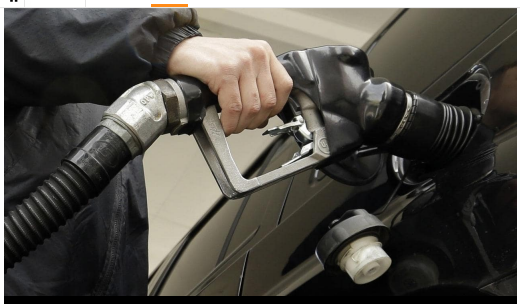

ENERGY Minister Josh Frydenberg has ordered an urgent review of Australia's liquid fuel reserves as the country dips below 50 days, but says it should "not be construed as Australia having a fuel security problem".

The International Energy Agency mandates that countries hold at least 90 days' supply, but Fairfax reported on Monday that Australia has just 22 days of crude oil, 59 days of LPG, 20 days of petrol, 19 days of aviation fuel and 21 days of diesel remaining.

Australia depends on the Middle East for 91 per cent of its transport fuel imports, but recent instability in the region amid US-led air strikes on Syria has prompted warnings that the country has no "plan B" in case of an oil and fuel supply interruption.

"The Turnbull Government will assess Australia's liquid fuel security to help deliver affordable and reliable energy," Mr Frydenberg said in a statement. "Liquid fuel, such as petrol, diesel and jet fuel, accounts for 37 per cent of Australia's energy use, including 98 per cent of transport needs.

"Over the past two years, we have been focused on securing reliable and affordable electricity and gas. It is time now to consider Australia's liquid fuel security. The assessment is the prudent and proper thing to do to make sure we aren't complacent. It should not be construed as Australia having a fuel security problem.

"The comprehensive assessment will look at how fuel is supplied and used in Australia, including our resilience to withstand disruptions both overseas and in Australia. We have not experienced a significant disruption to fuel supplies since the OPEC oil crises in the 1970s, but there is no room to be complacent," the statement said.

"Australia's liquid fuel supply increasingly depends on overseas sources and relies on market forces to maintain reliability and affordability. The assessment will identify whether the government should take further steps to ensure Australia's domestic fuel supply is reliable.

"The assessment will also help inform Australia's plan to return to compliance with the International Energy Agency's emergency stockholding obligations by 2026.

"The assessment of liquid fuels will be completed by the end of 2018 and contribute to a broader consideration of energy security across liquid fuel, electricity and gas supplies in the National Energy Security Assessment by mid-2019."

Last month, Liberal Senator and former Australian Army major general Jim Molan hit out at the "business as usual approach" and said it was time to "see action".

"We stand in real trouble and this is a single point of failure for Australia, very similar to what could happen in a cyber situation," he said.

"The way that we seem to get around this is that we buy credits overseas which ignores the entire problem. Those credits say that if things go wrong we can buy from overseas but ... our supply lines of communication by ship are likely to be either threatened or because of insurers nothing will come to us at all."

Sixty per cent of the engine fuel used by Asia comes from the Gulf.

"So we see streams of ships coming round from the Gulf, coming across the Indian Ocean, going through the straits through the South China Sea to where it's refined for us," Mr Molan said.

"It's refined in Singapore, yes, but it's also refined in Japan, in Korea and in China. It then is turned into diesel, aviation fuel and petrol and comes down in ships to Australia's ports."

Mr Molan warned Australia was one of the few places in the world without a government-mandated strategic reserve of fuel, and that if conflict broke out in our region and current stockpiles of petrol, diesel and aviation fuel ran dry, the military would effectively be grounded.

"I can't imagine that armoured vehicles in the forces in the near future are going to work off renewables or off electricity or off whatever," he said.

Dr Paul Barnes, head of risk and resilience at the Australian Strategic Policy Intitute, said the fuel security review should form part of an updated National Energy Security Assessment (NESA) — the most recent one was conducted in 2011.

"This has been coming for some time," he said.

"Obviously our reliance on maritime supply chains for our refined fuels is important, but equally it's been seven to eight years since the last full NESA has been done.

"It links to the broader issue of what our critical infrastructure in Australia is, and certainly fuel refineries are an element of critical infrastructure we need to look at."

Dr Barnes said the government had a number of stopgap measures it could take in the event of an emergency. "They currently have tickets similar to promissory notes with near neighbours, we can get emergency supplies from Singapore and other nations close to home," he said.

"There's also emergency legislation for rationing of supplies. These things could be enacted as required, but they're short-term. It would be better to ensure we have resilience of supply."

Professor Peter Leahy, director of the University of Canberra's National Security Institute and former chief of the Australian Army, said the government should have acted on a 2013 report into this issue by retired Air Force officer John Blackburn.

"It's not just fuel," he said. "There's limited supply of pharmaceuticals and a whole range of other items you'd consider to be essential [that could] really have an impact on our community and society.

"At one stage they calculated we only have 14 days worth of yeast. People say, 'What about the bread?'. Bugger the bread, what about the beer?"

Prof. Leahy said while there would be calls to begin refining fuel in Australia again, he wasn't convinced. "I think the issue is having the strategic reserves in place across a whole range of essential items," he said.

"Even if we refined crude oil here, we'd still have to import that, and we're still vulnerable along lines of supply."

frank.chung@news.com.au