MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
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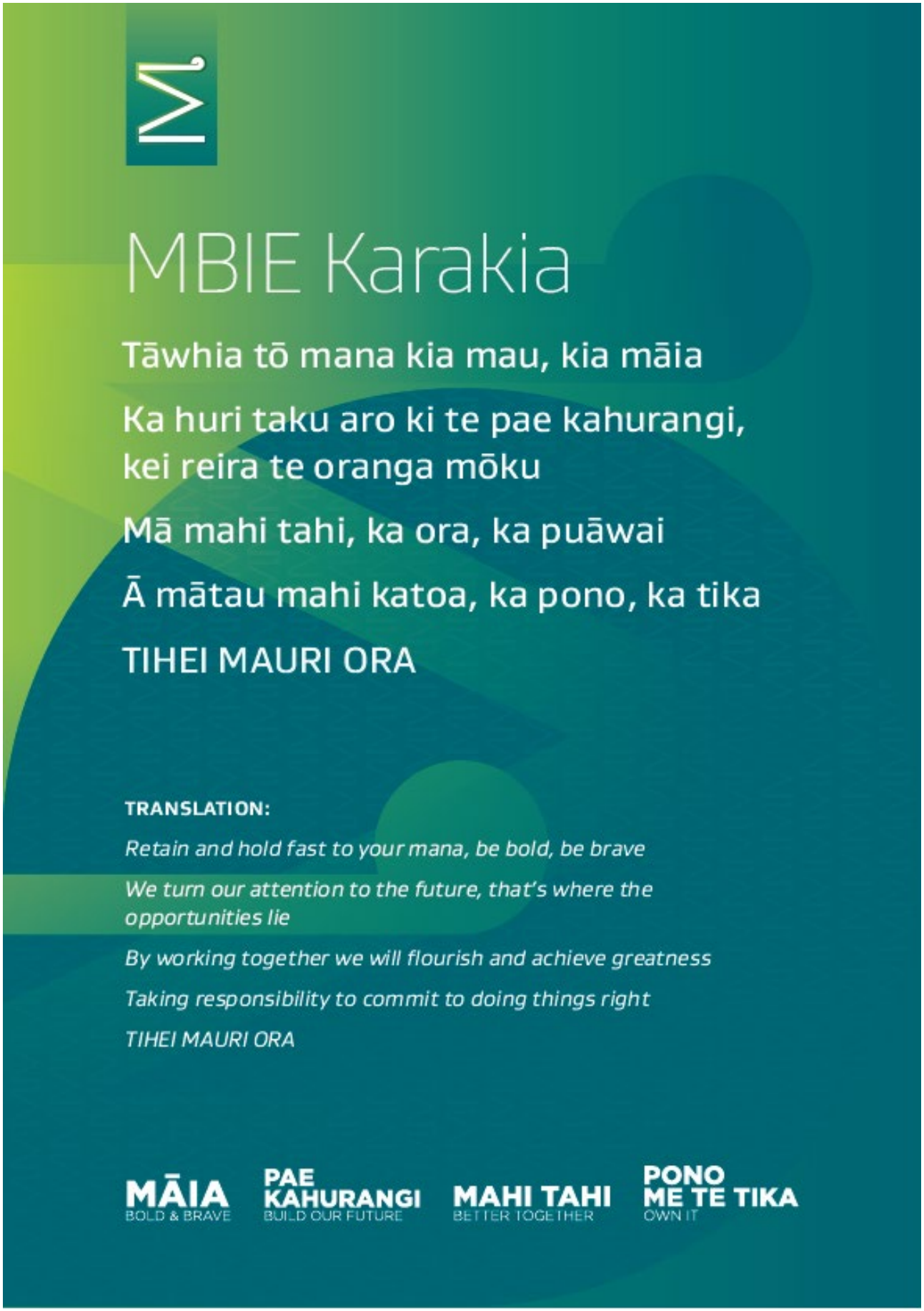
Briefing for Incoming Minister

Energy and Resources

November 2020

New Zealand Government


MBIE Karakia
Tāwhia tō mana kia mau, kia māia
Ka huri taku aro ki te pae kahurangi,
kei reira te oranga mōku
Mā mahi tahi, ka ora, ka puāwai
Ā mātau mahi katoa, ka pono, ka tika
TIHEI MAURI ORA
TRANSLATION:
Retain and hold fast to your mana, be bold, be brave
We turn our attention to the future, that's where the opportunities lie
By working together we will flourish and achieve greatness
Taking responsibility to commit to doing things right
TIHEI MAURI ORA
MĀIA
BOLD & BRAVE
PAE KAHURANGI
BUILD OUR FUTURE
MAHI TAHI
BETTER TOGETHER
PONO ME TE TIKA
OWN IT

Contents

1. Portfolio overview

Purpose

1. This briefing provides you with an introduction to your Energy and Resources portfolio. The first section sets out the high-level context, challenges and opportunities associated with the portfolio.

Introduction to the Energy and Resources Portfolio

The Energy and Resources Portfolio is broad

2. The energy and resources portfolio is a broad portfolio that covers the supply and demand of all forms of renewable and non-renewable energy and the quarrying, and mineral sectors. There are linkages and interdependencies between these sectors.

3. You have a variety of roles across these sectors, including as a regulator, an owner of resources, a system steward, and as a direction setter. Further information on these roles is set out in the ministerial responsibilities section of this briefing.

4. The Crown itself is a significant investor in the energy sector through Crown owned companies and entities. This includes the national transmission grid through the state owned enterprise Transpower, and investments in the generation and retailing sector through the mixed ownership model (e.g. Meridian Energy, Genesis Energy).

The Portfolio is important for achieving broader Government aims of a more productive, sustainable and inclusive economy

5. The portfolio covers sectors of strategic importance for the natural, human, financial and physical, and social capital stocks that support the overall wellbeing of New Zealanders.

6. Energy and resources are important inputs for our homes and our economy. How these sectors perform impacts on the prices and quality of many goods and services that New Zealander's use on a daily basis, and the competitiveness of businesses. The sectors are also economically significant in their own right as sources of revenue (primarily through royalties and taxes to the Crown), export earnings, and regional employment.

7. The sectors will also play a significant role in New Zealand's transition to a low emissions economy. The energy sector (including transport) is the second largest (40 per cent) source of New Zealand's greenhouse gas emissions.

And the Government has made significant progress on its objectives in recent years.

8. The Government has made progress on a range of significant policy work programmes in the energy and resources portfolio in recent years. These include policies to establish the transition to a low emissions economy for the energy sector, increase the percentage of renewables in our energy system, improve competition in electricity markets, make electricity regulation more future-fit, reduce energy hardship, improve competition in the liquid fuels sector, and back new and emerging technologies:

    a. The Electricity Price Review reported back in May 2019 with 32 recommendations to improve the fairness and affordability of electricity prices. Good progress has been made in implementing the Government's responses to those recommendations, including allocating $17 million to strengthen consumer advocacy and reduce energy hardship.

b. MBIE has consulted on a range of options for *'Accelerating Renewable Energy and Energy Efficiency'*, with preferred options to be included in the heat, industry and power sector component of the Government's Emissions Reduction Plan.

c. The 2019 paper 'A Vision for Hydrogen in New Zealand' examined New Zealand's hydrogen potential and framed discussions for development of a hydrogen roadmap.

d. A ten-year Minerals and Petroleum Resources Strategy has been developed to articulate a long-term vision for the sector in New Zealand and support the transition to a low emissions economy.

e. The 2018 changes to the Crown Minerals Act to restrict new oil and gas permits to onshore Taranaki.

f. The Fuels Act 2020 was passed to regulate competition in the liquid fuels market for the long-term benefit of consumers, and regulations to implement this legislation are under development.

g. Funding has been committed towards:

   i. The New Zealand Battery initiative to look at storage options including pumped hydro,

   ii. The 'Government Investment in Decarbonising Industry' fund, to accelerate energy efficiency and fuel switching in industry,

   iii. Developing national direction instruments to facilitate development of renewable energy, and

   iv. Supporting renewable energy projects on Māori and public housing.

9. While a great deal of progress has been made, there remains more to do and we look forward to working with you implement your manifesto commitments for the portfolio including:

   a. Bringing forward the 100 per cent renewable electricity target to 2030.

   b. Investment in a dry storage solution to enable New Zealand to achieve 100 per cent renewable electricity (the New Zealand Battery Project).

   c. Developing policies and programmes to phase out the use of fossil fuels for low-medium temperature process heat.

   d. Committing to no new thermal baseload electricity generation.

   e. Expanding programmes including EECA business programmes, Warmer Kiwi Homes, the Low Emissions Vehicle Contestable fund, and approaches to state sector decarbonisation.

   f. Investigating market and regulatory barriers to the uptake of solar electricity in New Zealand.

New Zealand's energy sector is faced with a range of opportunities and challenges…

10. New Zealand has been ranked in the top 10 in the World Energy Council's energy trilemma index[1], since 2015, with a rank of 10th out of 25 countries in 2019, suggesting that New Zealand's energy system is performing well on balancing the trilemma outcomes of security, environmental performance, and affordability.

11. New Zealand's energy system is highly renewable by international standards, with just under 40 per cent of our total primary energy needs met by relatively low emission, renewable energy sources. New Zealand's electricity sector in 2019 was 82.4 per cent renewable, the fourth highest in the OECD.

12. However, recent Government initiatives such as the Electricity Price Review acknowledged that there continue to be opportunities to improve our energy system – especially for the most vulnerable in society. Similarly, the Fuels Act 2020 seeks to increase competition in the liquid fuels market for the benefit of consumers.

13. Accelerating a greening of the grid has been a priority in recent years and Government initiatives such as the NZ Battery could help integrate more intermittent renewables into the system, and ultimately help achieve the Government's goal of 100 per cent renewable electricity.

14. In 2017 (latest data available), New Zealand had the 6th highest energy intensity[2] in the OECD, 18 per cent higher than the OECD average, although the trend is improving. This means New Zealanders consume more energy than most, for every dollar of GDP we create. It highlights the important links for example between energy and our built environment, where improvements in our housing stock can mean people need to use less energy to heat their homes and buildings.

15. The current environment will make it challenging to balance sustained energy emissions reductions with affordability, security of supply and economic impacts on businesses affected by COVID-19. These challenges include:

    a. Businesses are likely to be capital constrained in a post-COVID environment and appetite for private investment is likely to be low, particularly in areas like decarbonisation and energy efficiency, which are not part of core business for many organisations.

    b. Large energy-using industries are facing challenges to their long run viability, leading to market uncertainty, challenges for balancing energy supply and demand, and concerns on changing wholesale energy costs. For example, Refining New Zealand, New Zealand Steel, and Norske Skog are undergoing strategic reviews. New Zealand's Aluminium Smelter (NZAS) has announced that it intends to stop operating in NZ in the near future. However, closure of NZAS may create opportunities to decarbonise. The electricity currently used by NZAS could be redirected for other uses, such as electrifying industries or in future could be adapted for other uses such as developing a green hydrogen plant. Transmission capacity expansion will be required to bring surplus generation north from Southland.

    c. New Zealand has committed to transition away from non-renewable energy in our energy mix. Winding down the use of non-renewable energy while continuing to deliver

[1] An annual measure from the World Energy Council which measures countries' energy system performance across three of the dimensions outlined in the framework: energy security, energy equity and environmental sustainability.

[2] Amount of energy used per unit of GDP

secure energy is a challenge, in particular with natural gas, which plays an important role in supporting our electricity system at peak times and during winter months. New Zealand's upstream petroleum production fields are also maturing, with decommissioning expected over the coming decades.

