



BRIEFING

Phase Four (Paper One) Regulatory Design

Date:	30 June 2026	Priority:	Medium
Security classification:	Sensitive	Tracking number:	BRIEFING-REQ-0034717

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Provide feedback on proposed settings that would apply at Phase 4 of the Diesel and Petrol Fuel Response Plan. Agree to MBIE undertaking work to explore potential information disclosure requirements at Phase 4, including engaging with fuel companies.	6 July 2026
Hon Shane Jones Associate Minister for Energy		
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
Iain Cossar	Deputy Secretary, Fuel Response	Privacy of	✓
Hannah Overton-Holmes	Policy Manager, Fuel Response	Privacy of	

The following departments/agencies have been consulted
The Treasury, Ministry for Primary Industries, Ministry of Transport

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☐ Withdrawn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 seek Ministers' feedback on the proposed design of settings that would apply at Phase 4 of the Diesel and Petrol Fuel Response Plan 2026.

Recommended action

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

- a **Provide feedback** on the proposed settings that would apply at Phase 4 of the Diesel and Petrol Fuel Response Plan 2026 (**Annex One**) to inform work to prepare for Phase 4

Noted

- b **Note** the proposed settings reflect a high trust, lower cost, flexible and adaptable approach, **Confidential advice to Government**

Noted

- c **Note** regulations under the Petroleum Demand Restraint Act 1981 (PDRA) would be required to implement fuel prioritisation and obligations on fuel users and suppliers at Phase 4

Noted

- d **Note** officials will provide further advice to support final decisions on Phase 4 settings if needed

Noted

- e **Note** that MBIE will not progress work to amend the PDRA as a priority for this Parliamentary term, unless circumstances materially change or we receive further direction from Ministers

Noted

- f **Agree** to MBIE undertaking work to explore potential information disclosure **Confidential** including engaging with fuel companies.

Agree / Disagree

Privacy of natural persons

Iain Cossar
Deputy Secretary, 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 David Seymour
Associate Minister of Finance

..... / /

Hon Chris Bishop
Associate Minister of Finance

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Hon Simeon Brown
Minister for Energy

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Background

1. On 11 May 2026, the Government announced the updated Diesel and Petrol Fuel Response Plan (the Plan), including fuel prioritisation that would apply at Phase 4. It is highly unlikely New Zealand will ever need to move to Phase 4, but planning now supports our readiness to implement prioritisation if required.
2. Phase 4 is reserved for a sustained disruption where price and Phase 1–3 interventions are insufficient to ensure fuel reaches critical services, food and freight. Only then does the case for mandatory prioritisation outweigh the cost of overriding the market. Such a disruption is unlikely to resolve quickly, so we expect Phase 4 would be in place for at least one month.
3. Phase 4 settings would be implemented through regulations under the Petroleum Demand Restraint Act 1981 (PDRA). The PDRA is the primary legislative tool available to implement fuel prioritisation and impose obligations on fuel users and fuel suppliers.
4. This briefing seeks feedback on proposed settings at **Annex One** that could be contained in regulations. We can provide advice to support final decisions on Phase 4 settings, if needed.

Proposed design settings to implement Phase 4

5. The table below summarises the design of Phase 4 that the Government has announced, following decisions of the Ministerial Economic Security and Supply Chains Group on 8 May 2026 [CAB-26-MIN-0164 refers].

Critical users (Category 1)	Priority and uncapped access supported by registration and credentialling with access arrangements designed to support life-preserving, public safety and core state functions.
Food and Freight (Category 2) Community and Commercial users (Category 3)	Uncapped access to fuel through truck stops and retail pumps through fuel cards (transaction limits would apply for other payment methods) and uncapped access through bulk delivery. Subject to fuel savings plans, record-keeping, demand reduction requirements and targeted verification.
General public (Category 4)	Access fuel through retail pumps only with transaction limits.
Compliance and enforcement arrangements , including targeted verification, direction powers, offences and penalties for non-compliance, subject to further legal design.	
Escalated Phase 4 settings can introduce stronger controls where needed, including higher savings targets for Category 2 and 3 users, lower transaction limits at retail pumps and additional credentialling requirements.	

