MSO.

We note that the experts and fuel companies we have engaged with have indicated that neither of these more extreme scenarios are likely and we would likely have significant advanced notice of such disruptions. The most likely scenario remains that as the world adjusts to the disruption, there is continued pressure on price, but that supply to New Zealand remains unaffected. We note that this aligns with Australia's view of the situation there.

Potential approach for addressing supply disruption if needed

In a situation where we do experience a supply disruption, the Government should use the policy options that best address the volume and length of a disruption, which includes a do-nothing option. This approach could involve:

1. For the first missed shipment: no immediate action, until it's clear whether this is one isolated event (which is manageable) or a more sustained disruption.
2. In the event of a second missed shipment within a 20-day period: Ministers could consider deploying government reserve and/or MSO exemptions
3. In either scenario, ministers could also activate regulatory relief to dampen consumption as an insurance against more sustained disruption.
4. In the event of a third missed shipment in a 20-day period, or where clear it's a more sustained disruption Ministers should activate regulatory relief and other phase 2 tools, deploy government reserve and actively use oil tickets.
5. In the case of a sustained disruption with uncertainty about its possible resolution, consider Phase 3 levers (such as allocation) to ensure that life-preserving and essential services can continue to access fuel

New Zealand's purchasing capacity remains comparatively strong internationally, and as such, we would expect to see New Zealand continue to be able to secure fuel unless there are significant disruptions to the overall oil supply (beyond what is currently being experienced)

The primary challenge in the event of multiple or sustained disruptions (i.e., scenarios 4 and 5), is that New Zealand's resilience to a further disrupted shipment diminishes. While this can be addressed with demand side levers (including prioritisation), these at best slows the consumption of the existing stock. In the event of such disruptions, the most important response will be to secure ongoing supply.

Distributional issues for later consideration

We recommend other levers if the Government wishes to specifically intervene in distribution of fuel or mitigating the other effects of high prices.

Recommended action

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

- a **Note** that modelling indicates that the most plausible disruption to shipments of fuel in the short-term would likely be minor. While a more moderate disruption is possible, it is unlikely to be one that would push New Zealand beyond a temporary dip below the MSO levels.

Noted

- b **Note** we have tested this modelling further with experts who agrees with the modelling and that this aligns with the fuel companies' views.

Noted

- c **Note** we nevertheless have to be prepared for the worst-case scenario where there is a more sustained or significant level of supply disruption, and have modelled such scenarios ourselves.

Noted

- d **Note** the indicative framework in this briefing provides a potential approach to progress use the use of different policy tools (including supply and demand tools) the Government could use, depending on the particular scenario, but more work is needed to refine these.

Noted

- e **Provide feedback** on the indicative framework, which will be incorporated into further advice to the Ministerial Oversight Group for discussion on 22 April.

Agree/ Disagree

Privacy of natural persons



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15 / 04 / 2026

Hon Nicola Willis
Minister for Finance
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Hon Shane Jones
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Hon Chris Bishop
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Hon David Seymour
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Background

1. This brief provides relevant considerations for Ministers on when they should look at different policy options to resolve a fuel supply shortage (MSO exemptions, utilising a strategic reserve, other options under the Fuel Response Plan).
2. Ministers are also receiving advice alongside this briefing on the range of commercial options available for the Government to progress additional supply. The options in that paper should be considered alongside the scenarios in this brief.

The MSO provides New Zealand's main "insurance"

3. The Fuel Industry Act 2020 (the Act) and Fuel Industry Regulations 2021 set out Minimum Stockholding Obligations (MSOs) for fuel importers who have access to bulk storage facilities. The minimum amount of fuel a fuel importer must hold depends on the type of fuel they supply:
 - 28 days' cover of petrol
 - 24 days' cover of jet fuel, and
 - 21 days' cover of diesel (rising to 28 days from 1 July 2028 for Mobil, Z and BP).
4. This fuel must be held in a bulk storage facility or be on a ship in our Exclusive Economic Zone that is destined to a New Zealand port. Fuel importers can meet their obligations through entitlement agreements that provide a contractual right to draw fuel from another party's stocks.
5. In addition, it is important to note that Importers have so far maintained normal BAU fuel supply in New Zealand above the MSO requirements, meaning there is a buffer until we reach the point that importers would be requesting exemptions.

Commercial Information

Cabinet has agreed to pursue additional fuel supply

6. Cabinet has agreed for officials to enter negotiations to financially support additional fuel supply through an importer. If this is to use the additional storage which is being developed at Marsden point, it is expected to comprise around 93m litres (or 8-9 days of diesel). Separately officials are continuing to explore securing other reserve options with other providers.
7. The key decision points for Ministers under the arrangement are when to purchase the fuel and when to deploy it. Treasury is developing a framework to assess the economic, fiscal and commercial impacts of purchasing the reserve to inform decisions on when to pull this lever.

What is the likelihood of a supply disruption in the short-term, and how big will it be?

Global supply chains have altered significantly but without an impact on New Zealand's inward supply

8. Most New Zealand fuel comes from refineries in South Korea (51%) and Singapore (32%) with smaller volumes from Malaysia (7%) and Japan (4%). In total New Zealand fuel demand is only 0.4% of the Asian market.
9. Asian supply chains have shifted significantly over past weeks. Further information was provided to Ministers on refineries through the AoG process on 10 April 2026. Some Asian refineries continue to load from the Middle East, from ports on the Red Sea or Gulf of Oman.

However, they have also diversified where they get crude from including the United States, West Africa and Latin America.

10. In some cases countries have also been able to access domestic government stockholdings (South Korea) or have diverted crude that would otherwise be exported to domestic refineries (Malaysia). As of 12 April, Korea has indicated it does not consider it will require further use of Government crude stocks.
11. While changing crude supply chains into Asia has resulted in reduced refinery output in the region, this has not had an impact on supply coming to New Zealand.

Price has been the key impact on New Zealand

12. Refined fuel prices from Asia, particularly diesel, are currently elevated. Advice provided to Ministers last week outlines more information on oil pricing, particularly the difference between longer term orders and cargoes purchased on spot prices [BRIEFING-REQ-0030784].
13. Price has been the main impact on New Zealand, which is reducing local demand. Early analysis shows that since the start of the conflict, both petrol and diesel demand have reduced across March– petrol by about 15 percent and diesel by about 7 percent.

Size and likelihood of risk of supply disruptions

14. The risk that New Zealand will see significant supply shortages if the crisis continues remains relatively unlikely at this time. MBIE meets with fuel importers daily under the Fuel Sector Coordinating Entity structure, and they also provide regular data to us which Ministers are also being provided.
15. Despite significant changes to Asian refined fuel supply chains and some reduced regional output noted above, importers continue to tell us that there is tightness in the market but they are not seeing shipments being cancelled or orders unfilled. This view is aligned with views from Australian officials about the situation there. It is therefore unclear whether New Zealand will in fact see significant shortages. This is separate from the significant price impacts we have seen.
16. The considerations above are important to understand the risk of New Zealand experiencing a significant shortage. Monitoring the impacts of changes in supply in and demand for fuel will provide some form of lead indication of possible disruptions (ahead of cancellations of any particular shipment). We understand shipping is currently constrained (separate from supply). Inability to access shipping could result in cargoes being lost occasionally, but not due to fuel supply.