16. However, there remain significant opportunities to continue to improve the energy system, including:

    a. Opportunities to focus COVID-19 recovery spending on building an economy that is more sustainable, resilient, and focused on improving the livelihoods of New Zealanders. Investment in the energy system can support a green recovery.

    b. Globally, costs of building renewable electricity generation continue to fall. The Interim Climate Change Commission (ICCC) highlighted the opportunity that our highly renewable electricity system provides to use electricity to decarbonise other areas including transport and process heat.

    c. Bioenergy can also play an important role in decarbonisation. There is an opportunity to align our approach to afforestation with our energy and building needs. Wood products and forest waste resources can also displace carbon intensive materials and fossil fuels.

    d. Accelerating technological changes are impacting the supply and demand for energy. For example, advances in storage technologies (such as batteries and hydrogen) and in smart network technologies can provide wide benefits to consumers, and to New Zealand's energy efficiency.

And decarbonisation of the energy sector is an overriding objective…

17. The energy sector (including transport) accounts for just over 40 per cent of New Zealand's greenhouse gas emissions. Outside of agriculture, it provides some of the biggest opportunities and challenges for decarbonising New Zealand's economy. Just over half of these emissions come from the transport sector. Key contributors to the remaining 19.4 percent of emissions include emissions from manufacturing (mainly process heat) at 8 percent, electricity generation (just over 4 percent) and fugitive emissions, for example from geothermal and gas fields (2.7 percent).

18. New Zealand has a legislated target of net zero greenhouse gases (other than biogenic methane) by 2050 and a 2030 target under the Paris agreement to reduce emissions by 30 percent below 2005 emissions. To meet our 2050 target, a series of emissions budgets will be set, following advice from the Climate Change Commission.

19. There are opportunities to improve energy efficiency and support industries to reach their emissions abatement potential. While the NZ Emissions Trading Scheme (NZ ETS) and existing policies and programmes will drive some decarbonisation, additional complementary measures will be needed to reduce barriers to low cost emissions reductions, and to minimise adverse impacts on energy affordability and security of supply, and promote other benefits (such as health benefits of insulation).

20. Key choices to be made include:

    e. Where to focus energy sector decarbonisation efforts. Approaches should focus on achieving least cost abatement in the long term, and will need to consider the economic and just transition impacts and other benefits of initiatives. There is scope for a wide range of interventions at different times, both on the demand side (e.g. electrification of transport, use of low-carbon materials in construction and biomass in process heat) and on the supply side (e.g. further decarbonising the electricity system, developing low emission fuels such as biofuels and hydrogen).

f. The speed of energy transition. To achieve sustained emissions reductions and meet emissions targets, New Zealand will need to look beyond current policy settings. Establishing the policy settings for a least cost transition in the long term will mean looking at energy prices and security of supply, impacts of the transition on the viability of large energy users, and the ability to achieve a fair and equitable transition.

g. The role of government in influencing decarbonisation. The majority of decisions to invest in decarbonisation are made by the private sector. Government will need to consider how best to influence investment decisions in the energy sector and whether there is a need to supplement private sector investment (particularly to ensure a just transition). Choices will need to be made about the balance of price incentives (NZ Emissions Trading Scheme), regulatory approaches, and direct assistance (such as funding) for decarbonisation.

21. Work is already underway to help inform some of these strategic choices. An immediate priority is developing the 'heat, industry and power' sector component of the emissions reduction plan to respond to the first emissions budget (for 2022-25). This plan will also identify the opportunities and strategies for future emissions budgets to 2035. The first emissions reduction plan must be in place by the end of 2021.

22. We will provide you with further advice on our work programme and the strategic choices and role of Government in the energy sector transition to a low emissions economy.

It will be important to continue to be aware of energy affordability – especially for our most vulnerable.

23. Falling costs and improving performance of technologies like solar photovoltaics (PV) and batteries, together with information and communication technologies, present opportunities to lower electricity costs and improve reliability for consumers. They also enable new business models and give consumers more control over energy production, supply and consumption. Similar technological progress could radically decarbonise and lower costs in the road transport sector through electrification and autonomous vehicles.

24. These global trends are sometimes referred to as the '4 Ds of energy' – digitalisation, decentralisation, decarbonisation and democratisation. While these trends are generally expected to lower energy costs and emissions they are not without risk. There is potential for upward pressure on costs – for example if coincident recharging of electric vehicles creates higher electricity demand peaks, triggering investment in network and generation capacity. There is potential for energy hardship to worsen if network costs are increasingly allocated to households with high electricity consumption due to poor quality housing and inability to afford solar PV and efficient heating appliances. The expected rapid increase in numbers of internet-connected meters, sensors and appliances creates new cyber security and power system security risks. Government can influence the pace of change and help manage adverse impacts, particularly in relation to affordability.

25. The 2018-19 Electricity Price Review (EPR) considered the 4D global trends and made recommendations to speed their progress and address associated risks. The EPR recommended phasing out the Low Fixed Charge Tariffs, existing regulations applying to at least 60 per cent of households, which require the electricity industry to recover a large portion of its costs through high per-kWh charges. This outdated pricing structure, if left unchanged, could result in regressive cost increases for households that don't have solar PV and/or have relatively high electricity needs, and it could discourage the uptake of electric vehicles by unnecessarily raising the costs of recharging electric vehicles at home.

26. The EPR also highlighted the plight of many households in energy hardship, meaning they cannot afford adequate energy services, especially space heating. Children are over-represented in such households. Energy hardship has multiple causes including: damp and

poorly insulated houses, low disposable income (exacerbated by high housing costs), low energy literacy, high energy prices and industry credit management practices. Addressing energy hardship requires joined-up thinking and action across industry, regulators, government departments and non-government actors, including Maori.

27. Promoting competition between electricity suppliers and regulating the revenues of monopoly network businesses are the primary policy measures currently used to promote affordable electricity for all classes of consumer. The EPR found the regulated market framework to be sound, but the industry's performance and the regulatory system must be kept under review in light of changing policy priorities (emissions reduction) and evolving risks, particularly as the proportion of renewable generation increases towards the aspirational 100 per cent mark.

28. While electrification offers the promise of lower road transport costs over time, at least for light vehicles, New Zealanders will continue to require affordable petrol and diesel in the short to medium term. The Fuel Industry Act 2020 establishes a framework to re-set the competitive dynamic that has evolved in the fuel industry over the last decade or two. Regulations to be made in 2021 will increase transparency and facilitate new entry and expansion in the fuel retail sector, which is expected to put downward pressure on prices at the pump.

29. Apart from affordability, cyber security and power system security risks need careful attention and management. Regulation needs to keep pace with technological progress and business model innovation – for example through the regulation of hydrogen equipment safety standards and electrical standards governing solar PV.

Planning for New Zealand's Resources Sector can help support the Government's objectives

30. The resource sector includes the production of oil and gas, coal, gold, silver, iron sands and aggregates. The resources sector is a key input into the energy sector as well as in many other sectors across the economy, including construction and infrastructure, agriculture and high-value manufacturing. The resources sector is also a contributor to regional employment and economies – particularly in the West Coast of the South Island.

31. In late 2019, the Government released a ten-year strategy for the resources sector: *A Minerals and Petroleum Resource Strategy for Aotearoa New Zealand: 2019–2029* (the Resource Strategy). It set out the Government's ten year vision for the resources sector, including several objectives including ensuring the sector responsibly delivers value to New Zealand, is productive and innovative, is effectively regulated and supports New Zealand's transition to a carbon neutral economy.

An orderly and just transition away from oil and gas can help ensure affordable and secure energy throughout the transition to net zero

32. Decarbonising New Zealand's economy presents challenges for New Zealand's domestic oil and gas sector, and for the wider energy sector. The energy and resources sectors are currently coupled, as the production of natural gas supports New Zealand's electricity system and both gas and coal are used in a wide range of process heat applications in New Zealand. Among other industrial uses, coal is also used in steel making and gas is used to make methanol and urea.

33. New Zealand has begun the long-term phase out of domestic oil and gas production. While domestic petroleum production will continue in the medium-term, changing business models and incentives creates challenges for managing New Zealand's security of supply of natural gas for electricity, while lower emissions alternatives are developed. For example, domestic oil

and gas production is increasingly becoming concentrated among a smaller number of companies, who are likely to maximise the value from existing fields and infrastructure. These types of market dynamics may affect the availability and pricing for consumers of natural gas before they transition to other energy sources.

34. While the bulk of New Zealand's oil is exported to overseas markets, domestic gas production continues to play an important role in our electricity system. Thermal plants are generally used to cover demand peaks (such as intra-day peaks, or seasonal peaks in winter) and to provide dry year cover when hydro storage is low. Natural gas is also used for non-energy purposes, such as the production of methanol.

35. We will provide you with advice on ways in which to consider transitional impacts on consumers, to coordinate and manage interventions around short- and long- term energy security, and on the potential role for Government in decoupling the energy sector from domestic oil and gas production.

36. As the New Zealand petroleum sector infrastructure ages, an increasing number of petroleum fields are nearing the end of their economic lives and will require decommissioning. In the event of a petroleum company's financial default, there is a risk that the Crown or other third parties will potentially have to undertake and fund decommissioning. This risk has materialised with the case of Tamarind Taranaki Limited. MBIE itself is now undertaking the complex process of decommissioning the Tui oil field.

37. To reduce the risk of the Crown having to decommission further fields itself, the Government agreed to amend the Crown Minerals Act 1991 (CMA) to strengthen legal and financial responsibility for the decommissioning of petroleum sector infrastructure. This was originally part of the tranche two CMA review. Given the current exposure of the Crown, it has been separated to form its own package of legislative and regulatory change.

38. MBIE is currently developing new legislation to strengthen the CMA legislative framework for decommissioning. We will provide you with further advice on the further decisions required, and timeframes in the coming weeks.

The Crown's ownership of key resources provides the government with a key role in defining what and why resources should be extracted…

39. A notable difference to other sectors is that the Crown is the owner of a significant amount of resources. The Crown nationalised all petroleum, gold, silver, and uranium in New Zealand in the early to mid-20th century. Ownership of other minerals, such as coal or aggregates is determined by the legislation that was in place historically when land was sold from the Crown to private land owners.

40. As an owner, the Government can decide what to extract, why it should be extracted, how much, and the relationship with the parties allowed to undertake the work. This includes permitting of companies to undertake development activities, obtaining a fair return for the development of Crown resources via royalties and taxes, as well as covering the cost of administering an allocative scheme via fees.

41. The level of Government involvement in the sector has varied over the years. For example, the Crown took a 50 per cent interest in the development of the offshore Maui gas field, making it a partner alongside private petroleum companies in 1979. At the time of discovery in 1969, the Maui field was the 8th largest petroleum field discovered in the world. However, since the 1990's open and competitive markets have largely been used with the private sector responsible for providing supply of resources to meet demand.

...a key lever for which is through the Crown Minerals regulatory regime

42. The current framework for Crown owned resource development is set out in the CMA. The CMA sets out the management regime for Crown-owned minerals. The CMA covers the efficient allocation of the Crown's minerals, the effective management of those rights, and obtaining a fair financial return from the development of Crown-owned minerals.

43. MBIE is the regulator of the Crown-owned resource estate, alongside other Government agencies such as WorkSafe New Zealand (as the high hazards facility regulator).

44. Over recent years, MBIE has had a focus on regulatory stewardship of the CMA regime to deliver on our role as an independent and credible regulator of the Crown's mineral estate, engage with a wider set of stakeholders, and position ourselves to better engage and partner with Māori.

45. A key opportunity is to modernise the CMA to ensure that it supports the Government's long term focus on inclusive and sustainable growth.

