



## COVERSHEET

<b>Minister</b>	Hon Dr Megan Woods	<b>Portfolio</b>	Energy and Resources
<b>Title of Cabinet paper</b>	Retaining or redeploying New Zealand's coastal shipping capability	<b>Date to be published</b>	3 June 2022

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
April 2022	Retaining or redeploying New Zealand's coastal shipping capability	Office of the Minister of Energy and Resource  Office of the Minister of Transport
6 April 2022	Dev-22-MIN-0079 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:

- Confidential information entrusted to the Government
- Constitutional conventions
- Commercial information
- Confidential advice to Government

Office of the Minister of Energy and Resources

Office of the Minister of Transport

Chair, Cabinet Economic Development Committee

## Retaining or redeploying New Zealand's coastal shipping capability

### Proposal

- 1 This paper seeks agreement to retain or redeploy New Zealand's coastal shipping capability, available as a result of New Zealand transitioning to a 100 percent refined fuel import model.

### Relation to government priorities

- 2 Reliable and resilient fuel supplies and transport systems are essential enablers for productive, sustainable and inclusive economy, which is the central objective of the Government's Economic Plan.
- 3 The Government is also committed to supporting New Zealand's freight system to become more sustainable and efficient. Coastal shipping has an important role to play in supporting these goals as a safer and lower emitting mode of transport.

### Executive Summary

- 4 In September 2021, Cabinet noted that closure of the Refinery is expected to have little impact on fuel supply resilience under most disruption scenarios [CBC-21-SUB-0101 refers]. Advice from officials, independent fuel experts Hale and Twomey, and fuel companies is that a refined fuel import supply chain can provide more supply source diversity and is more resilient to most credible fuel disruption scenarios.
- 5 With the Marsden Point Refinery's closure, the major fuel retailers (Z Energy, BP, Mobil) no longer require the services of the two coastal fuel tankers, which distribute refined fuel from Marsden Point around the New Zealand coast. Instead, fuel importers are opting to rely on a 100 percent refined fuel import model, where fuel will be delivered directly to port terminals around New Zealand. International fuel tankers were already responsible for some of the fuel deliveries around New Zealand under the previous model.
- 6 Cabinet has previously noted there does not appear to be a clear case for maintaining refinery operations for fuel security reasons. This advice remained unchanged when recently re-evaluated by officials in light of Russia's invasion of Ukraine. This included advice from the Ministry of Foreign Affairs and Trade, Confidential information entrusted to the Government  
[REDACTED]
- 7 In September, Cabinet also agreed that officials should investigate the option of increasing minimum levels of fuel stock held in New Zealand [CBC-21-SUB-0101 refers]. The consultation ended on 28 February 2022 and officials are currently preparing advice to be considered by Cabinet. Constitutional conventions  
[REDACTED]  
[REDACTED]
- 8 The tankers delivered refined fuel from Marsden Point around the New Zealand coast to either port terminals. One of the tankers, the *Matuku*, has already been returned to

ASP Ship Management on 23 March 2022. The second tanker, the *Kokako* will be returned on 11 April 2022.

- 9 The approximate size of the workforce across both of the tankers was 80 skilled seafarers. While the 40 seafarers working on the *Matuku* have already been issued redundancy payments, there may be a case to be made to provide certainty for the approximately 40 skilled seafarers still working on the *Kokako*.
- 10 New Zealand is transitioning away from fossil fuels. By 2035, all new cars will be low and zero emissions, and we will be working on decarbonising more challenging transport modes, such as trucks, ships, and planes. We are also undertaking significant action to decarbonise process heat and reduce industry emissions. The transition will strengthen our energy independence, ensuring our energy supply is affordable and secure in the face of global shocks and reduce our exposure to international oil markets. In this context, it is clear that our workforce that supports the delivery of fossil fuels to New Zealand will need to transition too, including ultimately through the redeployment of the coastal shipping workforce.
- 11 While a 100 percent refined fuel import model provides for more supply source diversity and is more resilient to most credible fuel disruption scenarios, the Government has three options to consider:

11.1 *Option one: the status quo.* The Government takes no action and the tankers are returned to ASP Ship Management. It is expected the employment of about 40 staff will be terminated, and the tankers will be redeployed to other parts of the world. We note there is a high demand for skilled maritime workers, meaning many will find alternative employment relatively quickly without the need for any transition support, though this employment may be offshore in other countries.

