



REFINING NZ
Your Energy Hive

NZX announcement

23 September 2020

Refinery simplification plan update

Refining NZ advises that Mobil Oil New Zealand Limited has issued a notice of dispute under its Processing Agreement with Refining NZ in relation to Refining NZ's plans to simplify the Marsden Point oil refinery operations.

Refining NZ has for a number of months been in discussions with customers in relation to its simplification plans which would enable the refinery to continue to operate in the current challenging environment, with low-refining margins and refinery throughput significantly impacted by COVID-19. In this environment, Refining NZ has been developing plans to enable it to continue to operate the refinery in 2021 at the lowest cost possible and run cash neutral, maintaining reliable fuel supply for the New Zealand market while continuing to meet its obligations under the Processing Agreement.

Under the terms of the Processing Agreement, customers take the risk of periods of low margins and demand through the Fee Floor structure which provides a fixed amount of revenue to Refining NZ, independent of actual throughput. Refining NZ's simplification plans would result in the refinery returning to similar overall capacity levels as existed at the time the Fee Floor was set on commencement of the Processing Agreement.

Refining NZ is confident that its simplification plan complies with the terms of the Processing Agreement and intends to continue to act within the terms of this agreement while working through the dispute resolution process. Refining NZ will provide a further update to the market about its refinery simplification plans in early October as previously announced.

Discussions continue with Refining NZ's other customers in relation to the potential future staged transition to an import terminal. The independent directors, who have been overseeing discussions with customers, continue to see significant unrealized value in Refining NZ's infrastructure.

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