MBIE has commissioned scenarios to understand the volume and length of any potential supply disruption

17. MBIE has commissioned expert fuel consultancy Envisory to model what we consider to be plausible disruption scenarios, albeit it is highly uncertain whether disruptions will in fact occur. We have tested these views with a further expert who has agreed with the model. The attached document at Annex Two outlines these further.
18. Based on these scenarios we think the most plausible situation is that an importer or importers are short one or two cargoes, that need to be replaced by cargoes that take 25-30 days longer to arrive than the original planned cargo. It's important to note any MSO exemptions must be granted under legislative tests, and we would expect importers to have done all they can to ensure compliance (e.g. procuring replacement cargoes).
19. The scenarios Envisory have modelled and the relevant policy tools are as follows. A more detailed table is included at **Annex One**.

Scenario	Probability	Comments	Policy Tool
One: Loss of one mixed product medium range tanker (~ 7.5% of normal monthly supply)	12% in a month	This cargo would result in the loss of 20-25 million litres (~ 2 days demand) of diesel. Stocks would be lower for a 25-35 day period after the first cargo was due to arrive. The company with the disrupted cargo should still be able to meet their MSO.	Do nothing
Two: Loss of a diesel medium range product tanker or Long-range tanker (~15% of normal monthly diesel supply)	9% in a month	The loss of 45-50 million litres of diesel is a little over 4 days demand, so will have a more significant impact. The company with the disrupted cargo will likely need to apply for an MSO exemption or try to comply through other importer holdings. Depending on in the volume of MSO eligible stocks at the time total New Zealand stocks will fall to around the MSO level - this should still be met depending on the exact timing.	One or multiple MSO exemptions
Three: Loss of two diesel tankers within a 20-day period (up to 30% loss of normal monthly diesel supply)	1%	This could be a loss of 90-100 million litres of normal diesel supply (around 9 days demand). This volume of loss would only be experienced for 10-15 days, as the replacement cargo for the first late cargo would offset some of this once it arrived. However, there could be a 20-30 day period where onshore diesel stocks would be 45-50 million litres lower. Depending on the volume of MSO eligible stocks at the time one, or more likely all companies, will need an MSO exemption. Total New Zealand diesel stocks are likely to fall well below the MSO level. If the Government holds a reserve, this would be a sensible time to trigger its deployment.	Multiple MSO exemptions and deploy strategic reserve

20. We have tested these scenarios with two other fuel experts, who agree that if the crisis continues and there is a disruption, the most likely situation that New Zealand could see a cargo cancelled but this would be able to be replaced via the market.
21. As above, we also regularly meet with the senior leaders from fuel importers, and their view is similar.

Probabilities used

22. To arrive at the probabilities used for each scenario, Envisory has considered the current geopolitical situation used a base assumption that there is a 25% chance of a cargo being cancelled in a month (or one cargo every four months). This has been chosen with reference to Australia's experience in the first month of the crisis (6 cargoes lost, which would be equivalent to New Zealand losing one cargo), then discounted.
23. While very uncertain, based on current market dynamics this probability could also be considered to be high, but a reasonable likelihood needed to be chosen to arrive at scenarios.

24. We will update scenarios regularly as the geopolitical situation meaningfully changes, or when we see other material factors that we think would change our assessment.

Likely length of a disruption

25. Should New Zealand's supply chain be disrupted through the loss on one of more cargoes, then cargoes will need to come from alternative locations. This will take time for alternate cargoes to be purchased (even for a prompt cargo), ships to be secured and possibly longer shipping time to New Zealand.
26. The scenarios are based on the following:
- A fuel supplier will know at the latest that a cargo is going to be cancelled before (at least one day) the ship is about to load. Including loading time (two days) and shipping time, that means the cargo would have arrived in New Zealand in 20 days after cancelation date.
 - It will then take between 25-35 days for a replacement cargo to arrive, depending on whether this is sourced from the US East Coast or India. This time includes the time the importer needs to plan and order the cargo.
27. The current market is stretched so replacement cargoes are more likely to come from India and/or the United States, than similar Asian locations to our current supply.

Location	Planning time	Loading/Shipping time	Total	Gap
Similar Asia locations	3-4 weeks	19 days	40-47 days	20-27 days
India	3-4 weeks	27 days	~48 days	28-35 days
United States	2-3 weeks	32 days	~46 days	26-33 days

28. Factors that can affect the timing, procurement and cost of replacement cargoes include:
- If the cargo is multi fuel, it may need to visit multiple pickup ports
 - Blending and loading times at ports are currently longer than normal due to tight market and shipping conditions
 - Whether the importer is vertically integrated with its own refineries or not
 - Vessel availability is currently tight.
29. As has been covered in recent briefings, one New Zealand importer recently had a forward consignment cancelled but was able to rebook that consignment within 6 hours.
30. It is important to note that in the scenarios modelled, other shipments continue to flow (so the gap above is the time it takes *only* for the missed shipments modelled to be replaced).

Multiple supply disruptions, or longer-term disruptions

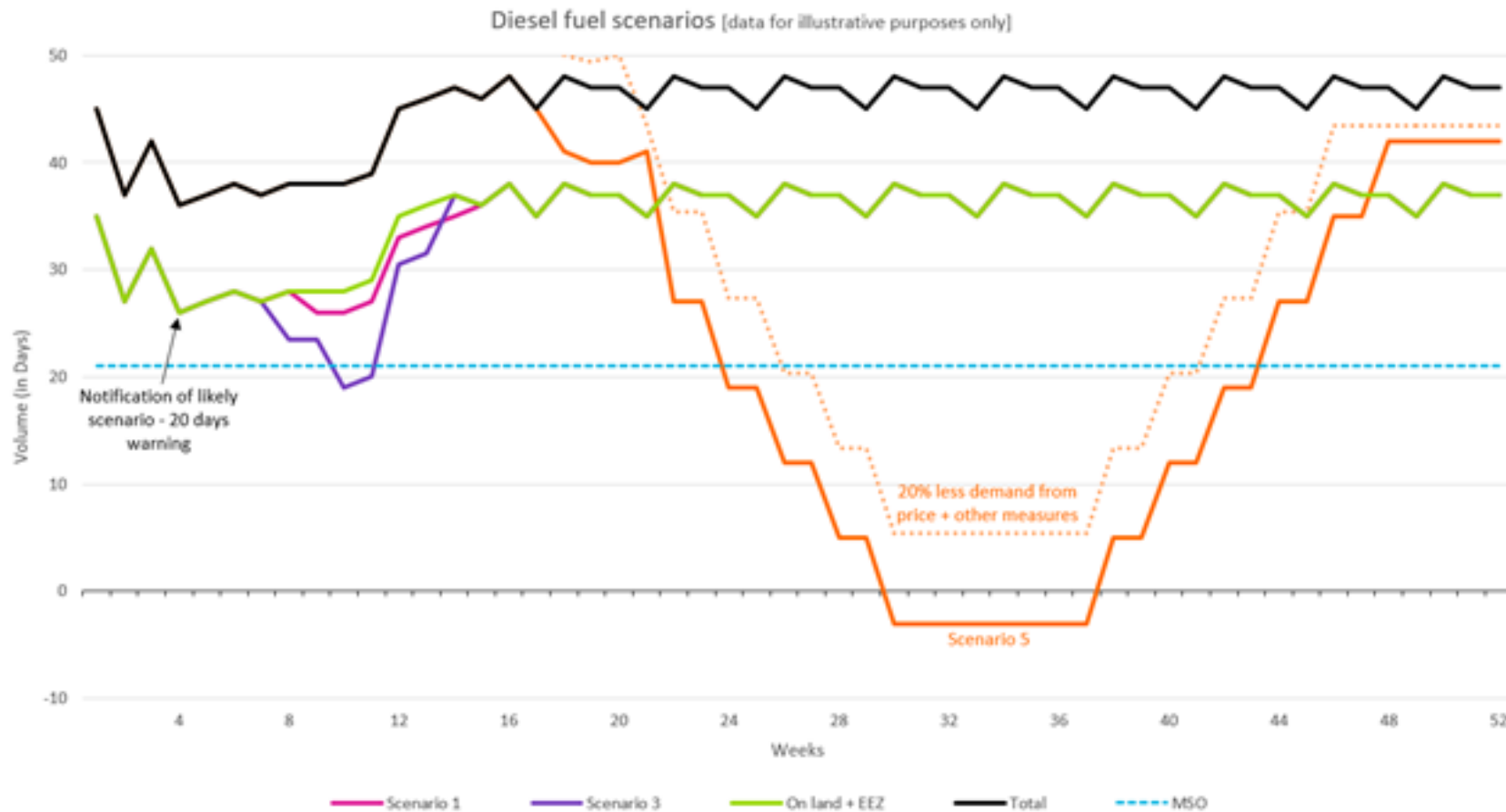
31. It is possible the small shortages above are experienced multiple times, but we remain of the view that these should be able to be replaced on a regular basis to avoid ongoing shortages.
32. It is also possible, while highly unlikely, that multiple tankers are lost in succession, or fuel suppliers are unable to purchase replacement cargoes within the timeframes discussed above.
33. To illustrate these more extreme cases MBIE has extended the scenarios that Envisory modelled. This involved taking Scenario Three and assuming that this extended for three months (Scenario Four - loss of six diesel tankers within a three-month period, or a different combination of losses that had the same effect) or was even more severe (Scenario Five – loss of even more diesel tankers). A more detailed table is included at **Annex One**.

