MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Fuel Response Plan 2026: Proposed Engagement on Phases 3 and 4

Date:	11 April 2026	**Priority:**	Urgent
Security classification:	In Confidence	**Tracking number:**	BRIEFING-REQ-0030871

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Agree** to consult industry on approaches to implementing Phase 3 and 4.	13 April 2026
Hon Shane Jones **Associate Minister of Finance**	**Agree** to consult industry on approaches to implementing Phase 3 and 4.	13 April 2026

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Nic Blakeley	Chief Executive	Privacy of natural persons	
Iain Cossar	Fuel Response Policy Lead		✓

The following departments/agencies have been consulted
DPMC, the Treasury, Ministry of Transport, Ministry of Primary Industries, Ministry of Education and Ministry of Health were consulted in the preparation of this briefing.

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- ☐ Withdrawn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 provide an update on engagement with the fuel industry to date on Phase 3 and 4, and to seek your agreement to engage more widely on an emerging approach to implementation.

Recommended actions

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

1. **Note** that officials have been engaging closely with the fuel industry and key industry groups and fuel users on options to operationalise the fuel plan

   Noted

2. **Note** that key points from engagement are that:
   i. jet-fuel, diesel and petrol will each require different approaches to reflect their distinct user base, supply chains, and economics
   ii. while there is broad support for prioritisation in principle, submitters identified overlaps between the proposed bands and challenges with identifying fuel users for allocation purposes
   iii. industry has identified a range of possible tools for allocation specifically for diesel.

   Noted

3. **Note** that based on emerging international evidence and feedback to date, we would like to test further with industry the extent to which we can:
   i. rely on the price mechanism for allocation unless the market is not working and the consequences are so significant that there are distinct benefits to using other allocation mechanisms
   ii. prioritise and ringfence access for life-supporting services (Band A) and essential services for access to health, care, education, and mobility for example public transport and education (Band C)
   iii. provide broad and easily implemented mechanisms to cap general access that could manage demand at the margin

iv. potentially merge Bands A and C, and simplify the other bands

Noted

4. **Agree** that the Ministry for Business, Innovation and Employment (MBIE) and the Ministry for Primary Industries (MPI) undertake targeted engagement with fuel companies, distributors and major diesel users on emerging thinking for phase 3 and 4

Agree / Disagree

5. **Agree** that social sector agencies will engage with their sectors on the practical application of the priority bands for petrol, including impacts on vulnerable groups and Crown-funded service delivery

Agree / Disagree

6. **Note** that following engagement, officials will provide an interim update on 16 April and advice on emerging options to support the Oversight Group discussion on 22 April.

Noted

7. **Forward** this briefing to the Ministerial Oversight Group.

Privacy of natural persons

Iain Cossar
Fuel Response Lead
MBIE
11 April 2026

Hon Shane Jones
Associate Minister for Finance

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

Hon Nicola Willis
Minister for Finance
..... / ...... / ......

Background

1. On 25 March 2026 the Ministerial Economic Security and Supply Chains Group (the Oversight Group) agreed to the Fuel Response Plan 2026. The plan establishes four phases for each fuel type that respond proportionately to the risks to New Zealand's fuel security.

2. Ministers have indicated that the industry needs to both co-design the approach to phases 3 and 4 and lead the implementation of these phases with government enabling this. The plan also proposes five indicative priority bands for allocating fuel and Ministers agreed that stakeholders and industry would be consulted on these before they are finalised.

3. Over the past two weeks we have completed initial engagement with fuel companies to better understand their systems and what forms of allocation of fuel would be possible. We have also gathered high level feedback from businesses, sector groups and the public that is helping to inform our understanding of fuel use, critical needs and how prioritisation decisions might work.

4. We are seeking your agreement to undertake more focused engagement, with both fuel companies and major sector fuel users, to work through the issues that we have identified and inform advice to the Oversight Group.

5. This briefing focuses on the key questions and approach for industry and sector engagement for diesel and petrol. The Ministry of Transport is developing a separate plan for jet fuel as the more concentrated use pattern for aviation fuel means a different allocation mechanism is needed.