**OR**

11.2 *Option two: retaining one of the tankers.* The Minister of Transport seeks Cabinet's agreement to retain the *Kokako* to provide certainty to its workers. A period of between six to twelve months would allow New Zealand to build a safety net for the approximately 40 skilled seafarers and retain their capability until a longer-term solution can be found. The Ministry of Transport estimates this would cost between \$10 million (for six months) and \$25 million (for 12 months)

**OR**

11.3 *Option three: establish a targeted workforce development and redeployment programme for coastal tanker workers.* While officials note there is a high demand for skilled maritime workers, meaning many will find alternative employment relatively quickly, views in the sector vary, and include concerns around the pipeline of coastal tanker workers. Officials' high level estimates are that the programme would cost around \$5 million.

11.3.1 The first part of the programme will provide wraparound training and support to a number of apprentices and cadets to ensure New Zealand continues to have the required coastal shipping workers.

11.3.2 The second part will provide a worker brokerage service, industry engagement to seek redeployment opportunities and training and

redeployment services to identify training programme and employment opportunities. This will be investigated further if coastal tanker workers do not find new employment.

### **Background to the refinery's closure and the coastal fuel tankers**

- 12 Refining NZ completed the shutdown of the Marsden Point Oil Refinery (the Refinery) on 1 April 2022. Refining NZ is now named Channel Infrastructure, as it has become a fuel import terminal focusing on receiving, storing, testing and distributing transport fuels to the Northland and Auckland markets.
- 13 One consequence of the Refinery closing is that the fuel companies no longer need to retain their coastal fuel tankers. The coastal tanker service comprises two vessels owned and operated by Silver Fern Shipping under charter to Coastal Oil Logistics Ltd (COLL). COLL is a joint venture between BP, Mobil and Z Energy, which are the shareholders and primary customers of the Refinery.
- 14 COLL is in the process of terminating its charter of both coastal tankers. Once terminated, it is expected the employment of about 80 staff will end, and the tankers will be redeployed in other parts of the world. The Minister of Transport understands that one of the vessels (*Matuku*) was returned on 23 March 2022 and that the other (*Kokako*) will be returned on 11 April 2022.
- 15 The approximate size of the workforce across both of the tankers was 80 skilled seafarers. While the 40 seafarers working on the *Matuku* have already been issued redundancy payments, there may be a case to be made to provide certainty for the approximately 40 skilled seafarers still working on the *Kokako*.
- 16 Given New Zealand's tight labour market and high demand for skilled workers, many of the tanker workers are likely to be employed by other maritime businesses, and possibly other sectors of the economy experiencing skill shortages. However, given the strong demand for their skills, it is also possible that many will take up opportunities overseas on foreign vessels. The retirement of older seafarers in the coastal shipping workforce in the coming years is likely to further diminish the workforce capabilities of the sector.

### *New Zealand's fuel supply chain*

- 17 Prior to the Refinery's closure, it produced approximately 70 percent of New Zealand's refined oil needs, using imported crude oil. The remaining 30 percent of New Zealand's refined fuels were imported from overseas (predominantly from Singapore, Australia and South Korea) and delivered directly to New Zealand port terminals.
- 18 The current vessels, MT *Matuku* and MT *Kokako*, are modern purpose-built 50,000dwt oil tankers aged around five years. Both vessels operate under the New Zealand maritime flag and are currently fully crewed by members of the three New Zealand Maritime Unions.
- 19 Over the past three years, the *Matuku* and *Kokako* have averaged a total of 230 port calls per year and together have delivered circa 1,800,000 Metric Tonnes of fuel products per year around the New Zealand coast. The two New Zealand coastal tanker vessels visit a New Zealand port every 2-3 days.
- 20 Under the 100 percent fuel import model, the number of fuel tankers in New Zealand's coastal waters or in transit to New Zealand at any given time will increase,

which will improve resilience by providing of greater flexibility to direct imports to where they are needed in an emergency.

