



BRIEFING

Jet fuel stockholdings

Date:	5 June 2026	Priority:	High
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0033730

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister of Finance	Discuss this advice at your meeting on 8 June 2026. Provide direction on your preferred options.	8 June 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 natural persons	
Scott Russell	Manager, Fuel Regulation and Operations Policy		✓
Caroline Ryder	Principal Policy Advisor		

The following departments/agencies have been consulted
Treasury, Ministry of Transport, Ministry of Foreign Affairs and Trade

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☐ Overtaken by Events ☐ See Minister's Notes ☐ Withdrawn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 assesses current jet fuel supply risks, the implications for New Zealand, and whether there is a case for near-term government intervention to increase reserves.

Executive summary

Global jet fuel markets are under stress due to geopolitical disruption and seasonal demand, but the risk of a severe near-term physical shortage affecting New Zealand remains low. Current pressures are showing up primarily through higher prices and some demand destruction rather than a breakdown in supply. Importers remain confident they can secure cargoes, domestic stocks remain above minimum requirements and markets continue to function. New Zealand is relatively well placed for the present because:

- importers have held more than 30 days' cover on average over the past 18 months, well above the 24-day Minimum Stockholding Obligation (**MSO**)
- an additional 52 million litres of storage is expected to come online over the next six months (this was already planned before the Gulf conflict)
- we hold 25.6 days' worth of jet fuel tickets, located on the east coast of the United States (noting this would need to be swapped or take around three months to ship to New Zealand)
- airlines have more operational flexibility than many other fuel users and can manage disruption through schedule changes, consolidation and tankering.

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We recommend active monitoring, continued engagement with industry and being prepared to use existing mechanisms, including calling on our jet fuel tickets and the MSO, if conditions deteriorate.

Recommended action

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

- a **Note** that current international market conditions are increasing jet fuel prices, but do not currently point to a high likelihood of a severe near-term supply shortage for New Zealand.

Noted

- b **Note** that New Zealand holds jet fuel tickets and will explore options to swap these for faster delivery.

Noted

Either

- c **Agree** that officials should continue to monitor international developments and maintain readiness to respond to any disruption, rather than pursue short-term intervention to increase jet fuel reserves at this time. (*Officials' recommended option*)

Agree / Disagree

Or

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- e **Note** that officials will advise Ministers if market conditions change substantially.

Noted

Privacy of natural persons

Scott Russell
Policy Manager, Fuel Regulation and Operations
Fuel Response, MBIE

05 / 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
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Background

1. The closure of the Strait of Hormuz has triggered a severe disruption to global fuel markets, sharply increasing uncertainty and placing immediate pressure on fuel supply chains, including for jet fuel. The Government has recently taken steps to improve resilience for diesel, including establishing a strategic diesel reserve. Officials have therefore considered whether a similar approach may be warranted for jet fuel.
2. Jet fuel is an important input to the New Zealand economy, supporting international connectivity, tourism and air freight.¹ However, it differs from diesel as jet fuel demand is more responsive to prices and the aviation sector has greater flexibility to manage supply constraints.
3. Our major international airports – Auckland, Wellington, Christchurch and Queenstown – use over 90 per cent of our jet fuel, with Auckland alone accounting for over 75 per cent of national demand. These airports receive fuel imported by bp, Mobil and Z into bulk storage facilities at ports at Marsden Point, Wellington, Lyttelton and Dunedin.
4. Auckland Airport receives its fuel through the Auckland Supply Chain – from Marsden Point through the Ruakaka to Auckland Pipeline, to Wiri Terminal and again through the Wiri to Airport Pipeline to the airport. The volumes some aircraft require are very large and must be delivered at high flow rates, so it is not practical to truck jet fuel (filling an A380 from empty requires at least eight trucks).

