



COVERSHEET

Ministers	Hon Shane Jones Hon Chris Bishop	Portfolio	Resources Associate Finance
Title of Cabinet paper	Business case: Commercial co- investment to bring new gas to market	Date to be published	6 November 2025

List of documents that have been proactively released

Date	Title	Author
9 October 2025	Business case: Commercial co-investment to bring new gas to market Cabinet paper and appendices	Offices of the Minister for Resources and Regional Development and Associate Minister of Finance
15 October 2025	Business case: Commercial co-investment to bring new gas to market ECO-25-MIN-0167 Minute	Cabinet office

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of free and frank opinions, legal professional privilege, international relations and commercial information.

In Confidence

Offices of the Minister for Resources and Regional Development and
Associate Minister of Finance

Cabinet Economic Policy Committee

Business case: Commercial co-investment to bring new gas to market

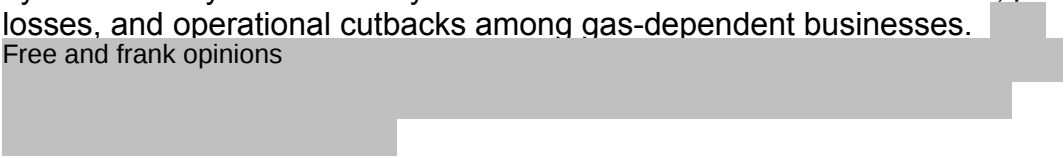
Proposal

- 1 This paper seeks approval of a single-stage Business Case for commercial co-investment that will increase or accelerate the volume of gas to market and mitigate sovereign risk. It also seeks agreement to Joint Ministerial decision-making for co-investment and to draw down the \$200 million tagged operating and capital contingency to begin operationalising the investment.

Relation to government priorities

- 2 A secure and affordable supply of energy is critical to economic stability and the Government's Going for Growth Agenda.

Executive Summary

- 3 New Zealand is currently facing a critical energy shortage that threatens the affordability and security of gas and electricity. This shortage is primarily due to declining domestic gas reserves and a challenging investment climate in the petroleum sector. To address this issue, a government-backed commercial co-investment fund of \$200 million is proposed. This fund aims to increase or accelerate gas supply, mitigate sovereign risk, and support energy security during the country's transition to lower emissions alternatives.
- 4 Domestic gas supply has fallen faster than anticipated, with reserves dropping by 27% in the year to January 2025. This has led to industrial closures, job losses, and operational cutbacks among gas-dependent businesses. Free and frank opinions

- 5 The proposed investment fund will target both near-term and long-term gas supply challenges. Short-term projects (1-7 years) could include additional drilling in existing fields and production facility upgrades. Medium-term projects (7-10 years) could involve exploration and appraisal drilling, while long-term projects (10+ years) could include greenfield exploration beyond Taranaki. Gas storage is also proposed to be included within the fund's scope due to its strategic importance in stabilising supply and managing seasonal demand.

- 6 A range of commercial investment structures, including loans, underwrites, and risk-sharing contracts, will be utilised to ensure flexibility and accommodate sector preferences. The Ministry of Business, Innovation and Employment (MBIE) will provide advice supported by an expert advisory panel with oil and gas expertise specific to New Zealand. Joint Ministers will have delegated authority to approve investments, ensuring decisions are informed by commercial, legal, and international trade considerations.

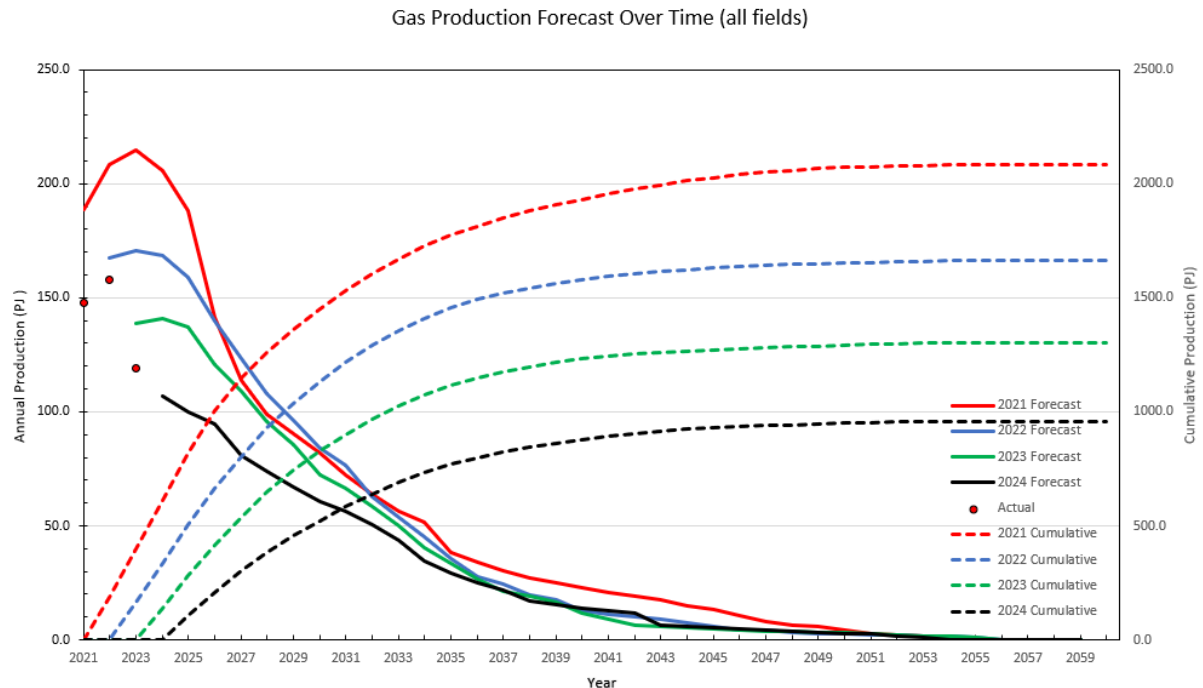
Background

- 7 New Zealand has an energy shortage which has put the affordability and security of gas and electricity at serious risk. As New Zealand undertakes its energy transition towards lower emissions alternatives, natural gas will play an important role in the stability of this system until viable alternatives are in place. This could be for many years to come.
- 8 Our domestic gas supply is not adequate to meet demand, and reserves have fallen faster than anticipated. Poor drilling results in our aging gas fields and a significant negative perception of the risk of investing in the New Zealand petroleum sector are the two primary contributing factors to our gas shortage.
- 9 To address this, as part of the Budget 2025 package, Cabinet [CAB-25-MIN-0126.74, Initiative 16978; CAB-25-MIN-0161.01]:
- 9.1 agreed to establish a \$200 million tagged contingency to co-invest in new gas fields to encourage investment in this industry due to New Zealand's ongoing need for gas and to mitigate sovereign risk.
- 9.2 agreed in principle, subject to the outcome of appropriate business cases, to the Government taking a cornerstone investment in new gas field developments of up to 10 to 15 percent, with the specific aim of addressing sovereign risk and accelerating investment in new gas production.
- 10 Cabinet also agreed that the Minister for Resources would report back to Cabinet with an Indicative Business Case and Detailed Business Case, and the Minister for Resources and Minister of Finance would jointly approve an Implementation Business Case.
- 11 Jointly, we subsequently directed officials to streamline this process into a single-stage Business Case (the Business Case) in order to accelerate this initiative and potential investments. The Business Case is appended to this Cabinet paper.

Our gas supply and energy security landscape has continued to deteriorate...

- 12 Since Cabinet set aside funding in May, our gas supply and energy security has worsened. In June, MBIE released the 2025 Petroleum Reserves Data which showed that as of 1 January 2025 natural gas reserves have reduced 27 per cent compared to the previous year. This is worse than expected and the reserves continue to reduce faster and sooner than previously forecast.

- 13 The graph below shows gas production forecast 2021 – 2025. In 2021, we forecast over 2,000PJ from existing fields, and expectations are now less than 1,000PJ.



- 14 The severe stress in our gas market is impacting our economy and leading to deindustrialisation. In May, we noted the closure and job losses for the Penrose paper recycling mill, Kariori Pulp Mill, Tangiwai Sawmill and the Kinleith Mill. Ballance Agri-Nutrients announced that it would close its Kapuni plant for four months because of a failure to renew its long-term gas supply contract at an affordable price. Ballance has since obtained gas supply until the end of 2025 to avoid this shutdown. Free and frank opinions

- 15 In a recent survey by BusinessNZ Energy Council and Optima, nearly half of the industrial and commercial gas users who responded (31 of 66 firms) reported they had already reduced operations, raised prices, or cut staff because of costs or uncertainty around gas supply and contracts. Another 30 per cent indicated that they expect to take similar steps within the next 12 months.

... and there is about to be a significant shift in the market with uncertain impacts

- 16 Since Cabinet decisions in May, OMV New Zealand has confirmed that the Māui gas-condensate field will stop production by Commercial Information Māui is the largest supplier of gas to Methanex and the closure of the field may mean Methanex cannot continue to operate in New Zealand, unless it can access sufficient gas from elsewhere. This news will have implications for both gas and electricity markets, as well as other economic impacts affecting the Taranaki economy in particular.

- 17 Free and frank opinions

These ongoing changes in the energy landscape have implications for how the \$200m should be invested

- 18 The May Cabinet decision was to target investment in new gas fields. We know that gas will be needed in the New Zealand market for decades to come while we transition to a low carbon economy, and this fund can support the longevity of our domestic gas market. However, these developments also accentuate the fact that:
- 18.1 Near term supply needs addressing if we are going to tackle deindustrialisation.
 - 18.2 The nature of our gas market is undergoing change, and we need flexibility to ensure investments can be directed strategically at the evolving needs of the market.

The business case confirms the case for investment

- 19 MBIE has undertaken early market engagement on the proposal and prepared the attached business case. The Business Case concludes that Government co-investment would support the following Investment Objectives:
- 19.1 Increasing domestic gas supply by 2035.
 - 19.2 Reducing perception of sovereign risk to gas investment.
- 20 The extent to which these objectives are met will depend on the investment decisions made once the fund is active.

Scope of investment fund

We recommend the investment fund includes scope for a wide range of investments that can accelerate or increase the volume of gas to market

- 21 Accordingly, we need to:
 - 21.1 support bringing new gas to market as soon as possible,
 - 21.2 ensure that the investment vehicle is flexible enough to respond to our energy security challenges and that a strategic, system-wide lens can be applied to investments, and
 - 21.3 support investment in new gas fields.
- 22 We recommend that the parameters for the \$200m investment fund reflect this.
- 23 The Business Case concludes the investment approach should provide for a wide range of investments that can accelerate or increase the volume of gas to market, including a nearer timeframe than is possible with new field development. Sector meetings during early market engagement have identified several options for nearer-term investments associated with existing fields.
- 24 New fields are long term investments, with an entirely new field typically taking 10+ years to develop. The Business Case notes that long term Crown investment is more likely to change the investors' perceptions of sovereign risk. However, nearer term investments are also needed to deliver the incremental increases in supply that will help address our energy security and deindustrialisation challenges.
- 25 New field developments should remain in scope of the investment approach, but investment should also accelerate or increase gas, including by investing in projects that can convert contingent gas resources to production. This might include investment to drill new wells in existing fields to maximise extraction, or investment in production or processing facilities.
- 26 We propose that the investment seeks to enable a portfolio approach so that it can straddle both near and longer-term gas:
 - 26.1 Short term (gas to market in 1-7 years) – additional drilling in existing fields (could be supported by rig mobilisation/investment in production/processing capacity options).
 - 26.2 Medium term (gas to market in 7-10 years) – onshore exploration and offshore appraisal drilling in new fields (could be supported by rig mobilisation).
 - 26.3 Longer term (gas to market in 10+ years) – greenfield exploration (including outside Taranaki).

- 27 This approach has the flexibility to help address our immediate gas and energy security issues as quickly as possible, but also cater for longer-term investments in new field developments and mitigating sovereign risk.

We also recommend including gas storage in the scope of the co-investment fund

- 28 Gas storage may become an increasingly important part of our gas and energy security landscape. Gas storage can help to stabilise the market and manage seasonal demand (eg storing gas over summer to use in winter when demand from electricity generation is higher). Free and frank opinions
- 29 Gas storage was treated as outside of the scope of the Business Case because it is not strictly focussed on bringing new gas to market. However, it does meet the investment objectives of providing demand certainty and managing price escalation risks.
- 30 Sector feedback indicates that high costs, technical challenges, and the current lack of excess production limit the feasibility of these projects without further investment.
- 31 We therefore seek Cabinet's agreement to include investment in gas storage within the scope of the fund given its strategic importance to gas and energy security.

Funding and investment structures

- 32 The original proposal envisaged taking a commercial equity stake in new gas field developments. However, changing the scope of the fund requires an expansion in the range of investments needed.
- 33 The fund needs to work for potential investment partners, and the sector has stated its preference for a wider range of funding structures. There is relatively low appetite for the Crown investing as an equity or joint venture partner, particularly where there is already a joint venture in place.
- 34 We recommend that the investment approach is flexible enough to allow for different commercial investment structures that suit particular investments. We recommend that a range of structures should be available. Equity stakes could still be used, especially for longer-term activities. However, the Business Case also includes investment structures such as loans, underwrites, and risk-sharing contracts.
- 35 Consistent with regional development funding, we recommend that investment deals encourage the use of regional procurement and regional labour market capability wherever possible.

Implementation and delivery

- 36 In May, Cabinet noted that a Schedule 4A company set up under the Public Finance Act 1989 might be a suitable investment vehicle. Schedule 4A companies are appropriate when the objectives sought are a mixture of commercial and social objectives.
- 37 The following are also relevant considerations:
- 37.1 Timing – it is critical that we get the investment up and running as soon as possible to address our pressing gas and energy supply issues.
 - 37.2 Cost – the \$200 million tagged contingency includes \$8 million operational contingency over four years. In order to get value for money, we need to ensure the costs of establishing and operating an investment vehicle is as efficient as possible.
 - 37.3 Decision-making¹ – final decision-makers on investments should have appropriate accountability given the nature of these decisions, and decisions should be informed by the right advice and capability. This will require:
 - 37.3.1 Advice from those with direct oil and gas commercial and geological expertise, and experience with the uniqueness of the domestic gas market.
 - 37.3.2 Strategic and system-level oversight/advice to respond to the shifting market landscape and emerging issues.
 - 37.3.3 Appropriate advice to decision-makers from the Ministry of Foreign Affairs and Trade (MFAT) to confirm proposed investments are consistent with our international trade obligations.
 - 37.3.4 Legal advice on any potential liabilities or obligations arising from an investment, including decommissioning obligations where relevant.
- 38 We recommend initially that MBIE has responsibility for advice on investments, to allow for projects that are investment ready to proceed at pace. We, as Associate Minister of Finance and Minister for Resources (Joint Ministers) will be the initial decision makers for investments, supported by expert advice and clear guardrails.

¹ As noted in the risk section, a public interest test under the Public Finance Act 1989 will also be relevant to investments that take the form of loans, underwrites or guarantees. This is a decision for the Minister of Finance and would be in parallel to a commercial investment decision, though both tests would need to be met for an investment of this kind to be made.

- 39 We propose supplementing MBIE's existing capability with additional resources internally and an expert advisory panel comprised of up to five members who would collectively have direct oil and gas commercial and geological expertise, and experience with the uniqueness of the New Zealand gas market. The expert advisory panel would advise MBIE and Joint Ministers directly.
- 40 Initial appointments to the expert advisory panel would be made by delegated Joint Ministers to ensure this work can proceed at pace. Delegated Joint Ministers would also approve the terms of reference for the expert advisory panel. MBIE has already begun to identify potential panel members.
- 41 The ongoing departmental operating costs of this approach will be within the \$8 million operational contingency tagged within the \$200 million. This approach also provides an avenue for MFAT to provide advice on international obligations and ensure there is strategic energy security of supply oversight by Ministers (informed by advice from MBIE). Legal advice on potential liabilities will also be provided.
- 42 We also seek delegated authority for Joint Ministers to determine the scope and breadth of commercial instruments to be considered consistent with the broad investment approach agreed by Cabinet.
- 43 MBIE can move immediately to further sector engagement and proposal development with the aim of having investment decisions to Ministers quickly and effectively while the expert advisory panel is established.

We will further investigate the investment entity and report back to Cabinet

- 44 MBIE will hold any initial investments made, but we will further consider the most appropriate investment entity to manage these investments, and report back to Cabinet in six months.

Free and frank opinions

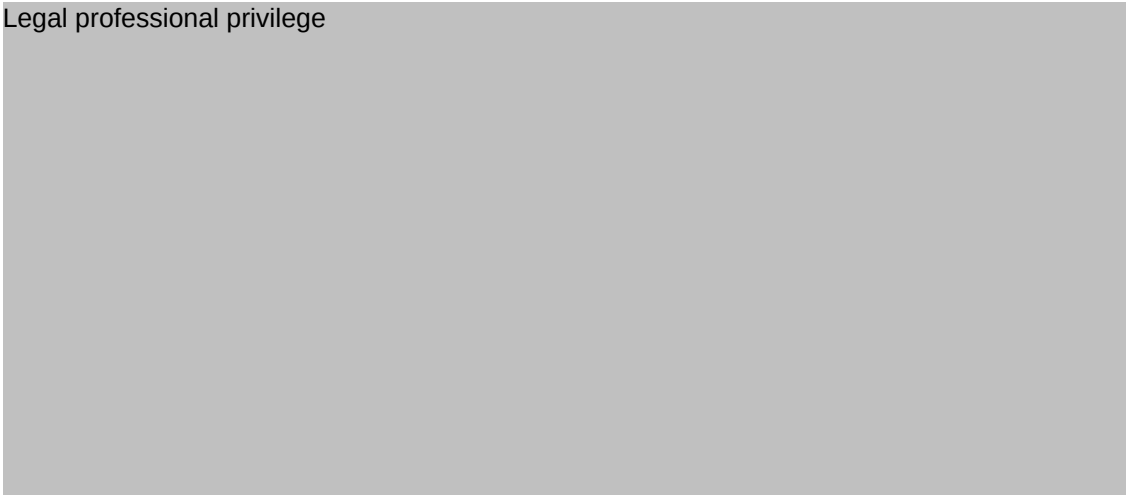


Legal professional privilege



International reputation and trade obligations [MFAT advice]

46 Legal professional privilege



47



48 International relations



49 Legal professional privilege



. Without improved access to gas, New Zealand risks increased reliance on coal during times of peak demand, which produces roughly twice the CO₂ emissions. Legal professional privilege



Managing conflicts of interests for decision-makers and advisors

- 50 The Minister of Finance will transfer consideration of the matters proposed in this paper to the Associate Minister of Finance due to a potential conflict of interest.
- 51 It will also be important that appropriate separation is maintained between MBIE's regulatory function (New Zealand Petroleum, Minerals, and Offshore Renewable Energy) and initial delivery of the investment fund. Kānoa—Regional Economic Development and Investment Unit within MBIE will be utilised to support the investment process and to manage any potential conflicts.
- 52 A robust conflict of interest policy will need to be developed for members of the expert advisory panel who may have conflicts with industry given the expertise required and the limited size of the New Zealand petroleum sector.

