

Reference: 20210224

21 June 2021

Dear [REDACTED]

Thank you for your Official Information Act (OIA) request, received on 21 May 2021.  
You requested the following:

*All correspondence, meeting minutes, etc regarding any interaction between the Crown and Refining NZ on any matter in the past 3 years.*

Please note that this information is being released in response to a partial transfer of your OIA request from the Office of Hon Dr Megan Woods.

### Information being released

Please find enclosed the following documents:

Item	Date	Document Description	Decision
1.	16 July 2020	File note – engagement meeting between the Treasury and Refining NZ	Release in part
2.	22 July 2020	Briefing note - engagements with Refining NZ	Release in part
3.	27 August 2020	RE: Refinery update	Release in part
4.	10 September 2020	Refining NZ call notes	Release in part
5.	5 October 2020	Refining NZ simplification update	Release in full
6.	9 June 2021	Reply from Minister Robertson to CEO of Refining NZ	Release in full

I have decided to release the relevant parts of the documents listed above, subject to information being withheld under one or more of the following sections of the OIA, as applicable:

- names and contact details of officials, under section 9(2)(g)(ii) – to maintain the effective conduct of public affairs through protecting ministers, members of government organisations, officers and employees from improper pressure or harassment,
- confidential information under section 9(2)(b)(ii) – to protect information where the making available of the information would be likely unreasonably to prejudice

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<https://treasury.govt.nz>

the commercial position of the person who supplied or who is the subject of the information, and

- certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions.

Some information has been redacted because it is not covered by the scope of your request. This is because the documents include matters outside your specific request.

In making my decision, I have considered the public interest considerations in section 9(1) of the OIA.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

Jean Le Roux

**Manager, Transitions Regions and Economic Development**

# OIA 20210224

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# File note – engagement meeting between the Treasury and RefiningNZ – 16 July 2020

Also see [Briefing note - engagements with OoS - Refinery OoS - Andy Hagan - July 2020 \(Treasury:4306281v1\)](#)

This meeting **out of scope** are aligned with other engagement the Treasury has been carrying out with businesses throughout NZ (via Chambers of Commerce), and sector associations (such as RetailNZ and the Construction Industry Council). They were positioned as: “a roundtable discussion about how COVID has impacted [your firm] and your people, what you’re seeing coming over the next 6 -9 months, and any gaps or questions you see in the economic response to date. It’s a chance for the Treasury to listen, and to hear your insights, to help inform our COVID work and our discussions with Ministers.”

out of scope

Refining NZ (RNZ) and Treasury meeting, 2.30-3pm 16 July 2020	
RNZ attendees:	Naomi James (Chief Executive)
	Ellie Martel (Comms and External affairs)
TSY attendees:	Andy Hagan
	Maureena van der Lem
	Alistair Birchall
	James Shannon
Key takeaway(s)	<ol style="list-style-type: none"> <li>1. Wage subsidy and extension has been very helpful for impacted staff</li> <li>2. RNZ see value in a more coordinated government led approach to any eventual transition of operations</li> <li>3. RNZ is meeting again with Minister Woods next week (starting 20 July).</li> </ol>
Key comments	<p><i>In relation to COVID/lockdown</i></p> <ul style="list-style-type: none"> <li>• Fuel supply and demand decreased 50% during lockdown</li> <li>• RNZ has a fixed cost base with 24/7 operations</li> <li>• No supply disruptions, have had to store fuel in offshore ships to manage volume</li> <li>• Have changed to a cyclic model, meaning 50% of capacity used and idle for 2 weeks, then swapped</li> <li>• Staff who can are working from home</li> <li>• Refinery is currently shut down for 6 weeks, ending in mid-August, which is a major operational undertaking with workforce implications</li> <li>• Staff are taking paid and unpaid leave during the operational shutdown</li> <li>• Wage subsidy and extension has been very helpful</li> </ul> <p><i>In relation to business sustainability (pre-dating COVID)</i></p> <ul style="list-style-type: none"> <li>• Structural shift in refining business driven by oversupply in Asia driving down margins</li> </ul>

• s9(2)(g)(i)

