Commercial and In Confidence

Office of the Acting Minister of Transport

Cabinet

Approval of the Jet Fuel Response Plan

Proposal

1. The paper seeks approval of the Jet Fuel Response Plan (refer Annex 1).

Relation to government priorities

2. The Jet Fuel Response Plan supports the National Fuel Response Plan to enable the government to plan carefully, act early and make sure New Zealand is well positioned to respond to the ongoing fuel supply uncertainty.

Executive Summary

3. On 27 March 2026, the Government introduced the National Fuel Response Plan to respond to fuel supply uncertainty arising from the conflict in the Middle East. Jet fuel is one of the three fuels covered by the National Fuel Response Plan.

4. While jet fuel remains stable for now, the Jet Fuel Response Plan sets out our intended course of action should that change. A clear and predictable response plan for jet fuel is required. Our plan has been developed with industry, using their insights on what works.

5. The Ministry of Transport (the Ministry) consulted extensively with industry stakeholders including: the Board of Airline Representatives of New Zealand (BARNZ), New Zealand Airports Association (NZ Airports), Air New Zealand, Qantas Jetstar, Air Chathams, BP, Mobil, Z, and other aviation sector participants. Aviation stakeholders expressed a clear preference for a government-led allocation model to manage any potential fuel supply disruption.

6. I propose the Jet Fuel Response Plan sits within the National Fuel Response Plan. The Jet Fuel Response Plan has four phases that align with the National Fuel Response Plan. New Zealand is currently in phase one (watchful) of the proposed Jet Fuel Response Plan.

7. Phases one and two (precautionary) focus on strengthening readiness for any possible supply disruption. Pricing is already acting as a demand lever — airlines have begun cancelling and rescheduling services in response. This trend is expected to continue, with further service reductions gradually easing fuel demand. However, the dynamic is finely balanced: airlines will be reluctant to cede market share and will look to absorb cost increases for as long as they can. Under Phase Two, there are further steps airlines could take to reduce fuel demand beyond routine schedule adjustments. s 9(2)(g)(i) [redacted]. If supply constraints become material, having the right tools and contingencies in place well ahead of time will be essential.

8. I propose that moving between Phase two and Phase Three is determined by the criteria set out in the National Fuel Response Plan, plus one criterion specific to jet fuel:

> Additional criterion: Forecast shortfall is expected to push supply below the Minimum Stockholding Obligation (MSO) of 24 days, and no incoming supply is anticipated to restore levels above the MSO within five days.

9. In Phases Three (managed) and Four (protected), the government should take a more active and and managed jet fuel supply disruptions through fuel allocation. Under Phase Three, the government should implement voluntary allocation of fuel to airlines to ensure supply is distributed in an even way – however, options will be provided, including the size and duration of any allocation. Depending on the size of the supply gap, a decision could also be to accept dipping below the MSO for a period. Under Phase Four, allocation should become more prescriptive, with the government prioritising fuel for critical services.

10. Emergency services and the New Zealand Defence Force are exempt from an allocation model and will receive the fuel they need.

11. The aviation industry is used to working under allocation models and asked the government to oversee the allocation process, with industry taking part on a voluntary basis. Under this approach, each airline would receive fuel as a fixed percentage of its planned usage, with the same percentage applied equally to all airlines over the same period. The airline could then direct its allocation to wherever it delivers the greatest value, making the most effective commercial decisions available to it.

12. The Ministry of Transport will oversee the allocation model, working closely with fuel suppliers and airlines to ensure implementation remains consistent with agreed principles.

> Early notice; long and shallow; even and transparent; clear and prescriptive.

13. To assess fuel use and ensure the model can be implemented, airlines and fuel companies need to provide timely, accurate data including, but not limited to, current and forecast fuel inventory levels, anticipated fuel uplift requirements, and any known or anticipated changes to supply contracts or import shipments. If voluntary cooperation does not work, regulations could be made under the Petroleum Demand Restraint Act 1981.

14. s 6(a), s 9(2)(b) [redacted]

15. In the event of a larger or sustained disruption, the allocation model should be further tightened to prioritise and protect critical services. Phase four of the Jet Fuel Response Plan is under development.