46. In April 2018, the Government announced a prohibition on new petroleum prospecting and exploration permits outside of onshore Taranaki, aligned to the goal of transitioning New Zealand to a low emissions economy. This kicked off a two-stage legislative review of the CMA. Tranche One of the CMA Review was completed in 2018 and involved making the minimal legislative changes necessary to give effect to this announcement.

47. Tranche Two of the CMA Review, which is still ongoing, takes a more in-depth look into the long-term settings for managing the Crown's petroleum and minerals estate under the CMA, with a view to identifying opportunities to 'future-proof' the regime.

48. We will be providing you with separate advice on options for next steps for the Tranche Two CMA Review.

The minerals sector could play a key role in transitioning New Zealand to a low emissions economy and support the COVID-19 economic recovery

49. Your portfolio covers the mining and quarrying sectors. Alongside the statute minerals (gold, silver, and uranium), the Crown owns about half of the coal, metallic and non-metallic minerals and aggregates (industrial rocks and building stones). The Crown also owns the rights to all minerals in the Exclusive Economic Zone and the Continental Shelf.

50. The prospecting, exploration or mining of any Crown owned minerals requires a permit under the CMA. The value of mineral exports in 2017 was $837 million[3], and in the 2020 financial year, the Crown received around $7.4 million in royalties from the minerals sector. This is about 4 per cent of total royalties, with the other 96 per cent ($187 million) coming from the petroleum sector.

51. A key focus over recent years has been on managing the climate change considerations and environmental impacts of mining activities in New Zealand. The decisions the Government will make in next steps for the CMA review and other objectives (e.g. no new mines on conservation) and legislative reforms (e.g. Resource Management Act 1991) will have a key role in setting why, where, and how aggregates and other minerals will be able to be mined in New Zealand.

52. New Zealand contains a wide variety of mineral deposits both onshore and offshore due to its dynamic tectonic history. For example, potential mineral deposits across New Zealand containing cobalt, lithium, and rare-earth elements could play a key role in supporting the development of clean technologies such as wind turbines and electric cars. However, our

[3] This figure includes export of metallic and non-metallic ore and the export of unwrought goal and silver.

understanding of the potential of clean tech minerals in New Zealand, including the associated social, economic and environmental benefits and risks, is limited.

53. Similarly, aggregates are a vital resource for construction, making up 75 to 90 per cent of the material in road and building infrastructure. A well-managed and sufficient aggregate supply would be essential to deliver on the Governments infrastructure projects and help create jobs as part of its COVID-19 economic response.

54. However, the government's understanding of the complete stock (quantity and quality) and ownership of aggregates is currently incomplete and there is currently no clear point of accountability for planning supply of and access to aggregates to ensure it can sustainably meet our infrastructure needs.

55. The Resource Strategy includes actions to improve understanding of future demand and supply for aggregates, and develop a list of critical minerals for New Zealand. We will provide you with separate advice on progress on these actions in light of other work-programme priorities.

We would like to further discuss with you the strategic issues and choices in the Energy and Resources Portfolio

56. Our portfolio overview highlights a range of high level challenges, opportunities and choices on which we will be seeking your guidance to inform our work programme priorities. The topics which we would like to discuss with your further, and which will be the subject of further briefings include:

    a. Reducing greenhouse gas emissions in the energy sector

    b. Energy affordability and energy hardship

    c. Managing the phase-out of fossil fuels in New Zealand

    d. Resource sector stewardship: key choices and related work programme priorities

    e. The Crown Minerals Act 1991 Review: stocktake and proposed next steps

    f. Petroleum infrastructure decommissioning update on work programme and key decisions on next steps

57. In forming our advice on these subjects, we will consider the full range of outcomes that energy and resource policy can help to support including:

    a. Security and resilience – people and businesses have reasonable access to the energy and resources they need, when they need them.

    b. Sustainability – they are supplied a way that meets society's expectations with respect to the environment.

    c. Efficiency and productivity – they are managed in a way that minimises the overall costs to consumers and businesses, and delivers more for less.

    d. Fairness, affordability, and socially responsibility – they are delivered in a way that meets the needs of all New Zealanders, and don't leave people or groups behind.

58. Policies to achieve these outcomes can be mutually reinforcing, but there can also be conflicts between them. Over the longer term, Government policy tends to seek continual improvement these outcomes to support the wellbeing of New Zealanders and achieve the Government's economic, social and environmental objectives.

2. Portfolio responsibilities

Legislative responsibilities

59. The key legislation you are responsible for is listed below, including your functions, duties and powers under each. Other legislation relevant to your portfolio is listed in **Annex 1.**

Electricity Industry Act 2010

60. The Electricity Industry Act 2010 (the Act) provides a framework for the regulation and governance of the electricity industry. It sets out the Electricity Authority's (EA) functions, objectives and monitoring and enforcement powers, and provides for the Electricity Industry Participation Code, which are the industry "rules".

61. The Act also sets out requirements relating to the separation of distribution and certain generation and retail activities, places an obligation on distributors to maintain supply in certain circumstances, and contains a range of regulation-making powers. The Act provides for the industry consumer dispute resolution scheme, but the Minister of Commerce and Consumer Affairs is responsible for these provisions.

62. Your key responsibilities under this Act are:

    a. Recommending regulations on enforcement of the Code, the industry levy, and the fair treatment of domestic and small business consumers; and

    b. Recommending appointments to the EA and the Electricity Rulings Panel.

Fuel Industry Act 2020

63. The Fuel Industry Act establishes:

    a. A terminal gate pricing regime to improve competition in the wholesale market by making it easier for a fuel reseller to access fuel more cheaply and in more locations;

    b. Rules to ensure contracts between wholesale fuel suppliers and their wholesale customers are fair and support competition;

    c. A dispute resolution scheme for the new regime;

    d. Improvements to the monitoring of the fuel market by requiring fuel companies to collect and disclose certain information; and

    e. Requirements for retail fuel sites to display prices on forecourt price boards.

64. Your key responsibilities under this Act are recommending regulations on access to fuel at storage terminals, on key features that must be included or prohibited in wholesale contract, on dispute resolution, on the information that must be displayed in signage at service stations and on information that fuel suppliers must provide as part of the monitoring regime.

Gas Act 1992

65. By setting out the regulatory framework for the supply and use of gas, the Gas Act 1992 (the Gas Act):

    a. Confers powers and duties on gas operators and other owners of gas fittings;

    b. Provides for the governance of the gas industry, including providing for co-regulation with a gas industry body, currently the Gas Industry Company (GIC); and

    c. Sets out the functions of WorkSafe New Zealand as regulator of the safe supply and use of gas.

66. The Gas Act contains wide-ranging regulation-making powers for gas safety (including for the purposes of public health and safety and prevention of property damage), quality and measurement, as well as industry governance.

67. Your key responsibilities under Gas Act are:

    a. Recommending gas safety regulations, as well as market governance and operation, enforcement, the industry levy, and certain consumer issues;

    b. Recommending approval of the industry co-regulator, currently GIC, and appointing the Gas Rulings Panel;

    c. Accepting or rejecting recommendations from the GIC for changes to industry rules;

    d. Granting gas operator status to gas distributors (by Gazette notice), which confers land access powers in relation to roads and rail crossings, as well as placing responsibilities on them; and

    e. Approving Gas Codes of Practice which are developed by WorkSafe New Zealand.

68. The Gas (Safety and Measurement) Regulations 2010 are made under the Gas Act and incorporate numerous standards. You will be advised on any proposed amendments when standards are updated or replaced in the same manner as with the Electricity (Safety) Regulations.

69. The Gas Act also intersects with the Workplace Relations and Safety portfolio, which covers the administration of work health and safety and WorkSafe New Zealand.

Crown Minerals Act 1991

70. The Crown Minerals Act 1991 (CMA) sets out the management regime for Crown-owned minerals. The CMA covers the efficient allocation of the Crown's minerals, the effective management of those rights, and for obtaining a fair financial return from the development of Crown-owned minerals. The purpose of the CMA is to promote the prospecting for, exploration for, and mining of Crown owned minerals for the benefit of New Zealand.

71. Crown-owned (or vested) minerals include all petroleum, gold, silver and uranium, as well as all minerals in the territorial sea, Exclusive Economic Zone (EEZ) and extended continental shelf. Other minerals (e.g. coal, iron sands, aggregates) have a mixture of Crown and private ownership. Privately owned minerals do not fall under the CMA.

72. Key responsibilities retained by you (rather than delegated to MBIE) under the CMA are:

    a. Powers, duties and functions involving matters with national or public interest tests;

    b. Recommending changes to, or proposing new, mineral programmes that explain the interpretation and application of the primary legislation;

    c. Deciding whether to reserve areas of land containing Crown-owned minerals for more strategic allocation;

    d. Deciding whether to, alongside another Minister, prohibit access to Crown-owned land; and

    e. Recommending regulations on related matters, including for setting royalties and fees.

73. Responsibilities currently delegated to MBIE are:

    a. Attracting applications for prospecting, exploration, or mining permits, including by way of public tender;

    b. Granting or declining permits, subsequent changes to permits (including changes to ownership, work programme, duration and area), and revoking permits;

c. Co-operation with regulatory agencies that perform functions in relation to Crown-owned minerals;

d. Collecting and disclosing information in connection with mineral resources and mineral production; and

e. Consulting with iwi and hapū on proposed permit application areas.

74. Whilst not prescribed under the CMA, we participate in ongoing Treaty settlements.

Electricity Act 1992

75. The Electricity Act 1992 (the Act) deals with operational matters, setting out the regulatory framework for the supply and use of electricity. Wide-ranging regulation-making powers for matters of electrical safety (including for the purposes of public health and safety and prevention of property damage) are contained in this Act. The Act:

a. Confers powers and duties on electricity operators and other owners of electricity works;

b. Provides for the registration and licensing of electrical workers and the administration of the Electrical Workers Registration Board; and

c. Sets out the functions of WorkSafe New Zealand as regulator of the safe supply and use of electricity.

76. Your key responsibilities under this Act are:

a. Recommending regulations on electrical safety;

b. Granting electricity operator status to electricity distributors or generators, which confers land access powers in relation to roads and rail crossings, as well as placing responsibilities on them; and

c. Approving Electrical Codes of Practice which are developed by WorkSafe New Zealand.

77. A large number of standards are cited within the Electricity (Safety) Regulations and provide technical detail on compliance with various aspects of the regulations. Amendments to regulations may be required when these standards are updated or replaced.

You will be advised on proposed amendments by MBIE, with technical input from WorkSafe New Zealand.

78. This Act intersects with the following portfolios:

a. Workplace Relations and Safety, which covers the administration of the work health, and safety and WorkSafe New Zealand.

b. Building and Construction, in relation to the occupational regulation of electrical workers. Under the previous government the Minister for Building and Construction was formally assigned responsibility for parts relating to registration of electrical workers).

Energy Efficiency and Conservation Act 2000

79. The Energy Efficiency and Conservation Act 2000 established the Energy Efficiency and Conservation Authority (EECA), and forms the legislative basis for promoting energy efficiency, energy conservation and renewable energy.

It includes regulation-making powers for product energy efficiency standards and labelling, as well as the disclosure of information allowing for the compilation of statistics on energy efficiency, energy conservation and renewable energy.

80. Your key responsibilities under this Act are:

a. Ensuring that there is a National Energy Efficiency Strategy that is developed according to the requirements in the Act, currently the New Zealand Energy Efficiency and Conservation Strategy 2017-2022;

b. Recommending regulations on minimum energy performance standards and labelling for energy-using products and services (including vehicles) and on data collection; and

c. Appointing the EECA Board.