- Strategic review launched to determine future operating model
- Have now been running cash neutral for 3 months (due to cyclic operating model) with level of activity significantly reduced; maintenance pushed out and energy costs low
- Have/are moving to a simplified refinery operation which means supplying less markets, focusing on local supply and refining less
- Have had good engagement with MBIE, Ministers, central government, Northland Council and regional economic development
- See value in a more coordinated government led approach to any eventual transition

*In relation to a switch to an oil importing model*

- Are considering a future shift to an oil import model, which would have a smaller workforce and reduced local economic impact
- Switch to import model would require minimum 6-12 months
- Requires significant engagement and negotiation with customers: Mobile, Z, BP (who are also major shareholders)
- Any change to oil import operation likely to be signalled no earlier than 2021

s9(2)(g)(i)

# Briefing note

## Engagements with Refining NZ out of scope

You have agreed to take part in two 30-minute MS Teams meetings with CEOs of the Refinery out of scope and members of their leadership teams, as follows:

out of scope

Thu 16 July	2.30-3pm	Refining-NZ	Completed
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out of scope

These meetings are aligned with other engagement the Treasury has been carrying out with businesses throughout NZ (via Chambers of Commerce), and sector associations (such as RetailNZ and the Construction Industry Council). They have been positioned as: "a roundtable discussion about how COVID has impacted [your firm] and your people, what you're seeing coming over the next 6-9 months, and any gaps or questions you see in the economic response to date. It's a chance for the Treasury to listen, and to hear your insights, to help inform our COVID work and our discussions with Ministers."

### Contents

- [Format of the MS Teams meetings](#)
- [Call participants](#)
- [Questions you may wish to ask](#)
- [Firm overview](#)
- [Refining NZ material \(cut from body of briefing\)](#)
- out of scope
- [Starter Policy Paper \(edited\)](#)

out of scope

### Appendix

- [Recent media coverage](#)

pages out of scope have been removed

### 1. Format of the MS Teams meeting

5 mins	<ul style="list-style-type: none"> <li>Round table introductions</li> <li>Reminder about Chatham House rules, and that TSY will share insights with policy analysts and Ministers, and possibly with other agencies</li> </ul>
25 mins	Discussion about impacts of COVID, get a sense of how the move through the Alert levels has impacted the firm and its workers, whether the firm was able to mitigate the impacts, any unforeseen impacts or opportunities experienced, what the firm sees happening over the next 6-9 months, whether government COVID support has hit the mark, or if there are any gaps.
2 mins	<ul style="list-style-type: none"> <li>Close down call, thanks</li> <li>Brief comment on the views and info provided</li> <li>Reminder that we will use intel when advising Ministers</li> </ul>

## 6. Refining NZ content cut from body of briefing

### Refining New Zealand (Refining NZ) – 2.30-3pm, Thursday 16 July

	<p><b>Naomi James</b> CE</p>	<p>Took up role of CE in April 2020. Previously, was Executive Vice President at Santos Ltd, Australia's second largest independent oil and gas producer, responsible for midstream infrastructure assets including oil and gas processing facilities.</p> <p>Has also held leadership roles at Australian mining and materials company Arrium Ltd, and was CE of the Group's non-integrated steel businesses.</p> <p>Holds a Bachelor of Laws and Legal Practice from Flinders University and a Master of Law and Management from the University of NSW.</p>
	<p><b>Joe Akari</b> Chief People &amp; Capability advisor</p>	<p>Joined in January 2016, with more than 20 years' experience in human resources. Held senior management roles in a range of industries including FMCG, Forestry, Pulp &amp; Paper, Health and Education. Previous careers as a forest ranger and also trained as a primary school teacher.</p>
	<p><b>Andrew Brewer</b> Chief Operating Officer</p>	<p>Joined as Chief Operating Officer in March 2020.</p> <p>Spent the last 18 years with Caltex in Australia and Chevron in Canada in refinery and supply leadership roles, including assignments as the General Manager of the Kurnell, Lytton and Burnaby refineries. Held role of Executive General Manager for Fuel Supply Chain and was the Executive GM, Transformation.</p>
	<p><b>Denise Jensen</b> CFO &amp; Company Secretary</p>	<p>Joined in 2005, became Chief Financial Officer in 2009 and Company Secretary in 2010. A Chartered Accountant with over 25 years' experience. Responsible for Refining NZ's Finance, Business information systems, corporate admin, Procurement, Investor relations, risk and assurance</p>
	<p><b>Ellie Martel</b> Comms and External affairs manager</p>	<p>Former journalist, previous roles as Group GM Communications for Kiwirail, External Relations Manager Fletcher Building, and with the George Institute for Global Health</p>
<p>Treasury staff</p>	<p>Andy Hagan</p>	
	<p>Alistair Birchall</p>	
	<p>James Shannon</p>	

