

NZX RELEASE

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Biorefinery proposed at Marsden Point Energy Precinct

Channel Infrastructure NZ Limited (NZX:CHI) announces it has entered into a conditional project development agreement with Seadra Energy Inc, who is partnering with consortium members Qantas, Renova Inc, Kent Plc, and ANZ (the “Seadra Consortium”), to develop a biorefinery at Channel’s Marsden Point site. Should the project proceed, the proposed biorefinery could become an anchor tenant for Channel’s Marsden Point Energy Precinct.

On 10 July 2023, Channel announced it had entered into an option agreement with Seadra to purchase certain decommissioned assets from the hydrocracking complex for US\$33.875 million. That option agreement was due to expire on 30 September 2024, and to date Channel has received US\$4.7 million in non-refundable option payments.

Seadra has informed Channel that following many months of investigation of project alternatives by the Seadra Consortium, including alternatives that involved the complexity and cost of deconstructing and moving assets offshore, the Seadra Consortium now considers that leaving the assets at Marsden Point and utilising them in-situ for a proposed biorefinery is their preferred project option.

Should the project development agreement being announced today become unconditional, it is anticipated that the proposed biorefinery project at Marsden Point would utilise some of Channel’s decommissioned refinery assets (which would be refurbished and reconfigured), existing tankage, jetties and certain other infrastructure, as well as approximately 18-20 hectares of land on the site.

In addition, the proposed biorefinery project has been located on the Marsden Point site such that it would not impact on the proposed footprint for the previously announced proposed e-Sustainable Aviation Fuel project at our site.

Commenting, Channel Infrastructure CEO Rob Buchanan said:

“Attracting another potential international future fuels project to Marsden Point is further validation of the unique nature of our strategic site. While there can be no guarantee that these projects will ultimately proceed, the fact that we have been able to attract two potential projects of this calibre is testament to the attractiveness of our Marsden Point site for the production of lower-carbon fuels and the inherent value of our land. Should the Marsden Point biorefinery project proceed, it would create value for shareholders through the sale of decommissioned assets and revenue from long-term contracts for the use of our land, and other infrastructure, by the biorefinery. The proposed biorefinery project is just one example of the many and varied opportunities we see to develop Marsden Point as an energy precinct for New Zealand over the long term.”

Under the new project development agreement, Channel and Seadra will work together to progress the project to a final investment decision, anticipated by the second half of 2025. If the proposed biorefinery project proceeds, several key commercial elements have already been agreed in principle, including:

- Channel would sell to Seadra the hydrocracking assets that are the subject of the option agreement announced on 10 July 2023 for US\$33.875m (less the US\$4.7m option payments already received;



- Channel would sell additional decommissioned refinery assets to Seadra for c.US\$23m (subject to satisfactory completion of engineering studies in respect of those assets);
- Channel would lease to Seadra approximately 18-20 hectares of land at Marsden Point for a total annual rent payment of approximately NZ\$6 - 7 million per annum (subject to periodic adjustment over 25 years;
- Channel would make available additional tankage, jetty facilities and certain other infrastructure at Marsden Point for annual fees to be agreed between the parties; and
- The Seadra Consortium would be responsible for the ownership, construction, and operation of the biorefinery.

The final investment decision to proceed with the Marsden Point biorefinery project will be subject to entry into final form binding agreements in relation to the above, and completion of a debt raising advised by ANZ.

Channel Infrastructure CEO Rob Buchanan said:

“Channel Infrastructure has considered several options to dispose of the decommissioned hydrocracking assets and other unused assets on its site. Having undertaken a global sale process for the decommissioned assets over more than two years, and recognising that disassembling and shipping these assets offshore creates considerable complexity for prospective purchasers, we are confident that the proposed Marsden Point biorefinery project provides the best opportunity for Channel to realise proceeds from this sale process at this time.”

Seadra commented:

“After more than 24 months of detailed engineering and other workstreams, the project consortium partners have selected New Zealand as the best place for the biorefinery project site. Given the world class infrastructure available at Channel’s facilities, and having identified multiple markets for the biofuels produced, the economics for a domestic advanced biorefinery made the most sense for the consortium.”

Qantas added:

“Sustainable aviation fuel will be critical to decarbonising the aviation industry. Qantas has set a 10% SAF target for 2030 and is investing in the development of SAF production through its \$400m climate fund. This includes early investment in the development of the biorefinery at Marsden Point. New Zealand and the Pacific are a key part of our network and we’ve recently announced an increase in our trans-Tasman services by up to 50% from October 2024.”

Renova added:

“As a renewable energy developer and owner-operator, Renova is committed to reducing GHG emissions from the energy sector, which accounts for 1/3 of global emissions. While continuing to expand our renewable portfolio, Renova is also exploring other solutions to address the remaining 2/3, and we believe biofuel is a promising option. The biorefinery at Marsden Point, once realised, will be a significant step in this effort, and we are excited about the potential of this project.”

Seadra’s existing option to purchase certain decommissioned assets from the hydrocracking complex will be extended to enable Seadra to progress and finalise its investigation into the Marsden Point biorefinery project, and will remain exercisable by Seadra by 31 July 2025 should it ultimately decide to not proceed with the Marsden Point biorefinery project.

Channel will release more detail on 24 October 2024 about the company’s vision for developing Marsden Point as an Energy Precinct, and how it can accommodate a range of energy project opportunities on its unique Marsden Point site.

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About the Marsden Point Biorefinery

A biorefinery is a facility that processes biological material to manufacture biofuel and other products. The Seadra Consortium's biorefinery project would utilise Channel's decommissioned assets from the hydrocracking complex, as well as newly constructed plant (including to process biological feedstocks). The Seadra Consortium would own and operate the plant, and would be responsible for sourcing feedstock, with Channel acting as landlord and ancillary infrastructure provider.

About Channel Infrastructure NZ

Channel Infrastructure is New Zealand's largest fuel import terminal, storing and distributing 40% of New Zealand's fuel, including 80% of New Zealand's jet fuel. We receive, store, test and distribute petrol, diesel, and jet fuel that our customers import and supply to Auckland and Northland.

Fuel is imported via our deep-water harbour and jetty infrastructure at Marsden Point and stored in more than 290 million litres of contracted storage tanks on site. The fuel is then distributed via our 170-kilometre pipeline to Auckland, or by our customers (bp, Mobil, and Z Energy) via truck into Northland. We underpin the resilience of New Zealand's fuel supply chain with our tank capacity, which enables increased storage of fuel in New Zealand, and through efficient, low-emission distribution of the fuel into the Auckland market.

Our plan for growth includes exploring the manufacture of lower-carbon fuels at Marsden Point to support the energy transition in New Zealand. Given our proximity to Auckland, and critical role in the jet fuel supply chain, Channel is well positioned to facilitate the renewable fuel transition in New Zealand.

Channel Infrastructure's wholly-owned subsidiary, Independent Petroleum Laboratory Limited, provides fuel quality testing services throughout New Zealand.

For more information on Channel Infrastructure, please visit: www.channelnz.com