NZX announcement

25 March 2020

Refining NZ announces robust operating mode in response to COVID-19

Refining NZ has agreed with its customers to change the way it operates the refinery initially for a period of three months, in response to the significant fuel demand reduction resulting from COVID-19 travel and transport restrictions.

The refinery's processing facilities will be operated on a rotating basis to enable the refinery to produce at substantially lower rates. All safety critical work required for this new mode of operating will continue, but all other work will be suspended. A decision is to be made in April on extending these arrangements beyond June.

Managing Director Paul Zealand said that the extreme challenges presented by COVID-19 for customers and the Company require an entirely new mode of operating for the business to remain robust in an uncertain global environment for refining.

“The new operating mode will result in a significant further reduction in activity and manning levels, with the focus of staff during 2020, being the safe operation and maintenance of our facilities. We plan to achieve a cash neutral spend rate through the year, taking into account the processing agreement Fee Floor and reduced RAP income.

“As an essential service, our immediate focus through this period of uncertainty is to continue to operate the refinery and the Refinery to Auckland Pipeline (RAP) safely, to meet customers’ reduced need for high quality transport fuels, and to contribute to the security of New Zealand fuel supply. Exactly how long we will need to operate in this new robust mode is yet to be determined however, we will keep the market informed as the situation develops.”

Mr Zealand said that the Company has revised lending arrangements in place, as previously announced to the market, providing the Company with significant liquidity headroom and no significant debt maturities until March 2022. The Company’s profit matrix issued in February 2020, does not reflect the reduced volumes under the new operating mode and the ongoing uncertainty of COVID-19. Future guidance will be provided to the market in due course.

“Taking these actions now means that the Company is well positioned to withstand an extended period of low demand as a result of COVID-19,” he said.
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Mr Zealand confirmed that staff, contracting companies and community representatives will be briefed on the new mode of operating today and over the course of the coming week.

“While these changes are necessary to meet the extraordinary challenges we face, we appreciate that the new mode of operating will have an impact on people who have worked hard for our business over many years.”

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