

BEFORE THE NORTHLAND REGIONAL COUNCIL

IN THE MATTER OF the Resource Management Act 1991 (“RMA”)

AND

IN THE MATTER OF a resource consent application by The New Zealand Refining Company Ltd under section 88 of the RMA to deepen and realign the Whangarei Harbour entrance and approaches

APPLICATION NO. APP-037197.01.01

**STATEMENT OF EVIDENCE OF SJOERD POST
(REFINING NZ - CORPORATE OVERVIEW)**

12 February 2018

INTRODUCTION

Qualifications and experience

1. My name is Sjoerd Post. I am the Chief Executive Officer of The New Zealand Refining Company Limited (“Refining NZ”). I hold an MSc in mathematics from the University of Groningen (Netherlands).
2. I joined Refining NZ in January 2013. I have over 30 years' international commercial business experience. Before joining Refining NZ, I was a member of the Executive Team of Royal Dutch Shell's Downstream business, where I was responsible for the overall global downstream strategy and portfolio activities (refining, trading, distribution, and sales and marketing).
3. I am authorised to present this evidence on behalf of Refining NZ.

Involvement with the Crude Shipping Project

4. I have been involved with the Crude Shipping Project (“the Proposal”) in a strategic and steering capacity since it was first proposed internally in 2014. Due to the Proposal’s importance to Refining NZ, I have stayed abreast of the project’s development, and have been actively involved in bringing the Proposal to its current stage.
5. My involvement in the Proposal has included attendance at – together with other members of the Refining NZ Leadership Team – consultation events, including public information days, expert information sessions, and meetings / hui with tangata whenua representatives.

SCOPE OF EVIDENCE

6. In my evidence, I:
 - (a) outline the rationale for the Proposal and its importance to Refining NZ;
 - (b) provide an overview of Refining NZ; and
 - (c) summarise Refining NZ’s approach to environmental management and corporate responsibility, including briefly commenting on several of Refining NZ’s key community relationships.

RATIONALE FOR THE PROPOSAL

7. One of the key challenges facing Refining NZ is remaining competitive in the international market. Refining NZ seeks to be the 'first choice' supplier in the New Zealand oil products market, now and into the future. To remain competitive with imported products, Refining NZ needs to continuously work towards achieving efficiencies in its operations.
8. New Zealand's demand for fuel is currently met by fuel products made at the Marsden Point refinery and fuel imported from overseas. To remain efficient and internationally competitive – and to keep jobs in Northland – the refinery's products need to be of the highest quality and cost-competitive with imported product, especially from Asian 'mega-refineries'.
9. Currently, crude product is transported to the refinery on smaller Aframax tankers and on larger, but under-loaded, Suezmax tankers. Suezmax tankers currently visit the refinery – however they are slightly underloaded, due to the channel depth in locations.¹ The Proposal has been carefully designed to provide sufficient channel clearance for fully-laden Suezmax vessels to safely visit the refinery, while minimising environmental effects. It is important to state at the outset that the Proposal does not seek to enable larger types of vessels to visit the refinery, but to enable full cargoes on the same size vessels that currently visit.
10. Suezmax tankers typically carry a cargo size of one million barrels of crude product. This has made it relatively easy to buy, sell and/or hedge Suezmax cargoes in regions such as the Middle East, which has made this vessel class popular with traders. Greater access to standard cargo sizes therefore gives Refining NZ's oil company customers greater flexibility and priority in terms of cargo loadings, and at times, discounts over less standard cargo sizes. While quantifying the value of these trading and sourcing benefits is difficult, given that Refining NZ is not in the crude oil trading business (rather, the refining of crude oil into fuel products, and distribution of those products), our customers have confirmed there is additional value to be gained. Enabling and supporting our customers to do business in a matter they are used to with other, overseas, refineries capable of taking the standard Suezmax cargo size is of strategic value to Refining NZ.
11. Refining NZ has therefore designed the Proposal to both reduce the cost of transporting crude oil to the refinery, and to enable Refining NZ to keep pace with overseas refineries. This will enable Refining NZ's products to remain cost-competitive with imported fuels. It

¹ Suezmax vessels are rated for slightly in excess of 1 million barrels of crude product, however Suezmax tankers currently visiting the refinery carry only around 900,000 barrels. For comparison, smaller Aframax tankers have a maximum capacity of 700,000 barrels.

will also mean more efficient transport: larger loadings will require fewer ship movements to carry an equivalent amount of product.