Existing jet fuel resilience measures

5. The Minimum Stockholding Obligation (**MSO**) requires fuel importers to hold 24 days' cover. This minimum has been exceeded since the MSO commenced on 1 January 2025, with an average cover of 31.3 days. Because of the need for fuel to be near demand, fuel importers must hold 10 days at 80 per cent operations at or near Auckland Airport from 1 November 2026 (note this 10 days' cover requirement is a subset of the nationwide 24-day minimum).
6. Prior to the Gulf conflict, fuel importers were already planning to increase storage capacity in response to the projected increase in demand.² Over the next six months, an additional 52 million litres (**ML**) of storage will be brought online: 30 ML at Marsden Point (by August 2026), 2 ML at Dunedin (first delivery expected shortly) and 20 ML at Wiri. The 20 ML of jet fuel at Wiri is required by the *Fuel Industry Regulations 2021* to be in place by 1 November 2026. **Commercial Information**
7. In addition to onshore storage, New Zealand holds tickets for 25.6 days' worth of jet fuel. This fuel is mainly on the United States Gulf Coast with a smaller amount on the east coast.
8. If there was a trigger event (eg an IEA activation event), it would take three months to get that fuel to New Zealand. Unless we had three months' notice of a disruption and a trigger event, such tickets would not secure New Zealand's resilience. However, the tickets could potentially be traded for other locations (eg South Korea, Singapore or the west coast of the United States).
9. You have recently received briefings on jet fuel storage options, including additional domestic and offshore storage [REQ-32014 and 33382 refer]. This briefing builds on that advice by

¹ Airfreight exports are a significant component of our trade by value, with goods exported via airports worth around NZD10-12 billion per year. While representing a very small share of total export volume, these shipments are disproportionately high value and time-sensitive.

² Demand for jet fuel is projected to increase over the foreseeable future, unlike petrol and diesel. There are few substitutes for jet fuel, and those that exist are expensive and supply constrained.

assessing whether current conditions justify intervention to increase reserves and, if so, what form that intervention should take.

Is there a looming supply crunch?

10. Jet fuel is normally supply-constrained. Jet fuel is a 'middle distillate', along with diesel, which means they both come from the same part of crude oil and are produced together. Refineries can tweak the balance, but producing more of one (jet fuel or diesel) inevitably means producing less of the other. Refineries tend to prioritise diesel over jet fuel, but regardless, the middle distillates are the tightest product segment globally.
11. An important distinction between diesel and jet fuel is that diesel specifications vary by jurisdiction whereas jet fuel specifications are standardised globally. This means that we can source jet fuel from anywhere, whereas we are more constrained with where we can source diesel.
12. The closure of the Strait of Hormuz has cut off a significant share of crude and jet fuel exports to Europe and Asia. The Middle East ranked as the largest jet fuel source, supplying around 20 per cent of the total global jet fuel trade, closely followed by refineries in Korea, India and China, which were themselves reliant on Middle Eastern crude.
13. With demand typically higher by around 25 per cent in the northern hemisphere summer (July and August), this has prompted concerns about a potential jet fuel crunch affecting Europe. In mid-April, the IEA speculated that there 'may be six weeks of jet fuel left' and another commentator likened the outlook for jet fuel to a 'slow-motion car crash'.³
14. Our view is that while the global jet fuel market will remain tight while the Strait is closed, widespread disruptions are unlikely in the short-term. Europe's jet fuel market has proven to be more resilient than first feared. High jet fuel margins have pushed refineries to increase jet fuel output where possible to compensate for the loss in supplies. There has been a large increase in cargoes from the United States into Europe. In addition, the Dangote refinery in Nigeria (the world's largest exporter of jet fuel) has shifted into "max jet mode" and European refineries have increased jet fuel production. Higher jet fuel prices have also triggered the rationalisation of less efficient routes (eg Lufthansa cancelled 20,000 flights).
15. We also know that while Asian refiners have not completely offset the crude they would have otherwise obtained from the Persian Gulf, a range of sources suggest they have secured enough crude over the next few months. For example, one contractual supplier from Korea advised us in early May that it was sourcing supply for August, Singapore crude supply has certainty until August and Malaysian refineries have secured 70-80 per cent of their crude until July.
16. Most analysis, including from the IEA, suggests markets are likely to adjust through higher prices that balance supply and demand. The uncertainty on the opening of the Strait means that price volatility is likely ahead of the peak northern hemisphere summer demand period, although this year's peak is likely to be lower than previous years' due to the current high prices and reduced flights.
17. Officials are continuing to discuss jet fuel supply with counterparts in Australia to triangulate market intelligence received by both countries. We are both hearing similar trends from fuel suppliers and airlines and are continuing to monitor upstream supply.

