MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

BRIEFING

Support options for Marsden Point fuel storage

Date:	30 March 2026	**Priority:**	Urgent
Security classification:	Sensitive	**Tracking number:**	BRIEFING-REQ-0030190

Action sought

	Action sought	Deadline
Hon Nicola Willis **Minister of Finance**	**Agree** to provide up to $21.6 million from the Regional Infrastructure Fund 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. **Agree** to delegate authority to MBIE officials to undertake any operational arrangements to implement the commercial arrangements with Channel Infrastructure NZ Limited. Commercial Information [redacted]	31 March 2026
Hon Chris Bishop **Minister for Infrastructure**		
Hon Tama Potaka **Minister for Māori Development**		
Hon Simon Watts **Minister for Local Government**		
Hon Shane Jones **Minister for Regional Development**		

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

The Treasury.

Comments

BRIEFING

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Purpose

To seek decisions from the Regional Development Ministerial Group (RDMG) on providing up to $21.6 million from the Regional Infrastructure Fund to support the upgrade of fuel storage facilities at Marsden Point.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends **Regional Development Ministerial Group (RDMG) Ministers**:

a. **Agree** to provide up to $21.6 million from the Regional Infrastructure Fund to allow the Crown to enter a commercial arrangement with Channel Infrastructure NZ Limited to increase its diesel storage capacity by 93M million litres for up to 18 months.

Agree / Not agree

b. **Agree** to delegate authority to MBIE officials to undertake any operational arrangements to implement the commercial arrangements with Channel Infrastructure NZ Limited.

Agree / Not agree

c. Commercial Information [redacted]

Yes / No

d. **Note** the indicative proposed terms for this project.

Terms	**Proposed terms for this project**
Entity	Channel Infrastructure NZ Limited
Lease Amount	Up to $21.6 million
Purpose	To support the upgrade of existing fuel storage tanks to hold up to 93ML of diesel.
Maximum Term	Commercial Information, Negotiations [redacted]
Payment Conditions	[redacted]

Noted

e. Confidential advice to Government [redacted]

f. Confidential advice to Government [redacted]

Noted

Section 65L of the Public Finance Act 1989 – Public Interest Test

MBIE recommends that the **Minister of Finance:**

g. **Note** all terms are expected to fall within the 'Approved RIF Loan Framework' (REQ-2425-0792 refers) and so are considered under section 65L of the Public Finance Act 1989 to be necessary or expedient in the public interest.

Noted

h. **Note** you have delegated to the Secretary of The Treasury (who has sub-delegated to the Chief Executive of MBIE and further to the Deputy Chief Executive – Regional Development & Commercial Services) the power to execute loan documentation.

Noted

Privacy of natural persons [redacted]

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

30 / 03 / 2026

Hon Nicola Willis
Minister of Finance

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Hon Chris Bishop
Minister for Infrastructure

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Hon Tama Potaka
Minister for Māori Development

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Hon Simon Watts
Minister for Local Government

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

Hon Shane Jones
Minister for Regional Development

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Background

1. New Zealand's fuel system operates within a tight and increasingly volatile global refined-fuel market, at a time when the country is almost entirely dependent on imported petrol, diesel and jet fuel following the closure of the Marsden Point refinery.
2. As an island nation at the end of global supply chains, New Zealand is exposed to these risks more acutely than larger or more diversified markets.
3. Refined fuels are now sourced through complex international supply chains that are vulnerable to geopolitical conflict, shipping disruptions, refinery outages, and market concentration in a small number of exporting regions.
4. Recent global events have significantly disrupted fuel markets. Fuel prices are surging in response. The longer that geopolitical events continue to impact fuel markets, the less medium to long term certainty there is that market forces will restore fuel availability to levels seen prior to geopolitical driven tensions.
5. Significant fuel disruptions will result in high economic cost. In a scenario (modelled by Treasury) involving prolonged conflict, severe disruption to supply and long-tail of normalisation, the oil price is assumed to average US$180 per barrel in Q2 and Q3 2026. In this scenario, inflation peaks at 7.5% and real GDP is 3.0 % lower than the baseline in 2027.
6. Delays in making decisions in response to these events risk reducing or eliminating intervention options currently available to the New Zealand government. This briefing aligns with advice provided to the Minister of Finance and the Associate Minister for Energy on government-led fuel supply options [BRIEFING-REQ-0030100 refers].
7. As previously noted, any increase in fuel supply, above the minimum stockholding obligation (MSO), could have corresponding storage problems.

Proposal from Channel Infrastructure to upgrade its fuel storage

8. Channel Infrastructure 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.
9. Channel Infrastructure has 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. If commenced now, Channel Infrastructure have advised that they anticipate that the upgraded fuel tanks would be operational in two months.
10. The proposal involves two existing tanks with a combined capacity of approximately 93 million litres of diesel, which Channel has indicated equates to around nine days of New Zealand's diesel consumption.
11. Commercial Information [redacted] However, in this instance, Channel Infrastructure are providing the government with the option to accelerate upgrades and secure access to emergency fuel storage by entering a commercial arrangement that allows Channel Infrastructure to recover the cost of the upgrades from the government.
12. This acts as a de facto guarantee for Channel to proceed with the works and provides the government with certainty that if it needed to secure fuel supplies that there would be somewhere to store it.
13. Channel Infrastructure has asked for a response from the government in the next 48 hours. Due to time constrains, full due diligence on the details of the proposal has not yet been undertaken.

