



## COVERSHEET

<b>Minister</b>	Hon Shane Jones	<b>Portfolio</b>	Associate Energy
<b>Title of Cabinet paper</b>	Reserve Diesel and Wider Fuel Resilience Work: Policy Decisions	<b>Date to be published</b>	17 July 2024

### List of documents that have been proactively released

<b>Date</b>	<b>Title</b>	<b>Author</b>
May 2024	Reserve Diesel and Wider Fuel Resilience Work: Policy Decisions	Office of Associate Minister of Energy
29 May 2024	Reserve Diesel and Wider Fuel Resilience Work: Policy Decisions ECO-24-MIN-0093 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 advice to government, commercial information and confidentially.

**[Commercial In Confidence]**

Office of the Associate Minister for Energy

Cabinet Economic Policy Committee

**Proposal**

- 1 I seek agreement to:
  - 1.1 Make policy decisions needed to finalise information disclosure regulations to support the minimum fuel stockholding obligation.
  - 1.2 Stop work on investigating government procurement of 70 million litres of reserve diesel stock, and its storage and management.
  - 1.3 Investigate other options to bolster New Zealand's diesel resilience.
- 2 This paper also provides an update on the fuel security study and jet fuel storage issues at Auckland Airport.

**Relation to government priorities**

- 3 Secure and reliable fuel supplies are an essential part of a productive economy. Understanding our fuel security risks and ensuring we hold onshore stocks of fuel are critical elements of safeguarding New Zealand's transport, logistics and emergency services from any domestic or international disruption.
- 4 The National-New Zealand First Coalition Agreement has three priorities related to fuel:
  - 4.1 Commission a study into New Zealand's fuel security requirements.
  - 4.2 Investigate the reopening of Marsden Point Refinery. This includes establishing a Fuel Security Plan to safeguard our transport and logistics systems and emergency services from any international or domestic disruptions.
  - 4.3 Plan for transitional low carbon fuels, including the infrastructure needed to increase the use of methanol and hydrogen to achieve sovereign fuel resilience.

**Executive Summary**

- 5 A secure and resilient supply of engine fuels is critical to our economy. We import nearly all of our engine fuels, making us vulnerable to supply disruptions that occur outside of our borders. Our geography makes us vulnerable to localised disruptions due to natural disasters or extreme weather events. While the risk of supply disruptions are considered to be low, the consequences of a severe and sustained disruption would be significant. We must take active steps to protect our fuel resilience.

- 6 I have a comprehensive work programme underway to bolster our fuel security. This includes:
- 6.1 Undertaking the **fuel security study** to fully understand and mitigate vulnerabilities in our fuel supply chains, which have been highlighted since the closure of the Marden Point oil refinery. The findings from this study will feed into a fuel security plan, which will focus on the operational steps the government needs to take during a fuel emergency, and the development of a subsequent work programme. This fuel security plan will take a more strategic approach to the existing National Fuel Plan, which sets out the planning and response arrangements for domestic fuel disruptions.
  - 6.2 Completing the implementation of workstreams related to the **minimum fuel stockholding obligation (MSO)** regime, which requires fuel importers (**obliged persons**), to hold 28 days' cover for petrol, 24 days' cover for jet fuel, and 21 days' cover for diesel from 1 January 2025. This includes:
    - 6.2.1 Completing the implementation of the **information disclosure requirements** to improve monitoring and information collection. The relevant regulation-making power will come into effect from 1 July 2024.
    - 6.2.2 Considering options to bolster our **diesel resilience**. My initial preference is to place the obligation to hold additional diesel stocks on fuel importers.
  - 6.3 Working with bp, Z Energy and Mobil on their plans to increase **jet fuel resilience at Auckland Airport**.
- 7 I propose two changes to the information disclosure regulations to minimise compliance costs to fuel importers: allowing stock in the Marsden Point to Auckland Pipeline and at jet fuel refuelling facilities above 1 million litres to be counted. Submitters also requested changes to how information is verified to reduce their costs. In response, I propose an internal assurance statement from the company's board rather than an independent external audit.
- 8 The government had been investigating buying 70 million litres of reserve diesel (approximately equivalent to one week's supply) and its storage. Commercial Information
- 9 Procuring reserve diesel is expensive. At current prices, 70 million litres would cost \$84 million. As the current fiscal environment constrains our ability for new capital investment, I seek your agreement to stop work on securing tank storage and purchasing diesel through this arrangement and instead look at other options. This will prolong our vulnerability to a diesel supply disruption until potentially 2028 but this is unavoidable without committed funding.
- 10 My preferred alternative to the reserve diesel arrangement is to place the obligation to hold reserve stock on fuel importers as I consider they are best placed to purchase,

