



BRIEFING

Update on fuel specifications and proposed process for Phase 3

Date:	30 June 2026	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0030867

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Note the advice below Provide feedback on the proposed approach.	13 July 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	
Scott Russell	Manager, Fuel Supply Policy		✓
Marinus La Rooij	Principal Adviser, Fuel Response		

The following departments/agencies have been consulted
WorkSafe, Maritime New Zealand, Environmental Protection Authority

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☐ Withdrawn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 briefing outlines the approach we have prepared for assessing further changes to fuel specifications in Phase 3 of the National Fuel Response Plan.

Executive summary

At the outset of the Middle East conflict, Ministers asked officials to examine additional supply options by relaxing fuel specification regulations. While relaxing fuel specifications does not guarantee additional supply, it provides some additional flexibility for importers during a supply crisis. In March, Cabinet agreed to amend New Zealand's regulations to allow fuel that meets Australian specifications. This was a "no regrets" approach, given the similarity between the specifications, our vehicle fleets and the overlapping supply market.

Despite crude supply disruption and increased prices, importers continue to source fuel through business-as-usual channels. They advise that sourcing fuel to New Zealand (and now Australian) specifications is not currently a barrier to supply. The refineries that supply New Zealand and Australia represent a large market segment in Asia. Therefore, there are limited additional Asian refineries that could not meet our fuel specifications (off-spec). Refineries further away, notably in the United States, could have fuel available if crude supply was further constrained.

In a critical supply shortage, under Phase 3 of the National Fuel Response Plan Ministers can consider temporary further relaxation of specifications to maximise supply. In preparation, we have monitored global fuel supply and developed readiness to relax fuel specifications if needed. We have engaged with fuel importers, vehicle manufacturers and importers, vehicle operators, Australian Government officials and sourcing technical fuel specification advice from Envisory.

Further specification changes (depending on the type, length and degree) will increase the risk of negative impacts. Some of these trade-offs are outlined in **Annex 1**. With a wide variation in fuel specifications globally (being bundles of differing specifications), the full impacts can only be speculated on without specific options to assess. The more regulations are relaxed, the higher the level of risk for negative effects on public health, safety, the environment, engine performance and the economy. Further relaxation of specifications would need to balance the benefits of securing additional off-spec fuel supply with this risk of negative effects. Even in exceptional circumstances, there are critical risk thresholds in fuel specifications which are harder to manage (such as high sulphur content and flashpoint).

If specifications were relaxed, we expect that fuel companies would likely mitigate such negative impacts, given their commercial incentives for maintaining their brand and customer confidence. In an emergency supply shortage where the focus is keeping critical services and essential parts of the economy fuelled, a temporary relaxation may assist importers sourcing fuel close - but not exactly - to New Zealand specifications.

As such, we have developed an outline process (**Annex 2**) for Phase 3 to rapidly advise joint Ministers on the benefits and impacts of supplying this off-spec fuel. This will be developed further with fuel importers, to allow us to work at pace to identify off-spec supplies if existing supplies are disrupted.

Confidential advice to Government

Recommended action

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

- a. **Note** that further changes to fuel specifications can be considered at pace during Phase 3 of the National Fuel Response Plan 2026

Noted

- b. **Note** officials will undertake limited engagement with fuel importers and other interested parties to assess potential fuel specification changes in Phase 3.

Noted

c.