Cost-of-living Implications

- 53 The proposals in the paper aim to improve energy security of supply which, if successful, should result in lower gas and electricity prices than the counterfactual.

Financial Implications

- 54 We seek Cabinet's approval to draw down the \$200 million tagged operating and capital contingencies to begin operationalising the investment. Specific investments would be considered on a case-by-case basis with investment proposals, analysis, and decisions by Joint Ministers (Resources and Associate Minister of Finance).
- 55 The investment would be established as a new multi-category appropriation "Regional Development: Investment to bring new gas to market" in vote Business, Science and Innovation. This will be administered by MBIE and the Minister for Regional Development as appropriation Minister.
- 56 This approach is consistent with other funds that MBIE administers through Kānoa—Regional Economic Development and Investment Unit (eg the Strategic Tourism Asset Protection Program). The approach retains decision making with portfolio Ministers while enabling the efficient delivery and administration of the fund. It reflects the operational separation between MBIE's regulatory and investment roles in delivering this fund.

Legislative Implications

- 57 There are no legislative implications arising from this paper.

Impact Analysis

Regulatory Impact Statement

- 58 The Ministry for Regulation has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement (RIS) on two grounds. First, on the basis that the proposal has no or only minor economic, social, or environmental impacts, as it relates to internal government administration. Secondly, on the basis that providing a RIS would substantively duplicate the Business Case. MBIE will work with the Ministry for Regulation to confirm how Cabinet's impact analysis requirements apply to any subsequent decisions.

Climate Implications of Policy Assessment

- 59 The Climate Implications of Policy Assessment (CIPA) team at the Ministry for the Environment (MfE) has been consulted and confirms that the CIPA requirements do not apply to this policy proposal, as any emissions impact would be indirect, difficult to quantify and likely to be realised beyond CIPA's 10-year timeframe.
- 60 In May 2024, a CIPA assessment was completed for the repeal of offshore oil and gas exploration, which covers the impact of new exploration permits.
- 61 This proposal is for co-investment to bring new gas to market. This means that, in addition to developing new fields, gas extraction from existing fields could be expanded or accelerated. The emissions impact of this investment is difficult to quantify, given the uncertainty around the availability and commercial viability of developing new gas fields or extracting additional gas from existing fields. In general, new gas fields and expanded extraction are expected to increase emissions. However, it is not possible to quantify this impact at this stage because subsequent investment decisions are difficult to predict, and any impact would likely be realised in the longer term.
- 62 MBIE reports on gas reserves annually, and this information forms part of the MfE's annual greenhouse gas emission projections, which would capture the emissions impact of any increased gas supply.

Treaty impact analysis

- 63 Free and frank opinions

- 64 Officials engaged with representatives from Taranaki-based iwi and hapū. A range of views were expressed. Free and frank opinions

- 65 Confidential advice to Government

66

Population Implications

- 67 There are no population implications arising from this paper.

Human Rights

- 68 There are no human rights implications arising from this paper.

Use of external Resources

- 69 MBIE contracted EY to prepare the Business Case. This cost is up to Commercial Information (the exact figure will depend on final invoicing) and will be paid for from MBIE's existing baselines.
- 70 NZ Energy Consultants reviewed a draft of the business case and provided technical advice to MBIE on its content at a cost of Commercial Information including GST.
- 71 External legal advice was obtained from Chapman Tripp. Three people were involved for a total of 46.8 hours to provide advice in relation to the Business Case. This cost Commercial Information (including All-of-Government fee and GST) and was paid for from MBIE's existing baselines.

Consultation

- 72 MFAT, Treasury and MfE were consulted on this paper. The Department of Prime Minister and Cabinet was informed.

Communications

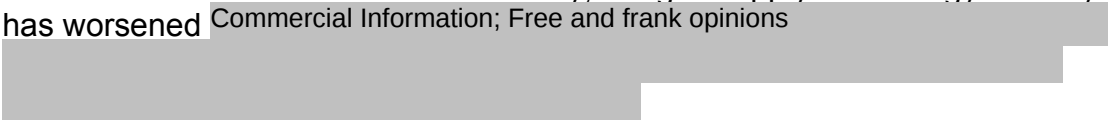
- 73 We intend to announce the investment approach and upcoming funding application round shortly after Cabinet decisions have been made. This is to support us moving to investments and addressing our current security of supply issues as quickly as possible.

Proactive Release

- 74 I intend to release this paper and the Business Case with appropriate redactions within 30 business days of Cabinet's decision, in accordance with Cabinet Circular CO (23) 04.

Recommendations

The Minister for Resources and Regional Development, and Associate Minister of Finance recommend the Committee:

- 1 **Note** that, as part of the Budget 2025 package, Cabinet:
 - 1.1 **Agreed** to establish a \$200 million tagged operating and capital contingency to co-invest in new gas fields to encourage investment in this industry due to New Zealand's ongoing need for gas and to mitigate sovereign risk. [CAB-25-MIN-0126.74, Initiative 16978].
 - 1.2 **Agreed in principle**, subject to the outcome of business cases, to the Government taking a cornerstone investment in new gas field developments of up to 10 to 15 percent, with the specific aim of addressing sovereign risk and accelerating investment in new gas production [CAB-25-MIN-0161.01].
 - 1.3 **Agreed** that the use of the tagged contingency was subject to the Minister for Resources reporting back to Cabinet with an Indicative Business Case, Detailed Business Case, and authorised the Minister for Resources and Associate Minister of Finance to jointly approve the Implementation Business Case.
- 2 **Agree** that the business case process previously agreed to is consolidated into the Single-stage Business Case (the Business Case) attached to this paper.
- 3 **Note** that since Cabinet decisions in May, our gas supply and energy security has worsened Commercial Information; Free and frank opinions

- 4 **Approve** the case for investment as set out in the Business Case.
- 5 **Note** minor changes (eg editorial and formatting changes) may be made to the Business Case prior to it being published on MBIE's website.

Investment fund scope and funding structures

- 6 **Agree** that investments will be made within the following parameters:
 - 6.1 Investments will be commercial in nature (eg expected to generate an appropriate return on investment) on terms that do not breach our international obligations.

- 6.2 A portfolio of investments, as outlined in the business case, will be sought that:
- 6.2.1 Prioritise options to accelerate or increase the volume of gas to market, including a nearer timeframe than is possible with new field development.
 - 6.2.2 Support the flexibility and deliverability of gas in a future low volume market, which could include gas storage.
 - 6.2.3 Respond to energy security of supply and apply a strategic, system-wide lens to investments.
 - 6.2.4 Enable the exploration and/or appraisal of prospective new fields (including fields that produce liquids in addition to gas), to ensure gas remains available to support the transition to a low emissions economy.
 - 6.2.5 Will not involve the Crown becoming a permit operator or require significant involvement in the managerial/operational control of assets/facilities.
 - 6.2.6 Can be entered into with the aim of selling down at an appropriate time.
 - 6.2.7 Will be made within appropriate guardrails including the need for advice from an expert advisory panel and legal advice on potential risks (including liability) and compliance with our international obligations.
- 6.3 Investment actively encourages the use of regional procurement and regional labour market capability wherever possible.

Investment advice and decision makers

- 7 **Agree** that the Ministry of Business, Innovation and Employment (MBIE) provides advice to decision makers on investments, informed by our strategic energy security of supply objectives, to allow for projects that are investment ready to proceed at pace.
- 8 **Agree** to establish an expert advisory panel of up to five members with direct oil and gas commercial and geological expertise, and experience with the uniqueness of the New Zealand gas market, to provide independent, expert advice to MBIE and decision-making Ministers.
- 9 **Authorise** the Associate Minister of Finance and the Minister for Resources (Joint Ministers) to:
- 9.1 approve investment decisions, particularly those required to accelerate gas to market in the short term, based on advice from MBIE and the expert advisory panel;

- 9.2 make initial appointments to the expert advisory panel and approve the terms of reference to ensure this work can proceed at pace; and
- 9.3 approve the detailed scope and breadth of commercial instruments to be considered and make any necessary operational design decisions, consistent with the overall investment approach agreed by Cabinet.
- 10 **Note** MBIE officials will commence work on a report to decision-making Ministers on detailed priorities and criteria for investment.
- 11 **Note** that decision-making Ministers should give strong weight to advice from the expert advisory panel in making investment decisions.
- 12 **Agree** MBIE will hold any initial investments made, but we will further consider the most appropriate investment entity to manage these investments, and report back to Cabinet in six months.

Financial implications

- 13 **Agree** to establish a new multi-category appropriation “Regional Development: Investment to bring new gas to market” in vote Business Science and Innovation, to be administered by the Ministry of Business, Innovation and Employment and the Minister for Regional Development as appropriation Minister to increase or accelerate gas supply, mitigate sovereign risk, and support energy security during the country's transition to lower emissions alternatives.
- 14 **Agree** that the overarching purpose of this appropriation is to increase or accelerate gas supply, mitigate sovereign risk, and support energy security during the country's transition to lower emissions alternatives.
- 15 **Note** this approach is consistent with other funds that MBIE administers through Kānoa– Regional Economic Development and Investment Unit (eg the Strategic Tourism Asset Protection Program) and retains decision making with portfolio Ministers while enabling the efficient delivery and administration of the fund. It reflects the operational separation between MBIE’s regulatory and investment roles in delivering this fund.
- 16 **Agree** that the categories for this appropriation be as follows:

Title	Type	Scope
Investment in gas supply and storage - Capital	Non-departmental Capital Expenditure	This category is limited to making gas investments
Investment in gas supply and storage - Administration	Departmental Output Expenses	This category is limited to administering gas investments

- 17 **Note** that, as part of the Budget 2025 package, Cabinet agreed to establish the following tagged contingencies [CAB-25-MIN-0126.74, Initiative 16978]:

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Operating Contingency	2.000	2.000	2.000	2.000	
Capital Contingency	48.000	48.000	48.000	48.000	
Total	50.000	50.000	50.000	50.000	

- 18 **Note** that Cabinet previously agreed to the following regarding the use of the above tagged contingencies:

- 18.1 that the expiry date for the above tagged operating and capital contingencies be 31 March 2027.
- 18.2 that the Minister for Resources report back to Cabinet on the following matters:
 - 18.2.1 an Indicative Business Case with options for potential government investment.
 - 18.2.2 to seek Cabinet agreement to start market engagement, and
 - 18.2.3 to seek Cabinet agreement to draw down on the operating tagged contingency to undertake a Detailed Business Case.
- 18.3 that the Minister for Resources report back to Cabinet with a Detailed Business Case for approval on the Government's preferred way forward with robust cost benefit analysis, subject to Cabinet approval of the matters in paragraph 18.2 above.
- 18.4 that the Minister for Resources and Associate Minister of Finance (Hon Chris Bishop) (Joint Ministers) jointly approve the Implementation Business Case, subject to Cabinet approval of the Detailed Business Case.
- 18.5 that Joint Ministers jointly draw down the tagged operating and capital contingencies above, subject to their approval of the Implementation Business Case.
- 18.6 that draw down of the tagged operating contingency will only be for the amount necessary for the design and implementation approved.
- 18.7 that draw down of the tagged capital contingency will only be for the amount necessary for the specific proposal(s) being approved.

IN C O N F I D E N C E

- 19 **Agree** to increase expenditure to provide for costs associated with the new multi-category appropriation described in recommendation 13, 14 and 16 above, with the following impacts on the operating balance and net core Crown debt:

	\$m – increase/(decrease)				
Vote Business, Science and Innovation	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Operating Balance and Net Core Crown Debt Impact	2.000	2.000	2.000	2.000	
Operating Balance Only Impact	-	-	-	-	-
Net Core Crown Debt Only Impact	Commercial Information				
No Impact					
Total					

- 20 **Approve** the following changes to appropriations to provide for the new multi-category appropriation described in recommendations 13, 14 and 16 above:

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Vote Business, Science and Innovation					
Minister for Regional Development					
Multi-Category Expenses and Capital Expenditure:					
Investment to increase or accelerate gas supply, mitigate sovereign risk, and support energy security during the country's transition to lower emissions alternatives - MCA					
Departmental Output Expenses:					
Investment in gas supply and storage - Administration (funded by revenue Crown)	2.000	2.000	2.000	2.000	
Non-Departmental Capital Expenditure:					
Investment in gas supply and storage - Capital	Commercial Information				

IN C O N F I D E N C E

Total Multi-Category Expenses and Capital Expenditure:					
Investment in gas supply and storage MCA	Commercial Information				
Total Operating	2.000	2.000	2.000	2.000	
Total Capital	Commercial Information				

- 21 **Agree** that the proposed changes to appropriations for 2025/26 above be included in the 2025/26 Supplementary Estimates and that, in the interim, the increases be met from Imprest Supply.
- 22 **Agree** that the expenses incurred under recommendations 19 and 20 above be charged against the tagged contingencies described in recommendation 16 above.
- 23 **Note** that, following the adjustment(s) detailed above, the tagged operating and capital contingencies described in recommendation 17 above are now exhausted and therefore closed.

Authorised for lodgement

Hon Chris Bishop

Hon Shane Jones

Associate Minister of Finance

Minister for Resources and Regional Development

Appendices

Gas Security Fund Single-Stage Business Case

Ministry for Business, Innovation, and Employment

Gas Security Fund

Single Stage Business Case (SSBC)

Prepared by:	EY-Parthenon
Prepared for:	Ministry of Business, Innovation, and Employment (MBIE)
Date:	24 October 2025
Version:	1.1
Status:	Final

Ministry for Business, Innovation, and Employment Gas Security Fund SSBC

Document Control

Document Information

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Document History

Version	Issue date	Changes
0.1	5 August	Initial working draft for discussion.
0.2 – 0.10	12 August – 23 September	Refined working drafts incorporating feedback from MBIE and other stakeholders as appropriate.
0.11	24 September	Refined draft issued for Ministerial consultation.
0.12	8 October	Final draft issued to MBIE incorporating final agency feedback as appropriate.
1.0	24 October	Final document issued.
1.1	31 October	Final document re-issued following minor grammatical amendments.

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Glossary

Term	Definition
2C resources	Contingent resources that are potentially recoverable but are not commercially or technically viable under current expected conditions. Resource volumes have been discovered and are known with the same certainty as discovered reserves but are not classified as reserves because they are not expected to be produced, or no investment decision has yet been taken to produce them.
2P reserves	Proved and probable petroleum reserves, also referred to as P50 reserves. A mid-range estimate, at which volumes are estimated to have an equal chance of being greater or lower than stated.
Day 1	Denotes the time at which the legal entity within the chosen Investment Management Model (IMM) becomes operational.
Domestic gas	Gas that occurs naturally within the limits set by New Zealand's Exclusive Economic Zone (EEZ).
Downstream	Sector of the petroleum industry that distributes and sells produced hydrocarbons.
Investment Option	Outlining, at a high-level, the investment options available – for example, taking an equity stake in a producing field or issuing a sector loan.
Investment Management Model	The structured framework used to originate, transact and manage investments. It defines the type of entity(s) involved, their roles and responsibilities and the associated processes and governance framework to manage the \$200m fund.
Investment Mandate	A formalised set of guidelines that specify how to invest a pool of capital.
Offshore operations	Activity that is the seaward side of the mean high-water mark.
Onshore operations	Activity that takes place on (or originates from) land.
Sovereign risk	Risk that the Government may unexpectedly change significant aspects of policy or investment settings for new gas exploration and extraction, particularly those affecting the legal rights or interests of investors.
Upstream	All activity in the petroleum industry before distribution that brings petroleum to production.

Acronym list

Term	Definition
ACE	Autonomous Crown Entity
APH	Cabinet Appointments and Honours Committee
BAU	Business as usual
CCC	Climate Change Commission
CO ₂ e	Carbon dioxide emissions
CRH Ltd	Crown Regional Holdings Limited
CSF	Critical Success Factor
FID	Final Investment Decision
GJ	Gigajoule
ICE	Independent Crown Entity
ILM	Investment Logic Map
IMM	Investment Management Model
IO	Investment Objective
JOG	Joint Officials Group
LNG	Liquified Natural Gas
MBIE	Ministry of Business, Innovation & Employment
MCA	Multi-Criteria Assessment
MOF	Minister of Finance
NZIER	New Zealand Institute of Economic Research
NZPAM	New Zealand Petroleum and Minerals
PJ	Petajoule
PSC	The Public Services Commission
RFP	Request for Proposal
Sch 4A	Schedule 4A Company
SME	Subject Matter Expert
SOE	State-owned Enterprise
SPV	Special Purpose Vehicle
SRO	Senior Regional Officer
TSY	The New Zealand Treasury
WACC	Weighted Average Cost of Capital

Executive Summary

In 2025, Cabinet agreed to set aside a tagged contingency of \$200m to co-invest in new gas fields, with the aim of commercially investing to mitigate sovereign risk and accelerate new gas production. The release of this funding is subject to Cabinet consideration of this Single Stage Business Case.

The focus of this Business Case is the declining availability of gas supply and the impact this has on the gas market, the electricity market, and the New Zealand economy. In this context, key concepts in scope of the Business Case include:

- A focus on domestic gas production; and
- Investment with a commercial focus.

This Business Case does not identify specific investment prospects at this time. Instead, this Business Case examines potential, fit for purpose, Investment Management Models (IMMs), investment options and elements of an Investment Mandate suitable for meeting the Investment Objectives set out in the Strategic Case. The high-level conclusions of the Business Case are well grounded but the final operational delivery model, legal, and commercial details will need further refinement as this proposal progresses.