store and manage fuel. The minimum stockholding obligation could be increased from 21 to 28 days through regulation. However, I expect companies will strongly oppose an increased obligation and will pass on costs to consumers at the pump. It is difficult to estimate the cost to fuel importers and what would be passed on but could be in the order of between <sup>Confidentiality</sup> cents per litre. The other option is for the government to assume responsibility. There are various ways to do this. The government could fully fund the purchase and storage of diesel or fund a component of it, such as paying for storage costs.

- 11 The government could take advantage of its purchasing power and lack of profit motive, minimising costs to consumers. If, for example the Petroleum or Engine Fuels Monitoring Levy was used to fund the purchase of diesel and its storage, the Levy would need to increase by Confidential advice to Government
- 12 I intend to report back to Cabinet in August 2024 with a consultation paper with options.

## Background

- 13 A secure and resilient supply of engine fuels is critical to our economy. We import nearly all of our engine fuels, making us vulnerable to supply disruptions that occur outside of our borders. Our geography makes us vulnerable to localised disruptions due to natural disasters or extreme weather events. While the risks of supply disruptions are considered to be low, the consequences of a severe and sustained disruption would be significant.
- 14 Ensuring we hold enough reserve stocks of engine fuels to ride out disruptions is key to our fuel security. As a member of the International Energy Agency, we hold 'oil tickets' of 90 days of fuel that can be released during an international fuel emergency. These tickets are fuel stocks mostly held overseas.
- 15 In October 2022, the previous Cabinet agreed to implement a fuel resilience policy package to improve fuel supply resilience and economic security in New Zealand by ensuring New Zealand holds enough reserve fuel stocks onshore [DEV-22-MIN-0243 refers]. This was in response to a fuel security policy review instigated by the closure of the Marsden Point oil refinery.
- 16 As part of the package, the *Fuel Industry (Improving Fuel Resilience) Amendment Act 2023* (the **Act**) was passed last year. The Act gives effect to two parts:
  - 16.1 The minimum fuel stockholding obligation (**MSO**), under which obliged persons will be required to hold, on average, 28 days' cover for petrol, 24 days' cover for aviation kerosene (jet fuel), and 21 days' cover for diesel from 1 January 2025.
  - 16.2 Information disclosure requirements to improve monitoring and information collection on fuel stocks and potential supply chain vulnerabilities for New Zealand, with regulations able to be made from 1 July 2024.

- 17 A third part of the package was government procurement of reserve diesel stocks. The reserve diesel arrangement would involve the Crown purchasing 70 million litres of diesel (roughly seven days of cover) and paying for its storage. Together with the MSO of 21 days for diesel, this would have brought New Zealand's total reserves to an average of 28 days' cover.

### Fuel security study

- 18 An important part of the National and New Zealand First Coalition Agreement is a commitment to commission a study into New Zealand's fuel security requirements and to investigate reopening the Marsden Point oil refinery.
- 19 New Zealand's fuel security risks changed following the closure of the refinery in 2022, and we now import nearly all of our engine fuels from overseas refineries.<sup>1</sup> Our fuel security risks will continue to change as more vehicles use alternative sources of energy. We need to better understand how we can safeguard our transport, logistics and emergency services from any domestic or international disruption.
- 20 I have directed my officials to commission a fuel security study that will look at:
- 20.1 The risks, impacts, and mitigation measures for an extended fuel supply shortage.
  - 20.2 Potential domestic disruptions to fuel distribution.
  - 20.3 Fuel consumption trends and how they could impact our fuel security.
  - 20.4 The strategic importance of infrastructure at Marsden Point.
- 21 My intention is that the study will feed into a fuel security plan, also a critical part of bolstering our fuel security and part of our Coalition Agreement. **Appendix One** sets out how the fuel security study and plan fit together.
- 22 My officials are publishing a Request for Proposals (RFP) in May 2024 for the fuel security study, with a report on the feasibility of reopening the Marsden Point refinery as an early deliverable. Once the study is completed, I will report back to Cabinet with findings and next steps.

