



REFINING NZ
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NZX Announcement

13 December 2019

Throughput and Margin Update

Refining NZ confirms that while it continues to experience weaker than expected global refining margins and that refining margin forecasts have a greater than normal level of uncertainty due to the impacts of the IMO2020 MARPOL marine fuel oil implementation, current global economic tensions, uncertain Chinese exports and the spike in crude freight rates, processing fee revenue for the financial year ending 31 December 2019 exceeds the Fee Floor.

Refining NZ commented in its September/October Operational Report to the NZX that high sulphur fuel oil margins versus Dubai crude oil, i.e. “cracks” had fallen as was forecast but the widely-forecast gasoil crack increase had not yet materialised. It also reported on the crude oil freight spike due largely to the US imposed sanctions on several Chinese tanker companies.

Leading international energy consulting company FACTS Global Energy reported in November that it “still expects gasoil cracks to increase as we move into 2020 and that gasoline cracks will track at similar levels to today.” It said further that “the increase in gasoil cracks is expected to be driven by a significant increase in marine gasoil demand by year-end (or slightly later) when ships start switching to MARPOL compliant fuels and MARPOL compliant fuel oil inventory is drawn down as expected.”

Refining NZ is addressing the MARPOL impact in several ways including by broadening its crude oil diet towards crude oils less impacted by MARPOL. By year-end it will have performed test runs on four new crude oils and forward crude procurement decisions are already being impacted positively by this.

Refining NZ advises that due to the late crude deliveries in December, coupled with the Company’s market announcement on 28 November 2019 regarding the financial impact of the Transpower outage, the Company now expects its annual throughput to be around 42.7 million barrels.

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