Background

16. As of Sunday 19 April, New Zealand has 47.4 days of Jet Fuel stock. This is made up of 26.1 days of Jet Fuel in the country, 1.5 days on water within the EEZ (1-2 days away) and 19.8 days on water outside the EEZ (up to three weeks away). A day of jet fuel use is based on New Zealand historical averages of 4.8 million litres per day.

17. Industry, including airlines, airports and fuel importers, have been clear and consistent that they are not seeing any issues with supply through to June. s 6(a) [redacted]

18. Jet fuel prices have more than doubled since the onset of the conflict, placing significant financial pressure across the aviation sector. In the week ending 17 April, the Asia and Oceania jet fuel index was US$200–210 per barrel[1]. This is up from around US$90-100 per barrel pre-conflict, with the price fluctuating during the conflict and reaching as high as US$240 per barrel in March.

19. Despite this sharp increase, fuel importers have advised that they have no concerns regarding the security of jet fuel supply through to June. However, they have acknowledged that the market will need to adapt to a sustained period of higher prices over the longer term. Current data and forward-looking forecasts, including import shipment schedules, refinery output projections, and inventory levels held by fuel importers, support this assessment, indicating that adequate jet fuel supply is expected to be maintained in the period ahead.

20. In response to the substantial increase in jet fuel costs, Air New Zealand, Air Chathams, the Qantas/Jetstar group and other airlines, have moved to consolidate portions of their route networks. Air New Zealand has reduced flights by approximately four percent, while Qantas/Jetstar has undertaken a more significant consolidation of roughly 12 percent of its New Zealand-based network. These decisions reflect a rational commercial response to higher operating costs, as carriers seek to concentrate capacity on their most economically viable routes. These consolidations carry an ancillary benefit from a supply perspective: by reducing the total number of flights operated, overall fuel consumption is correspondingly lower, meaning that existing fuel stocks and incoming supply will support operations for a longer period than would otherwise be the case.

21. Freight flights are operating at pre-conflict levels, indicating that supply chains that depend on air transport are still functioning, though this resilience may be tested — some airlines are already reporting backlogs beyond Singapore and refusing new time-sensitive cargo, as port congestion drives shippers toward air freight and risks creating knock-on capacity pressures in aviation.

The Jet Fuel Response Plan has four phases that align with the National Fuel Response Plan

Phase one – watchful

22. New Zealand is currently operating under Phase One of the Jet Fuel Response Plan. The jet fuel market continues to function effectively, despite higher prices.

23. Officials are putting in place the capabilities required to transition to Phase Two of the Response Plan should that become necessary. s 9(2)(ba)(i) [redacted], reflecting the more significant impact that higher fuel prices have had on their operations and the adaptive measures they have implemented in response.

Phase two - precautionary

[1] S&P Platts

24. Phase Two is triggered when the jet fuel market continues to operate but signs of significant supply disruption emerge. This might include the shutdown of a primary refinery, the cancellation of multiple shipments, or the proposed sale of one of New Zealand's fuel importers. Minor disruptions — such as a vessel delayed by adverse weather — are a normal feature of fuel supply chains and should not warrant a move to Phase Two.

25. Under Phase Two, officials would continue to monitor fuel supply and demand forecasts closely. If industry participants were hesitant to share information voluntarily, the government could consider invoking its information disclosure powers to ensure a complete and accurate picture of the supply situation. Industry participants are willing to continue providing detailed information. Sustained cost pressures would likely prompt airlines to accelerate the consolidation of their flight schedules. Beyond the consolidations we have already seen, airlines have further levers available to conserve jet fuel s 9(2)(g)(i) [redacted]

26. Officials are preparing for a potential transition to Phase Three by closely engaging with fuel suppliers and the aviation industry on implementation planning and testing fuel disruption scenarios (refer Annex 1 and Annex 4). Other Fuel Response Plan supply measures could be considered by the Ministry of Business, Innovation and Employment (MBIE).