Strategic Case

New Zealand's energy system has served New Zealand well to date. However, hallmarks of the New Zealand energy system (abundant energy, positive investment activity, and stable policy and regulatory environments) are under strain - placing New Zealand's energy market at an inflection point with the need for renewed focus on energy security and energy affordability.

New Zealand's gas market is a critical contributor to New Zealand's energy system and economy, by:

- Providing direct value to residential users, power generation, and industrial and commercial output;
- Underpinning critical industries (including electricity generation, food processing and manufacturing); and
- Supporting regional economies through direct employment and indirect jobs in supply chains and services.

Over the past decade, several trends and developments have complicated the sector and underpin the need for this Business Case, characterised by falling gas production that creates hardship and stunts economic growth, and the negative perception of the risk of investing in the New Zealand petroleum sector.

Falling gas production that creates hardship and stunts economic growth

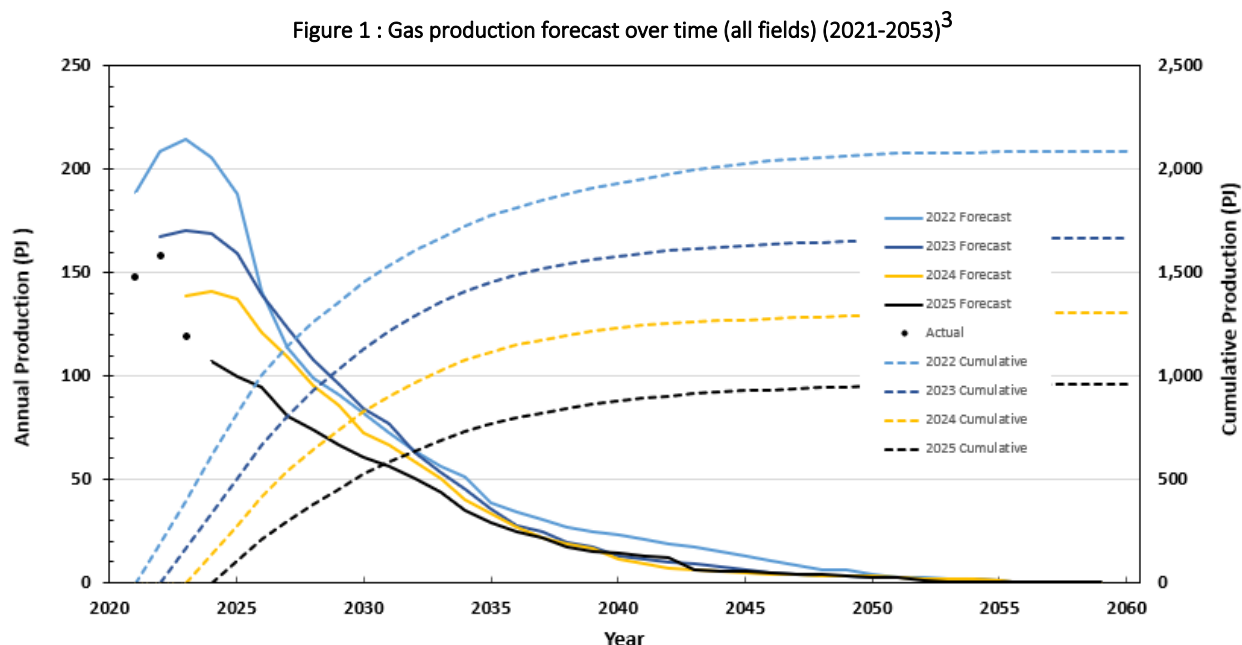
In 2021, New Zealand had 2,000 PJ of gas reserves. Reserves have since dropped by over 50%, to under 1,000PJ at the start of 2025.¹ From 2024 to 2025, MBIE reported a 27% decline in New Zealand's 2P

¹ MBIE (2025) [Gas supply reducing faster and sooner than previously forecast | Ministry of Business, Innovation & Employment](#)

natural gas reserves.² This decline reflects a combination of gas production and the underperformance of new wells. Some reserves are then reclassified as contingent resources; the investment in development opportunities having neither replaced nor added reserves.

Supply reduction has been met by sharply reduced demand from large industrial gas consumers. As gas deliverability has continued to decline, shortfalls have occurred between supply and demand from other commercial and industrial gas consumers.

Falling gas production, shown in Figure 1, has an immediate and significant impact on gas availability and pricing.



Falling gas production is likely to impose cost on New Zealanders. This cost is expected to materially impact trade exposed industrial and commercial energy consumers that may face closure or require change to production to continue operating.

Approximately \$9 billion of economic activity is contributed by sectors that use gas as a primary fuel source, and reduced access to gas will impact this economic contribution and there may also be impacts for residential customers.⁴ Furthermore, 2020 data suggested that upstream oil and gas production is expected to return 1.71 times the spend in industry.⁵

² Ibid.

³ MBIE (2024) Gas reserves overview: gas production forecast over time

⁴ It is possible to infer the level of output that would be affected by examining the industries who have a degree of energy dependence on natural gas. By assuming that industry output (i.e., contribution to GDP) is dependent on energy inputs, measuring natural gas demand as part of the entire energy portfolio for an industry allows computation of the economic output that would be reliant on natural gas.

⁵ StatsNZ (2020) <https://www.stats.govt.nz/information-releases/national-accounts-input-output-tables-year-ended-march-2020/>

The negative perception of investing in New Zealand's petroleum sector

Further contribution to this position has been a loss of confidence in New Zealand upstream investment, owing to changing perceptions about 'sovereign risk' and long-term stability compared to alternative jurisdictions for an industry where capital is intensely mobile. The 2018 ban on offshore oil and gas exploration was a major contributor to this perception.

While the Crown Minerals Amendment Act 2025, enacted on 5 August 2025, repealed the ban on new offshore exploration permits, interest among potential investors remains negatively affected.

While most pronounced for new investors, this has led to restrained future investment appetite among remaining exploration and production businesses and a lack of capital towards investment in production and development of known reserves, without assurances of a stable regulatory framework.

To address these two key issues facing the New Zealand energy sector, this Business Case concludes that Government co-investment would support the following Investment Objectives.

- Increase domestic gas supply by 2035.
- Reduce perception of sovereign risk to gas investment.

The extent to which these objectives are met will be a function of the investment decisions made under the proposed IMM.

Economic Case

The Economic Case provides an overview of the viable IMM, and investment options, for the \$200m fund that seeks to unlock domestic gas supply and mitigate sovereign risk through investment. A critical element of the IMM is the expectation it will operate commercially.

Fit for purpose IMM

Investment propositions in the upstream gas sector require careful management of investment risk, reflecting the individual commercial and geological risk of projects. Prospectivity, capital requirements, potential returns, timetables, and the availability of co-investment partners all have a dynamic effect on the suitability of potential projects.

The establishment of a robust IMM to originate, evaluate, and negotiate investment options with industry counterparties is essential across the investment lifecycle.

An IMM consists of two core components:

- **Origination, negotiation, and investment decision making** – covering transactional activities in pursuit of an investment and necessary governance deliberation and decision-making processes, expected to be undertaken by personnel with appropriate authority, to formally sign-off on an investment.
- **Holding** – covering all ongoing activities while the Crown maintains a stake in the investment. This includes consideration of whether a company is required to legally hold any asset(s).

Seven distinct IMM, were identified and evaluated, and two main models have been assessed:

- **Lead Agency +** Use existing MBIE (Kānoa) resources, systems and processes to undertake deal origination activity supplemented with additional contracted expertise across functions such as legal, commercial, and petroleum sector. Ministers would make investment decisions, and MBIE would hold assets on their Balance Sheet. In addition, an Expert Advisory Panel would be established to support investment decision making.
- **Schedule 4A (new).** Establish a new Schedule 4A company to undertake all deal origination, investment decision making, and holding of investments.

There are potential variations to the above that should continue to be worked through as key documents such as an Investment Mandate are agreed. For example, the option of using an existing Schedule 4A company, such as Crown Regional Holdings Limited (CRH Ltd), should remain under consideration.

At one end of the spectrum, a **Lead Agency +** model is the lowest cost and shortest time to implement. Comparatively, a **Schedule 4A (new)** model is the highest cost and most resource intensive. The other critical difference is whether Ministers wish to retain the ability to make investment decisions (e.g. through a Lead Agency model or CRH Ltd), or else defer to an independent decision-making body (e.g. a new entity).

Table 1: Shortlisted IMM option trade-offs

Lead Agency +		Schedule 4A (new)	
Pros	Cons	Pros	Cons
• Quick enablement allowing immediate sector engagement and development of investment options and materials. • Less fiscal cost in the short and long-term using existing structures and systems. • Enables Ministers to approve investments in line with Government priorities, while supported by sector expert advice. • Financial flexibility to adjust to operational and investment volume in treatment of cost given presence of multi-category appropriation. • Expert, independent advice provided to Ministers (by the External Advisory Panel) who have oversight of obligations and interests. • Keeps option of using a Schedule 4A entity (if desirable in the future).	• Need to manage perceived and any actual conflicts of interest – Expert Advisory Panel with industry, and MBIE (Kānoa) with industry regulator (both within MBIE).	• Ability to tailor design of company, Board, and expert advice to investments (including future energy investments). • Fewer decision making and advisory levels.	• Highest cost/most resource intensive and no budget allowance currently available to cover ongoing operating costs. • Length of time to establish and obtain investment decisions. • May duplicate existing capability. • Less ability for Ministerial oversight of obligations and interests to inform investments. • Risk that investment decisions are largely made for the bulk of the fund before entity is established.

The delivery options are not mutually exclusive. For example, there is the potential to use a **Lead Agency +** model in the short term, to enable rapid engagement with the sector and faster assessment of

investment options, and then in parallel, or sequentially, establish a new Schedule 4A company or amend an existing Schedule 4A company such as CRH Ltd.

A downside of a parallel investment track is that investment decisions may be made for the bulk of the fund by the time a new entity is established, leaving the new company with little need to develop projects yet ongoing operating costs.

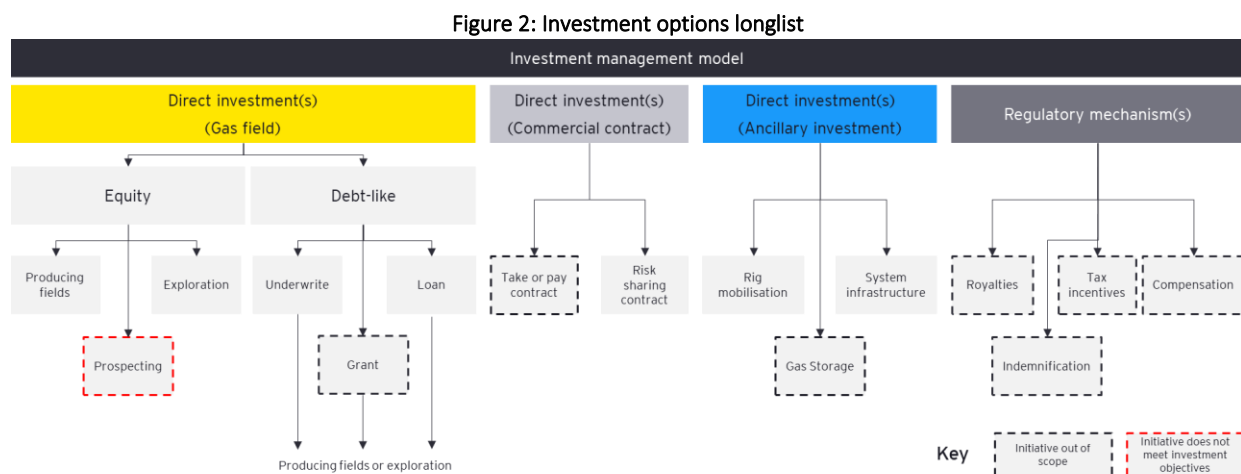
As Ministers and officials are best placed to provide direction on the trade-offs between these IMMs, both options have been carried through the Business Case. If pace of implementation and minimising short- and long-term operational costs are a priority, then the agency led model is recommended at least initially. If having completely independent decision making from Ministers is considered a higher priority than pace or costs, then using a new Schedule 4 A company will be the model most able to offer that arrangement.

Viable investment options

Early market engagement by MBIE has been underway in parallel to the development of this Business Case and a range of potential investment options have been identified by industry participants. A shortlist of viable investment options has been identified following a two-stage filtering process. Further investment options are likely to be identified once the fund is launched and more widespread communication with the sector is initiated.

This shortlist outlines the types of investment options the IMM will be expected to evaluate. Whether these investments are credible and aligned with the Investment Mandate can only be determined once responses from industry participants are formally received and the specific terms of a deal are understood. Detailed evaluations will be undertaken for opportunities that align with the fund's criteria prior to going to decision makers.

Several of the original options identified by industry have been excluded from consideration given misalignment to scope and Investment Objectives. The remaining known investment options appear at this preliminary stage to be conceptually attractive, depending on the terms of a deal, but present different trade-offs around strategic alignment, value for money, affordability and achievability (as provided in Figure 2).



Commercial Case

The Commercial Case outlines initial commercial expectations of the IMM. It is expected that many of these elements will be refined through Phase 1 implementation.

Investment Mandate

The need for a clear Investment Mandate is a critical requirement of the IMM with four main considerations emerging. The extent to which the Investment Mandate is prescriptive or whether general guidance is provided on the following will be important to confirm in consultation with the final decision-makers.

- **Short-term vs longer term opportunities.** A core consideration in the Investment Mandate is the extent to which near term opportunities are preferred over longer-term opportunities. It is proposed that this direction is best advised at a Ministerial level, and then given effect to through the Investment Mandate, and/or any associated Letters of Expectations.
- **Risk-adjusted investment ranges and/or investment hurdles.** In addition to the fundamental question of whether setting investment ranges or hurdles rates is sensible, there is also a question of whether these rates should be adjustable depending on asset classes / stage of investment lifecycle.
- **Risk tolerances.** The level of commercial return expected is typically a function of the level of risk presented. A fundamental question is whether specific risks (like decommissioning risk) should be excluded from any investment proposition or whether this should be factored into the commercial return calculation.
- **Diversified investment approach.** It is intuitive that a diversified range of investments would have a multiplier effect on Investment Objectives and likely spread the dry well risk. Moreover, a coherent package of investments is likely to present a stronger demonstration of mitigating sovereign risk than one single investment.

Deal origination

There are broadly three deal origination options (unsolicited bid model; investment round/process; hybrid model - one-off investment round/process upon establishment with a clearly defined unsolicited bid process thereafter) that have been considered with high level pros and cons outlined in the table below.

A hybrid model is preferential to favour achievement of investment outcomes.

Table 2: Deal origination model

Deal origination model	Pros	Cons
Unsolicited bid model – The evaluation criteria for investment options is made clear, and parties can submit a proposal at any time.	• The market will likely favour the flexibility afforded by the model provided that resourcing and consistent decisions are made. • Allows for bids to be received in real time.	• Resourcing level will likely not match the expected responses (either under or over resourcing). • Challenging for the IMM team to assess opportunities at a portfolio-level.

Deal origination model	Pros	Cons
Periodic bid round model – The evaluation criteria for investment options is made clear but opportunities to submit a response are limited to a specific period of time.	• Will allow the IMM team to plan resources appropriately – as resourcing decisions can be made once all responses are received. • Allows for portfolio-level considerations.	• Rigid timeframes may not incentivise real time opportunity realisation. • Expected there will be periods where resources are under-utilised.
Hybrid model - The evaluation criteria for investment options is made clear, and a one-off submission round upon establishment is offered. From a set date, an unsolicited bid process is followed thereafter.	• Will allow the IMM team to plan resources appropriately in the short term – as resourcing decisions can be made once all responses are received. • Will allow longer term ‘rules of thumb’ to be developed to resource up for future unsolicited bids. • Allows for portfolio-level considerations.	• Parties may wait until the first round is completed before submitting unsolicited bids.

Financial Case

The total cost of establishing and operating an IMM, including transacting investments, over a four-year period (FY26 – FY29) is estimated at to be \$8.90m to \$15.26m depending on the IMM chosen. Figure 3 below provides the corresponding estimated expense forecast.

These estimates include consideration of:

- **Establishment costs** – costs that are required to develop the IMM through Phase 1. These include external support costs for each workstream such as legal, commercial and recruitment fees, necessary project team costs and Expert Advisory Panel costs.
- **Operational costs** – costs that are required for ongoing investment management through the operational stages of an investment lifecycle.
- **Transaction costs** – costs that are related to the receipt, evaluation, and negotiation of investment options. These costs are highly uncertain given the number, nature, and complexity of each opportunity is not known at this stage. Costs will begin to be incurred when short-listed options have been evaluated and the closed negotiation process commences.

While Figure 3 provides an outlook of expenses based on establishing and operating an IMM, including transacting investments, over an initial four-year programme, longer term funding for the IMM (and the proposed entity) should be further refined as part of Phase 1 and confirmed with investment decision makers. This is presented across Financial Years, rather than calendar years.

Management Case

The Management Case is primarily focussed on Phase 1 activities required to establish the IMM.

In Phase 1, a Project Team will be responsible for the establishment of the IMM and initial phase of commercial screening activities. Three major workstreams have been identified including: legal/governance, commercial, and entity enablement (for a Schedule 4A (new) model). Supporting policy and communications functions will also be required.

An appropriate model would be for the Project Team to consist of a Senior Responsible Officer (SRO), Project Director (PD) and supporting staff. It is expected that external support will be required for many of the activities identified – in particular, legal, geoscience, commercial, and recruitment. Expected resourcing the Project Team and necessary governance groups will depend on the IMM and are outlined in Figure 4.

- For the **Lead Agency +** model, a leaner Project Team of c. four FTE (excluding the SRO) would likely be sufficient given that many of the systems and processes already exist within MBIE (either directly, or under comparable models such as CRH Limited). The team would engage with the Expert Advisory Panel and MBIE Senior Leadership Team (SLT) on matters of governance.
- The **Schedule 4A (new) model** entails more extensive Phase 1 activities given the need to establish and operationalise a new entity, and the people, processes and systems that will support it. This would require a Project Team of c. six FTE (excluding the SRO). This group would

also be expected to undertake cross-government engagement with Treasury, the Ministry of Business, Innovation & Employment (MBIE) and the New Zealand Public Service Committee (PSC) to ensure appropriate entity systems and structures.

