

Out of Scope

From: Ellie Martel <Ellie.Martel@refiningnz.com>
Sent: Thursday, 25 June 2020 8:45 am
To: Andrew Hume; Energy Markets
Subject: Refining NZ strategic review
Attachments: NZR - Strategic Review Update -NZX announcement -FINAL.pdf; Strategic Review Media release Final .pdf; s 9(2)(b)(ii) and s 9(2)(ba)(i)

Categories: Tracked To Dynamics 365

Morning Andrew, please find attached our updates on the strategic review.

Nga mihi,

Ellie Martel

Government Relations Manager
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Mobile s 9(2)(a)
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REFINING NZ
Your Energy Hive

NZX announcement

25 June 2020

Refining NZ provides update on Strategic Review

On 15th April, Refining NZ announced a Strategic Review to determine the optimal business model and capital structure for its assets to maximise “through the cycle” returns to shareholders and deliver secure, competitive fuel supply to New Zealand. Refining NZ is providing a market update on progress of the Review.

The first phase of the Strategic Review included extensive engagement with customers, Government and other stakeholders in order to assess all of the options available. The Board and Chief Executive Officer have assessed the robustness of a range of business model options in an environment where refining margins are expected to remain lower than they have been historically for an extended period of time.

To improve the near-term viability of its current business model, Refining NZ will now develop plans to simplify refinery operations and structurally reduce operating costs, while focusing on fuel supply into the Auckland and Northland markets where it has a competitive advantage due to its Marsden Point infrastructure and Refinery to Auckland Pipeline.

The development of plans to simplify refinery operations is intended to enable the company to extend cash neutral operations into 2021 under a Fee Floor scenario, with the company taking prompt action to manage those things within its control. The plans are expected to be finalised around the end of Quarter 3, 2020.

In parallel the company will continue to evaluate a possible future staged transition to an import terminal, including exploration of a commercial framework with customers, overseen by the Independent Directors. This process will include consideration of the optimal timing of any conversion, the sequencing of supply chain changes, the scale of costs related to an import terminal conversion program, and the range of commercial terms for terminal and pipeline operations. The funding requirements for any conversion would depend on the exact configuration of any terminal conversion, its commercial framework and timing. Such a transition would require shareholder approval.

Announcing the update, Chairman, Simon Allen said: “Refining NZ is committed to delivering a strategic outcome which delivers sustainable returns for our shareholders over the longer-term. At the same time, we are conscious of the significance of the options under consideration and the potential impacts on our people and the local community. We will continue to work closely with all stakeholders to ensure the right decisions are made and implemented in a planned and co-ordinated way to ensure the safe, reliable supply of quality fuels to New Zealand now and into a lower carbon future, while managing the impact of changes on our people and the local community”.

Refining NZ expects to provide a further update on the Strategic Review process by the end of the next quarter.

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REFINING NZ
Your Energy Hive

Media release

Refining NZ to simplify refinery operations and evaluate further changes

June 25, 2020

Refining NZ has finished the first phase of its strategic review, and will now develop plans to simplify refinery operations and structurally reduce operating costs in order to improve the near-term viability of its current business model. The refinery will focus on fuel supply into the Auckland and Northland markets where it has a competitive advantage due to its Marsden Point infrastructure and Refinery to Auckland Pipeline.

The development of plans to simplify refinery operations is intended to enable the company to extend cash neutral operations into 2021 under a Fee Floor scenario, with the company taking prompt action to manage those things within its control. The plans are expected to be finalised around the end of Quarter 3, 2020.

In parallel the company will continue to evaluate a possible future staged transition to an import terminal, including exploration of a commercial framework with customers, overseen by the Independent Directors. This process will include consideration of the timing of any conversion, supply chain changes, costs and funding requirements. Such a transition would require shareholder approval.

Refining NZ Chairman, Simon Allen, said: "Refining NZ is committed to delivering a strategic outcome which delivers sustainable returns for our shareholders over the longer-term. At the same time, we are conscious of the significance of the options under consideration and the potential impacts on our people and the local community. We will continue to work closely with all stakeholders to ensure the right decisions are made and implemented in a planned and co-ordinated way to ensure the safe, reliable supply of quality fuels to New Zealand now and into a lower carbon future, while managing the impact of changes on our people and the local community".

Refining NZ CEO Naomi James said: "The world has changed. We have acted quickly to stop the cash losses from our refinery, which has enabled us to continue operating through COVID-19. We now need to extend these measures beyond the short term by simplifying our refinery operations.

"The safety and wellbeing of our people and our operations are our key focus through this time. We are also conscious that changes we make have broader impacts in the region, and so will be focused on working with Government and other stakeholders to develop a planned approach to transition.



REFINING NZ
Your Energy Hive

Media release

“We own highly strategic infrastructure fuelling New Zealand’s largest city and, as we navigate our way through the short term challenges, are focused on coming out of our strategic review process with a business that is robust and represents an attractive investment proposition.”

The first phase of the strategic review included extensive engagement with customers, Government and other stakeholders in order to assess all of the options available. The Board and Chief Executive Officer have assessed the robustness of a range of business model options in an environment where refining margins are expected to remain lower than they have been historically for an extended period of time.

Refining NZ expects to provide a further update on the strategic review process by the end of the next quarter.

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Background information:

On 15th April, Refining NZ announced a strategic review to determine the optimal business model and capital structure for its assets to maximise “through the cycle” returns to shareholders and deliver secure, competitive fuel supply to New Zealand. Refining NZ is providing a market update on progress of the review.

This review is being undertaken in response to a structural change in the global refining industry, driven by growth in new capacity in Asia, well in excess of regional demand, which has resulted in very low refining margins.

About Refining NZ:

Refining NZ is well regarded as one of South Pacific’s safest and most reliable refineries. We are strongly committed to safety, our people, our community, our environment and our economy.

Crude oil bought by our oil company customers (BP, Mobil, Z Energy) is shipped to our deep-water port at Marsden Point, near Whangarei for refining into high quality transport fuels for New Zealand.

As a critical part of New Zealand’s national energy infrastructure, we are responsible for supplying:

- around 85% of the country’s jet fuel
- around 67% of diesel
- around 58% of all petrol
- all fuel oil for ships

ENDS