

20 September 2019

Sarah Stevenson
Manager, Resources Markets Policy
Ministry of Business, Innovation & Employment
By email to resource.markets.policy@mbie.govt.nz

Dear Sarah

Draft minerals and petroleum resource strategy

1. This is a submission by the Major Electricity Users' Group (MEUG) on the Ministry of Business, Innovation & Employment (MBIE) paper "Responsible Delivering Value, A Minerals and Petroleum Resource Strategy for Aotearoa New Zealand: 2019-2029, Draft for Public Consultation" (the "consultation paper") published 27th August 2019.¹
2. This submission is not confidential. Some members may make separate submissions.
3. MEUG's interest is two-fold:
 - a) Gas and coal are and will be in the near term, and for gas in the long-term, critical thermal power station fuels for dry-year and other unexpected short and long duration electricity supply chain disruptions.²
 - b) Supporting robust policy settings across sectors of the economy directly and indirectly affecting the electricity sector. Erosion of robust policy settings in related sectors, such as minerals and petroleum, can have both direct detrimental effects and indirectly lead to precedents where poor policy advice and implementation are applied to the electricity sector.
4. The consultation paper articulates the government's overarching approach to transitioning the economy in response to climate change risks and opportunities. It is proposed the final strategy will be formally reviewed every 5 years.³

¹ Consultation paper, refer <https://www.mbie.govt.nz/have-your-say/draft-minerals-and-petroleum-resource-strategy-public-consultation/>.

² Transmission is an important part of the electricity supply chain and has in the past, and will likely in the future, have material unexpected disruptions.

³ Consultation paper p10.

5. The draft strategy on pages 22 to 37 of the consultation paper could be improved by:
- a) Putting more emphasis on the importance of resilience and security of supply to the electricity, gas and liquid fuel markets. Action area 2: Securing affordable resources to meet our mineral and energy needs, has a section titled “Better understanding our gas supply for energy security” but there is no mention of security of supply for the electricity and liquid fuels markets. MEUG suggests the description of Action area 2 be expanded to include security of supply considerations to all energy markets in addition to affordability.
 - b) Recognising the importance and needs of suppliers in the minerals and petroleum sectors. Tellingly the preface to the draft strategy in the section titled “The Minerals and Petroleum Regulatory Regime” (pp14 to 18) barely mentions the role that mineral and petroleum explorers and developers play and what aspects of the strategy are important to them such as confidence and certainty that policy settings will be robustly debated and set.

To be effective the strategy needs to meet the needs of both the government and future investors in the minerals and petroleum sectors. The strategy at present sets out the government’s agenda without considering if the draft strategy might stall or chill investment in critical areas such as resilience and security of supply to the electricity, gas and liquid fuel markets as mentioned above.
 - c) Improving the evidence basis for the draft strategy by providing more quantified values. For example:
 - The diagram of broader dimensions of wellbeing (p15) is helpful but limited because there are no metrics to weigh the respective dimensions. This is not a trivial exercise; however even an order of magnitude weighting of dollar values and costs would assist give perspective on relative importance.
 - In the section titled “Minerals and Petroleum Sector snapshot – why the sector matters to New Zealand” (pp3-4), another useful metric might be the contribution of coal and gas fired thermal power stations in the electricity supply chain over the last 5 years including the effect on electricity spot and hedge markets when gas supply disruptions occurred last year. These are important metrics relevant to the theme of affordability in Action area 2 and security or supply and resilience discussed in paragraph 5 a) above.
6. MEUG looks forward to the forthcoming consultations on proposed policies in sections headed “No new mines on conservation land,” “New Zealand biodiversity strategy” and “Resource Management Act 1991 Reform” (p21).

Yours sincerely



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