MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

EVENT BRIEFING

Visit to the Marsden Point Refinery

Date:	26 February 2021	**Priority:**	Medium
Security classification:		**Tracking number:**	2021-2384

Action sought		
	Action sought	**Deadline**
Hon Dr Megan Woods Minister of Energy and Resources	**Note** the background information and talking points for your visit to the Marsden Point Refinery on 2 March 2021.	2 March 2021

Contact for telephone discussion (if required)				
Name	**Position**	**Telephone**		**1st contact**
Justine Cannon	Manager, Energy Markets Policy	04 901 8597	s 9(2)(a)	✓
Gareth Wilson	Principal Advisor	04 460 1375		

The following departments/agencies have been consulted
N/A

Minister's office to complete:

☐ Approved ☐ Declined
☐ Noted ☐ Needs change
☐ Seen ☐ Overtaken by Events
☐ See Minister's Notes ☐ Withdrawn

Comments

MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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EVENT BRIEFING

Visit to the Marsden Point Refinery

Date:	26 February 2021	**Priority:**	Medium
Security classification:	In Confidence	**Tracking number:**	2021-2384

Purpose

To provide you with background information and suggested talking points for your visit to the Marsden Point Refinery on 2 March 2021.

Recommendations

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** that you have agreed to visit the Marsden Point Refinery on 2 March 2021.

Noted

Justine Cannon
Manager, Energy Markets Policy
Building and Resource Markets, MBIE

25 / 02 / 2021

Hon Dr Megan Woods
Minister of Energy and Resources

..... / ...... / ......

Your visit to the Marsden Point Refinery

1. You are visiting Refining New Zealand (RNZ) to tour the Marsden Point Refinery on 2 March from 2:00 to 3:30 pm. The refinery is temporarily shut down for maintenance.
2. You will be accompanied by two MBIE staff, Pip Fox, General Manager, Energy and Resource Markets and Andy Hume, Policy Director, Energy and Resource Markets.
3. The site address is 12 Ralph Trimmer Drive, Ruakaka, Northland. You are requested not to enter the Visitor Centre carpark off SH15, but proceed almost all the way to the main gates of Northport and turn right into Ralph Trimmer Drive. The carpark is immediately on your right. Please proceed to the guard house to sign in, taking care to remain on pedestrian crossings.
4. After signing in, you will be met by RNZ's Head of People, Caz Jackson, who will escort you to the conference room overlooking the site. There you will also meet CEO Naomi James and potentially Refinery Manager Jack Stewart. A brief biography of Naomi James is attached in Annex One.
5. Caz Jackson can be contacted on 021 840 475, if necessary.
6. At around 2.40pm you will change into PPE supplied by RNZ (overalls, hard hat, boots, glasses) and proceed to a van for a drive around the site. You will return to the main office to remove PPE around 3:15pm and depart at 3:30pm.
7. Potential topics for discussion and suggested talking points are attached in Annex Two.

Refining New Zealand

8. The Marsden Point Refinery is owned and operated by RNZ. Until recently, RNZ typically supplied 65-70 per cent of the country's fuel demand for the main petroleum products (petrol, jet fuel and diesel).
9. RNZ commenced a strategic review of its business in early 2020 in light of challenging global refining market conditions. Weak refining margins resulting from excess refining capacity in the Asia Pacific region were exacerbated by the impact of COVID-19 throughout 2020. RNZ has indicated the business environment in 2020 was the most challenging faced by the refinery in its 60 year history.
10. Significant fuel demand reductions due to travel restrictions, combined with very low refining margins, required RNZ to make significant operating changes to reduce refinery production and non-essential activity. This included operating the refinery's processing facilities on a rotating basis to produce at substantially lower rates, as well as a full shutdown for six weeks in the middle of the year to help balance supply across New Zealand. This simplified mode of operation was unique and was achieved with no process safety incidents or recordable cases.
11. The significant reduction in operating costs enabled the refinery to continue operating on a break-even basis with revenues supported at the level of a 'fee floor' agreed with its customers. A copy of RNZ's market announcement of its 2020 full-year results is attached in Annex Three.
12. As well as refinery processing, RNZ owns and operates a key part of New Zealand's fuel infrastructure, including the Refinery-Auckland Pipeline (RAP). It is the key supply route for all fuels, whether produced at the refinery or imported, into Northland, Auckland and the northern Waikato regions. RAP revenues were down 20 per cent in 2020 due to reduced volumes.

Strategic review progress

13. RNZ completed the first phase of its strategic review in June 2020, during which it engaged with all stakeholders and the Government. We briefed you during that phase of the review to support the Government's engagement with RNZ. [Briefings 3034 19-20, 3319 19-20, and 3702 19-20 refer]

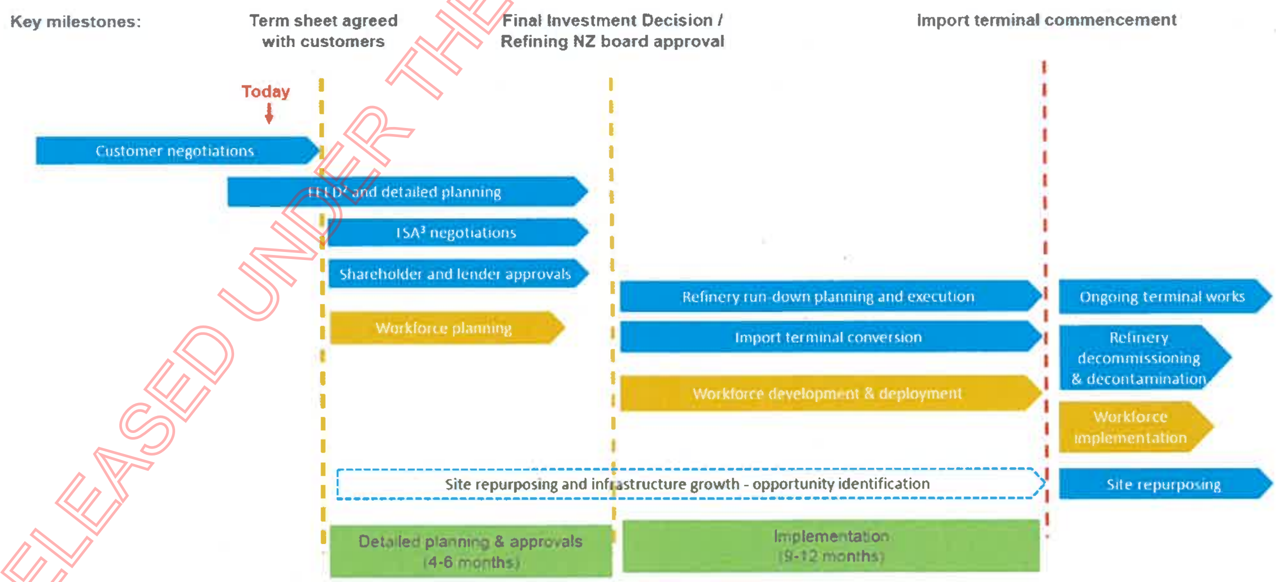
14. Following the review's first phase RNZ adopted its simplified operating model to enable extension of cash-neutral operations into 2021. In parallel, RNZ proceeded to engage with its customers and other stakeholders to explore a future staged transition to an import terminal. Central government agencies, including MBIE, are participating with local government and Northland business representatives in the Northland Recovery Working Group, and assisting with aspects of the community's response to RNZ's strategic review.

15. The proposed import terminal at Marsden Point would comprise the two existing jetties, and storage tanks with connections to the nearby truck loading facility (not owned by RNZ) and, through the RAP, to the Wiri terminal in Auckland.

16. RNZ is now well-progressed with its assessment of the import terminal option, with an understanding of the costs and time involved. Front-end engineering and design and detailed planning work is now underway.

17. RNZ has been negotiating with each of its customers, seeking to agree commercial terms of terminal access, including initial term (10+ years), a combination of fixed access fees and variable throughput fees, and provision of third party access to unutilised RAP capacity. RNZ has reached agreement in principle with BP on key commercial terms, including price (non-binding and subject to various conditions such as reaching agreement with other customers). Negotiations with Z Energy and Mobil are ongoing.

18. Conversion to an import terminal will require the preparation of an independent appraisal report and approval of non-customer shareholders. The earliest possible timing of import terminal commencement is in 2022. The following indicative timeline is copied from RNZ's recent financial results briefing.



[1] Timeline is subject to ongoing review through FEED and detailed planning, as well as reaching agreement on acceptable terms with customers
[2] Front End Engineering and Design
[3] Terminal Services Agreement

19. RNZ is continuing to explore options to repurpose the Marsden Point site for new business opportunities. s 9(2)(b)(ii) [redacted] s 9(2)(b)(ii) [redacted] As noted during phase 1 of RNZ's strategic review, there is likely to be inherent strategic value in a large industrial site with deep harbour and jetty access, electricity and gas connections, and proximity to a large population base.

20. RNZ is strongly positioned to support an increase in New Zealand's fuel security, should that be considered necessary or desirable, by converting redundant crude oil tanks to product tanks for holding reserve stocks of petrol, diesel or jet fuel. More on this topic is set out in the next section. RNZ has development plans for a grid-scale solar PV generation plant and may also be well positioned to support the future production and/or importation and blending of biofuels.

