

## Operations Report – Z Energy

The combination of Ampol and Z Energy (Z) is an important step in Ampol’s international growth strategy and will bring considerable benefits to New Zealand, while maintaining Z’s unique position as New Zealand’s leading fuel and convenience provider

### Transition to import supply chain

Refining NZ successfully and safely transformed into a fuel import terminal

### EV fast-charging stations

Z continues to roll out EV fast chargers at Z branded retail stores.



## CASE STUDY

### Electrification of transport

Z is well positioned to support the electrification of the light transport fleet.

Electric vehicles (EV) are steadily increasing in volume, with the most popular EV model outselling any other new car model sold in September and November 2022.

Over the 2022 calendar year, EV registrations more than doubled from 2021 to represent nearly 10% of new car registrations, with just under 50,000 EVs now registered in Aotearoa New Zealand, representing just over 1% of the total fleet.

Z is rapidly expanding its EV charging network to meet the forecast demand.

Z is also developing offers and partnerships for those who want to charge at home.

Z is the majority owner of electricity retailer, Flick Electric and has formed a partnership with Evnex, a local manufacturer of small, efficient EV charging systems, designed to perfectly suit Kiwi homes. Over 2023 Z will launch new home-based, integrated EV charging solutions for customers.

Z is also investigating options around dedicated, new, large-scale EV charging sites on main route locations.



The completion of Ampol's acquisition of Z Energy in May 2022 has created an independent trans-Tasman energy company of significant scale. Throughout the acquisition process, it became evident that there was clear alignment between the strategies of the two companies. The transaction provides the platform for Ampol to grow its presence in New Zealand, while supporting Z to make strong progress against its existing strategic objectives.

### Supply chain transformation

For years Z has been a driving force for the transformation of New Zealand's liquid fuel supply chain. On 1 April 2022, New Zealand's sole oil refinery at Marsden Point, Refining NZ, ceased to operate and the country switched to a supply model based exclusively on imported refined fuels.

Refining NZ was successfully and safely transformed into a fuel import terminal, ensuring its pipeline into the Auckland market continues to provide the most efficient supply. In exiting the crude oil supply chain in favour of refined fuel imports, Z removed the impact of refining margin volatility on its earnings and has helped deliver a more flexible and secure supply chain for its customers and the country.

Exiting domestic refining in favour of a refined fuel import model has also removed significant sources of CO<sub>2</sub>e emissions from both Refining NZ and two coastal fuel tankers.

Over 2023, Z will progressively shift its contracted fuel import requirements into the Ampol supply function, realising further supply chain efficiencies and economies of scale, and further supporting New Zealand's fuel security.

### Driving value through unrivalled infrastructure

Z has the strongest and most geographically diverse network of bulk fuel storage in New Zealand. In August 2022, Z exited the industry agreements under which fuel companies shared fuel infrastructure with each other in favour of commercial arrangements.

This change makes the operation of Z's supply chain more efficient, reliable and resilient. It enables Z to charge commercial rates to other companies seeking access to its fuel terminals and will better support investment in strategic fuel supply infrastructure.

Over the year, Z used its unrivalled terminal network to sell increasing volumes of fuel to other market participants, significantly increasing its wholesale fuel market share.

### Optimising the core fuel business

Z's strategy is focused on optimising its core business to support its transition to a low carbon future. In 2021, Z committed to exiting non-core business operations, including bitumen, supply/delivery to commercial customer bulk fuel storage sites, direct-to-machinery refuelling and the supply of aviation fuel to small airfields (general aviation).

These have been discretionary operations in the Z portfolio for over a decade. During the latter part of 2022, the process to explore divesting these discretionary operations commenced, in favour of focusing on maximising supply chain efficiency, delivering commercial value from terminal assets and delivering for core retail and commercial fuel customers.

In 2022, Z started the process of reorganising its workforce to deliver against its strategy. By 1 April 2023, Z will have in place a new organisational structure that supports its focus on optimising the efficiency and operation of the supply chain, including realising the synergies in combining supply functions with Ampol, driving value through its core fuels business, and creating commercial opportunities in energy decarbonisation.

As part of Ampol's acquisition of the Z business, Ampol has also committed to developing the Z team, including through dedicating additional roles for a graduate program and cadetships to ensure the attraction of talent and new thinking.

### Leading the transition to a low carbon economy

Z's focus on its core business is both the source of significant value and what will ultimately enable the development of a low carbon future.

Z aims to develop opportunities to create further value through projects and initiatives that reduce carbon emissions. As part of its acquisition of Z, Ampol committed to an investment of NZ\$50 million in future energy projects. This investment will span over the coming seven years, until 2029. Z's existing decarbonisation work program, supported by Ampol investment, will see significant initiatives delivered over the coming years.

EV fast charging stations are continuing to roll out across Z branded retail service station sites. In 2022, Z imported a parcel of 1.2 million litres of Sustainable Aviation Fuel (SAF) for its customer Air New Zealand, both to enable an extensive trial of the fuel and to begin to test the supply chain for potentially larger parcels in the future.

As with Ampol, Z seeks to be an integrated energy supplier, including in customers' homes. In December 2022, Z purchased an additional stake in the electricity company, Flick Electric, taking its ownership stake from 83% to 95%. Z is actively developing new customer offers that bring together the energy requirements from transport, home and business.

As with supply chain optimisation, Z sees Ampol's ownership of the business as an opportunity to deliver energy solutions at a scale previously not possible. Over 2022, Z has scaled up the resources in its decarbonisation team and has a full work program of initiatives that can help decarbonise the economy, deliver value for customers and help New Zealand meet its climate change commitments.

