



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

Petroleum security

National Lifelines Forum 2013



Policy

- ” Energy market policy
- ” Electricity, gas, oil
- ” Public policy
- ” Energy security



Why the interest?

- “ Increased interest in impact of extreme events

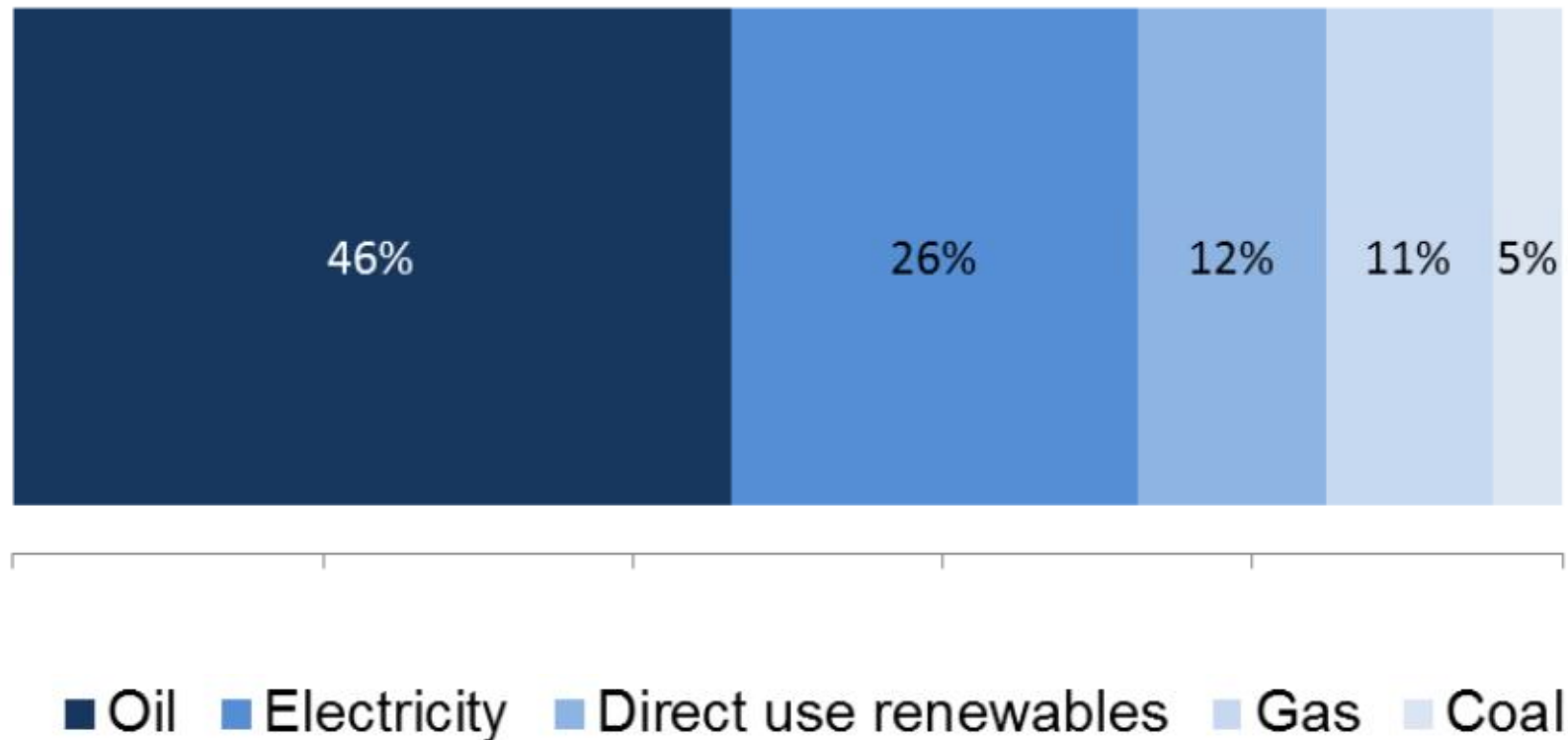
- “ Is our approach still the right?