- 21 Z Energy, which supplies about 50% of the market, says the new model will see it scheduling 80-85 international tanker visits per year to NZ, up from 20-24 currently. Z Energy estimates there will be around 175 tankers arriving annually with product. That is, a tanker will be discharging every two days on average.

#### *New Zealand's coastal shipping sector*

- 22 New Zealand's coastal shipping sector fulfils a critical role in New Zealand's freight system. It is part of a set of natural freight markets, primarily geared towards transporting large, heavy cargoes such as fuel, cement and aggregate and various containerised goods. Nine New Zealand flagged coastal ships will remain if these tankers cease operations.
- 23 Coastal shipping will play an important part in our country's decarbonisation strategy. Coastal shipping is a low emitting mode and provides over \$300 million in externality benefits per annum when compared to road transport (these include: safety, congestion relief and emissions reduction benefits).
- 24 The Government has allocated \$30 million for coastal shipping under the Government Policy Statement on Land Transport 2021. A portion of this funding could potentially be used to support the 40 seafarers of the tankers, although Waka Kotahi's agreement would be required as the administrators of the National Land Transport Fund. Further, the Ministry of Transport are developing the New Zealand freight and supply chain strategy, which will consider the needs of the freight system and the optimal role of coastal shipping in the longer-term.
- 25 It should also be noted that New Zealand's coastal shipping workforce has shrunk since the 1990s to relatively low levels. If it continues to shrink, it risks losing the critical mass to sustain itself and be seen as a career path for young people. If there are not enough qualified crew and officers in New Zealand to provide the depth needed for operating vessels, training, covering leave and illness, then it will become increasingly challenging for domestic operators to provide reliable services.
- 26 However, officials note there is a high demand for skilled maritime workers both in New Zealand and overseas, meaning many may find alternative employment relatively quickly. Maritime New Zealand advises that the skills of the tanker workers are transferable to other roles within the domestic maritime sector. This includes tanker:
- 26.1 Masters and deck officers who can act as marine pilots or harbourmasters.
- 26.2 Engineers who can support other vessels, such as the Cook Strait ferries, container ships and fishing vessels.
- 26.3 Able bodied seamen and deckhands who can also perform roles on Cook Strait ferries and in the fishing industry. Maritime New Zealand note these roles are hard to fill internationally and the Government has recently approved 30 border exemptions.

### *Retaining New Zealand's capability to operate fuel tankers*

- 27 Silver Fern Shipping has previously employed 80 seafarers required to crew the two vessels (approximately 40 per vessel, as well as several additional seafarers as cover/replacement staff). Silver Fern seafarers hold the relevant international maritime qualifications and Maritime New Zealand tickets which allow them to operate large vessels of this size on the coast.
- 28 The coastal fuel tankers provide crucial sea-time for maritime cadets, who without sea-time cannot progress their qualifications. I am advised that many Silver Fern officers and personnel ultimately move into the port sector as port pilots, tug masters and into port shore-based roles. Many also join Maritime NZ and regional councils performing other shore-based roles in the central and local Government sector.
- 29 Without this service, the Minister of Transport believes it further limits the ability for maritime cadets to get on-board training in New Zealand, making it more difficult for coastal shipping to expand in the future. However, New Zealand will retain nine coastal shipping vessels.
- 30 MBIE officials note that the logistical arrangements for transferring fuel from an international tanker to a coastal tanker for domestic fuel distribution have yet to be worked through. Fuel companies have informed MBIE that transferring fuel at sea between the international tankers and domestic coastal tankers is likely to pose an environmental risk given the potential for spillage in a marine environment. The tankers are currently liable to pay into Maritime New Zealand's Oil Pollution Levy, a liability the Government is likely to need to accept in the event a tanker was retained.
- 31 MBIE officials believe that any subsidy offered to fuel companies to incentivise them to use New Zealand-flagged fuel tankers may breach New Zealand's international commitments not to provide fossil fuel subsidies. MFAT has been asked to provide further advice on this.