Figure 4: Project team and governance structure (Phase 1)

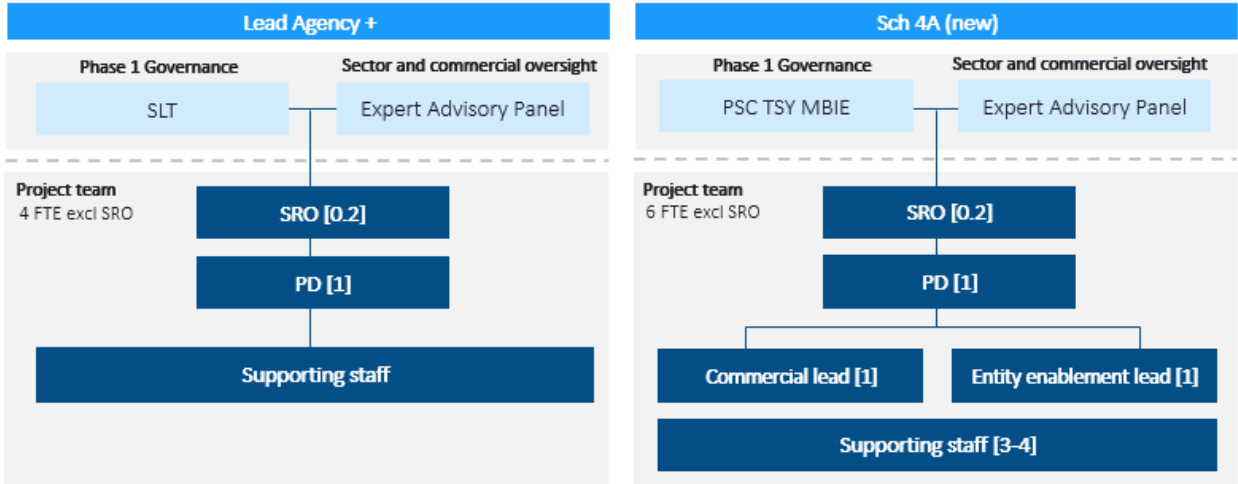


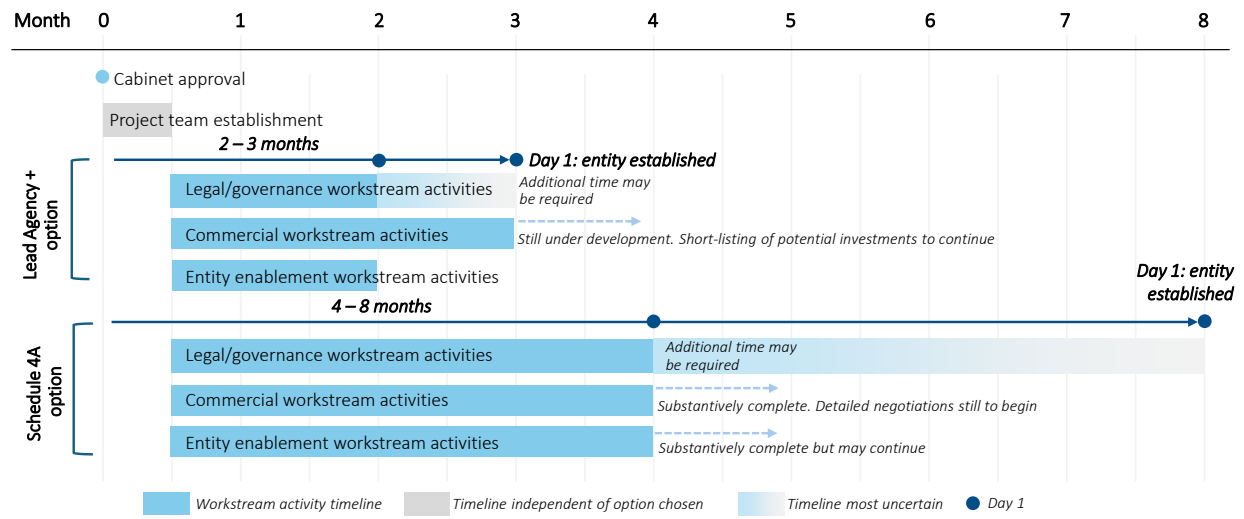
Figure 5 then provides a high-level overview of the project plan timelines during Phase 1 by workstream. These timelines are indicative and generally present a balanced view of how long it will take to complete Phase 1 activities.

The key differentiator between each timeline is that the Schedule 4A (new) model requires establishment of the entity and recruitment of key personnel (including a Board), whereas the Lead Agency + model becomes operational upon the appointment of an Expert Advisory Panel.

Both models will require that foundational documents are agreed (such as the Investment Mandate). Consideration should be given to the challenge of developing the Investment Mandate and governance framework, which have potential to elongate proposed timelines, particularly if Board or Panel members seek to influence their development and/or their recruitment takes longer than expected. Recruitment of key roles (decision-makers or operational staff) may also take longer than anticipated to find candidates with the necessary skills and experience.

However, with a commitment to accelerated decision-making, the timeline for entity establishment/operationalisation may be shortened. It is also anticipated that MBIE would be able to advance commercial negotiations on an interim basis in advance of full entity establishment.

Figure 5: Project timeline comparison



1. Strategic Case

This Strategic Case presents the case for a range of investments to unlock domestic gas supply and mitigate sovereign risk. This Strategic Case:

- Demonstrates that the New Zealand energy market is at an inflection point which is creating significant concern about energy security, reliability and affordability.
- Outlines the critical role that gas currently plays in supporting the energy market including both supply and demand side factors.
- Provides an overview of the key investment risks, and their comparative relevance, that arise across the gas production lifecycle.
- Outlines problem statements that this Business Case is responding to and identifies two Investment Objectives which forms the focus of this proposal:
 - Increase domestic gas supply by 2035
 - Reduce perception of sovereign risk to gas investment.
- Identifies key benefits to be delivered by the investment, key risks, constraints, dependencies, and appropriate strategies to manage them.

1.1 Strategic context

In 2025, Cabinet agreed to set aside a tagged contingency of \$200 million⁶⁷ to co-invest in new gas fields, with the aim of mitigating sovereign risk and accelerating investment in new gas production. Release of this funding is subject to Cabinet consideration of this Business Case.

1.1.1 New Zealand's strategic energy context

A modern, affordable and secure energy system is fundamental to building a stronger and more productive economy - all economic activity, and social wellbeing, is underpinned by access to secure and affordable energy.

New Zealand's energy system has served New Zealand well to date. However, hallmarks of the New Zealand energy system (abundant energy, positive investment activity, and stable policy and regulatory environments) are under strain - placing New Zealand's energy market at an inflection point with the need for renewed focus on energy security and energy affordability. This is summed up well in the World Energy Council Energy Trilemma report:

*"New Zealand enjoys high levels of renewable electricity generation, from mostly hydro, then geothermal, wind and lastly solar. Over the last decade, New Zealand's Energy Sustainability score has steadily improved with increased renewable generation and some fuel switching away from fossil fuels for industrial heat. Yet the declining availability of gas supply and high spot electricity prices have negatively impacted New Zealand's energy security and affordability score over the last decade."*⁸

⁶ [200m set aside for Crown stake in new gas fields | Beehive.govt.nz](https://www.beehive.govt.nz/news/200m-set-aside-for-crown-stake-in-new-gas-fields)

⁷ The \$200m signals \$192m in capital expenditure (capex) and \$2m p.a. in operating expenditure (opex) over four years.

⁸ WEC (2025) New Zealand Energy Scorecard.

1.1.2 Scope of Business Case

A significant programme of work across the Government and industry is currently dedicated to addressing energy security and affordability, as well as managing the orderly transition to a decarbonised world.

This Business Case is focussed on the declining availability of gas supply and the impact this has on the gas market, the electricity market, and the New Zealand economy. In keeping with Cabinet's mandate, this scope is confined to mechanisms that focus on:

- Domestic gas production; and
- Investment with a commercial focus.

This means that the following is out of scope of this Business Case:

- Demand side support and interventions to enable fuel switching and conversion;
- Exploring mechanisms to bring imported gas to market;
- Exploring non-traditional gas supply sources such as biogas;
- Legislative, regulatory, fiscal, and policy amendments; and
- Pricing support for users to mitigate forecast high gas prices.

1.2 Overview of the New Zealand gas market

The New Zealand gas market is a critical contributor to the energy system and the New Zealand economy. The supply of gas provides direct value to:

- **Residential users.** As of the latest data, there are roughly 300,000 residences that use gas for heating, continuous water heating, and cooking.⁹
- **Power generation.** Excluding dual/fuel and co-generation plants, there is just over 1,200 MW of gas-fired power generation in New Zealand, accounting for 10 - 15% of the total electricity generation capacity.¹⁰ This capacity is material, but it is the role that gas plays that is so critical. Gas is essential for providing reliable energy, particularly during peak demand periods and dry years when hydroelectric generation may be insufficient.

Gas-fired generation capacity plays a vital role in stabilising the electricity grid, supporting the transition to even greater levels of renewable generation and ensuring energy security.
- **Industrial and commercial output.** The industrial sector is the largest consumer of gas, accounting for approximately 53% of total gas demand in 2024. This sector includes major players like Methanex and other manufacturing industries that rely on gas for various processes. The

⁹ GIC (2025) Statement of Intent. <https://www.gasindustry.co.nz/assets/DMSDocumentsOld/statement-of-intent/Statement-of-Intent-2025-2027.pdf> GIC estimates 311,000 ICPs in FY2025 (but this does not separate residential and commercial/mixed-use).

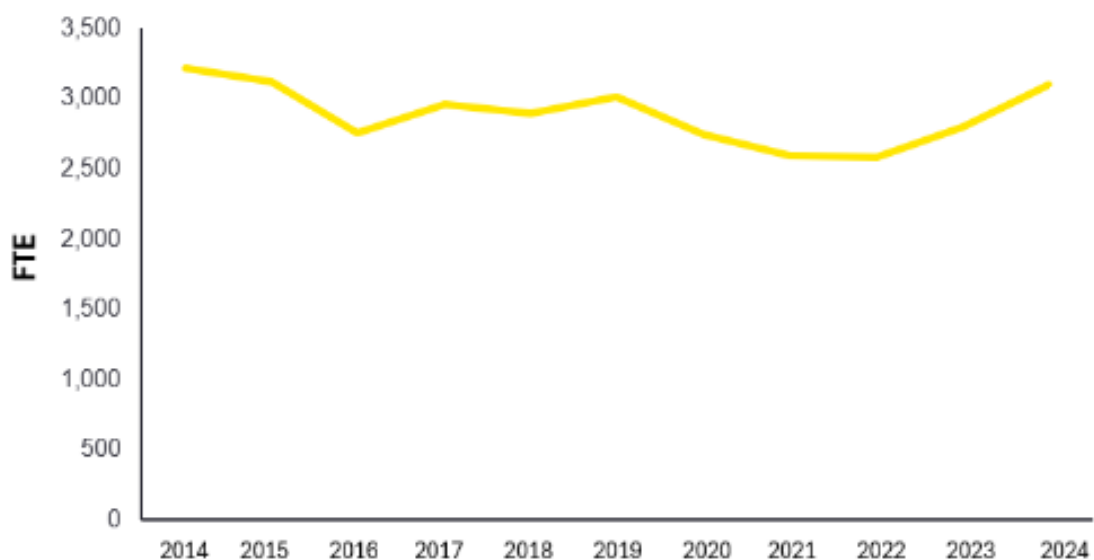
¹⁰ Transpower (2025) System and Market Data. <https://www.transpower.co.nz/system-operator/live-system-and-market-data/generation-fuel-type>

commercial sector represents about 7% of gas demand in 2024, with businesses using gas for heating and cooking.¹¹

Stats New Zealand reports the Mining category to ANZSIC Level 3 - meaning a specific employment count for 'oil and gas extraction' is not public. However, there were a total of 3,100 mining jobs in New Zealand (including coal, mineral, and petroleum extraction) as shown in Figure 6 below. In practice, the employment count for oil and gas extraction in 2025 is considerably lower than this.

Despite its small size relative to the national workforce, the gas sector provides high-wage, high-skill jobs and underpins critical industries such as electricity generation, food processing, and manufacturing. The size of this contribution to the New Zealand economy is provided in Section 1.4.

Figure 6: Jobs in Mining (2014-2024)¹²



Over the last decade, the Government has received an average of approximately \$200 million per year in royalties from oil and gas operations. Between the 2007/08 and 2023/24 financial years, the total royalties received amounted to about NZD \$4.4 billion. Recent annual figures have shown fluctuations in royalty receipts, ranging from around NZD \$248 million in 2018/19 to NZD \$165 million in 2020/21, reflecting changes in production volumes and global energy prices.¹³

Several trends and developments have emerged over the last decade that have complicated the sector and underpin the need for this Business Case. These are outlined below.

¹¹ MBIE (2024). Gas statistics <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/gas-statistics>

¹² StatsNZ, Aotearoa Data Explorer LEED ANZSIC06 Level 3 (1-way) data, 2014-2024. [Aotearoa Data Explorer • Table 04: LEED measures, by industry \(based on ANZSIC06\)](#). Note that this data classifies coal, gas, metal ore and oil mining under a singular 'mining' category as captured here. This data may not adequately account for the number of contractors employed in oil and gas extraction, as LEED data only accounts for full time staff.

¹³ NZPAM (2025) Government revenue 2007-2025. <https://view.officeapps.live.com/op/view.aspx?src=https%3A%2F%2Fwww.nzpam.govt.nz%2Fassets%2Fuploads%2Four-industry%2Fstatistics%2F2023-24-minerals-statistics%2Fgovernment-revenue-2024.xlsx&wdOrigin=BROWSELINK>

1.2.1 Continuing policy uncertainty and perceptions of sovereign risk

Over the past decade there have been major swings in government policy. For example, the introduction of a ban on new oil and gas exploration in 2018 and later a repeal of that ban in 2025 as a response to domestic energy shortages.

A perception of ‘sovereign risk’ has emerged whereby some investors report this as a major barrier to future oil and gas investment and this has led to a cautious approach from existing investors, who may be reluctant to commit capital to gas exploration without clearer assurances of a stable regulatory framework.

1.2.2 Falling gas reserves

As of 1 January 2025, New Zealand’s proven plus probable (2P) natural gas reserves are estimated to be 948 petajoules (PJ). This figure represents a 27% decline from the previous year, which recorded reserves of 1,300 PJ at the start of 2024.¹⁴ In 2021, 2P reserves were 2,000 PJ. However, contingent resources (2C) have increased by 184 PJ (10%) in 2024 and now total 2,024 PJ. This is in part due to reclassification, but primarily due to a newly identified gas that is not currently economically producible.

Table 3: New Zealand 2P reserves and 2C resources (2025)

Category	Estimate (PJ)	Description
Proven + Probable reserves (2P)	948	Gas that operators expect to extract over the lifetime of existing fields.
Contingent Resources (2C)	2,024	Gas identified in the ground but not currently extractable due to current economic/technical limits.

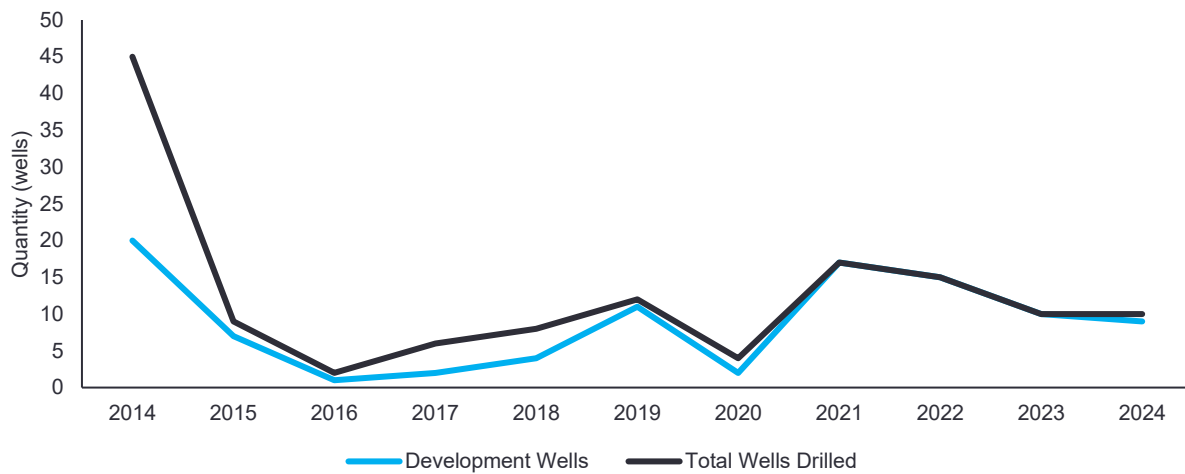
1.2.3 Drilling activity is steady, but down materially from historic peaks

Drilling activity in New Zealand’s oil and gas sector has sharply declined since 2014, as shown in Figure 7.

There are a range of reasons for this, including, but not limited to declining global oil and gas and the 2018 ban on new offshore exploration permits – which has impacted prospecting and exploration activity.

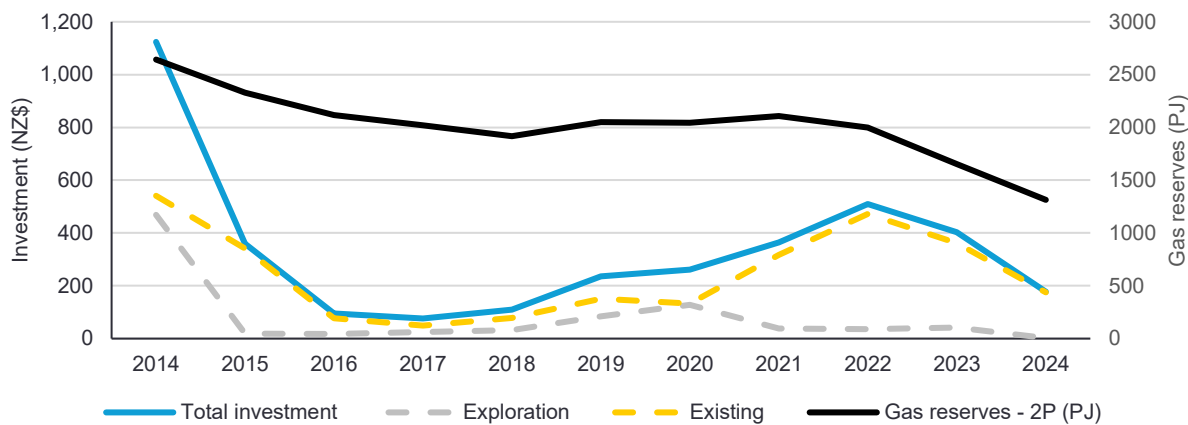
¹⁴ MBIE (2025) [Gas supply reducing faster and sooner than previously forecast](#) | Ministry of Business, Innovation & Employment

Figure 7: Petroleum drilling activity (2014 - 2024)¹⁵



Additionally, existing gas fields are aging and drilling results have been disappointing.