6. The proposed settings would implement this design. They are intended to deliver on the objective of Phase 4 to preserve access to fuel for critical goods and services and to support life-preserving, public safety and core state functions, along with the following principles:
 - a high trust, self-managed approach that is flexible and adaptable
 - practicality for industry, businesses and individuals, avoiding unnecessary compliance burdens while ensuring certainty of their obligations
 - managing administrative costs.
7. We have heard clearly from Ministers that Phase 4 should take a high trust, self-managed approach that is flexible and adaptable. This approach allows businesses and other organisations to decide how best to adjust their operations and aims to minimise disruption to the economy and to the lives of individuals. It also avoids complex systems and processes associated with a more centrally controlled model, which would require more registration, credentialling, verification and controls at retail sites. **Confidential advice to**

8. The sections below summarise the proposals that are set out at **Annex One**.

Setting reduction targets and transaction limits

9. We propose that specific fuel use reduction targets for Categories 2 and 3 and transaction limits for Category 4 would be set in regulations. They would be set at the time of moving to Phase 4 based on current information about the type/s of fuel involved, the forecasted gap between supply and demand over the anticipated shortage period and our best understanding of the amount of fuel that must be preserved for Category 1 use. Reduction targets would apply for a defined period, eg one month.

Critical users (Category 1)

10. Critical users will register with MBIE to receive a credential that provides them priority, uncapped access to fuel once validated at fuel sites.
11. Regulations will prescribe registration requirements and obligations for those issued a credential. Auditing and enforcement will be targeted. You have received separate advice on options for implementation of credentials for Category 1 users [BRIEFING-REQ-0035243].

Food and freight, and commercial and community users (Categories 2 and 3)

12. Category 2 and 3 users must reduce the amount of fuel they purchase by following reduction targets. Regulations would set these targets, including the percentage reduction required and the period it applies to (eg one month). Regulations would also set requirements for fuel savings plans, made up of a user's baseline fuel use (supported by credible, verifiable data) and the amount of fuel they can purchase after applying the reduction target to that baseline.
13. Plans will not need to describe steps a user will take to reduce fuel use. Users determine the best mechanism to meet reduction targets to suit their operations. Users will only be required to provide their fuel plan to MBIE on request. They must keep evidence (such as purchase records) showing how they calculated their baseline and met target/s.

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General public (Category 4)

14. The public may purchase fuel from retail sites, subject to transaction limits. Limits per transaction will be implemented by fuel suppliers at the point of sale.
15. Members of the public may need to access more fuel than a weekly limit, for example to travel long distances to attend a funeral/tangihanga or due to an emergency.

Confidential advice to Government

Fuel suppliers and retailers

16. Confidential advice to Government.
17. There is currently limited information on the potential cost impacts for the fuel industry. Implementing Phase 4 would require retailers to make system changes, which will take time and resources. Initial discussions suggest impacts will depend on the level of system integration required and existing capability. MBIE has not signalled that the Crown would meet fuel industry costs. Industry would have the option to pass costs on to consumers.

Information provided by the fuel industry

18. At Phase 4, having accurate and up-to-date information would be critical to understanding whether restrictions are performing as intended, and recalibrating if needed. Fuel companies currently provide information about supply (stocks, shipping and forward cargo plans) and demand (drawings from bulk storage facilities) to MBIE voluntarily. [REDACTED]

Confidential advice to Government

19. The information currently provided represents the baseline needed to inform decisions on fuel prioritisation, set reduction targets, and monitor demand to assess whether stronger interventions are required. [REDACTED]

Confidential advice to Government

20. The existing information is not perfect. The demand series lags by about a week, which could be too long at Phase 4, and does not reveal much about behavioural responses by groups of users. We are planning to investigate other sources of data (not from the fuel companies) to address these issues in the first instance.

Offences and penalties

21. We are working with the Ministry of Justice (MOJ) to develop offences and penalties for these obligations. Potential offences are listed at **Annex One**. We would provide full advice as part of Ministers making any final decisions on Phase 4 regulations.

Confidential advice to Government

Confidential advice to Government

Interim analysis of specific impacts

26. The following sections discuss our interim analysis of impacts for iwi/Māori, human rights, rural communities, climate and financial implications connected to the proposals in **Annex One**. We would provide full advice on the issues below as part of any final decisions.