#### a. Refining New Zealand (Refining NZ)

Refining NZ has been impacted by very low refining margins globally, increasing domestic energy costs and oversupply in the Asia region. At these low margins, Refining NZ indicates that it has not been covering its cost base and the Marsden Point Oil Refinery has become unsustainable. At the peak of the lockdown, fuel consumption decreased by 70-80% exacerbating these challenges. Refining NZ is now considering converting the refinery into a fuels import terminal. Refining NZ is listed on the NZX.

Refining NZ has implemented short-term measures including reducing production and deferring non-essential work, enabling operations to run cash neutral for a period of time. s9(2)(b)(ii)

On 15 April 2020, Refining NZ announced a strategic review to consider its options for operations and capital structuring, to complement its short term measures. s9(2)(g)(i)

s9(2)(g)(i)

On 5 June 2020, Refining NZ wrote to Minister Woods seeking government input regarding the strategic importance of maintaining refining capacity in New Zealand; options for Refining NZ to access lower cost electricity and gas, including lower distribution charges; and clarity about the longer term allocations of Emissions Intensive Trade Exposed (EITE) activities under the Emissions Trading Scheme (ETS).

Minister Woods' response is expected to:

- confirm the maintenance of domestic refining capacity has some strategic importance to New Zealand
- signal that electricity and gas pricing is largely a commercial matter, and
- acknowledge some uncertainty about its future emission costs under the ETS.

On 25 June 2020, Refining NZ announced the end of phase one of its strategic review, stating that it will simplify operations and structurally reduce operating costs while focusing on the Auckland and Northland fuel markets. Refining NZ has indicated that Marsden Point's refining will be suspended for several weeks in July and August to reduce oversupply. The conclusion of the strategic review, including the future of the refinery, is expected by the end of the third quarter 2020.

## Media coverage

### Refining NZ

#### Changing Marsden Point from refinery to import terminal still a possibility

26/06/2020

<https://www.newshub.co.nz/home/rural/2020/06/changing-marsden-point-from-refinery-to-import-terminal-still-a-possibility.html>

Refining New Zealand says it is continuing to evaluate changing Marsden Point from a refinery into a fuel import terminal only.

The company has released the first stage of a strategic review of its operations, which it began in early April, as low oil prices and cheap supply from Asia hit refining margins.



It said it will now develop plans to simplify refinery operations and reduce operating costs in order to improve the near-term viability of the business.

The company said it will focus on fuel supply into Northland and Auckland where it has a competitive advantage due to the refinery and pipeline to Auckland.

Refining New Zealand Chief Executive Naomi James said the company has narrowed down its options to making it as competitive as possible and exploring the possibility of changing to an import terminal.

"We are focused on making the refinery as competitive as we can in the short-term so that we can extend both cash-neutral operations into the next year and in parallel we will further evaluate and explore with our customers the potential for a future transition to an import terminal."

Naomi James said if the refinery was to become an import only facility then it would mean a downsizing of the facility.

"Part of the next stage of work will be to work with Government and other stakeholders to develop a planned approach to those transitions we have in front of us, whether it be a simplification or a later date a transition to an import terminal.

"What we will look at through the next stage is what's the potential to reuse or re-purpose refinery facilities in a scenario where we are no longer refining fuel locally," she said.

James said the company has acted quickly to stop the cash losses from the refinery which has enabled it to continue operating through COVID-19.

"We now need to extend these measures beyond the short term by simplifying our refinery operations."

She said any transition to an import terminal will first include discussion with its commercial customers and shareholders.

She has ruled out a complete shut-down of the plant.