Figure 8: Petroleum investment and reserves profile (2014 - 2024)¹⁶



A significant amount of investment has been made in existing fields over the past ten years (\$2.7 billion), but this has failed to halt the decline in reserves.¹⁷ Recent drilling at Tariki, Turangi, Mangahewa and Pohokura is welcomed, but gas volumes are still not forecast to be enough to offset the decline.¹⁸

¹⁵ MBIE (2025) Petroleum reserves data, 1 January 2025 - 2014. www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/petroleum-reserves-data#:~:text=This%20page%20contains%20data%20on%20New%20Zealand%27s%20oil%2C,oil%20and%20gas%20exploratio n%2C%20development%2C%20and%20permitting%20activity

¹⁶ MBIE (2025) Petroleum reserves data, 1 January 2025 - 2014. www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/petroleum-reserves-data#:~:text=This%20page%20contains%20data%20on%20New%20Zealand%27s%20oil%2C,oil%20and%20gas%20exploratio n%2C%20development%2C%20and%20permitting%20activity

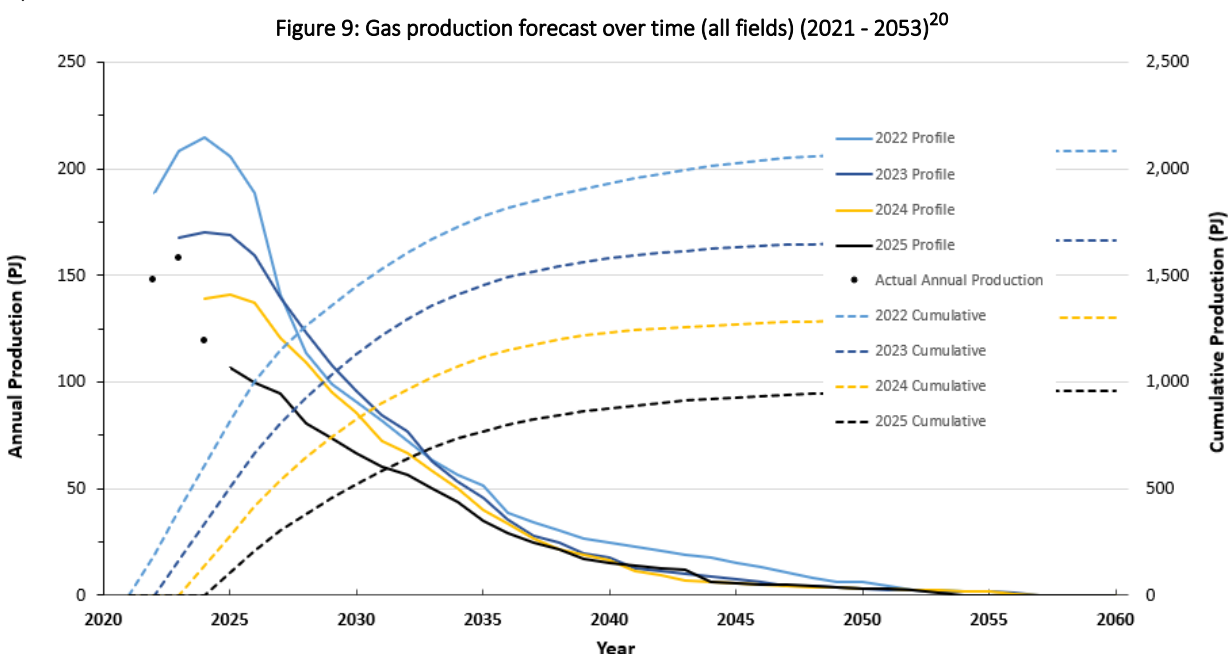
¹⁷ Ibid.

¹⁸ Office for the Minister of Resources (2025) Cabinet Paper, Potential for Crown cornerstone stake in new gas field developments to mitigate sovereign risk.

1.2.4 Domestic gas production is declining

A combination of the above means that production rates continue to fall and in 2025 production is forecast to be 107 PJ, 24% lower than previously forecast.¹⁹

In practice, gas will remain a key part of New Zealand's economy for some time. The pace and scale of change will also depend on the price and availability of both gas and newer technologies which is difficult to predict.



1.2.5 Loss of market confidence in future supply

A combination of poor outlook for gas supply, a gradual shift towards renewable energy sources, and sharp increases in gas price have had profound impacts on industrial and commercial users.

Over the past four years there have been several industrial plant mothballs and closures with job losses, and economic challenges in regions heavily reliant on these industries. A sample of these outcomes at the time of developing this Business Case, including a short description of contributing factors and outcomes, is provided below.

Table 4: Sample of industrial closures and investment decisions (2021 - 2025)

Company	Activity	Contributing factors and outcomes
Methanex	Idled Waitara Valley train (2021) and one Motunui train (March 2024). ²¹	Reduced methanol production capacity; reduced gas consumption.

¹⁹ MBIE (2025) Reserves Data Release.

²⁰ Ibid.

²¹ Ministry for the Environment (2024) File Note: ERP2 Modelling of Methanex.
<https://environment.govt.nz/assets/OIA/Files/OIAD-1447/Document-1-File-note-on-Methanex-Dec-12-2024.pdf>

Company	Activity	Contributing factors and outcomes
	Idled production and sold ~3.5 PJ (2024) and 2.8 PJ (2025) of gas to Contact and Genesis. ²²	Higher earnings from gas sales than methanol production, mechanism of addressing a supply shortfall.
Oji Fibre Solutions	Closed Penrose mill; 72 jobs lost. ²³ Closure of PM6 paper machine at Kinleith Mill; >200 jobs. ²⁴	Attributed to high energy, labour, and shipping costs. Estimated electricity demand decrease of 140 GWh.
Pan Pac	Gas costs tripled from NZ\$3M to NZ\$9M/year, paused production for a few months last year. ²⁵	Attributed to rising industrial gas prices.
Winstone Pulp International	Closure of Karioi pulp mill and Tangiwai sawmill; 230 jobs affected. ²⁶	Attributed to unsustainable energy prices and low market returns for pulp and timber, estimated electricity demand decrease of 230 GWh.
Fonterra	Converting two gas boilers to electricity at Edgumbe and Whareroa. ²⁷	38% reduction in fossil gas use; driven by gas uncertainty and ESG considerations, which may be added to over time.
Ballance	Ballance announced it would close the Kapuni plant for four months if a gas supply agreement was not reached in coming months.	Taken a \$87.5 million write-down on the value of its Kapuni urea plant as its gas supply contract expires at the end of September. Ballance has since obtained gas supply until the end of 2025 to avoid this shutdown. Its ability to secure gas beyond this date is uncertain.

More recently, there have been media reports about early retirement of the Maui gas field²⁸ and speculation about accelerated discontinuation of Methanex and Ballance operations in New Zealand.^{29,30} Should these events materialise, this will represent a significant shift in the supply and demand balance in

²² NZ Herald (2025) Genesis and Contact secure more gas from Methanex amid low hydro inflows.

<https://www.nzherald.co.nz/business/companies/energy/genesis-and-contact-secure-more-gas-from-methanex-amid-low-hydro-inflows/Q3EHROUDVH75E4KBFCZMNKIZA/>

²³ Oji Fibre Solutions (2024) OjiFS Confirms Penrose Mill Closure. <https://ojifs.com/ojifs-confirms-penrose-mill-closure/>

²⁴ RNZ (2025) More than 200 jobs to be axed as Kinleith Mill closes paper division.

<https://www.rnz.co.nz/news/national/541815/more-than-200-jobs-to-be-axed-as-kinleith-mill-closes-paper-division>

²⁵ Golden Paper Group, [New Zealand energy crisis: pulp giant forced to shut down two mills](#)

²⁶ The Chartered Institute of Logistics and Transport (2024) Mill closures' long and winding repercussions.

<https://cilt.co.nz/magazine/mill-closures-long-and-winding-repercussions/>

²⁷ Fonterra (2025) Fonterra announces electrification plans to future-proof operations. <https://www.fonterra.com/nz/en/our-stories/media/fonterra-announces-electrification-plans-to-future-proof-operations.html>

²⁸ Business Desk (2025) Māui gas field at end of life, timing TBD. <https://www.businessdesk.co.nz/article/editors-picks/maui-gas-field-at-end-of-life-timing-tbd>

²⁹ RNZ News (2025) Port Taranaki job losses could follow Methanex's decision to cut production.

<https://www.rnz.co.nz/news/business/527836/port-taranaki-job-losses-could-follow-methanex-s-decision-to-cut-production>

³⁰ NZ Herald (2025) Ballance Agri-Nutrients proposal: Potential loss of 62 jobs a 'concern for Tauranga'.

<https://www.nzherald.co.nz/bay-of-plenty-times/news/ballance-agri-nutrients-proposal-potential-loss-of-62-jobs-a-concern-for-tauranga/ODKM2QBKVJBF5JUJLPAJQH6G6SA/>

New Zealand, with widespread impacts across the economy (in the short and long term). It is too early to predict with confidence how, when, and where these impacts will be felt.

What is clear is that the above uncertainty about future supply is being further reflected in shorter gas contracts being offered and higher pricing as future risk is increasingly priced into current contracts.

These conditions will mean firms with the least ability to pay are likely to be the first to face choices about whether to close or switch fuels (where possible) if they want to continue operating. Unless there is a reversal of disappointing drilling campaigns, closures or changes to production are likely to continue and will be highly disruptive for supply chains and regional economies.

1.2.6 Increased risk of stranded assets

A pessimistic outlook for gas supply will also raise the risk of stranded assets.

At an industrial level, there are significant conversion costs associated with fuel switching to alternative energy sources and looking to do this before assets are fully depreciated is financially challenging. An initial estimate of the total cost of converting all consumer appliances that use gas to alternative fuel sources by 2050 could be as large as \$7.9 billion.³¹

From a transmission perspective, a winddown of regulated gas pipelines exposes gas pipeline businesses to material cost recovery risk – both in terms of unrecovered allowed revenue while the pipeline is operating and unrecovered capital when it ceases operating (i.e., as reflected in the regulated asset base, or RAB, at that time). Initial analysis from the Commerce Commission indicates that this material cost recovery risk could be as high as \$973 million if full winddown occurs by 2050.³²

Additionally, decommissioning and disconnection costs for pipelines are potentially significant, and particularly challenging when the full potential to realise economic return has been made – this could be as large as \$500m.³³

While the full scale of these costs will depend on where in the depreciation cycle an asset sits, it does provide an indication of potential costs associated with gas shortages.

1.2.7 Base Case

A **base case scenario** has been developed for this Business Case which explores supply, demand, and price futures that reflect a scenario where there is no additional action taken by either the Government or commercial parties to develop further gas supply or to actively address demand.

Figure 10 shows the forecast supply of gas from each source out to 2050. The navy line shows the forecast demand, while the striped regions indicate types of supply shortfall. “DR available” is shortfall

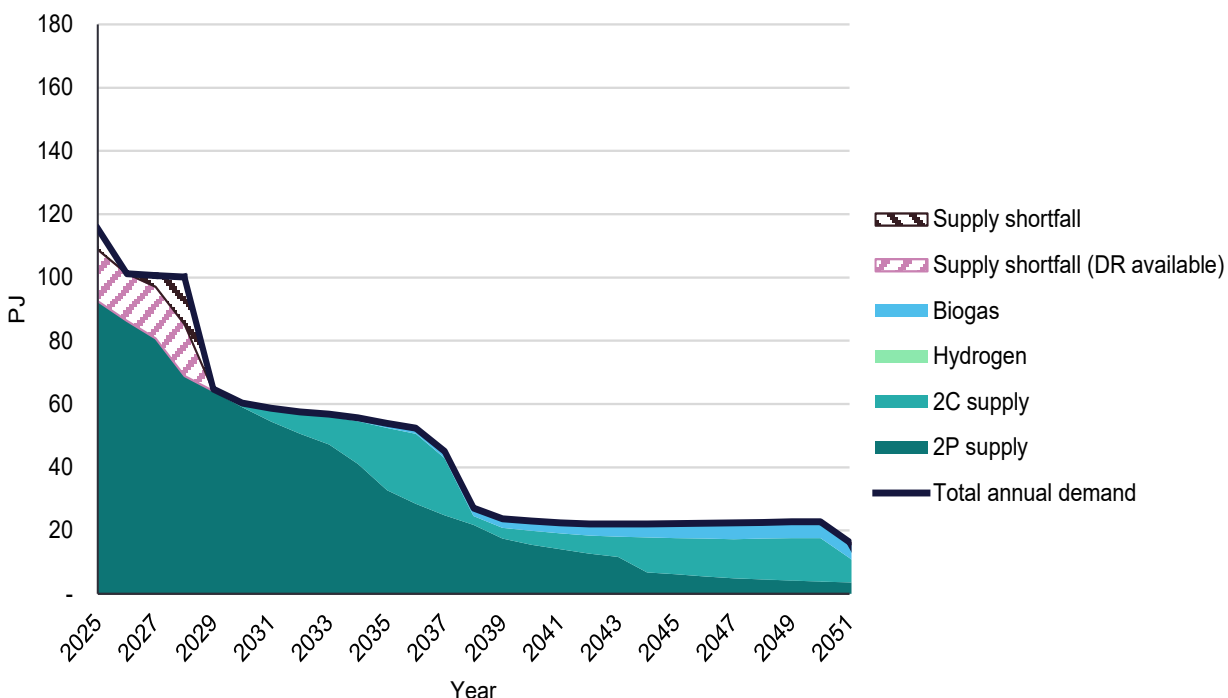
³¹ Gas Infrastructure Working Group (2023) Gas Transition Analysis Paper.
https://comcom.govt.nz/_data/assets/pdf_file/0012/323130/Gas-Infrastructure-Working-Group-GIFWG-Attachment_-Gas-Transition-Analysis-Paper-13-June-2023-Submission-on-IM-Review-2023-Draft-Decisions-19-July-2023.pdf

³² Present value terms (\$2022) and assuming no further regulatory or policy levers (or mitigations) are applied beyond those reflected in the recent DPP decision.

³³ Gas Infrastructure Working Group (2023) Gas Transition Analysis Paper.
https://comcom.govt.nz/_data/assets/pdf_file/0012/323130/Gas-Infrastructure-Working-Group-GIFWG-Attachment_-Gas-Transition-Analysis-Paper-13-June-2023-Submission-on-IM-Review-2023-Draft-Decisions-19-July-2023.pdf

where demand response can cover the difference. This scenario assumes that Methanex leaves in 2028 and that Ballance leaves in 2026.

Figure 10: Base Case, supply and demand balance³⁴



Contingent on the supply/demand balance outlined in the base case, a wholesale price forecast can also be established. This shows general increases over time, from an estimated ~\$10 /GJ in 2025 to around \$19 /GJ in the long-term (excluding carbon costs).³⁵ When carbon costs are included the wholesale price could be as high as \$30 /GJ.³⁶

The direction of the base case scenario, and the assumptions made in the scenario, are largely similar to those used for the “Low Intervention” scenario in the Gas Industry Company’s 2024 Gas Supply and Demand Study.³⁷ However, assumptions have been updated to reflect material changes since mid-2024 (including updated 2P reserves and 2C resources data, amended forecast production profiles, and the demand for gas for electricity generation). A full description of the base case assumptions is provided in Appendix A.

A key observation emerging from the base case is that gas is forecast to remain a part of the system until at least 2050. However, wholesale prices will rise, and production (and demand) will continue to decline with demand being met through a combination of traditional (i.e. onshore and offshore production) and alternative sources (including biogas).

³⁴ EY (2025) Base Case Modelling. See Appendix A

³⁵ Ibid.

³⁶ Ibid.

³⁷ EY (2024) [Gas Supply and Demand Study 2024](#)

1.3 Strategic alignment

A summary of relevant strategic policy work underway is provided below alongside a short commentary about how and where this investment fits.

Table 5: Strategic alignment of gas investment

Policy / Strategy	Description	Alignment to this investment
New Zealand Energy Package	New Zealand is in the middle of a renewable energy boom, however, an independent review by Frontier Economics found the system is not delivering firm fuel supply or long-duration firming needed to underpin a largely renewable energy system. This gap is critical: intermittent resources, even with hydro storage and demand response, cannot guarantee supply during extended dry years or wind droughts. The package includes a suite of actions to invest in energy security (thermal generation) and regulatory actions to improve market outcomes.	• Deliver an LNG import facility, which will maintain a level of natural gas demand, where electricity generation, businesses, or households are unwilling or unable to switch from gas. In particular, gas-fired generation plays a unique role in the system. • Remove capital constraints on Crown-owned Mixed Ownership Model companies, which may result in additional investment in gas-fired generation. • Improve transparency of the gas market, supporting future planning for both suppliers and gas-users. • The energy package supports an orderly transition, rather than a sudden shift, towards a decarbonised world.
Gas security of supply	The Government is pursuing a range of policies to improve the security of the medium- to long-term gas supply. A gas supply declining faster than demand causes higher prices and an insecure supply for industry, stifling investment and reducing economic activity.	• Improving the prospect of a consistent and reliable gas supply will likely reduce costs to consumers and improve the medium- and long-term ability for gas reliant business to maintain their operations in New Zealand.
Emissions Reduction Plan and Climate Change Response Act	This framework establishes legally binding emissions budgets and targets, including a commitment to achieving net zero emissions by 2050. The gas sector's emissions are incorporated within the broader Energy and Industry sector target, with the Climate Change Commission	• In isolation, this investment would not be consistent with the ERP and CCRA as it seeks to continue the use of fossil fuels.³⁸ • For the electricity segment, the continued use of domestically produced gas is less emissions intensive than the importation of coal and therefore supports this intent.