Confidential advice to Government

Privacy of natural persons

Scott Russell
Manager, Fuel Supply Policy
Fuel Response, MBIE

30 / 06 / 2026

Hon Nicola Willis
Minister of Finance

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Hon Shane Jones
Associate Minister for Energy

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Hon Chris Bishop
Associate Minister of Finance

Hon David Seymour
Associate Minister of Finance

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Hon Simeon Brown
Minister for Energy

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Background

Amending regulations to relaxing fuel specifications provides some additional supply flexibility

1. New Zealand's fuel specifications are set out in the *Engine Fuel Specifications Regulations 2011* (the regulations). The regulations determine the set of approved attributes under which fuel can be legally supplied.¹ Fuel specifications balance objectives of public health, safety, environmental protection, engine performance and the economy (minimising costs and providing certainty to fuel suppliers and consumers). Fuel suppliers must also ensure the fuel supplied is 'fit for a common purpose' - so usable in all reasonable circumstances.
2. Globally, there is a wide variety of fuel specifications with most countries stipulating sets of fuel standards.² Other than Australia, the most relevant comparison for sets of specifications are: Asia (Platts³), the US (Gulf Coast Colonial pipeline), and Europe (Euro). Examples of a few differences with NZ specifications and key trade-offs are provided in **Annex 1**.

Relaxing fuel specifications involves balancing of objectives and trade-offs

3. New Zealand's fuel specifications are designed to provide a fair and competitive market and minimise the negative effects of fuel use. This includes reducing risks to:
 - public health (i.e. minimising risk of cancer and respiratory illnesses)
 - safety (i.e. reducing handling, storage and haulage risks)
 - the environment (i.e. minimising contamination of air and water)
 - engine performance (i.e. ensuring fuels do not damage vehicles or increase maintenance costs), and
 - the economy (i.e. ensuring consumer confidence and ensuring diesel is usable in cold conditions).

We have already made changes to our fuel specifications in Phase 1 to align with Australia

4. In March, Cabinet agreed to amend the regulations to temporarily allow fuel that meets Australian specifications until March 2027.⁴ This alignment provides importers more options to source fuel from a greater range of refineries or potentially to share large Australian orders if needed. Allowing fuel with Australian specifications was a "no regrets" approach, given the similarity between the two specifications. Following this, officials have:
 - monitored global fuel supply, and
 - evaluated the implications of potential further changes to fuel specifications.
5. We have received advice from *Envisory*, who have in-depth knowledge of fuel specifications and the global supply landscape. We have also engaged with fuel importers, motor vehicle

¹ Jet fuel is excluded, which has internationally standardised specifications for safety reasons.

² In some jurisdictions, specifications are determined by the capabilities of the older refineries that supply them. Without expensive upgrades, these older refineries could not meet New Zealand's requirements.

³ There are differing Platts specifications.

⁴ This alignment excepted petrol sulphur levels. Australia temporarily relaxed its petrol sulphur standard in March 2026, increasing the allowable limit to 50 ppm. This enabled petrol from its Brisbane refinery, which would otherwise have been exported, to be sold domestically. The refinery is undergoing upgrades to enable ongoing production of low-sulphur (10 ppm) petrol. These upgrades are not yet complete.

industry bodies, other government agencies and our Australian Government counterparts. Initial industry feedback can be summarised with strong common preferences for:

- surety of supply,
- predictability of quality and standards, and
- minimising negative effects of changes to fuel specifications, especially risks of vehicle damage and impacts on vehicle performance.

Proposed approach

Potential fuel specification changes are complex, so can be considered in Phase 3

6. The Government has agreed that under Phase 3 of the National Fuel Response Plan 2026, further specification changes can be considered.
7. Relaxing specifications is one of the levers available that could provide additional fuel supply options. While relaxing specifications does not guarantee additional supply (especially during crude supply disruption), it could provide additional flexibility for importers when sourcing fuels from new suppliers. We expect that in doing so, fuel importers will generally seek to mitigate the potential negative effects of alternative supplies and advise their customers of fuel specification changes, to meet their customer expectations and maintain their reputation.