Crown entities and statutory bodies

81. You have a role to oversee and manage the Crown's interests in and relationship with the two Crown entities and three statutory bodies described in this section. This includes ensuring an effective board is in place, participating in setting the entity's strategic direction and funding, and reviewing the entity's performance and management of risk.

82. The expectation is that all parties will adhere to the "no surprises" convention. While these entities are managed at arms-length from government, as Minister you have a number of levers to ensure you can get the performance you want.

83. You are responsible for one Independent Crown entity, the Electricity Authority (EA), and one Crown agent, the Energy Efficiency and Conservation Authority (EECA). The key difference between the two is your ability to provide direction to EECA, and its obligation to give effect to Government policy relating to its functions and objectives if directed by you. Annex 3 contains a list of the current board members and details of their terms for each of these entities.

84. The Energy Markets Policy team (Justine Cannon, Manager) leads MBIE's engagement with these entities and along with the Entity Performance and Investment team (Michael Bird, General Manager) support you in your oversight and management role including providing you with board appointments and governance advice.

Electricity Authority (EA)

85. The Electricity Authority (EA) is an independent Crown entity established under the Electricity Industry Act 2010, and is responsible for regulating the electricity market. While an independent Crown entity's functions are necessarily independent from Ministerial intervention, you have the ability to engage in dialogue on strategic direction and annual performance expectations.

86. Current members of the EA Board (appointed by the Governor-General on your recommendation) are Dr Brent Layton (Chair); Susan Paterson; Allan Dawson; Lana Stockman; Mark Sandelin; and Sandra Gamble (with the latter four all appointed in 2017). Brent Layton will complete his term as Chair on 30 October 2020 and Dr Nicki Crauford will commence as Chair on 1 November 2020. The Chief Executive is James Stevenson-Wallace. The statutory objective of the EA is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers.

87. The EA's main functions include:

a. Making and administering the rules governing the electricity industry through an Electricity Industry Participation Code;

b. Monitoring compliance with the code and other provisions in the Electricity Industry Act 2010 and regulations, and taking enforcement action;

c. Undertaking market facilitation measures such as education and providing guidelines, information and model arrangements;

d. Industry and market monitoring, and carrying out reviews, studies and inquiries into matters relating to the industry; and

e. Contracting for market operation services and system operator services.

Electricity Rulings Panel

88. The Electricity Rulings Panel is a specialist dispute resolution and disciplinary body that determines complaints of breaches of the Electricity Industry Participation Code 2010 by industry participants, as referred to it by the Electricity Authority (EA). It also determines certain disputes between participants and hears appeals on specific decisions by the System Operator (Transpower).

89. The panel is appointed by the Governor-General on your recommendation.

    Before making a recommendation, you must first consult with the Minister of Justice and the EA. Current members are: Mel Orange (Chair); Geraldine Baumann (Deputy Chair); Denis O'Rourke; Nicola Wills; and Lee Wilson. Mel Orange (Chair), Denis O'Rourke, and Lee Wilson were appointed on 2 March 2020 for a term of 2 years. Geraldine Baumann (Deputy Chair) and Nicola Wills were re-appointed on 29 August 2016 for a term of 5 years.

Energy Efficiency and Conservation Authority (EECA)

90. The Energy Efficiency and Conservation Authority (EECA) is a Crown Entity established under the Energy Efficiency and Conservation Act 2000. It is required to encourage, promote and support energy efficiency, energy conservation and the use of renewable sources of energy.

91. EECA's work programme is guided by the New Zealand Energy Efficiency and Conservation Strategy 2017-2022, and assigned to it under that strategy. EECA also works closely with other government agencies to help them to design, implement and monitor policies to promote energy efficiency and make better use of New Zealand's abundant renewable energy resources. As a Crown agent, EECA must give effect to government policy when directed by you as responsible Minister.

92. Current Board members (appointed by you are) are: Elena Trout (Chair); Catherine Taylor (Deputy Chair); David Coull; Karen Sherry; Norman Smith; and Dr Linda Wright. Andrew Caseley became the Chief Executive in January 2017.

Gas Industry Company (GIC)

93. The Gas Industry Company (GIC) is the private industry body that co-regulates the gas industry with you (as the Minister) under the Gas Act. Under the Gas Act, the GIC has powers to recommend certain gas governance regulations to you, and you have the power to accept or reject those recommendations.

94. For certain issues, you may only promulgate regulations that are based on a recommendation from the GIC. For others, you must provide the GIC a reasonable opportunity to make a recommendation to you before promulgating regulations. These constraints on your powers are designed to capture the benefits of industry self-governance, while ensuring that there is high-level ministerial oversight of the industry. This governance arrangement requires you to recommend the making of levy regulations annually to enable the GIC to recover its costs from the industry.

95. Current directors on the GIC board (appointed by industry) are: Rt Hon James (Jim) Bolger (Chair); Robin Hill (Deputy Chair); Andrew Brown; Parekawhia McLean; Nigel Barbour; Gabriel Selischi; and Mike Fuge. The Chief Executive is Andrew Knight. You do not have a role in appointing members of the GIC board.

Gas Rulings Panel

96. The panel is the final arbiter of disputes arising from activities under gas governance rules and regulations. The panel will approve or reject settlements recommended following investigation, determine unresolved matters and make orders, including remedies and penalties. The panel is appointed by you following nomination by the Gas Industry Company. The current panel is Hon Justice John Hansen.

Related Crown entities

WorkSafe New Zealand – Energy safety

97. WorkSafe New Zealand is the regulator of energy safety and has the function of monitoring and enforcing compliance with safety and other elements of electricity and gas legislation. This means electricity and gas safety issues are regulated slightly differently from other electricity and gas issues.

98. As the Minister for Workplace Relations and Safety has oversight of WorkSafe, this is an area of intersect between the Energy and Resources and Workplace Relations and Safety portfolios.

Funds and Appropriations

MBIE'S Financial Viability

99. Pre-COVID-19, 50% of MBIE's departmental revenue was from third-party sources. The remainder is Crown revenue.

100. Third-party revenue has dropped to 37% this year, principally as a result of a significant fall in revenue from immigration fees. While revenue has decreased, our workload has remained at similar levels due to regulatory requirements and new activity (border exemptions process for example). In the absence of new Crown funding, the current shortfall will need to be funded through changes in service levels or investment across MBIE.

101. COVID-19 has had a structural impact on MBIE's funding. s 9(2)(g)(i)

Departmental funding covers a number of portfolios, making a cross-portfolio approach to prioritisation essential. However, there are limits to our ability to re-prioritise as third party funding can only be used for the purpose that it was collected – for example, revenue from the building levy can only be used to fund activities under the Building Act.

102. Uncertainty around our third-party revenue is forecast to remain for the next few years. Looking ahead, a more sustainable funding model, which facilitates greater cross-portfolio prioritisation, will be required to maintain existing services and ensure that MBIE can continue to contribute effectively to the COVID-19 response and recovery.

103. The Energy and Resources portfolio is funded under Vote Business, Science and Innovation.

104. The table and diagram on the following pages illustrate the functions and Crown entities for which you are responsible and the appropriated funding attached to each.

105. The Crown entities and some other activities in this portfolio are funded by levies (indicated by a red outline in the diagram) or fees. Revenue to the Crown from this portfolio also comes from royalties and levies on Crown resources and minerals. Each year approximately $213m of royalties and $25m of energy resource levy is collected, but this does fluctuate. In the 2020 financial year, $196m of royalties, and $23m of Energy Resource Levies were collected from permit and license holders under the Crown Minerals Act.

106. As the portfolio Minister, you are responsible for the legislation mandating these levies and fees.

107. The diagram overleaf sets out the total 2020/21 appropriation for the Energy and Resources portfolio. This captures both departmental funding (funding received by MBIE to provide services directly) and non-departmental funding (funding provided via MBIE to other agencies for them to provide services). Items circled in red are fully funded by levies, and those circled with a red dotted line are partially funded by levies.

Funding received after 2020/21 Estimates production:

108. The Energy Resources and Markets Portfolio received some funding through the COVID-19 Response and Recovery Fund for energy hardship and to support work on renewable energy; energy efficiency and reducing emissions in industry. Some funding to support new energy hardship initiatives is ongoing, but the funding for the renewable energy work is project based and time limited to between 3-4 years.

109. Additionally funding to support the Resource Management Act National Direction work programme was received through the COVID-19 Response and Recovery Fund. This funding sits within policy advice, along with administrative support funding for the other CRRF initiatives. Further funding has been received through the Infrastructure Reference Group "shovel-ready" projects fund. Approximately $100m has been received for investigation into

viable energy storage projects ($30m of which relates to FY 2020/21), and a s 9(2)(f)(iv) appropriated for grants and loans that support infrastructure investments in the energy sector.

	Energy and resources			
	Estimates 2020/21	**Funding received post Estimates for FY 2020/21**		**Total**
Energy and Resources TOTAL	*221,407*	*249,827*		*471,234*
COVID-19 Response and Recovery	*0*	*19,560*		*19,560*
Assisting Households in Energy Hardship	0	1,260		1,260
Energy Solution for Public and Maori Housing	0	3,700		3,700
Energy Efficiency and Fuel Switching in Industry*	0	14,600		14,600
MBIE Operational	*47,821*	*2312*		*50133*
Energy Resources Info Services	2,541	150		2691
Management of the Crown Mineral Estate	19,031	1350		20381
Management of oil stocks obligations	26,000	312		26312
International Energy Agency Membership	249	0		249
Accounting adjustment for Energy and Resources Investments	0	500		500
Policy	*5,832*	*3,998*		*9,830*
Policy	5,832	3,998		9,830
IRG 'Shovel Ready" Projects	*0*	*142,750*		*142,750*
IRG 'shovel ready' initiatives (CAPEX)*	0	40,000		40,000
s 9(2)(f)(iv)				
Advice on Viable Energy Storage projects	0	30,000		30,000
National New Energy Development Centre	*8,400*	*0*		*8400*
National New Energy Development Centre	8,400	0		8400
Crown entities	*159,354*	*81,207*		*240,561*
Energy Efficiency and Conservation Authority	*80,774*	*76,078*		*156,852*
Crown Loans Scheme	2,000	0		2000
Home Insulation	45,000	63,222		108,222
Opex (non-departmental)	33,774	500		34274
State Sector Decarbonisation (CAPEX)	0	12,356		12,356
Electricity Authority	*78,580*	*5129*		*83709*
Litigation Fund	444	525		969
Managing the Security of NZ Elec supply	1,200	3600		4800
Operating and Service provider costs	76,936	1004		77940