Scenario	Probability	Comments	Policy Tool
Four: Disruption leading to up to 30% loss of normal monthly diesel supply for three months	<1%	This could be a loss of 90-100 million litres of normal diesel supply each month (~ 9 days demand), for a total shortfall of 270-300 million litres (~21 days demand). One, or more likely all companies will need an MSO exemption. If MSO diesel stocks are used to cover this shortfall, this would use the entire MSO. Therefore, the Government would need to deploy any strategic reserve and implement some limited demand restraint measures to reduce consumption, such as encouraging efficient driving, regulatory relief, and encouraging mode shifts. To increase supply, the Government could investigate converting oil tickets.	Multiple MSO exemptions Deploy reserve Implement demand restraint measures Oil tickets
Five: Disruption leading to up to 50% loss of normal monthly diesel supply for three months	<1%	This could be a loss of 150-170 million litres of normal diesel supply each month (~ 15 days demand), for a total shortfall of 450-510 million litres (~45 days demand). One, or more likely all companies will need an MSO exemption. MSO diesel stocks would not be sufficient to cover are used to cover this shortfall. Therefore, the Government would need to deploy any strategic reserve and implement stronger demand restraint measures to reduce consumption, such as reduction of speed limits and fuel rationing. To increase supply, the Government could convert oil tickets.	Multiple MSO exemptions Deploy strategic reserve Implement stronger demand restraint measures Oil tickets

Illustrative impacts of scenarios

34. This graph represents an illustrative version of scenarios 1, 3 and 5 based on the impact they will have on days on fuel on shore and in EEZ from different arrivals (the graph starts at an arbitrary point as scenarios do not start at a particular time). It shows we will have about 20 days' notice of the small supply dip in scenario 1 that leaves us well above MSO levels. Scenario 3 shows a situation in which, with similar warning, a double ship disruption might take us close to or below the MSO for about 2 weeks – before returning as additional new supply is sourced.

35. Scenario 5 is the most unlikely and severe disruption and would have a long lead time of notice as future orders are disrupted. The dotted line simulates a total demand reduction of 20% from a potential combination of price driven and demand response behaviours. This is illustrative to show a substantive drop in demand could prevent the country running out of fuel onshore.



The policy tools available

Price will do the heavy-lifting to begin with

36. The first option is to do nothing and allow price signals to dampen demand. For a limited and short-term disruption in supply (such as Scenario One) price is likely to be sufficient.
37. Early analysis shows that since the start of the conflict, both petrol and diesel demand have reduced across March— petrol by about 15 percent and diesel by about 7 percent. This is as expected and is consistent with the picture painted by vehicle volumes. It also aligns with what Envirosearch modelled in the Fuel Security Study (that a doubling of diesel price was expected to reduce demand by around 6 – 7%).
38. It is unclear how much of this reduction is from the general public, compared to industry and critical sectors where diesel use is likely to be less elastic. To get a better understanding of this, MBIE has been engaging with large diesel users (Mainfreight, Foodstuffs and Woolworths, Fulton Hogan and Fonterra). Initial discussions indicate that:
 - a. some primary sectors are changing behaviour to reduce diesel use Commercial Information
 - b. Commercial Information for other sectors demand is more inelastic Commercial Information
 - c. there are large seasonal fluctuations in diesel use in the primary sector (e.g. lower diesel use in winter for dairy, high use for arable at the point of harvest).
39. The Public Service Commission and Treasury have been working with public sector agencies to understand their fuel use, critical activities, and the makeup of the public sector fleet. Public sector fuel use is highly concentrated in a small number of agencies, Crown Entities, and SOEs. It totals approximately 5 million litres of petrol a quarter (approximately 1% of petrol use), and approximately 46 million litres of diesel (approximately 4% of diesel use).

Supply options are the next best set of tools

Temporary MSO exemptions are likely to be most relevant

40. The most likely scenario is that Government would be asked for MSO exemptions. Advice provided to Ministers on 10 April 2026 covers exemptions [BRIEFING-REQ-0029861]. The Act provides the responsible Minister the ability to grant exemptions where exceptional circumstances beyond a fuel importer's reasonable control have prevented, or are likely to prevent, compliance – that is, genuine supply constraints rather than ordinary commercial pressures. If the Government was to grant exemptions we would expect importers to have done all they can to procure replacement cargoes before taking this step.
41. Exemptions can be tailored by fuel type, fuel importer, volume, and duration. They can also include conditions. These could include, replenishment plans and timeframes, and staged restoration targets once supply conditions stabilise.
42. Time limits and review points may be appropriate to manage uncertainty about how long disruption conditions may persist. These provide the Government flexibility to limit the exemption to a reasonable scope and timeframe based on the supply gap. Exemptions can also be extended.
43. In anticipation of potential exemption requests, MBIE has undertaken preparatory work to support timely and well-informed ministerial decision-making. We are also considering what conditions may be desirable to attach to an exemption (if granted), including conditions that support transparency, and a pathway back to compliance.