### **Overview of discussion with fuel companies**

- 32 The three major fuel retailers informed officials that they saw little to no value in retaining these vessels following the transition to a 100 percent refined fuel import model, and even if the vessels were retained, the fuel companies would not use them. Fuel companies were unanimous in their view that retention of the tankers is not required to provide increased fuel resilience. This view has been reiterated recently.
- 33 Fuel retailers are confident that the transition to a refined fuel import model will work well and will increase New Zealand's fuel resilience. New Zealand will see a significant increase in the number of calls by international tankers from a wider range of suppliers. These tankers can reach regional destinations directly or could be used to move product around the coast if necessary, instead of having to tranship product at Marsden Point. Each month, 15-16 tankers will deliver fuel to Marsden Point and terminals around the country.
- 34 Fuel retailers assured officials that there was no shortage of vessels available on the international market to deliver fuel and BP noted it had vessels of its own at its disposal.
- 35 Fuel retailers also stressed that New Zealand already has effectively been fully dependent on international shipping for its petroleum supply for a long time before

the refinery's closure. All the crude oil imported by the refinery was delivered by international tankers to New Zealand before the closure of the Refinery, while the refinery has been focusing only on the Auckland and Northland fuel markets for some time. The fuel retailers noted the decommissioning of the coastal tankers simply reflects a scaling up of the use of international tankers. The fuel retailers noted the decommissioning of the coastal tankers simply reflects a scaling up of the use of international tankers. Some fuel retailers, such as Gull, already rely on a 100 percent import model.

*Conditions on foreign flagged vessels are worse compared to New Zealand flagged*

36 It is well documented that internationally flagged vessels provide much lower labour standards, paying significantly lower wages and providing a less safe work environment for their workers. It would be more costly for the fuel retailers to use these vessels and support New Zealand seafarers than to hire an international vessel with a foreign crew.

37 The *International Labour Organization (ILO)* Joint Maritime Commission is responsible for setting recommended minimum wages for seafarers on ships that are subject to the Maritime Labour Convention.<sup>[1]</sup> Their recommended daily wage for an AB seaman (seaman with at least two years' experience) is \$21.40 USD per day. For a Master seaman, the highest-ranking personnel on a vessel, it is \$72 USD per day. As the recommendation is not binding, ship owners not necessarily adopt the recommended minimum wages, and some may well be paying lower than these recommended minimum wages.

38 As a comparison, the equivalent New Zealand seafarer on our coastal fuel tanker is earning a daily wage of Commercial Information

39 Confidential advice to Government

**In response to the issues raised about, the Government has three options to consider**

40 Option one: *the status quo*.

40.1 The Government takes no action and the tankers are being returned to ASP Ship Management. It is expected the employment of the remaining 40 seafarers will be terminated, and the tankers will be redeployed in other parts of the world.

40.2 We note there is a high demand for skilled maritime workers, meaning many will find alternative employment relatively quickly without the need for any transition support. However, given the strong demand for their skills, it is also possible that some will take up opportunities overseas on foreign vessels. The Regional Skills Leadership Groups and Workforce Development Councils are best placed to address any ongoing workforce needs.

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<sup>[1]</sup> The ILO is the UN agency that sets internationally recognised labour standards to protect the rights of workers. As of late 2021, 91 percent of the world fleet was flagged to State that are party to the ILO Maritime Labour Convention.