12. While Mr Peter Clough will, in his evidence, outline some of the economic effects associated with the Proposal, I wish to traverse some of the wider issues in relation to transport costs and the refinery's operation.
13. Refining NZ operates a relatively small refinery on a world scale, especially in relation to the Asia-Pacific refiners. This means it is unable to realise potential economies (such as lower crude delivery costs) compared to product refined at scale overseas. This results in increased competitive pressure from overseas. Ultimately this pressure increases the likelihood of potential closure or transformation of the refinery at some time in the future, but the timing of that is far from certain – and is not currently being considered.
14. Refining NZ continually pursues improvement initiatives to maintain or lift its operational and environmental performance and improve its competitiveness. This is evidenced by a history of capital investment in the refinery which since 2005 amounts to around \$760 million. I discuss that investment in more detail below. The current Proposal is the latest significant investment, and is directly aimed at contributing to Refining NZ's ongoing competitiveness.
15. The need for efficiency at the refinery and its operations is the key driver behind the Project. Enabling Suezmax vessels to deliver full cargoes will enable Refining NZ to make more efficient use of its existing jetty, dolphins and unloading facilities, and will increase transport efficiency and reduce the cost of transport per unit of crude oil delivered. This will, in turn, enable Refining NZ's products to remain cost-competitive with international imports of refined product. The Project is therefore an important part of Refining NZ's future business strategy and a key component in Refining NZ remaining competitive into the future. I wish to briefly mention the move to alternative forms of fuel. Refining NZ is acutely aware of the potential impact of future de-carbonisation on transport fuels. Accordingly, in our briefing to incoming Government ministers (November 2017) we expressed our keenness to explore how the refinery may contribute to the development of fuel alternatives, including looking closely at the possibility of producing bio jet fuel and bio diesel for long haul trucking. The company continuously monitors information and announcements from sources within New Zealand and internationally to gain an understanding of any developments taking place that may impact on future transport fuel demand (and hence the need for refinery processing capacity). The refinery also uses scenario planning techniques to identify business risks and opportunities, for example those used by the BusinessNZ Energy Council. Based on the information available from a range of sources, and its own scenario planning,

Refining NZ remains confident that there will be a need for its services for many years to come, and so remains willing to continue to invest appropriately in the refinery for projects with considerable lifespans.

REFINING NZ: SUMMARY

16. Refining NZ operates New Zealand's only oil refinery. Established in 1961, the refinery processes more than 40 million barrels of crude oil a year, which is delivered to its jetties from both Taranaki and international markets. Crude oil is refined through a variety of processes into a range of high quality transport fuels (primarily petrol, diesel and aviation fuels) for use across New Zealand.² The refinery is a nationally significant infrastructure resource.
17. Refining NZ also owns and operates the Refinery to Auckland Pipeline ("RAP"), a 170km long high-pressure pipeline running from the refinery at Marsden Point to the Wiri Oil Terminal in South Auckland. The RAP transports almost half of the refinery's fuel production and is capable of transmitting approximately 400,000 litres of product an hour. The remaining product is distributed by coastal tanker to other regions around New Zealand, or is transported throughout the Northland region by road tanker.
18. As New Zealand's only refinery, and the leading supplier of refined petroleum products, Refining NZ is a major contributor to both the local community and the country's economy. The national economy is heavily dependent on the petroleum products refined by Refining NZ and transported via the RAP. Refining NZ produces the majority of diesel, petrol and jet fuel used in New Zealand. The Auckland region is heavily reliant on the refinery and the RAP for its road transport fuel needs, and Auckland International Airport is entirely dependent on the refinery and the RAP for supply of aviation fuel. The September 2017 RAP incident, which resulted in the closure of the RAP for 10 days, highlighted the vital national importance of the RAP.
19. The refinery and RAP have a combined replacement value of approximately NZ\$4.5 billion, and their uninterrupted and efficient operation is of critical importance nationally. Refining NZ is deemed to be a "lifeline utility" under the Civil Defence Emergency Management Act 2002.

