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Fuel experts divided on impact of Marsden Point refinery closure

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Aotearoa's fuel security fate is dividing experts and suppliers.



Tanker unloading at Marsden Point Oil Refinery in 2013. Photo: Rafael Ben-Ari/Chameleons Eye/ 123RF

P Z Energy - which owns a 13 percent share of Refining NZ - has released a new report (https://z.co.nz/assets/Uploads/Z-Energy-Security-of-Fuel-Supply-091221.pdf) saying **Q** closing the Marsden Point refinery "will improve flexibility and resilience of the supply chain".

It said political instability will be less of a threat with refined fuel coming from Asia, instead of crude oil from the Middle East.

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so said there will be more frequent deliveries, rising to 175 tankers a year.

But consultants told the Ministry of Business, Innovation and Employment (MBIE) late last year (<https://www.mbie.govt.nz/dmsdocument/15257-fuel-security-and-fuel-stockholding-costs-and-benefits-2020>) that stockholding data was "poor" in New Zealand "as a result of incorrect stocks submissions by some industry participants".

"This has been a recurring problem over many years," it said.

Toby Dalley, who completed his master's research on New Zealand's oil security last year, said stockholding data was "one of the most important tools the country has for supply shortages in the event of a disruption, at least over the short term".

The maximum penalty for fuel retailers incorrectly reporting fuel supplies, was a \$2000 fine.

Energy expert Ralph Sims, an Emeritus Professor at Massey University, said that was "peanuts" considering the enormous financial losses for New Zealand if we run out of fuel.

"There's no major incentive for them to disclose if they don't want to. There's an ethical obligation, that they should for the good of the country, but for some reason that doesn't seem to be the case and they see it as a voluntary disclosure."

Oil that isn't piped or trucked around the country, is mostly shipped.

The Maritime Union of New Zealand's national secretary Craig Harrison was sceptical of the fuel security assurances Refining NZ, and Z Energy, had given.

"They've made a lot of assumptions, which basically is the line of what they want on their balance sheet."

He expected two regional tankers distributing fuel around New Zealand would not be used anymore when the refinery closed, and we would lose the skills to run them.

"When the pipe ruptured from Marsden Point to Auckland, those New Zealand tankers were used to bring fuel into Auckland, and stand alongside a wharf while they discharge into trucks," he said.

"But also we've seen for instance, in the South Island or in Wellington, when we've had an earthquake, these same tankers are able to sail into those ports like the Lyttelton and Wellington, and become basically a floating reservoir in a moment's notice. Now you won't get that with foreign tankers."

Z Energy chief executive Mike Bennetts said there was no reason for retailers to mislead the public about fuel stockholdings.

He said the process to report stock was the problem and needed streamlining.

"MBIE ask an entity on behalf of the industry, what is the stock holding position, and that's a position that gets calculated once a week. Whereas in the future, they could ask Z what's the stockholding position and we could tell them any hour of the day."

And he said Z prided itself on providing accurate data.

"But I do recognise that penalties should match the consequence of taking the easy way out. It does take work to get this data together."

Mike Bennetts also said fuel suppliers should be compensated if the government asked them to increase their storage capacity.

Otherwise, the cost would hurt consumers at the pump.

"We would have to build more tanks. So there's a capital cost of building those tanks and then we would have to hold the fuel products in there and that could run into hundreds of millions of dollars."

In a statement, MBIE said this year it had been getting oil supply data once a month, instead of once a quarter, and it said the Fuel Security Industry Act was being updated next year.

Energy Minister Megan Woods was reporting back to Cabinet, on whether New Zealand should also increase fuel stockholding, for oil security.

P In the meantime, a petition with more than 18,000 signatures was presented to National MP Dr Shane Reti this month, calling for the government to intervene to keep the Whangārei refinery open.