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Over the past 15 years, NZ moved its fuel safety net offshore – now it's being exposed

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Amid a worsening global energy crisis, New Zealand and Singapore's freshly struck deal to keep fuel and other essential goods flowing is being touted as a boost to supply chain resilience.

The agreement commits both countries not to impose export restrictions on each other during economic upheaval. But it also highlights an uncomfortable reality facing New Zealand's energy security, which depends heavily on fuel stored and refined overseas.

Nearly 60% of the country's petroleum reserves are held offshore in countries such as the United States, Japan and the United Kingdom, and around a third of its fuel is refined in Singapore. As global tensions disrupt oil markets and put pressure on key shipping routes, that model is being tested.

While New Zealand meets international requirements to hold 90 days of net petroleum imports as a member of the International Energy Agency (IEA), much of this is stored thousands of kilometres away.

In emergencies, the IEA can coordinate collective stock releases to stabilise global markets, as occurred in the agency's release of 400 million barrels of oil in March.

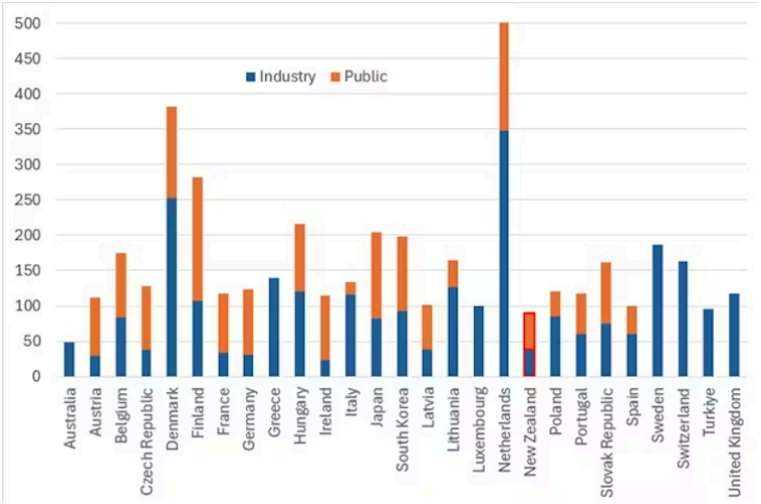
However, a closer look at the data shows New Zealand is a clear outlier in how it meets these obligations.

How NZ's fuel security has shifted offshore

To remain compliant, the New Zealand government buys "ticket" contracts – or contractual claims on oil stored in other countries.

While these count toward the country's 90-day requirement, they are effectively rights to purchase fuel that may never reach its shores during a major disruption, such as the closure of the Strait of Hormuz.

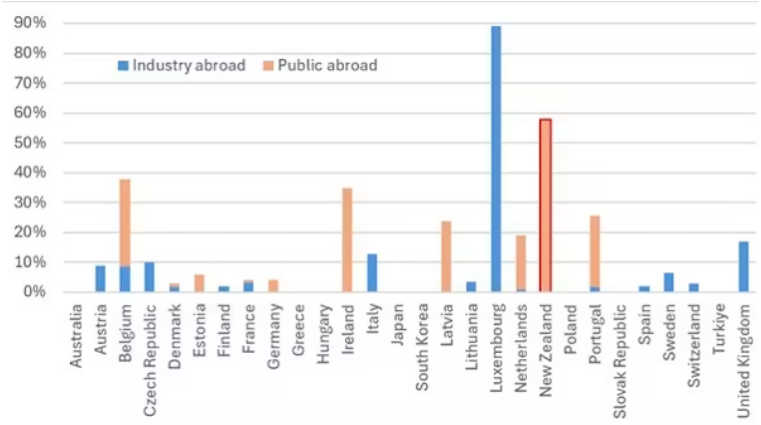
In January, New Zealand's total petroleum reserves stood at exactly 90 days' supply. This meets the IEA's minimum requirement, but is the second-lowest reserve among members, ahead of only Australia's 49-day capacity.



New Zealand's total petroleum reserves (government and industry combined), shown as the number of days the country could cover its fuel imports, compared with other IEA countries in January 2026. Author provided, CC BY-NC-SA

New Zealand is also the only IEA member whose public oil reserves are fully overseas.

