MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

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Global supply update – insights for New Zealand for 5 June 2026

Date:	5 June 2026	**Priority:**	High
Security classification:	In Confidence	**Tracking number:**	REQ-0034115

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

Contact for telephone discussion (if required)			
Name	**Position**	**Telephone**	**1st contact**
Jivan Grewal	General Manager, Fuel Response	Privacy of natural persons	✓
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The following departments/agencies have been consulted
Ministry of Foreign Affairs and Trade, Ministry of Transport, the Treasury.

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Purpose

To summarise developments in global oil supply over the last fortnight and identify any emerging risks for New Zealand's future fuel supply.

Key points

- Fuel importers continue to report stable conditions and maintain confidence in supply continuity, Commercial Information [redacted]

- Asian refineries have confidence in feedstock crude supply over the next couple of months, supported by increased imports coming from the United States.

- A sharp reduction in Chinese crude imports since February has been one of the single biggest factors easing tightness in crude supply for Asian refineries. China's import patterns will be a key factor affecting overall demand for crude and prices over the next few months.

- Inventories have continued to reduce rapidly. Views differ on how long drawdown rates can be sustained. Confidentiality [redacted]

- Overall, product markets remain tight, and prices are elevated. Although prices are not currently signalling concerns about further deterioration in supply conditions, pricing reflects expectations of increasing traffic through the Strait of Hormuz (the **Strait**). If disruptions to the Strait persist, we would expect prices to increase, which would further reduce demand and slow the pace of inventory drawdowns Confidential information entrusted to the Government [redacted] and bring the market closer to balance.

- Our base case remains that the main impact for New Zealand is likely to be elevated fuel prices rather than physical supply disruption. But uncertainty and risks persist, particularly the longer the Strait remains closed.

Jivan Grewal
General Manager,
Fuel Response, MBIE
05 / 06 / 2026

Background

1. Global oil supply chains include crude production and inventory drawdown, crude flows into Asia and Asian refinery operations. Disruption in these global supply chains will provide early warning of potential issues for New Zealand's supply.

2. On 25 May 2026, you asked for fortnightly updates on global supply developments. This paper builds on the approach outlined in the global supply update provided to Ministers on 22 May 2026 [REQ-0033379 refers]. We monitor developments under three broad themes:

   a. Importers' ability to secure cargoes as per normal operations ensuring future confidence of supply to New Zealand.

   b. Crude flows into Asian refineries, which are New Zealand's main supplier countries.

   c. Price changes, which are an important forward-looking indicator and key mechanism to balance global supply and demand.

3. Alongside this paper, we have provided Ministers with a paper on current jet fuel supply risks, the implications for New Zealand, Free and frank opinions [redacted] [briefing REQ-0033730 refers].

Global supply update developments

4. Key sources of information this fortnight include a discussion that MBIE officials had with senior oil market analysts at the International Energy Agency (IEA), in addition to MBIE's regular discussions with the oil industry, oil market data and intelligence services, and reporting from MFAT posts.

Confidential advice to Government [redacted]

Importers' ability to secure cargoes

6. Disruption to importers' ability to secure cargoes is our strongest signal of a near-term supply disruption. Fuel importers are best placed to see any emerging risk for forward orders or disrupted cargoes. Free and frank opinions [redacted]

7. Under this watch area, we are monitoring information provided by fuel importers on forward order confidence, the status of shipping lanes, the availability of cargoes and bunker fuel for ships, and export bans or restrictions that may affect our supply.

Current status

8. There are no notable developments to report in the last fortnight.

9. Commercial Information [redacted]

10. [redacted]

11. Overall, the message from importers is that cargoes continue to load and arrive as expected, with no disruption to consignments or change to planning horizons.

Looking ahead

12. While confidence in supply continues, market dynamics (especially pricing) remain uncertain and volatile. Commercial Information [redacted]

Crude flows into Asia

13. New Zealand's main fuel sources in Asia were heavily dependent on crude from the Middle East and experienced an acute supply and price shock in March and April.

14. In response these refineries rapidly diversified crude imports – paying higher prices to attract crude from alternative places such as the US and West Africa, in addition to increased flow of crude through Saudi Arabia and UAE pipelines that bypass the Strait. Refineries also reduced production and have been drawing on inventories to partially cover the shortfall.

