

## Refinery expansion opens as industry faces storm

**22 December 2009 - The Marsden Point refinery company New Zealand Refining Company Ltd says it has successfully commissioned its \$200 million expansion that has significantly increased output from the plant.**

Sources: NZ Refining and Lindsay Clark

The company said last year that the Project Point Forward expansion will increase crude oil processing capacity by 20%. But effectively this would be a net 10-12% rise in capacity because less residue feedstock from other refineries will be needed.

The refinery was shut down for about four weeks in September to complete the 'tie-in' of the expansion project. The cost had risen above the original budget of \$180 million.

NZ Refining says in its margins report for the two months of September-October that its refiners margins have come under extreme pressure in the second half of the year as they have done globally.

The gross refining margin for the latest two months was just US\$1.16 a barrel. The margin has come down steadily since January-February when the margin was US\$8.88 a barrel.

"Over-capacity and reduced demand for products, combined with steadily increasing crude prices has resulted in extremely low and, in some cases, negative margins for many (global) refineries", the company said.

Ken Rivers the chief executive officer of NZ Refining recently told an oil and gas conference in Wellington that the global refining industry was facing a "perfect storm".

Many refineries were now making losses and haemorrhaging cash, others have been shut down, he said.

The business model was changing and many traditional downstream players were now getting out of the market.

Mr Rivers said the Marsden Point refinery was world class. It was one of the most cost effective in the region with the lowest environmental footprint.

"Our operation slam dunk beats every Aussie refinery," he said.

The Marsden Point refinery will be operating at a loss but it had a good future and would survive the current storm, Mr Rivers said.

### Related links

[Register for updates: 2010 NZ petroleum conference](#) - [Permit maps](#) - [Publications](#)