² A wide range of crude oil types are processed at the refinery to produce a number of products for the New Zealand market, including premium and regular motor gasoline (91 and 95 octane petrol), automotive and marine diesel, aviation and lighting kerosene, fuel oils and bitumens.

20. Refining NZ is proud of the contribution it makes to the local Whangarei, Marsden Point and Ruakaka communities and the wider regional and national economy. The refinery employs approximately 500 employees and contractors, 94% of whom reside in Northland. These are highly skilled and highly paid job opportunities, with the average wage higher than that in Northland generally. Refining NZ's largest customers, BP, Mobil and Z Energy are significant shareholders; and the remaining approximately 4,000 shareholders include a mix of corporate and private investors.

Recent investment

21. Refining NZ constantly strives to increase its reliability, safety and efficiency. Since opening in 1964, the original plant has undergone several major expansions, the first of which took place in the mid 1980's. The 2005 "Future Fuels" project allowed the refinery to produce cleaner fuels by providing the latest plant and equipment necessary to remove sulphur from diesel, and benzene from petrol. The 2009 "Point Forward" Project included a substantial plant upgrade that increased capacity by 15% to around 135,000 barrels per day. Most recently, Refining NZ invested \$365 million in a Continuous Catalyst Regeneration Platformer to replace the existing petrol-making plant (the project is known as Te Mahi Hou, or The New Venture). Te Mahi Hou has enabled Refining NZ to process more crude oil, and a wider range of crudes, more effectively and efficiently. As a result, Te Mahi Hou has reduced the Refinery's CO₂ emissions by around 120,000 tonnes per annum. Each project has increased Refining NZ's capability, efficiency and reliability.
22. The Crude Shipping Project is the latest major investment proposed by Refining NZ to improve the efficiency of operations at the refinery.

ENVIRONMENTAL MANAGEMENT AND CORPORATE RESPONSIBILITY

23. Refining NZ is extremely conscious of its corporate and community responsibilities in terms of environmental sustainability.

Environment

24. Refining NZ takes its responsibilities to the environment very seriously and strives to appropriately manage potential adverse effects. Working at the mouth of the Whangarei Harbour, we are strongly committed to protecting the pristine local environment. In pursuit of continuous environmental improvement, with regards to both the management of our operations and the products we produce, Refining NZ is committed to minimising adverse effects on the environment as well as enhancing the natural surroundings in which we operate. Clean air, clean water and low noise levels are top priorities.

25. All operations are carefully managed to avoid, remedy or mitigate any adverse effects on the environment, including through environmental monitoring certified to the relevant ISO standards for quality management,³ which embed continuous improvement processes. External audits of our quality management systems are regularly undertaken by third parties, reflecting Refining NZ's commitment to environmental stewardship. We also instil in our staff, and encourage our staff to adopt, a similar approach of continuous environmental improvement.
26. Examples of Refining NZ's pro-active approach to environmental management include the following:
- (a) Refining NZ was the first company to enter into a Negotiated Greenhouse Agreement with the Government, putting it on the path towards international best practice in managing greenhouse gas emissions.
 - (b) Part of our improvement programme is a focus on continually improving and upgrading environmental protection systems. Refining NZ has invested significantly in environmental performance in order avoid where possible, and otherwise minimise environmental effects, and continues to do so. In addition to the significant investments outlined above, over the last four years Refining NZ has allocated in excess of 20 million dollars to upgrade and improve drainage and water treatment systems, clean up the refinery site, improve waste management facilities and improve other environmental controls, all with the aim of reducing impacts on the environment.
 - (c) In 2016, Refining NZ invested approximately \$2 million on restoring an adjacent dune system severely eroded by a series of naturally occurring storm events. The dune project restored the refinery's south-eastern boundary and minimised the risk of coastal erosion events.
 - (d) Staff are also regularly involved in environmental activities around the refinery site. Refining NZ conducts regular beach clean-up campaigns led by staff. At the end of each year, all site personnel participate in a site-wide clean-up before the Christmas break.
 - (e) Refining NZ works with other corporate organisations, Councils and local iwi on environmental issues in our area. An example of this is supporting local iwi with its application for a rahui on shellfish take from Marsden and Mair Banks. Refining NZ