Petrol and diesel require different approaches

6. The fuel response plane provides for up to five priority bands that could be used to allocate fuel. Further detail on these bands is attached as Annex One.

7. The plan anticipates that each fuel type could be at a different response phase, and that, in the event of phases 3 and 4 that different allocation mechanisms and approaches could be required. Engagement to date with industry reinforces this point, highlighting that diesel and petrol have different user profiles, different methods of accessing fuel, different levels of information and data about use.

Diesel is critical to the economy and for many of our key supply chains

8. Diesel underpins freight, food supply, primary sector activity, generators and other essential operations including some social services, so disruption has wider second-order impacts.

9. Roughly, a quarter to a third of diesel is delivered through bulk deliveries direct to consumers (for example to bulk tanks) for off-road uses across agriculture, forestry, fishing, building and construction, mining, industrial, commercial, residential and marinas. The rest is distributed through the retail network (stations and truck stops) for on-road uses.

10. Diesel demand is less price elastic than petrol, particularly for freight and critical service delivery. Data is incomplete but indicates that about 3% of diesel goes to life-supporting critical services (draft Band A) and around 10% to general retail use (draft Band E), with the remainder going largely to the transport, primary and commercial sectors.

11. Fuel companies and industry strongly encouraged government to focus detailed design work on diesel first.

While petrol is also important across the economy, use is more concentrated on the public

12. Based on incomplete data, approximately 65% of petrol is used by the public and mostly accessed via petrol stations. The remaining 30% is used by a mix of critical services, commercial and social service providers. Petrol demand is likely to be more elastic.

Engagement with fuel companies, industry and the public

There is support for prioritisation in principle but delineating between bands is difficult in practice

13. Over the past two weeks MBIE has received feedback from over 1,700 businesses, sector groups and the public on the indicative priority bands that were released publicly as part of the fuel response plan announcement. Key issues highlighted by submitters are:

    a. it is not feasible for any list to be exhaustive, but in the absence of a definitive listing for an activity there is potential for confusion and boundary disputes

    b. fuel customers often undertake a variety of critical and non-critical tasks, so would meet the definitions of two or three different bands

    c. many submitters were confused about the distinction between and relative importance of the proposed Bands B (economically important services) and Band C (critical services)

    d. transport systems do not distinguish between critical and non-critical goods, restricting fuel supply for non-critical freight could clog up distribution centres for critical

    e. it is not possible to reliably distinguish a critical worker travelling to work in their private vehicle (e.g. in the draft Band A) from a general recreational fuel user

    f. for some sectors, particularly primary industries, criticality changes with seasons.

14. More detailed feedback themes and engagement information are summarised in Annex Three.

For diesel, there are more practical allocation options linked to bulk or business-to-business arrangements, but multiple granular bands would be difficult to implement

15. MBIE officials have also had significant engagement with fuel companies to understand what data and information they hold about fuel users, what technology and systems are already available, and what else would be needed to implement allocation of fuel to different users.

16. Fuel companies have relatively good data on fuel use for their bulk delivery customers (approximately 25-33% of diesel). They have more limited and incomplete data on customers who use fuel cards and note that a customer can have a card with multiple suppliers and that fuel card systems do not talk to each other. Fuel companies have also indicated that they have no data on purchases of ‘cash’ customers who turn up to pay at the pump, whether for business or private use.

17. Based on this, they indicated that for bulk and commercial users for diesel, there may be more allocation options that are linked to fuel cards or business-to-business arrangements, but putting these into place will rely on the detail and quality of information. It would not be possible to distinguish priority bands.

18. They have been clear that for petrol, applying granular restrictions to multiple priority bands is difficult to operationalise in real-world systems, particularly for retail transactions, with the most likely options being blunt transaction or volume limits at the pump.

Australia’s approach is to prioritise fuel access to critical users

19. Other countries’ national fuel plans are similar to the emerging proposals presented here. For example, Australia’s National Fuel Security Plan continues to prioritise fuel access to critical services at all stages of the response. Critical users are the only users given priority allocation at response Level 4 in Australia. Australia's Plan has inherent flexibility and builds in Governments working with industry on design, co-ordination and implementation of fuel allocation.

