

25 August 2025

Ministry for Business, Innovation and Employment (MBIE)

Submission on the draft *Fuel Security Plan*

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net-zero carbon emissions by 2050.
2. This submission relates to the draft [Fuel Security Plan](#) ('the Plan').

Key messages

3. We support the Government's intent to strengthen fuel security and resilience. While New Zealand already has a robust system, recent global insecurity (such as the conflicts in the Middle East and between Russia and Ukraine) has impacted confidence in oil supply chains that New Zealand relies on and has placed pressure on governments worldwide to consider worst case scenarios.
4. However, New Zealand's fuel security is arguably already strong, with reliable international supply chains and the Minimum Stockholding Obligation (MSO), introduced in 2023. The diversified import-based model has proven effective and, with the right policy settings, will continue to provide resilience as global supply chains adapt and evolve to lower emissions outcomes. The closure of Marsden Point Refinery has enhanced security by removing a single point of failure and allowing access to diversified global supply. A return to domestic refining would not be commercially viable, nor would it strengthen resilience. Marsden Point remains an important fuel terminal for refined imports and technological advancements.
5. There is a need for bringing coherence and a systemic view to the issue of fuel security, including electricity and petroleum markets. MBIE will need to join these dots to form a well-integrated fuel security plan, while acknowledging that boundaries will always be needed.

6. To this end, we think the Plan should keep all fuel options on the table, for example:
 - a recently, liquid (and other) fuels have been critically linked to New Zealand's electricity security. This warrants attention as we expect a Fuel Security Plan to consider all fuels, for all purposes. In this light, there is potential for the plan to differentiate between domestically produced and imported fuels, with LNG imports to be considered, albeit from different supply chains than our more traditional liquid transport fuels; and
 - b there are many fuels that have potential for flexible use between transport and electricity (e.g. diesel, as a backup fuel and for generators, LPG, biomass, biomethane, ethanol, and methanol for ships). We encourage MBIE to link work on the Plan to electricity planning and forecasting so that New Zealand truly has a strategic, operational and long-term overview of fuels and their importance to the overall energy system and economy.
7. Emerging technologies, such as renewable diesel and sustainable aviation fuel, are important in enhancing New Zealand's transport system to support the continued evolution of our energy system. While supporting resiliency objectives, our membership supports accessing these fuels via the economies of scale from global supply chains. Sensible and least-cost policies to support these emerging markets should be pursued to keep New Zealand competitive and moving towards net-zero.

Planning Horizon

8. We support the intention behind the 10-year timeframe to 2035, with regular reviews to ensure the plan adapts to evolving global risks, fuel demand, and lower carbon energy dynamics. However, even longer timeframes will give more certainty for investors. The current global volatility is a concern, and we think it is correct that the Government take another look at fuel resilience in that context.

Potential gaps in the consultation

9. However, there is another important area of resilience that requires reliable supplies of fuel. Electricity is dependent on generation and firming for its almost 90 per cent renewable energy sources. Fuels for firming and generating electricity are flexible (coal can be replaced with advanced biomass, gas or diesel at Huntly, for example). We think there is a need to make the relevant linkages to electricity and other parts of the energy system.
10. Alternative, multi-purpose fuels, such as those mentioned above, should be considered. We think this is an area that the consultation has overlooked. We

think this is a good opportunity for fuel security policy to link into the forthcoming national Energy Strategy, in whatever form that will take.

'Insurance' for unlikely global events is not costless

11. It is important the Government does not impose too strict a threshold for resilience that means consumers end up paying over and above for access to everyday fuels they depend on. Practical, least-cost compliance obligations should be at the forefront when thinking about policy options, rather than anything onerous or complicated.
12. Resilience measures are additional to natural demand, and are a type of insurance, which brings with it the need to pay a premium. The questions will always be, who pays? Is it justified? Building resilience to respond to unlikely events is quite different to managing the natural peaks and troughs of fuel supply that occur naturally in the market. Ultimately this is about insurance, and assurance, for a public benefit and that must be considered against other public goods and its value for money.
13. Eventually consumers will end up paying at least part of this premium as costs are passed through. It is imperative the Plan recognises the systemic nature of resilience. Imposing unnecessary costs on New Zealanders at a time when basic living costs are becoming unaffordable for many could be seen as unnecessary.
14. With some fuel consumption forecast to decline, unused storage in future could become stranded assets, meaning consumers effectively pay twice (the second time as an opportunity cost) for resources that could have been used for other things, including low-emissions technologies. We wrote about this issue in our earlier submission on fuel security, see [here](#).

Focus Area 1: Resilience Against Global Supply Shocks

15. We support the emphasis on diversified supply, MSO, and international cooperation, including International Energy Association ('IEA') participation.
16. The Government's efforts to revitalise petroleum production is consistent with strengthening our resilience against global supply shocks. More oil production, with natural gas as its valuable byproduct benefits fuel security from three perspectives:
 - a it acts as an export revenue earner, enhancing the Balance of Payments, strengthening the economy;
 - b it would lower the cost of resilience by reducing the burden on New Zealand's oil ticket payments, given that the [90-day calculation](#) is based on

imports net of exports. If New Zealand exported more oil, it would reduce our IEA obligations, thus enhancing resilience from another angle; and

- c more domestic production of petroleum provides greater optionality should our imports of refined products be disrupted.
17. A diverse fuel supply market is the best resilience against supply shocks and shortages. We have mentioned a range of fuels above (paragraphs 6-7) that are worthy of consideration in the final Plan. Their associated supply chains and infrastructure would also need to be considered alongside.
18. Any 'improvements' to the MSO should be focused on making the regime more cost effective by reducing compliance costs and allowing infrastructure to be flexibly used for new purposes, when needed.
19. We **recommend**:
- a policies that support investment in new oil (and gas) production, which in turn can reduce our IEA obligations while maintaining our 90 days security;
 - b supporting industry-led investment in new fuels, and fuel infrastructure, and storage expansion (if required) so it is adaptable for new purposes; and
 - c applying a risk management approach to any MSO expansion, ensuring it is cost-effective and competition neutral.
20. While we support diversified supply, we do not see reintroducing domestic refining as sensible, nor as a resilience solution because New Zealand will always rely substantially on imports. However, any new production onshore should be supported as and when it becomes economically viable. Supporting policies should focus on removing regulatory barriers, and agnosticism between fuels across all sources (i.e., domestic and international sources should compete on their merits, and New Zealand's regulatory system should enable all options).