- “ Government objectives:
 - . More competitive and productive economy
 - . Secure and affordable energy
 - . Resilient infrastructure

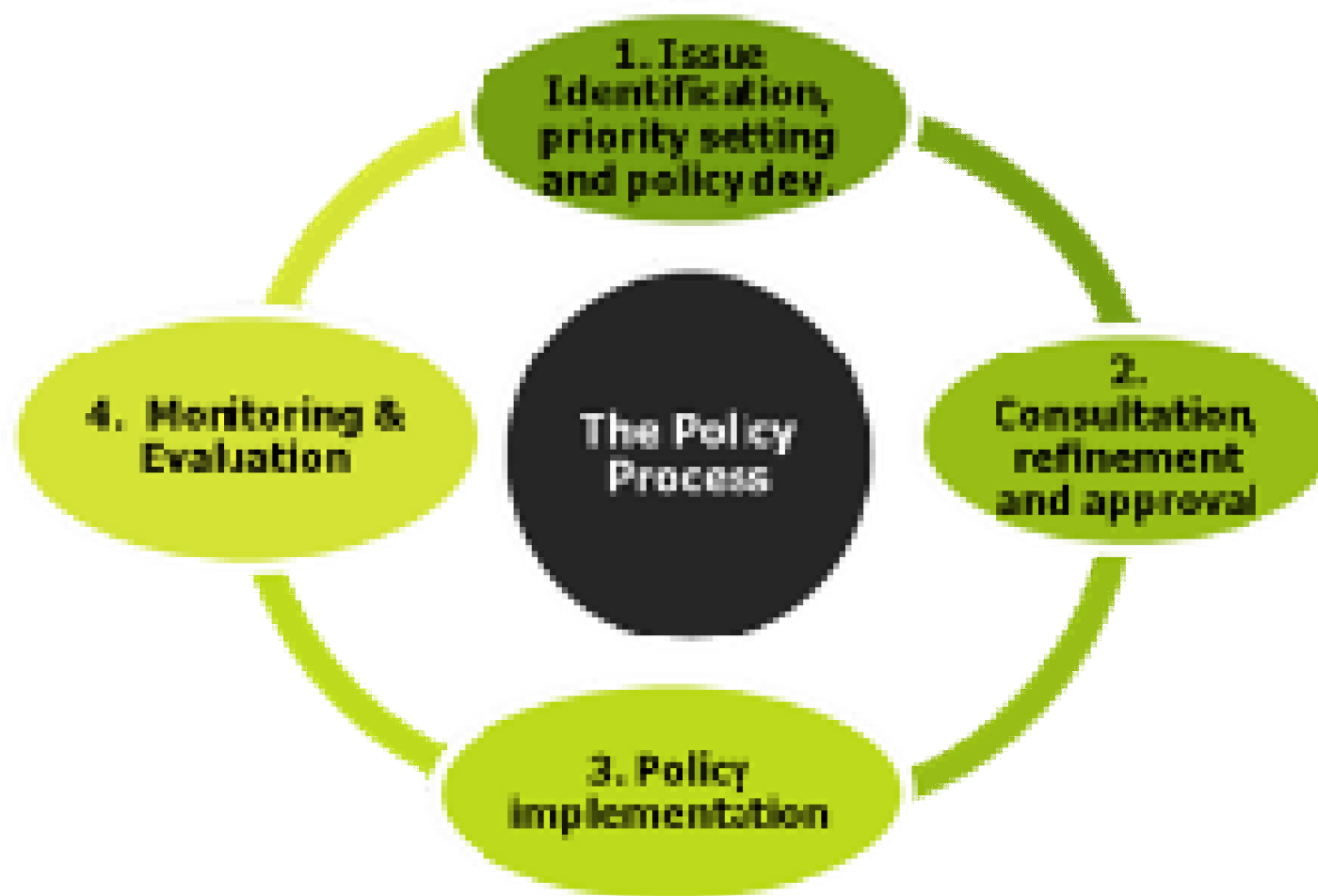


Why the interest?