### The minimum fuel stockholding obligation: changes to the information disclosure regulations

- 23 I seek Cabinet agreement on two decisions needed to finalise the *Fuel Industry (Fuel Resilience) Amendment Regulations* (the **Regulations**).
- 24 The Regulations will prescribe record-keeping and information disclosure requirements for fuel stockholding in New Zealand. The regulations have two objectives: monitor compliance with the MSO and enable government to better understand onshore fuel stockholding.

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<sup>1</sup> With the exception of small amounts of biofuels, which are produced domestically.

- 25 My officials consulted on an exposure draft in December 2023 and received ten submissions from key stakeholders<sup>2</sup> in the fuel and aviation sectors. As a result of submissions, I will be making a number of technical amendments to make the regulations more workable and reduce compliance costs.
- 26 However, there are two proposed changes to the draft regulations that deviate from previous Cabinet decisions [DEV-23-MIN-0061 refers]. These changes are consistent with the high-level policy intent of the paper under DEV-23-SUB-0061 titled ‘Minimum Fuel Stockholding Obligation: Further Decisions on Design and Implementation’. However, given the significance of these changes, I seek Cabinet’s approval for the following:
- 26.1 To allow obliged persons to count stock in the Marsden Point to Auckland pipeline,<sup>3</sup> and stock in jet fuel storage facilities with capacity exceeding one million litres at or near airports.
- 26.2 To replace the annual independent audit requirement with a requirement for the Board of Directors of an obliged person to provide an annual data assurance statement on disclosed data.
- 27 I will report back to the Cabinet Legislation Committee with finalised regulations for approval in August 2024.

#### *Changes to allowances for counting stock*

- 28 Consistent with section 57(5) of the *Fuel Industry (Improving Fuel Resilience) Amendment Act 2023*, the draft regulations allow for stock in bulk storage facilities and fuel on ships within the exclusive economic zone (EEZ) to be counted, but not stock in pipelines, jet fuel storage facilities, or at service stations and truck stops. Submitters requested that this stock should be counted as it is a significant volume.
- 29 When officials were estimating fuel stock levels in 2020 to set the minimum stockholding levels, they included stock in the Marsden Point to Auckland pipeline and jet fuel storage facilities servicing larger airports. Therefore, I consider including pipelines and jet fuel storage facilities is consistent with the original policy intent and recommend:
- 29.1 Allowing obliged persons count stock in the Marsden Point to Auckland pipeline as stock at the Wiri terminal. The pipeline can hold nine million litres (ML) of fuel (the national consumption of petrol, diesel and jet fuel was about 20ML a day in 2023).
- 29.2 Allowing obliged persons (or, fuel importers) to count stock in jet fuel storage facilities with capacity between 1ML and 5ML at airports, enabling jet fuel storage facilities servicing Christchurch Airport to be counted.

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<sup>2</sup> Submitters included Z Energy, bp, Mobil, Gull, Timaru Oil Services Ltd., Channel Infrastructure, Energy Resources Aotearoa, Auckland Airport, Air New Zealand, and the Board of Airline Representatives.

<sup>3</sup> The Marsden Point to Auckland pipeline transports fuel stored at the Marsden Point import terminal to the Wiri fuel terminal in South Auckland. It supplies most of Auckland’s petrol, jet fuel and diesel requirements.