We have established a rapid process for considering further changes to fuel specifications if needed

8. To allow the Government to act rapidly in Phase 3 on further specification changes, Cabinet has delegated to joint Ministers (Minister of Finance and Associate Ministers of Finance) the ability to take amendments to the regulations directly to the Executive Council [CAB-26-MIN-0085 refers]. This significantly truncated process allows Ministers to move at pace should the situation escalate.
9. Given that changes in the supply situation may evolve rapidly, we expect that fuel importers would begin exploring alternative supplies during Phase 2. This is because it would take some weeks, depending on the source of the fuel, for alternative fuel arrangements to be made. The availability of alternative fuel will also depend on which refineries have feedstock.
10. We can only speculate at this point, on what the specifications might be for any alternative fuel available. It is possible that other refineries (not currently supplying New Zealand or Australia), could provide on-spec fuel. Refineries that cannot meet these exact specifications may still be able to provide fuel that is similar - though still off-spec in important ways. For example, there are around 130 refineries in the US. Some of these produce fuels to domestic and also Euro specifications. Some may be able to produce fuels close to New Zealand specifications.
11. Confidential advice to Government

The greater the relaxation of fuel specifications, the higher the risk of negative impacts

12. The degree of relaxation in specifications involves a corresponding higher risk of negative effects (see **Annex 1**). This includes some specific risk thresholds that would be triggered by a broad relaxation of specifications. The regulations could be amended to retain the regulatory limits for key risk thresholds. However, this would limit the flexibility of fuel

companies to find new alternative supplies during a critical shortage. Two examples of threshold risks are:

- **Diesel Flashpoint:** which controls the lowest temperature at which a fuel gives off enough vapour to ignite when exposed to a flame. New Zealand's diesel flashpoint was 61°C, now lowered to 60.5°C (aligning with Australia). Confidential advice to Government

- **Sulphur:** which naturally occurs in crude oil and was historically supplied in petrol and diesel at high levels (up to 500 parts per million (ppm)). Over the last three decades, most comparable jurisdictions have regulated its removal through modern refining processes. Most refineries are capable of producing low sulphur fuel (15ppm or lower). Confidential advice to Government

Off-spec fuel supply assessments will need to balance trade-offs

13. Without knowing the nature of specific alternative off-spec supply, any potential required changes to regulations can only be speculated on. Changing a single specification in isolation, would also be unlikely to provide enough flexibility to materially improve alternative fuel supply options. As such, off-spec supply proposals could be assessed from importers on a case-by-case basis. An indicative process is detailed in **Annex 2**.⁵
14. Assessment would balance the supply benefits of specific shipments (or a series of shipments) against the differing negative impacts. This would include when risk thresholds would be triggered. This assessment framework would provide advice to joint Ministers that quantifies:
 - supply benefits of identified alternative sources for off-spec fuel
 - the extent and impact of any negative impacts (on public health; safety; the environment; engine performance; and/or the economy), and
 - the availability of suitable mitigations for the negative effects of the off-spec fuel.
15. We estimate that the assessment and changes to regulations could be made in two weeks (benchmarking the work to allow Australian specifications). This timeframe depends on the complexity of the proposed specifications, the seriousness of further fuel supply disruption and the degree of engagement undertaken with interested parties. Factors potentially

⁵ This framework has been adapted from Section 13 of the Fuel Quality Standards Act 2000 (Australia). This allows the Australian Government's Climate Change and Energy Minister to consider temporary fuel standard changes for specific shipments and/or a limited time to support Australia's fuel security and assist increased demand.

complicating the assessment could be competing proposals from industry, as well as the Australian Government also amending its specifications.

