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Resources, Gas and Fuel Supply Policy Team
Building, Resources and Markets
Ministry of Business, Innovation & Employment
Wellington

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Submission to the Exposure Draft of the Fuel Industry (Fuel Resilience) Amendment Regulations 2024

Thank you for the opportunity to submit to the Exposure Draft of the Fuel Industry (Fuel Resilience) Amendment Regulations 2024. The Board of Airline Representatives New Zealand (BARNZ) is an industry group representing 26 member airlines as well as suppliers to aviation including ground handlers, food suppliers and waste management services to aviation. Together, we deliver aviation connectivity to, from and within New Zealand. Our businesses support connection of New Zealanders domestically and with the world and facilitate critical import and export trade.

Airline members of BARNZ are significant consumers of jet fuel. Airlines operating to New Zealand operate here with the expectation that New Zealand as a member of the International Energy Agency (IEA), holds sufficient oil stocks. IEA members are required to keep stocks equivalent to 90 days of net oil imports.¹

The 90 day stockholding obligation applies to all IEA members. New Zealand meets this obligation by procuring tickets for oil stock – that is, purchased rights to buy oil in a crisis of supply. While these tickets are an acceptable means of compliance with the IEA 90 day obligation, they do not allow the New Zealand government to release oil supplies quickly in the event of supply limitation. According to IEA reporting, in September 2023, New Zealand held 49 days of the 90 day stockholding in tickets.

New Zealand is an isolated island nation. New Zealanders travel and trade by air and sea – meaning that infrastructure and supply of fuel for aviation and long-haul marine is critical for our economic success and national wellbeing. Increasingly, airlines operate ultra-long-haul

¹ <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/international-engagement-on-energy/new-zealands-participation-in-the-international-energy-programme/>

services to New Zealand, where aircraft reach our shores after journeys of 15-17 hours. This means that these aircraft are operating at the end of their operational limit. They cannot make these non-stop journeys without access to full orders of jet fuel on-shore in New Zealand.

Domestically, New Zealanders rely on travel by air for business, leisure, and to connect with family and friends. Increasingly, our roading network is challenged by extreme weather, which leaves air connections as the best and safest mode of travel when road networks are impacted. Air connections to some regions of New Zealand represent lifeline travel links for medical care, healthcare supplies, and blood product transportation.

While airlines – and the wider aviation industry – are focussed on the transition to sustainable aviation fuels (SAF) and options for decarbonised domestic air transport, New Zealand will have an ongoing need for security over oil supplies; including SAFs once available to New Zealand. The IEA examines members legislation on oil security. The 2020 report found that New Zealand did not have legal stockholding obligations for a storage agency, storage quantities, legislative requirements for the availability of emergency stocks, or specified storage locations.

BARNZ is supportive of the Fuel Industry (Improving Fuel Resilience) Amendment Act 2023 (the Amendment Act). The Amendment Act's purpose is to '*promote resilience of engine fuel supplies in New Zealand*'.² The initial stockholding obligation for is 21 days demand or consumption for diesel, 28 days demand or consumption for petrol, and 24 days demand or consumption for aviation kerosene.³

The changes brought about by the Amendment Act 2023 will improve New Zealand's fuel resilience, and in time this legislation will be summarised by the IEA in respect of New Zealand as a member.

BARNZ makes comment below on the proposed Fuel Industry (Fuel Resilience) Amendment Regulations 2024 (the Regulations). We also encourage the Ministry of Business, Innovation and Employment to ensure that the Regulations are drafted so that they hold participants to complete account.

Stockholding obligation

Question A:

- BARNZ agrees that regulation 28 is unambiguous regarding calculation of gross stockholding amounts.
- However, given calculation includes stock at the bottom of tanks that is not usually disturbed, we ask whether this amount of fuel (at the bottom of tanks) can be

² Fuel Industry (Improving Fuel Resilience) Amendment Act 2023, 4 (2)

³ Fuel Industry (Improving Fuel Resilience) Amendment Act 2023, 57 (3)

reasonably made available for use, and be included in calculations for fuel allocation in any shortage of fuel?

- If this fuel is used, and the tanks become practically empty, are there 'black start' processes for fuel suppliers to follow that would delay resupply of the system?
- If the fuel that is usually undisturbed cannot be practically used, or if use of that fuel would introduce further delay to usual resupply processes, BARNZ submits that fuel that is usually undisturbed should not be used to calculate the stockholding obligation – in the case that this fuel cannot contribute to useable supply.
- We also note there is some inconsistency in what is able to be counted toward stockholding obligations where the heel of the tank is proposed to be included, but fuel in pipe be excluded. It seems that both of these locations should be included assuming they are on-shore and available.

Information Disclosure Requirements

- BARNZ considers the information disclosure obligations are clear and unambiguous.
- We note that supplies of fuel on ships inside New Zealand's exclusive economic zone are to be counted toward compliance with stockholding obligations.
- Supply events causing shortages of jet fuel over the last 18 months have seen fuel suppliers issue short notice allocation orders for planned uplift of jet fuel. These allocation events have arisen because supplies of fuel on ships bound for New Zealand have failed testing on arrival, and have therefore been unable to be used to resupply on shore fuel holdings onshore in New Zealand.
- BARNZ asks MBIE to consider whether it is appropriate to allow fuel which is in vessels inside New Zealand's exclusive economic zone to be assumed to be useable fuel for any stockholding obligation.
- Should MBIE consider that supplies in vessels may be appropriately counted towards the stockholding obligation – even where the practical useability of that fuel is unknown – BARNZ asks that MBIE introduce a further information disclosure regulation requiring suppliers to disclose whether arriving fuel shipments meet useable specification without treatment or delay. All events where fuel is not immediately usable should be disclosed, along with volumes affected. In this way, MBIE might be able to assure itself and New Zealanders of the quality of fuel intended to be used in New Zealand. In the event that information disclosure reveals frequent off-spec fuel supply, it may be more appropriate to exclude on vessel supplies in future legislative and regulatory amendments.
- In the event of an interruption to fuel supply requiring allocation orders (that is, limitation of planned uplift of any fuel type at a specific location or locations) BARNZ submits that a further regulation be drafted to require specified disclosure relating to the supply interruption. This disclosure should include:
 - volumes held at the affected location, updated daily during the supply interruption

- uplift planned absent supply interruption
- allocation required, and methodology to support that allocation
- anticipated duration of allocation period
- action underway to restore supply

Finally, BARNZ notes that while disclosure obligations come into force 1 July 2024, the regulations that relate to minimum stockholding come into force with that obligation on 1 January 2025. While this arises from primary legislation, BARNZ notes that it will be more than a full year before suppliers must comply with minimum stockholding obligations. At that time, the minimum stockholding obligation for jet fuel (including jet fuel which may not ultimately meet specification in vessels) will be 24 days.

Mindful of New Zealand's IEA obligations and method of compliance via ticket rights, BARNZ member airlines request advice from MBIE as to what it assesses the current average jet fuel stockholding is for New Zealand absent these obligations, by major port. Before minimum stockholding obligations apply, that will be the stockholding airlines must manage to. Knowing what the current minimum stockholding is would assist airlines to manage fuel risks for New Zealand ports.

Finally, BARNZ understands that diesel stockholdings will be subsidised for emergency use. In recent national disasters, air connections have been used to reach remote regions. It seems that air connectivity is a public good in a time of national or regional crisis. If this is the case, subsidy for a portion of jet fuel stockholding would seem appropriate.

Yours sincerely,



Cath O'Brien
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Board of Airline Representatives New Zealand