"There would still be a need for that infrastructure to supply the New Zealand market."

"There is no scenario where Refining NZ ceases to exist."

One of the refinery's big shareholders, Z Energy said it believes moving to an import terminal model is the best outcome for the refinery and New Zealand

## Refining NZ

### Marsden Point A Blatant Attempt at Election Year Corporate Welfare

Friday, 26 June 2020

Press Release: [New Zealand Taxpayers' Union](#)

The *Taxpayers' Union* is calling on the Government to rule out subsidising the oil refinery operations at Marsden Point, following claims that **jobs may be lost** due to the refinery operations possibly being shut down.

*Union* spokesman Louis Holbrooke says, "Threatening an import-only model at Marsden Point is a classic case of industry lobbyists trying to turn a profit in election year by pressuring politicians for a handout."

"Refining NZ, First Union, and the Northland Chamber of Commerce know that Northland is a contested electoral seat. They're trying to take advantage of Shane Jones, taxpayer be damned. They know that a taxpayer-funded subsidy to keep an uncompetitive refinery open would be a classic move for New Zealand First."

"The Prime Minister should rule out any kind of bailout, subsidy, or tariff. Intervention would send a message to other businesses that they don't have to be competitive if they play the political game. Ultimately, local taxpayers and consumers would be left on the hook to prop up local refining when it's more efficient to refine fuel internationally."

"This situation has concerning echoes of the situation at Tiwai Point. In 2013 Rio Tinto threatened closure and was granted a \$30 million bailout, only to make the same threat again with cap in hand a few years later. Now the corporate lobbyists are having a go in Northland."

"Banana republics subsidise refining operations. Let's not join them."

## Refining NZ

### Concern in Northland over potential Marsden Point downsize

26/06/2020

<https://www.newshub.co.nz/home/rural/2020/06/concern-in-northland-over-potential-marsden-point-downsize.html>

Northland is nervously awaiting a decision on whether the Marsden Point Refinery will be downsized to become a fuel import terminal only.

Refining NZ, which owns the plant, said it is one option it's seriously considering as it redefines itself in the wake of lower fuel prices and cheap supply from Asia which has reduced refining margins.

The company said it is trying to simplify its operations in order to keep the business viable.

The refinery, which was opened in 1964, employs about 400 people and many contractors. If the plant is downsized, a number of well-paid workers would likely leave the region.

Northland Chamber of Commerce chief executive Steve Smith said any reduction at the refinery would have a devastating effect on the region. "Because of the sheer volume of whānau that are supported by people working there, it is a huge concern absolutely." He said turning it into just a fuel importing terminal is the last thing the region wants or needs.

"If you are only operating a tank farm, which is affectively what that option is, I can't imagine that the levels of employment would remain anywhere near they are."

Whangārei Mayor Sheryl Mai said Marsden Point is a significant contributor to the local economy and cutbacks would be felt. "Any reduction in the through put for that business has an impact on our overall GDP for the district and obviously for the nation, so any reduction in that is not welcomed."

Refining NZ said Marsden Point is not paying its way and the business model needs to change.

But its chief executive Naomi James said it is premature to conclude that replacing refining oil, with imported refined fuel will happen. "At this stage what we are saying is we are going to move into detailed planning to simplify the refinery to make it as competitive as we can to extend operations into 2021 and in parallel with that exploring that as a future option."

She said turning the plant into an import terminal would mean reducing the size of the business. "It's a different operation absolutely. A lot of the facilities we have today we would continue to use but there are other facilities that we would not continue to use."

The three big petrol companies, Mobil, Z Energy and BP are the major shareholders in Refining NZ and also its biggest customers.

About 30 percent of transport fuel is already imported into New Zealand as refined and ready to go straight into a vehicle.

The final decision on the future look of the refinery will be made later this year.

[TSY]

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**From:** Ellie Martel <Ellie.Martel@refiningnz.com>  
**Sent:** Thursday, 27 August 2020 6:04 PM  
**To:** James Shannon [TSY]  
**Cc:** Alistair Birchall [TSY]  
**Subject:** RE: Refinery update

Have a great break.

Yes please, 3.30pm would be great thanks.