   - ➢ *You could ask RNZ when the final decision on whether to switch to a fuel import terminal will likely be made.*

   - ➢ *You could ask RNZ for more information on its business plan for the future apart from conversion to an import terminal, e.g. what role it could play in the green energy transition.*

Fuel supply security and future stockholding opportunities

21. As previously advised in 2020, closure of refining operations would mark a significant change in New Zealand's fuel supply chain. RNZ would no longer hold stocks of crude oil, and while total commercial stocks of finished products could increase slightly, the overall impact would be a significant reduction in stockholding overall.

22. In light of this possible change MBIE commenced a review of fuel supply security and fuel stockholding policies in late 2020. We engaged consultants Hale and Twomey to provide an assessment of the implications of refinery closure and options to modify stockholding policies to increase supply security, if warranted. We are currently working through the consultant's report and will brief you on it in the coming weeks.

23. s 9(2)(b)(ii) and s 9(2)(ba)(i) [redacted]

24. s 9(2)(ba)(i) [redacted]

25. [redacted] A better understanding of costs will inform any future decisions about the net benefits of holding reserve stocks in New Zealand, in place of or in addition to stocks held offshore via tickets.

26. Hale & Twomey's report has not yet been shared with RNZ or fuel suppliers, but the industry is aware of it, having been consulted by Hale & Twomey late last year. RNZ is therefore aware the report considers a range of options to maintain or improve fuel security, including Government procurement of domestic reserve stock and placing regulated stockholding obligations on industry.

- ➢ *You could ask if RNZ considers there would be net benefits from holding reserve stocks in New Zealand, noting that RNZ advised during phase 1 of its strategic review that closing the refinery would not reduce fuel security in New Zealand given the diversity and robustness of product import supply chains.*

Out of Scope

Risks and mitigations

30. No risks have been identified with this meeting.

Communications / Media

31. No media will be present.

Annexes

Annex One: Brief biography of Naomi James

Annex Two: Market advice on RNZ's 2020 full-year results

Annex Three: Suggested talking points

Annex One: Brief biography of Naomi James

	**Naomi James, CEO, Refining NZ** Naomi joined Refining NZ in April 2020 as Chief Executive Officer. Naomi trained as a lawyer, and has extensive experience in strategy development, operations and change management. Prior to joining Refining NZ, Naomi held the position of Executive Vice President at Santos Ltd, Australia's second largest independent oil and gas producer, where she was responsible for Santos' midstream infrastructure assets including oil and gas processing facilities. Prior to Santos, Naomi held leadership roles at Australian mining and materials company Arrium Ltd, including Chief Executive of the Group's non-integrated steel businesses.

Annex Two: Suggested talking points

Strategic review progress

- You could ask RNZ when the final decision on whether to switch to a fuel import terminal will likely be made.

- You could ask RNZ for more information on its business plan for the future apart from conversion to an import terminal, e.g. what role it could play in the green energy transition.

Fuel supply security and future stockholding opportunities

- You could ask if RNZ considers there would be net benefits from holding reserve stocks in New Zealand, noting that RNZ advised during phase 1 of its strategic review that closing the refinery would not reduce fuel security in New Zealand given the diversity and robustness of product import supply chains.

Out of Scope

Annex Three: NZX release on Refining NZ's 2020 full-year results

REFINING NZ

17 February 2021

2020 FINANCIAL RESULTS BRIEFING

DISCLAIMER

- This presentation contains forward looking statements concerning the financial condition, results and operations of The New Zealand Refining Company Limited (hereafter referred to as "Refining NZ").
- Forward looking statements are subject to the risks and uncertainties associated with the refining environment, including price and foreign currency fluctuations, regulatory changes, environmental factors, production results, demand for Refining NZ's products or services and other conditions. Forward looking statements are based on management's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in these statements.
- Forward looking statements include among other things, statements concerning the potential exposure of Refining NZ to market risk and statements expressing management's expectations, beliefs, estimates, forecasts, projections and assumptions. Forward looking statements are identified by the use of terms and phrases such as "anticipate", "believe", "could", "estimate", "expect", "goals", "intend", "may", "objectives", "outlook", "plan", "probably", "project", "risks", "seek", "should", "target", "will" and similar terms and phrases.
- Readers should not place undue reliance on forward looking statements. Forward looking statements should be read in conjunction with Refining NZ's financial statements released with this presentation. This presentation is for information purposes only and does not constitute legal, financial, tax, financial product advice or investment advice or a recommendation to acquire Refining NZ's securities, and has been prepared without taking into account the objectives, financial situation or needs of individuals. Before making an investment decision, you should consider the appropriateness of the information having regard to your own objectives, financial situation and needs and consult an NZX Firm or solicitor, accountant or other professional adviser if necessary.
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- Forward looking figures in this presentation are unaudited and may include non-GAAP financial measures and information. Not all of the financial information (including any non-GAAP information) will have been prepared in accordance with, nor is it intended to comply with: (i) the financial or other reporting requirements of any regulatory body; or (ii) the accounting principles generally accepted in New Zealand or any other jurisdiction with IFRS. Some figures may be rounded and so actual calculation of the figures may differ from the figures in this presentation. Non-GAAP financial information does not have a standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information presented by other entities. Non-GAAP financial information in this presentation is not audited or reviewed.
- Each forward looking statement speaks only as of the date of this announcement,17 February 2021. The financial statements referenced in this presentation have been prepared based on existing Group operations under the current Processing Agreements, as at 16 February 2021. The potential outcomes from the Strategic Review, which are not solely within the Company's control, may be substantially different from such existing operations and may therefore impact the financial performance and financial position of the Company in the future.

FY 20 PERFORMANCE

STRATEGIC REVIEW UPDATE

LOOKING FORWARD TO FY21

SUMMARY

Refining NZ has safely navigated the most challenging business environment in its 60-year history and established the pathway to future value creation for shareholders

Best safety performance on record	✓
Effective operational response to unprecedented COVID-19 demand impacts	✓
Reset the 2020 cost base to cash-breakeven at the Fee Floor	✓
Strengthened balance sheet and lowered net debt	✓
Strategic Review undertaken to assess refinery and infrastructure options	✓
Simplified operations to make refinery robust to extended period of low margins	✓
Long term plan to unlock unrealized infrastructure value	WIP

2020 PERFORMANCE HIGHLIGHTS

Safely navigated COVID-19 impacts and reset cost base

✓ **Safe operations**

			FY 19	FY 20	
Personal	TRCF [1]		0.27	0	▼
Process	Tier 1 [1]		0	0	-
	Tier 2 [1]		0	0	-
Releases outside of consent			1	5	▲

✓ **Deliver to customer plan**

		FY 19	FY 20	
Throughput	Mbbl	42.7	29.9	▼
RAP Throughput	Mbbl	20.8	14.7	▼
Operational availability	%	99.7	98.2	▼

✓ **Reset cost base to Fee Floor levels**

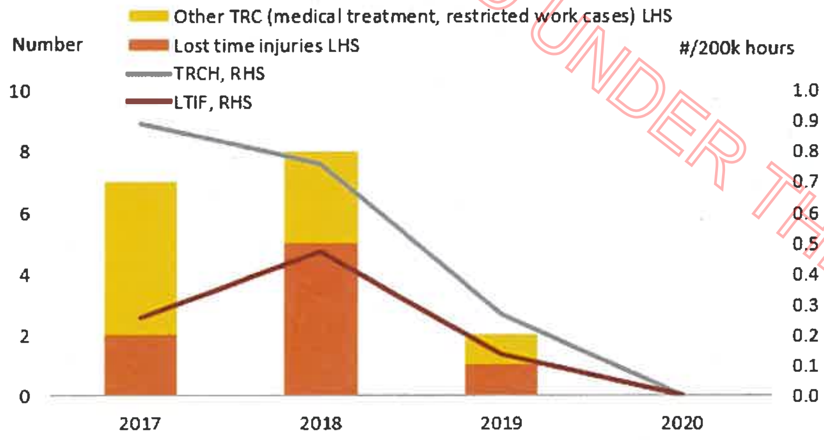
		FY 19	FY 20	
Cashflow from operations	NZ$M	117	32	▼
Net debt	NZ$M	241	231	▼
Operating costs [2]	NZ$M	184	161	▼
Capital Expenditure[3]	NZ$M	78	34	▼

1. For a full definition please refer to the Glossary in Appendix 1
2. Excludes natural gas & other passthrough costs, but includes strategic review, restructuring costs and non-cash inventory write off of c.$11 million
3. Payments for property, plant and equipment (cashflow basis)

