



REFINING NZ
Your Energy Hive

NZX announcement

17 December 2020

Refinery Simplification Update

Refining NZ advises that Z Energy has issued a notice of dispute under its Processing Agreement with Refining NZ in relation to Refining NZ's plans to simplify the Marsden Point oil refinery operations.

Refining NZ has also issued a notice of dispute under the Processing Agreement to Z Energy in relation to a separate claim by Refining NZ that the Fee Floor should be \$70M per annum higher.

As advised in previous announcements, Refining NZ has developed plans to enable it to continue to operate the refinery in 2021 at the lowest cost possible and run cash neutral, maintaining reliable fuel supply for the New Zealand market while continuing to meet its obligations under the Processing Agreement.

Under the terms of the Processing Agreement, customers take the risk of periods of low margins and demand through the Fee Floor structure which provides a fixed amount of revenue to Refining NZ, independent of actual throughput.

Refining NZ's simplification plans result in the refinery returning to similar overall capacity levels as existed at the time the Fee Floor was set on commencement of the Processing Agreement. Refining NZ is confident that its simplification plan complies with the terms of the Processing Agreement and intends to continue to act within the terms of this agreement while working through the dispute resolution process with Z Energy for both disputes. Refining NZ is discussing with Z Energy its assertion that it intends to withhold payment of the Fee Floor pending resolution of the dispute.

Refining NZ has made good progress in discussions with other customers in relation to the potential future staged transition to an import terminal and these discussions continue. Refining NZ expects to provide an update to the market in January regarding its work to further develop and refine import terminal conversion plans, including estimated costs of conversion and timing and the status of ongoing customer discussions. The independent directors, who have been overseeing discussions with customers, continue to see significant unrealised value in Refining NZ's infrastructure.

Authorised by:

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