³ ISO is the International Organisation for Standardisation. Refining NZ holds ISO 14001 accreditation for its environmental management systems whereby our environmental risks are regularly reviewed, and we continually look to improve on our environmental performance.

collaborated with iwi, Northland Regional Council, NorthPort and other agencies in responding to the decline in pipi populations on Mair and Marsden Banks. The company has supported applications by Patuharakeke seeking a rahui on the take of pipi, including signing a joint letter of support for the temporary closure of Mair Bank by the Ministry of Primary Industries; commissioned or been involved in a number of shellfish surveys on the Banks; and more recently, supported an application by Patuharakeke for the complete closure of Marsden and Mair Banks for the take of all shellfish after the recent overfishing of the mussel bed in the intertidal area between Mair and Marsden Banks.

- (f) Refining NZ supports the Bream Head Conservation Trust which aims to restore and maintain the ecology of the Bream Head reserve.
- (g) Refining NZ is continually working at improving waste management. In 2016, it recycled more than 190 tonnes of material, including steel, aluminium and paper.
- (h) The Company has implemented procedures to minimise impacts on the New Zealand dotterel population, and red-billed gull population, both of which breed on site. It has facilitated site visits by both Department of Conservation and the Ornithological Society in order to monitor those species, and carries out pest management on site which contributes to providing a safe habitat.
- (i) In line with the worldwide trend to lower vehicle engine emissions, Refining NZ has proactively improved the specifications of its products to meet the Government specifications for lower sulphur diesel and reduced benzene in gasoline. As mentioned earlier in this brief of evidence, Refining NZ is acutely aware of the potential impact of future de-carbonisation on transport fuels and has expressed a keenness to explore how the refinery may contribute to the development of fuel alternatives. This includes looking closely at the possibility of producing bio jet fuel and bio diesel for long haul trucking. The company continuously monitors information and announcements from sources within New Zealand and internationally to gain an understanding of any developments taking place that may impact on future transport fuel demand (and hence the need for refinery processing capacity).
- (j) Refining NZ has an excellent track record of maritime safety. Despite this, Refining NZ maintains a comprehensive emergency response system to deal with the unlikely event of an oil spill. Refining NZ has a team of trained response personnel and emergency response equipment/stockpiles on hand, including booms, skimmers, a spill response trailer and an oil spill recovery barge (the Taranui). As

part of Refining NZ's continuing oil spill response readiness, marine staff participate in training exercises at Northland Regional Council and the Marine Controller attends national oil spill response training. In 2017, Refining NZ invested in the construction of a maritime oil spill response shed to store all oil spill response equipment belonging to Refining NZ, Northland Regional Council, and Maritime New Zealand.

27. Refining NZ's Environmental Policy Statement guides its operations, and is set out in **Appendix 1**.
28. In accordance with the vision and objectives of the Environmental Policy Statement, I reiterate that Refining NZ is committed to the long-term health of the environment. Against that, I am confident that the Proposal has been comprehensively designed and assessed by a team of qualified and experienced independent experts to accord with the commitments of environmental stewardship and achieve good environmental practices.