- 41 Option two: *retaining one of the tankers*.
- 41.1 While the fuel companies are confident in their new supply model, it means the two fuel tankers will be returned to their overseas owner.
  - 41.2 The Minister of Transport believes that retaining one of the vessels, the Kokako, for a period of between six months to one year would provide the Government and officials with further time to develop an enduring solution to support the approximately 40 skilled seafarers on the vessel and retain their capability until a longer-term solution – which could also include regulatory changes to New Zealand’s cabotage rules in s198 of the Maritime Transport Act – can be found.
  - 41.3 The vessels could continue to be used to distribute fuel around the New Zealand coast, or as floating storage. Discussions with the fuel companies would need to occur to determine the best use of the vessels were the Government to intervene.
  - 41.4 MBIE does not recommend retaining the tankers as floating storage as this would cost three times as much as onshore storage.
  - 41.5 The Minister of Transport considers coastal shipping to have an increasing future role in our transport system, especially when considering our decarbonisation aspirations. There is a genuine risk that an event like this could undermine our ability to grow the coastal shipping sector and limit our options in achieving our transport goals.
  - 41.6 While fuel companies are confident in their ability to distribute fuel under the new model, we need to consider how fuel will be transported in a disaster situation. The Minister of Transport notes that, while any vessel within the area of a declared state of emergency (New Zealand or foreign flagged) can be requisitioned, however, a requisitioned vessel cannot be used to assist a Pacific Island neighbour. Ministry of Transport officials have advised the Royal New Zealand Navy’s fuel transport vessel, the HMNZS Aotearoa, could assist in fuel distribution.
  - 41.7 Retaining our domestic tanker fleet would also allow New Zealand to undertake international voyages for fuel supply in the event of a major shock that reduces international vessels coming to New Zealand in sufficient numbers. These are unlikely but high impact events, and we would lose local capacity to respond to an event if the vessels were to go. Fuel companies have told officials that international tankers can be diverted from other routes to respond to such events.
- 42 Option three: establish a targeted workforce development and redeployment programme for coastal tanker workers.
- 42.1 The Minister of Energy and Resources seeks Cabinet’s agreement to establish a two-part 12-month targeted workforce development programme for coastal tanker workers (the programme).
  - 42.2 While officials note there is a high demand for skilled maritime workers, meaning many will find alternative employment relatively quickly, views in the sector differ, and includes concerns around the pipeline of coastal tanker workers and the prospect of workers going offshore.



- 42.3 To address these concerns, the Minister proposes a two-part programme. The programme includes the Government working collaboratively with coastal shipping employers, unions, tertiary education providers (such as the Maritime School of New Zealand) and government agencies to provide training and upskilling opportunities for a number of cadets/apprentices each year.
- 42.4 The programme includes two parts:
- 42.4.1 The first part of the programme will provide wraparound training and support to a number of apprentices and cadets to ensure New Zealand continues to have the required coastal shipping workers.
  - 42.4.2 The second part will be investigated further by officials if coastal tanker workers do not find new employment, and include:
    - 42.4.2.1 a worker brokerage service to meet with workers to identify and plan for their next steps and to connect individuals with existing known training and employment as required
    - 42.4.2.2 industry engagement to seek redeployment opportunities (particularly for apprentices) and identify existing and ongoing employment opportunities and pathways
    - 42.4.2.3 training and redeployment services to identify training programmes and employment opportunities (working with Regional Skills Leadership Groups), as well as working with the Ministry of Social Development to identify existing financial supports. These services will also support workers to transition into training or employment and work with tertiary providers to secure courses
- 42.5 Officials expect the programme could cost around \$5 million over 12 months.
- 42.5.1 The lead government agency for workforce development will need to be determined. Officials have proposed a number of agencies, including Maritime New Zealand.

