Submission by

to the

Ministry of Business, Innovation and Employment (MBIE)

on the consultation document

A draft critical minerals list for New Zealand

10 October 2024

- SUBMISSION BY THE BUSINESSNZ ENERGY COUNCIL -

A DRAFT CRITICAL MINERALS LIST FOR NEW ZEALAND

1. The BusinessNZ Energy Council (BEC) welcomes the Government's release of the draft critical minerals list. As mentioned in our previous submission[1], Minerals are fundamental to modern society, serving as essential inputs for energy supply and the products we rely on. They play a key role in producing low-carbon technologies to achieve net-zero emissions by 2050.

2. The proposed critical minerals list identifies minerals that are economically important to New Zealand and vulnerable to supply chain risks. We agree with the Government that this list will guide policymakers to assess whether Government action is needed to strengthen supply chain resilience, minimising the impact of disruption on the economy. Of the 35 minerals listed, all are important to the economy, some are prone to supply disruption, and many are in high demand internationally.

3. However, we note the following problem. While we agree with the criteria used to identify critical minerals, measured as importance to the economy, technology needs, demand from international trading partners and susceptibility to supply chain risk, we raise concerns about the exclusion of certain minerals, particularly coal, gold and lime. Some minerals on the list are already extracted, others may only be mined long into the future, and possibly in limited volumes. Some listed minerals are obscure and less likely to be mined compared to more likely opportunities such as gold, iron sands, silver, coal and lime, all of which are excluded from the draft list. We urge policymakers to reconsider their inclusion in the list.

4. We acknowledge it is difficult to measure the 'importance' of minerals, as it can be argued all minerals extracted are somewhat economically important, otherwise they would not be mined. Some may be more economically important than others, reflected in higher volumes, more royalty payments to the Crown, greater employment in their extraction process and a higher export value.

5. We note that if the list contained a score for economic importance, instead of only a supply chain vulnerability score, additional minerals would likely be included on the list. This is particularly the case for gold and coal. Both minerals provide a meaningful contribution to New Zealand's economy. As outlined in the draft list, a key criterion is to meet demand by New Zealand's international trading partners. Several minerals are excluded despite their significant export contribution to New Zealand. Coal, gold, silver and iron sands are all exported, substantially contributing to New Zealand's export receipts. For instance, New Zealand exported close to $750 million in gold to Australia in the year ended June 2024.[2] Total coal exports were close to $440 million as of 2022. The list of selected countries currently includes only Australia, US, Canada, UK and the EU. This could be expanded to include other equally important trading partners, such as China, Korea and Japan.

6. The draft list classifies gold, coal, sliver and iron sands as below the threshold for being considered vulnerable to supply chain disruptions. We acknowledge that gold and iron sands, though economically important – particularly gold's role in manufacturing low-carbon technology overseas – are seen as low risk to both international and domestic disruptions, owing to strong domestic production and gold reserves, and domestic industries that are not heavily reliant on this resource.

7. Coal, however, faces supply chain vulnerabilities, which we believe are underemphasised in the paper. It is evident both New Zealand and global markets have begun, and will continue to, transition away from coal for power generation and industrial heat purposes. This is a positive and necessary trend for mitigating climate change, reducing air pollution and system costs. While energy security is important, the sector remains dedicated to phase-out coal consumption, ensuring

[1] BusinessNZ Energy Council (BEC) submission to the Economic Development, Science, and Innovation Committee on the Crown Minerals Amendment Bill, January 2023
[2] StatsNZ, International Trade Dashboard, 2024

its emphasis in the overall energy mix will decline. But for the time being, coal remains a critical backup fuel. This is particularly true during dry years and gas shortfalls, as demonstrated in recent events where coal played a key role in maintaining electricity supply and system stability.