Phase three - managed

27. A move to Phase Three can be initiated by applying the six assessment criteria of the National Fuel Response Plan[2], or when a *forecast shortfall is expected to push supply below the Minimum Stockholding Obligation (MSO) of 24 days and no incoming supply is anticipated to restore levels above the MSO within five days.*

28. Timely and accurate data is fundamental to the effective operation of Phase Three. Without a clear and current picture of fuel inventories, uplift requirements, and shipment schedules, officials would be unable to set allocation parameters at the right level, monitor compliance, or make well-informed adjustments as supply conditions evolve. Poor or incomplete data risks undermining the credibility of the model. For this reason, airlines and fuel companies would be expected to provide regular, verified data throughout Phase Three — covering current and forecast inventory levels, planned forward uplift volumes, and any known changes to import shipments or supply contracts. Where data is withheld or considered

[2] The six criteria are: export restrictions – if any of New Zealand's source refineries introduce or relax export restrictions; changes to New Zealand's fuel stock levels of plus or minus three days since the most recent published update; a fuel company informs the government that they are unlikely or unable to fill future orders; a breach, or a notification of an imminent breach, of the minimum storage obligations; any significant policy changes in Australia or from the International Energy Agency; a significant disruption to regional distribution.

unreliable, the Government retains the ability to invoke its information disclosure powers to ensure the allocation model operates on a sound evidential basis.

<u>Triggering Phase Three</u>

- Ministry officials forecast that fuel reserves will fall below the Minimum Stock Obligation (MSO) and that supply from outside New Zealand's EEZ is unlikely to restore levels above that threshold within five days. There is no ship with fuel near by the EEZ (refer Annex 2 and Annex 3).
- Officials advise industry and work with them to exhaust all options to avoid falling below MSO.
- If there are no other options available, officials consider the forecast jet fuel supply entering the country and projected jet fuel use by airlines and calculate what reduction in fuel use is needed to return fuel stocks to above the MSO.
- Officials consult MBIE to ensure proposed response options align with the overall Fuel Response Plan.
- Officials provide advice to the Ministerial Oversight Group (MOG), recommending either: no phase change if modelling indicates MSO levels will be restored shortly after the criteria is met, or options for moving to Phase Three, including allocation parameters such as percentage of projected demand (e.g. 80–85%), timeframe (e.g. three weeks), and whether allocation should apply nationally or regionally.

<u>Implementing Phase Three</u>

- Ministers, on advice from officials, confirm that Phase Three trigger criteria are met and that further Phase Two monitoring is insufficient to manage the situation.
- Ministers set allocation parameters — applying the same percentage reduction equally to all airlines for the same period (e.g. 80% of usual uplift for one month), with a preference for longer, shallower allocations over short, deep cuts.
- Early notice is provided to industry so airlines can adjust schedules ahead of implementation.

<u>Managing Phase Three</u>

- The Ministry oversees the allocation model, working with fuel suppliers and airlines to implement it consistently with agreed principles: even-handed, transparent, and predictable.
- Officials gather and validate timely data from airlines and fuel companies — including current and forecast inventories, uplift requirements, and shipment schedules — to monitor adherence and effectiveness.
- Officials manage and resolve any disputes among suppliers and airlines about how the model operates, maintaining consistent and transparent application.
- s 9(2)(g)(i) [redacted]
- Continue exemptions for emergency services and the New Zealand Defence Force so they receive the fuel they need.

29. Moving from Phase Two to Phase Three would require detailed planning for a range of matters — including ensuring any allocation model is sufficiently flexible to accommodate the operational realities of aviation (such as weather disruptions and unscheduled landings) and can respond to strategic priorities on a principled and limited basis, as well as ensuring officials can verify uplift. The Ministry of Transport will lead this work in collaboration with industry and government during Phase Two, so that the foundations are in place if Phase Three is needed.

30. During phase three, the Ministry of Transport will work with industry. Where disagreements arise among fuel suppliers and airlines over the model's operation, the Ministry of Transport will seek to resolve them — maintaining transparency and ensuring the model's principles are consistently applied.

Phase four - protected

31. Phase Four is triggered by a more severe or prolonged jet fuel supply disruption, at which point formal regulatory controls on fuel distribution could be considered. Officials are planning for the Phase Four allocation model in conjunction with the equivalent workstreams for petrol and diesel.

