

Oil refinery future in balance

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The future of the Marsden Point oil refinery depends on pricing and supply arrangements now under consideration by the Government.

Energy Minister David Butcher says he wants to see the refinery stay open.

He was commenting today on suggestions that the refinery might close following deregulation of the oil industry.

His statement was in apparent contradiction to what he said last night: "It is more important for this Government that motorists should have access to the cheapest possible liquid fuels than it is to keep this refinery going."

Pressure

Trade Minister David Caygill has been under pressure in Australia, where he has met complaints that protection of the refinery is costing producers there \$300 million a year in fuel exports to New Zealand (story P29).

It costs New Zealand motorists a premium of several cents a litre to get their petrol from the refinery, compared with the cost of imported fuel.

Savings

Supplies could be brought in from Australia, Singapore or the west coast of the United States to the benefit of the local motorist's pocket.

This means that deregulation is a serious threat to the refinery, which was recently upgraded and extended at massive cost, following extensive industrial problems.

Mr Butcher said today there were a number of methods of ensuring the refinery stayed open. These were:

- Retaining the existing restrictions on imports;
- Some form of subsidy to meet

the difference between the cost of petrol from the refinery and the imported product;

- A tariff against imported products.

Mr Butcher said that at the moment he was negotiating with the companies on setting a tariff.

Last month Mr Butcher explained that the tariff was likely to phase out over a period of years. The aim was to give the refinery sufficient protection to remain viable, while setting the tariff to ensure it became more efficient.

A problem for Marsden Point is that even small quantities of imported fuel could make it less efficient — it depends on large volume production.

Defence

A strong defence of the refinery came today from the chairman of the New Zealand Refining Company Ltd, Mr Wayne Makeig.

"Now that the refinery expansion is fully on stream and with the inevitable settling-in problems behind us, we have one of the most modern refineries in the world, tailor-made for New Zealand's requirements.

"The cost to New Zealand consumers of refining crude oil at Marsden Point and producing finished products is three cents per litre. This does not include financing charges for the expansion loans, which must now be paid whether the refinery operates or not."

Mr Makeig said when the three cents was compared to the premium grade price of 92c a litre, there was obviously little scope to

save money by refining elsewhere.

Uncontrolled supply could cost Marsden Point its efficiency in terms of throughput. Cheap cargoes could also threaten its viability.

"No small nation in the world that has a single refinery can afford to leave that refinery totally exposed."

Whangarei Mayor Joyce Ryan was very concerned at the closure threat. "I am at a complete loss to understand the thinking and actions of the Government."

Unemployment was very high in Whangarei and in Northland. Closure would cost about 500 jobs at the refinery alone.

The rural downturn had hit Northland badly. Closure of Marsden Point would threaten jobs in areas supporting the refinery, she said.

Job skills

Marsden Point workers were skilled people who would not be able to find jobs in the area.

Mrs Ryan said she would meet Mr Butcher on Monday about another matter. "I have to consider what action I am going to take."

The first general manager of the New Zealand Refining Company, Mr Jim Carney, said today the refinery was built in the 1960s after the Nash Government of 1957-1960 had demanded it.

"The refinery was put there at the Government's request for strategic purposes in case of war.

"The oil companies did not want to build it. They knew it would not be an economic operation. You can always buy fuel cheaper from overseas."