Government led reserve

44. Currently negotiations are underway for additional fuel supply, which if concluded are expected to result in an option for the Government to secure, via an importer, around 93 million litres (or 8-9 days) of diesel to be stored at Marsden Point. We are also in conversation with other providers on other reserve options.
45. The key decision points for Ministers under the arrangement are when to purchase the fuel and when to deploy it. The Government would have rights on when to deploy the reserve and the volume of deployment, meaning it could also be deployed gradually. Treasury is developing a framework to assess the economic, fiscal and commercial impacts of purchasing the reserve to inform decisions on when to pull this lever.
46. The Government will be able to decide which importers to deploy the reserve to and in which volume. This will enable competitive neutrality to be managed over time.
47. Confidential advice to Government

More detail on scenario three where the MSO and reserve deployment could be warranted

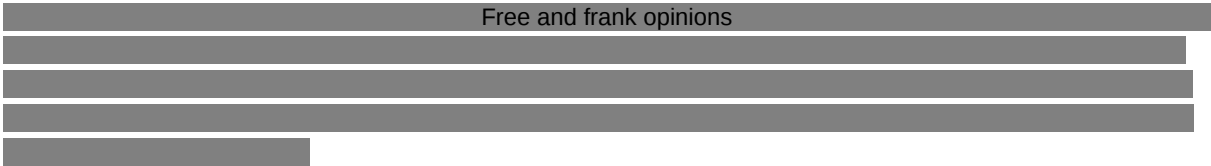
48. Scenario three looks at two diesel cargoes, or between 90 and 100 million litres of diesel being lost in a 20-day period. As noted above, depending on where replacement cargoes are sourced from, the time for replacement could be between 25-35 days.
49. The 90-100 million litre gap may only last for 10-15 days, as the replacement cargo for the first lost cargo would arrive in time to offset some of it. The result is that there could be a 20-30 day period where onshore diesel stocks would be short 45-50 million litres.
50. Depending on in country stocks at the time, in this scenario importers would likely require MSO exemptions, as total diesel stocks are likely to fall well below MSO requirements (to around 16 days stocks).
51. To offset the supply disruption, if there was a Government led reserve, it would make sense for it to be deployed in addition to the MSO exemptions to address this disruption. The timing and structure of deployment would require careful consideration and would impact the potential return or loss to Government.

Wider MSO changes

52. The MSO is New Zealand's main insurance policy against supply shortages. We consider reducing the MSO in total would only need to be done for a severe and long lasting shortage, which is highly unlikely. In practice, multiple exemptions to the MSO can be extended or renewed, rather than needing to make a reduction.
53. MBIE is however preparing advice on lifting the MSO settings such as bringing forward the planned increase in diesel stockholding requirements, and increasing minimum stockholding levels more widely.

Oil tickets

54. Ministers have asked for officials to keep the tickets option "live" should it be needed. New Zealand tickets are for either crude oil (which cannot be refined here), refined product to overseas specification, or for jet fuel.
55. As has been advised previously there are two main ways to use tickets:
- as a swap (via a trader or potentially an importer) for refined products New Zealand can use, or
 - conversion to products New Zealand can use (which would require refining).

56. In both cases we assume the Government would not look to purchase the product, but would facilitate a transaction with a New Zealand importer or importers.
57. Where tickets are utilised under a swap, the resulting supply to New Zealand could be relatively fast if there is product to purchase, e.g. several weeks. Depending on the exact offer, a trader option could be used in scenario three above.
58. Where we were converting the supply the tickets relate to into products New Zealand could use, we expect this would take up to 4-5 months. This latter option needs to account for refining time, nomination and accrual of the products at the pick-up location, and shipping time either from Japan or the US East Coast. Accordingly the lead time suggests it would only be relevant for a more significant shortage.
59.  Free and frank opinions

Demand restraint options can follow

60. Ministers have previously received advice on demand restraint tools and options as part of advice on Phase Two the Fuel Response Plan 2026. We consider that most of these demand restraint tools will only provide additional benefits once supply tools, and price pressures on demand, have been exhausted or proven to be unsuitable for addressing the size of the supply disruption (see **Annex 1**).
61. As these measures are largely voluntary, rely on behaviour change and impact different sectors and groups, it is not possible to provide definitive savings in litres or days' worth of diesel. Note also that the estimated demand reductions outlined below are not fully cumulative and there is limited evidence about the cumulative or combined effect of them.
62. In order of recommended implementation, demand restraint options are:
- Encouraging fuel-efficient driving, which can reduce demand by 10-20%.
 - Evidence suggests that educating people how to drive more efficiently allows individuals to make more informed choices about their fuel use, which drives demand reduction, especially if high prices are already a deterrent.
 - The implementation of this option would be a public information campaign (such as the current EECA campaign), with messages tailored to the level of demand restraint required. This would be relatively inexpensive to implement.
 - We suggest that this tool be the first demand restraint option used where there is a clear risk that supply tools will not address the supply disruption, as potential benefits are good and the cost is low. This option also has the additional benefit of informing the public of how to take actions to mitigate some of the negative consequences of high prices, and so could be deployed for that reason independently of supply disruptions.
 - Regulatory relief, which we estimate is likely to have a negligible effect on overall fuel use, but can reduce demand by up to 5% in some industries.
 - Changing or relaxing regulations to reduce the fuel that (mostly industrial) users must use while going about their business reduces demand without reducing economic activity.
 - The implementation of this option would be targeted changes to specific regulations where officials and / or industry think there is a chance of a change leading to lower fuel use without immediately compromising health and safety.

Additional, and more significant changes, could be made progressively as required.

- We suggest this tool be the second demand restraint option used where there is a clear risk that supply tools will not address the supply disruption, as the potential benefits are small and the costs may be high as changing regulations carries risks. This option also has the additional benefit of allowing businesses to mitigate some of the negative consequences of high prices, and so some regulatory changes could be deployed for that reason independently of supply disruptions.
- Encouraging (or requiring) mode shift which we estimate can reduce demand by up to 10%.
 - Evidence suggests that moving freight from road to rail and increased use of public transport allows people to take fewer car / truck trips and reduces the demand for fuel without reducing economic activity.
 - The implementation of the voluntary version of this option could look like facilitating / funding increased capacity on rail and public transport, or monetary incentives for businesses and the public to use these options. The implementation of the mandatory version of this option could look like requiring businesses to use rail or banning cars on certain routes – this is outside of current legislative powers and would require new law to implement. We would provide further advice on the implementation of this option if and when needed.
 - We suggest the voluntary version of this option be the third demand restraint option used when it is clear that encouraging fuel-efficient driving and regulatory relief are not having the desired demand restraint effects, as the potential benefits are good, but the cost (even of the voluntary version) may be high. This option also has the additional benefit of mitigating some of the negative consequences of high prices, and so could be deployed for that reason independently of supply disruptions (we would only recommend doing this if the consequences of price shocks were significant).
 - Confidential advice to Government
- Encouraging (or requiring) flexible working arrangements (e.g., carpooling, variable start times, carless days), which we estimate can reduce demand by up to 20%.
 - Evidence suggests that flexible working arrangements reduces the number of trips, and allows heavy vehicles to avoid congestion due to fewer people using the road, reducing the demand for fuel.
 - The implementation of the voluntary version of this option could look like increased messaging about options people could take or monetary incentives for the businesses and the public if they use these options. The implementation of the mandatory version of this option could look like requiring businesses to open at different times or national alternating carless days. We would provide further advice on the implementation of this option if and when needed.
 - We suggest the voluntary version of this option be the fourth demand restraint option used after it is clear that previous demand restraint options are not as effective as needed, as the potential benefits are good, but the cost and administration (even of the voluntary version) may be high.
 - Confidential advice to Government

- Reduction of speed limits (which can reduce demand by 10-20%).
 - Evidence suggests that driving slower, especially on open roads (with speed limits 100-110kmph) reduces fuel use for both light and heavy vehicles by reducing drag and stop-start driving.
 - The implementation of this option could look like changing the rules to enable people to drive 80kmph without committing an offence or officially reducing speed limits. The Ministry of Transport will be providing further advice on the implementation of this option shortly.
 - We suggest this option be the fifth demand restraint option (and first mandatory demand restraint option) used when it is clear that the other voluntary demand restraint options will not address the supply disruption as the potential benefits are good (but will be variable and only effective if the public buys-in), but the costs may be high.

