

1. Portfolio overview: Resources

KEY ISSUES

The Resources portfolio houses the policy settings and regulatory functions in respect of oil and gas extraction; and the mining and quarrying of Crown owned minerals. Both are significant contributors to national and regional economic productivity.

Domestic gas production is critical to our energy security of supply. The importance of, and current challenges with, energy security have been highlighted over winter 2024. New Zealand needs to take steps so that there is ongoing investment in our existing gas fields and potential new exploration and investment to improve energy security as we transition to viable and cost-effective alternatives fuels.

Low investment and gas production activity has also led to a reduction in fee revenue for the regulator and will lead to a reduction in royalty income in coming years.

In addition, there are opportunities within the wider minerals sector. New Zealand has an opportunity to grow its role as supplier of global 'critical' mineral demand, and secure effective domestic supply of the minerals we need, maximising economic and Crown benefit from our mineral estate. New Zealand's minerals endowment could support a doubling of the sector's export value to \$2b over 10 years (from \$1.03b in 2022).

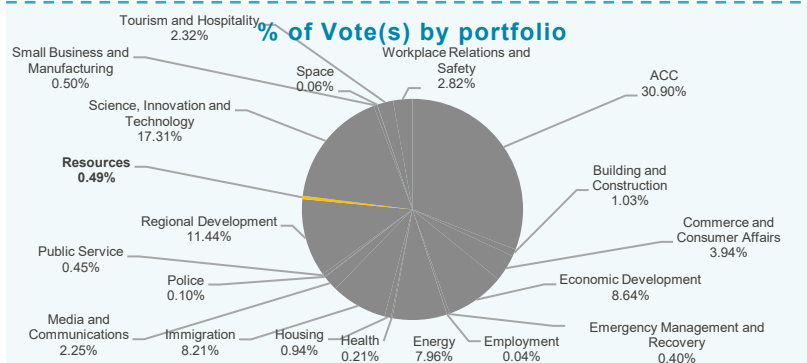
Work is advancing in the portfolio to:

- Reverse the 2018 ban on offshore petroleum exploration and remove regulatory burden that may be acting as a disincentive to investment
- Introduce different and faster permit allocation methods and signal that New Zealand is open for business
- Identify fiscal levers that may assist in improving investment economics for market incumbents
- Increase efficiencies within the regulator to accelerate permitting and regulatory activity
- Develop a minerals strategy for New Zealand out to 2040 to enable us to capitalise on the opportunity.

Regulator functions are partially funded through fee revenue, but this revenue has reduced significantly due to lower petroleum production. Time-limited Crown Revenue will cease in 2026

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1.1 SPEND BY PORTFOLIO % of votes by portfolio



TARGETS AND PRIORITIES

Government targets

The key objective of the portfolio is to obtain the best economic return from the Crown Minerals Estate. Increased investment in the extraction of Crown Minerals supports regional economic development, the creation of high value jobs and significant Crown revenue. Work underway will deliver on commitments in both the National/Act and National/NZ First coalition agreements.

The portfolio also contributes to Government's target of *reduced net greenhouse gas emissions* as opportunities exist for mining of minerals that will support a clean energy transition.

Strategic priorities

Prosperous and adaptable people, sectors and regions can be realised through the removal of barriers and taking steps to promote investment that enhances energy security; as well as by increased regional economic activity and export growth.

Strong and resilient economy and value derived from natural resources is supported by improving the productivity of mineral resources and their contribution to the national economy.

A dynamic business environment fostering innovation and international connections is supported through the development and processing of critical minerals and by-products; and by enhanced international relationships through the critical minerals list work.