Nga mihi,

**Ellie Martel**  
Government Relations Manager  
Refining NZ

Mobile 0204 174 7226  
Web [www.refiningnz.com](http://www.refiningnz.com)



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**From:** James Shannon [TSY] <James.Shannon@treasury.govt.nz>  
**Sent:** Thursday, 27 August 2020 15:46  
**To:** Ellie Martel <Ellie.Martel@refiningnz.com>  
**Cc:** Alistair Birchall [TSY] <Alistair.Birchall@treasury.govt.nz>  
**Subject:** RE: Refinery update

Thanks Ellie, it's good to be in contact again after our 16 July call. Apologies for my delay in getting back to you.

I think it's a good idea to have another call, as you suggest. Things have been pretty busy here (I'm sure with you too) and I am just about to go on a couple of days leave for a long weekend. So how are you placed on Monday 7 September for a call, say sometime in the afternoon? Unless there are some pertinent developments that we should discuss before then?

Assuming Monday 7 Sept is convenient, how about 30 mins at 1pm or 3.30pm?

And yes, we'd appreciate being kept in the loop with updates to the Ministers' offices and MBIE.

Look forward to talking soon.

Cheers  
James

s9(2)(g)(ii)

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**From:** Ellie Martel <[Ellie.Martel@refiningnz.com](mailto:Ellie.Martel@refiningnz.com)>  
**Sent:** Wednesday, 26 August 2020 11:12 am  
**To:** James Shannon [TSY] <[James.Shannon@treasury.govt.nz](mailto:James.Shannon@treasury.govt.nz)>  
**Subject:** RE: Refinery update

Hi James,

Hope you're well.

Just wondered if you would like a briefing on where the refinery is up to with its change planning?

We'd be very happy to keep you in the loop with our updates to the Minister's office and to MBIE as well if you would like that?

Nga mihi,

**Ellie Martel**

Government Relations Manager  
Refining NZ

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**From:** Daniel White <[Daniel.White@parliament.govt.nz](mailto:Daniel.White@parliament.govt.nz)>  
**Sent:** Wednesday, 26 August 2020 10:19  
**To:** Ellie Martel <[Ellie.Martel@refiningnz.com](mailto:Ellie.Martel@refiningnz.com)>  
**Cc:** James Shannon [TSY] <[James.Shannon@treasury.govt.nz](mailto:James.Shannon@treasury.govt.nz)>  
**Subject:** RE: Refinery update

Kia ora Ellie

James Shannon copied to the email can speak to the content provided to Ministers about Refining NZ. His no. is s9(2)(g)(ii)

James below and attached is info Ellie provided to the office that I also shared with the Minister. I shared with Ellie what was written in advice to Ministers.

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**From:** Ellie Martel [<mailto:Ellie.Martel@refiningnz.com>]  
**Sent:** Tuesday, 25 August 2020 11:56 AM  
**To:** Daniel White <[Daniel.White@parliament.govt.nz](mailto:Daniel.White@parliament.govt.nz)>  
**Subject:** RE: Refinery update

Hi Daniel,

Just checking you received this?

Are you also able to please send me the name of the person who prepared the Treasury report, just so that I can get in touch and brief them?

Regards,

**Ellie Martel**

Government Relations Manager  
Refining NZ

Mobile 0204 174 7226

Web [www.refiningnz.com](http://www.refiningnz.com)



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**From:** Ellie Martel  
**Sent:** Thursday, 20 August 2020 18:35  
**To:** Daniel White <[Daniel.White@parliament.govt.nz](mailto:Daniel.White@parliament.govt.nz)>  
**Subject:** Refinery update

Hi Daniel,

Thanks for your time earlier.

As discussed, please find attached a few paragraphs outlining the announcement on Monday. As discussed, losses of \$186m were largely made up of an impairment of \$158m after tax (see below) announced last week. Debt (losses) has remained largely flat since April, when Naomi James became CEO.

We would note the significance of meeting all the goals we set earlier this year, in the environment in which we have been working.

These achievements underpin the confidence we have that the company will be able to continue to navigate its way through the ongoing challenges of the current environment to return the company to profitability while continuing to be part of providing a reliable transport fuel supply to New Zealand.