³ [Could Your Summer Flight Be Cancelled? Here's What To Know As Jet Fuel Prices Surge](#)

What are the implications for New Zealand?

18. For New Zealand, our most likely near-term impact from a tight jet fuel market is higher prices and disruptions to flight schedules (driven by high prices). We are not anticipating any supply disruptions in the next few months.
19. Importers and airlines, including Air New Zealand, are not currently concerned about jet fuel supply and consider the ongoing issue to be a pricing, not a supply issue. Officials are in frequent contact with the Board of Airline Representatives NZ (BARNZ) which represents major domestic and international airlines that operate in New Zealand (including Emirates, Qantas and Singapore Airlines). BARNZ has indicated that their members have not raised concerns about supply of jet fuel in New Zealand. Officials will continue to proactively liaise with BARNZ to identify any emerging concerns from airlines.
20. Importers are holding stock well above the MSO minimum (30 days or above) and feedback from them indicates that cargoes continue to be secured within normal ordering timeframes (up to 90 days). Importers have confidence ranging from June to August depending on the importer (eg Mobil has more confidence and better upstream visibility via their refinery in Singapore). Our jet fuel storage is currently at maximum operational levels, with a tanker having to wait to offload fuel and generating associated demurrage fees.
21. If fuel supply did tighten and there was a disruption, the aviation sector has some flexibility to respond in the short-term, although any responses will come with higher costs and disruptions for customers, including for airfreight connectivity.
22. In 2017, the Ruakaka to Auckland Pipeline rupture effectively cut off jet fuel supply to Auckland airport for around ten days. Fuel companies rationed airlines to around 30 per cent of normal jet fuel, triggering flight cancellations, tankering fuel into Auckland, technical refuelling stops (eg landing in Fiji to pick up fuel) and reducing payloads. These measures were costly and disruptive, but they maintained supply for critical routes and avoided a complete shutdown of the airport and aviation activity.⁴
23. In late April 2026, Envisory modelled a range of scenarios for jet fuel. The loss of a single cargo could be caused by contaminated fuel (which happened in 2022 for Auckland and twice in 2023 for Wellington), refinery outages or an exporting country placing restrictions on exports. The most severe scenario – the loss of two jet cargoes in a 20-day period – is unlikely but if it did occur, it would likely reflect more widespread global disruptions, impacting on economic activity across the board.

Scenario	Impact	MSO	Likely response
Loss of one mixed product medium-range tanker	Significant disruption to Wellington or Lyttelton, likely manageable through rescheduling other ships. No material impact on Marsden Point/Auckland Airport.	Affected importer may fall below MSO; no nationwide breach.	Consider targeted, time-limited MSO exemption.
Loss of a jet fuel medium or long-range tanker	Loss of up to 10 days demand, with system impacts and flow-on effects for other importers.	Affected importer falls below MSO; potential knock-on impacts for other importers.	Consider temporary MSO exemption for all importers

⁴ The Auckland Fuel Supply Disruption Inquiry noted around 270 flights were disrupted, including cancellations, rescheduling and flights requiring fuel stops. Direct costs incurred by eight parties were around \$25 million but the Inquiry was not able to estimate the full costs of the disruption.

Scenario	Impact	MSO	Likely response
Loss of 2 jet cargoes within a 20-day period	Loss of up to 20 days demand; significant system-wide disruption.	Substantial system-wide impact on MSO compliance.	Activate response under Jet Fuel Response Plan 2026. ⁵

25. A jet fuel disruption could have a disproportionate impact on our regional routes. Regional routes are often the 'weakest link' and first to be affected as they can be less profitable than major hub-to-hub routes and passengers can substitute to other modes of travel. We have already seen this in New Zealand in response to high fuel prices.

Do we need to intervene?