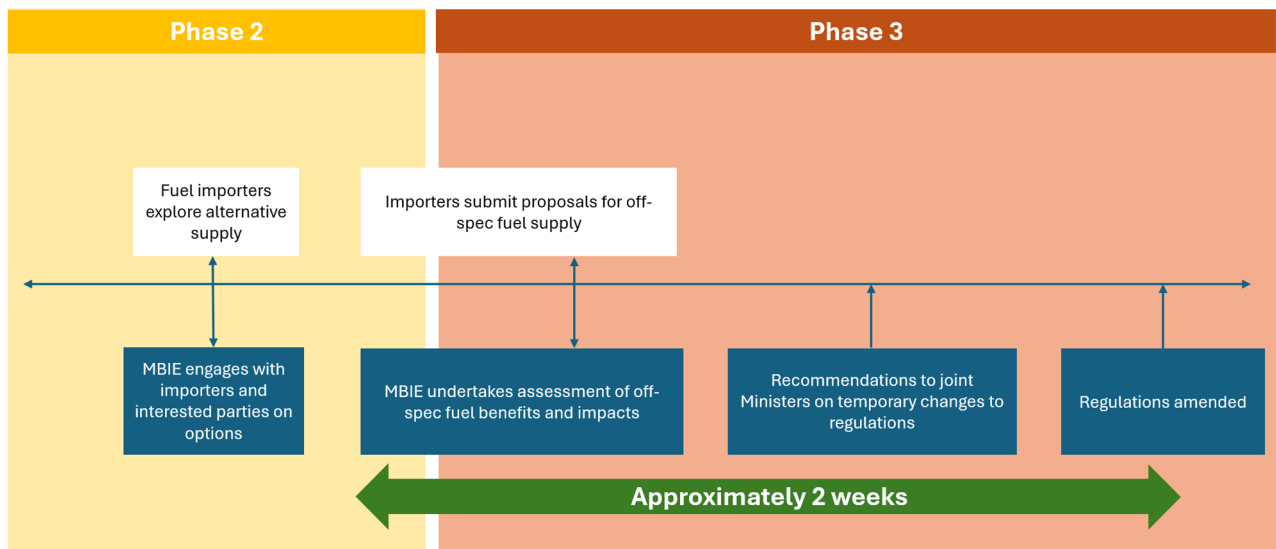


Figure 1: Indicative off-spec fuel assessment process in Phase 3

Risks

Changes to fuel specifications could create uncertainty and create market disruption

16. Under Phase 3, any specification changes will be time limited. However, frequent or very significant changes to specifications may exacerbate uncertainty, which could have the following risks:

- [Redacted] Free and frank opinions [Redacted]
- concerns from fuel importers, retailers, distributors, and users such as the road transport sector, about the risks to machinery
- [Redacted] Free and frank opinions [Redacted]
- risks of some consumers not having the capacity and/or capability to understand and manage the risks from storing, handling and using off-spec fuel, and
- the potential consequences of off-spec fuel being distributed around New Zealand's highly integrated fuel supply chain, creating significant regional variations.

17. We would seek to manage these risks with fuel importers. This might include blending with on-spec fuel and/or customer advisories and information.