Community

29. Just as Refining NZ is committed to the environment, the Company is equally committed to our community, working hard to be a fair and caring employer as well as a sensitive corporate citizen and a good neighbour / community member.
30. One of the key ways we can ensure continued jobs at the refinery is by remaining competitive through projects such as the current Proposal. Refining NZ is always supportive of using local resources for activities, where practicable. This fact is reflected in the numerous submissions received on this resource consent application by providers of services to Refining NZ, some of whom we have long-standing and valued relationships with, dating back to the original construction of the refinery (over 55 years). I wish to be clear however, that there is no guarantee that work resulting from the dredging project will go to locals. While it is our preference to do so, we can only use dredging providers with the requisite capability and experience. Typically, providers for a project of the scale of the capital works proposed are based offshore. It is more likely, however, that Refining NZ could use local contractors for some or all of the maintenance dredging requirements.
31. Refining NZ is committed to contributing to the economic, environmental and social sustainability of our local community and look to develop mutual partnerships where we can learn from each other through dialogue; and the sharing of knowledge, expertise and labour. The Company has formed strong relationships with government, Iwi, community, business and conservation groups. Refining NZ is a proud sponsor to a number of

community projects and initiatives, including Patuharakeke Te Iwi, Ruakaka Surf Life Saving, Whangarei Coastguard and the Bream Head Conservation Trust.

Iwi

32. Refining NZ has an established relationship with local Iwi and work together in a spirit of kaitiakitanga (guardianship) to help enhance our local environment. Refining NZ and local hapu, Patuharakeke, have a special relationship which is recognised by a longstanding Memorandum of Understanding. At the core of that relationship is a focus on environmental responsibility. Meetings are held between Refining NZ and Patuharakeke, which are an opportunity to report on Refining NZ's environmental performance, to update on the current state of Refining NZ's business, and discuss any issues in a timely manner. As part of a long-standing commitment to help young Maori achievers, Refining NZ provides funding to Patuharakeke scholars to enable them to continue with their studies. In 2010 we joined other local businesses in providing funding for the refurbishment of Takahiwai Marae.
33. I have personally been involved in a number of meetings and hui regarding the Project. I understand that Mr McNeill will provide in his evidence further details of the close consultation on the Project with Patuharakeke, Ngatiwai and other iwi and hapu. However, I wish to reinforce that we greatly value the relationships that exist and so have approached this project with the clear direction to bring iwi on the journey with us from its inception. Refining NZ considers it essential for the maintenance and development of those relationships that we share information freely and discuss any issues that arise so that we are able to resolve, or move past, them. In that respect, through this Project, Refining NZ has been in discussions with the Ngatiwai Trust Board about establishing a Memorandum of Understanding which seeks to develop a relationship based on trust, mutual recognition and ongoing consultation. It is my sincere hope that this Memorandum of Understand is completed.

Northport

34. Refining NZ also has a very constructive working relationship with its close neighbour, Northport. Refining NZ and Northport work closely together on a range of matters, and Northport has been consulted thoroughly during the development of the Project.

CONCLUSION

35. Refining NZ is a major employer in Whangarei, and a significant contributor to the New Zealand economy. Refining NZ takes its responsibilities to the community and the

environment very seriously, and is actively involved in a number of environmental and community projects/initiatives. Refining NZ considers that the Proposal represents a valuable opportunity for the company and the region, which will enable the refinery to remain competitive into the future, thereby securing the refinery's ongoing contribution to the region.

36. Accordingly, we seek the necessary resource consents to enable the Project to assist Refining NZ to remain internationally competitive and to enable the efficient use and operation of the refinery into the future.

Sjoerd Post
CEO, Refining NZ

12 February 2018

APPENDIX 1 – REFINING NZ ENVIRONMENTAL POLICY STATEMENT

Vision: We will operate in an environmentally responsible manner

We believe that:

- *Our environmental commitments are an integral part of our day to day activities.*
- *We are responsible for achieving good environmental practices.*
- *Environmental stewardship is the responsibility of all employees.*

To achieve this we will:

- *Design, construct and maintain our assets, and manage our operations, with the goal of preventing environmental incidents.*
- *Ensure employees have the necessary training, skills, knowledge and resources to fulfil their environmental responsibilities.*
- *Set objectives for improvement and measure, appraise and report on our performance.*
- *Continually review opportunities to improve our environmental performance.*
- *Require our business partners and contractors to demonstrate a similarly high level of commitment to environmental performance.*
- *Maintain and continually improve our Environmental Management System.*
- *Comply with all relevant environmental law and regulations.*
- *Work to minimise the impacts of our activities on our community as far as is practicable.*