Energy consumption by fuel – 2011



Policy approach



Oil supply disruption

- “ Distinction between disruption in New Zealand market and disruption in international market
- “ International: Disruption outside NZ that would result in global oil price spike
- “ Domestic: Disruption to NZ supply chain – supply shortfalls



International Energy Agency



- “ Collective stockholding by oil consuming countries
- “ Release stock during severe international disruptions
 - . Moderates extreme oil price spikes
- “ NZ obligation: contribute 90 days of net oil imports to stockholding



Triggers

Triggers of IEA measures:

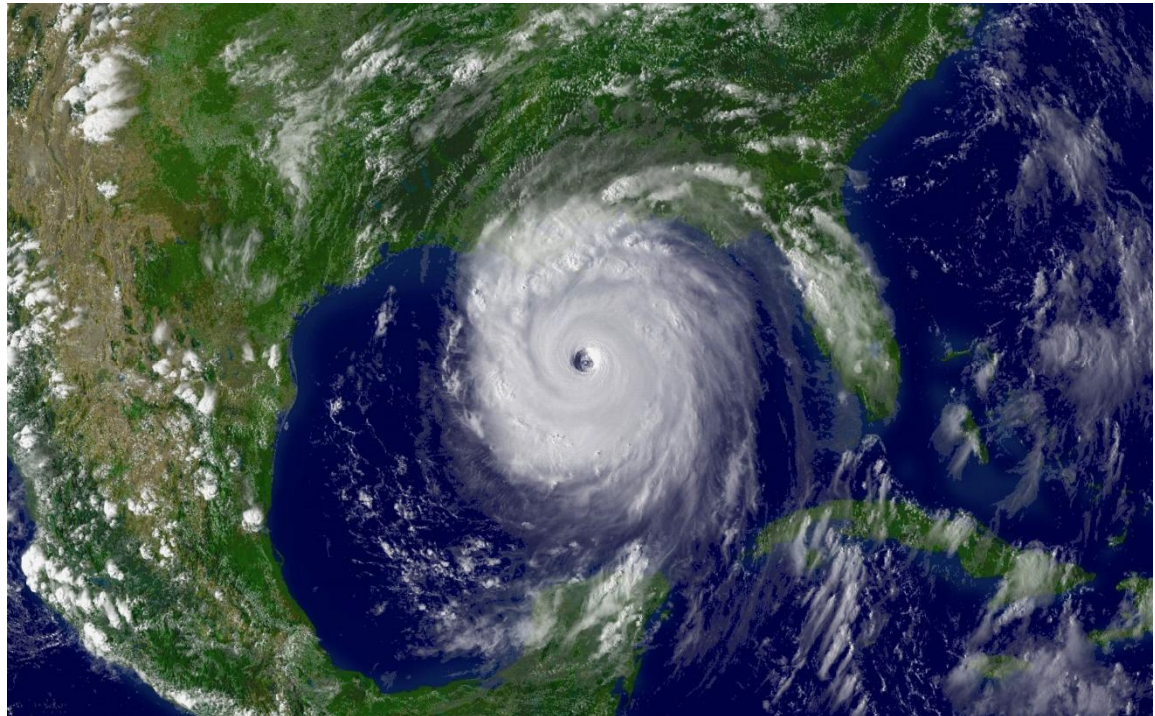
- “ Extreme weather
- “ Civil unrest
- “ Unforeseen technical problems



Triggers

“ Examples

- . 1991: Gulf War – voluntary demand restraint and supply boost
- . 2005: Hurricane Katrina
- . 2011: Libya



Member countries

- ” 28 members
- ” Must be OECD member
- ” Must have:
 - . a demand restraint programme
 - . legislation necessary to operate IEA’s coordinate emergency response measures
 - . Information reporting