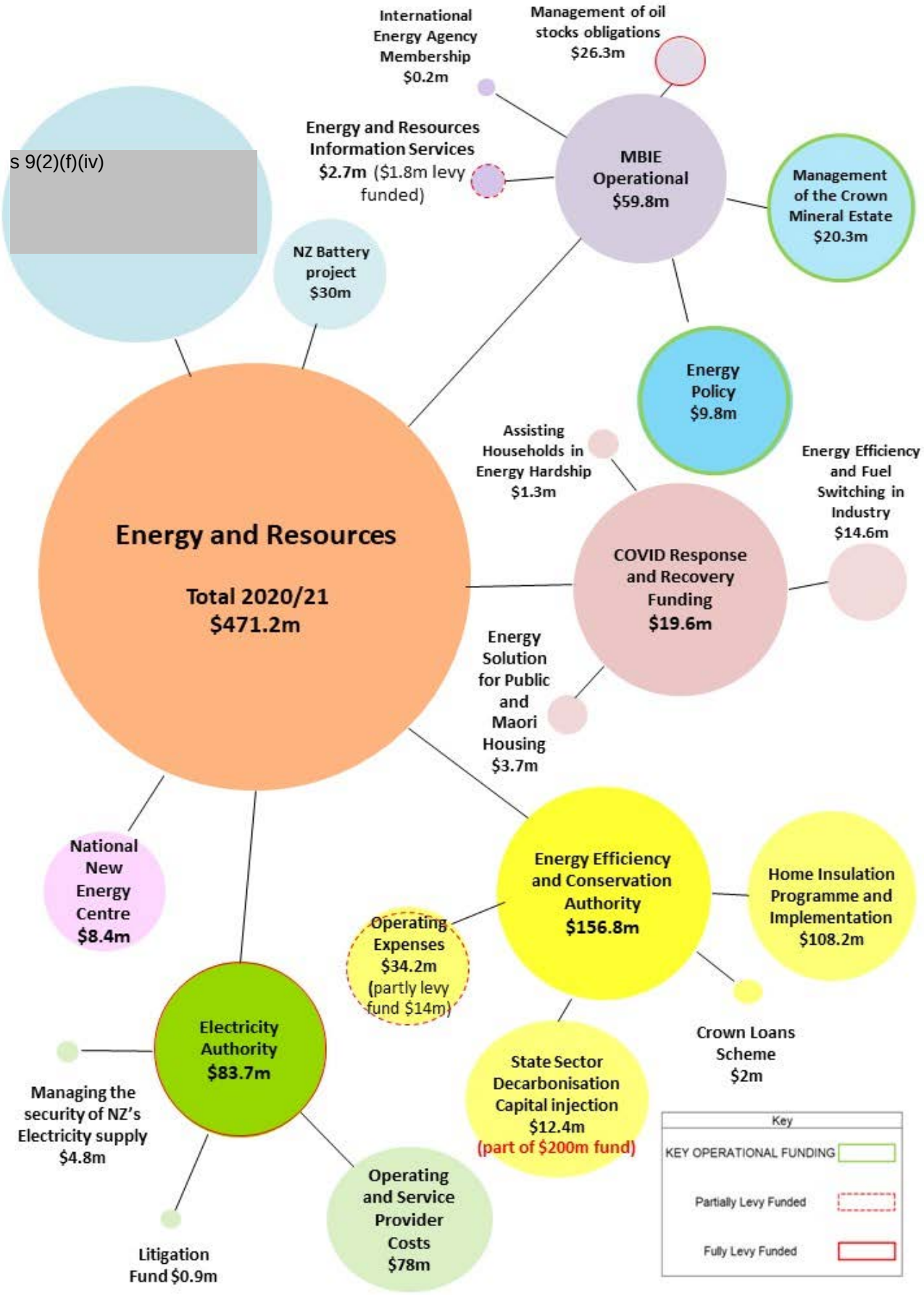
** This funding stream is time limited and will be managed by EECA.*

Please note:
The above table contains adjustments proposed through the October Baseline Update, which are pending approval.

Crown Mineral Estate (CME) memorandum account:

110. The CME memorandum account was established in 2006 to manage short to medium term fluctuations in annual surpluses or deficits associated with permit allocation and monitoring ongoing regulatory compliance.

111. In recent years the balance of the memorandum account has fluctuated, however revenues associated with these activities have s 9(2)(g)(i) . At the same time, expenses and inflationary pressures are expected to increase; meaning a decline in the memorandum account balance is anticipated.


International Energy Agency Membership $0.2m
Management of oil stocks obligations $26.3m
Energy and Resources Information Services $2.7m ($1.8m levy funded)
MBIE Operational $59.8m
Management of the Crown Mineral Estate $20.3m
s 9(2)(f)(iv)
NZ Battery project $30m
Energy Policy $9.8m
Assisting Households in Energy Hardship $1.3m
Energy Efficiency and Fuel Switching in Industry $14.6m
Energy and Resources
Total 2020/21
$471.2m
COVID Response and Recovery Funding $19.6m
Energy Solution for Public and Maori Housing $3.7m
National New Energy Centre $8.4m
Energy Efficiency and Conservation Authority $156.8m
Home Insulation Programme and Implementation $108.2m
Operating Expenses $34.2m (partly levy fund $14m)
Electricity Authority $83.7m
Crown Loans Scheme $2m
State Sector Decarbonisation Capital injection $12.4m (part of $200m fund)
Managing the security of NZ's Electricity supply $4.8m
Operating and Service Provider Costs $78m
Litigation Fund $0.9m
Key
KEY OPERATIONAL FUNDING
Partially Levy Funded
Fully Levy Funded

3. Major links with other portfolios

112. The key relationships and major links are outlined in the table below:

Key relationships	Brief description	Major link
Transport	Energy is an enabler of transportation. This includes having an affordable/secure liquid fuel (petrol and diesel) market, encouraging renewable electrification of light vehicles and encouraging the uptake of alternative fuels for heavy vehicles – bioenergy and hydrogen.	• Policy packages that target low emissions vehicle uptake – fuel standards and low emissions vehicle contestable fund • Transitioning the Government fleet to EVs through targeted procurement policy • Investigating alternative fuel sources for heavy vehicles – biofuels and hydrogen • Investment in public transport through the Government Policy Statement – land transport which prioritises emissions
Climate Change	Improving energy efficiency and reducing the emissions intensity of energy sources, while maintaining energy security and affordability, is central to any transition to a low emissions economy.	• Petroleum and Minerals Resource Strategy • Review of the Crown Minerals Act • Review of the Gas Act • The Emissions Trading Scheme (emissions pricing) • Green hydrogen Strategy • Policy packages for reducing industrial process heat emissions • Accelerating renewable electricity generation and infrastructure • Climate Change Response (Zero Carbon) Amendment Act– framework for 2050 low emissions economy • Emissions Reduction Plans • State Sector decarbonisation programme • New Zealand Green Investment Finance Ltd
Environment	Energy and resource development is highly linked to New Zealand's environmental management framework to achieve a balance between economic development and environmental sustainability.	• Resource Management Act – National Policy Statements such as: indigenous biodiversity, freshwater, electricity generation, and transmission and distribution

Key relationships	Brief description	Major link
		• National direction on GHG emissions • National Environmental Standard for Air Quality review • The circular economy, including waste to energy
Conservation	Energy and resource projects/assets can impact indigenous biodiversity and the conservation estate; as such a relationship with the Minister of Conservation can be important for managing these impacts.	• Indigenous biodiversity National Policy Statement • Petroleum and Minerals Resource Strategy
Commerce and Consumer Affairs	Some elements of New Zealand's energy system, including generation and retailing, rely on competition to deliver affordable, secure, sustainable energy to New Zealanders. Other elements, where competition is not feasible or desirable (eg transmission) are regulated under the Commerce Act.	• Electricity Price Review - work programme • Reform/amendments to the Electricity Industry Act • Reform/amendments to the Commerce Act
Workplace Safety	Using energy must be done in a safe manner. This requires regulating energy markets/buildings/products.	• Health and Safety at Work Act • Health and Safety standards and regulation
Economic Development	Energy projects can stimulate economic development opportunities for Maori/regions/exports and foreign investment. For example geothermal energy is situated in regional New Zealand and Iwi own the land. There are also similar opportunities for other primary energy sources such as wind, solar, hydro etc. Energy projects can be a key enabler for other infrastructure and commercial opportunities. They can support and encourage partnerships with the private sector, Iwi, local government, regional communities and other countries. Some projects at a community level can make energy more affordable.	• Crown partnership with Maori • Innovative Partnerships programme –platform to attract global investment • Sector/Industry Transformation Plans • 'Shovel ready' projects – funded as part of COVID-19 economic recovery. We have listed a few examples below: s 9(2)(j) o Minimum viable hydrogen refuelling network o Invercargill renewable district heating system o Taranaki's thermal drying facility replacement

Key relationships	Brief description	Major link
Regional Economic Development	Government is investing in regionally focused initiatives to enhance economic development opportunities. Many of the key energy and resource assets are located outside of major urban centres.	• Provincial Growth Fund and the Provincial Development Unit • Just Transitions – includes engagement with Taranaki and Southland • Partnering with the Taranaki region – Taranaki 2050 Roadmap
Infrastructure	Energy and resource assets, as well as fuel, gas and electricity distribution networks are critical components of New Zealand's infrastructure.	• Refinery to Auckland pipeline review • Commerce Commission reviews for critical infrastructure • Emergency management of lifeline utilities • Crown Infrastructure Partners - 'shovel ready projects' such as the New Zealand battery.
Building and Construction	Moving to a low emissions economy will rely on energy efficient buildings and construction practices.	• New Zealand Energy Efficiency Conservation Strategy • Building Act • Trans-Tasman energy efficient equipment - product standards programme • Waste Minimisation Act • Urban Growth Agenda • National Policy Statement on Urban Development Capacity
Housing	Building housing that is energy efficient, dry and warm can reduce the cost of electricity to households and is a key action for reducing energy hardship.	• Warmer Kiwi homes programme • Kiwibuild • Supporting renewable energy projects in public and māori housing
Research, Science and Innovation	In the energy sector new economic opportunities and transiting to a low emissions economy will rely on New Zealand knowledge on developing, understanding and integrating new technologies.	• National New Energy Development Centre – test and trial new energy forms • Advanced Energy Technology Platform – implemented through the Strategic Science Investment Fund • R&D Tax Credits – Taxation Act • Crown Research Institutes - Institute of Environmental Science Research, Institute of Geological and Nuclear Science, Scion - wood product and wood-derived materials and other biomaterial sectors

Key relationships	Brief description	Major link
Te Uru Rākau	Biomass provides a unique opportunity to decarbonise emissions intensive energy use. Developing the forestry and wood processing sectors is expected to increase the availability of the biomass supply in the future.	• The Forestry Strategy • The Wood Fibre Futures project
Te Arawhiti	Energy and resource projects and programmes can impact iwi/Māori. Liaising with Te Arawhiti is important to ensure meaningful participation and input by iwi/Māori in these projects and programmes.	• Māori Crown relationship • Engagement and Consultation • Crown Minerals Protocols • Relationship agreements • Treaty Settlements • Accords

4. How MBIE assists you

113. MBIE provides a range of support and advice to you in your role as the Minister of Energy and Resources. This includes but is not limited to:

    a. Energy policy advice including developing the Heat and Industry Emissions Reductions Plan in response to upcoming emissions budgets under the Zero Carbon Act.

    b. Resource sector policy advice including the managed phase-out of fossil fuels from our energy system, and the role of other extractives.

    c. Advice to assist you in executing your legislative responsibilities under the Acts in your portfolio, including the CMA.

    d. Management of appropriations within Vote Business, Science and Innovation, including the planning and prioritisation of funding, and supporting you in the annual Estimates Hearings.

    e. Crown entity ownership and monitoring including commenting on draft statutory planning documents, developing and communicating the Government's ownership priorities and objectives for the EA, EECA and other entities in your purview.

    f. Supporting you in your wider Ministerial functions including advice, event briefings and speeches, Ministerial correspondence and international treaty relationships and meetings such as with the IEA.

Energy and Resources Markets:

114. The Energy and Resource Markets Branch (ERM) sits within the Building and Resource Markets Group in MBIE. ERM are the system stewards for Energy Markets, and Petroleum and Minerals, and we are well positioned to support you in achieving your policy objectives for the energy and resource sectors.

115. A focus of ERM branch in recent years has been continual progress towards best practice regulatory stewardship, including our responsibilities to:

    a. Act with integrity, be politically neutral and provide free and frank advice to the Government of the day.

    b. Actively partner with Māori and have regard to the Treaty of Waitangi.

    c. Be an evidence-based advisor, independent of the Government of the day, industry and lobby groups, thus ensuring we maintain our social license to operate and are not at risk of regulatory capture.

    d. Act as a regulatory steward that takes a whole-of system and long-term view of the regulatory systems we manage.

    e. Treat our legislative environment as an asset.

    f. Deliver our legislative obligations, such as those through permitting and compliance work.

    g. Meet, or support others meeting, our various international obligations.