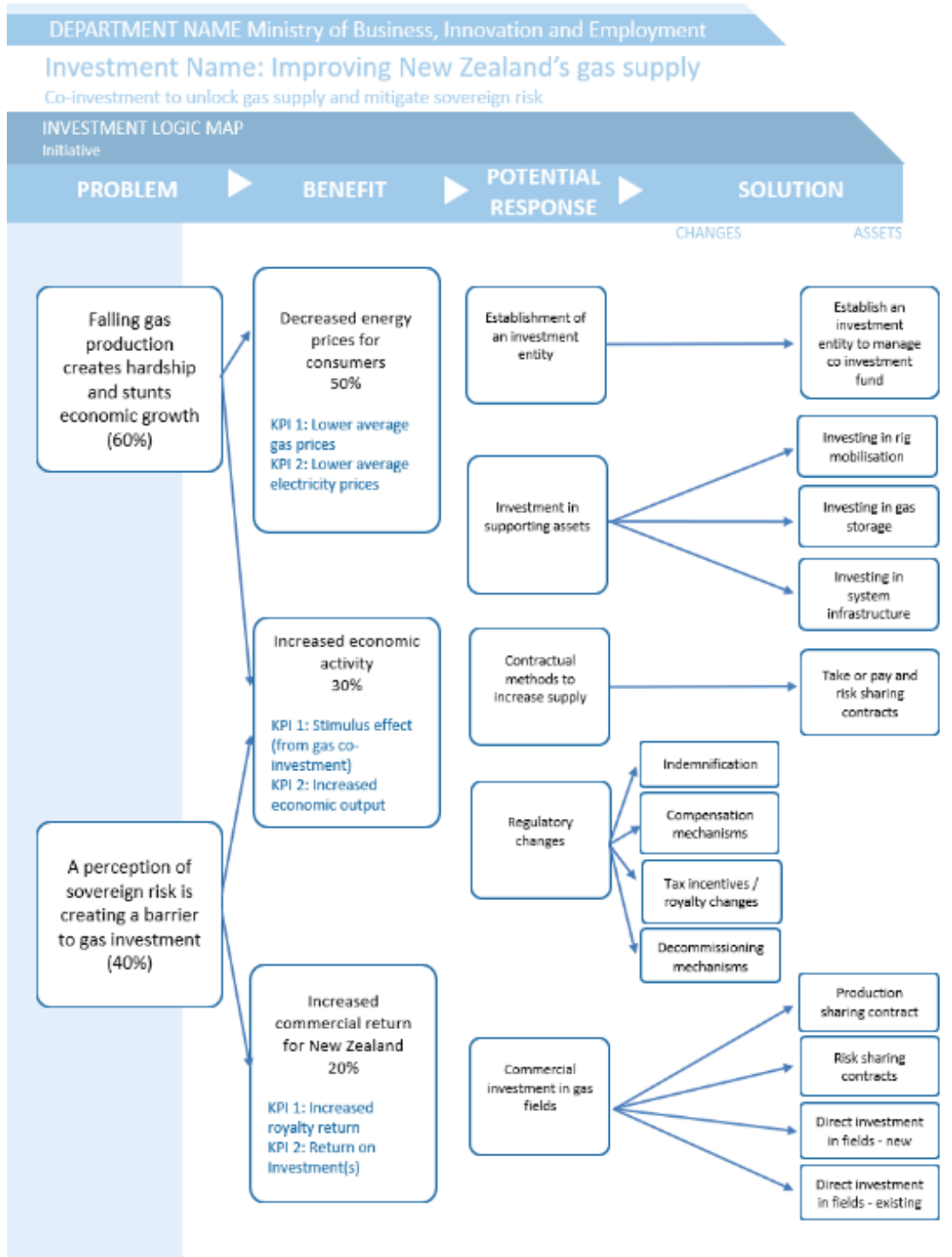
³⁸ Notably, the proposal to remove the current ban on new petroleum exploration alongside measures to improve investor confidence is expected to lead to an increase in emissions. When compared the Climate Change Commission's (CCC) demonstration path, the proposals are expected to result in an increase in emissions of approximately 3Mt CO₂e cumulative to 2035.

Policy / Strategy	Description	Alignment to this investment
	providing pathways and advice for achieving these goals.	
Crown Minerals Amendment Act (2025)	The Crown Minerals Amendment Act was enacted on 5 August 2025. The Act includes a range of amendments. The most relevant clause is the reversal of the 2018 ban on new petroleum exploration outside onshore Taranaki.	An investment fund is not dependent on the passage of the Crown Minerals Amendment Act but does support the general direction implied – that being a wider plan designed to meet New Zealand’s energy security challenges and to promote economic opportunities.

1.4 Making the case for change

A fit for purpose Investment Logic Mapping (ILM) process was undertaken for this project. A draft ILM was prepared by the Business Case team and reviewed by wider stakeholders who confirmed its contents.

Figure 11: Investment Logic Map



The following problem statements were identified to encapsulate the problem this Business Case is addressing:

Problem Statement 1 (60%): “Falling gas production creates hardship and stunts economic growth”	Problem Statement 2 (40%): “A perception of sovereign risk is creating a barrier to gas investment”
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These problem statements attempt to condense a complex topic into single sentences. Each part of these sentences requires interpretation, and this is further explained in Table 6 and Table 7.

Table 6: Description of the components of Problem Statement 1

“Falling gas production creates hardship and stunts economic growth”	
Component	Description
Falling gas production...	In 2025 production is forecast to be 107 PJ, 24% lower than previously forecast. New Zealand’s 2P natural gas reserves have also dropped sharply, with a 27% decline reported by MBIE from 2024 to 2025. This depletion is faster than earlier forecasts anticipated, leading to concerns about meeting contracted demand and future reliability of supply. The shortfall is expected to become acute in the 2030s if there is no intervention.
...creates hardship...	A failure to proactively address the falling gas production in the face of comparatively slower demand reduction (both for industry and residential consumers) is likely to impose cost on New Zealanders – particularly for businesses and residential consumers where there are technical or financial barriers to switching to other forms of energy use. Those who are least able to pay will likely feel this the hardest. As the cost to maintain gas infrastructure becomes spread among fewer customers, the cost of gas to households will also increase, affecting energy affordability and the cost of living for those affected.
...and stunts economic growth	Economic costs of this future could include costs of shortage and supply interruptions impacting business and industry productivity, social and economic costs of high and volatile electricity prices. It is also expected that increasing gas prices will continue to put pressure on thin profit margins for major industrial users. The risk of industrial closures and business emigration will continue to rise. Given that \$9b of economic output is directly or indirectly reliant on gas, this is a potentially significant economic impact to New Zealand.

Table 7: Description of the components of Problem Statement 2

“A perception of sovereign risk is creating a barrier to gas investment”	
Component	Description
Perception of sovereign risk...	The 2018 ban on offshore oil and gas exploration has reduced industry confidence in the sector. Although the Crown Minerals Amendment Act 2025 has repealed this ban, the sector report that uncertainty about policy settings has led to deteriorating perceptions of New Zealand as a destination for gas investment capital.
...is creating a barrier to gas investment	In evaluating benefits and costs of an investment, investors consider numerous risks, of which, prior to the ban, sovereign risk was reasonably assumed to be manageable. It is expected that given the recent historic sudden changes in law and opposition parties’ public

“A perception of sovereign risk is creating a barrier to gas investment”	
Component	Description
	statements ³⁹ , investors will continue to view sovereign risk as elevated and therefore a deterrent to investment in the New Zealand oil and gas sector.

A quantitative assessment of the upside to the New Zealand economy from addressing these problem statements has not been completed. However, the economic impacts of the oil and gas ban can be used as a comparison.

Case Study – constrained availability, constrained economic activity⁴⁰

A previous investigation indicated that the petroleum exploration ban was likely to immediately reduce GDP by \$300m annually (NZIER, 2019). Approximately half of this economic loss is attributable to a reduction in consumption, and NZIER estimated that this would mean an average decrease of at least \$4,800 in spending for every household in New Zealand.

The reductions in oil and gas employment are equivalent to 1,722 jobs lost, in the medium scenario, as well as indirect and direct impacts on supporting industries. This includes industries that supply commodities or services to the oil and gas industry, industries that rely on the output of oil and gas for further processing, industries that produce commodities for final household consumption (inclusive of trade, personal and recreation services), and other industries that gain because of resource re-allocation effects.

Furthermore, constrained gas supply has flow-on impacts for other critical sectors. The chemical industry, alongside food processing, non-metallic minerals processing, and textiles sectors utilise gas as a primary fuel source. Approximately \$9 billion of economic activity is contributed by these sectors and reduced access to gas will impact this economic contribution.⁴¹

Table 8: Total industry GDP, reliance on gas and estimated output dependant on gas.

Relevant industries	Total industry contribution to GDP (2024, NZDm, sourced from Infometrics) ⁴²	Industry reliance on natural gas (MBIE energy demand proportion) ⁴³	Estimated output dependant on gas (2024, NZDm)
Agriculture	\$3,012	4.2%	\$125
Forestry and Logging	\$2,354	0.03%	\$1
Mining	\$3,297	2.5%	\$83
Food Processing	\$8,405	45.4%	\$3,813

³⁹ [Green Government will revoke oil and gas permits - Green Party of Aotearoa New Zealand; Community Scoop » Oil And Gas Must Stay In The Ground](#)

⁴⁰ NZIER (2019) [nzier-economic-impact-of-ending-new-oil-and-gas-exploration-permits-outside-onshore-taranaki-february-2019.pdf](#)

⁴¹ It is possible to infer the level of output that would be affected by examining the industries who have a degree of energy dependence on natural gas. By assuming that industry output (i.e., contribution to GDP) is dependent on energy inputs, measuring natural gas demand as part of the entire energy portfolio for an industry allows computation of the economic output that would be reliant on natural gas.

⁴² Infometrics NZ (2024), <https://rep.infometrics.co.nz/auckland/economy/structure>

⁴³ MBIE, (2025), NZ Energy Balance Tables, <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-statistics-and-modelling/energy-statistics/energy-balances>

Relevant industries	Total industry contribution to GDP (2024, NZDm, sourced from Infometrics) ⁴²	Industry reliance on natural gas (MBIE energy demand proportion) ⁴³	Estimated output dependant on gas (2024, NZDm)
Textiles	\$916	35.9%	\$329
Wood, Pulp, Paper and Printing	\$2,796	9.1%	\$255
Chemicals	\$1,334	93.8%	\$1,252
Non-metallic Minerals	\$1,570	39.5%	\$621
Basic Metals	\$826	9.3%	\$77
Mechanical/Electrical Equipment	\$7,453	28.7%	\$2,137
Building and Construction	\$5,834	3.5%	\$202
Total			\$8,894

Finally, upstream oil and gas production has a relatively high input-output multiplier, with it being expected to return 1.71 times the spend in the industry (when combining direct and indirect impacts).⁴⁴

1.4.1 Investment Objectives, existing arrangements, and business needs

The Investment Objectives developed based on the ILM process for the co-investment are shown in Table 9. These specify the desired outcomes for the co-investment, in specific, measurable terms, and can be used to inform later assessment of the investment's success.

Table 9: Gas Co-investment Investment Objectives

Investment Objective	Weighting	Description
1 Increase domestic gas supply by 2035.	60%	Bringing new gas resources to the market in the next ten years is expected to positively address gas price and supply impacts for consumers in New Zealand and help manage the uneconomic transition of key industry as result of insecurity of gas supply. The objective is <i>specifically</i> focussed on domestic gas supplies (as noted in the problem statement) and is <i>measurable</i> given that MBIE routinely publishes gas production information.⁴⁵ <i>Achieving</i> this objective is <i>realistic</i> given that industry participants have welcomed the policy and that a number of potentially credible opportunities have been raised through informal industry engagement in support of this Business Case. Increasing the availability of gas will support New Zealand's energy needs while fostering economic growth and ensuring that industries can operate efficiently in the near-term and transition to renewable alternatives in the long-term.

⁴⁴ StatsNZ (2020), <https://www.stats.govt.nz/information-releases/national-accounts-input-output-tables-year-ended-march-2020/>

⁴⁵ MBIE (2025) [Gas statistics | Ministry of Business, Innovation & Employment](#)

Investment Objective		Weighting	Description
			A ten-year <i>time horizon</i> allows for credible exploration, development, and production activities to take place (particularly if onshore), ensuring that the gas supply is available to help stabilise prices and secure energy for businesses before irreversible closure or emigration of business. This time horizon rules out some prospecting activities given the long lead times at play.
2	Reduce perception of sovereign risk to gas investment	40%	Addressing perceptions of sovereign risk will help attract investment to discover and develop new gas fields in New Zealand to support an ongoing supply of gas to meet demand. This objective is <i>specifically</i> focussed at mitigating the perception that Governments may change significant aspects of policy or investment settings for new gas exploration and extraction. It is <i>measurable</i> through a combination of direct feedback from sector participants through market engagement and through ongoing monitoring of levels of investment in upstream gas exploration, production and development activity. Notwithstanding the potential for political parties to promote differing oil and gas policies, it is <i>achievable</i> to promote a suite of co-investment opportunities that may mitigate the industry's perception of sovereign risk. This is <i>relevant</i> given that increasing gas shortfalls are causing significant gas price increases and industrial and commercial customers are closing (or mothballing) businesses with consequential negative impacts on jobs, output, and wellbeing. The investment objective is not explicitly <i>timebound</i>, because the role of the Government in mitigating sovereign risk is ongoing – however the expected time-period for observation and measurement is aligned to Investment Objective 1 (i.e. 2035).

Table 10 and Table 11 show the existing arrangements and business needs for each of the two agreed Investment Objectives. This demonstrates the difference between the desired state (the Investment Objective) and the current state (the existing arrangements), and therefore the gap that co-investment is intended to fill (the business needs).

Table 10: Investment Objective 1

Investment objective 1 (IO1)	Increase domestic gas supply by 2035
Existing arrangements	If near term gas supply shortages are not addressed, it is expected that there will be more industrial and commercial closures and that the risk of asset stranding rises.
Business needs	Gas investment is designed to facilitate opportunities to bring gas to market faster than would otherwise occur. Government co-investments that provide a high likelihood, and/or significant potential upside, to support gas supply uplift in the next decade would contribute to achieving this objective. A focus on the shorter term (i.e. to 2035) is deliberate given the dual benefit of resolving short term supply uncertainty for consumers and providing commercial incentives for the sector to remain viable in the longer term. Doing so will enable an orderly transition to a decarbonised future over a credible timeframe, rather than a potentially sudden shock with significant economic consequences and real challenges to meet our energy security and affordability obligations.

Table 11: Investment Objective 2

Investment objective 2 (IO2)	Reduce perception of sovereign risk to gas investment
Existing arrangements	There is a perception that sovereign risk is a barrier to investment in new gas development in New Zealand. “Sovereign risk” in this context is the risk that Governments may change significant aspects of policy or investment settings that, in turn, impacts the confidence of new investors in New Zealand’s gas sector. Feedback from the petroleum sector and investors is that previous policy settings and the oil and gas ban have reduced the incentive to explore for new oil and gas fields and has also resulted in a cautious approach to developing known fields.
Business Needs	Sector participants have generally expressed a view that sovereign risk as defined is not likely to be mitigated through any one investment contemplated through this Business Case (except for indemnification, which is out of scope). However, the establishment of an appropriately resourced and IMM, coupled with smart investments in targets that respond to known commercial barriers, while appropriately allocating risk, would be perceived as a vote of confidence in the sector that would carry weight with domestic and overseas investors. In this sense, no investment options by themselves are expected to fully meet this investment objective, but the collective package of options has this potential.

1.5 Potential scope and key service requirements

Section 1.1.2 confirms that the key scope elements of this Business Case focus on:

- Domestic gas. Measures to increase domestic (indigenous) gas supplies – not measures to increase gas supply through importing LNG or equivalent. The Government’s work on LNG solutions is being advanced outside the parameters of this fund.
- Gas production. Cabinet’s mandate is that this Business Case is focussed on traditional upstream oil and gas production, not alternative gas options such as biogas or demand-side mitigation measures.
- Commercial focus. Measures that involve investment with an expectation of commercial return.

Understanding the commercial risk profile of upstream gas development is essential in this regard, as any investment should look to align the Investment Objectives of this Business Case with the extent to which typical risks associated with gas development in New Zealand are managed.

1.5.1 Gas production risks

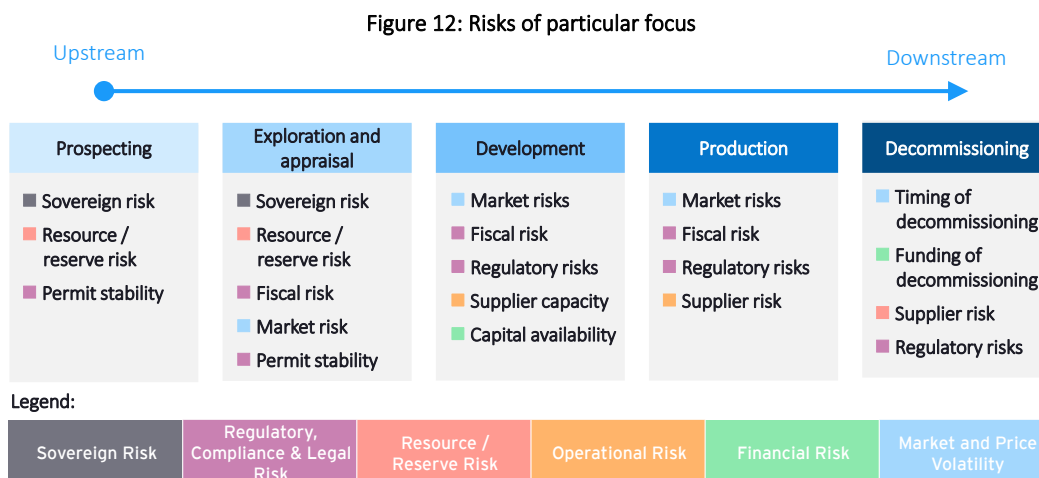
Exploration and production of (oil and) gas is a risk-based investment with typically long lead times (especially in offshore environments) and high chance of failure in individual projects - noting that this can be mitigated through due diligence and a diversified investment approach across a range of prospects and risk types.