SAFE OPERATIONS

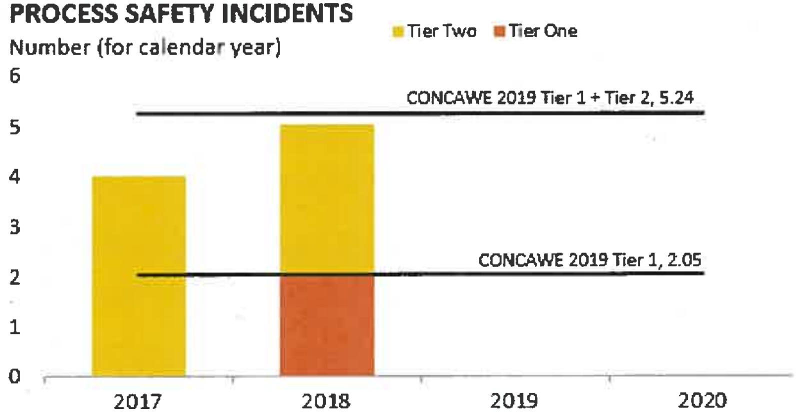
Best safety performance on record

TOTAL RECORDABLE CASES[1]



PROCESS SAFETY INCIDENTS

Number (for calendar year)



- Incident free operations during period of significant disruption through COVID-19:
  - No recordable injuries
  - No Tier 1 or Tier 2 [1] process safety events
- Strong focus on risk and management of change through cyclic mode of operations, hot stand-by and simplification changes
- Refining NZ's E Tu Tangata safety culture program recognised at the 2020 New Zealand Workplace Health and Safety Awards, winning the "Engagement Category"
- Good environmental performance during cyclic operations and hot-standby, with action taken to address minor environmental non-conformances
- Working with Northland Regional Council and stakeholders to finalise resource consent renewal.

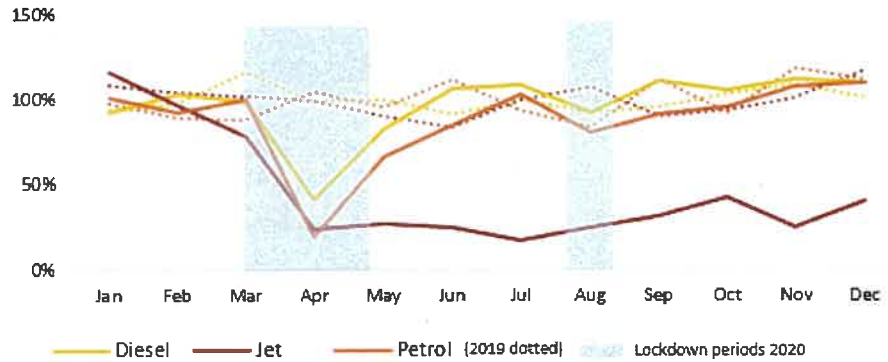
1 For a full definition please refer to Glossary in Appendix 1

DELIVER TO CUSTOMER PLAN

Effective operational response to unprecedented demand changes

		FY 19	FY 20	Change	
Refinery Throughput	Mbbl	42.7	29.9	12.8 ▼	30%
RAP Throughput	Mbbl	20.8	14.7	6.1 ▼	29%
Operational availability	%	99.7	98.2	1.5 ▼	2%

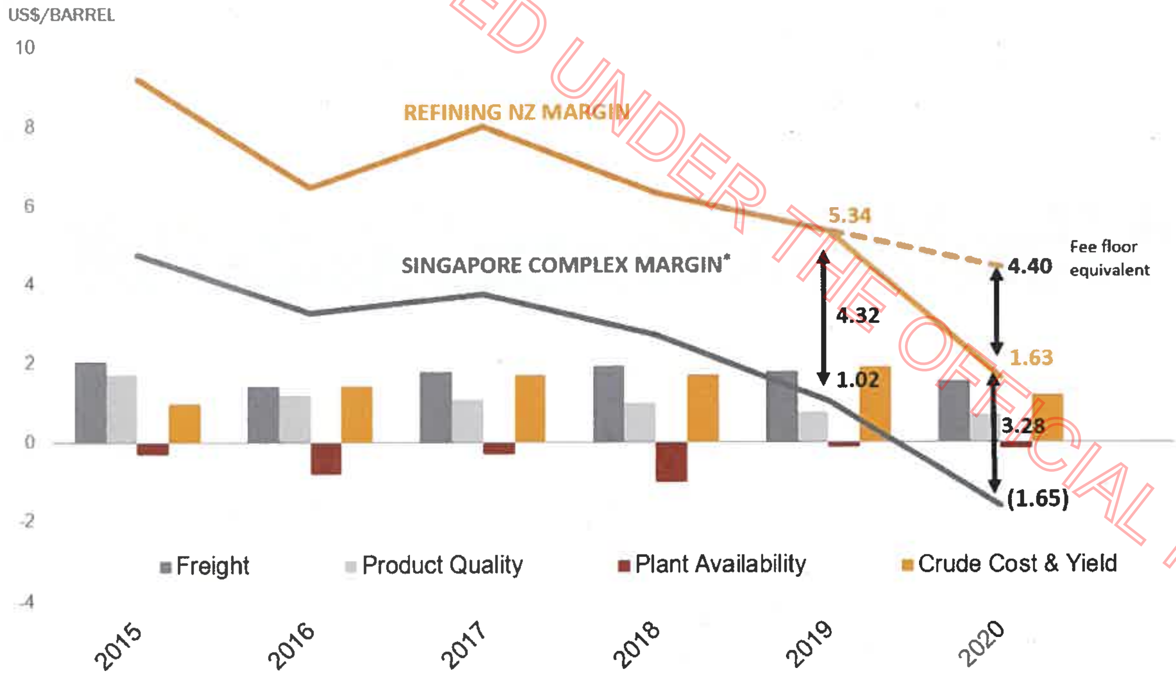
RAP DELIVERIES BY MONTH, JAN-20 TO DEC-20
% of 2019 average



- Unprecedented fuel demand destruction, due to COVID-19 travel restrictions
- Gasoline and diesel demand have largely recovered to pre-COVID levels, however demand for jet fuel remains weak at c.30-40% v pcp
- Production rates were substantially lowered with specific strategies adopted to minimise jet fuel production, avoiding need for customers to export jet:
  - Operational availability adjusted to align with reduced demand
  - Plant operated in low production mode and cycled three times (with half of the plant operating each cycle), as well as being put into "hot stand-by" for a period of six weeks to help our customers balance fuel supplies across New Zealand.
- An outstanding achievement by our dedicated and capable workforce – many of whom agreed to take leave while the refinery was on "hot stand-by".

REFINING MARGINS

Second lowest GRM on record



US$/BARREL	FY 19	FY 20	Change
Singapore Complex Margin (SCM)[1]	1.02	(1.65)	(2.67)
Freight	1.80	1.55	(0.25)
Product quality	0.75	0.69	(0.06)
Plant availability	(0.13)	(0.16)	(0.03)
Crude cost and yield	1.90	1.20	(0.70)
Refining NZ uplift	4.32	3.28	(1.04)
RNZ GRM	5.34	1.63	(3.71)

- Low Asian refining margins due to excess capacity exacerbated by COVID-19 demand impacts
- Refining NZ uplift impacted by volatility in shipping costs and yield impacts of cyclic mode and "hot stand-by"
- Significant Fee Floor contributions due to low margins and low throughput

[1] The Singapore Complex Margin is calculated using Platts Dubai crude and Singapore product prices, VLCC freight to Singapore, and the International Energy Agency's Dubai complex refinery yields adjusted for fuel & loss.