Portfolio priorities

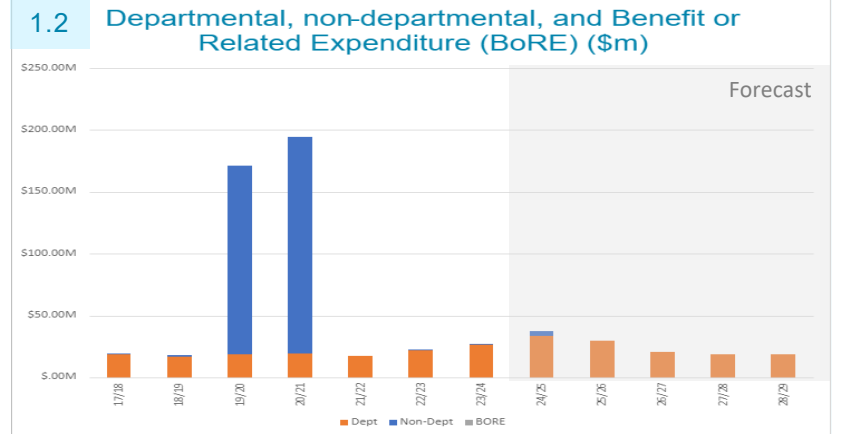
Priority 1: Rebuild investor confidence in oil and gas exploration, to assist in addressing New Zealand's energy security of supply challenges and demonstrate that New Zealand is open for business..

Priority 2: Increase the scale and pace of development of New Zealand's abundant minerals resource, removing red tape and revising resource management settings to accelerate economic growth and increase export earnings by realising the untapped opportunities within our mineral estate.

Priority 3: Take a long-term, strategic approach to New Zealand's minerals resources, through the development and promotion of a minerals strategy that identifies what a valuable and responsible minerals sector looks like and sets measurable and achievable actions for the growth of the sector.

Priority 4: Ensure management of the Crown Minerals Estate provides effective allocation of Crown-owned minerals now and in the future by ensuring that the regulatory framework meets its key objective and the regulator operates effectively and efficiently.

EXPENDITURE BY TYPE



Recent changes in expenditure

- Decommissioning of the Tui platform over the last four years has seen a significant level of non-departmental expenditure. There has also been an increase in departmental expenditure to cover costs of the Tui project team.
- The cost of the regulatory function has grown since 2017 as a result of a small increase in numbers of staff arising from greater mineral permit activity and additional compliance and monitoring functions; general cost pressures; and investment in activity to make us more efficient.
- The graph illustrates a 2022/23 increase in baseline allocated to meet these costs and to address a significant shortfall in fee revenue. Each of the last three years has seen an underspend in baseline funding reallocated across financial years. The increased baseline funding ends in 2026.
- Note departmental expenditure excludes policy funding, as this is in an MCA under the Economic Development portfolio.

Expected changes in expenditure

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- Ongoing Crown funding is needed because the regulatory functions are not 100% cost recovered and other activities (e.g. promotional activity) are not able to be cost recovered.

2. Portfolio overview: Current specific fiscal risks, workforce, and third-party revenue

SPECIFIC FISCAL RISKS

Title / Description	Amount and Probability	Mitigations
Tui Decommissioning	Unquantified	Officials are currently developing advice on potential costs and options for recovery.

WORKFORCE

2.2

Drivers and implications of change(s) in FTE

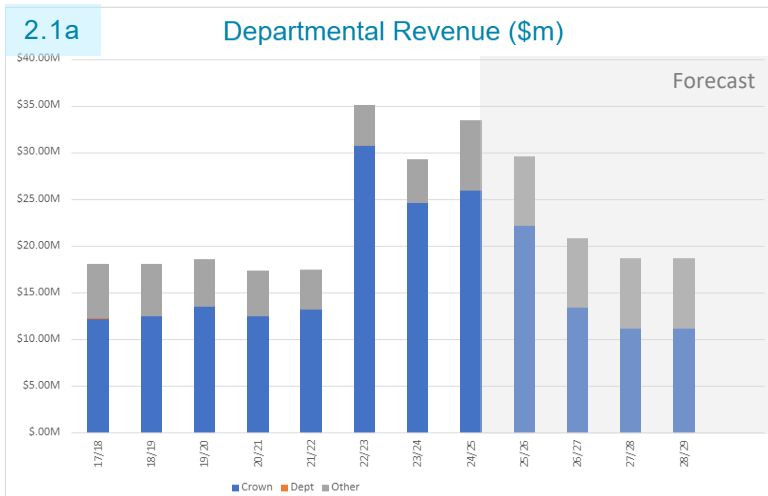
There has been an increase in FTE numbers within the regulator over the last four years to respond to increased numbers of applications for mining permits, to provide for dedicated compliance and monitoring activity and to support the Tui decommissioning project.