8. Nearly half of thermal coal consumed in New Zealand is imported.[3] The coal used for power generation has been predominantly sourced from one market, creating supply chain vulnerabilities in the event of possible disruption. While the paper does assess net import dependence of coal, it appears to focus on a single year (2023) to assign a low score for supply chain vulnerability. That year, coal imports were much lower than previous, which may understate its importance, for the time being, for maintaining system reliability. A five-year average of coal import dependence would likely result in a score exceeding 5, potentially qualifying thermal coal as a critical mineral.

9. Banks and other lending institutions are also becoming reluctant to finance coal mining, as well as fossil fuel ventures, with many divesting from such activities and adopting investment strategies that avoid fossil fuels. As a result, coal mining companies are encountering greater difficulties in securing finance. It remains uncertain whether this trend will continue or possibly intensify. Government policy instated by successive Governments may pose risks to domestic mineral supply chains, particularly through bans or changes to regulatory regimes, which could repel investment and impact supply.

10. Another mineral which is currently excluded from the list, which is susceptible to supply chain vulnerability, is lime. Lime is a mineral that is trade exposed and at risk of carbon leakage. Lime involves an energy intensive process requiring elevated temperatures. The energy required for lime and the manufacture of lime products makes it an energy intensive and trade exposed (EITE) good. These products have multiple applications across various sectors of New Zealand's economy. Quicklime is used for soil stabilisation in construction. Lime products are used in steel and fertiliser manufacturing. Gold mining uses lime for processing gold ore, and it has various other uses in the pulp and paper sector, which uses lime for bleaching and wastewater treatment.

11. The dairy sector also has multiple uses for lime, including sanitation, animal health, and soil amendment. The widespread use of lime highlights its importance as a critical input to the economy at large. If energy scarcity continues and the price of energy remains elevated, the processing and manufacture of lime and lime products in New Zealand could be at risk. Its inclusion on the list would acknowledge both its economic importance and its susceptibility to supply chain vulnerabilities.

[3] Information derived from MBIE's data tables for coal, based on a five year average of imports. Imports make up 43% of consumption.

Appendix One - Background information on BusinessNZ Energy Council

About the BusinessNZ Energy Council

The BusinessNZ Energy Council (BEC) is a group of New Zealand energy organisations taking on a leading role in creating an affordable, reliable, and sustainable energy system for New Zealand. The BEC is a division of BusinessNZ, New Zealand's largest business advocacy group and the New Zealand Member Committee of the World Energy Council (WEC). The BEC offers a unique opportunity to shape the New Zealand's energy-system with business leaders, government, and research as well as access to global thinking on energy issues via our involvement with WEC.

About the World Energy Council

The World Energy Council is an independent global organisation that promotes an affordable, reliable and sustainable energy system for all. It is comprised of over 100 member countries. The Council provides impartial information on critical issues that affect society's well-being such as climate change mitigation strategies; energy efficiency; renewable energies; nuclear power; clean coal technologies; rural electrification; energy access; regional integration; urbanisation; geopolitics; innovation; finance; human capital; governance; resilience; hydrogen; storage; digitalisation; mobility; cooling; heating; behaviour change; scenarios; and transition leadership.

About the BusinessNZ

BusinessNZ is New Zealand's largest business advocacy body, representing:

- BusinessNZ Energy Council of enterprises leading sustainable energy production and use
- Buy NZ Made representing producers, retailers and consumers of New Zealand-made goods
- Regional business groups EMA, Business Central, Canterbury Employers' Chamber of Commerce, and Employers Otago Southland
- Major Companies Group of New Zealand's largest businesses
- Gold Group of medium sized businesses
- Affiliated Industries Group of national industry associations
- ExportNZ representing New Zealand exporting enterprises
- ManufacturingNZ representing New Zealand manufacturing enterprises
- Sustainable Business Council of enterprises leading sustainable business practice

BusinessNZ is able to tap into the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy. In addition to advocacy and services for enterprise, BusinessNZ contributes to Government, tripartite working parties and international bodies including the International Labour Organisation (ILO), the International Organisation of Employers (IOE) and the Business and Industry Advisory Council (BIAC) to the Organisation for Economic Cooperation and Development (OECD).

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