2020 FINANCIAL SNAPSHOT

Cash break-even maintained through COVID-19 impacts

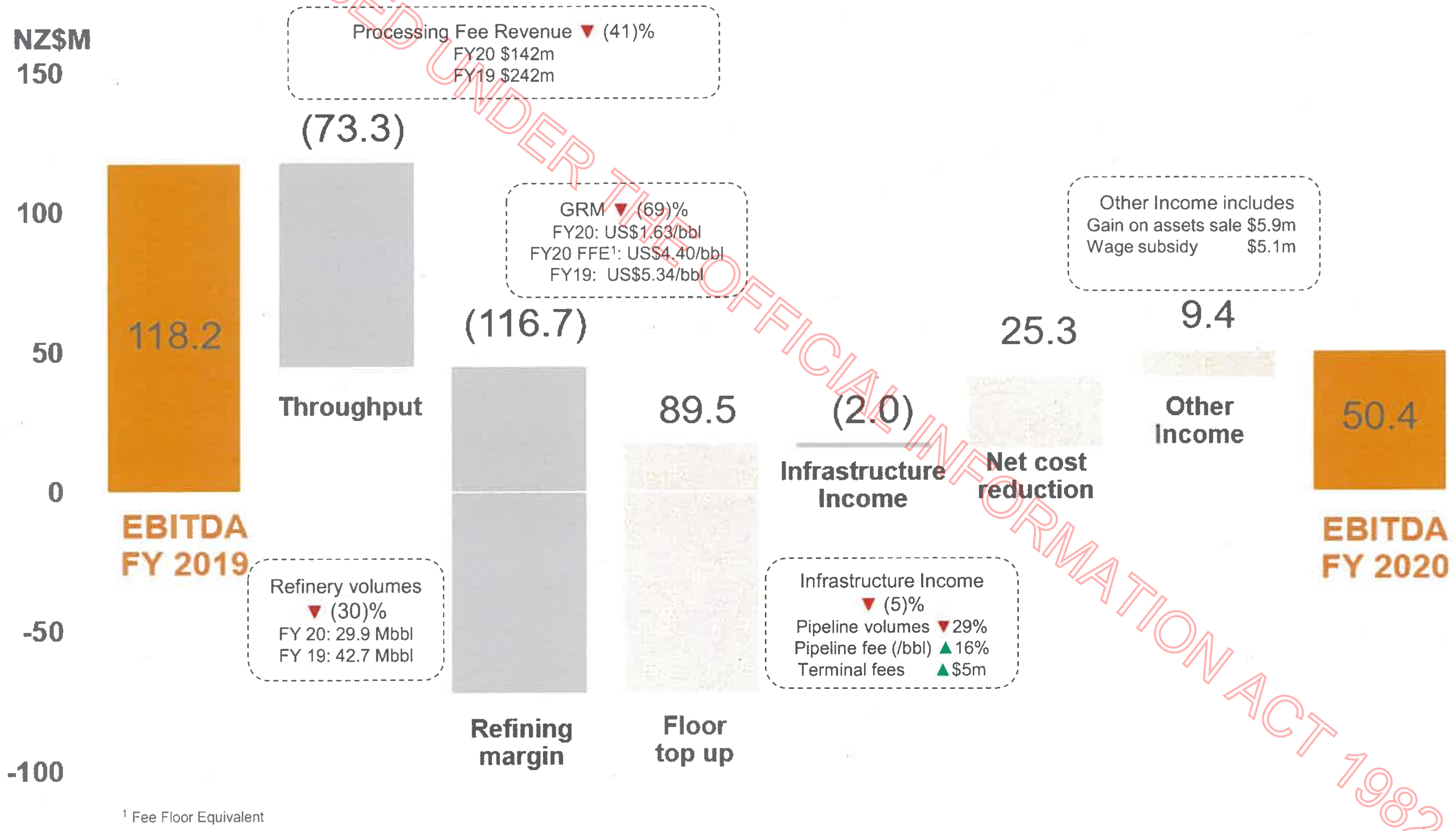
		FY 19	FY 20	Change	
Revenue - Refinery [1]	NZ$M	297.8	189.9	107.9 ▼	36%
Revenue - Infrastructure [1]	NZ$M	43.0	41.0	2 ▼	5%
EBITDA [2]	NZ$M	118.2	50.4	67.8 ▼	57%
Adjusted EBITDA [2]	NZ$M	121.9	58.7	63.2 ▼	52%
Capital Expenditure [3]	NZ$M	77.7	33.9	43.8 ▼	56%
Free cash flow [4]	NZ$M	39.4	11.0	28.4 ▼	72%
Net Profit/(Loss) after tax	NZ$M	4.2	(198.3)	(202.5) ▼	nm
Net Debt [4]	NZ$M	241.4	231.3	10.1 ▼	4%

- Significant decline in revenue due to low margins and throughput – COVID-19 impacts
- Fee Floor in operation for all of 2020, protecting against the full extent of margin and demand decline
- Lower pipeline volumes (due to COVID-19 impacts), offset by fee increase and terminal fees
- Net loss after tax impacted by half-year impairment of c.$158 million (net of tax) – revised refining margin assumptions reflecting excess global capacity and COVID-19 impacts
- Net debt $10 million lower than FY19, reflecting cash neutral operations and the divestment of carbon units
- No dividend

1. For further information, please refer to our FY20 Financial Statements, available at http://www.refiningnz.com/investor-centre.aspx
2. For a reconciliation of these Non-GAAP measures, please refer to Appendix 2 and our FY20 Financial Statements for further detail
3. Payments for property, plant and equipment (cashflow basis)
4. For a full definition please refer to the Glossary in Appendix 1

2020 v 2019 EBITDA COMPARISON

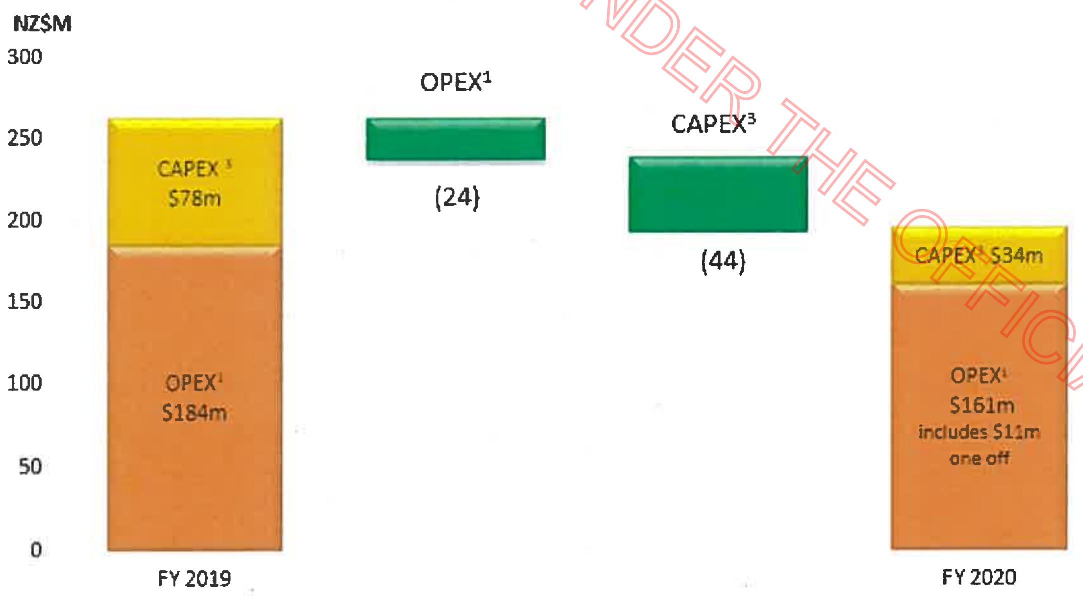
Decline in revenue partly offset by Fee Floor payments and cost reductions



[1] Fee Floor Equivalent

2020 v 2019 COST COMPARISON

Reset cost base to cash break-even at Fee Floor

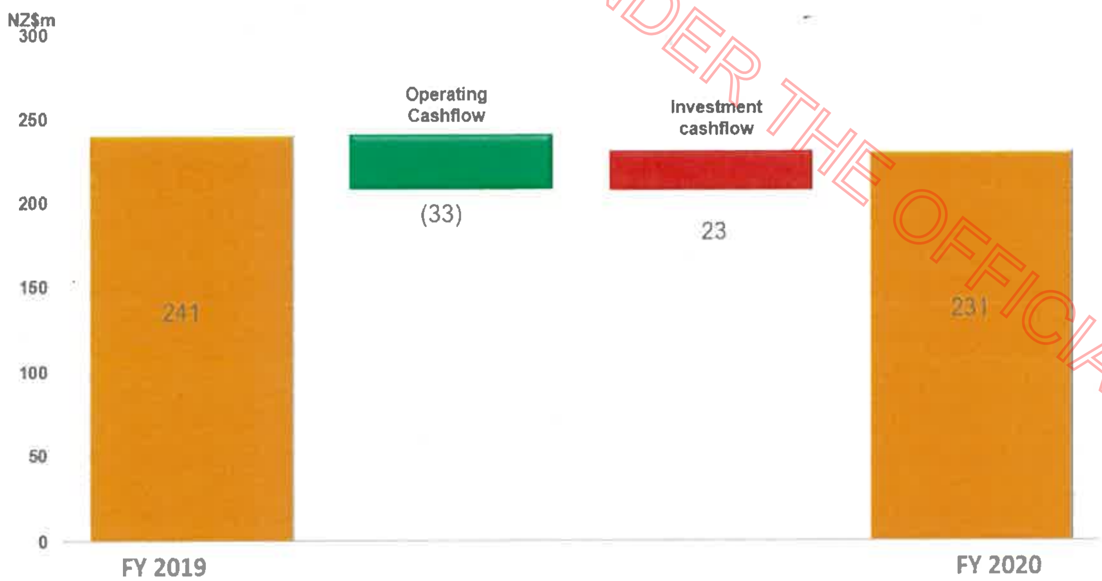


- Optimisation of capital budget in line with the latest asset management strategy
  - Deferral of platformer and crude distillation maintenance turnaround to 2021
  - Compliance-based capital expenditure continued
- OPEX[1]
  - Electricity and chemical decrease due to cyclic mode and "hot stand-by"
  - A focus on compliance and preventative works, and deferral of all non-essential work
  - Contracts renegotiated and other savings
  - 2020 opex[1] includes one-off inventory write-off (non-cash), simplification restructuring[2] costs recognised and Strategic Review costs for FY 2020

1. Excludes natural gas & other passthrough costs, but includes strategic review, restructuring costs and non-cash inventory write off of **c.$11** million
2. Cash outflow: $1.6m 2020: c$6m 2021
3. CAPEX represents payments for property, plant and equipment (on a cash flow basis)

NET DEBT LOWERED

Strong cash focus to protect balance sheet



- Cash-neutral operations through cost base reset
- Asset sales contributed $13m in cash