63. Some of these measures (as discussed above and indicated in **Annex 1**) have the additional benefit of partially mitigating the negative consequences of high prices. Therefore, these measures can (and have already in some cases) be implemented at Ministers' discretion, even when not required to address supply disruptions. There are, however, trade-offs involved with each of these that would need to be considered.

Further measures including allocation

64. If the demand restraint measures outlined above are not delivering fuel at any price to critical life-supporting services, Phase 3 levers such as allocation could be used to prioritise and ringfencing diesel access for life-supporting services and essential services.
65. The level of fuel that would need to be reserved for life-supporting and essential services in the event of multiple or sustained disruptions would depend on how long we think the disruption would be sustained for. Indicators of this could be the declarations of force majeure and significant tightening of overall trade.
66. Allocation for life-supporting and essential services would also require a more detailed understanding of the level of fuel use for these groups. There is limited data available, but based on our best estimates critical life-supporting services (e.g. emergency services) comprise less than 3% of normal diesel, while essential services (such as public transport, health, care, education) use a larger proportion.
67. New Zealand has constitutional obligations in the Realm (Cook Islands, Niue, and Tokelau) and responsibilities in the Pacific and treaty-level obligations in Antarctica which will need to be integrated into any fuel allocation response. We have engaged with Realm capitals and have engagements planned Samoa, Tonga, and Fiji.

Potential framework for progressive use of different policy tools

68. A potential approach if this unfolded in real time might be:
 - a. For the first missed shipment: no immediate action, until it's clear whether this is one isolated event (which is manageable) or a more sustained disruption.
 - b. In the event of a second missed shipment within a 20-day period: Ministers could consider deploying government reserve and/or MSO exemptions.
 - c. In either scenario, Ministers could also activate regulatory relief to dampen consumption as an insurance against more sustained disruption.
 - d. In the event of a third missed shipment in a 20 day period, or where clear it's a more sustained disruption Ministers should activate regulatory relief and other phase 2 tools, deploy government reserve and actively use oil tickets.
 - e. In the case of a sustained disruption with uncertainty about its possible resolution, Ministers may wish to consider Phase 3 levers (such as allocation) as a means of further dampening demand, but the impact of such action is likely, at best to provide a time limited assurance around the provision of key services.
69. The primary challenge in the event of multiple or sustained disruptions is that New Zealand's resilience to a further disrupted shipment diminishes. While this can be addressed with demand side levers (including prioritisation), at best that extends out the stock available temporarily. In the event of such disruptions, the most important response will be to secure ongoing supply.
70. New Zealand's purchasing capacity remains comparatively strong internationally, and as such, we would expect to see New Zealand continue to be able to secure fuel unless there are significant disruptions to the overall oil supply (beyond that that is currently being experienced)

Distributional effects for later consideration

71. Many of the policy tools discussed in this paper are best suited to addressing supply disruptions or shortfalls, either by shoring up supply or reducing demand to match supply, if the market is failing to do this.
72. Irrespective of whether the government intervenes on overall supply or demand of fuel, there are distributional risks (differing impacts across the country, society or economy), and economic and social consequences caused by high prices, if sustained. As noted in paragraph 58, some demand restraint measures may mitigate these problems, but we recommend other levers if the Government wishes to specifically intervene in distribution or mitigating the other effects of high prices.
73. Further work is currently being undertaken considering household and business supports. We can provide additional advice on other policy options if desired.

Next Steps

74. Based on your feedback, officials will continue to develop more detailed information and analysis to inform Ministers' decisions.

Annex One: Table of Options

The table below outlines five potential scenarios, and the supply and demand restraint options we recommend implementing in each one, in order from left to right. Options are additive and can be implemented iteratively if one scenario morphs into another, or if there is a risk of them doing so (for example, if scenario 2 occurs three times in short succession, then it is more like scenario 4 and could be addressed as such).

Scenario	Market effects	Confidential advice to Government	Demand restraint options					
	Price effect and demand response, independent of government intervention		Encouraging fuel efficient driving	Regulatory relief	Mode shift and increased use of public transport	Flexible working arrangements to reduce congestion	Reduction of speed limits (e.g. 100kmph to 90kmph or 80kmph)	Fuel rationing, including prioritising and ringfencing access for life-supporting services
One: Loss of one mixed product medium range tanker (~ 7.5% of normal monthly supply) Probability: 12% in a month	Small increase in price, therefore small decrease in demand		Not needed Additional benefit of partially mitigating consequences of high price by allowing fuel users to make different or more informed choices about their fuel use.			Not needed		
Two: Loss of a diesel medium range product tanker or Long-range tanker (~15% of normal monthly diesel supply) Probability: 9% in a month	Increase in price, therefore decrease in demand							
Three: Loss of two diesel tankers within a 20-day period (up to 30% loss of normal monthly diesel supply) Probability: 1% in a month	Increase in price, therefore decrease in demand							
Four: Disruption leading to up to 30% loss of normal monthly diesel supply for three months. We estimate that a 15% demand decrease is required on top of supply measures to mitigate this disruption. Probability: <1% in a month	Increase in price, therefore decrease in demand		<i>[Do first]</i> 5-20% more efficient driving, therefore reducing demand up to that amount	<i>[Do second]</i> Negligible (1-5% in some industries)	<i>[Do third]</i> Between 2-10% in some industries. More effective if mandated, but mandates not needed at this stage.	<i>[Only do if needed]</i> 5–20% reduction in trips + up to 10% more efficient driving. More effective if mandated, but mandates not needed at this stage.	<i>[Only do if needed]</i> 5-20% more efficient driving. More effective if mandated, but mandates not needed at this stage.	Explore if other measures are not sufficient
Five: Disruption leading to up to 50% loss of normal monthly diesel supply for three months. We estimate that a 20% demand decrease is required on top of supply measures to mitigate this disruption. Probability: <1% in a month	Increase in price, therefore decrease in demand		5-20% more efficient driving, therefore reducing demand up to that amount	Negligible (1-5% in some industries)	Between 2-10% in some industries in the short term. More effective if mandated, mandates could be investigated at this stage	5–20% reduction in trips + up to 10% more efficient driving due to reducing congestion. Mandates could be investigated at this stage	5-15% ¹ more efficient driving, therefore reducing demand up to that amount. Mandates could be investigated at this stage.	Variable settings, can be tuned to meet overall demand reduction target.

¹ Rowland T, McLeod D. Time and fuel effects of different travel speeds May 2017

Annex Two: Envisory Scenarios

[Attached separately]



FUEL SUPPLY DISRUPTION - SCENARIO ANALYSIS

Prepared for MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT

14 April 2026

Envisory Limited is an energy consultancy specialising in strategic issues affecting the energy sector, including the transition towards low or zero carbon fuels. With a comprehensive knowledge of local and international energy markets, we provide strategic advice, comprehensive analysis, and services across the entire sector.

Envisory prides itself on being able to analyse and interpret the detail, translating the implications into strategic directions for our clients. We provide expertise to a broad range of companies and government departments in New Zealand, Australia, and the Pacific Islands. Envisory has a strong reputation in the sector for producing timely, high quality, value-adding work.

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1.0 Introduction

This report assesses scenarios that can disrupt diesel supply to New Zealand. Price response is the most immediate impact following disruptions to oil markets like the Strait of Hormuz closure. The price response is to both restrain demand (cause demand destruction so demand falls to available supply) and to cause realignment of supply chains so that crude or product in one region will then flow to where it is needed to cover the shortage.