Investing in upstream gas prospects carry investment risks across the lifecycle and participants are continually weighing current and long-term risks against expected returns.⁴⁶ These commercial and

⁴⁶ Suslick, S., Schiozer, D., Rodriguez, M. (2009) Uncertainty and Risk Analysis in Petroleum Exploration and Production <https://www.ige.unicamp.br/terrae/V6/PDF/N6/T-a3i.pdf>

technical risks play out differently across the production lifecycle. Investors are typically interested in understanding all risks but to differing degrees depending on the stage.

A high-level summary of these risks across the production lifecycle is provided in Figure 12 below. A summary of these risks and a taxonomy of risk categories is provided in Appendix B.



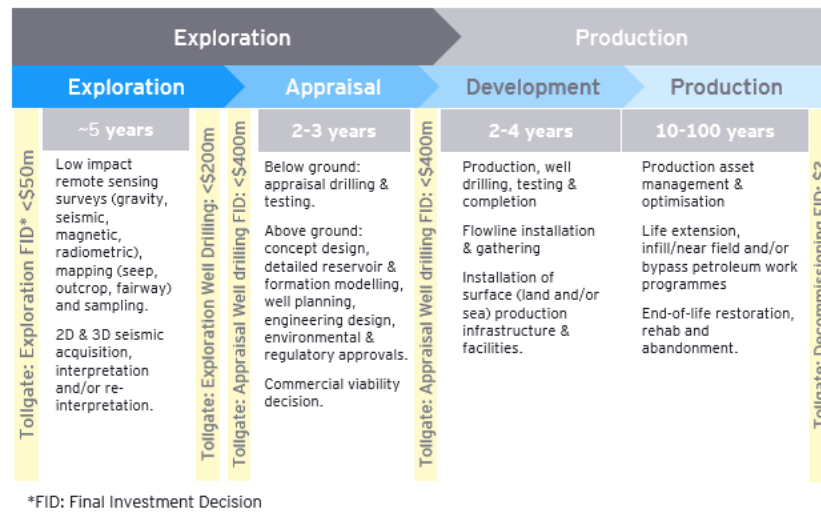
1.5.2 Gas production timeframes

The timelines to bring commercial quantities of gas to market can be long, depending on the basin conditions and location, and variables such as development complexity, availability of infrastructure and the nature of particular hydrocarbon structures.

A summary of the phases of exploration and production, the activities associated with these activities, and general 'rules of thumb' to progress through 'tollgates' (a standardised control point or defined investment hurdle (e.g. a risk-based NPV or return on investment) in which the project phase undergoes review and approval ahead of progressing to the following phase) is provided in Figure 13 and summarised below.

- **Exploration consists of two primary activities and it can take 5-15 years to complete.**
 - Activities are staged with initial investment from desktop studies to seismic data acquisition and interpretation.
 - A decision to drill an exploration well requires a capital commitment to spend up to \$10 million onshore and \$200 million offshore. Appraisal drilling and testing in the success case would incur a similar cost.
 - A minimum timeframe from the start of exploration to production might be 5 years onshore to 8 years offshore.
 - Rules of thumb for success rates in undertaking exploration activity are generally 1/6 (15% – 20%) – although offshore exploration activity is closer to 10%.
- **Production consists of two primary activities with development taking up to 2-4 years to complete** and production activities highly depending on reservoir performance, fiscal capacity, and market demand. Rules of thumb for success rates for development wells are roughly 9/10.

Figure 13: Exploration to production timeline⁴⁷

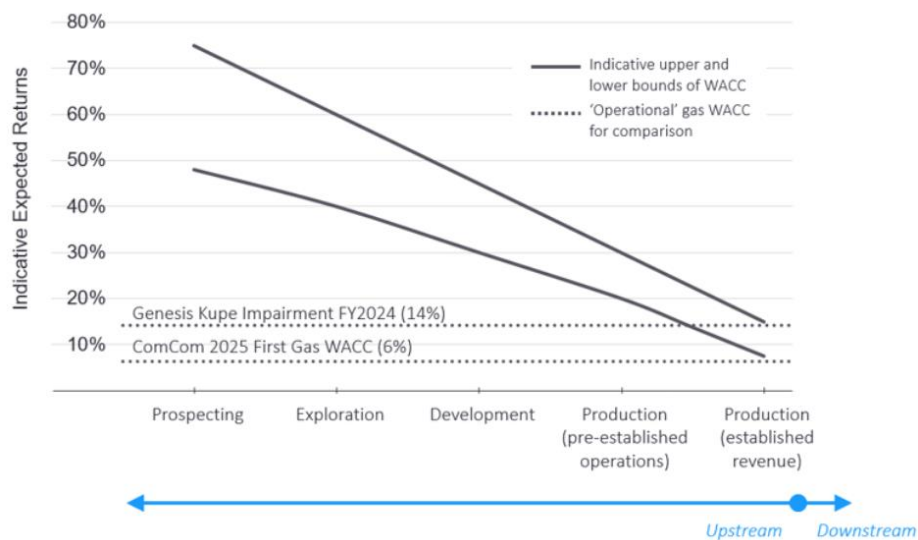


1.5.3 Gas production rates of return

Gas production risks are translated into financial return through discounted cash flow analysis, more specifically the discount rate chosen.

Figure 14 provides illustratively how the discount rate, being a Weighted Average Cost of Capital (WACC) in this instance⁴⁸, changes as risk changes when an early-stage and comparatively higher risk investment is made versus a later-stage and comparatively lower risk investment.

Figure 14: Indicative private sector expected returns



⁴⁷ Recreated from Enerlytica (2019). *Commercial and policy issues, challenges and opportunities that exploration success in the Taranaki Basin or Great south Basin could present to New Zealand.* p.17.

⁴⁸ It is recognised that it is unlikely commercial banks will lend debt to an investment initiative until, among other things, there are credible operational structures, the initiative has stable and positive cash flows and/or there are firm and well-established off-take contracts. A WACC is used in this context for simplicity and consistency, and those displayed in the figure are derived from publicly sourced information for global investments in the oil and gas sector.

This is not a definitive guide but reflects that an early-stage investment WACC generally reflects that of a venture capital investment where risk is wide ranging and/or generally very hard to measure and mitigate. The closer an opportunity gets to production, the more this investment profile resembles more ‘mature’ investment propositions.

1.5.4 Role of Government and potential levers

The optioneering exercise outlined in the Economic Case is underpinned by a desire to efficiently allocate risk across different investment propositions. Being clear about which risks each party is best placed to accept/mitigate is an important concept for this Business Case and will be critical when assessing specific investment proposals.

Table 12 demonstrates that the Crown possesses the rights, powers, and capabilities to mitigate some risks across the production lifecycle as (indicated in green), it has some ability to mitigate other risks (amber). This services as an initial scope of options for consideration through the Economic Case.

What this high-level analysis demonstrates is that government co-investment in oil and gas activities can help to mitigate some aspects of investment risk but is not well placed to mitigate all. A measured and diligent approach to interrogating investment opportunities is essential.

Table 12: Risk mitigation capabilities

Risk	Description - Upstream	Mitigation (choices)
Sovereign Risk	Policy reversals and regulatory uncertainty for new gas exploration and extraction	Governments have influence over policy settings, investment settings, legislation and regulation as well as control over rights and interests of license and permit holders. However, there will always exist the potential for changes of the Government to alter policy, legislative, and regulatory settings – and so sovereign risk can never be fully mitigated.
Regulatory, Compliance and Legal Risk	Changes in environmental, safety, and operational laws and regulations can increase costs or delay projects; failure to comply may cause fines or shutdowns.	Government controls legislation and regulation.
Resource / reserve Risk	Uncertain subsurface conditions affecting gas presence, quality, trap effectiveness, hydrocarbon migration, and retention.	Government possesses information about the prospectivity of some areas and has a track record of procuring (and provision of) geographical / geological information about hitherto undeveloped acreage to attract investment.
Financial Risk	Exposure to commodity price volatility, capital intensity, cost overruns, and investment timing uncertainties impacting profitability and cash flow.	There is precedent for Government investment to underwrite field development – but this is not common.

Risk	Description - Upstream	Mitigation (choices)
Market and Price Volatility	Commodity price swings impact upstream revenues and investment decisions.	There is precedent for Government support for take or pay type arrangements – but again, this is not common.
Operational Risk	Equipment failure, accidents, spills, or natural disasters affecting production continuity and safety. Access to appropriate labour.	The Government is not typically a permit operator of gas fields. If a JV stake were to be taken, then the level of influence over operations and the extent to which risks were able to be managed would be critical considerations of any deal terms.

1.6 Main benefits and risks of the gas investment

1.6.1 Benefits

The ILM for this investment identifies three primary benefits from investment. This section outlines:

- The headline benefit category as identified in the ILM.
- A description about how investment could realise these benefits and a description of the potential measures of success.

The potential for increased gas supply is not captured in the benefits table below because it is an Investment Objective that underpins all other benefits.

Table 13: Potential benefits

	Domains	Notes
B1	Decrease energy prices for consumers	Description • Consumers ultimately bear the cost of the gas shortage as the shortfall impacts all direct users of gas (industrial, commercial, and residential). Also, given that gas plays a critical balancing role in the electricity sector, future gas availability can have an impact on electricity prices for all consumers – and this effect is exacerbated in dry-years. • As it stands, gas prices are at a record high due to a lack of supply. Increased supply of gas would be expected to lower gas prices for the consumer, resulting in more affordable energy prices. • More affordable energy prices for consumers can support the health and wellbeing of individuals, whānau, and society in New Zealand.⁴⁹
		Measures (B1a) Lower average wholesale gas prices as measured through the New Zealand Energy Quarterly publication by MBIE. (B1b) Lower average wholesale electricity prices as measured by MBIE.

⁴⁹ Depending on the size and scale of any supply uplift, this may also reduce the need for New Zealand to import more liquefied natural gas (LNG), which is subject to international price fluctuations and geopolitical risks. Given that international LNG prices are higher than current and forecast domestic prices, this is a potential price benefit for consumers.

	Domains	Notes
B2	Increased economic activity	- Upstream gas production is a significant economic contributor. Co-investment in gas production could boost economic activity in New Zealand, thereby raising living standards and creating higher-paying jobs. - Onshore exploration or production activity is likely to present greater potential to rely on localised labour and domestic assets. This is because local companies often own onshore drilling rigs (and have access to local drilling crews) whereas offshore drilling activity is often dependent on externally sourced rigs and crews. - Increasing domestic gas supply will have the effect of delaying or even reducing the potential for industrial and commercial users to mothball or shut down facilities in response to high prices.
		Measures (2a) Stimulus effect (from gas investment) (2b) Increased economic output
B3	Increased commercial return for New Zealand	- Given the scope of this Business Case is to explore options for commercial investment, there would be some form of commercial return from any investment. The specific nature of this return will be dependent on the nature of the investment. - The Economic Case outlines seven investment options all with different commercial risk and reward profiles. - Co-investment the resulted in increased gas supply would also increase royalty returns (and general tax take, through corporate or GST).
		Measures⁵⁰ (3a) Return on investment(s) (ROI) (3b) Increased royalty return

1.6.2 Disbenefits

The following disbenefit is possible.

Table 14: Potential disbenefit

Disbenefit	Notes
DB1 Maintained / new environmental impact	Continued gas extraction and/or new locations for gas extraction can cause environmental harm, including potential impacts on land and waterways. While there is a robust regulatory and legislative regime in place to manage and mitigate these risks ⁵¹ , the potential for negative environmental outcomes remains.

Like any investment, investment in upstream gas development also presents an opportunity cost. No attempt to estimate the potential opportunity cost has been made in this Business Case although the inclusion of an appropriate Discount Rate and/or the inclusion of a Capital Charge is recommended as part of any specific investment appraisal.

⁵⁰ ROI as a term is used here for simplicity. As noted, the specific nature of this return will be dependent on the nature of investment and might include Expected Monetary Value by Investment(s) (EMV/I), Expected Net Present Value (ENPV), and/or Internal Rate of Return (IRR).

⁵¹ Under the Climate Implications of Policy Assessment (CIPA) set out in CO (20) 3: Climate Implications of Policy Assessment Requirements. <https://www.dpmc.govt.nz/sites/default/files/2020-07/coc20-3-climate-implications-policy-assessment-requirements.pdf>

1.6.3 Main Risks

A summary of the major risks that might impact the ability to achieve the Investment Objectives is provided in Table 15.

It is critical to stress that each investment option will respond to very specific risks associated with the relevant point of the production lifecycle. While these are not covered in the table below, it is expected that these investment-specific risks would form a core part of the appraisal and evaluation process that is recommended in this Business Case.

Table 15: Risk analysis

Main Risk		Likelihood (H/M/L)	Impact (H/M/L)	Comments & Risk Management Strategies (Mitigations)
R1	Lack of market interest	L	H	Informal market engagement conducted as part of this Business Case has highlighted at least seven potential investment types that respond to known market risks and which at least partially meet the proposed Investment Objectives. The majority of participants indicated a preference for direct financial support rather than co-investment options, noting also that this would reduce Crown risk. That said, it is expected that there would be a reasonable level of market interest in engaging with the Government on various co-investment options. It is currently unclear whether these options would meet the commercial and risk allocation expectations of all parties once evaluation and negotiation has concluded. If it subsequently becomes clear that there is no market interest, then it is proposed that the allocated funds are released for other government purposes.
R2	Information asymmetry and risk misalignment	M	H	Current upstream gas operators often have a more advanced understanding of potential investment targets than the Government. This presents the potential for misaligned risk allocation. It is proposed that an IMM be established, and appropriately resourced with the right capacity and capability, to complete necessary due diligence on any investment proposition. Potential IMMs, including commercial entity, are outlined in the Economic Case.
R3	Access to skills and experiences	M	H	A critical feature of this Business Case is the progression of an IMM that can attract the right skills, experiences, and resources to complete due diligence on any investment proposition and to manage and/or govern an investment through its lifecycle. While the market for these skills is fairly shallow in New Zealand given the size of the domestic market and the

Main Risk		Likelihood (H/M/L)	Impact (H/M/L)	Comments & Risk Management Strategies (Mitigations)
				potential for conflicts of interest there has been informal interest in potential Board/Expert Advisory Panel roles. The ability to utilise existing capacity and capability within MBIE (Kānoa) and supplement with technical specialists is core part of the Financial and Management Cases.
R4	Failure risk	M	H	Investing in oil and gas activity is inherently risky, especially as a field approaches its end of life. The prospect of dry or unsuccessful wells across the production lifecycle is high. While specific investment decisions will be the purview of the proposed IMM, it is expected that a 'diversified approach' to investment will be favoured where possible. This implies lower stakes in a higher number of options. This approach will look to mitigate, but not remove, failure risk.
R5	Increased greenhouse gas emissions	M	M	Expanding gas production is expected to lead to increased carbon dioxide emissions. The emissions impact of this investment is difficult to quantify, because subsequent investment decisions are difficult to predict, and any impact would likely be realised in the longer term. However, modelling completed for the Crown Minerals Amendment Bill estimated an increase in emissions of approximately 1.6Mt CO₂e if 30 per cent of contingent resources from existing fields are added to supply forecasts.⁵² There may be certain activities or uses where the continued use of gas provides net benefits to the base case. For example, domestic gas used for electricity generation has a lower per unit emissions profile than imported coal.

1.7 Key constraints, dependencies and assumptions

The investment is subject to the following constraints, dependencies, and assumptions.

It is recommended that management strategies and registers be developed to record constraints, dependencies and assumptions and they will be regularly monitored and managed by the Project Team and the eventual IMM team.

Table 16: Key constraints, dependencies and assumptions

Constraints		Notes
C1	Limited tagged contingency	The 2025 Budget included a tagged contingency of \$200m for investment. While this may be satisfactory for some investment options, for others it may not be sufficient and/or may require additional funding through the lifecycle of the investment. This tagged contingency will form the 'upper limit' for any investment as part of this

⁵² MBIE (2025) Crown Minerals Amendment Bill modelling. <https://www.mbie.govt.nz/dmsdocument/29623-crown-minerals-amendment-bill-modelling-pdf>

		round – with any future uplift subject to regular Budget processes and/or Business Cases.
C2	Information availability	Because no formal market engagement has been completed as part of this exercise, no specific investment propositions have been considered. Rather, conceptual considerations of the pros, cons, risks, and opportunities of potential investment options have been undertaken. This limits the certainty that this Business Case can provide about the expected merits or otherwise of specific investment options.
Dependencies		Notes and management strategies
D1	Cross-govt stakeholder engagement	It is expected that any IMM will require cross-agency support through establishment (at least) and possibly through monitoring and exit, depending on the model chosen. Identifying, engaging and involving these stakeholders is a critical next step. Potential interested cross-government stakeholders are outlined in the Management Case but include: MBIE, Treasury, Public Services Commission (PSC), and the Ministry of Foreign Affairs and Trade (MFAT).
D2	Counter-party pulling own weight/following through	The success of any investment is at least partially dependent on the counterparty following through on its committed obligations – both through the deal origination and investment appraisal / decision making phase as well as through the execution phase. Ensuring that supplier due diligence is completed as part of the evaluation stage is important.
Assumptions		Notes and management strategies
A1	Scope	As noted in Section 1.1.2 there are key scope elements that have framed this analysis. In practice, there are ‘grey’ areas about whether some investments should be included or not. For the avoidance of doubt: • Gas Storage is considered a viable mechanism to provide additional demand certainty and to manage price escalation risks. In this context it can achieve the Investment Objectives. However, it is not strictly focussed on bringing new gas to market and so is considered out of scope for this Business Case. • Biogas is a valuable source of additional gas supply in New Zealand⁵³ – however is not associated with traditional upstream gas production and so is considered out of scope for this Business Case. Specific investment options are covered in more detail in the Economic Case.
A2	Fit for purpose commercial hurdle rate	A core principle of this Business Case is the need for an investment to be a ‘commercial investment’. That being one that provides a financial return through income, capital appreciation, or both, above a hurdle rate. No specific hurdle rate has been benchmarked or recommended through this Business Case – given the lack of information about specific investment propositions. However, it is expected that the proposed IMM outlines the approach to assessing commercial returns for the stage of development and risk exposure. The basis for any specific investment decision can then be reported on and monitored as part of the investment management process.