	Covenant	Actual 31 Dec 2020
Gearing	Max 45%	27%
Interest cover	Min 4x	6x
Total Interest cover	Min 2x	4x

Covenant compliant:

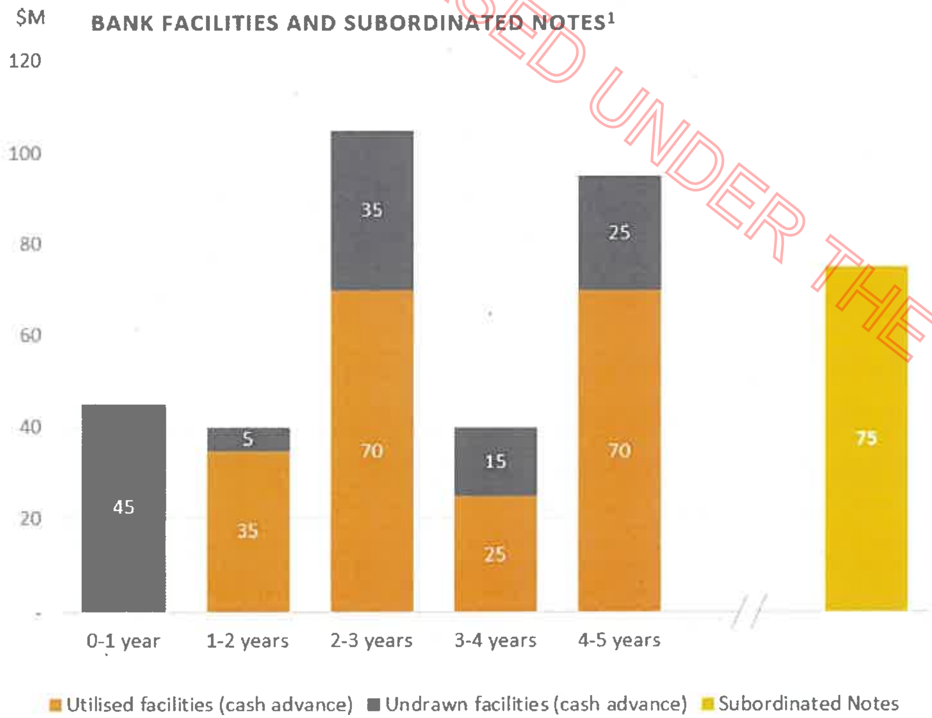
- FY20 includes 12 months at the Fee Floor
- Headroom on interest cover expected to increase as a result of interest rate swaps maturing in December 2020

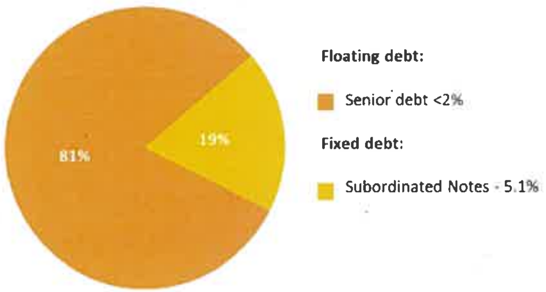
1. Refer to Appendix 3 for an outline of covenants

BALANCE SHEET STRENGTHENED

Creating runway for value creation through Strategic Review

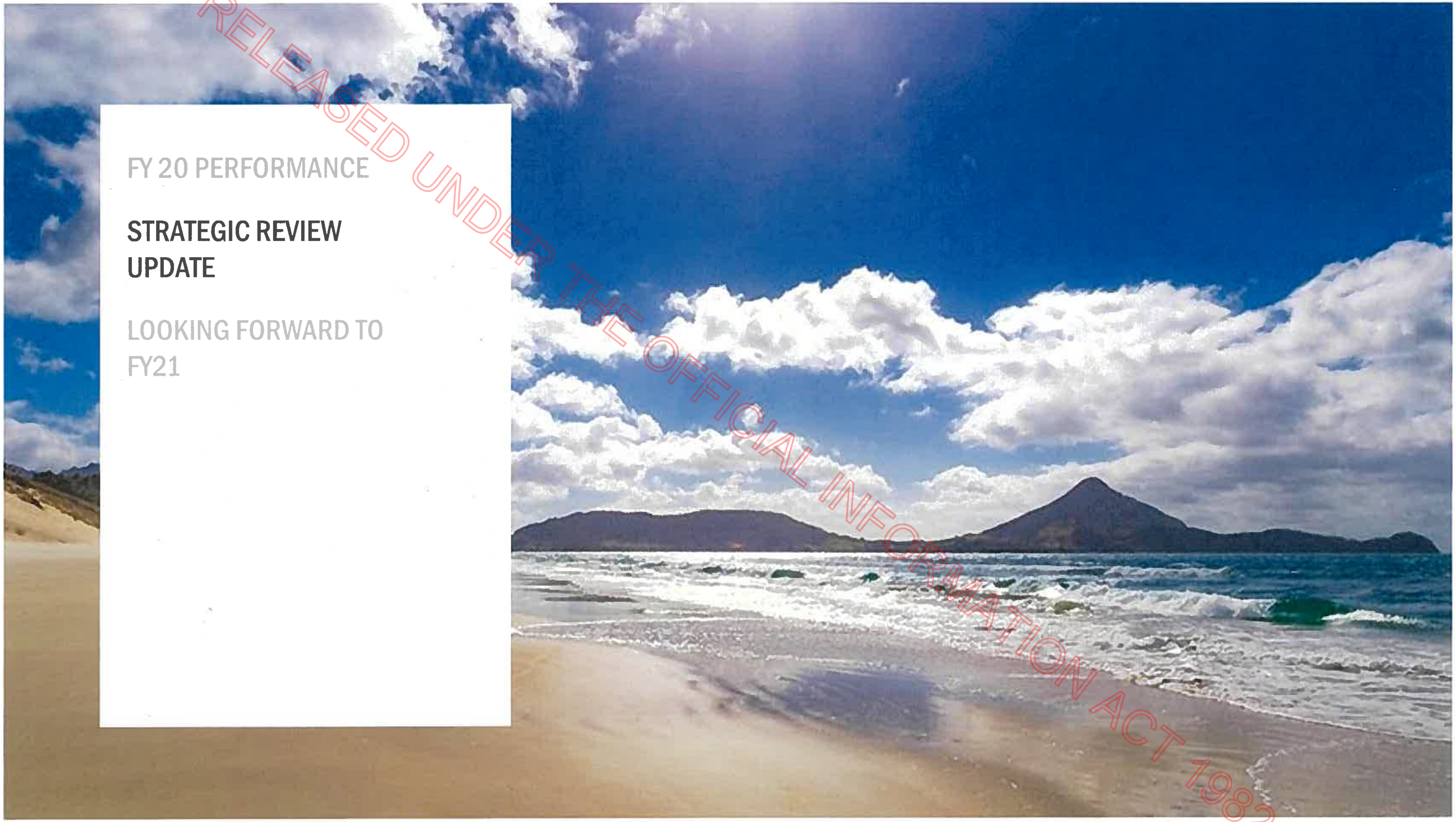
BANK FACILITIES AND SUBORDINATED NOTES[1]





[1] As at 31 December 2020

- Refining NZ increased and extended its debt facilities in 2020:
  - Increased bank lines by $50 million
  - Extended maturities on $120 million of facilities
  - c.5 years average tenure (including subordinated notes)
- Net debt reduced to c$231m at 31 December 2020:
  - c.$43m cash and $275m drawn debt
  - c.$125m of liquidity excluding debt maturing in next 12 months
- Average interest rate of 5.3% in FY20, down from 6.1% in FY19
- Lower interest rates expected in 2021, after expiry of historic interest rate swaps at end 2020



FY 20 PERFORMANCE

STRATEGIC REVIEW UPDATE

LOOKING FORWARD TO FY21

Refinery simplification implemented. Significant progress made assessing potential import terminal conversion

