



**25 May 2021**

**NZX announcement**

**In-principle agreement on import terminal reached with largest customer – Z Energy**

Refining NZ confirms that it has today reached in-principle agreement<sup>1</sup> with Z Energy Limited on key commercial terms including price for the potential future import terminal operation at Marsden Point. The agreement reached with Refining NZ's largest customer follows a similar agreement reached with bp in February 2021.

The key terms of the in-principle agreement reached with Z Energy which would apply across all customers include:

- An initial term of 10 years, with the option for customers to extend,
- A combination of shared annual fixed access fees and variable throughput fees linked to actual volumes – which Refining NZ estimates would result in average fees (across all customers and on a real basis) of c.\$95m p.a. during the initial term, and includes a take-or-pay commitment of \$100m p.a. for the first 36 months, \$90m p.a. for the subsequent 36 months, and then stepping down for subsequent periods,
- Provision for third party access to unutilized Refinery to Auckland Pipeline (RAP) capacity.

Based on the in-principle agreements reached with bp and Z Energy, the Company will now prepare for a shareholder vote both on the major transaction and change in business model, and on the proposed customer agreements as a related party transaction. The Company will also request the necessary lender consents and confirmation of financing arrangements to debt fund the conversion. In parallel, the Company will continue to seek commercial agreement with Mobil.

Front End Engineering and Design (FEED) and detailed implementation planning is also ongoing.

Independent Chair, Simon Allen said: "This is a significant milestone in our Strategic Review, which has been focused on securing fair value for our infrastructure. The import terminal operation would utilise our highly strategic infrastructure to receive, store and distribute transport fuels primarily to the Northland and Auckland markets safely, reliably, and efficiently.

The proposed long-term agreements for the import terminal would result in significantly more stable earnings compared with the inherent volatility of refining and enable the Company to deliver through the cycle returns to shareholders."

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<sup>1</sup> The in-principle agreement is non-binding and subject to a number of conditions including Refining NZ shareholder and lender approvals, negotiation of a binding Terminal Services Agreement and final approval by the independent directors of Refining NZ and by the Z Energy Board.



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CEO, Naomi James added: “The final investment decision remains subject to shareholder vote and lender approvals, completion of FEED and detailed planning, consultation with employees and unions, as well as negotiation of binding Terminal Services Agreements with customers. On current estimates, a final investment decision in Q3 2021 would enable a conversion to occur by mid-2022.

“We are focused on concluding our customer negotiations and to providing greater certainty to our employees, customers and other stakeholders.”

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