30 I do not recommend allowing consignment stock at service stations and truck stops to be counted for MSO compliance, as this stock cannot be readily relocated to the area of need in a fuel supply disruption. As stock at service stations is sold and turned over quickly, it would also be very challenging to monitor fuel stocks at independent retailers’ service stations and truck stops.

*Changes to the audit requirement*

31 The exposure draft of regulations require an obliged person to procure and disclose an independent audit report on the information it reports for MSO compliance. This would ensure that the data provided by an obliged person is reliable.

32 Most fuel importers were concerned about the compliance costs for an annual independent audit, arguing it was not warranted. I agree, and recommend removing the independent audit requirement and instead:

32.1 Require the Board of Directors of an obliged person to provide an assurance statement once a year to confirm that the data reported has been reviewed and is correct. The assurance statement would be due six months after the obliged person’s balance date.

32.2 Give the chief executive of MBIE the power to direct a compliance officer or appoint an independent auditor to undertake an audit, with the costs of an independent auditor only recoverable if material failures are found, similar to section 99E of the *Crown Minerals Act 1991*.

32.3 Give the Minister, the chief executive of MBIE or compliance officer the power to require information, similar to section 99F of the *Crown Minerals Act*.

33 There are pecuniary penalties available in the Act if a person contravenes or attempts to contravene information disclosure requirements. Penalties can be imposed by the High Court of up to \$100,000 for an individual. For non-individuals, penalties can be imposed of up to \$5 million, or three times the commercial gain, or 10 per cent of the person’s turnover.

*Implementation*

34 The information disclosure regulations should be in place before the MSO commences on 1 January 2025. The timeframe for finalising the regulations is set out in *Table Two* below.

*Table Two: Milestones for MSO and information disclosure regulations*

Milestone/Activity	Timeframe
Decisions on changes to information disclosure regulations are made	May 2024
Confidential advice to Government	

MSO commences	1 January 2025
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**The reserve diesel arrangement**

- 35 Diesel is critical for farming, the distribution of food and other freight and essential services. Despite this, the MSO for diesel is set at 21 days’ use, lower than petrol or jet fuel. This level was originally chosen as it represented the average level that would be held in the absence of government intervention, minimising costs of the MSO to consumers.
- 36 At 21 days’ use, essential services would only be able to operate for three months during a closed border event, provided diesel was immediately rationed at 25 per cent of normal demand and essential services were prioritised. I do not consider this level of diesel reserves is acceptable. It places New Zealand at an unacceptable level of risk from a significant and sustained supply disruption.
- 37 To bolster New Zealand’s diesel reserves, Cabinet agreed to procure the storage of onshore reserve fuel stocks, with an initial aim to increase onshore diesel stocks by at least 70 million litres, equivalent to seven days’ cover, to achieve 28 days’ cover [DEV-22-MIN-0243 refers].
- 38 With a 28-day reserve supply, New Zealand’s essential services could operate for four months with 25 per cent rationing if there was a severe disruption to our fuel supplies.
- 39 In August 2023, Cabinet agreed for MBIE to release a Request for Proposals (RFP) for a lease for storing reserve diesel stocks in New Zealand [DEV-23-MIN-0190].

Confidentiality

- 40 Tanks at both locations require refurbishment and recommissioning and would be available from 2026 for terms of Confidentiality assuming a storage agreement could be entered into this year. However, funding would need to be secured before MBIE could enter into negotiations with the potential suppliers.

*A different approach is needed to bolster diesel resilience in New Zealand*

- 41 Procuring reserve diesel is expensive. At the current import price, it would cost around \$84 million to purchase 70 million litres of diesel.<sup>4</sup> The import price for diesel fluctuates so it is difficult to predict how much it will cost in 2026/27. Operational costs would be around an additional \$10-12 million a year.
- 42 The operating costs of the reserve diesel arrangement were intended to be funded by the Petroleum or Engine Fuels Monitoring Levy (the Levy), but the large, upfront costs of purchasing diesel needed capital funding. Given the fiscal environment, the Crown’s direct involvement in securing diesel reserves is not a prudent option.

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<sup>4</sup> This estimate assumes an import price of \$1.20/litre (the average price as at April 2024) and that the Crown is exempt from relevant taxes, levies and charges on diesel.