As noted, the next significant milestone is our announcement of simplification plan details around the end of Q3. This plan is aimed at keeping the refinery operating sustainably through 2021.

Alongside, we are working on plans to move to a terminal. I would note, however, that there is no timeline attached to these plans, and no announcement date.

Meanwhile, we are focusing on encouraging the region to focus on transition planning as our workforce changes. We would also encourage ideas around other uses for the refinery site.

4 August 2020

#### **Refining NZ announces non-cash impairment**

Refining NZ today announced that it expects to recognise a non-cash impairment charge in the order of \$220 million before tax (\$158 million after tax) in the 2020 half-year results.

The impairment charge is primarily due to revised refining margin assumptions, reflecting the excess refining capacity in the Asia-Pacific region and the effects of the COVID-19 pandemic on transport fuel demand, particularly jet demand. Refining NZ sets its long-term refining margin assumptions based on independent energy analyst forecasts.

The company remains comfortably within the 45% senior debt gearing covenant under its Facility Agreements at 27% following the impairment, which will also not impact on interest cover ratios that the company continues to meet in the current low margin fee floor environment.

The impairment charge is a non-cash item and is subject to finalisation and Board approval of the half-year financial statements.

Refining NZ will release its 2020 half-year results on 17 August 2020.

Nga mihi,

**Ellie Martel**  
Government Relations Manager  
Refining NZ

Mobile 0204 174 7226  
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We can be contacted at

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**From:** James Shannon [TSY] <[James.Shannon@treasury.govt.nz](mailto:James.Shannon@treasury.govt.nz)>  
**Sent:** Thursday, 10 September 2020 10:52 AM  
**To:** ^MBIE: James Soligo <[James.Soligo@mbie.govt.nz](mailto:James.Soligo@mbie.govt.nz)>; Bertrand Ngai <[Bertrand.Ngai@mbie.govt.nz](mailto:Bertrand.Ngai@mbie.govt.nz)>; ^MBIE: Thomas Lee2 <[Thomas.Lee2@mbie.govt.nz](mailto:Thomas.Lee2@mbie.govt.nz)>; Alistair Birchall [TSY] <[Alistair.Birchall@treasury.govt.nz](mailto:Alistair.Birchall@treasury.govt.nz)>  
**Cc:** Maureena van der Lem [TSY] <[Maureena.Vanderlem@treasury.govt.nz](mailto:Maureena.Vanderlem@treasury.govt.nz)>; Sandra Bennett [TSY] <[Sandra.Bennett@treasury.govt.nz](mailto:Sandra.Bennett@treasury.govt.nz)>  
**Subject:** Refining NZ call notes

Kia ora all

Some notes from today's call with Refining NZ (RNZ), 9.30-10am 10-Sept, attended by:

- RNZ: Naomi James (CEO) Ellie Martel (PR)
- MBIE: James Soligo, Bertrand Ngai, Tom Lee
- TSY: Alistair Birchall, James Shannon

*On the simplified refinery operations*

- The refinery will continue to run, on the current simplified basis, next year
- s9(2)(b)(ii)
- Contractors have been reduced this year [edited]
- Workforce consists of 400 employees and 150 contractors. [edited]
- Will further mothball/decommission certain parts of the operations
- Production output will be dropped to 1995 levels (back to levels set in the fee floor agreement)
- Under the simplified model, bitumen not produced, but can be produced for a price
- There will be a public announcement in October regarding the simplified [edited]

*On transitioning to an oil import terminal*

- Transitioning to the import terminal model is currently under discussion with customers, with commercial terms being negotiated
- s9(2)(b)(ii)
- The import terminal model will require a further reduction in workforce, and less skilled employees. Some employees may transition across

*On government engagement*

- Have been engaging with MBIE, Northland Economic Recovery Working Group (NERWG), and Whangarei District Council
- Focus in NERWG has been on membership and the framework. MSD will lead the work. RNZ to provide the MSD contact to MBIE. RNZ are meeting with MSD next week.
- RNZ undertook to provide MBIE with their current workforce data, as input into the transition planning process.
- RNZ are planning to hold a jobs day in November to support the transition of their staff. Government stakeholders and local employers will be invited.

