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Australia's liquid fuel security: Budget update

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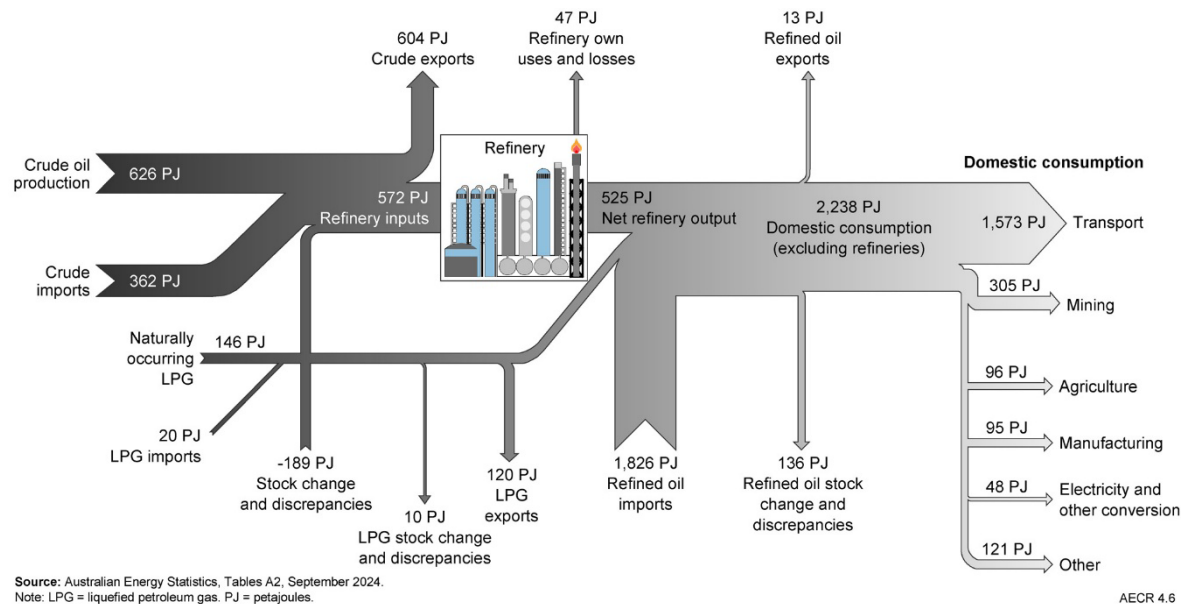
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Australia's liquid fuel security has a [long history](#) of policy debate and is subject to changing trade and industry dynamics. Fuel supply and security was also a [key focus](#) in the 2026–27 Budget in response to ongoing supply disruptions in the Middle East. This FlagPost outlines Australia's liquid fuel supply chain, storage arrangements, and some key measures from the budget.

Where does Australia's liquid fuel come from?

Australia relies on imported liquid fuels. These fuels include diesel, petrol, and aviation fuel produced by refining crude oil. Figure 1 shows oil energy flows through the Australian economy.

Figure 1 Australia's oil energy flows, 2022–23



Note: PJ = petajoule, a measure of the energy content of fuels.

Source: Geoscience Australia, 'Oil' in Australia's Energy Commodity Resources, 5th edn., 2025.

Australia's liquid fuel supply is exposed to international markets and events. In 2023–24, 79% of [refined petroleum products consumed](#) in Australia were imported (p. 45). In 2025, [17% of refinery feedstock](#) was from Australian sources. The concentrated nature of import sources, and their reliance on global [oil transport choke points](#), compounds this. Resilience to supply disruptions depends on import diversification, adequacy of reserves and refinery viability.

Nearly 60% of Australia's imported crude oil and liquid fuels came from 3 countries in 2025: South Korea, Singapore, and Malaysia (Table 1). The Middle East is the main source of crude oil for [Singapore and South Korea](#), accounting for 70% of their supply. Countries in the Middle East are major crude oil exporters and depend on shipping lanes, including the [Strait of Hormuz](#), which accounted for nearly [34% of global crude oil traffic in 2025](#).