Officials have received storage proposals from other parties, but they do not appear to be suitable or timely

14. Commercial Information [redacted]

15. [redacted]

16. [redacted]

17. [redacted]

18. [redacted]

A commercial arrangement between the Crown and Channel Infrastructure to support accelerating the fuel storage upgrades can be funded out of the RIF

19. Channel advised that it is already undertaking planning activities to refine the proposal, in response to Government interest in strengthening fuel resilience. The proposal involves [redacted] Commercial Information [redacted]

20. Commercial Information, Negotiations [redacted] The total cost is up to $21.6 million. Commercial Information [redacted]

21. There is approximately $[redacted] million remaining in the Regional Infrastructure Fund (RIF) that could be used to fund the payment costs. Confidential advice to Government [redacted]

22. The payment structure is intended to enable rapid delivery while ensuring the Crown does not permanently subsidise infrastructure that could later be utilised by commercial fuel companies if market conditions change.

23. If progressed, officials would explore options to Commercial Information, Negotiations [redacted]

Commercial Information [redacted]

24. Channel has also advised that the tanks being considered for upgrading already hold current hazardous substances certificates, meaning that no immediate exemptions from WorkSafe are required for the tanks to operate in the near term. This materially reduces regulatory risk and supports the feasibility of accelerating the project.

25. [redacted] Commercial Information Collectively, the proposal represents a practical, near-term intervention that leverages existing strategic infrastructure at Marsden Point to increase fuel storage capacity faster than alternative options [redacted] Commercial Information

Analysis

26. If Ministers consider that geopolitical events that are causing instability in global energy markets are not resolved quickly, it is likely that New Zealand will continue to be highly exposed to fuel security.

27. Previous advice provided by MBIE indicates that a combination of additional in country fuel storage and securing a supply of fuel could act as ‘insurance’ to help insulate New Zealand from the economic impact of a prolonged deterioration of the fuel market.

Advantages

28. Based on the available information, Channel Infrastructure’s proposals creates a large amount of diesel storage capacity in a short time frame.

29. Increasing on-shore stocks could also be seen as a reasonable effort to improve NZ’s resilience to further/later disruptions, even if temporary, as it could soften the hard landing that will come should diesel demand restraint (non-price rationing) be required in the months ahead.

30. Officials understand that it is currently challenging to source a ship that could bring large volumes of fuel and would be willing to stay idle off the coast of New Zealand (a ‘floating storage’ facility). Therefore, having access to onshore storage may be a more realistic and practical emergency response if shipping services prefer to unload their supplies on arrival.

31. In conjunction with securing additional fuel supplies, physically holding fuel onshore provides a greater level of certainty that domestic fuel use can continue undisrupted.

32. There are anecdotal signs that market conditions could worsen and countries are responding accordingly. On 28 March the Australian government announced that it will underwrite the purchase of additional, discretionary fuel cargoes from international markets, taking on financial risk that private fuel companies would otherwise not accept during current market volatility. This policy is explicitly intended to secure additional fuel supplies beyond existing commercial contracts.

33. Channel Infrastructure NZ will incur the CAPEX costs of undertaking the project.

Risks

34. Funding may be viewed as a market intervention that could distort market signals.

35. The storage facility may be underutilised if it becomes more challenging to secure diesel supplies. This would incur a sunk cost to the Crown.

36. The proposed solution is temporary in nature and is expected to last for 12 months. Additional funding may be required for a more permanent solution.

37. The success of the project is heavily reliant on Channel Infrastructure NZ’s ability to deliver the project on time and within its budget.

Treasury's view

38. The Treasury does not recommend supporting the Channel Infrastructure storage upgrade proposal without further urgent analysis of alternative storage options.

39. Storage options should be explored in parallel with confirming the government's desired minimum stockholding above the MSO so there is clarity on the appropriate level of storage and the speed at which different options can be brought online as well as the comparative costs.

40. We understand officials have been investigating options, and we recommend directing them to prioritise reporting back on the options, including on the concerns outlined below, within the next 1-2 days.

41. The Channel proposal may not be timely, temporary and targeted. Free and frank opinions [redacted] While the lease with Channel Infrastructure is temporary, the storage tanks will be permanent, and the company will benefit from the upgrades beyond 2027 (noting the MSO for diesel is planned to increase to 28 days in 2028).

42. Free and frank opinions [redacted]

Next steps

43. If you agree to fund the fuel storage project at Marsden Point, MBIE officials will work with Channel Infrastructure to finalise the commercial arrangements, limited to a spend of up to $21.6 million.

44. Channel Infrastructure have indicated that they would move quickly to initiate the project once funding is secured.

45. If you do not agree to funding project, you can direct MBIE officials can Commercial Information [redacted] Commercial Information [redacted] investigate other options.