Impacts for iwi/Māori

27. Our analysis and engagement indicate potential impacts for Māori under the proposed settings. Māori are overrepresented in rural, coastal, and remote communities, where there is greater reliance on fuel for access to health, education, and social services. Māori are also strongly represented in the primary sector through post-settlement governance entities, iwi and hapū organisations, Māori businesses, and individuals. This understanding has been informed by engagement with the National Iwi Chairs Forum in June 2026.
28. The proposed settings are intended to provide flexibility for Māori, including through:
- Recognising iwi/imi and hapū organisations performing critical functions as Category 1 users, including where they play a role in emergency response and social service delivery
 - Supporting last-mile deliveries to rural communities through the prioritised user group (Category 2)
 - Confidential advice to Government

Human rights

29. The proposed obligations and controls may engage rights affirmed in the New Zealand Bill of Rights Act 1990 (NZBORA), particularly freedom of movement (section 18) as controls may inhibit individuals' ability to purchase the fuel they require to move around the country. Courts may strike down or invalidate regulations if they are found to be inconsistent with NZBORA.
30. Confidential advice to Government
- MBIE has engaged MOJ on these issues and will provide full human rights analysis if final policy decisions are sought.

Impacts for rural communities

31. We have engaged with stakeholders from primary industries which are largely located in rural areas, and with the Office for Rural Communities. Phase 4 settings could impact rural communities due to higher dependence on fuel. Rural users may also need to travel long distances to purchase fuel. Rural users would face the same transaction limits as other members of the public. However, impacts would be mitigated by last mile deliveries to rural communities continuing to be supported through the prioritised user group (Category 2) and Confidential advice to Government

Climate impacts

32. The proposed Phase 4 settings focus on prioritising available fuel rather than increasing supply. While overall fossil fuel use is expected to decline in this scenario, the specific measures are likely to have only minor or neutral effects.

Financial implications

33. There will be costs associated with implementing Phase 4. These are highly dependent on:
- how long Phase 4 is in place
 - the ability to redeploy existing MBIE resources and other Crown services that are not essential in a Phase 4 scenario
 - final decisions on the design of public communications, credentialling and monitoring, compliance and enforcement functions.
34. Public communications will be critical at Phase 4 to achieve population-wide understanding and buy-in for mandatory fuel restrictions, particularly in the likely scenario where restrictions

differ between diesel and petrol. Similarly, effective monitoring, and credible compliance and enforcement will also be essential to the effectiveness of Phase 4.

35. We consider most decisions on these activities and functions are best made closer to the time of moving to Phase 4, to ensure decisions reflect the relevant circumstances including the size of the supply disruption and emergency situation. Advice on financial implications would consider options [REDACTED] Confidential advice to Government [REDACTED]

Potential to amend the PDRA to support Phase 4

36. The Phase 4 settings proposed in this briefing could be implemented by regulations under the PDRA without amending the primary Act. However, aspects of the PDRA are out of date.
37. One of the more immediate issues for effectively implementing Phase 4 is that maximum penalties for criminal offences under the PDRA are low by modern standards. Penalties for criminal offences for breaching regulations are limited to up to \$10,000, and specific offences in the PDRA relating to wilful obstruction or deception and false or misleading statements or omissions have a maximum \$1000 penalty.
38. These penalties may be insufficient to deter offending for all users, particularly larger businesses. Enforcement tools in the PDRA are also effectively limited to prosecuting criminal offences, as infringement offences can only be imposed for offences involving the use of a motor vehicle (ie driving). Fines for infringements are set at no more than \$100.
39. [REDACTED] Confidential advice to Government [REDACTED]
40. The Government committed to review the PDRA as an action in the Fuel Security Plan 2025. MBIE started scoping this work before pausing to focus on the Middle East crisis. The review would have considered how the PDRA complements other legislation (such as the *Fuel Industry Act 2020* and emergency management legislation), whether it should be expanded to other fuels and whether updates were needed in addition to those identified above. Before work was paused, we had intended to provide advice on these broader changes in late 2026.
41. Our understanding is that since a Phase 4 scenario remains unlikely, Ministers would prefer not to progress a bill to amend the PDRA during this Parliamentary term. We propose to consider these issues on a slower timeframe but could provide further advice on targeted amendments to implement Phase 4, if the situation changes.

Next steps

42. Officials will incorporate any feedback from Ministers into a draft Cabinet paper and Regulatory Analysis Summary. The documents are near-final, and we will have both ready within the next week, subject to your feedback on this paper. These products will then be available if Ministers wish to progress final policy decisions.
43. We will prioritise progress on drafting instructions, which we will not issue to the Parliamentary Counsel Office without direction from Ministers. Human rights, offence and penalty and privacy vetting would be completed alongside regulations drafting.
44. [REDACTED] Confidential advice to Government [REDACTED]

Annexes

Annex One: Proposed design of Phase 4 settings

Annex One: Proposed design of Phase 4 settings

Confidential advice to Government



