

Flight disruption warning: Airlines face rationing after aviation fuel shipment not up to scratch



By Grant Bradley

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P. Fuel companies are warning of possible travel disruptions following the import of a bad batch of aviation fuel. Airlines last night have been warned they face rationing in the leadup to Christmas.

The Board of Airline Representatives (Barnz) says it understands from the Ministry of Transport that Z Energy will make an allocation decision soon which will require airlines to limit fuel consumption for a period of time.

This restriction could be in the order of the usual 75 per cent fuel allocation. The restrictions could be in place until December 20. A new shipment of fuel is not due until next week.

The companies – BP, Mobil and Z – are releasing little information about the problem but a spokeswoman said they are working to manage “a potential disruption” to planned deliveries of jet fuel to Auckland Airport.

“We are working to put alternative arrangements in place to manage the potential impacts and resolve this matter as soon as possible.”

Barnz executive director Cath O'Brien said the issue was incredibly frustrating for airlines struggling to meet surging passenger demand over the holidays.

“We really didn't expect to have to go through this again.”

A Z spokeswoman said it is related to a “fuel specification issue” identified during a jet fuel import into the Marsden Point terminal south of Whangarei on December 2.

This has impacted jet fuel stock levels there and Energy and Resources Minister Megan Woods has been briefed on the issue.

The Ministry of Business, Innovation and Employment says it has been made aware of a potential impact to jet fuel supply into Auckland Airport, after routine fuel testing of a particular jet fuel shipment raised some concerns.

Suppliers (Z, Mobil and BP) are currently working through this to fully understand the current levels of supply and what options are available to resolve this matter as soon as possible, said Paul Stocks, deputy secretary, building, resources and markets.

“If the fuel does fail a quality test and suppliers are normally able to manage such events without consumers being affected. This can be managed in a way that minimises any impacts on customers. There is no risk to petrol or diesel supplies.”

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The next shipment of jet fuel is due on December 12 and work is underway to understand the potential impact on airlines and air travel, if any.

“We expect airlines to advise customers of any impacts once these are better understood.”

It is understood another storage facility at Wiri near Auckland Airport could be low on stock. The airport also has some limited storage on its site for the 1.5 billion litres airlines use a year.

Any fuel supply disruption could be chaotic for flying leading into the busy holiday period as air travel recovers towards pre-Covid levels. Airlines, airports and suppliers are facing staff shortages and have already warned of the risk of delays and disruption over peak season.

Air New Zealand chief operational Integrity and safety officer David Morgan said the airline was working closely with fuel companies “to understand the challenges being faced at Marsden Point” and how they will affect our fuel supply.

There are no changes to its current schedule “at this stage,” he said.

“We know how important it is to get our customers around our network in the lead up to Christmas and our team are working hard to ensure we will continue to do that”.

Jetstar also says that at this stage there is no change to its domestic or trans-tasman schedule but the airline might have to take on more fuel at other airports if it can't source sufficient supplies at Auckland.

Refining of jet fuel from imported crude oil ended earlier this year with the closure of Refining NZ's production capacity at Marsden Point.

The operator, now called Channel Infrastructure, works solely as a terminal and distributor of fuel for most of New Zealand's land and air transport.

Jet fuel is pumped down a pipeline to storage near Auckland Airport.

The Z spokeswoman said refined jet fuel is imported from refineries in Asia but this afternoon had no further detail on volumes involved with the latest issue, how much supply there was available to airlines and how long remaining fuel could last.

In 2017, the rupture of the pipeline near Marsden Point led to 10 days of chaos for airlines operating in New Zealand. Fuel was rationed and flights cancelled. A convoy of fuel tankers brought fuel south by road. International flights topped up overseas and Qantas even brought in “fuel mules” - Boeing 747 aircraft tankers to top up supplies. Barnz said this was a possibility again for airlines that could.

The closure of Marsden Point's refining capacity, agreed by shareholders due to plunging profits as refining margins collapsed, led to questions about the country's fuel security.

And a report in 2020 consultants Hale and Twomey prepared for the Ministry of Business Innovation and Employment warned the closure of the refinery would mean the country had no ability to fix off-specification shipments.

The consultants said that on occasion Refining NZ reprocessed off-specification product for its customers. This may be stock on tankers that does not meet specifications when it arrives in the country, or product that has been contaminated in this country.

Reprocessing is a last resort and most product quality issues are managed in terminals by isolating off-specification product and slowly blending it with on-specification product (at an appropriate ratio) so the resulting blend is on-specification.

Hale and Twomey said it was expected that larger terminals, such as that at Marsden Point, would have a greater ability to hold and reblend off-specification product than the smaller terminals.

“However, the loss of the ability to reprocess product would mean where product is well off-specification, cargoes may need to be returned to their source (back to Asia),” the consultants said.

“We note that processes are well established to avoid product quality issues so these are not common, but when they do occur the impact can be significant.”

The 2017 fuel crisis led to a Government inquiry that reported back to Woods in 2019.

A spokeswoman today said the minister has been briefed and is awaiting updated information on the latest issue.

The inquiry found the fuel supply chain infrastructure was largely owned or controlled by the three major fuel companies (BP, Mobil, and Z Energy) through complicated joint venture arrangements, with limited Government oversight or ability to intervene.

“As a market-led system, investment decisions seem to have been focused on meeting the demand curve on a just-in-time basis. This may not take adequate account of the interests of the wider community and stakeholders in maintaining a system with greater resilience to withstand rapid increases in demand or events that disrupt supply.”

Among the recommendations, which focused on building more resilience into the supply chain, it was recommended storage at or near Auckland Airport provide at least 10 days' cover at 80 per cent of operations.

Auckland Airport referred inquiries to the fuel companies.

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