We initially review how prices have responded over the past 6-7 weeks and how that may be impacting demand, including in New Zealand. We then review possible scenarios that would result in physical disruption to New Zealand's fuel supply and how stocks would be used while replacement cargoes are organised; to date there has been no disruption to New Zealand supply.

2.0 Price response for rationing demand

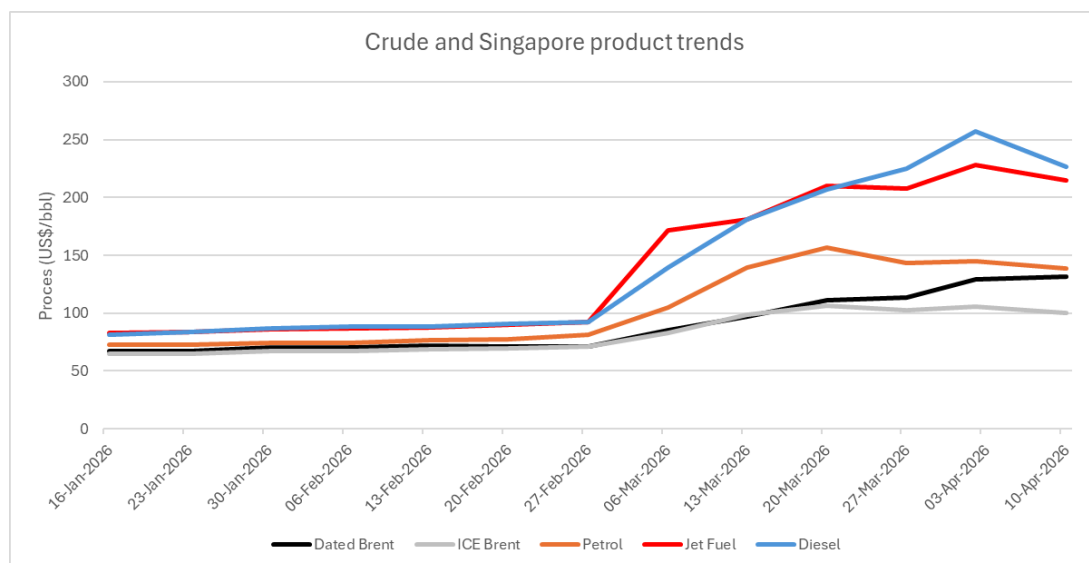
On February 28, United States (US) and Israel launched wide-ranging strikes on Iran, killing much of the country's leadership including the supreme leader. Iran responded by launching missiles at US and Israeli assets in the region as well as targeting other Gulf countries and their energy infrastructure more generally.

Iran, on March 2, announced the closure of the Strait of Hormuz at the mouth of the Arabian Gulf and threatened to attack any vessel transiting. This has halted almost all traffic through the Strait, which normally carries 20 million barrels of crude and products per day. The Strait has now been closed for over six weeks leading to very high petroleum prices.

2.1 Asian price response

Figure 1 provides the price trend for the main international trading crude grade (Brent) along with Singapore product prices (New Zealand product is bought using these market indices). Prices jumped immediately following the attack, and once it was clear after one-two weeks that it was not going to be a quick resolution, prices continued to climb.

Figure 1: Weekly average crude and product price trends

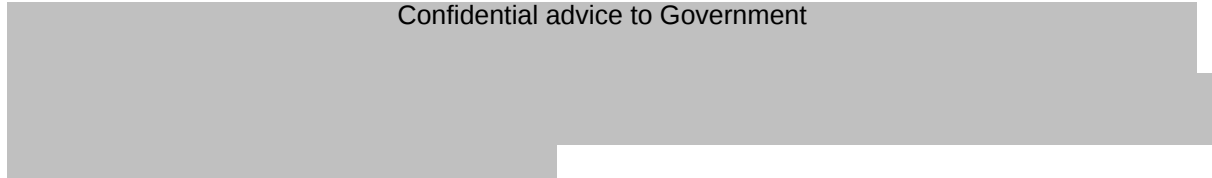


We show both Brent futures (ICE Brent) and physical Brent (Dated Brent). The ICE Brent is the price trading for delivery in one to two months' time rather than physical crude delivery. The physical cost of crude can increase well above the futures when the market is short, and this is happening in the crude market. Despite crude being quoted at around US\$100/bbl, the current cost to a refinery is more like US\$130-140/bbl plus freight (shown in Dated Brent line in Figure 1). Product prices need to cover the cost of the physical crude, not the futures price.

Singapore product prices all rose substantially immediately following the disruption, although after a few weeks petrol flattened and then dropped from its mid-March peak. This indicated less concern around petrol supply disruption. This is because petrol production is less impacted by the reduced refinery production and change in crude feedstock and is more responsive to increasing prices reducing demand. Petrol prices are now only marginally above the physical cost of crude, indicating the market has no issues with supply.

Diesel and jet fuel prices by contrast have continued to increase until last week's ceasefire announcement. This indicates the market is struggling to meet diesel demand and prices are needing to rise. Diesel and jet fuel are both straight-run products (distilled directly from crude) so are proportionally impacted by run cuts. There is some ability to shift production between the two grades, but the much higher diesel price is indicating diesel supply is the main issue.

Confidential advice to Government



Confidential advice to Government



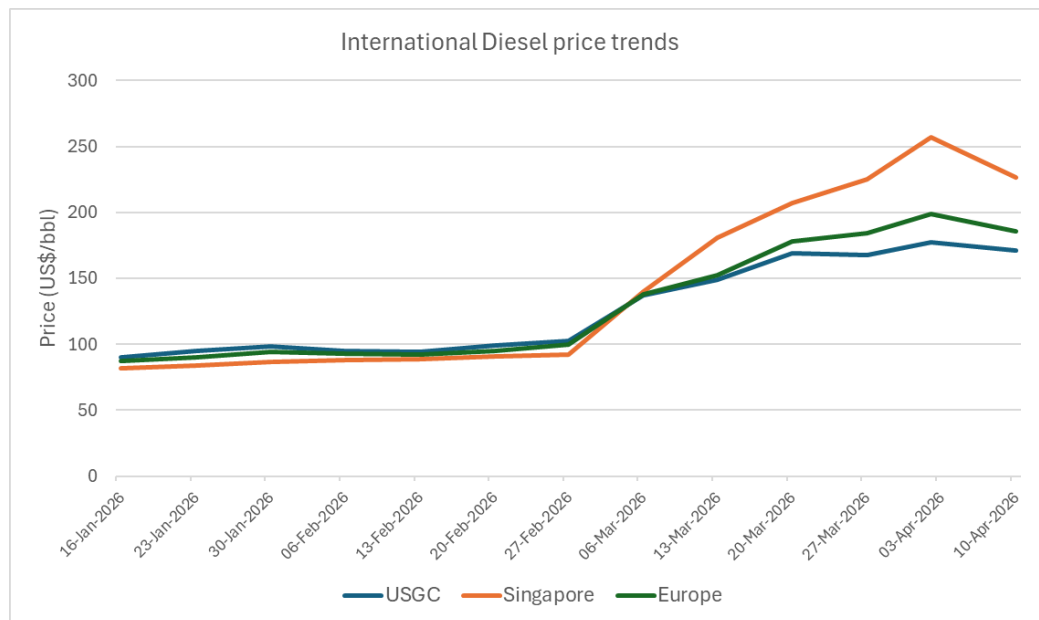
2.2 Supply Chain realignment

Prices rise both to reduce demand and to encourage supply chains to realign. The rise in diesel prices has been more substantial in Asia Pacific than other regions (Figure 3). This is due to the most immediate short of crude being in Asia, so it is Asian refineries that have needed to reduce runs while replacement supply is secured. The Asian diesel price rises so that flows will come from other regions (and their prices rise to reduce demand in those locations).