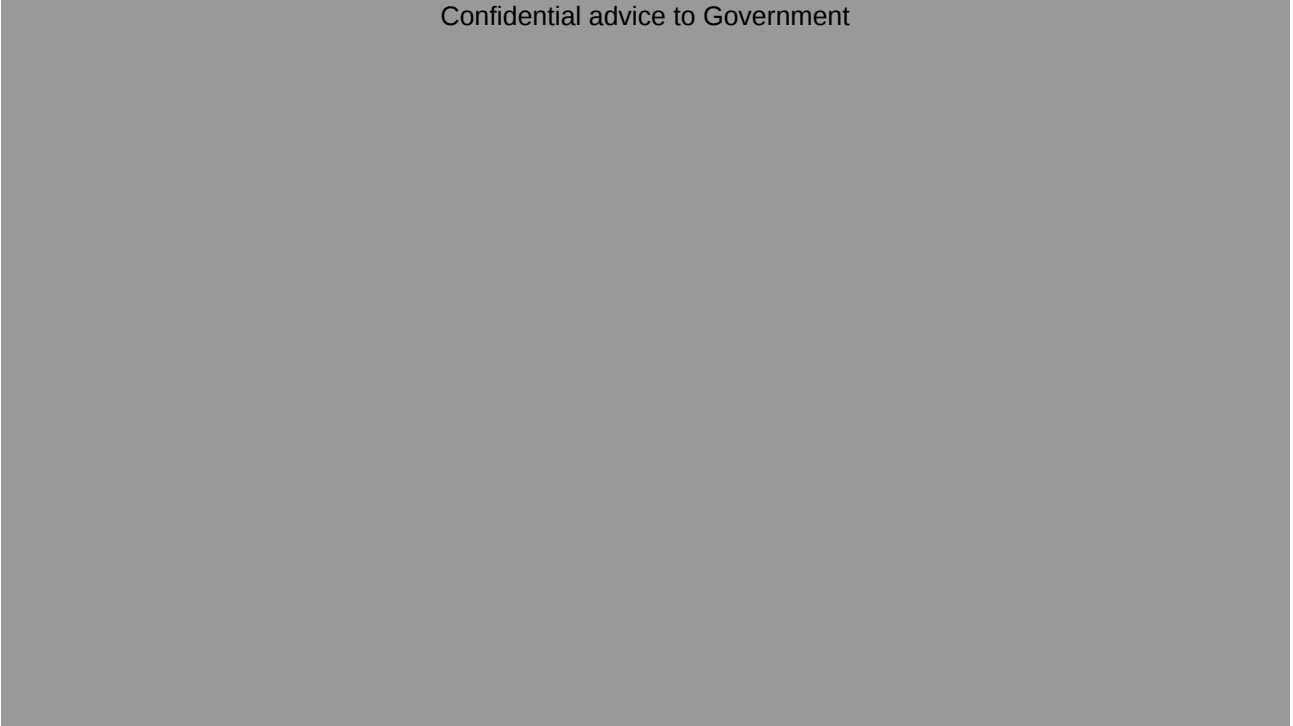
Next Steps

Officials will continue to monitor supply and will provide advice when the situation changes

18. We are continuing to monitor global fuel supply and will advise if there are significant changes. This monitoring includes liaising with our counterparts in the Australian Government, fuel importers and technical experts like Envisory.

19. If New Zealand moves to Phase 2 of the National Fuel Response Plan, we will engage with fuel importers and Envirofy to determine whether additional off-spec supplies could be available. Then if New Zealand moved to Phase 3, we will be ready to either:
- provide advice on significantly broadening the regulations, and/or
 - assess case-by-case proposals for specific amendments to the regulations.

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⁶ Australia-New Zealand Leaders' Meeting 2026 Joint Statement, 6 June 2026, Noosa, Australia

Annex 1. Fuel specifications in the global context and examples

The most relevant fuel specifications are the common trading standards

23. The most relevant specifications for New Zealand are the main common trading standards, which have been assessed by *Envisory*. Other than Australia's, these are:
- **Platts (Asia):** the Platts specifications aim to reflect the most common trading grades in Asia. For petrol, they publish both an "oxygenate" and "non-oxygenate" specifications. The non-oxygenate specification is closer to what is permitted in New Zealand and Australia.
 - **US:** The US does not have common fuel specifications for the whole country. Our comparison is based on the Gulf Coast's Colonial pipeline (grade 62), which is the key export grade of relevance to New Zealand.
 - **Euro:** The European Union sets fuel specifications for the whole of Europe. Singapore, Hong Kong, Japan, Korea and New Zealand all have specifications close to the Euro standard (though with notable differences).
24. The other lens that *Envisory* has applied is whether refineries have the technical capacity to produce fuel to New Zealand's specifications (since some older refineries cannot produce lower-sulphur fuel). This is distinct from day-to-day operational flexibility, as even refineries with the technical capacity to produce on-spec fuel may need time to adjust operations.⁷

Diesel

A significant majority of Asian export hubs are capable of supplying diesel to our specifications