How it works for NZ

- ” Stocks held by industry in supply chain count towards obligation
- ” Balance is Government responsibility

- ” Gov holds options to purchase oil stock – “oil tickets”
 - . Stocks held overseas
 - . Release or purchase

- ” International Energy Agreement Act 1976
- ” Petroleum Demand Restraint Act 1981



Domestic oil security

- “ Focus on supply-side
- “ Minimise supply shortfalls from domestic infrastructure disruption
 - . Balancing with cost
- “ High impact low probability events



Current mechanisms

- “ National Emergency Sharing Organisation (NESO)
- “ MBIE: oil supply security
- “ MCDEM: contingency planning petroleum sector
- “ Oil Emergency Response Strategy

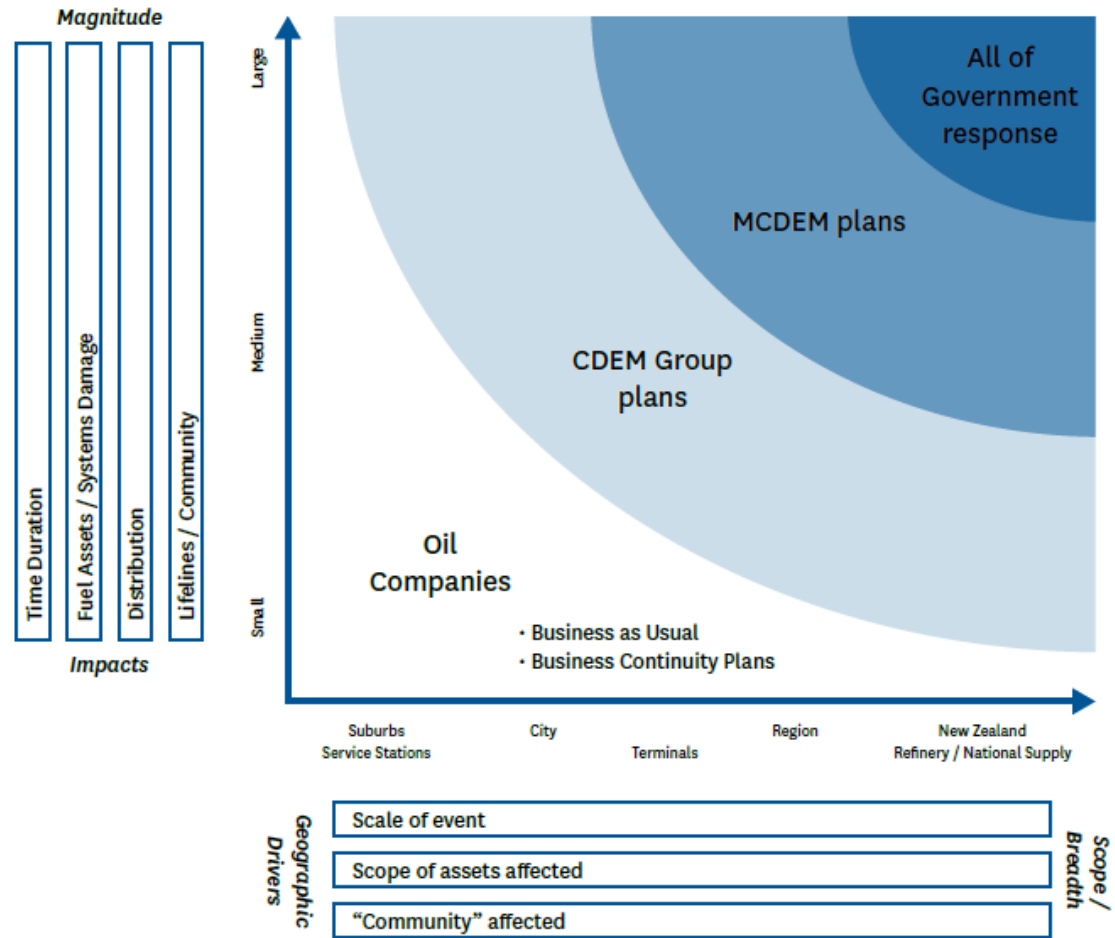


**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HIKINA WHAKATUTUKI

Current mechanisms



Current mechanisms

Sector/Agency	Planning Roles and Responsibilities
Lifeline Utilities (includes fuel sector)	<ul style="list-style-type: none"> Be able to function to fullest possible extent in an emergency, albeit at a reduced level.
	<ul style="list-style-type: none"> Have arrangements with fuel suppliers to get priority in an emergency.
	<ul style="list-style-type: none"> Participate in CDEM planning and exercises on an ongoing basis.
	<ul style="list-style-type: none"> Have continuity plans in place for organisation and sector.
	<ul style="list-style-type: none"> Provide technical advice to CDEM.
Service Stations	<ul style="list-style-type: none"> Maintain Business Continuity Plans to ensure continued operation.
	<ul style="list-style-type: none"> Maintain plans to access power backup in an emergency.
	<ul style="list-style-type: none"> Test arrangements as part of CDEM exercises.
CDEM agencies	<ul style="list-style-type: none"> Maintain national/regional CDEM fuel contingency plans.
	<ul style="list-style-type: none"> Identify national/regional CDEM Critical Fuel Customers and priorities.
	<ul style="list-style-type: none"> Support fuel sector and Local Authorities, as required for regional fuel distribution disruptions.
MED	<ul style="list-style-type: none"> Maintain the Oil Emergency Response Strategy.
	<ul style="list-style-type: none"> Manage and coordinate govt response to national fuel supply disruption.
	<ul style="list-style-type: none"> Convene and chair NESO.



Some conclusions