- 43 I seek your agreement to stop the work MBIE is doing to secure an agreement for tank storage for reserve diesel stock and to explore alternative options. This will stop the RFP process.
- 44 Stopping work on the RFP will mean delays in securing additional reserve diesel while alternative options are explored, leaving us exposed to the risks of a supply disruption for longer. However, delays are unavoidable without having capital funding secured.
- 45 There are two main options that I intend to explore to ensure we have sufficient diesel: either we place the obligation to hold additional reserve stock on the private sector (i.e., fuel importers) or the Crown procures diesel with funding from other sources. There is also a hybrid option of the two that I discuss further below.
- 46 My initial preference is to increase the MSO for diesel from 21 to 28 days. This would place the obligation on fuel importers to hold higher levels of diesel reserves. I consider that fuel importers are best placed to invest in new infrastructure and that contributing to our diesel reserves should be part of their social licence of operating in New Zealand. Increasing the MSO for particular fuels or locations can be done through regulations.
- 47 However, increasing the MSO would require significant investment from fuel importers that would be passed on to consumers. Confidentiality [REDACTED]  
[REDACTED] This cost information is highly uncertain, and the actual impact will depend on a range of factors, including how many fuel storage sites are needed.
- 48 There are risks that an increased MSO for diesel could reduce competition, leading to higher fuel prices. The larger fuel importers (bp, Mobil and Z Energy) would likely find it easier to comply with an increased obligation over smaller ones (Gull and TOSL) and new entrants, as larger fuel importers have access to more options for storage. My officials will work closely with the Commerce Commission to ensure any advice takes into account risks to competition.
- 49 I also expect that fuel importers will strongly oppose this option. Fuel importers may blame future price increases on an increased obligation, whether justified or not.
- 50 We would also need to give fuel importers enough time to secure storage once regulations are in place. Given tank conversions takes around two years, I would anticipate that tanks could only be filled from 2028.
- 51 I also considered proceeding with the Crown's direct involvement in reserve diesel, but fully funded by the Levy. Confidential advice to Government [REDACTED]  
[REDACTED] I am mindful of commitments made to not increase fuel taxes this Parliamentary term and so it is not my preferred option at this point. However, this option would take advantage of the Crown's purchasing power as a single buyer and its strong interest in minimising costs to consumers.

52 There is a third option that is a hybrid of the two. Levy funds could be used to fund the purchase of diesel or the storage and stock management costs (or a mixture of these costs). The Crown’s direct involvement would allow us to have a greater understanding of costs and keep downward pressure on prices. I will explore this option further in the consultation document.

*Further consultation and impact analysis is required before progressing either option*

53 I consider it essential to increase our onshore diesel reserves. The impacts on our economy from a severe and sustained fuel disruption would be catastrophic.

54 Increasing our diesel reserves, regardless of option we ultimately choose, will increase costs for fuel consumers and consequently I seek Cabinet’s endorsement to my approach. In particular, rescinding the decision for the reserve diesel arrangement will lead to questions about next steps. I expect fuel importers to be vocal in their opposition to the possibility of an increased MSO for diesel and the potential impact on fuel prices.

55 I intend to report back to Cabinet with a consultation document to seek feedback on options for improving our diesel resilience and to fully understand the impacts of progressing each option.

*Implementation*

56 Delays in securing additional onshore reserve diesel will continue our vulnerability to supply disruptions. Storage tanks can take several years to refurbish and consequently I intend to progress work on an alternative to the reserve diesel arrangement as quickly as possible. *Table One* below sets out the initial milestones for reserve diesel.

*Table One: Milestones for reserve diesel*

Milestone/Activity	Timeframe
Cabinet rescinds decision to investigate the reserve diesel arrangement	May 2024
Confidential advice to Government	
Indicative timeframe for diesel in tanks	2028

**Auckland Airport jet fuel resilience**

57 Auckland Airport jet fuel resilience is an emerging issue that I am watching closely. Because of its distance from fuel import terminals and the way that the key infrastructure is owned and controlled, Auckland Airport is vulnerable to jet fuel supply issues. All jet fuel for the airport is transported through the Marsden Point to Auckland Pipeline.