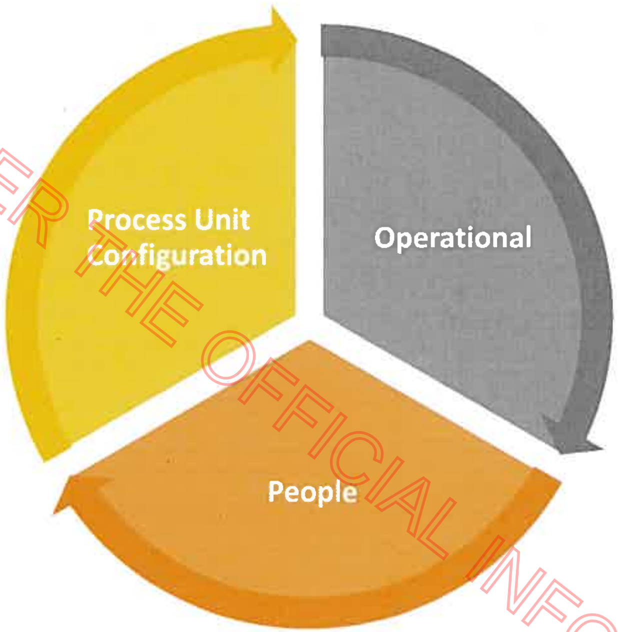
- Refinery simplification has been in effect from the beginning of 2021 – to enable Refining NZ to maintain cash neutral operations at the Fee Floor in 2021[1]
- **While no decision has been made**, Refining NZ is now well progressed in its assessment of the import terminal option having focused on three distinct but interrelated areas:
  - Detailed estimation of one-off transition and conversion costs, ongoing terminal operating and capital costs, and longer-dated refinery demolition costs. Front End Engineering Design ("FEED") and detailed planning has been initiated to confirm cost and timing estimates, and optimal refinery closure processes
  - Negotiation of an appropriate commercial framework and terms with customers
  - Establishing expected funding requirements and engaging with lenders. Current assumption is that no additional equity funding would be required
- Conversion to an import terminal would reduce Refining NZ's direct emissions by c.1.2 million tonnes CO2 equivalent p.a., equivalent to c.5% of New Zealand's total emissions reduction required by 2030 (Paris Agreement)
- Refining NZ and bp have reached in principle agreement[2] on key commercial terms including price. Negotiations with Z Energy and Mobil are ongoing, with Refining NZ focused on agreeing terms which are fair to non-customer shareholders and acceptable to customers.
- Any decision to convert to an import terminal would require the preparation of an Independent Appraisal Report and subsequent approval of non-customer shareholders
- The earliest possible timing of import terminal commencement is in 2022

[1] Prior to any Strategic Review related implementation costs
[2] The in principle agreement is non-binding and subject to a number of conditions including Refining NZ reaching agreement with its other customers (Z Energy and Mobil), Refining NZ shareholder and lender approvals, completion of detailed planning and commercial due diligence, negotiation of a binding Terminal Services Agreement and final approval by the independent directors of Refining NZ and by bp.

REFINERY SIMPLIFICATION

Refinery simplified to enable cash neutral operations at the Fee Floor in 2021

- **18% reduction in primary crude intake:**
  - CDU[1] 1 continues to operate (equivalent to c.34m bbl p.a.)
  - CDU[1] 2 mothballed as step to decommissioning
- **Bitumen production ceased**
- **Strong focus on risk and management of change** through the transition



- **Asset maintenance strategy:**
  - Campaign approach
  - Predictive maintenance
- **Asset Life Cycle:**
  - Repair versus replace
  - 2-yearly turnaround cycle
- **Operating expenses c.$50m lower** than in 2019
- **Capital expenditure guidance of c.$50m** for 2021, including c.$20m turnaround deferred from 2020

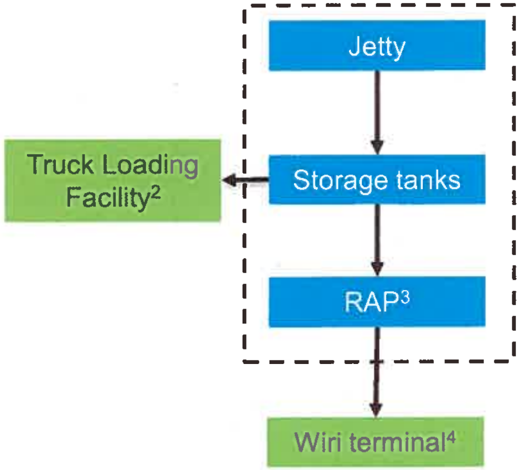
- **Organisation-wide restructure largely complete:**
  - Management layers flattened
  - c.25% reduction in staff[2]
- **Significant transitional support** for impacted employees to find work or retraining within 6 months (skills workshops, jobs expo, well-being initiatives)

1. Crude Distillation Unit (CDU)
2. c.90 employees left or leaving Refining NZ either through redundancy or resignation from November 2020 through to April 2021

IMPORT TERMINAL OVERVIEW

Safe, reliable and efficient fuel supply to Auckland and Northland markets (c.40% of total New Zealand market)

Import Terminal System (ITS)[1]



- 2 jetties with multi-product capability
- Combined c.180m litres of pumpable volume
- Multi-product pipeline from Marsden Point to Wiri terminal in Auckland (c.170km)

Green shaded area is an illustrative overlay of the import terminal on the existing Marsden Point site

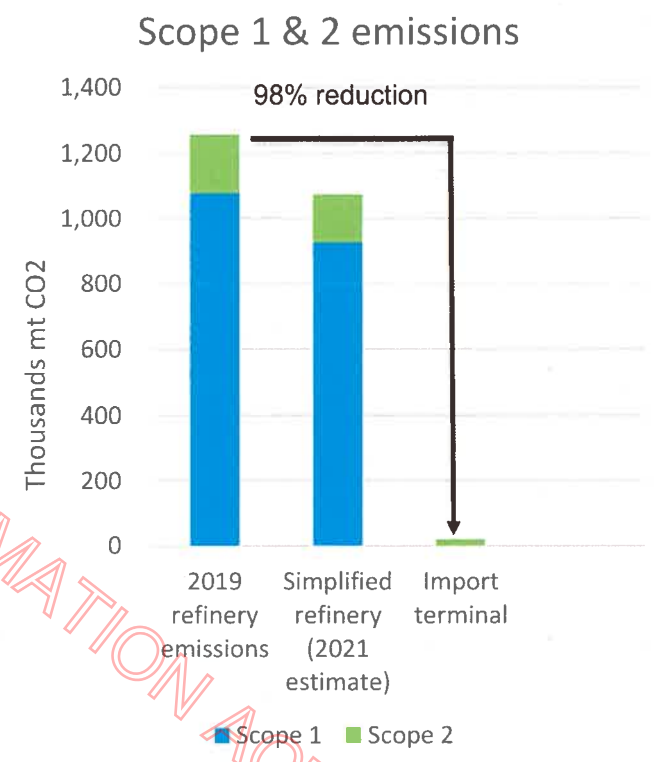
- Import terminal capacity is based on **c.3 billion litres of annual throughput**
  - Primarily using existing finished product storage tanks, with upgrades to piping, tank compound bunds and fire protection systems for site safety and operating efficiency
- **Potential for site repurposing**:
  - Import terminal would not require c.80% of existing tank capacity and c.65% of usable land at Marsden Point
  - Strongly positioned to support New Zealand fuel security initiatives[5]
  - Large industrial site with deep harbour & jetty access, electricity & gas connections, and proximity to a large population base

1. Indicative Optimised Depreciated Replacement Cost (ODRC) valuation of import terminal and pipeline assets of $742 million, such ODRC estimate having been calculated by BECA in October 2020 in accordance with NZ IAS 16 – Property, Plant and Equipment with reference to NZ IFRS 13; the International Valuation Standard IVS 103 Reporting of International Valuation Standards and PINZ Guidance Note NZVTIP2 – Valuations of Real Property, Plant & Equipment for use in New Zealand Financial Reports. The BECA valuation also uses asset-specific information provided by Refining NZ.
2. Truck Loading Facility (TLF) adjacent to Marsden Point is not owned by Refining NZ.
3. Refinery to Auckland pipeline.
4. Refining NZ leases land from the oil companies (bp, Mobil and Z Energy) and owns most of the Wiri terminal plant located on this land. The land and plant is in turn leased to Wiri Oil Services Limited (WOSL). The leases expire in February 2025 with no right of renewal. At the end of the lease term ownership of the Wiri terminal plant currently owned by Refining NZ reverts to the oil companies.
5. Marsden Point typically holds crude equivalent to c.13 days of New Zealand crude oil demand and c.15 days refined product (and components) demand.

EMISSIONS REDUCTION

Potential for significant reduction in New Zealand's direct emissions

- Conversion to an import terminal would result in a significant reduction in Refining NZ's Scope 1 and 2 emissions
  - 98% or c.1.2 million tonnes CO_2 equivalent p.a. lower
  - Equivalent to c.5% of New Zealand's total emissions reduction required by 2030 (Paris Agreement)[1]
  - Import terminal would be the lowest emissions option for delivering fuel to the Auckland market
- An import terminal would also have c.85% lower electricity consumption
  - Maranga Ra solar project remains a potential pathway to zero emissions at Marsden Point
- Fuel mix through the RAP is weighted towards jet and diesel[2]
  - Recently released draft Climate Change Commission (CCC) budgets include a longer term focus on transition of heavy transport and aviation to green fuels[3]
  - Existing infrastructure has potential to support transition to biofuels and sustainable aviation fuels (SAF)
- Marsden Point site and Refining NZ infrastructure presents a range of potential growth opportunities as New Zealand fuel supply choices evolve, including:
  - Production, storage, handling, import, export
  - Biofuels, SAF, LNG, hydrogen and electricity (including batteries)



1. Based on 2018 reported gross emissions and Paris Agreement to reduce greenhouse gases to 30% below 2005 gross emissions by 2030.
2. 2019 actual RAP throughput (pre-COVID): 46% jet, 25% diesel, 29% petrol.
3. CCC budgets include a near-term focus on increased electrification of passenger vehicles, and a target for biofuel production of 140m litres by 2035 (c.1.5% of forecast total liquid fuel demand including international transport)

COST ESTIMATES

Phased transition and conversion costs over 4-5 years, with significantly lower ongoing cash costs

- Total one-off transition and conversion costs are currently estimated at **c.$200m over 4-5 years** (excludes refinery demolition costs)
  - Approximately half of these costs are expected to be incurred prior to commencement of import terminal operations, including for organisational change and import terminal capital investment
  - The remainder is expected to be incurred post commencement of import terminal operations, including refinery decontamination and decommissioning, and import terminal upgrades
  - Subject to further review and refinement through FEED and detailed planning
- Cost estimates have been benchmarked against other recent refinery conversions in Australia and South East Asia
- Annual cash operating and capital costs are currently estimated at **c.$35-$40m**
- A refinery closure would be expected to crystalise significant tax losses, currently estimated at **$350m**[1]
- Current best estimate of future refinery demolition costs is **c.$50-$60m** – timing to be coordinated with reference to site repurposing opportunities

1. Under the currently applicable rules in the Income Tax Act 2007, maintenance of tax losses would be subject to a 49% continuity of ownership test from point of recognition.