Table 1 Australia's top 5 oil and liquid fuel import sources, 2025

Country	% of total crude and refined liquid fuel imports	Crude oil & other refinery feedstocks (ML)	Total refined liquid fuel (ML)	Total crude oil and refined liquid fuel (ML)
South Korea	21.2%	0.0	12,602.0	12,602.0
Singapore	21.1%	18.9	12,499.2	12,518.1
Malaysia	17.3%	3,928.3	6,332.0	10,260.3
Taiwan	7.1%	0.2	4,230.7	4,230.9
India	7.0%	1.7	4,150.2	4,151.9

Note: Crude oil and refined liquid fuel includes crude oil and other refinery feedstocks, automotive gasoline, diesel and aviation turbine fuel.

Source: Compiled by the Library from the Department of Climate Change, Energy, the Environment and Water, [Australian Petroleum Statistics Data Extract February 2026](#), 'Imports Volume by Country' worksheet.

Australia's refining capacity

About 20% of Australia's liquid fuel comes from domestic refineries. Australia has [2 major refineries](#) — Geelong (Victoria) and Lytton (Queensland). The previously operating Kwinana and Altona refineries [converted to fuel import terminals](#) in 2020 and 2021, due to [declining profits and cheaper imports](#). Australia's remaining refineries are supported by payments from the [Fuel Security Service Payment \(FSSP\)](#), and the [Refinery Upgrades Program](#). The FSSP pays '[refiners a production payment](#) during loss-making periods based on the number of litres of FSSP fuels they produce'.

Australia exports most of its crude oil and refinery feedstock because it is lighter than that [required by Australian refineries](#). Oil from large oil and gas fields offshore of Western Australia account for [most exported oil](#).

Liquid fuel reserves and prices

There are 3 different official measures of [Australia's liquid fuel reserves](#). Each serves a different purpose and uses different methods to calculate distinct estimates of Australia's fuel reserves (Box 1).

Box 1 Fuel reserve measures

Minimum Stockholding Obligation (MSO) days

The MSO sets [Australia's domestic liquid fuel reserve](#) volume. It requires refiners and importers to hold mandated levels of fuel in reserve. The MSO was introduced in response to Australian oil refinery closures as part of the [Fuel Security Act 2021](#).

International Energy Agency (IEA) days

As a signatory to the [Agreement on an International Energy Program](#), Australia is required to [hold oil stocks equivalent to at least 90 days of net imports and agree to contribute to IEA collective actions to reduce the impact of a major oil disruption](#). Australia has not met with this stockholding obligation since February 2012 ([slide 15](#)).

Consumption cover days

Consumption cover days measure [stocks in Australia \(on land and domestic and coastal waters\) held on the last day of each month divided by the average daily consumption](#) for the previous 12 months. This is based on average consumption levels.

The Department of Climate Change, Energy, the Environment and Water publish MSO data [weekly](#). IEA days and consumption cover days are reported monthly in the [Australian Petroleum Statistics](#).

The [Australian Competition and Consumer Commission](#) and the [Australian Institute of Petroleum](#) publish fuel price information. Price reports include trends, [price drivers](#) and differences across Australia. State and territory governments manage fuel markets through price monitoring and reporting.

Budget 2026–27

The 2026–27 Budget included several actions to improve fuel security under the [Energy Sovereignty – Fuel Security and Resilience measure](#) (pp. 65–66). Some measures are subject to ongoing development and consultation. Measures include:

- approximately **\$7.5 billion** to facilitate [legislated](#) changes in March 2026 allowing Export Finance Australia (EFA) to support delivery of fuel and fertiliser cargoes as part of its new Strategic Reserve function. EFA has [underwritten](#) 'approximately 600 million litres of diesel and approximately 100 million litres of jet fuel' (at mid-May 2026). EFA has not stated how much has been spent, nor how funding might be spread over time.
- **\$3.2 billion** to establish a 1 billion litre diesel and aviation Australian Fuel Security Reserve. The [government-owned Fuel Security Reserve](#) 'will focus on regional stockouts and supply constraints for essential users in the event of another supply crisis.' How the reserve will operate, including if the Government will build and own storage facilities, or if they will engage with existing fuel suppliers to facilitate increased storage, is unclear.
- **\$10 million** for feasibility studies on new or expanded refining capacity

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- a commitment to increase MSO holdings to 50 days. This requires a [declaration](#) under the *Fuel Security Act 2021*.

Australia's fuel security is influenced by global events. While domestic actions can improve resilience to shocks, exposure to international markets and supply chains remains a key feature.

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