Focus Area 2: Domestic Resilience

21. We support measures to strengthen resilience across ports, pipelines, terminals, and road transport, and for jet fuel supply at Auckland as a priority. It is important the domestic supply chains are well co-ordinated and responsive to evolving threats. However, we have always maintained that additional resilience should be achieved at the least cost.
22. We endorse the National Fuel Plan, co-ordinated exercises, and reviews of the Emergency Management Bill and Petroleum Demand Restraint Act. We are

constantly impressed with the collaboration between industry and government when there is an issue to solve through the Fuel Sector Coordination Entity (the 'FSCE').

23. The Petroleum Demand Restraint Act 1981 review is timely. This Act sets out the rules for rationing of petroleum, in response to oil supply disruptions of the 1970s that resulted in the infamously flawed policy of 'carless days'. Rationing is the wrong intervention. Market signals are the appropriate tool. The fact this legislation is still in place illustrates the need to review and maintain regulatory frameworks for fuel, including the MSO regime, to ensure they remain fit-for-purpose.
24. On a technical level, we note that less refined and lower cost biofuels like Fatty Acid Methyl Esters ('FAME') blends are available from many markets but could present some technical and storage challenges for New Zealand's existing diesel equipment, with most engines tolerating only up to 7% and even the latest designs limited to around 40%. More refined options like paraffinic diesel made from plant oils such Hydrogenated Vegetable Oil ('HVO') are easier to adopt but more costly.
25. Widespread uptake of biofuels would require careful consideration of equipment compatibility, supply chain risks, and how the MSO is applied across different fuel types and blends.
26. We **recommend**:
 - a respecting existing commercial arrangements, such as long-term contracts and infrastructure at Marsden Point;
 - b continuing to support industry-led contingency planning with government staffing contribution, grounded in operational realities;
 - c providing regulatory stability, as frequent changes undermine investment confidence, potentially providing confidence through a national Energy Strategy; and
 - d while waiting for woody bioenergy solutions, prioritising HVO as the emerging biofuel pathway, given its compatibility with existing diesel infrastructure and vehicles, despite higher costs.

Focus Area 3: Supporting Domestic Alternatives

27. We support market-led, technology-neutral policies. This is also the best way to support low-emissions fuels (LEFs) and domestic production of these. Pricing should be determined by the market as it is the best way to communicate information about supply and demand to underpin trade between willing buyers

and sellers. Pricing plays a crucial role in the efficient functioning of a market system and avoiding the pitfalls of policy-driven path dependency.

28. Liquid fuels will remain critical for aviation, freight, and agriculture. Aviation fuel, and diesel for the next few years, are tipped to increase in demand. Aviation is one of the more difficult industries to decarbonise, with electrification only suitable for short trips. For that reason, SAF is an important fuel for New Zealand's industry to have access to as a drop-in, blended fuel to assist with decarbonisation. We do not support heavy-handed intervention, such as mandates or subsidies, but there are policies that can help carve a pathway through removing regulatory barriers and creating strong trading relationships. We support the continued collaboration with other countries in the supply chain for SAF and creating harmonised standards to make that trading simple.
29. We **recommend**:
- d ensuring infrastructure compatibility with low emissions fuels ('LEF', e.g., blending and drop-in fuels like SAF and renewable diesel);
 - e aligning with international standards and certification schemes; and
 - f balancing emissions goals with affordability and security for consumers.

Focus Area 4: Governance and Transitioning Market

30. We support the continued role of the FSCE. This collaborative group forms when needed across industry and government and is a lifeline when an emergency happens. Often this group of experts goes about its work without attention or fanfare.
31. We **recommend**:
- a the current effective governance framework should be maintained, but reviewed every year or two, as is occurring; and
 - b policies that support predictability, transparency, and coordination, not disruptive interventions. We see a national Energy Strategy with linkages to fuel security as conducive to this end.

Concluding comments

32. New Zealand's liquid transport fuel system is already fundamentally resilient. It is market-based and internationally connected. In many ways, the system we have now that supplies our fuels from reliable import supply chains is safer and more sustainable (New Zealand no longer has refining emissions) than the previous refining system we had at Marsden Point.

33. With that at the forefront, we think the Fuel Security Plan should focus on retaining the MSO at least-cost, ensuring infrastructure is resilient and adaptable, and long-term contingency planning. We prefer policies that support a practical, cost-effective, market-led approach to introducing low-emissions fuels that safeguard both energy security and affordability.
34. We see gaps for an energy system view in the draft Plan. Fuels for electricity cannot be omitted as they increasingly crossover use-cases with other existing, new and alternative fuels. New Zealand needs optionality and creative thinking to secure reliable and affordable energy in the context of supply constraints, both for electricity generation, and security of transport fuels if there was to be a globally destabilising event.
35. We look forward to continuing to work with MBIE to ensure a secure and sustainable liquid fuels future for New Zealand.