



20 August 2019

Z Energy media statement on the Commerce Commission's draft report on competition in the fuel retail market.

Z Energy (NZX:ZEL) welcomes the Commerce Commission's draft report on competition in the fuel retail market.

Z's Chief Executive, Mike Bennetts, says Z has and will continue to participate fully with the Commission and supports the intent and process of the market study.

"We understand how important it is for New Zealanders to be assured that they're getting a fair deal for fuel and we agree with the Commission on a number of points," says Mike.

"We agree with the Commission that terminal arrangements require updating, something we have advocated for quite some time."

"Z is focused on the future of the industry and we look forward to working with the Commission on a model that's fit for purpose today and tomorrow, and results in the best possible outcome for New Zealand."

Mike says Z also agrees with the Commission's sentiment in the draft report that loyalty schemes should act in the best interest of consumers.

"We've made it a business priority to ensure that our loyalty programme, Pumped, is simple and easy to access. There's no minimum spend to get an everyday fuel discount with Pumped and anyone can access it. Three million Kiwis are signed up to Airpoints and 2.8 million are part of Fly Buys.

Profitability

As the study progresses, Z looks forward to understanding more about the methodology and data used by the Commission to assess profitability.

"Given the level of investment we make and the risks Z incurs across our operations we don't believe our returns are unreasonable," says Mike.

"Our profit has a purpose – we invest in New Zealand. We're a Kiwi company. We're based here and we're absolutely committed to Kiwis. 50 percent of our shareholders are based here in New Zealand, either through KiwiSaver funds or through the approximately 8,000 Mum and Dad shareholders throughout the country. There are over 2,000 people employed across our network and we invest in their development and their wellbeing at work. We invest in local communities through programs like

Good in The Hood and we're also investing in the energy transition, including at our self-funded bio-diesel plant."

Wholesale market

The draft report discusses the nature of wholesale agreements that Z, BP and Mobil have with 'third party distributors'. Specifically, the Commission is focussing on the terms of these contracts, and the ways in which these could impact pump prices.

"It's our position that Z's wholesale agreements are already negotiated robustly and terms have landed in a place that represents value to both parties. It's worth noting that distributors do have an ability to compete in the retail fuel market, as evidenced by the well-documented number of competitors entering new regions of New Zealand in recent times", says Mike.

Consumer choice

"Kiwis have a lot of choice when it comes to the type of service they're after, with more than 1500 service stations throughout the country. Around thirty eight percent in the North Island and around 53 percent in the South Island are branded something other than Caltex, Z, BP or Mobil. People can vote with their feet painlessly – unlike in banking or electricity retail, there are very few barriers to switching service stations."

Z looks forward to submitting during the consultation process on 13 September.

Conference Call

Z Energy will hold a conference call for investors and other market participants at 4.00pm (NZT) on Tuesday 20 August. The call will cover Z's response to the Commerce Commission's Draft report.

The conference call will be hosted by Z's CEO Mike Bennetts.

To listen to the conference please call:

New Zealand: 0800 122 360

Australia: 1800 760 146

Hong Kong: 800 960 484

Singapore: 800 101 3287

Japan: 0053 112 2880

UK: 0808 145 3702

USA: 1844 393 3437

Confirmation code: 10001787 (Z Energy)

A recording of the briefing will be posted for replay on <https://investors.z.co.nz/> later in the evening of Tuesday, 20 August.

ENDS