Risks

32. The allocation model is principles-based and relies on voluntary compliance amongst fuel companies and airlines. Through our discussions with these parties, we have confidence that they will comply with the model and cooperate with the Jet Fuel Response Lead. Airlines have emphasised that they have a shared interest in ensuring there is sufficient fuel security, and that there is a level playing field for accessing fuel. Fuel companies have signalled that they are used to operating allocations and would work constructively with their customers. However, commercial forces could play out and we could see some parties seeking to secure more than their fair share or to enforce any contracts they have in place.

s 9(2)(h)

33. [redacted]

s 9(2)(g)(i)

34. 35. [redacted]

36. It is possible that some smaller regional airlines may note that as small users of fuel, that a blanket allocation may disproportionately affect their operations. Regional airlines are already facing financial pressure and service withdrawal could occur due to the price of jet fuel. Further work is underway on possible initiatives to support regional connectivity, particularly for isolated communities.

s 9(2)(g)(i), s 6(a), s 7(b)

37. [redacted]

s 9(2)(g)(i), s 6(a), s 7(b)

[redacted]

International implications, including for the Pacific

38. The Ministry of Foreign Affairs and Trade (MFAT) advises that several of New Zealand’s international trade obligations and commitments could be relevant to the Jet Fuel Response Plan, including in relation to air services, subsidies and export restrictions. These obligations and commitments, however, contain flexibilities to provide policy space for New Zealand to implement a fuel allocation model that is non-discriminatory, temporary, and necessary to maintain vital domestic and international connectivity during the current Middle East crisis.

39. s 6(a) [redacted] including our role as a first international responder to Pacific emergencies.

40. s 9(2)(g)(i), s 6(a), s 7(b) [redacted]

41. Any approach must recognise regional supply chain interdependencies, including New Zealand’s role as a key supply point and Fiji’s function as a regional hub. Transport services, particularly aviation, are critical for connectivity, delivering medical supplies, and other life-saving goods to Pacific Island countries.

Financial Implications

42. There are no direct financial implications.

Legislative Implications

43. There are no current legislative implications.

44. s 9(2)(g)(i) [redacted]

Impact Analysis

Regulatory Impact Statement

45. This paper is not subject to Cabinet’s impact analysis requirements.

Climate Implications of Policy Assessment

46. This paper is not subject to Climate Implications of Policy Assessment (CIPA) requirements.

Population Implications

47. This paper does not have direct population implications.

Human Rights

48. This paper is consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

49. No external resource has been engaged in the drafting of this paper.

Consultation

50. The Ministry has undertaken extensive consultation with aviation and fuel supply stakeholders, the Civil Aviation Authority, the Treasury, MFAT, MBIE, the Ministry for Primary Industries, and the Ministry of Health. We have informed the Department of the Prime Minister and Cabinet.

Communications

51. Any communication will be discussed with MOG.

Proactive Release

52. This paper, and related documents, will be proactively released on the Treasury website, as per Cabinet Office Circular CO (23) 4, within 30 business days of final decisions being taken by Cabinet.

Recommendations

The Acting Minister of Transport recommends that the Committee:

1. **note** that the proposed Jet Fuel Response Plan reflects the market characteristics of jet fuel and sits within the National Fuel Response Plan
2. **note** that the National Fuel Response Plan includes six assessment criteria for deciding whether a shift between Phases is appropriate
3. **approve** the Jet Fuel Response Plan as set out in Annex 1
4. **agree** to the additional assessment criterion for the Jet Fuel Response Plan:
   - 4.1 Jet fuel supply is forecast to fall below the Minimum Stockholding Obligation of 24 days, with no supply expected to restore it above that threshold within five days from outside New Zealand's EEZ.
5. **agree** that when determining transitions between phases two and three, and within phase three:
   - 5.1 the Ministerial Oversight Group will decide on whether to establish a Phase three allocation if the criteria have been met

5.2 the Ministerial Oversight Group will decide on the duration and depth of the allocation (the parameters)

5.3 the Ministerial Oversight Group will decide on adjustments to the parameters as needed

6. **note** that once the criteria have been met, Ministers will be provided with advice on options for a response that will be informed by industry