25. Diesel specifications are more globally consistent than petrol. Most potential changes to specifications to allow for greater alignment have already been actioned by temporarily incorporating Australian specifications.
26. To put this in context, in 2025 over 80 per cent of Asian export hubs supplied New Zealand and/or Australia. This means that a significant majority of Asian refineries can make fuel that meets our current specifications.
27. This means that any additional changes to diesel specifications, would potentially only open access to a relatively small portion of the Asian market (Figure 2). The ability of current refineries to provide in-spec diesel would depend on their ability to source feedstock, which other off-spec refineries would also face.
28. Refineries further away, notably in the US could have diesel available if supply of crude was further constrained. Some of the around 130 US refineries may be able to supply on-spec fuel to New Zealand. The US, for example, is now a significant provider of diesel to Europe and so can deliver diesel to Euro specifications. Off-spec diesel may also be available for New Zealand, assuming logistics arrangements could be put in place. But US refineries will also see production fall if they are unable to source sufficient crude supply.

⁷ Refineries routinely reconfigure settings depending on the specifications of the fuel that is ordered. Minor change to settings may be in the order of hours and would not involve units being shut down. Major changes, such as using different crudes, may take several days.

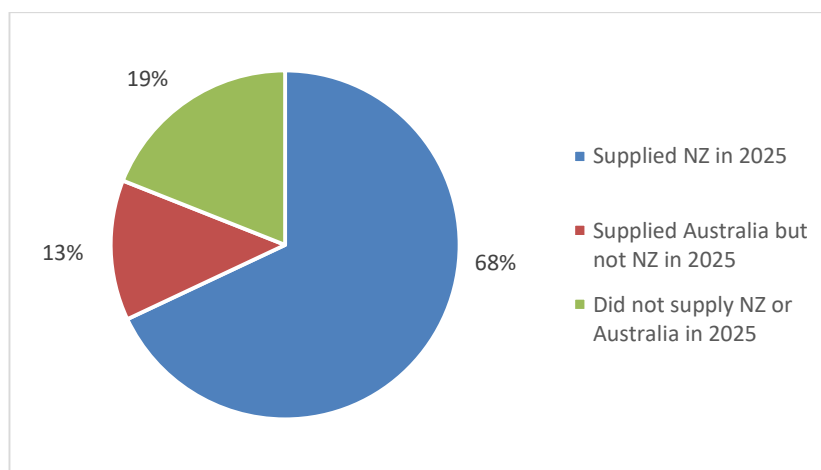


Figure 2: Asian Export Hubs – Diesel

Source: Envisory, 2026

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29. In Phase 3 (when on-spec fuel is scarce), there may be shipments of off-spec diesel available. In this event, off-spec diesel would need to be carefully considered as attributes (like higher sulphur levels) could have significant negative impacts. Heavy commercial vehicles (trucks, buses and coaches with Euro5 engines) are highly sensitive to sulphur levels.

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The practicalities of this would need to be discussed with fuel importers, heavy commercial vehicle users and operators.

Table 1: Comparable allowable maximum (parts per million) sulphur levels in diesel

Sulphur (maximum)	NZ/Aus: 10ppm	Sulphur is found naturally in high levels in crude oil. Modern production now removes most of it, which adds cost to the processing. This is because sulphur can have significant detrimental impacts on public health, the environment and newer vehicle operation and condition. Most newer vehicles, especially modern heavy commercial vehicles, are designed to use low sulphur fuel. A time-limited relaxation would help minimise adverse effects but would need to be done as part of a bundle (including changes to flashpoint) to open up diesel supply options.
	Platts: 10ppm	
	US: 15ppm	
	Euro: 10ppm	
	Others: 50ppm+	

Flashpoint

30. A significant barrier to allowing off-spec diesel is flashpoint, which is primarily a safety measure. Flashpoint controls the lowest temperature at which a fuel gives off enough vapour to ignite when exposed to a flame. New Zealand's diesel flashpoint was 61°C, now lowered to 60.5°C (aligning with Australia). Even at this reduced level, our flashpoint remains higher than Euro specifications (55°C) and the US (54°C). This is because the US and Europe have large enough markets to have separate diesel on sale: automotive (with lower flashpoints) and marine (with higher flashpoints). In New Zealand a single type of diesel (with higher flashpoint) is provided to the market.
31. We have explored whether it is possible to further relax diesel flashpoint with WorkSafe, the Environmental Protection Authority and Maritime New Zealand.