116. We monitor and advise on the performance of New Zealand's energy and resource markets including petroleum and Crown-owned minerals, and work to ensure that New Zealanders have access to secure, affordable and sustainable energy and resources to support people and the economy. We also regulate and manage the development of New Zealand's petroleum and Crown owned mineral resources, including stewardship of New Zealand's geoscience information - our nationally significant source of information on our geological earth sciences.

117. We play an important role in creating a productive, inclusive and sustainable economy. This includes creating the settings that support New Zealand's transition to a low emissions economy, while maintaining secure and affordable energy and mineral resources for New Zealanders.

118. We are actively working to strengthen our role partnering with iwi, meeting our obligations under the Treaty of Waitangi, and delivering against the large number of Treaty commitments that we are accountable for.

119. We are responsible for administering over fifteen Acts of Parliament and their supporting legislation.

Evidence and insights

120. The Markets team produces annual and quarterly statistics on energy consumption, supply, emissions and price and the energy section of New Zealand's Greenhouse Gas Inventory. The Greenhouse Gas Inventory and our annual energy releases are Tier 1 official statistics.

    The team also provides projections of future energy supply, demand and greenhouse gas emissions and analysis to inform decision making in the energy sector.

121. The Markets team is part of the Evidence and Insights branch, which sits within the Corporate, Governance and Information group.

Entity Performance and Investment

122. As noted earlier you are responsible for the Electricity Authority (EA) and the Energy Efficiency and Conservation Authority (EECA). Entity Performance and Investment can support you with succession planning, and search and appointments functions in collaboration with boards.

    The team also support boards with guidance and tools on government accountability requirements and core processes, along with good governance.

Energy Markets regulatory system:

123. The energy markets regulatory system comprises the institutions and markets involved in the production, supply and consumption of energy and related services. It includes regulatory and non-regulatory measures supporting policy objectives including: reliability and security, competition, efficiency, access and affordability.

124. The energy markets regulatory system includes the legislation, policy, rules and regulations for:

    a. **Electricity**: generation, storage, transmission, distribution and retailing.
    b. **Gas**: production, storage, transmission, distribution and retailing of natural gas and LPG.
    c. **Energy efficiency**: provision of energy efficiency product standards and information for energy consumers.
    d. **Liquid fuel markets**: importation, production, storage, distribution and retailing of refined oil products and other liquid fuels.

Petroleum and Minerals regulatory system:

125. The petroleum and minerals regulatory system sets out the framework for managing the Crown minerals estate, and leading development and regulation of New Zealand's petroleum and minerals resources. Under the Crown Minerals Act 1991 (CMA), the regime promotes prospecting for, exploration for, and mining of Crown owned minerals (including petroleum) for the benefit of New Zealand.

126. Crown-owned minerals include petroleum, gold, silver and uranium, and minerals on or under Crown land. In some cases, the Crown also has rights to certain minerals in some private land. There are also some cases of private mineral ownership on or under Crown land.

127. The objectives of the system are to:

    a. Efficiently allocate rights to prospect for, explore for, and mine Crown owned minerals.

    b. Effectively manage and regulate the exercise of those rights.

    c. Ensure activities in respect of those rights are carried out in accordance with industry practice.

    d. Ensure a fair financial return to the Crown for its minerals.

Key MBIE officials

Name	Role	Contact details
 **Carolyn Tremain**	Secretary	s 9(2)(a)
 **Chris Bunny**	Deputy Chief Executive Building, Resources and Markets Group	s 9(2)(a)
 **Phillippa Fox**	General Manager Energy and Resource Markets	s 9(2)(a)

5. Immediate priorities and deliverables

Focus for the first 100 days

128. The following policy and operational issues are likely to require your immediate attention and/or decision. You will receive further advice on each issue over the coming weeks. We would also like to discuss a range of other topics with you, and we welcome the opportunity to engage early on these matters.

Topic	Description	Timing
Fuel Industry Act Regulations	The Fuel Industry Act promotes competition through setting up a regime for access to wholesale fuel at terminals, requiring wholesale fuel contracts to support competition, requiring information to be displayed about fuel prices at service stations, and requiring fuel industry companies to disclose information on market performance. Much of the detail in the Act is implemented through regulations. Parts of the Act come into force on 11 August 2021. Regulations need to be finalised in relation to those parts of the Act before this date, preferably well before, to give the industry time to absorb the content and adjust their behaviour. The Act requires the Minister to consult with stakeholders before finalising the regulations. In order to be able to deliver against this timeline, in-principle decisions about the regulations need to be made before the end of 2020.	s 9(2)(f)(iv)
Design of the Process Heat Fund	Joint decision from Ministers of Energy and Resources, Climate Change and Finance on scope and design of the $70m fund to facilitate decarbonisation of the process heat sector. [If not approved before the General Election]	
Emissions Reduction Plan (ERP) for Heat, Industry and Power	The Climate Change Response Act requires the Government to develop and publish emissions reduction plans responding to emissions budgets recommended by the Climate Change Commission. The Minister of Energy and Resources is responsible for the Heat, Industry and Power ERP.	

Topic	Description	Timing
Low Fixed Charge Tariffs	The Electricity Price Review (EPR) recommended phasing out the Low Fixed Charge regulations as they were found to be poorly targeted and had a number of unintended consequences. MBIE officials are working to develop options for a phase-out mechanism that balances ensuring a just transition with reducing the harm the regulations created. In line with the December 2019 Cabinet decision, further engagement with parties most likely to be affected by the phase-out will be conducted shortly after the election to help better understand the likely impacts of phase-out mechanism options. Additionally, it was agreed to report back to Cabinet on a robust and fair approach to phasing out the regulations before the end of the year.	s 9(2)(f)(iv)
Establishment of Electricity Consumer Advocacy Council	The Minister of Consumer Affairs will appoint inaugural members of the council after consulting Minister of Energy and Resources and Minister for Small Business (per Cabinet decisions in December 2019 and funding approved via CRRF)	
Establishment of Energy Hardship Group	Chair, membership and terms of reference for the group are to be considered/approved by Minister before establishment (per Cabinet decisions in December 2019 and funding approved via CRRF)	
s 9(2)(f)(iv)		
Updating electricity and gas safety regulations	Numerous standards incorporated by reference in the electricity and gas safety regulations are out of date. Also, some new standards are considered necessary for activities such as electric vehicle charging. Officials propose to consult on a comprehensive update of referenced standards with a view to amending the regulations in 2021.	
Review of Electricity (Hazards from Trees) Regulations 2003	A consultation document on proposals to amend the regulations is expected to be ready for approval to release by end of 2020	
Introduction of Electricity Industry Amendment Bill	A Bill to future-proof the regulation of the electricity industry (per Cabinet decisions in December 2019)	

Topic	Description	Timing
Review of Regulations for Minimum Energy Performance Standards	The Energy Efficiency (Energy Using Products) Regulations 2002 (the Regulations), which regulate energy-using products through prescribing minimum energy performance standards (MEPS) and labelling requirements that apply to manufacturers and importers were reviewed in 2019 for the first time since their introduction in 2002. The review's findings and recommendations have been informed by: engagement with EECA officials, industry and government stakeholders and Australian government officials; researching international energy-using product regulations and comparing similar domestic regulatory frameworks (e.g. Food Act 2014). We are recommending a number of changes to the regulations to address identified issues. A draft discussion document has been prepared by MBIE and EECA officials seeking public feedback on these proposed changes. Improving the effectiveness and coverage of the Regulations and considering their future strategic direction will reduce energy costs for consumers, improve energy system resilience and efficient end-use of our renewable electricity supply, enhance operational energy use in buildings (both residential and commercial), and support the reduction of energy-related emissions.	s 9(2)(f)(iv)
Gas (Levy of Industry Participants) regulations 2021	The Gas Industry Company (GIC) are the industry owned co-regulator of the gas industry. Under the Gas Act, the Gas Industry Company (GIC) must make a levy recommendation every year in order to recover the majority of its costs. You are required to accept the recommendation if you are satisfied that the recommendation meets the requirements of Section 43ZZD (2) of the Gas Act. We will provide you with advice to support this decision in April.	s 9(2)(f)(iv)

Topic	Description	Timing
Reservation of Acreage over the Kermadec and Colville Arcs	Under Section 28A of the Crown Minerals Act 1991 (the CMA), a minerals reservation has been put in place in the offshore Kermadec and Colville arcs. You may establish a minerals reservation by notice in the New Zealand Gazette, declaring that specified land will not be available for specified permits for a specified time, if you believe this is necessary to better meet the purpose of the Act. s 9(2)(f)(iv)	s 9(2)(f)(iv)
Consequential changes to secondary legislation related to the Crown Minerals Act 1991.	Minor, technical amendments are required to be made to both the Minerals and Petroleum Programmes and to regulations under the Crown Minerals Act 1991 in order to: a) Operationalise the Crown Minerals Amendment Act 2019 (the Amendment Act); and b) Explain the effect of the Crown Minerals (Petroleum) Amendment Act 2018 (the Petroleum Amendment Act). The key purpose of the Amendment Act is to increase Ministerial oversight in cases of a change of control of a Tier 1 permit operator, by requiring your prior consent before the change of control occurs. Consequently, changes to regulations are needed to prescribe application requirements for a change of control of a Tier 1 permit operator, including setting a fee. Consequential changes are also required to the Programmes where the change in the Amendment Act affects the procedure outlined in the Programmes. The Petroleum Amendment Act gives effect to the Government's decision to limit new petroleum permits to onshore Taranaki. Overarching statements are required to be inserted into the chapters of the Programmes affected by the Petroleum Amendment Act to explain how the decision affects that chapter.	s 9(2)(f)(iv)

Topic	Description	Timing
Review of the Crown Minerals Act 1991	Cabinet took policy decisions in June 2020 on parts of the Crown Minerals Act 1991 (CMA) Review Tranche Two. Namely: to strengthen the regulatory framework for decommissioning petroleum infrastructure and enforcement. The CMA requires legislative amendment to strengthen the legal and financial responsibilities of petroleum permit holders with respect to decommissioning of petroleum infrastructure. We will seek your approval of a discussion document on options for the design of supporting regulations needed to ensure that policy decisions to strengthen the CMA legislative framework for decommissioning of petroleum fields in New Zealand meets its objectives. A report back to Cabinet on the remaining areas of the CMA Review Tranche Two is due in December 2020. MBIE officials are developing options to clarify with you the desired analytical approach for developing policy advice for these areas.	s 9(2)(f)(iv)
Electricity Authority Board appointments	A new Chair, Dr Nicki Crauford, has been appointed for a one-year term commencing on 1 November 2020, and will need to be reappointed or replaced before 1 November 2021. Another member's term is due to expire on 31 October 2020 and should be replaced as soon as practicable.	
Energy Efficiency and Conservation Authority Board appointments	The terms of the Deputy Chair, Catherine Taylor, and two Board members, David Coull and Karen Sherry, expired on 31 January 2020. An appointments process for these roles was commenced in early 2020, but was not able to be completed before the general election.	
Letter of Expectations	Send a Letter of Expectations (LoE) to the EECA and the EA. A LoE provides an opportunity to participate in an entity's process of setting strategic intentions and to influence its performance for the short to medium term. Letters enable boards to align their work programme to your priorities and expectations	

Topic	Description	Timing
Tui oilfield decommissioning	The Tui oilfield (Tui) is located 50Km off the Taranaki coast. It is a subsea development featuring eight wells and associated infrastructure on the sea floor. Connected to the this infrastructure is a floating production, storage and offloading vessel owned by BW Offshore, which processes and stores the oil. Tui was owned by Tamarind Taranaki Limited until November 2019, when the company went into receivership and liquidation. In early 2020, the Crown took ownership of the disclaimed assets, and with it the responsibility for decommissioning the oil field, which is at the end of it life. ERM has now established the Tui Project to manage the decommissioning process, which is complex and presents a number of risks that require active management. The Tui Project has three phases of work. MBIE is currently in the first stage of planning and monitoring. After this is complete, MBIE can move onto the subsequent demobilisation and decommissioning stages. The indicative timeline is for the decommissioning stage to conclude summer 2023/2024.	s 9(2)(f)(iv)
s 9(2)(j)		

Annex 1: Relevant legislation

Key legislation is set out in Section 2 (Crown Minerals Act 1991, Electricity Industry Act 2010, Energy Efficiency and Conservation Act 2000, Gas Act 1992 and Electricity Act 1992). Other relevant legislation to your portfolio is set out below.