*Ministry of Transport view*

- 43 MoT understands that the Minister of Transport is concerned that rebuilding coastal shipping capability once the vessels are gone may take a long time and could be more expensive than opting to retaining the two current tankers.
- 44 MoT has not been able to quantify what the loss of these jobs and domestic capability will mean. The main concern would be the loss of expertise which would mean that it would be difficult to reinstate a domestic coastal tanker service if one were to become desirable in the future.
- 45 MoT also appreciates that the New Zealand coastal shipping sector is small, and the loss of the two tankers is another blow to a sector that has been gradually diminishing since the 1990s.

- 46 However, MoT agrees with the view of the fuel retailers that there is a very limited use case for the domestic tankers as a result of the Refinery closure. It is not entirely clear what the vessels would be used for on a day-to-day basis as the fuel retailers stated they see no use for them with the new import model. However, we recognise that fuel companies' decisions are driven by commercial interests, and Ministers will be considering a wide range of factors in their decision-making.
- 47 While retaining this capability may be important, the new import model will result in many more international tankers visiting New Zealand. In the event of an emergency due to a lack of qualifying oil tankers that would otherwise be permitted to carry coastal cargo under New Zealand's cabotage laws, there potentially is an ability under Section 198(2) of the Maritime Transport Act (MTA) for authorisations to be granted to internationally flagged oil tankers to allow them to pick up fuels locally and redistribute them within New Zealand.
- 48 We are aware that Ministers may want to explore the MTA in light of this issue, and were this proposal to get an in-principle agreement, MoT could explore a targeted amendment to require companies to use New Zealand flagged tankers for domestic carriage, were they available.
- 49 We also note that the Royal New Zealand Navy already has the HMNZS Aotearoa, the Navy's fuel supply ship, which could be redeployed for this purpose in a disaster situation. However, this vessel may be deployed offshore and not accessible in a short period.

#### *MBIE view*

- 50 MBIE have investigated whether the coastal tankers should be retained to increase New Zealand's fuel resilience and security. MBIE found little basis for retaining the tankers from an energy-related perspective:
- 50.1 The coastal tankers present a costly option for holding fuel stocks compared to onshore alternatives;
- 50.2 Fuel companies have told officials that even if government were to step in to retain a coastal tanker, the fuel companies are unlikely to use it for fuel delivery.
- 50.3 Fuel companies have assured officials that there is no shortage of vessels available on the international market to deliver fuel.
- 51 MBIE advise that, if Ministers primary concern is about fuel security and a desire to increase storage capacity, better value for money might be achieved through a commercial arrangement with Refining NZ to support the conversion of one or two of their crude oil tanks to store product at Marsden Point. Another option might be to support fuel companies consent applications to construct more storage infrastructure around New Zealand.
- 52 Officials advise that, should Ministers wish to increase fuel stockholdings, these two options would provide better value for money, and in the long-term, provide the country with greater fuel security than a temporary measure.
- 53 The fuel majors have told MBIE they would not use the tankers for domestic fuel distribution. It would be costly and potentially unsafe to transfer stock from the

international tankers on arrival into New Zealand to the coastal tankers for domestic delivery purposes.

- 54 Fuel companies are confident that the transition to a refined fuel import model will work well and will actually increase New Zealand's fuel resilience. New Zealand will see a significant increase in the number of calls by international tankers from a wider range of suppliers. These tankers can reach regional destinations directly, or could be used to move product around the coast if necessary, instead of having to tranship product at Marsden Point. Each month 15-16 tankers will deliver fuel to Marsden Point and terminals around the country.
- 55 Fuel companies have assured officials that there was no shortage of vessels available on the international market to deliver fuel and BP noted it had vessels of its own at its disposal.
- 56 All evidence and work by MBIE to date suggests the risks of prolonged import disruption, due to the change in the fuel import model, is considered very unlikely. In other words, the fuel industry cannot contemplate an emergency scenario for which a coastal tanker capability would be more valuable than import tanker capability.
- 57 It can also be argued there is a lower likelihood of disruption as a result because NZ's fuel supplies will be more diversified under a refined fuel import model. Previously, about 70 per cent of the refined fuel came from the Marsden Point Oil Refinery, which means that outage at the refinery or a Middle East conflict affecting crude oil supply would cause significant fuel disruptions in New Zealand. Now, refined fuel can be sourced from multiple refineries in Asia including Singapore and Korea, and hence fuel security risks can be managed through diversification.