COMMERCIAL FRAMEWORK

Focused on agreeing a price which is both acceptable to customers and fair to non-customer shareholders

Current arrangements

- Current refinery Processing Agreements were entered into in 1995 with the four fuel market participants at the time (Shell and Caltex (now Z), bp and Mobil)
- The Processing Agreements cover use of both refinery and infrastructure assets, with two revenue streams for Refining NZ:

1. *Processing fee*
- Refining NZ receives 70% of gross refining margin (GRM), with product pricing at import parity
- Customers retain 30% of GRM, to cover working capital and coastal shipping costs
- Fee Floor / margin cap limits Refining NZ's downside and upside exposure to refining margins

2. *RAP fee*
- Set to reflect the alternative fuel delivery cost at the time, based on the notional cost of shipping from Marsden Point to Ports of Auckland
- Adjusted annually based on notional change in freight rates, and NZD/USD exchange rate

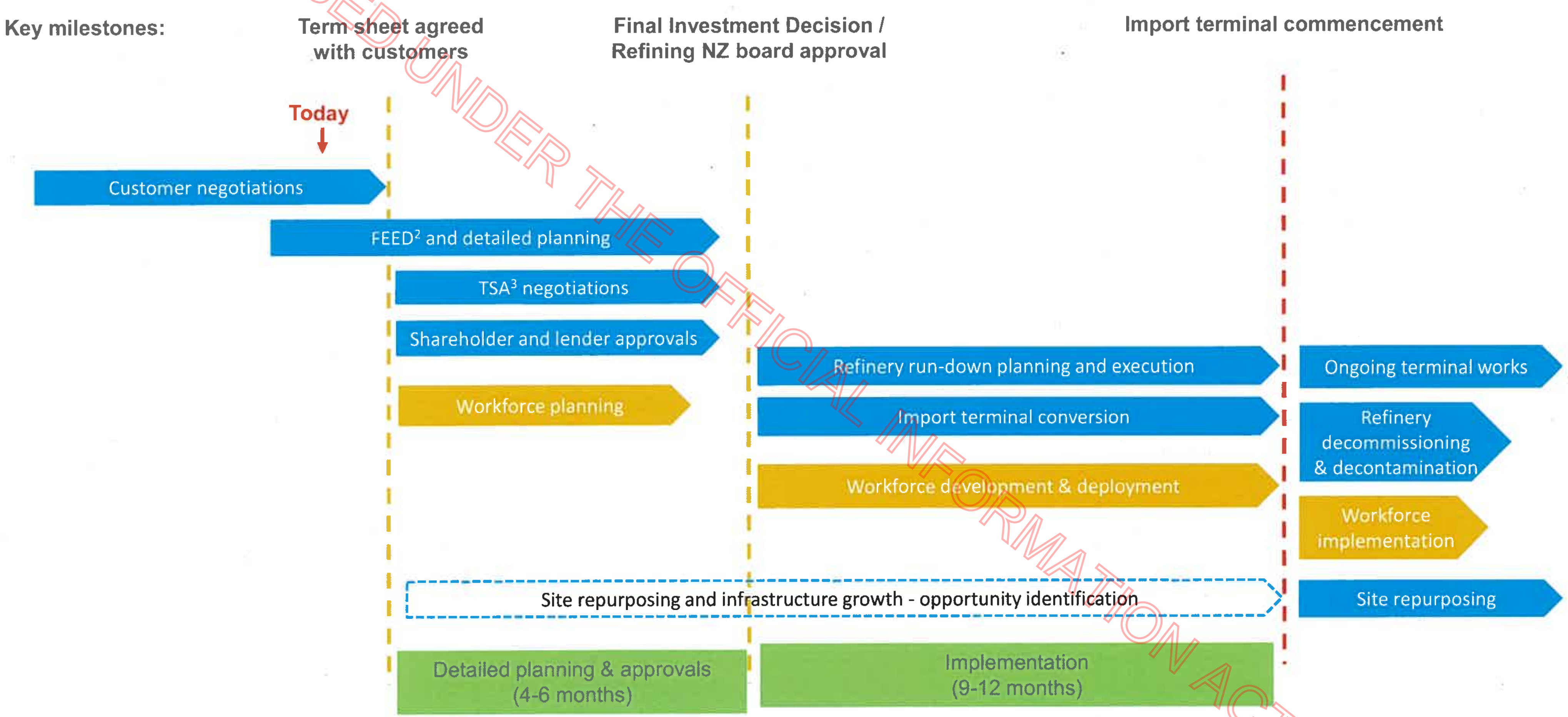
Potential future import terminal arrangements

- Would require customers to terminate their current Processing Agreements and enter into new Terminal Services Agreements
- Customers have advised it is their preference is to move to an import terminal model, with benefits including:
  - Increased earnings stability from reduced exposure to refining margin volatility
  - Significant working capital release given the shorter inventory cycle for imported product
  - Avoidance of any future Fee Floor payments and coastal shipping costs
- Refining NZ has been negotiating with each of its customers, seeking to agree commercial terms which include:
  - A lengthy initial term (10+ years)
  - A combination of fixed annual access fees and variable throughput fees linked to actual volumes – targeting total estimated fees (across all customers) of c.$100m p.a. during the initial term
  - Provision for third party access to unutilised RAP capacity
- Refining NZ and bp have reached in principle agreement on key commercial terms including price[1]
- Negotiations are continuing with all customers

1. The in principle agreement is non-binding and subject to a number of conditions including Refining NZ reaching agreement with its other customers (Z Energy and Mobil), Refining NZ shareholder and lender approvals, completion of detailed planning and commercial due diligence, negotiation of a binding Terminal Services Agreement and final approval by the independent directors of Refining NZ and by bp.

INDICATIVE TIMELINE

Earliest possible terminal commencement timing is 2022[1]



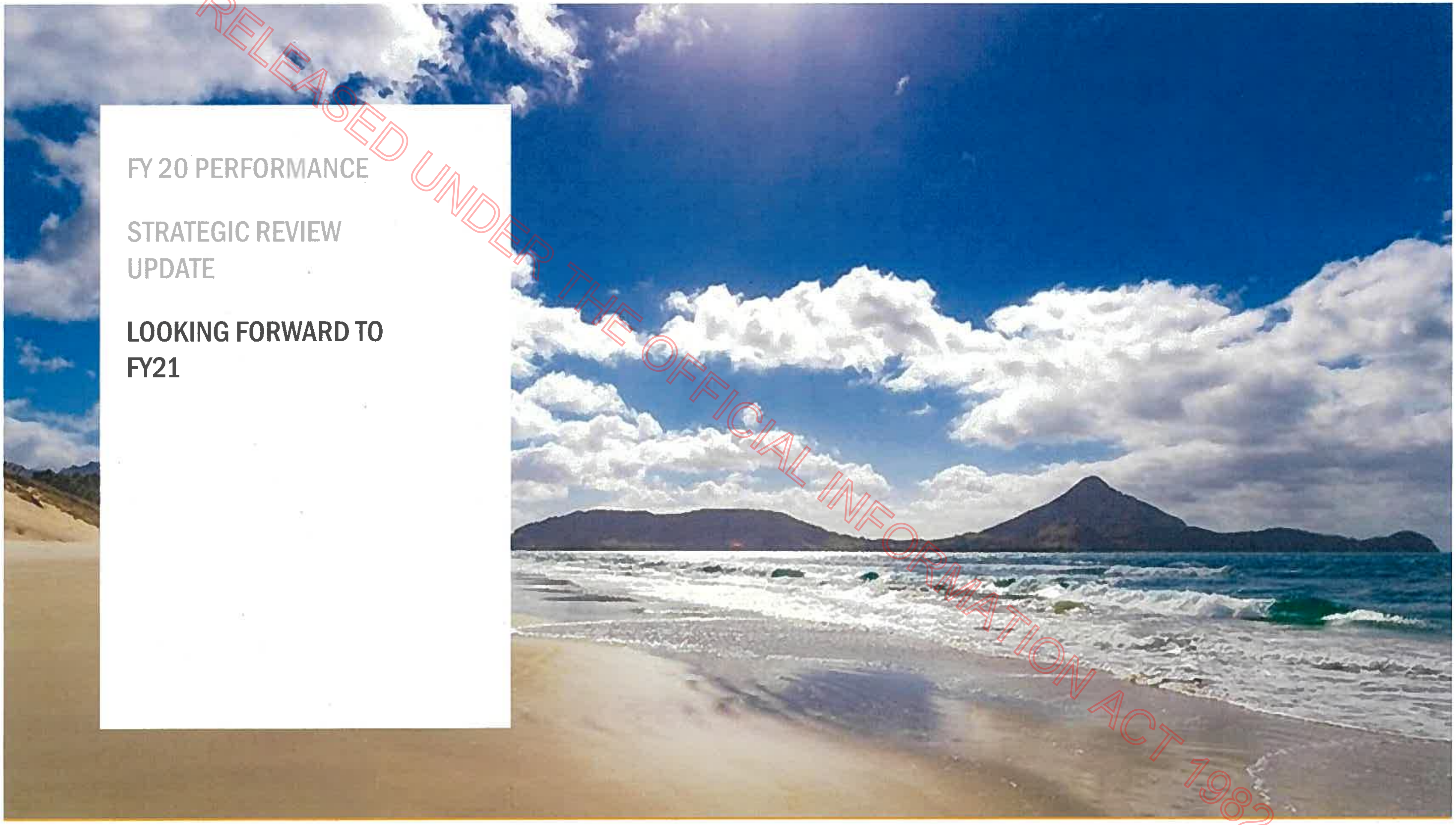
[1] Timeline is subject to ongoing review through FEED and detailed planning, as well as reaching agreement on acceptable terms with customers
[2] Front End Engineering and Design
[3] Terminal Services Agreement