Asian diesel prices are normally lower than the US or Europe as Asia exports to those locations (primarily India to Europe and South Korea to Europe or the Americas). This was the case until the end of February. Asian prices have now risen substantially above the US and Europe which is

encouraging more direct product supply into the region rather than exports (primarily from the US either via increased refinery throughput or delivering product that may have gone to the Americas or Europe as they reduce demand in response to the high prices).

Figure 3: Diesel price trend in main trading locations



This premium in Asia (relative to other markets) should reduce as supply chains realign; prices peaked around three months after the Ukraine invasion during which supply chains realigned; that impact was less clear immediately as there was uncertainty how the sanctions would work. We expect the current Asian premium to come off a little, although some of the gap closure may come as US and European prices rising in response to the global short (last week's decline was after the ceasefire announcement - those prices are back up somewhat). Asian prices will remain higher while its refineries are mostly impacted by the loss of crude. There is a similar trend for jet fuel with higher Asian prices.

2.3 Demand rationing through price

Ultimately, higher prices reduce demand, even for diesel where demand elasticities are lower than for petrol. Asia could be more than 10% short of product in the near term, given how much crude supply has been lost. Ultimately once supply chains are realigned, the closure of the Strait of Hormuz may result in a 10% reduction globally (the full 20 million barrel /day impact, partially mitigated by spare capacity elsewhere, easing of sanctions and redirection through pipelines). The diesel reduction may be a bit higher with the changing crude diet for key Asian refineries (replacement crudes producing less jet fuel and diesel).

New Zealand is one of the wealthy countries in the Asia-Pacific region so its businesses should be able to keep paying for diesel whereas other less wealthy countries may have to take more severe demand mitigation action. Even in New Zealand demand will respond to price. Based on the elasticities developed for the Fuel Security Study, a doubling of diesel price (this has been the impact on the typical diesel consumer to date) is expected to reduce demand by around 6-7%. This has not been seen in the market data yet as March saw some panic buying initially.

There will be a substantial economic impact from both the price increase and companies and consumers taking action to reduce demand; this is outside the scope of this document.

3.0 Background Information for scenario analysis

This section covers the stock and resupply information that is used in all the scenarios.

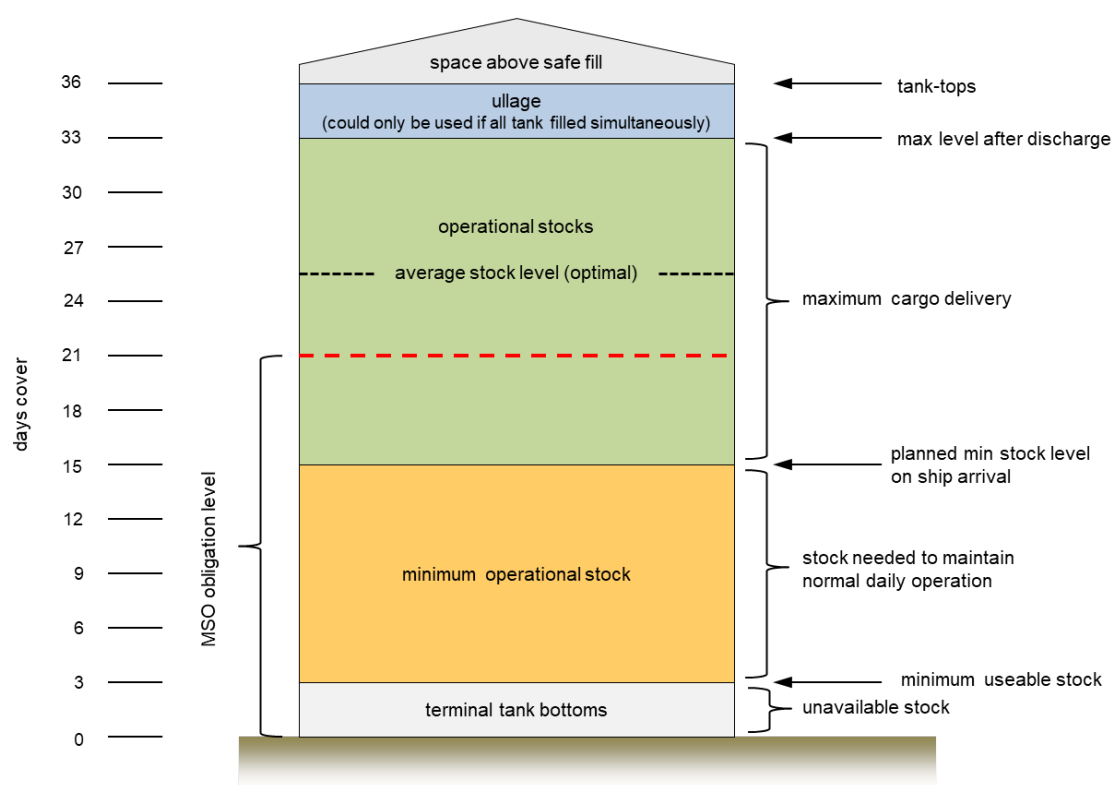
3.1 Stocks

Stocks provides the life stream of a fuel supply system. Stocks are held in New Zealand to allow a continuous flow of product through the supply chain through to the customer. Suppliers need to hold enough stock to manage any demand variation and to cover any variation in ship arrival timing.

Since implementing the minimum stock obligation(MSO) suppliers need to ensure any of the day-to-day variation in the supply system is managed within the stocks held above the MSO. Stock below the MSO level is held for major disruption events to use while companies source alternative product and realign their supply chains. These scenarios investigate when and how those stocks may need to be used. Typically, companies are holding around 4 days demand above the diesel MSO level¹.

The diagram below shows New Zealand's diesel typical stock levels.

Figure 4: New Zealand's diesel stock levels



3.2 Resupply cargoes

Should New Zealand's supply chain be disrupted through the loss on one of more cargoes, then cargoes will need to come from alternative locations. This will take time for alternate cargoes to be purchased (even for a prompt cargo), ships to be secured and possibly longer shipping time to New Zealand. The table below analyses the gap expected between when the originally planned cargo

¹ This is based on national averages not individual company data.

would have arrived and its replacement. This is the gap the stocks need to cover. The planning times are less than would normally be needed which will increase the cargo cost.

We assume a fuel supplier will know (at the latest) that a cargo is going to be cancelled before (at least one day) the ship is about to load. Including loading time (two days) and shipping time, that means the cargo would have been expected to arrive in New Zealand around 20 days after the cancellation date.

Table 1: Replacement cargo timing

Location	Planning time	Loading/ship time	Total	Gap
Similar Asia locations	3-4 weeks	19 days	40-47 days	20-27 days
India	3-4 weeks	27 days	~48 days	28-35 days
United States	2-3 weeks	32 days	~46 days	26-33 days

The current market is stretched so replacement cargoes are more likely to come from India and/or the United States, than similar Asian locations to current supply. We therefore assume the replacement cargoes will take around 25-35 days to arrive to cover the lost cargo. This is the gap the stocks need to cover - i.e. stocks will need to operate at lower levels than normal until the replacement cargos arrive.