7. **agree** to the principles of the allocation model in Jet Fuel Response Plan: early notice; long and shallow; even and transparent; clear and prescriptive

7. **agree** that the Jet Fuel Response Plan Phase 3 allocation model is a voluntary regime, with the government providing oversight to maintain high levels of transparency and cooperation

8. s 9(2)(g)(i) [redacted]

9. **agree** that the allocation model does not apply to emergency services and the New Zealand Defence Force

10. **note** that further work will be undertaken by Ministry of Transport officials on the detailed design of the Plan, including any necessary exemptions, and reported to the Ministerial Oversight Group as required

12. **note** that constant monitoring of parties' adherence to allocations is necessary for the allocation model to succeed, and transparent and timely data supply from industry and government is essential for effective monitoring

Data required to support the Jet Fuel Response Plan

13. **note** that the Ministry of Transport and the Ministry of Business, Innovation and Employment are working together on data needs, including that there is a high level of disclosure of fuel supply information along with demand information from airlines

14. **note** that the intent is that data will be provided on a voluntary basis, but that information disclosure regulations could be made if required

15. **agree** that the Ministry of Transport will work with industry and other government agencies to obtain, on a voluntary basis, the information required to monitor the allocation model

16. **agree** that the Ministry of Transport will seek to resolve any disagreements amongst fuel suppliers and airlines on the operation of the allocation model to ensure that high levels of transparency are maintained, and the model's principles are applied

Further work

17. s 9(2)(g)(i), s 6(a), s 7(b) [redacted]

18. **note** further work is being undertaken on phase 4 of the Jet Fuel Response Plan to maintain alignment with petrol and diesel workstreams in the National Fuel Response Plan.

Hon James Meager

Acting Minister of Transport

s 9(2)(g)(i)

s 9(2)(g)(i)

[redacted]

Option 2 is agreed by the MOG.

The MOG meets on 1 May and agrees to Option 2. It also allows the Ministry of Transport to end the national allocation earlier if a replacement shipment arrives and supply returns above the MSO. Industry is informed as soon as possible, and the public is notified shortly after.

A replacement tanker arrives

On 14 June, a replacement jet fuel tanker enters the EEZ. Supply returns to its pre-disruption baseline, and the Ministry of Transport ends the national allocation.

s 9(2)(g)(i)

Annex 4 – New Zealand's Jet Fuel Response Plan 2026 (Public Facing)

Phase One: Watchful

What's happening

Jet fuel is available nationwide and the aviation industry is operating as normal, although some operators are seeking efficiencies through consolidating flights.

The focus is on supporting industry through regular engagement and good information sharing.

What the government will do

- Monitor jet fuel stocks and shipments
- Use information provided by the industry to determine jet fuel supply and demand

Phase Two: Precautionary

What's happening

The market continues to operate effectively, and jet fuel is still available nationwide. This phase will see more intensive monitoring and planning with closer coordination between government and industry. Airlines may make more voluntary adjustments to manage fuel use.

What the government will do

- Obtain more detailed information about jet fuel supply and demand
- Work with jet fuel stakeholders to test scenarios based on this data

Phase Three: Managed

What's happening

Supply is tighter and the government is making sure jet fuel gets where it is needed most. An allocation model is applied in this phase. Measures will be lifted as soon as conditions allow.

What the government will do

- Implement an allocation model, in partnership with industry, in line with the best fitting scenario tested under Phase Two
- Provide daily public updates, listen to industry and communities, and adjust accordingly
- Regularly assess how things are going, and get back to Phase Two as soon as practicable

Phase Four: Protected *UNDER DEVELOPMENT AND CONSULTATION*

What's happening

There is a bigger or sustained jet fuel supply disruption, and the allocation model is further tightened to ensure critical and essential services receive supplies.

This phase is about protecting critical services, and making sure everyone else gets a share, with a special focus on essential supply chains and nationally important connections. Measures will be lifted as soon as conditions allow.

What the government may do

- Prioritise uninterrupted supply to all life-preserving services, and more strictly direct how fuel is distributed to other customers
- Maintain daily public updates, listen to industry and communities, and adjust as appropriate
- Regularly assess how things are going, and get back to Phase Two/Three as soon as possible