26. Government intervention in fuel markets is typically justified where public good benefits are not provided for by the private sector. When the MSO was established, the Government intervened because fuel importers had no incentive to hold additional stock beyond what was operationally efficient for them, despite the broader national fuel security benefits of doing so.
27. Jet fuel has some public good aspects, particularly in supporting connectivity, tourism and freight, notably for the export of perishable and high value goods – but these benefits are less pronounced than for diesel. There is more discretion about choosing to fly, and airlines, passengers and freight customers are more responsive to price changes than a diesel consumer. This means that demand can adjust relatively quickly in response to tightening supply, reducing the likelihood of acute shortages and the value of holding additional reserves.
28. Regardless of whether the Crown holds reserves or not, any tightening of supply will put pressure on jet fuel prices. Airlines will respond by increasing fares and reducing services. Reserve supply may therefore not avoid the negative impacts of connectivity loss.
29. The argument for intervening is partly weakened by the fact that 52ML of additional storage will be commissioned over the next six months, including 30ML at Marsden Point in August.
30. Should a disruption occur in the next few weeks, we expect the aviation sector would respond through measures like adjusting routes, as it did in 2017 when the Ruakaka to Auckland Pipeline was breached. Government could also consider any applications from importers for exemptions to their MSO reserves.
31. Ministers therefore have a choice of either:
- accepting a limited near-term disruption risk while this medium-term storage comes online
 - pursuing short-term interventions that will be costly and only modestly reduce that risk.

Options for intervention

32. If Ministers wish to reduce the risk of a supply disruption in the short term, there are three broad approaches: maintain our current approach, or increase our domestic or offshore stockholding.
33. These options differ in what risk they address, how quickly they could be implemented, and how much resilience they would add. No option would mitigate the current market stress that is apparent through higher prices and reduced flight activity.

⁵ Under the Jet Fuel Response Plan, any drop below the MSO for more than five days would require a decision by the Ministerial Oversight Group on whether to move between phases.

34. We have assessed options against the same criteria used to evaluate options for the diesel strategic reserve:
- **Additionality:** the option delivers additional fuel security over and above that which would be provided by commercial fuel importers, including in respect of their minimum stockholding obligations
 - **Public value:** the option reflects the Government's fiscal strategy and responsible management of New Zealand's economy
 - **Practicality:** the option is practical and workable and supports New Zealand's fuel supply chain.

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Option 1: Maintain current approach (recommended)

36. This option would retain the current approach: continue monitoring international developments, engage with industry on emerging risks, and be prepared to use IEA tickets (if there is a trigger event) and/or MSO settings to respond to a disruption if needed.
37. We hold IEA tickets for 25.6 days of jet fuel on the United States' east coast. Jet fuel has a universal specification so there would be no issues with compatibility. Directly utilising these tickets would mean a lead time to New Zealand of around three months, which may not be enough time if there is a disruption.
38. However, we have been advised that there is significant value in the tickets and a swap for delivery closer (eg South Korea) would be possible, if required.

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39. Doing such a swap may not be easy to transact and releasing the stock would require a trigger (such as an IEA activation).
40. In practice, we expect any supply disruption is likely to be signalled in advance through tightening markets or cancelled orders, allowing time to act. We also have relatively high domestic stock levels (typically above 30 days) and higher prices during a disruption would dampen demand. Being prepared to call on our jet fuel tickets and consider dipping into MSO reserves would likely be sufficient to manage most disruptions.
41. Maintaining our current approach avoids additional cost and intervening in a market that is still functioning. Its main drawback is that it is more reactive, acting only when a problem has occurred in the New Zealand supply chain.

Option 2: Increase domestic reserves

42. Increasing our domestic reserves would provide fuel close to demand, which would be physically available when needed. Commercial Information

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⁶ Note these particular tickets will expire in October 2026.

Option 3: Offshore storage

50. Offshore storage would involve the Crown purchasing reserve fuel in another country, most likely **Commercial** at the volumes required by the Crown. **Commercial Information**

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Next steps

59. If you agree, officials will continue monitoring international market developments, engage with fuel importers on emerging risks, and provide further advice if conditions deteriorate or Ministers wish to revisit intervention options.

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