



**REFINING NZ**  
Your Energy Hive

## **NZX announcement**

**25 June 2020**

### **Refining NZ provides update on Strategic Review**

On 15<sup>th</sup> April, Refining NZ announced a Strategic Review to determine the optimal business model and capital structure for its assets to maximise “through the cycle” returns to shareholders and deliver secure, competitive fuel supply to New Zealand. Refining NZ is providing a market update on progress of the Review.

The first phase of the Strategic Review included extensive engagement with customers, Government and other stakeholders in order to assess all of the options available. The Board and Chief Executive Officer have assessed the robustness of a range of business model options in an environment where refining margins are expected to remain lower than they have been historically for an extended period of time.

To improve the near-term viability of its current business model, Refining NZ will now develop plans to simplify refinery operations and structurally reduce operating costs, while focusing on fuel supply into the Auckland and Northland markets where it has a competitive advantage due to its Marsden Point infrastructure and Refinery to Auckland Pipeline.

The development of plans to simplify refinery operations is intended to enable the company to extend cash neutral operations into 2021 under a Fee Floor scenario, with the company taking prompt action to manage those things within its control. The plans are expected to be finalised around the end of Quarter 3, 2020.

In parallel the company will continue to evaluate a possible future staged transition to an import terminal, including exploration of a commercial framework with customers, overseen by the Independent Directors. This process will include consideration of the optimal timing of any conversion, the sequencing of supply chain changes, the scale of costs related to an import terminal conversion program, and the range of commercial terms for terminal and pipeline operations. The funding requirements for any conversion would depend on the exact configuration of any terminal conversion, its commercial framework and timing. Such a transition would require shareholder approval.

Announcing the update, Chairman, Simon Allen said: “Refining NZ is committed to delivering a strategic outcome which delivers sustainable returns for our shareholders over the longer-term. At the same time, we are conscious of the significance of the options under consideration and the potential impacts on our people and the local community. We will continue to work closely with all stakeholders to ensure the right decisions are made and implemented in a planned and co-ordinated way to ensure the safe, reliable supply of quality fuels to New Zealand now and into a lower carbon future, while managing the impact of changes on our people and the local community”.

Refining NZ expects to provide a further update on the Strategic Review process by the end of the next quarter.

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