Currently, the volume of work required to deliver the priorities of addressing energy security and delivering on the ambition and outcomes of the minerals strategy is creating pressure on FTE resource. This is reflected in both policy FTE (to deliver on the regulatory and policy changes needed) and operational FTE (to deliver timely permitting decisions and support reporting, compliance and monitoring activity).

Looking out over the fiscal period, current policy initiatives are designed to result in a significant increase in demand for timely permitting activity. If the changes have the desired impact, a flow on increase in all regulatory activity should be expected. This is anticipated to create increased pressure on the existing workforce; Confidential advice to Government operational activity is yet to be modelled.

DEPARTMENTS WITH THIRD PARTY REVENUE (INCLUDING TAX, FEES, LEVIES, EXCISE, DUTIES AND CHARGES)

Revenue sources



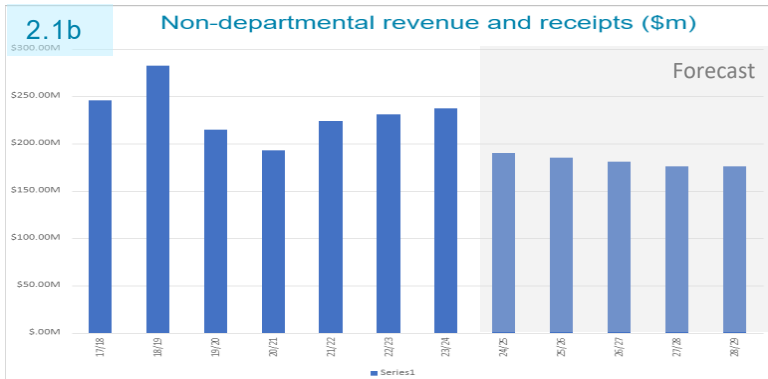
Scenarios that could impact third-party revenue

Scenarios	Incidence in last 10 years	Likely in next 10 years?
Decreased demand for fossil fuels driving changes in production levels, with impact on royalty and levy receipts (which are treated as general taxation)	Yes, changes in regulatory settings in 2017 have had an effect	Yes
Law changes and promotional activity could increase third-party revenue if increased investment in oil and gas exploration eventuates.	No	Possible
Cost pressures will require an increase in third party fee revenue	Minor	Yes

Activities funded by third-party revenue and when were they last reviewed

Activity name	% User funded	Date last reviewed	Date next reviewed	Material under or over recovery	Key performance measure and 2023/24 performance
Management of the Crown Mineral Estate	Variable	2016	2024/25	Under recovery to use memo account,	<i>Standard:</i> 80% of minerals applications are granted or declined within 120 working days <i>Actual:</i> 40% ¹

¹ The focus for the 2023/24 year was addressing a backlog of applications. That backlog has been addressed and timeliness standards are now being publicly reported against.



3. Portfolio Managing within baselines: Current and future drivers

DRIVERS OF COST PRESSURES AND INITIATIVES FOR MANAGING WITHIN BASELINES

4.1	Operating impact \$m increase, (decrease)					Confidential advice to Government
	2017/18	2024/25	2025/26	2026/27	2027/28	
Total baseline*	18.58	37.67	29.60	20.85		
Operating baseline	18.58	27.57	29.60	20.85		
<i>Total volume pressures</i>	-	-	-	-		
<i>Total price pressures</i>	-	0.00	0.00	6.65		
<i>Total wage pressures</i>	-	0.38	0.66	0.94		
<i>Total other pressures</i>	-	0.05	0.18	0.19		
Total cost pressures	-	0.43	0.84	7.77		
Total reprioritisation/ savings	-	(0.43)	(0.84)	(1.12)		
Net impact on baseline	-	0.00	0.00	6.65		

*includes all operating (departmental, non-departmental, Benefits or Related Expenses and revenue dependent appropriations). Benefits or Related Expenses and revenue dependent appropriations are removed in the operating baseline.