## **Financial Implications**

Confidential advice to Government

The Ministry of Transport and The Treasury will recommend an appropriate funding profile based on Cabinet decisions.

## **Legislative Implications**

- 58 There are no legislative implications for this paper.

## **Impact Analysis**

- 59 Impact analysis requirements do not apply to the proposals in this paper.

## **Human Rights**

- 60 There are no human rights implications for this paper.

## **Consultation**

- 61 MBIE officials have been engaging with MoT officials regarding the 100 percent refined fuel import model. The Minister of Energy and Resources and Minister of Transport have engaged with the Prime Minister's Office and Deputy Prime Minister and Minister of Finance.

## **Communications**

- 62 Officials will engage with relevant sector stakeholders to advise them of Cabinet's decisions.

## Proactive Release

- 63 I recommend that this Cabinet paper be released within 30 business days of decisions being confirmed by Cabinet with redactions as appropriate under the Official Information Act 1982.

## Recommendations

We recommend that the Committee:

- 1 **note** that Cabinet noted that closure of the Refinery is expected to have little impact on fuel supply resilience under most disruption scenarios [CBC-21-SUB-0101 refers]
- 2 **note** that officials, independent fuel experts Hale and Twomey, and fuel companies believe that a refined fuel import supply chain can provide more supply source diversity and is more resilient to most credible fuel disruption scenarios
- 3 **note** that officials are investigating options of increasing minimum levels of fuel stock held in New Zealand [CBC-21-SUB-0101 refers]
- 4 **note** that Refinery New Zealand ceased refining operations at the Marsden Point Oil Refinery on 1 April 2020
- 5 **note** that the coastal fuel tankers are planned to cease operating on the New Zealand coast on 23 March and 11 April 2022
- 6 **note** that New Zealand's major fuel retailers see little to no value in retaining these vessels, and even if the vessels were retained, would not use them
- 7 **note** that officials believe there is a high demand for skilled maritime workers, meaning many will find alternative employment relatively quickly
- 8 **note** that officials believe subsidies to incentive fuel companies to use New Zealand-flagged tankers may breach New Zealand's international commitments not to provide fossil fuel subsidies
- 9 **note** that while coastal fuel tankers do not enhance New Zealand's security of supply, they provide crucial sea-time for maritime cadets, and opportunities to do this have been diminishing
- 10 **agree** to either:
  - 10.1 Option one: status quo- the Government takes no action and the tankers are being returned to ASP Ship Management

**OR**

  - 10.2 Option two: the Government retains one of the tankers.
    - 10.2.1 **note** that this would result in an indicative cost to the Crown in the order of:
      - 10.2.1.1 \$10 - \$12.5 million to retain one vessel for a 6-month period

10.2.1.2 \$20 - \$25 million to retain one vessel for a 12-month period

**OR**

10.3 Option three: establish a targeted workforce development and redeployment programme for coastal tanker workers, working with coastal shipping employers, unions and tertiary education providers

10.3.1 **note** that this would result in an indicative cost to the Crown in the order of \$5 million over a 12 month period.

11 **note** the implementation of the targeted workforce development and redeployment programme for coastal tanker workers be developed by the Minister of Transport.

12 **note** that the funding for the options outlined in recommendation 10 will be met from existing Vote Transport baselines, with no impact on the operating balance or net core Crown debt.

13 **authorise** the Minister of Finance, Minister of Energy and Resources and the Minister of Transport to agree any fiscally neutral appropriation changes required to support the delivery of the option agreed to in recommendation 10, including the creation of an appropriation within Vote Transport, if required.

Authorised for lodgement

Hon Dr Megan Woods

**Minister of Energy and Resources**

Hon Michael Wood

**Minister of Transport**