Atomic Energy Act 1945: sets out the regulatory framework for the means of producing atomic energy in New Zealand, including the mining of uranium and other substances that may be used for the production of atomic energy.

Energy Companies Act 1992: provided for the formation of energy companies, the vesting in such companies of the undertakings of electric power boards and the electricity and gas undertakings of local authorities, and the dissolution of electric power boards. Most provisions are spent but some relating to corporate governance remain active.

Energy (Fuels, Levies and References) Act 1989: provides for the regulation of engine fuel quality and the recovery of costs via levies for activities undertaken by the Crown in relation to electricity, gas and engine fuels. This includes safety activities, EECA's activities, and the cost of meeting international oil stocks obligations.

Energy Resources Levy Act 1976: imposes a levy on the production of opencast coal and natural gas produced from discoveries made before 1 January 1986.

Lake Taupo Compensation Claims Act 1947: relates to agreements about the control of the Waikato River for the purposes of flood control and electricity generation. The Act sets a maximum working level for Lake Taupo, alterable by Gazette notice, and provides the basis on which compensation will be assessed for any claims in relation to the control of the lake level.

Manapouri – Te Anau Development Act 1963: enables you to notify by Gazette notice the operating guidelines for the levels of the two lakes, which are recommended by the Guardians of Lakes Manapouri and Te Anau (appointed by the Minister for Conservation).

Ngai Tahu (Pounamu Vesting) Act 1997: formally made Te Runanga o Ngāi Tahu responsible for the ownership and management of pounamu.

Petroleum Demand Restraint Act 1981: authorises regulation making for the purpose of restraining demand, reducing consumption or ensuring the equitable distribution of processed petroleum products if they are, or are likely to be, in short supply.

Annex 2: Boards within the Energy and Resources portfolio

Electricity Authority

The Electricity Authority is responsible for governance and regulation of the electricity sector. Its objective is to promote competition in, reliable supply by, and efficient operation of, the electricity industry for the long-term benefit of consumers.

Name	Date of original appointment	Expiry date of present term
Dr Nicola (Nicki) Crauford (Chairperson)	01/11/2020	31/10/2021
Susan Paterson	1/11/2010	31/10/2020
Allan Dawson	18/04/2017	17/04/2022
Sandra Gamble	18/04/2017	17/04/2022
Mark Sandelin	06/06/2017	05/06/2022
Lana Stockman	06/06/2017	05/06/2022

** The term of the former Chair, Dr Brent Layton, expired on 31 October 2020.*

Energy Efficiency and Conservation Authority

The function of the Energy Efficiency and Conservation Authority (EECA) is to encourage, promote and support energy efficiency, energy conservation and the use of renewable energy resources in New Zealand.

Name	Date of original appointment	Expiry date of present term
Elena Josephine Trout (Chair)	1/02/2013	15/09/2022
Catherine Taylor (Deputy Chair)	1/02/2017	31/01/2020*
David Coull	1/02/2014	31/01/2020*
Karen Sherry	1/02/2017	31/01/2020*
Norman John Smith	16/09/2019	15/09/2022
Linda Marie Wright	16/09/2019	15/09/2022

** Members remain on the Board until they are reappointed or a successor is appointed.*

Electricity Rulings Panel

The Electricity Rulings Panel is a specialist dispute resolution and disciplinary body that determines complaints of breaches of the Electricity Industry Code 2010 (the Code) by industry participants, as referred to it by the Electricity Authority.

It also determines certain disputes between participants and can hear appeals on specific decisions by the System Operator.

It is administered and funded by the Electricity Authority.

Name	Date of original appointment	Expiry date of present term
Melbourne (Mel) Orange	2/03/2020	1/03/2022
Geraldine Baumann (Deputy Chair)	8/08/2011	28/08/2021
Denis O'Rourke LLB	2/03/2020	1/03/2022
Lee Wilson	2/03/2020	1/03/2022

Gas Rulings Panel

The functions of the Gas Rulings Panel are to:

- Determine, in accordance with the Gas Governance (Compliance) Regulations 2008, whether a participant has committed a breach of the Rules;
- Propose to the Gas Industry Company that it recommend to the Minister a change to any regulation or rule that the Panel considers, in the course of considering any matter, to be necessary or desirable; and
- Do anything else referred to in the Act or the regulations.

The Panel will approve or reject settlements recommended following investigation, determine unresolved matters and make orders including remedies and penalties.

Name	Date of original appointment	Expiry date of present term
Hon Sir John Hansen KNZM	29/08/2019	28/08/2022

Annex 3: Key International Energy Relationships and Agreements

The key international engagements within this portfolio are listed below:

Collaboration with Australia

Until earlier this year, New Zealand participated in the Council of Australian Governments (COAG) Energy Council, a Ministerial forum for the Australian federal, state and territorial governments and New Zealand to collaborate on energy issues. The Council mainly focused on Australian issues, but it was a useful forum for trans-Tasman discussions on areas of common interest, and provided a vehicle for information sharing and collaboration. The Council oversaw the Trans-Tasman Equipment Energy Efficiency (E3) programme, which aligns the minimum energy performance standards (MEPS) for energy-using products sold in Australia and New Zealand.

On 29 May 2020, the Australian National Cabinet announced that it had agreed to the formation of the National Federation Reform Council and the cessation of the COAG model, including its Councils.

At the moment, there are no details on how the existing COAG Councils including the Energy Council will transition to the new structure. We will work with Australia to determine how New Zealand fits into the new structure, and will keep you abreast of developments.

International Energy Agency (IEA), the International Energy Programme (IEP) and Clean Energy Ministerial (CEM)

The IEA is an autonomous agency within the Organisation for Economic Co-operation and Development (OECD) and is New Zealand's principal international energy relationship.

It was established following the 1973/1974 oil crisis to implement measures to mitigate the risks of future oil supply disruptions. Ministerial meetings are biennial and the next meeting is expected to be in late 2021 (November or December). It is uncertain at this stage whether this will be a virtual or physical meeting, as this will depend on COVID-19 recovery.

As a member of the IEA and signatory to the International Energy Programme (IEP), we are required to hold petroleum reserves equivalent to 90 days of net imports. We currently comply with this obligation by augmenting commercial domestic stocks with bilateral treaties/agreements to hold stock in other IEA countries, such as the Netherlands, Spain, and Denmark.

While the organisation was initially formed to manage world oil security, in recent years the IEA has repositioned itself as a key independent energy advocate and advisor in the transition to a low-carbon future, and is the current secretariat for the Clean Energy Ministerial (CEM).

CEM is a high-level platform where countries, companies, and experts work together to share best practices and promote policies and programmes that encourage and facilitate the transition to a global clean energy economy. New Zealand is currently a CEM observer and is in the process of moving to full membership. New Zealand is a member of CEM initiatives on electric vehicles (EVs) and hydrogen.

Asia-Pacific Economic Cooperation Energy Working Group (APEC EWG)

The APEC EWG is one of the 15 officials-level APEC sectoral working groups, and meets formally twice a year. It has a programme of work focusing on energy-related priorities identified by APEC Economic Leaders and Ministers, ranging from energy security to renewable energy and low-carbon development for sustainable growth.

New Zealand will be the host economy of APEC 2021. s9(2)(f)(iv) and s9(2)(j)

s9(2)(f)(iv) and s9(2)(j)

s 9(2)(j)

Hydrogen Ministerial – Japan

The Hydrogen Ministerial is an initiative by the Japanese government to promote the development of hydrogen as a low carbon clean fuel source.

The Ministerial is usually held in Tokyo in October of each year. The 2020 Ministerial will be a virtual meeting. New Zealand has attended the Hydrogen Ministerial since its formation in October 2018.

ASEAN Hydrogen Supply and Demand

New Zealand has a strong relationship with the Association of South East Asian Nations (ASEAN). New Zealand appointed a dedicated ambassador to the ASEAN secretariat in Jakarta in 2014.

New Zealand, as a potential future hydrogen exporter, was invited by ASEAN in 2019 to join a working group on hydrogen supply and demand in the ASEAN nations.

Annex 4: Current Legal Proceedings

Legal Proceeding	Summary
Greymouth Gas Turangi Limited v Minister of Energy and Resources CIV-2018-485-237	Greymouth Gas Turangi Limited has successfully judicially reviewed the decision to decline to grant it a petroleum exploration permit in the 2017 Block Offer. The delegated decision maker declined Greymouth's bid on the basis that he was not satisfied that: a. the proposed work programme was consistent with the purpose of the Act, the permit or the activities were in accordance with good industry practice; and b. Greymouth was likely to comply with, and give proper effect to the work programme, given their previous compliance history and in particular two permits that had been surrendered without drilling obligations being completed. Prior to the Court hearing, NZPAM admitted factual errors and process failings and, accepted that the decision should be quashed and the decision reconsidered. Greymouth however sought that the Court either grant the permit or direct reconsideration on very narrow terms. The Court released its judgment publicly on 20 October 2020. A number of Greymouth's causes of action failed, but they Court did direct that Greymouth's 2017 block offer bid be reconsidered and it made directions on how that process is to be undertaken. It has also awarded costs to Greymouth. The Crown has until 13 November 2020 to determine whether an appeal is appropriate. MBIE is currently working with Crown Law on whether the decision should be appealed.

Te Ara Rangatu o Te Iwi o Ngati Te Ata Waiohua Incorporated v the Attorney-General of New Zealand CIV-2013-404-5224	Judgment of the High Court delivered on 31 July 2020: [2020] NZHC 1882. Ngati Te Ata (NTA) sought declarations concerning the taking of ancestral land known as Maioro under Public Works Act legislation. New Zealand Steel Ltd hold a mining licence over the land. The Court held that none of the bad faith allegations directed at the Crown agencies were made out. The Court rejected NTA's claims that the Maioro land, including the wahi tapu areas, was held on trust. It also rejected the claims that NZ Steel's licence was invalid because of administrative irregularities. As a result, there is no impediment to NZ Steel now proceeding to give notice to the Crown to clear the trees on the wahi tapu areas to facilitate mining. The Court has accepted that the successors in title to the original 1878 Crown grants for the wahi tapu areas will be entitled to statutory royalties if and when the wahi tapu areas are mined. These individuals are likely to be primarily but not exclusively members of NTA. Richard Te Pou Minhinnick has appealed the decision. Although no fixture has yet been set, a hearing is not expected until late next year. It remains to be seen whether the appeal will proceed.

Annex 5: A geospatial view of New Zealand's Energy and Resources

Please see the maps on the following pages.