*On biofuels*

- RNZ see the key issue being the economic viability of any alternative fuel approach ie the need for a low cost of the requisite input: the feedstock for biofuels; low cost electricity for hydrogen
- MOT is working on policy regarding the uptake of biofuels. MPI have produced a biofuels report. RNZ interested in the government's intentions.
- RNZ is uncertain about the next steps of MPI's biofuels report. RNZ are not actively progressing this avenue, as they have no capital to invest, but are keen to support/participate.
- MBIE will engage with MPI about the next steps, and the role that RNZ might play.
- RNZ previously approach Minister Jones about the viability of the PGF funding a biofuels viability study, but this approach didn't receive traction.

Cheers  
James



**James Shannon (he/him) | Te Tai Ōhanga – The Treasury**

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[TSY]

**From:** Ellie Martel <Ellie.Martel@refiningnz.com>  
**Sent:** Monday, 5 October 2020 9:12 AM  
**To:** ^Parliament: Craig Renney; James Shannon [TSY]; Alistair Birchall [TSY]  
**Subject:** Refining NZ simplification update  
**Attachments:** Refining NZ finalises plans for simplified refinery operations in 2021.pdf; Refining NZ finalises plans for simplified refinery operations in 2021 MEDIA RELEASE.pdf

Morning all,

Today we announced our proposal to simplify the refinery, so we can keep it running into next year. We're pleased we have been able to find a way to continue operating the Marsden Point refinery in the most challenging environment Refining NZ has faced since deregulation of the oil industry in 1988. Our focus at this time is on our people who are impacted by the changes we need to make, and on operating the refinery safely. Please don't hesitate to give me a call if you have any questions.

Regards,

**Ellie Martel**

Government and External Relations Manager  
Refining NZ

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WINNING  
TOGETHER



HONESTY



INTEGRITY



RESPECT



LEADERSHIP



SAFETY &  
WELLBEING

## WARNING

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**REFINING NZ**  
Your Energy Hive

## NZX announcement

05 October 2020

### Refining NZ finalises plans for simplified refinery operations in 2021

On 25 June 2020, Refining NZ announced completion of the first phase of its Strategic Review, taking forward a near-term proposal to simplify refinery operations and in parallel explore with customers a possible future staged transition to an import terminal.

The Company has now finalised its proposal to operate the refinery in 2021 under the current Processing Agreement, which will enable it to extend cash neutral operations in a low-margin environment at the Fee Floor.

This proposal includes:

- Reducing refinery throughput to 90,000 bbls/day (equivalent to levels at the time of commencement of the Processing Agreement in 1995) and the cessation of bitumen production;
- c\$20M reduction in opex compared with 2020 primarily through lower labour and other costs;
- Undertaking the deferred 2020 turnaround of Crude Distillation Unit 1 and the CCR Platformer. Total capex for 2021 is forecast at \$50M; and
- Estimated restructuring costs in 2020 of c\$5M, which will be funded using proceeds from asset sales.

The simplification proposal for 2021 follows the action already taken in 2020 to reset the cost base to Fee Floor levels through \$70M in opex and capex cost reductions.

During the last quarter, the Company has also progressed import terminal discussions with customers. These discussions are ongoing and any decision to proceed with a conversion to an import terminal will ultimately be a decision voted on by non-customer shareholders.

Refining NZ chairman Simon Allen said: "We are pleased we have been able to find a way to continue operating the Marsden Point refinery in the most challenging environment Refining NZ has faced since deregulation of the oil industry in 1988. Our focus at this time is on operating the refinery safely and on our people who are impacted by the changes we need to make. We are working closely with local, regional and national authorities and agencies to ensure that the proposed transition is smooth and the impact on our people and the region is minimised."



**REFINING NZ**  
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## **NZX announcement**

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**REFINING NZ**  
Your Energy Hive

## Media release

**05 October 2020**

### **Refining NZ finalises plans for simplified refinery operations in 2021**

Refining NZ has finalised its proposal for simplified refinery operations, which will enable it to continue to run safely in 2021 in a low-margin environment.

Under the proposal, refinery throughput would be reduced back to 1995 levels and workforce reductions would take place.

