



## COVERSHEET

<b>Minister</b>	Hon Dr Megan Woods	<b>Portfolio</b>	Energy and Resources
<b>Title of Cabinet paper</b>	Minimum Onshore Fuel Stockholding	<b>Date to be published</b>	13 April 2022

<b>List of documents that have been proactively released</b>		
<b>Date</b>	<b>Title</b>	<b>Author</b>
December 2021	Minimum Onshore Fuel Stockholding	Office of the Minister of Energy and Resources
15 December 2021	Minimum Onshore Fuel Stockholding DEV-21-MIN-0278 Minute	Cabinet Office

### **Information redacted**

**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of Confidentiality and National security or defence.



# Cabinet Economic Development Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### Minimum Onshore Fuel Stockholding

**Portfolio**                      **Energy and Resources**

On 15 December 2021, the Cabinet Economic Development Committee (DEV):

- 1        **noted** that Refining NZ has announced its final investment decision to convert its Marsden Point oil refinery (the refinery) to a fuel import terminal, with the conversion expected to be completed by April 2022;
- 2        **noted** that New Zealand currently has significantly lower onshore fuel stockholding than many comparable countries, and has vulnerabilities as an isolated island state;
- 3        **noted** that in September 2021, the Cabinet Business Committee:
  - 3.1      agreed that officials should investigate the option of increasing minimum levels of fuel stock held in New Zealand;
  - 3.2      invited the Minister of Energy and Resources to report back to Cabinet for approval to release a consultation paper on minimum fuel stockholding obligations;

[CBC-21-MIN-0101]
- 4        **noted** that the Cabinet paper referred to above included advice that a ‘closed border’ event is deemed to be unlikely, **National security or defence**

## National security or defence

- 6        **agreed** to the release of the consultation document on onshore fuel stockholding (the consultation document), attached as Annex One to the submission under DEV-21-SUB-0278;
- 7        **agreed** to consult on options for minimum onshore fuel stockholding levels, including the preferred option of setting the level similar to that proposed in Australia (i.e. 28 days of cover for diesel consumption, and 24 days of cover for petrol and jet fuel);
- 8        **noted** that there is a case for setting the minimum level above the current level to improve fuel security in New Zealand;

- 9 **noted** that the government is adapting the current oil ticket procurement strategy to seek tenders from the fuel companies in New Zealand for tickets for onshore reserve stocks;
- 10 **agreed** to consult on the option to require all fuel wholesale suppliers to hold a minimum level of fuel stocks in New Zealand, based on their volume share of the wholesale market;
- 11 **noted** that a minimum onshore fuel stockholding obligation on fuel wholesale suppliers would increase business costs and could have flow-on effects on fuel prices;
- 12 **agreed** to consult on the option to establish a stockholding agency to manage the minimum stockholding obligations of fuel industry participants and the government;
- 13 **agreed** to consult on proposed changes to the formula for calculating the petroleum and engine fuel monitoring levy, which would allow the levy rate to be set in a more transparent way and align better with the projected cost of maintaining New Zealand's fuel reserve commitments;
- 14 **noted** that New Zealand's measures to increase onshore stocks and associated amendments to the petroleum and engine fuel monitoring levy would need to be consistent with international trade rules, particularly New Zealand's existing World Trade Organization subsidy obligations and fossil fuel subsidy reform advocacy;
- 15 **agreed** that public consultation on onshore fuel stockholding occur between January and February 2022;
- 16 **invited** the Minister of Energy and Resources to report back to DEV on the outcome of the consultation, and with final proposals, in the second half of 2022;
- 17 **noted** that the cessation of domestic refining will increase New Zealand's dependence on imported inputs which are by-products of the refinery (such as sulphur and carbon dioxide), and that there are some challenges in the import supply chain for carbon dioxide;
- 18 **noted** that, in separate consultations with business about options to increase the resilience of New Zealand's general supply chains, the Sustainability Council encouraged officials to look again at the overall cost/benefit of maintaining the refinery compared to the costs of increasing domestic storage;
- 19 **noted** that the case for revisiting the costs and benefits of closing the refinery is not strong, given its limited production capacity during a 'closed border' event, and the potential to increase the uptake and/or production of alternative fuels and vehicle technologies for critical services in the future;
- 20 **noted** that Refining NZ has already started transitioning towards a fuels import terminal model, with its transition due to be completed by April 2022;
- 21 **noted** that, should the risk of an extended 'closed border' event increase significantly, Cabinet could consider the case for introducing further measures in addition to the proposals in the consultation paper on onshore fuel stockholding to mitigate the heightened risk.

Janine Harvey  
Committee Secretary

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**Present: (see over)**

**Present:**

Hon Dr Megan Woods (Chair)  
Hon David Parker  
Hon Nanaia Mahuta  
Hon Poto Williams  
Hon Damien O'Connor  
Hon Kris Faafoi  
Hon Peeni Henare  
Hon Willie Jackson  
Hon Michael Wood  
Hon Dr David Clark  
Hon Meka Whaitiri  
Hon James Shaw  
Rino Tirikatene, MP  
Dr Deborah Russell, MP

**Officials present from:**

Office of the Prime Minister  
Officials Committee for DEV  
Ministry of Foreign Affairs  
Ministry of Business, Innovation and Employment