Fuel security pitch for Marsden Pt biorefinery

Felicity Wolfe, Energy News
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A domestic feedstock supply has been located for the biorefinery planned for the site of the former Marsden Point oil refinery, Channel Infrastructure says.

Chief executive Rob Buchanan says that in the wake of global fuel shortages caused by the United States-Iran war, projects such as the biorefinery are now being positioned as important for New Zealand's energy resilience.

While he won't say what the feedstock is, he is confident of its availability.

"Having an operational biofuels plant that can manufacture biodiesel or sustainable aviation fuel is great and it's sustainable, but actually this stock is domestic, and so it's quite secure," he told Energy News.

The refinery project is led by US-based Seadra, which planned to buy the decommissioned Marsden Point hydrocracker when oil refining ended in 2022, but in 2024 decided to instead use the former crude oil refining asset in a new biorefinery at the Northland site.

Channel will be a landlord for the plant. Other consortium members are Qantas, ANZ NZ, Tokyo-based energy company Renova Inc and British energy assets company Kent Plc, as well as Ballance Agri-Nutrients and Air New Zealand, which joined this year.

Reframing biofuels

Buchanan says that previously, talk about renewable fuels - "whether it's biofuel, marine fuel, whatever" - has focused on sustainability. But that is being reframed as "secure" fuel, he says.

"As I said before, the feedstock in the case of the biofuels plant that we're looking at is all domestic.

"None of that has to transit the Strait of Hormuz. None of that has to go through other contested waters. That feedstock is all here in New Zealand, and so it's reliable and secure."

The cost difference between fossil and renewable assets has also reduced as crude prices have increased, making such projects more attractive from an "economic and a resiliency perspective".

Buchanan says Channel continues to evaluate opportunities at Marsden Point. In 2024 it outlined long-term plans for a large-scale energy precinct - including the biorefinery - to make use of its existing infrastructure, planning designations, consents and proximity to Auckland.

Work on a bitumen import terminal for Vinchy subsidiary Higgins, begun last year, is on track for delivery in the current quarter of this year, he says.

Last year Channel floated plans for a diesel peaker at the Marsden Point site, but Buchanan says that project remains shelved in the wake of the Government's confirmation in February that it was going ahead with plans to import liquefied natural gas.

Whether the LNG importing terminal project goes ahead depends on the outcome of the 7 November general election, with Labour, the Greens and Opportunity all opposed to it.

"The project remains on hold, with any peaker or strategic resilience project only proceeding where there is long term customer support and appropriate risk adjusted returns."

When asked about batteries, Buchanan reiterates previous comments that Channel does not believe lithium-ion batteries are right

for the precinct: "There's plenty of other people that are doing that that are really good at it".

The firm is, however, still looking at the idea of flow batteries, which store energy in liquid electrolytes and discharge over several hours.

In August, he said that if that technology is proven at scale, it could be an ideal use of Marsden's biggest ex-crude tanks.

Speaking to Energy News yesterday, Buchanan says that idea is a "further out" opportunity, but Channel is "keeping an eye on and talking to a few of the early startups that are looking at that technology".

"It's important to stick to the things that you're good at - and we're really good at owning, operating, refurbishing, and building tanks and pipes."

Revised outlook

The firm this week released Envisory's latest throughput forecast update, which expects higher petrol and diesel demand for longer than previously envisaged.

Buchanan notes that diesel is a key underlying input for economic growth and that New Zealand's key agricultural products exports should rise as the economy recovers.

"Diesel is pretty fundamental in terms of getting those products to market," he says. "You could see continued growth in the consumption of diesel."

Buchanan expects jet fuel - which Envisory projects will be depressed on current global price rises and economic factors in the shorter term and softer than previously forecast - will strengthen in the longer term through to 2050.

Buchanan points to the rise of jet fuel prices and "what's happened to crack spreads and also crude prices" this year, saying "that's pretty challenging for a number of the airlines that service New Zealand."

But jet fuel is a key enabler for New Zealand's "other hard-value export" tourism and will continue to be a growth opportunity for the Marsden import terminal in the long term, he says.

"Because that's how people get here, having travelled long distances to our kind of small islands in the bottom of the South Pacific. We continue to see good inbound tourism and traveller numbers into New Zealand, and hopefully, as the economy picks up in New Zealand, Kiwis will be able to travel more as well."

Fuel security work

In the shorter term, the firm is focusing on the more pressing things it is doing, including fuel security. It delivered 93 million litres of diesel storage for the Government within nine weeks earlier this year, with Buchanan noting the tanks are "now full of diesel and supporting the country with nine days' worth of diesel demand in the reserve".

In July, Channel also delivered Z Energy's jet fuel tank - "a very significant asset" - six months ahead of schedule.

"And then we announced a jet and diesel deal with BP at our results, which was now some best part of $65 to $70 million in refurbishing tanks within supporting jet and diesel storage needs," Buchanan says.

That storage will come into operation progressively through 2028.

Buchanan says the final stages of the Marsden Point site's conversion - the bund and fuel terminal upgrades - that are currently under way will be completed by the end of next year.

"So it's a really busy site. I'm really stoked about the fact that we're able to utilise a whole bunch of Northland-based contractors to support us with that - and it couldn't come at a better time for that community," he says.

"All of our projects have been on time and on budget and suddenly completed, and we're really proud of that track record," Buchanan says.

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