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Table 2: Comparable allowable minimum diesel flashpoints

NZ/Aus	Platts (Asia)	US (automotive)	Euro (automotive)
60.5°C	66°C	54°C	55°C

Petrol

There is less global alignment on petrol specifications compared to diesel

38. There is a lower level of global alignment on petrol specifications compared to diesel, which means there are more opportunities for alignment. But a large portion of Asian refineries can supply on-spec Petrol (91, 95 and 98 octane). During 2025, around two thirds of Asian export hubs supplied at least one petrol cargo to New Zealand.

39. If required, further relaxation of petrol specifications could potentially open some of the other 32 per cent of the Asian export market (Figure 3) and US supply.⁸ But as with diesel, specification changes would have negative effects and any changes would need to be considered against the known supply benefits.

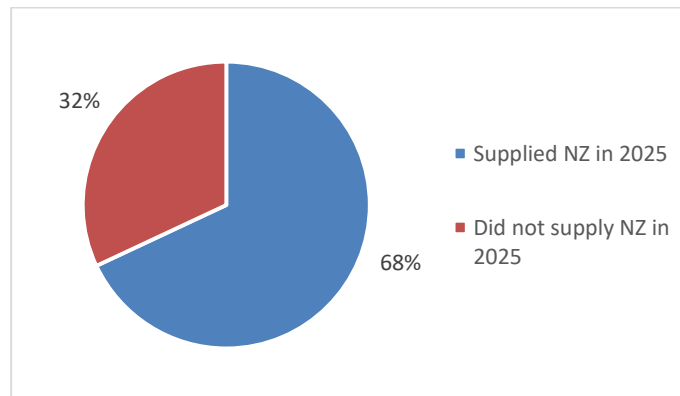


Figure 3: Asian Export Hubs – Petrol

Source: Envisory, 2026

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⁸ Note that some of the other 32 per cent supplies Australia, but their sulphur specification was higher than New Zealand's for most of 2025.

Annex 2. Potential assessment process and framework for temporary alternative fuel specifications (Phase 3)

- 1) If New Zealand moves to **Phase 2**:
 - a) Engagement begins with fuel importers on fuel supply availability and opportunities for alternative supplies.
 - b) For alternative supplies that cannot meet New Zealand (or Australian) specifications, fuel importers are invited to submit proposals for temporary changes to fuel specification regulations.
- 2) **If New Zealand moves to Phase 3:** Proposals for off-specification fuel proposals are assessed against the following criteria:
 - a. the degree to which the off-spec fuel proposal would alleviate fuel supply shortfalls
 - b. the degree (low, medium, high) and a confidence rating (low, medium, high) to which the off-spec fuel could impact:
 - public health (air quality impacts, carcinogenic properties)
 - safety (storage, handling and operational risks)
 - the environment (emissions and contamination risks)
 - engine performance (risk of engine damage or reduced performance and compatibility with the New Zealand vehicle fleet), and
 - the economy (fuel price impacts, impacts on market sectors)
- 3) Proposals will be assessed for how they could be implemented to mitigate negative impacts of off-spec supply. These mitigations may include:
 - i. time limiting changes to the regulations
 - ii. blending off-spec fuel with on-spec
 - iii. limiting domestic distribution
 - iv. changes to handling, storage and haulage practices, and/or
 - v. consumer education and advisories.
- 4) MBIE will undertake limited and targeted engagement with interested parties on the proposals, depending on the significance of the identified impacts.
- 5) Recommendations provided to joint Ministers for decision.
- 6) Amendments to regulations drafted and submitted to the Executive Council.