58 In 2017, a digger ruptured the Marsden Point to Auckland Pipeline, resulting in significant fuel disruptions and impacts on air services. The resulting 2019 Government Inquiry into the Auckland Supply Disruption recommended the fuel

sector commit to new jet fuel storage infrastructure and for the government to intervene if no progress had been made by 2020. The Inquiry recommended storage at or near the airport that provides 10 days' cover at 80 per cent of peak operations.

59 Last year, the average days of cover for jet fuel for the airport was Confidentiality  
This makes Auckland Airport highly vulnerable to another disruption and is not acceptable.

60 I have written to bp, Mobil and Z Energy expressing my disappointment and my expectation that they commit to investing in additional storage for the airport. My preference is that they invest in additional storage voluntarily.

61 I have asked the fuel companies to report back to me by the end of July on their investment plans. If they continue to make little progress, I will direct my officials to explore policy options to compel action, including location-specific minimum stockholding obligations, to be consulted on at the same time as options for reserve diesel.

### **Cost-of-living Implications**

62 There are no cost-of-living implications for the proposals in this paper at this stage. However, progressing any of the options identified for the reserve diesel will increase costs for fuel consumers. This is why consultation, seeking feedback on options, is important. This will provide a more comprehensive understanding of cost-of-living implications for end consumers.

63 If further options to improve diesel resilience are not progressed, there would be significant cost-of-living implications in the case of a sustained and severe supply disruption.

### **Financial Implications**

64 There are no direct financial implications arising from this paper. However, there may be financial implications for reserve diesel depending on what option is preferred following consultation. I will outline any financial implications when seeking Cabinet's agreement to the final policy.

### **Legislative Implications**

65 There are no legislative implications for the proposal relating to reserve diesel at this stage, however, there may be legislative implications in the future depending on what option is preferred following consultation.

## Impact Analysis

*Allowing stock in the Marsden Point to Auckland pipeline and in jet fuel storage facilities above 1 million litres to be counted as part of the minimum stockholding obligation*

- 66 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

*Changing how information is verified*

- 67 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has been addressed by existing impact analysis as part of the final high-level design of the MSO [DEV-22-MIN-0243 refers], and when DEV approved the detailed design of the MSO [DEV-23-MIN 0061 refers].

*Reserve diesel*

- 68 Regulatory impact analysis requirements do not apply to the proposals relating to the reserve diesel arrangement at this stage. A regulatory impact statement will be undertaken to support the recommendations in the report-back.

## Climate Implications of Policy Assessment

- 69 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal, as the threshold for significance is not met. Emissions associated with fuels are counted when they are consumed. The proposals discussed in this paper are related to fuel stocks and compliance and are not related to fuel consumption.

## Population Implications

- 70 Impacts on fuel price as a result of progressing any of the options identified to increase New Zealand's diesel resilience may have disproportionate flow-on effects to socio-economically disadvantaged population groups.

## Human Rights

- 71 The proposals relating to reserve diesel in this paper are consistent with *the New Zealand Bill of Rights Act 1990* and the *Human Rights Act 1993* at this stage. A final view on the consistency of the proposals contained in this paper with the rights and freedoms affirmed in the *New Zealand Bill of Rights Act 1990* and the *Human Rights Act 1993* will only be possible once a comprehensive analysis of the options have been undertaken.
- 72 The proposals relating to the information disclosure regulations are consistent with the *New Zealand Bill of Rights Act 1990* and the *Human Rights Act 1993*.

## Use of External Resources

- 73 These proposals have been developed without the use of external resources. The fuel security study will be carried out by external consultants.

## Consultation

- 74 The following departments were consulted on this paper: National Emergency Management Agency, Ministry of Transport, the Treasury, the Commerce Commission, the Infrastructure Commission (Te Waihanga), and the Department of the Prime Minister and Cabinet.
- 75 Key fuel and aviation industry stakeholders were consulted on the exposure draft of the information disclosure regulations.

