



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.”



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