NEXT STEPS

Focused on concluding customer negotiations in Q1 2021

- Refinery simplification has been in effect from the beginning of 2021, to enable Refining NZ to maintain cash neutral refinery operations at the Fee Floor in 2021
  - Strong focus on maintaining safe ongoing operations, including February / March 2021 turnaround
- Significant progress has been made in assessing the potential to convert to a safe, reliable and efficient import terminal – current work is focused on:
  - Concluding commercial negotiations with customers, noting Refining NZ and bp have reached in-principle agreement[1]
  - FEED and detailed planning – confirming conversion cost and timing estimates, and execution plans
- Any decision to convert to an import terminal would require the approval of Refining NZ's non-customer shareholders
  - Refining NZ's independent directors have had direct oversight of the Strategic Review process, including customer negotiations
  - Requirement for an Independent Appraisal Report to inform any shareholder vote
- As with recent simplification changes, Refining NZ will continue to work closely with local, regional and national authorities and agencies to ensure any future transition is smooth and the impact on its people and the region is minimised
- The earliest possible timing of import terminal commencement is currently in 2022
  - Planning is continuing in parallel for the hydrocracker turnaround (which has previously been deferred to March 2022)

1. The in principle agreement is non-binding and subject to a number of conditions including Refining NZ reaching agreement with its other customers (Z Energy and Mobil), Refining NZ shareholder and lender approvals, completion of detailed planning and commercial due diligence, negotiation of a binding Terminal Services Agreement and final approval by the independent directors of Refining NZ and by bp.


FY 20 PERFORMANCE
STRATEGIC REVIEW UPDATE
LOOKING FORWARD TO FY21

OUTLOOK

- Outlook for refining margins remains challenging in the near term:
  - Global oil demand has improved but remains 5.0-6.0% lower than pre-pandemic levels.
  - COVID-19 travel restrictions likely to affect jet fuel demand through 2021
  - Significant refining capacity closures required to return refinery utilisation in the Asian region to more normal levels
- Expect processing fees to remain at Fee Floor level though 2021 due to low margins.
- Lower jet demand expected to continue to impact RAP revenue until New Zealand COVID-19 border restrictions are relaxed
- Four-week turnaround of CCR platformer and CDU1 due to start late February. All processing units will be temporarily shut down during this time, with customers importing refined products

2021 PRIORITIES

- Safe, reliable and compliant operations throughout 2021
- Turnaround 2021 executed safely, on time and within budget
- Cash break-even operations at the Fee Floor [1]

Provides time to negotiate with customers

- Conclude import terminal negotiations with customers – target Q1
- Progress required shareholder and lender approvals and detailed planning

Long term plan to unlock infrastructure value

[1] Cash neutral excludes Strategic Review restructuring and implementation costs

REFINING NZ

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2020 FINANCIAL RESULTS BRIEFING APPENDICES

REFINING NZ
Your Energy Hive

APPENDIX 1 GLOSSARY

- **Concawe** – an organisation that benchmarks safety performance for member companies and JV's in the EU, Norway and Switzerland. The latest benchmarking study was carried out in respect of 2019 performance, covering 42 member organisations.
- **LTIF** – Lost time injury frequency (rolling 12 month per 200,000 hours)
- **TRCF** – Total recordable case frequency (rolling 12 month per 200,000 hours)
- **Tier 1 Process Safety Event (API 754)** – A tier 1 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: A LTI and/or fatality; A fire or explosion resulting in greater than or equal to $25,000 of direct cost to the company; A release of material greater than the threshold quantities given in Table 1 of API 754 in any one-hour period; A officially declared community evacuation or community shelter-in-place.
- **Tier 2 Process Safety Event (API 754)** – A tier 2 Process Safety Event (PSE) is an unplanned or uncontrolled release of any material, including non-toxic and non-flammable, from a process which results in one or more of the following: A recordable injury; A fire or explosion resulting in greater than or equal to $2,500 of direct cost to the company; A release of material greater than the threshold quantities given in Table 2 of API 754 in any one-hour period.
- **Net debt –** Net debt comprises total borrowings less cash and cash equivalents
- **Operating "cash neutral" –** maintaining a "flat" net debt position (i.e. total lender debt, including subordinated notes, less and cash/funds held on deposit), after paying all operating, capital and funding costs out of the company's revenue receipts. This excludes Strategic Review restructuring costs.
- **Reported EBITDA** – Earnings Before Depreciation and Disposal Costs, Impairment of assets, Finance costs and Income Tax in a non-GAAP measure. Please refer to Appendix II for a reconciliation
- **Adjusted EBITDA** - Reported EBITDA adjusted for other non-cash expenses, and used for bank covenant purposes
- **Free Cash Flow –** Net cash generated from operations less investing activities

APPENDIX 2 NON-GAAP MEASURES

Refining NZ's standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (NZ GAAP) is net profit/(loss) after tax. Refining NZ has used non-GAAP measures when discussing financial performance in this Full-Year Report. The Directors and Management Team believe that these measures provide useful information as they are used internally to evaluate segmental and total Group performance, to establish operating and capital budgets as well as being used for bank covenant purposes.

Non-GAAP profit measures are not prepared in accordance with NZ IFRS (New Zealand equivalents to International Financial Reporting Standards) and are not uniformly defined, therefore the non-GAAP profit measures included in this report are not comparable with those used by other companies. They should not be used in isolation or as a substitute for GAAP profit measures as reported by Refining NZ in accordance with NZ IFRS.

	NOTE	GROUP 2020 $000	GROUP 2019 $000
Reported net (loss)/profit after tax for the year (GAAP)		**(198,279)**	4,165
Add back:			
Income tax	6(a)	**(73,133)**	694
Net finance costs		**10,920**	13,445
Impairment of assets	12	**223,697**	-
Depreciation and disposal costs	11(b)	**87,218**	99,931
Reported EBITDA		**50,423**	118,235
Add back non-cash expenses:			
Stock obsolescence provision	18	**3,383**	155
Defined benefit pension fund cost	20(b)	**3,441**	3,685
Non-cash share rights cost		**697**	-
Interest income		**176**	44
Loss on disposal	11(b)	**(213)**	(433)
Stock write offs and other		**787**	195
Adjusted EBITDA		**58,694**	121,881

APPENDIX 3 COVENANTS

Refining NZ's banks have been granted the benefit of a Negative Pledge Deed, which sets out a number of covenants that the Company agrees to comply with. These are outlined as follows:

Senior Interest Cover Ratio	The ratio of Negative Pledge adjusted EBITDA[1] to Interest Expense for the Refining NZ Group which is to be not less than 4.0 times. Interest expense includes the interest on debt but does not include any interest or Deferred Interest paid with respect to the Subordinated Notes.
Total Interest Cover Ratio	The ratio of Negative Pledge adjusted EBITDA to Total Interest Expense for the Refining NZ Group which is to be not less than 2.0 times. Total interest expense is the Interest Expense plus any interest or Deferred Interest paid with respect to the Subordinated Notes.
Gearing Ratio	The ratio of bank deb to the sum of bank debt plus shareholder equity for Refining NZ which is required to be not greater than 45%.

The senior interest and total interest cover ratios are tested semi-annually and are only breached if they are not met on two consecutive test dates. The gearing ratio is tested at all times.

1. Negative Pledge EBITDA has the same meaning as "Adjusted EBITDA" as set out in Appendix 1 and 2

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2020 FINANCIAL RESULTS BRIEFING

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