Diesel: emerging approach for consultation in phases 3 and 4

20. Because of diesel’s central role in the economy, inelastic demand, and use in critical and essential services, the design for diesel allocation needs to differ to that for petrol. A framework with these features could form the basis for industry consultation:

    a. rely on market pricing for allocation until there are clear signs of significant and long-lasting dislocation in market allocations

    b. ring-fence life-supporting services that cannot tolerate interruption without immediate risk to life, public safety, or the functioning of essential national infrastructure (indicative Band A)

    c. essential services that community functioning and social wellbeing, including access to health, care, education, and mobility for example public transport and education (indicative Band C)

    d. explore models for allocating diesel, including industry led allocations and options for government allocations across bands B, D and E.

Bands A and C

21. As current estimates are that the proposed Bands A and C likely use between 5-10% of total national diesel, officials believe that even at higher prices there will continue to be a functioning market for diesel. This is a judgment we will test with industry.

22. Even with a more targeted approach there will be issues around identification and authentication of users. Officials propose that consultation with industry and with potential Band A and C users canvass these challenges, including eliciting views on whether methods of identification. These could include high-trust attestations by individual users or government / sector verification is more appropriate.

23. Another issue with allocation, even under a more focussed framework will be how the fuel is distributed to Band A and C. Options include bulk vouchers or tokens, fuel card systems, priority lanes or access at retail stations, or allocation through existing commercial contracts. Officials propose to test these implementation issues iteratively with fuel companies over the next week.

24. Communicating and implementing the proposed approach could be simplified by bringing together Bands A and C into an essential services banner. Officials can provide further options on communicating this, depending on how the approach develops.

Other Bands

25. The proposed approach means that users continue to pay market pricing. Market prices are the most efficient way of ensuring that diesel goes to the highest value use in the economy. Discussion would also explore views on the consequences of largely relying on prices to provide for allocation outside of Bands A and C.

a. For some businesses, some activity may need to be scale back substantively if it is not economic at higher prices. However, addressing these risks through and central allocation is likely to incur other economic costs.

b. For many commercial users of diesel (currently in Bands B +D), higher fuel prices are likely to be passed through to consumers. Where these higher prices have distributional impacts, government has other levers. TTT support may be appropriate.

26. The proposed approach maintains the principal objectives of the fuel response plan which are to ensure Band A and C are preserved and ensure that fuel gets to the highest-value use in the economy (through market pricing).

27. Currently Bands B, D and E distinguish between different types of economic activity, with some considered ‘critical’. Attempts to allocate fuel across these – whether industry-led or government-regulated – may be at odds with wider economic objectives articulated by the Government prior to the crisis and could impair recovery.

28. Officials are proposing engagement with industry on diesel throughout this week, engaging with a fuel companies and a group of high fuel users in supply chains, logistics and freight. The intent is that officials would be in contact on a daily basis on the design and operationalisation of the proposal.

a. Will markets remain an effective allocator of diesel if prices continue to rise, and priority access is given to Bands A and C?

b. Can industry identify priority customers with confidence (and speed) to make ring-fenced allocation workable?

c. Explore whether making distinction between Bands B, D and E is operationally viable or necessary.

Petrol: key issues and questions for discussion

29. The approach to petrol will be similar to diesel but adapted to better reflect the wider range of users, the lower risks to immediate supply and the higher elasticity of demand as prices escalate.

30. Our emerging view is that the petrol framework would:

a. rely on price mechanism for allocation unless there are clear signs that market allocations can be bettered

b. provide priority access for life-supporting services that cannot tolerate interruption without immediate risk to life, public safety, or the functioning of essential national infrastructure (Band A); and essential services that community functioning and social wellbeing, including access to health, care, education, and mobility for example public transport and education (Band C).

c. provide a broad and easily implemented mechanisms to cap general access that could manage demand at the margin.

31. This will allow prices to continue to function as the main mechanisms of allocation. For higher value economic uses prices will be an effective mechanism to guide distribution to these activities, particularly in sectors that are easily able to pass on input prices increases. Officials will provide an assessment of the level of demand by these activities, but expectations are that these functions represent a small proportion of total existing demand.