15. Under this watch area, we are closely monitoring National security or defence [redacted]

Current status

16. Before the war, around 15mb/d of crude oil (about 35% of crude oil trade) and 5mb/d of refined products passed through the Strait of Hormuz. Asian refineries are managing to offset this loss with temporary and permanent structural changes in the global oil market, such as:

    a. Increased crude diversification through exports and supply from other locations and increased pipeline flows bypassing the Strait.

    b. Inventory drawdown, mainly accessing government strategic reserves.

    c. Decreased crude imports by China to a decade-low has acted as a shock absorber for other Asian countries.

    d. Demand destruction, especially for petrol and jet fuel, due to higher prices particularly in low- and middle-income countries.

17. Crude flows to Asia continue to be diversified, as highlighted by Figure 1. Commercial Information [redacted]

Commercial Information [redacted].

Commercial Information [redacted]

18. The shift in crude flows is reflected by reports from Asian refineries that they have secured sufficient levels of crude in the coming months (although lower than pre-crisis). For example:

   a. Confidential information entrusted to the Government [redacted]

   b. Confidential information entrusted to the Government [redacted]

   c. Commercial Information [redacted]

19. Refineries are also accessing crude from stored inventories. Inventories have continued to reduce at a rapid pace from elevated levels at the beginning of the year. The IEA estimates that the pace of drawdowns globally in March-April was around 6mb/d.

20. A major reason for this high rate of drawdown is the IEA's 400mb collective release announced in March, with particularly large draws from the US and Japan. The US has currently drawn down 35 per cent of the committed release, indicating scope for drawdowns to continue through to September. Confidential information entrusted to the Government [redacted].

21. There are differing views as to how long inventories can continue to be drawn down at current rates. Free and frank opinions [redacted]

22. Free and frank opinions [redacted]

23. A sharp reduction in China’s imports of crude oil (as shown in Figure 2) has been one of the single biggest balancing factors easing global demand pressures. Commercial Information [redacted]

Commercial Information [redacted]

24. While part of this reduction in imports is due to refinery production cuts and decreased domestic demand, National security or defence [redacted] in recent years, Co [redacted] Commercial Information [redacted]

25. There is also evidence of decreased global demand in response to high prices, which has eased market tightness to some extent. Commercial Information [redacted]. The IEA forecasts global demand to contract in 2026, although the effects of this will be uneven depending on the relative wealth of countries.

Looking ahead

26. Asian refineries are currently managing to offset the loss of crude through the Strait with temporary and permanent measures. Any impact affecting these measures would put further pressure on an already tight supply, notably:

a. National security or defence China’s return to buying crude from global markets could quickly tighten regional availability and increase prices.

b. Any impacts to US production and exports (eg hurricanes, export restrictions) would put pressure on Asian refineries.

c. In addition, National security or defence, would also quickly lead to more severe supply and price impacts.

27. Even after a deal is agreed to reopen the Strait, it could take several months to re-establish steady exports, depending on infrastructure damage.

Prices play a key role balancing global supply and demand

28. Prices are a key lever to balance global supply and demand, and to attract supply into markets with the highest willingness and ability to pay. Rising global prices (and other measures such as time spreads) are key indicators of concerns about future global supply. However, higher prices would not necessarily mean disruptions to New Zealand’s physical fuel supply.

Current status

29. Market prices, particularly for Brent crude, have been volatile over the past fortnight on news headlines of negotiations between the United States and Iran and the prospect of the Strait of Hormuz re-opening.

30. Prices for refined products in Asia have been more stable. Prices remain elevated due to ongoing tightness in product markets (Figure 3). For example, benchmark diesel prices are about 60% higher than pre-conflict levels. Commercial Information (Figure 4).

Commercial Information

Commercial Information [redacted]

31. The market remains in backwardation with near-term prices for crude and refined products higher than future-dated prices, indicating expectations of easing conditions over the medium term. The Brent crude forward curve points to prices declining from around US$95 per barrel currently to about US$85 per barrel in December 2026. Budget 2026 forecasts also assumed that oil prices would ease through the remainder of the year and into 2027.

32. Confidential advice to Government [redacted]

Looking ahead – the outlook for global prices depends on when and how fully the Strait reopens.

33. Overall, current market prices do not signal imminent concerns about deterioration in the supply outlook, in part reflecting the temporary buffers provided by inventory drawdowns and China's sharp reduction in imports, as well as lower demand. Market expectations of an increase in traffic through the Strait are also being reflected in pricing, alongside an assumption of no additional disruptions to global supply.

34. However, there is upside risk to prices if the expected reopening and traffic through the Strait is pushed back. Free and frank opinions [redacted]

35. We continue to monitor a range of price indicators for signs of tightening supply, including Brent crude prices, refined product prices, crack spreads, and futures/time-spreads.

Next steps

36. The next update will be provided on 19 June 2026. This update will incorporate key developments from the IEA's June Oil Market Report scheduled for release on 17 June 2026.