By contrast, countries such as Japan and South Korea hold around 200 days of reserves domestically, leaving them far better prepared for global supply shocks.

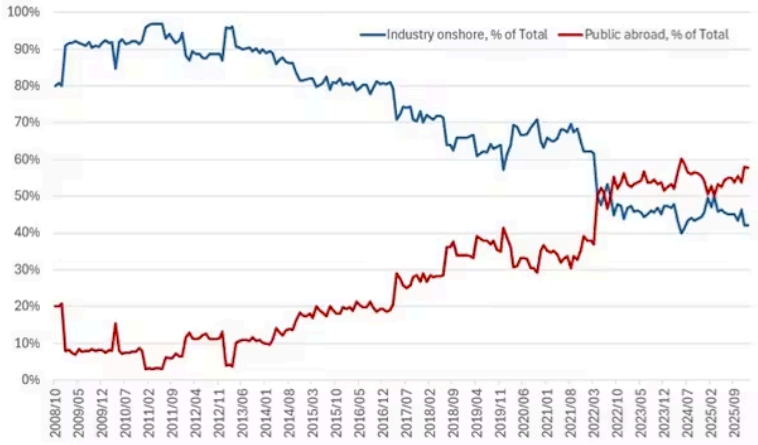


Share of petroleum reserves held overseas (including both industry and government stocks) as a percentage of total reserves, January 2026. Author provided, CC BY-NC-SA

It comes after New Zealand's heavy reliance on offshore reserves has grown sharply over the past 15 years.

IEA data shows the country's domestically-held industry stocks made up more than 90% of reserves in 2010–11, while public offshore holdings accounted for less than 10%.

By 2026, that balance had flipped. Industry stocks had fallen to 42%, while government-owned reserves held abroad had risen to 58%.



Share of New Zealand's petroleum reserves held onshore by industry versus government-owned reserves held offshore, as a percentage of total reserves, 2008–2026. Author provided, CC BY-NC-SA

As companies cut physical inventories to reduce costs, the government filled the gap with ticket contracts to maintain compliance with the IEA's 90-day requirement.

This shift effectively means New Zealand's domestic resilience has been hollowed out. In January, for instance, the country held just 38 days of onshore petroleum stocks – far below the average of IEA members and of other Asia-Pacific nations.

The New Zealand government's recent move to procure 90 million litres of diesel at Marsden Point will add roughly nine days of supply.

While a positive step, it remains small compared to the much larger domestic buffers maintained elsewhere.

The economic cost of fuel uncertainty

Because oil is a major driver of inflation, this all matters greatly to the average New Zealand household.

Last month, local diesel prices surged to over $3.80 a litre, almost double what they were before the Iran conflict. Because diesel powers farming and transport – both cornerstones of the New Zealand economy – these costs ripple through the entire supply chain.

When geopolitical risks rise, businesses increase "precautionary demand", hoarding fuel inventory to avoid shortfalls. This reduces available supply and pushes prices even higher.

Research suggests the most effective way to reduce exposure to energy price volatility is through financial hedging or by holding physical fuel reserves. Holding reserves helps buffer against sudden supply shocks and reduce the risk of stockouts.

New Zealand, however, has only a thin physical fuel buffer. So what might be done?

Increasing onshore petroleum stocks can strengthen short-term energy resilience. But bigger oil tanks are not a lasting solution: true energy independence requires reducing New Zealand's underlying oil consumption.

In this sense, there is much room for improvement. IMF data shows New Zealand has a relatively low level of trade in low-carbon technologies, at just 1.3% of GDP in 2024 – well below the IEA average of 4.76%.

To bolster its energy security in the meantime, New Zealand could look at increasing strategic onshore reserves, while shifting away from ticket contracts toward physical stockpiles to support critical sectors such as farming and freight.

At the same time, it could make a greater push toward electrification and the uptake of alternative energy sources, particularly by powering transport with renewable electricity.

Ultimately, this requires an orderly transition away from oil altogether, with a clear national focus on reducing dependence over time.

Right now, New Zealand's strategy is a gamble on global stability. To protect the economy from future global oil supply shocks, it must bring its petroleum reserves home – then work hard to make them obsolete.

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