32. There is a need for further engagement on the design of the bands to ensure that better understand the nature of activity and scale of petrol use. Further work is required on Band C

including detailed engagement with social sector agencies and their providers, including the funded sector. These sectors are likely to be complex with some activity within entities falling across bands.

33. Even with priority access under level 3 see entities with access will be paying significantly higher prices than previously. Discussions are underway with social sector agencies under the Public Sector Fuel plan on how to manage engagement with the social sector. There is a separate stream of work feeding into the 2026 Budget about how to manage any fiscal consequences.

34. Officials consider that simple and blunt mechanisms such as a cap on the scale of purchases might play a useful role even when prices are high and volumes limited. Use caps might help ensure that access is more evenly distributed at a higher price and manage risks of localised supply issues. While caps are currently in place for most distributors and are easily operationalised, they are also not binding. Officials have explored mechanisms which could apply caps across distributors and time. These will be further explored in discussion with Ministers.

Officials are providing Ministers with advice on price pressures in the public sector

35. While the approaches for petrol and diesel under phases 3 and 4 assumes that all fuel users will continue to pay the market price, this is likely to result in significant cost pressures for public sector fuel users, including in Bands A and C. Advice on options for responding to these pressures will be provided through Budget 2026 and the Public Sector Fuel plan.

Risks and mitigations

36. Whether allocation is done by industry or government it will be inefficient and carries several risks, including potential disruption to supply chains, public dissatisfaction due to perceived inequities, and challenges in accurately identifying priority customers. For example, if price mechanisms alone are used, there is a risk that essential services or vulnerable groups may be priced out, leading to negative social outcomes.

37. There is also a potential risk that as a result of the interconnectedness of supply chains for life supporting services and other essential and crucial services, that there may be limited practical way of distinguishing between such diesel usage from other less critical goods (which could undermine any allocation model). However, industry is best placed to help advise on such a risk, and officials will be better placed to advise Ministers on any such constraints following engagement.

38. There is likely to be significant interest and concern about allocation and bands among social service providers, and the implementation approach to Phase 3 and 4 will need to be developed alongside social sector agencies as well as industry.

39. There is a risk of locking in expectations among fuel users that they will receive allocations equivalent to their current fuel usage. There is also a risk that the public may fear rationing for critical services.

40. We are working towards a simple and easily communicated approach, as this helps set clear expectations among stakeholders and reduces confusion. By making the process straightforward, it also supports public understanding and compliance, thereby lessening the potential for dissatisfaction or misinterpretation.

Next steps

41. If you agree to the proposed approach, officials will undertake targeted engagement immediately, provide an interim update to you next week, and a more detailed update and advice to the Oversight Group to inform their consideration of Phases 3 and 4.

42. The indicative timeline for actions is:

- 13 April: Minister of Finance meeting
- TBD: Meetings with other Ministers as available
- 14–16 April: targeted engagement with diesel supply chains and major economic users; social sector agencies will test petrol band application with their sectors.
- 16 April: interim update to Ministers on engagement findings and emerging model.
- 17 April: draft paper to the Minister of Finance on engagements and emerging model
- 22 April: Oversight Group discussion of Phase 3 and 4.

Annexes

- Annex One: Fuel Response Plan Indicative Priority Bands
- Annex Two: Diesel and Petrol Use by Priority Band
- Annex Three: Industry and Public Engagement Summary

Annex One: Fuel Response Plan Indicative Priority Bands

- **Band A: life-supporting services** – e.g. emergency services, courts, corrections, hospitals, lifeline utilities and defence
- **Band B: economically-important services** – e.g. critical transport services (e.g. road freight for supermarket and grocery supply chains, international air links), food supply and primary production during time-critical periods
- **Band C: essential services** – e.g. public transport, essential infrastructure maintenance, and rural GPs and district nurses
- **Band D: other commercial customers** – this comprises all other commercial and business fuel uses
- **Band E:** general retail sales to consumers

Annex Two: Diesel and Petrol Use by Priority Band

Note that information on fuel use is approximate and based on best estimates as it is not possible to map existing data sources accurately to the indicative priority bands.