## Communications

- 76 Subject to Cabinet agreement, I intend to announce Cabinet decisions on rescinding the reserve diesel arrangement and my intention to develop a new approach for how New Zealand secures reserve diesel.
- 77 The fuel sector also needs certainty about the likely content of the Fuel Industry (Fuel Resilience) Amendment Regulations. I intend to announce Cabinet's decisions on counting fuel in pipelines and jet fuel storage facilities and changes to the auditing requirements, as well as minor and technical changes I will be making to the regulations. This will be in advance of LEG approval for the final regulations.

## Proactive Release

- 78 I intend to release the Cabinet paper proactively within 30 business days after Cabinet has made a decision, subject to the appropriate redactions under the Official Information Act 1982.

## Recommendations

The Associate Minister for Energy recommends that the Committee:

### *Fuel security study*

- 1 **Note** that as part of the coalition agreement between New Zealand National and New Zealand First there is a commitment to commission a study into New Zealand's fuel security requirements and to investigate the reopening of the Marsden Point oil refinery;
- 2 **Note** that the Ministry of Business, Innovation and Employment is releasing a Request for Proposals to undertake the fuel security study;

*Reserve diesel arrangement*

- 3 **Note** that Cabinet previously agreed to:
- 3.1 procure the storage of onshore reserve fuel stocks, as the first part of recommendation 20 of DEV-22-MIN-0243;
  - 3.2 investigate detailed commercial arrangements to procure the storage and management of reserve fuel stocks, as recommendation 22 of DEV-22-MIN-0243;
- 4 **Note** that Cabinet agreed for the Ministry of Business, Innovation and Employment to release a Request for Proposals for storage for 70 million litres of reserve diesel [DEV-23-MIN-0190];
- 5 Commercial Information
- 6 **Agree** to do no further work on investigating the detailed commercial arrangements following a request for proposals for the storage and management of reserve fuel stocks;
- 7 **Invite** the Associate Minister for Energy, to report back to the Economic Policy Committee with a consultation paper on an alternative options to securing onshore reserve diesel stocks;

*Changes to the information disclosure regulations*

- 8 **Note** that regulations that set out the record-keeping and information disclosure requirements to support the minimum fuel stockholding obligations can have effect from 1 July 2024;
- 9 **Note** that consultation on an exposure draft of the *Fuel Industry (Fuel Resilience) Amendment Regulations* was carried out in December 2023 and that ten submissions were received;
- 10 **Agree** that obliged persons may count stock in the Marsden Point to Auckland Pipeline and stock in jet fuel storage facilities with capacity exceeding one million litres;
- 11 **Agree** to replace the requirement for an annual independent audit requirement with a requirement that the obliged person's Board of Directors provide an annual assurance statement that the data provided is correct and reviewed;
- 12 **Agree** that the chief executive of the Ministry of Business, Innovation and Employment has a power to appoint a compliance officer or an independent auditor, with costs recoverable from an obliged person in material issue are found, and to require certain information, similar to what is set out in sections 99E and 99F of the Crown Minerals Act 1991;
- 13 **Invite** the Associate Minister for Energy to report back to Cabinet Legislation Committee with finalised regulations for approval;

*Jet fuel storage for Auckland Airport*

- 14 **Note** that jet fuel storage in Auckland to cover demand at Auckland Airport is insufficient to meet 10 days' cover at 80 per cent of peak operations and that fuel companies with ownership stakes in fuel infrastructure for the Airport have not committed to new investment;
- 15 **Note** that the Associate Minister for Energy is monitoring jet fuel storage and will report back to Economic Policy Committee if government intervention is warranted;

*Communications and proactive release*

- 16 **Agree** that the Associate Minister for Energy announces the decisions made in this paper;
- 17 **Agree** that the Associate Minister for Energy proactively releases this Cabinet paper, subject to any withholdings under the Official Information Act 1982.

Authorised for lodgement

Hon Shane Jones

Associate Minister for Energy

**Appendix One: Fuel security study objectives and timeline**