Summary of cost pressures:

Time limited funding for Management of the Crown Mineral Estate will cease in the 2026/27 financial year. The funding was provided in Budget 2022 to help meet a shortfall in fee revenue and to fund improvements in the regulator. The funding was time-limited Confidential advice to Government

The identified level of price pressure is indicative and reflects the difference between the outyear forecast and current levels of expenditure. Confidential advice to Government

MBIE is working through what measures need to be put in place to balance those cost pressures we have been directed to absorb. This is being done as part of our preparation for Budget 2025

Plan for managing within baselines (Table 4.1)

Area	Impact					Description
	24/25	25/26	26/27	27/28	28/29	
Management of the Crown Mineral Estate	-	TBC	TBC	TBC	TBC	Confidential advice to Government

FUTURE DRIVERS

4.2

Climate change: increasing global GHG emissions caused by human activity is directly linked to rising global temperatures and more extreme and frequent weather events. In the resources portfolio, this is expected to see an eventual decrease in demand for fossil fuels, but a growth in demand for minerals critical to green energy solutions.

Technology change: the International Energy Agency estimates that to reach net-zero emissions by 2050, the world will need six times more minerals for low emissions technology than are currently being extracted. New Zealand's abundant minerals endowment and stable political environment makes it an attractive supplier for global mineral needs.

Demographic change: a growing population has implications for our infrastructure needs, creating ongoing demand for a domestic supply of sand and aggregate.

Geopolitical change: the international rules-based trading system is being undermined by increasing protectionism and rising geo-political tensions, with some countries adopting protective measures to provide economic security and to support their transition to a low emissions economy. Globally, there is supply chain risk for minerals that are critical to the energy transition.

Choices to mitigate/manage long term pressures

Policy that causes demand or demand driver	Options to manage this?	Lead time required to make changes?
Reduction in gas production volumes creating security of supply challenges	Remove barriers to investment and explore fiscal measures to incentivise production	Work underway, impact to be seen over 2-5 year timeframe
Increase in permitting activity through minerals strategy, RM reform and fast-track legislation	Increase efficiencies in regulatory functions	Ongoing

4. Portfolio Managing within baselines: Workforce and capability

Strategy for workforce costs, including remuneration

Bargaining is underway and we are unable to provide full details of MBIE's remuneration strategy while that is ongoing. The focus of MBIE's approach is to ensure workforce costs balance affordability alongside ongoing sustainability, and enable us to deliver MBIE's work programme.

In addition, the Resources portfolio has a falling baseline from 2026/27. Confidential advice to Government

Capability – non-workforce (e.g. organisational systems, processes, governance, technology and data)

MBIE has both a significant enterprise ICT infrastructure and technology platforms that underpin specific economic systems and engagement with businesses and the public – from key application processes (eg visas), registries (eg licenced builders), to contact centre help lines (eg tenancy).

MBIE is investing in modern, cloud-based, scalable, multi-use platforms to reduce system complexity. Two specific areas requiring ongoing investment and effort are the transition of visa processing off legacy systems (Immigration) and the upcoming need to replace legacy assets that support the corporate registries (eg: the companies office). In the next 12-24 months moving off all on-premise data centres into the public cloud is also a key shift.

Simplification and the considered use of AI will contribute to greater efficiency and effectiveness across the business. Cyber threats are a growing issue. In response we have already delivered a number of modern security tools as part of a zero-trust architecture. We continue to implement these across MBIE.

MBIE collects and manages a wide range of data. We have invested in and are implementing a cloud data platform designed to make data more accessible, but also safe. This work is prioritised within our new Data Strategy which brings together new technology and data capabilities, and a new way of working to deliver the value of analysis and insights that shape policy and operational decisions at speed. MBIE has extensive governance and risk management systems in place, managing both strategic, policy and operational matters.

The key technology and data requirements for the resources portfolio are related to maintaining a permitting platform, mapping systems, and the use of data to support permitting and compliance activity.

The Resources portfolio also has obligations under the Treaty, and specific settlements. We have a capability building plan in place to ensure we can continue to meet these requirements in a proactive manner that minimises risks to the Crown.