Chief Executive Naomi James said: "We have looked at all options and determined that this is the best way to enable the refinery to safely continue running in 2021, despite challenges resulting from low refining margins globally and the impact of COVID-19 on fuel demand.

"We have worked hard to keep the refinery operating, saving 300 jobs and playing our part in reliable fuel supply to New Zealand while we continue to explore longer-term options. We are working closely with local, regional and national authorities and agencies to help our people impacted by these changes, and to minimise the impact of these changes the Northland region."

Chairman Simon Allen said: "We are pleased we have been able to find a way to continue operating the Marsden Point refinery in the most challenging environment Refining NZ has faced since deregulation of the oil industry in 1988. Our focus at this time is on operating the refinery safely and on our people who are impacted by the changes we need to make."

RNZ's simplification plans involve reducing refinery throughput to approx. 90,000 bbls/day (similar to throughput at the commencement of the Processing Agreement in 1995) and the cessation of bitumen production. Opex will be reduced by c\$20M which will allow the completion of the turnaround of key processing units which had been deferred in 2020.

This simplification proposal for 2021 follows the action already taken in 2020 to reset the cost base to Fee Floor levels through \$70M in opex and capex cost reductions.

Refining NZ will now proceed to undertake workforce consultation before implementing simplification changes in Q4.

During the last quarter, the Company has also progressed discussions with customers in relation to the possible future staged transition to an import terminal. These discussions are ongoing and no decision has been made at this time.

For further information:



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## Media release

Ellie Martel, Communications and Government Relations Manager

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### **Background: Strategic Review**

On June 25, Refining NZ announced it would proceed to planning for a simplified refinery to enable it to continue to run safely through 2021 and in parallel explore with customers a possible future staged transition to an import terminal, with an update at the end of Q3. The decision to proceed with simplification came out of the Strategic Review, announced in April 2020. The Strategic Review is aimed at determining the optimal business model and capital structure for its assets to maximise “through the cycle” returns to shareholders and deliver secure, competitive fuel supply safely to New Zealand.

### **Background: Refining NZ:**

Refining NZ is the country’s only oil refinery and a key part of the infrastructure supplying refined petroleum products to the New Zealand market.

Our infrastructure supplies:

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

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.

Almost half of our fuel production travels via our purpose-built 170-kilometre pipeline to Wiri in South Auckland for storage and distribution by road.

Refining NZ employs a team of around 400 and 150 contractors. We are committed to providing a safe working environment to help get our people home safely every day.

## Hon Grant Robertson

MP for Wellington Central  
Deputy Prime Minister  
Minister of Finance  
Minister for Infrastructure  
Minister for Sport and Recreation  
Minister for Racing



- 9 JUN 2021

Naomi James  
Chief Executive Officer  
Refining NZ  
Lizzie.Thomson@refiningnz.com

Dear Naomi

Thank you for your letter of 6 May 2021 regarding investing in New Zealand's critical infrastructure. I'm pleased that Refining NZ is actively considering business transition towards decarbonisation.

Responding to your question, as the Minister of Finance I cannot intervene in specific investments for ACC, or any other Crown Financial Institution (CFI). This is an important feature of the Crown Entity model, which creates appropriate governance arrangements for Crown Entity Boards, including investment independence as a core concept.

At the sector level, I have written in my Letter of Expectations to the CFI Board Chairs<sup>1</sup> that the CFIs should maintain robust ethical investment policies that reflect best practice standards in New Zealand and internationally. I consider this to include active support of achieving Carbon neutrality in New Zealand by 2050, by accelerating divestment from carbon intensive investments as part of their responsible investment strategies.

I do, however, recognise this is a transition, and this transition will also require engagement on, and support for, solutions that reduce carbon intensity. As you note, it will be important to see progress on this transition by 2030, to provide assurance that we will deliver the goals of the Paris Agreement and our objective of carbon neutral by 2050.

Thank you for taking the time to write.

Yours sincerely

Hon Grant Robertson  
Minister of Finance

<sup>1</sup> The latest Letter of Expectations for Crown Financial Institutions has been published by the Treasury at:  
<https://www.treasury.govt.nz/publications/information-release/shareholder-expectations-letters-2021-22-information-release>.