Draft Priority Band	% diesel use	% petrol use	How is fuel accessed by users?	Information held by the industry
A: Life-supporting services	< 5%	<3%	Bulk contracts and fuel cards at retail sites	Good information on fuel use, especially for public sector critical services.
B: Economically important	85% (incl. most of transport sector 70%, primary industries 9%)	30%	Mix of bulk supply (e.g. to farms, tanks) and fuel cards and cash at retail sites.	Large companies know and track their own fuel use. Fuel companies have information on their large customers and on fuel card holders. But companies can hold fuel cards with multiple suppliers. Fuel companies have limited information on retail fuel users at these bands. No practical way to distinguish a critical worker travelling to their job from general retail recreation fuel user.
C: Essential Services			Mix of bulk supply, fuel cards and cash at retail sites.	
D: Other Commercial services			Mix of fuel cards and cash at retail sites.	
E: General retail	<10%	65%	Majority are cash purchases at retail sites.	Limited information held by fuel companies on individual fuel use.

Annex Three: Industry and Public Engagement Summary

The table below summarises, at a high level, indicative fuel use by band and what information is currently available to support implementation.

Engagement layer	Audience	Scale
Broad outreach	Domestic businesses & major companies	1,000+ attendees (national webinar) 689 attendees (follow-up webinar) 67 CEOs (BusinessNZ Major Companies Group)
Targeted engagement	Fuel suppliers, major fuel users, peak bodies, iwi	~25–30 organisations per round (one-off briefings & ministerial meetings)
Operational coordination	Importers, fuel sector, major fuel users, construction sector	5 importers daily 15–20 fuel sector orgs (2× weekly) 25–40 major users (3× weekly) 8–10 construction orgs (2× weekly)
Engagement specific on priority bands	Public and sector	617 emails 1220 form submissions 18 agencies

Key themes from submissions

General support for prioritisation, but:

- Any bands must be clear to avoid public confusion, panic buying, operational issues
- Boundaries are contentious, and everyone sees themselves as 'essential'.
- The distinction between the draft Bands B and C is likely to be the most difficult to apply consistently in practice.
- What is 'critical' is often unclear and changes over time:
    - Customers often undertake a variety of critical and non-critical tasks
    - Transport systems do not distinguish between critical and non-critical goods, restricting fuel supply for non-critical freight could clog up distribution centres for critical
- Strong focus on ensuring priority uses of diesel – substitution options are limited for freight, waste, agriculture, generators, and regional services

Submissions through the webform categorised by band

Priority Bands:	Total:
Band A: Life Supporting	263
Band B: Economic Importance	382
Band C: Essential Services	279
Band D: Commercial	229
Band E: General Retail	27

Submissions through the webform categorised by industry of submitter, and band commented on

Sector	Band A	Band B	Band C	Band D	Band E	Sector Total
Construction	28	38	75	54	0	195
Agriculture, Forestry and Fishing	1	159	5	12	1	178
Health Care and Social Assistance	92	3	48	9	0	152
Manufacturing	14	55	11	20	3	103
Other Services	15	22	32	19	2	90
Transport, Postal and Warehousing	19	43	10	14	0	86
Retail Trade	23	17	13	11	8	72
Professional, Scientific and Technical Services	10	11	13	24	4	62
Wholesale Trade	11	15	12	9	2	49
Administrative and Support Services	0	5	17	23	1	46
Electricity, Gas, Water and Waste Services	26	4	14	0	0	44
Information Media and Telecommunications	14	1	8	3	0	26
Rental, Hiring and Real Estate Services	1	1	6	13	1	22
Public Administration and Safety	7	3	6	0	0	16
Accommodation and Food Services	1	2	1	6	3	13
Education and Training	0	0	4	5	0	9
Arts and Recreation Services	0	0	2	4	2	8
Financial and Insurance Services	0	3	0	2	0	5
Mining	1	0	2	1	0	4
Overall Total	**263**	**382**	**279**	**229**	**27**	**1180**