

**Archived:** Monday, 28 June 2021 11:34:44 am

**From:**

**To:** [David Darby](#) [Phillippa Fox](#) [Justine Cannon](#) [Gareth Wilson](#) [Laurie Boyce](#) [Bertrand Ngai](#)

**Subject:** FW: Refining NZ Strategic Review [UNCLASSIFIED]

**Importance:** Normal

**Sensitivity:** None

**Attachments:**

[Refining NZX announcement Strategic Review 150420 Final.pdf](#); [Refining NZ - SR ministerial briefing note 150420.pdf](#);

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I'm sure most of you will have seen this already, fyi if not

**Andrew Hume**

POLICY DIRECTOR ENERGY AND RESOURCE MARKETS

Ministry of Business, Innovation & Employment | Te Manatū Pakihi, Auahatanga ne Ngā Kaupapa ā Mah

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**From:** Greg McNeill <Greg.McNeill@refiningnz.com>

**Sent:** Wednesday, 15 April 2020 8:38 AM

**To:** Andrew Hume <Andrew.Hume@mbie.govt.nz>

**Subject:** Refining NZ Strategic Review

Hi Andrew,

This morning Refining NZ announced that the Company will start a strategic review to consider options for the operations and capital structure of the business going forward.

The first phase of the review will be undertaken over April/ May and we expect to have more to say in June.

A copy of the announcement made this morning is attached, along with a briefing note on the purpose for the review and how we wish to engage with government through the review process.

Kind regards

Greg

**Greg McNeill**

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## Briefing Note

<b>Topic:</b>	<b>Commencement of Strategic Review by Refining NZ</b>
<b>Date:</b>	<b>15 April 2020</b>
<b>Circulation:</b>	<b>Minister Woods, Minister Robertson, Minister Parker, Minister Faafoi, Minister Jones</b>

### Introduction

*Refining NZ will today announce the commencement of a Strategic Review to determine the optimal business model and capital structure for its assets that will maximise “through the cycle” returns to shareholders and deliver secure, competitive fuel supply to New Zealand.*

1. Refining NZ is commencing a Strategic Review now to determine the path for how we come out of COVID, play a role in recovery of the New Zealand economy and future transition to a lower carbon fuel mix and have a business that is robust through the low points in the cycle like we are seeing at present.
2. The Strategic Review will assess:
  - opportunities to improve the competitiveness of refining operations
  - options to separate the refining and infrastructure assets
  - options to convert to a fuel import business model
  - the capital structure required to maximise value for shareholders.
3. The Strategic Review process will not impact on the day-to-day operations of the company.

### What we need from Government

4. Refining NZ is seeking to engage with Government through the Strategic Review process and discuss the options under consideration, in particular with regard to:
  - security of fuel supply for New Zealand
  - the strategic importance maintaining refining capability and optionality for fuel supply in New Zealand
  - the contribution of Refining NZ to the Northland economy (through economic activity and high-paid and high-skilled jobs)
  - the role Refining NZ's skills, capabilities and assets may play in a future transition to lower carbon fuels.
5. Refining NZ will initially engage through MBIE on these matters and would also value the opportunity to brief key Ministers directly at the appropriate time.

## About Refining NZ

6. Refining NZ owns New Zealand's only oil refinery, located at Marsden Point and supplies about 70% of the nation's demand for transport fuels. Refining NZ also owns and operates critical fuels infrastructure assets including jetties, tanks and the Refinery to Auckland Pipeline (RAP) which distribute fuel to the terminal at Wiri, south Auckland.
7. Since 2005 the company has invested around \$750 million in major projects that have lifted production capability, allowed the production of cleaner fuels and reduced its carbon footprint. Sulphur content in fuel products has been reduced by about 24,000 tonnes per year and CO<sub>2</sub> intensity by 20% since 2008. s9(2)(b)(ii) and s9(2)(ba)(i)
8. Refining NZ is today New Zealand's largest manufacturer of hydrogen and has a "shovel ready" solar project (currently on hold), with the potential in the future to produce green hydrogen, a key component in the production of biofuel for heavy transport and aviation, or as an alternative transport fuel in its own right.
9. Refining NZ's refinery and infrastructure exclusively service Z Energy, Mobil and BP under a Processing Agreement put in place in 1995 following the de-regulation of the industry. Refining NZ will be working with customers through the Strategic Review process to assess the optimal business model option.
10. Refining NZ is listed on the New Zealand stock exchange. Z Energy, Mobil and BP own 43% of its shares, with the balance held by other public shareholders. Refining NZ has a market capitalisation of c\$275 million and currently has net debt of c\$250 million.

## Challenging business environment

11. s9(2)(b)(ii) and s9(2)(ba)(i)

12. s9(2)(b)(ii) and s9(2)(ba)(i)

13. s9(2)(b)(ii) and s9(2)(ba)(i)

### For further information:

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15 April 2020

NZX Announcement

### Refining NZ announces Strategic Review

Refining NZ today announced the commencement of a Strategic Review to determine the optimal business model and capital structure for its assets that will maximise “through the cycle” returns to shareholders, and deliver secure, competitive fuel supply to New Zealand.

Announcing the review, Chairman, Simon Allen said: “Refining NZ has quickly responded to the current COVID-19 situation but is challenged by structural conditions resulting in low refining margins globally and oversupply in the Asia region. It is appropriate for us to review the fundamentals of the business and the Company’s future within the New Zealand fuel supply chain.

“The Company has a significant investment in infrastructure critical to the New Zealand fuel supply chain, alongside a refinery that can provide critical skills and capabilities to the economy as it transitions to a lower carbon future. The Strategic Review will allow us to determine the best future use of these assets to support secure, competitive fuel supply to New Zealand, now and into a lower carbon future.”

The Strategic Review will look at opportunities to improve the competitiveness of refining operations and options to separate the refining and infrastructure assets or convert to a fuel import business model. The review will also look at the capital structure required for the preferred option to maximise value for shareholders.

The Chief Executive Officer, Naomi James, said: “Refining NZ’s assets play a critical role in the supply of transport fuel in New Zealand and the Company’s infrastructure position provides a strong competitive advantage, particularly in the supply of fuels to Auckland and surrounding areas. As well as the Company’s role in the fuel supply chain, Refining NZ is a major employer and makes an important contribution to the Northland economy. We know that the future for this business will need to look different and are open to all options to operate a high-performing, competitive refining and infrastructure business, and to alternative future import business models.

“Taking the step to commence this Strategic Review now ensures we can put in place the right plans for the Company’s future as we come through COVID-19 and play our role in supporting the recovery of the New Zealand economy. We will be working closely with our customers, government and other stakeholders through this process to make sure we consider all the options to provide a secure, competitive fuel supply to New Zealand now and into the future as requirements change.”

The Strategic Review is being led by the Chief Executive Officer, with support from external advisors. Refining NZ expects to provide an update on the Strategic Review process in June 2020.

More detail on the Strategic Review and opportunities available for the refinery and the infrastructure assets is available in the attached presentation.

**For information:** Greg McNeill, Communications and External Affairs Manager

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