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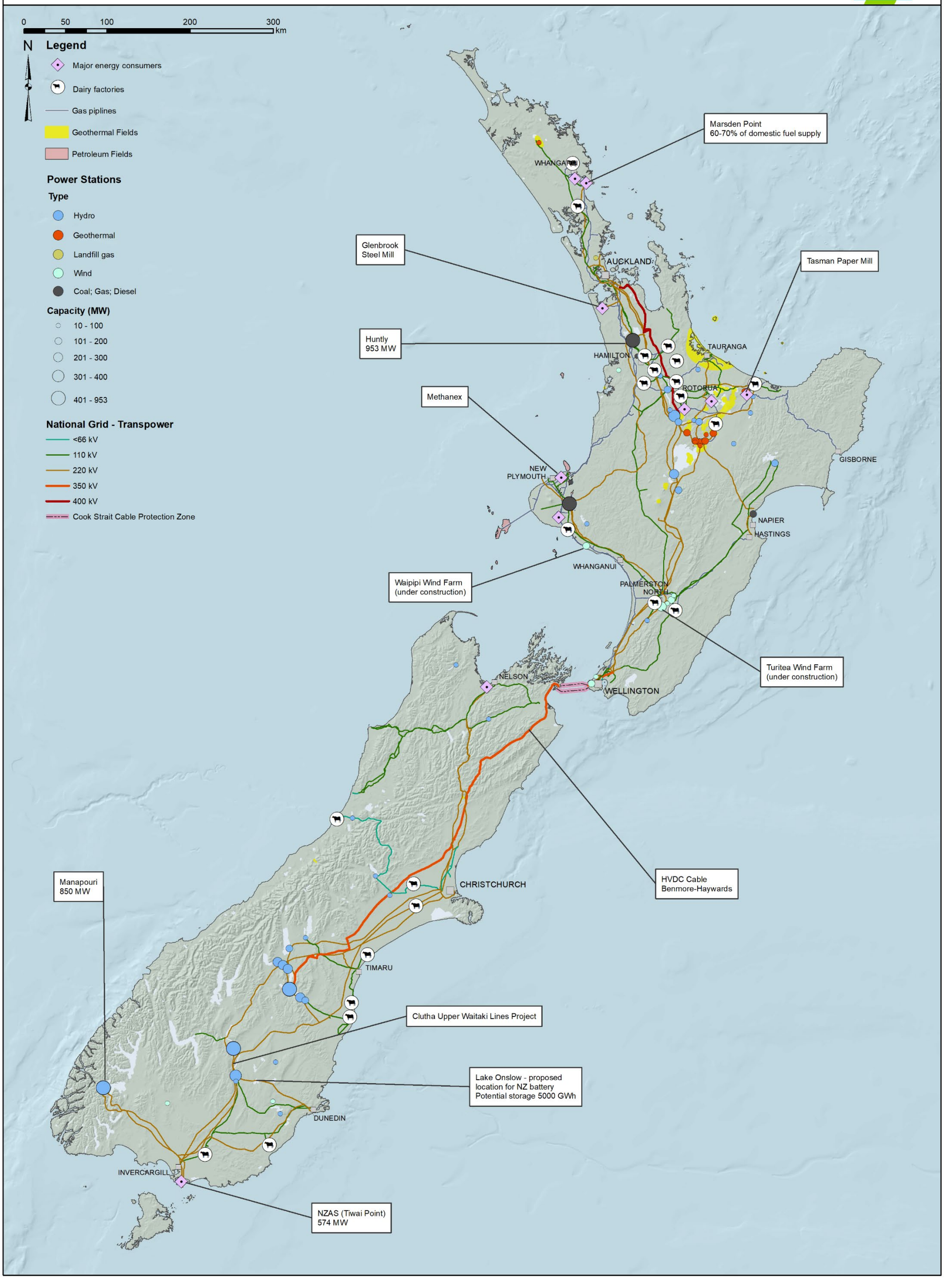
Energy - New Zealand



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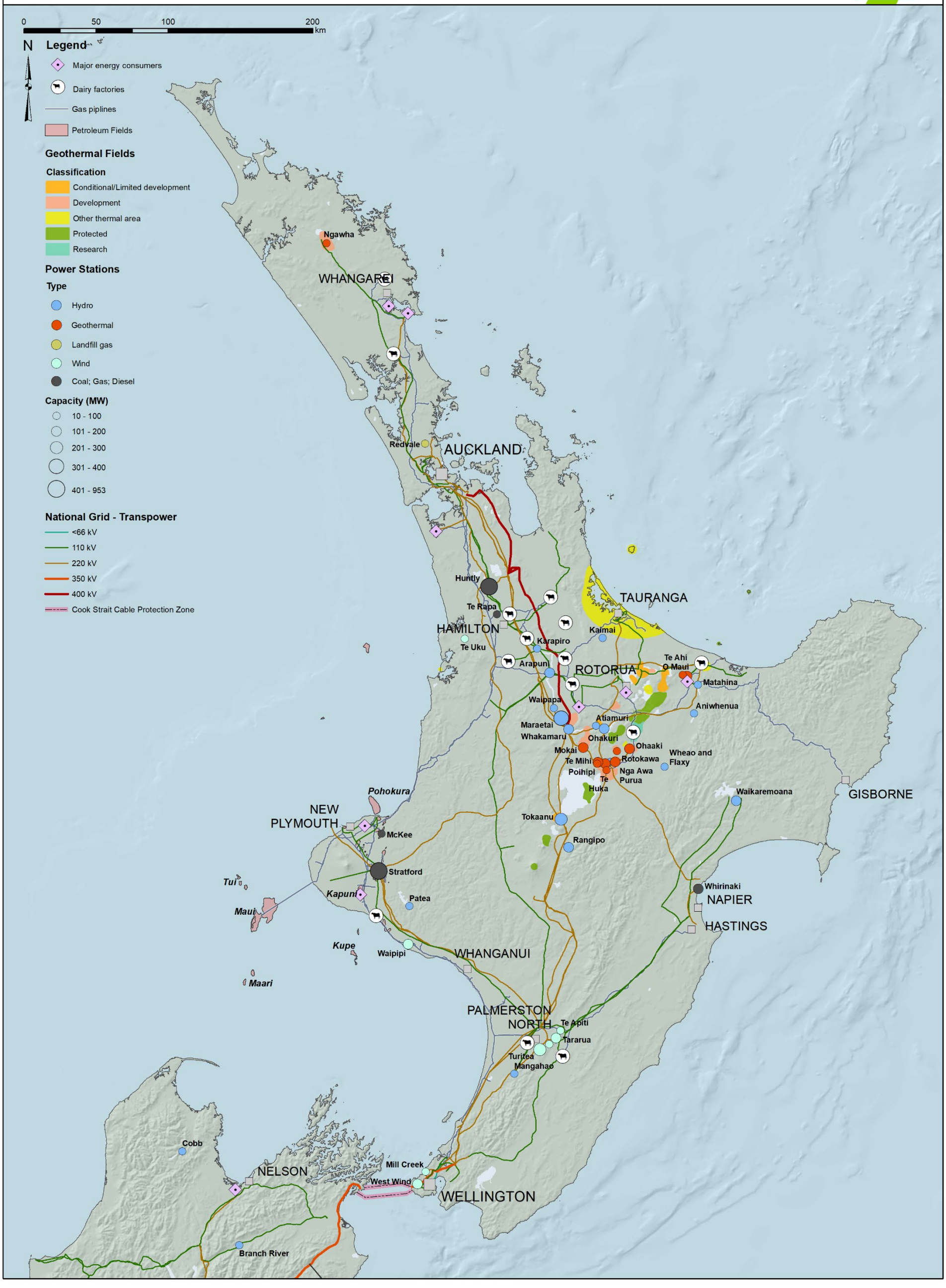
Energy - North Island



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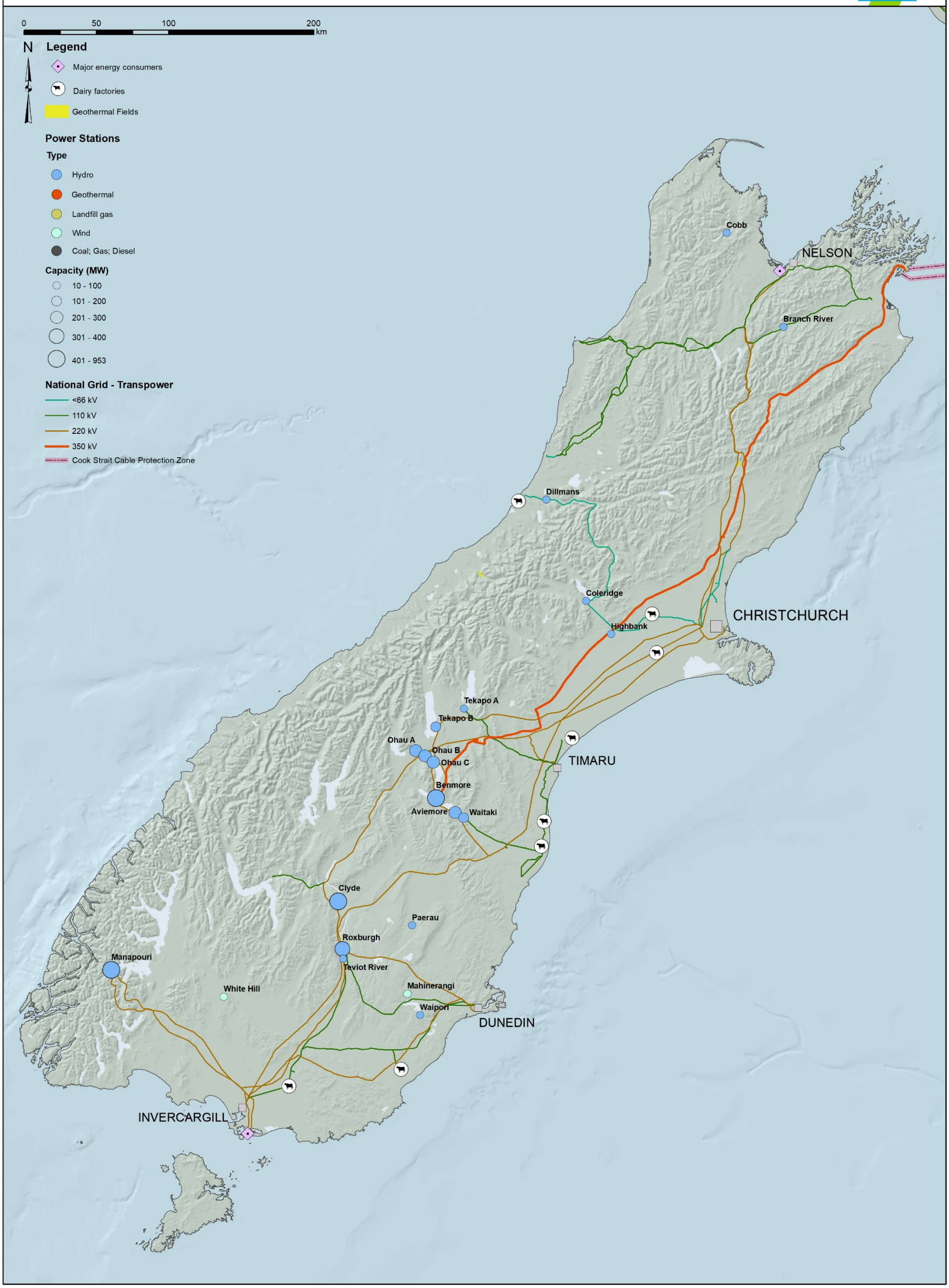
Energy - South Island



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Crown Minerals Estate - Tier 1 Permits

Permits and Applications as at 3 November 2020