There may be options for the impacted company to mitigate the gap (such as sharing some cargoes between New Zealand and Australia) or that company (or others) increasing loading tolerances on other cargoes where possible to mitigate some of the impact. We do not include these mitigation impacts in this analysis.

3.3 Diesel supply and probability of disruption

Diesel is supplied to New Zealand either on:

- Medium Range tankers holding multiple products: Diesel volume likely to be 20-25 million litres (~6 per month)
- Medium Range tankers only holding diesel: Diesel volume 45-50 million litres. (~2 per month)
- Long Range larger product tankers holding two or three products: Diesel volume between 40-50 million litres (~2 per month)

There will be a greater impact on the diesel stocks if a Long Range or full Medium Range (MR) diesel tanker supply is disrupted.

We based the probability of each scenario on the likelihood that there is a 25% chance of a single cargo being cancelled in a month (i.e. expectation of one cargo cancelled every four months). This relates to the current stressed market environment - this was assumed around one every two years in the Fuel Security Study for normal market conditions. New Zealand is yet to see a cargo cancelled.

The individual probabilities in each case are calculated based on the typical number of that type of cargo each month (note some cargoes coming to New Zealand do not have any diesel).

4.0 Scenarios

This section looks at three different scenarios through loss of one or more diesel cargoes over a 20-day period² that need to be replaced by cargoes that take 25-30 days longer to arrive than the original planned cargo.

We do not state the reason for the loss of cargoes, but possible reasons could be individual refinery upsets (e.g. loss of production resulting in Force Majeure) or a country restricting export volumes (hopefully more notice in this case). Any restriction on exports such as an export refinery cancelling cargoes will have an impact on regional prices. This will mitigate the loss slightly as rising prices will reduce demand further, although that may be marginal on the cases described (the diesel price doubling is expected to reduce NZ's diesel demand 6-7% so even to partially mitigate Scenario 4.1 (7.5% loss) requires another substantial price increase (e.g. international diesel rising to over US\$400/bbl). This would be unlikely unless the disruption was substantial (in which case the impact on NZ supply may be more substantial).

In summary - these disruption scenarios are unlikely to be solved by price movement alone although that will contribute.

4.1 Loss of one mixed product medium range tanker (~ 7.5% of normal monthly supply)

This cargo would result in the loss of 20-25 million litres (~ 2 days demand) of diesel. Stocks would be lower from 20 days after the cargo was cancelled to 45-55 days later when the replacement cargo arrives. Stocks would be lower for a 25-35 day period.

Probability: 12% in a month

Outcome

The company with the disrupted cargo should still be able to meet their MSO although it could get tight depending on when in the month the lower stock is (it is easier to meet the MSO obligation if this occurs across two months).

- There will be no issues for New Zealand stocks to meet MSO in total - operational stocks above the MSO will be a little lower than they normally are.

Government Action: None other than continued stock monitoring.

4.2 Loss of a diesel medium range product tanker or Long-range tanker (~15% of normal monthly diesel supply)

The loss of 45-50 million litres of diesel is a little over 4 days demand, so will have a more significant impact as that takes all the stock flexibility above the MSO level out of the system.

² We use 20-day period here to ensure there is an impact of two non-delivered cargoes overlapping. If there is a 30-day period, the replacement cargo for the first cargo may arrive before there is any impact from the second event (this becomes two scenarios 4.2 in a row, rather than scenario 4.3 as modelled here).

Probability: 9% in a month

Outcome

- The company with the disrupted cargo will need to apply to go under MSO (or try and 'borrow' stock cover from other companies, but they may not be prepared to do this without their risk of non-compliance being covered).
- Total New Zealand stocks will fall to around the MSO level - this should still be met depending on the exact timing; but it will be tight.

Government Action: Possibly consider a MSO relaxation for one company, although preferably work with all companies to make sure the MSO will be met in total, avoiding the need for announcements about relaxing the MSO. The reduction will likely be observable in public stock level reporting, initially for on the water stocks and then for stocks in country. The replacement cargo timing will be known before this is obvious in the data (early in the shipping time of the original cargo), so it may be best to announce what is going to happen with stocks - they will be lower for an "x" day period from a date until a replacement cargo is arriving on "y" date.

4.3 Loss of two diesel cargoes within a 20-day period (up to 30% loss of normal monthly diesel supply)

We assume the worst case, which is the loss of two larger cargoes (hence the impact on 30% of normal monthly supply).

This could be a loss of 90-100 million litres of normal diesel supply (~ 9 days demand). The total loss may only be seen in country for 10-15 days, as the replacement cargo for the first lost cargo would offset some of the total loss. However, there could be a 20-30 day period around that more severe short where onshore diesel stocks would be 45-50 million litres lower.

Probability: 1% for the worst outcome modelled here

Outcome

- One, or more likely all companies will need an MSO exemption.
- Total New Zealand diesel stocks will fall well below the MSO level, as those stocks are used to cover the gap.
- Total MSO stock levels may fall as low as 16 days stocks. This will be getting tight for companies supplying but as it will only be for a 10-15 day period, so it should be able to be managed without disruption to customers.
- If it impacts one company more than others, they may see some disruption to their customers or require cover from others.

Government Action: The following government actions may be needed.

- MSO: A MSO relaxation would most probably be needed for all companies (as those who are not disrupted will be supplying more to cover others demand so they would also fall below MSO). The government will want to allow that as if unaffected companies choose not to increase supply to other customers to ensure compliance with their MSO target, then the disruption impact on customers will be worse than it needs to be.
- Communication: The reduction will be obvious in stock releases, initially for on the water stocks and then for stocks in country. The communication could describe what is going to happen with

stock levels in advance (as replacement cargo timing will be known) to demonstrate the system is working as it is designed to do (drawing on MSO stocks to cover realignment).

- Government stocks: If the government held stocks this would be a sensible trigger for release (loss of more than one diesel cargo within a 30-day period). Release of Government stocks to cover one of the lost cargoes would mean stock below MSO stock should not need to be called on (this scenario then looks like scenario 4.2).

5.0 Government diesel stocks

This paper does not consider the decision on the purchase of additional diesel stock, rather the decisions around using it should the government have control of around 90 million litres of diesel stocks at the Marsden Point Terminal.

Our view is that this stock should only be considered for use if the supply disruption is significant enough that it is clear that industry will not be able to maintain national stocks at or above the MSO. That means it does not cover an individual company's loss of one cargo (scenario 4.1 and 4.2 above) but rather when event compounds and there is the loss of two cargoes in a 20-30 day period. Even if not as severe as scenario 4.3, it is clear if New Zealand suppliers lose more than one diesel cargo national stocks will fall below the MSO.

The aim for rules around release is to ensure the Crown's decision to hold diesel does not impact suppliers' supply decisions, including how much stock they need to hold above the MSO level to manage normal supply disruption impacts. If they consider they can operate lower levels with government-controlled diesel there as a backup, then it is self-defeating.

The stock trajectory will be known around 3 weeks before the low point hits the in-country stocks. In such an event, the government should offer the company that has lost the cargo (or possibly half each to the two companies who have lost cargoes), the same volume of diesel that it was planning to deliver on the date it was expected to arrive. When that company's replacement cargo arrives in 25 to 35 days' time, that should be discharged into the Crown's storage to replace stock taken.

This does not need to be a buy/sell transaction, however there is a time value when the market structure is steeply backwardated with prompt prices much higher than further out. This should be agreed as part of the transaction with the value for the prompt versus the stock delivered later, locked in with the market structure (in effect a company is getting stock much earlier than they are paying for it). This could be either paid to the government or at minimum shared in some way between the company and the government.