- “ NZ fuel supply network is reasonably robust
- “ Industry adept at responding to most supply disruptions
- “ Already processes in place to manage severe disruptions
- “ No need for significant capital expenditure by gov in oil supply network



Non-starters

- “ Options from consultation that didn’t make the cut:
 - “ Increased domestic stockholding – low net benefit
 - “ International agreements to access fuel quickly in emergency – unlikely to be effective
 - “ Protect future expansion at Wiri fuel terminal – addressed through RMA
 - “ Pre-emptively approve Australian fuel specifications for emergency – current approach more flexible
 - “ Requirement for additional trucking capacity - low net benefit
 - “ New fuel terminal in West Auckland – low net benefit



Implementation – measures to progress

- “ High productivity motor vehicle routes
- “ Oil contingency handbook
- “ Technical analysis – preemptive planning of RAP/WAP bypass?
- “ Public information on fuel stocks and storage
- “ Back-up electricity at service stations
- “ Hazard prevention and response
- “ Oil security working group



Oil security group

- ” National Lifelines Committee
- ” Producers and distributors
- ” Consumers including major fuel customers
- ” Government agencies – MOT, NZTA, MCDEM



Oil security group – likely work streams

- “ Oil contingency handbook
- “ High productivity motor vehicle routes
- “ Preemptive planning of RAP/WAP bypass
- “ Fuel stocks and storage information



Oil security handbook

- “ Outline responsibilities
- “ Procedures in the event of an oil supply disruption – greater clarity
- “ How can industry and agencies collaborate best?



Gas disruption study

- “ Risks, implications and risk management of a major disruption in the natural gas supply chain
- “ Builds on and extends 2009 analysis by Centre for Advanced Engineering
- “ Interested in vulnerabilities, impact of regulatory framework on security of supply, adequacy of current practices to mitigate risk
- “ High impact low probability events



Gas disruption study



- “ Pipelines
- “ Productions stations
- “ Wells/platforms
- “ Distribution systems
- “ Regulations



Gas disruption study



"Excellent! So that's all agreed, then! All we need do now is draft the consultation document."

" Consultation paper....

...stay tuned.

" Lifeline groups can add value