⁵³ [Speech to the Biogas Bridge Forum | Beehive.govt.nz](#)

1.8 Summary and next steps

The Strategic Case has shown that there is a need to increase short term gas supplies to respond to sovereign risk, manage security of supply concerns, and minimise the expected economic and social costs that are associated with a sudden reduction in gas supply (rather than a staged and orderly transition to a decarbonised future).

Government co-investment in upstream gas development will contribute to addressing these challenges, provided that any investment appropriately balances the trade-off between commercial return for the stage of development, risk exposure, and wider strategic and social objectives.

As the Economic Case demonstrates, an IMM must be established to complete all deal origination activity, make investment decisions; manage and monitor ongoing investment performance; and manage considered exit strategies in relation to this fund.

The remainder of this Business Case outlines the potential IMM structures and provides guidance about the potential investment options that the entity is likely to consider once formal market engagement commences.

2. Economic Case

This Economic Case provides an overview of the viable IMM and investment options for the \$200m fund that seeks to unlock domestic gas supply and mitigate sovereign risk through investment.

This Economic Case:

- Demonstrates that establishing a deliberate IMM is an essential due diligence mechanism to provide the greatest chance of commercial opportunity being realised through investment, while also mitigating commercial and legal risks.
- Identifies two viable IMM, with different trade-offs around speed, cost, and independence. In both models, there is a need to integrate existing policy and investment attraction systems with (new or existing) corporate entities/structures.
- Identifies a range of potential investment options which meet the Investment Objectives, are expected to be desirable for at least one industry investment partner and are within the scope of the Business Case. Investment options could include taking an equity stake in production or issuing a sector loan.

This Economic Case concludes that, at a high-level, there are at least seven investment options that could be progressed further. However, the specific commercial model used in any particular investment will depend on negotiations and deals struck with investment partners. This Business Case does not therefore provide a definitive conclusion about specific options to be preferred. Rather, high-level trade-offs around strategic alignment, value for money, affordability, and achievability are highlighted.

The establishment of a robust IMM to originate, evaluate and negotiate these options with industry counterparties should be the mechanism by which this progression occurs.

2.1 Overview and methodology

This Economic Case outlines options available to realise value for money from the proposed \$200m investment fund as well as enhance commercial opportunity and mitigate commercial and legal risk.

Before outlining the economic assessment process, options and outputs, it is critical to acknowledge the investment context. Cabinet has made it clear that this Business Case is required to commence formal deal origination and (if appropriate) execution on specific investment propositions.

While it is possible to speculate on potential investment options, and that directional insight has been provided through informal engagement has been undertaken in parallel to this Business Case process, there is no firm basis for analysis of individual investment options at this stage. This is both a function of information availability and commercial sensitivity.

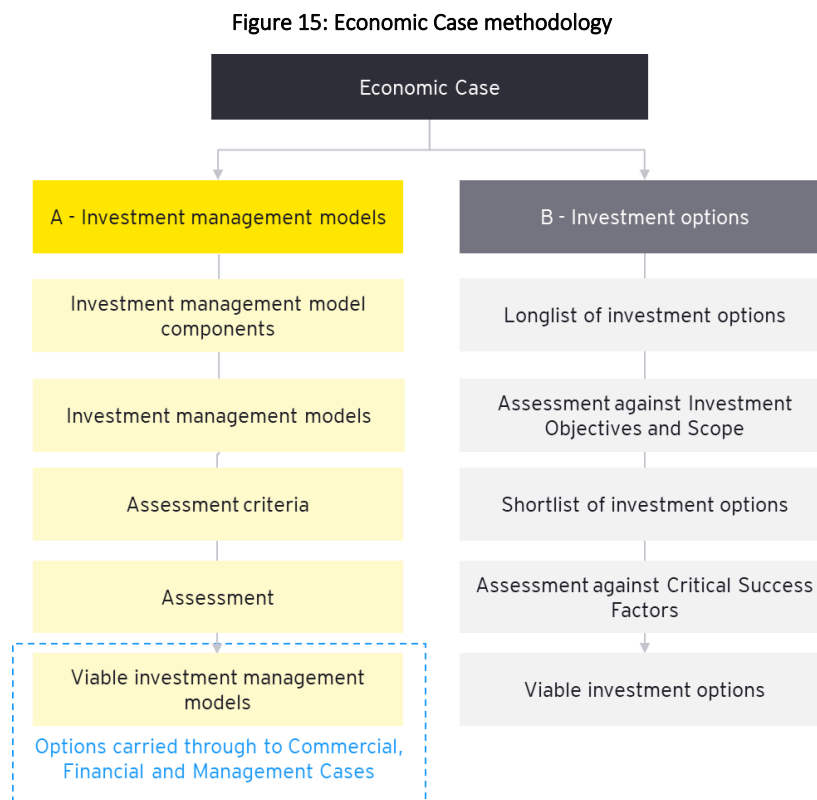
Accordingly, the analysis in this Business Case should be considered fit for purpose to provide direction about the pathway forward. Detailed diligence will be required to confirm the appropriateness of individual investment options.

A detailed Cost Benefit Analysis (CBA) is also not completed given the uncertainty bands around the investment options.

With this context, the Economic Case has been structured around two core components:

- **Establish a fit for purpose IMM.** A robust IMM – outlining the integration of policy, systems, investment decision making function, and corporate structures – for the \$200m investment fund is required to provide assurance that any monies spent will appropriately consider the risks and opportunities present in each investment option. The Economic Case outlines that there are several viable options to do this with different trade-offs around speed, cost, and independence.
- **Outline viable investment options.** Outlining, at a high-level, the investment options available – for example taking an equity stake in production or issuing a sector loan. This list is explicitly not definitive about which options should be progressed because this will be the responsibility of the IMM to progress (in engagement and negotiation with industry). Rather, this high-level assessment provides an indication of potential investment options.

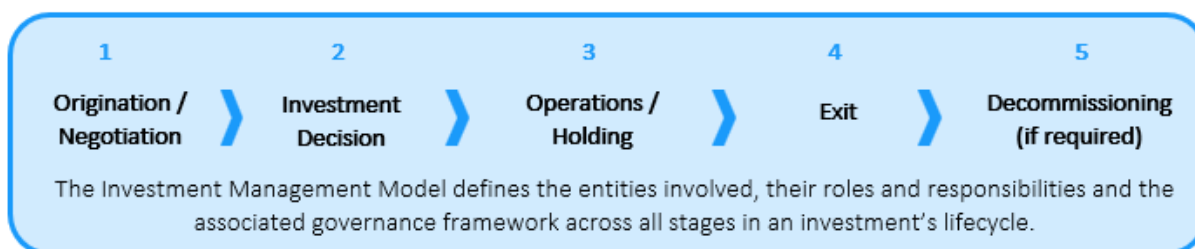
The steps involved to outline viable IMM, and potential investment options, are outlined in Figure 15 below.



2.2 IMM assessment

An IMM is the structured framework used to originate, transact and manage investments. It defines the type of entity(s) involved, their roles and responsibilities and the associated processes and governance framework across the lifecycle of all investments until the \$200m (and any commercial returns) is spent. Figure 16 below shows the five stages of the IMM lifecycle.

Figure 16: Five stages of the investment lifecycle



Steps 1 to 5 below cover the various stages in the investment lifecycle that constitute the IMM.

1. **Origination / Negotiation** – this step covers transactional activities in pursuit of an investment. This includes formal strategic assessment and planning, market engagement and preparation, procurement and competitive tendering, investment viability and risk analysis, deal strategy, negotiation and contract drafting processes through to financial close. Activities are undertaken by operationally focussed personnel and will require engagement of experts and advisors.
2. **Investment Decision** – this step covers all necessary governance deliberation and decision-making processes, expected to be undertaken by personnel with appropriate authority, to formally sign-off on an investment. This includes review of presented materials and recommendations in respect of compliance and investment policies and mandates, risk and reward trade-offs, strategic and fiduciary considerations.
3. **Operations / Holding** – this step covers all ongoing activities while the Crown maintains a stake in the investment. For example, governance and oversight, monitoring and reporting, risk management, active value creation and management, investor and Crown communication, both domestic and international market/sector monitoring and divestment considerations, and progression towards a viable exit strategy. It also involves the legal holding of the asset and statutory reporting. Activities are undertaken by both operational and governance personnel.
4. **Exit** – like Origination / Negotiation, this step covers the same transactional activities but in pursuit of the divestment of an asset.
5. **Decommissioning** – under current legislation, a permit holder in a New Zealand gas field has decommissioning obligations and a past permit holder potentially remains liable for decommissioning costs.⁵⁴ These obligations will be relevant for investments made in a physical asset and covers activities relating to plugging and abandoning wells, removal of infrastructure, and clean up that an investor may be accountable for. Activities are undertaken by both operational and governance personnel and will require engagement of experts and advisors. The risk of taking on potential decommissioning liabilities is something that will need to be considered on an investment-by-investment basis and factored into the commercial assessment and decision-making.

⁵⁴ Crown Minerals Act 1991, as amended by the Crown Minerals Amendment Act 2025.

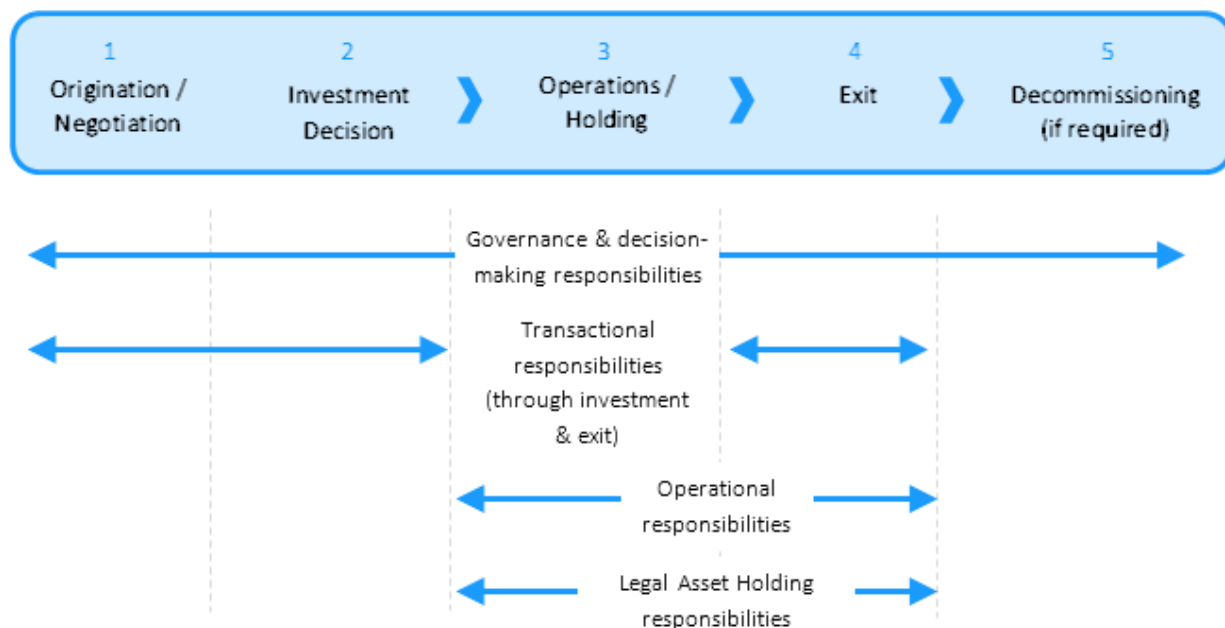
A breakdown of the types of functions that sit within these five stages is provided in Appendix C.

Core processes and activities that are then required to establish an IMM include:

- The organisational and legal structure (including arrangement of public entities) and roles involved in holding and managing the investment (or portfolio of investments);
- Processes and policies for investment approval, monitoring, and risk management;
- Procedures for reporting, compliance, and governance oversight;
- Resource allocation, including staff, processes and systems for managing the investment's operations efficiently; and
- Processes for capitalisation of Crown funds into the IMM.

Figure 17 below illustrates how activities can generally be grouped into five categories of responsibility with each being relevant at particular stages in an investment lifecycle. Notably, while there are various public entity structures (such as a Joint Officials Group, State Owned Enterprise, Independent Crown Entity, etc.) that could be responsible for activities necessary at various stages, not all are suitably set up to legally hold assets.

Figure 17: Responsibilities across the lifecycle of an IMM



At its core, the IMM will be constructed of one or more entities that will perform all, or a sub-set of the activities introduced above, depending on a combination readiness, expertise, resource and accountability.

There is currently no ready-made model across the Government that has all the necessary skills, experiences, and mandate to meet the Investment Objectives outlined in this Business Case.

However, there are numerous examples of IMM that cover a similar investment lifecycle, albeit to achieve different policy objectives. One example is Crown Regional Holdings Limited.

Case Study: Regional development initiatives and Crown Regional Holdings Limited (CRH Ltd)

The Provincial Growth Fund was set up in 2019, aiming to lift productivity and increase economic development opportunities in the provinces through investment in skills, sectors and infrastructure. Since then, additional development and investment initiatives have been established alongside, including the Regional Strategic Partnership Fund and Regional Infrastructure Fund. The governance, transactional, operational, and asset holding responsibilities for these investments are shared by various entities as described below.

- **Legal Asset Holding:** Crown Regional Holdings Ltd (CRH Ltd) (previously Provincial Growth Fund Ltd) was established as an asset holding company to hold many (but not all) Crown regional development investments, and to make and receive payments to and from these investments.⁵⁵ The Minister of Finance and the Minister for Regional Economic Development are its shareholding Ministers – each holding 50% of the shares. The balance of investments are held on MBIE's books.
- **Transactional:** Kānoa, within MBIE, provides analysis and advice on project specific applications to the initiatives, including commercial and financial transactional capabilities.
- **Operational:** Under an investment management contract between CRH Ltd and MBIE, CRH Ltd must accept and hold all regional investments transferred to it by MBIE. All operational and administrative responsibilities associated with managing, monitoring, exercising rights under and exiting investments are made by MBIE/MBIE (Kānoa). CRH Ltd is a passive holding entity.
- **Governance & decision-making:** CRH Ltd has a board that provides Directorial oversight. Directors are consulted on matters related to investment management and have a role in providing independent commercial advice to MBIE (Kānoa) and decision-making Ministers on investment proposals, but do not make decisions on new investments.⁵⁶ Current decision-making responsibilities and delegations, including those of Senior Regional Officers (SROs) established under the Provincial Growth Fund and Regional Investment Fund are defined by tiers of investment value, with SROs authorised to sign-off on investments under \$1 million.⁵⁷

2.2.1 Entity components of the IMM

As discussed in Section 2.2, it is intended that the IMM constitutes one or more entities who will be responsible for a set of tasks listed above. These entities are introduced in Table 17 below, and could include:

- Joint Officials Group (JOG)
- Ministerial Advisory Group (MAG)
- Lead Agency
- Crown Entity Company – Schedule 4A
- State Owned Enterprise (SOE)
- Independent Crown Entity (ICE)
- Special Purpose Vehicle (SPV)

There are several possible ways this can be constructed, each with distinct attributes, governance arrangements, and statutory requirements that can enable and coordinate the delivery of stated objectives. A summary of the potential IMM components (those being entities), and their applicability across the investment lifecycle is provided in the table below. Section 2.2.2 then outlines potential combinations of these components.

⁵⁵ Funds and investments of other natures are also held by CRH Ltd, including COVID-19 Response and Recovery Fund, New Zealand Upgrade Programme, and Strategic Tourism Asset Protection Programme.

⁵⁶ Kānoa – RD, Quarterly Report to Ministers, September 2024.

⁵⁷ [Cabinet Minute CAB-17-MIN-0554: The Provincial Growth Fund - 18 December 2017 - Budget 2018 Information Release](#)

Table 17: Potential IMM entity components and applicability across the lifecycle

Entity type	Practical description	Entity example(s)	Entity applicability as a basis of an IMM
Joint Officials Group A JOG is a group of officials from different organisations who collaborate based on mutually agreed objectives. For particularly complex matters, a JOG can be set up using a MoU, to provide clearer guidelines.	A JOG can be established relatively quickly with its cost a function of the number of representatives and their time commitments. Officials have statutory requirement to serve the Government of the day which can compromise independence, unless decision making power is officially delegated by Cabinet. A JOG would likely consist of officials from MBIE (investment attraction), Treasury (system stewardship), and MFAT (given trade implications)	- A JOG has been used by Auckland Transport, under the Auckland Transport Strategy and Funding Project Joint Officials Group, which was a JOG (MoU with a purchase agreement). - The Justice Infrastructure Forum is a JOG that includes representatives from agencies such as NZ Police and Corrections.	A JOG can provide cross-government advice and decision making to all stages of the investment lifecycle. However, as it is not a separate legal entity it is not able to enter into contracts or hold investments.
Ministerial Advisory Group (MAG) A MAG is similar to a JOG, but is focussed on supporting an investment decision, rather than progressing all elements required to make investment decision(s). A terms of reference is typically required for a MAG.	A MAG can be established relatively quickly with its cost a function of the number of representatives and their time commitments. A MAG could report through to Minister(s) or into an existing Board/decision making structure. A MAG would typically be made up of suitably qualified, and unconflicted, industry representatives.	A MAG has been established to advise Ministers in relation to the KiwiRail interisland ferry investment decision.	A MAG can provide advice to all stages of the investment lifecycle. However, as is not a separate legal entity it is not able to enter into contracts or hold investments. In this context, a specialist advisory panel of industry experts could be engaged to assist with evaluation analysis or to provide advice to delegated decision making Ministers.
Lead Agency A Lead Agency is a designated organisation or government body tasked with leading or coordinating a specific project or	A responsible Lead Agency can be established relatively quickly with its cost a function of the number of representatives and their time commitments.	MBIE (Kānoa) has been the Lead Agency on all advice, origination / negotiation, decision making, investment management, monitoring and reporting for regional development investments,	A Lead Agency can provide advice and decision-making to all stages of the investment lifecycle.

Entity type	Practical description	Entity example(s)	Entity applicability as a basis of an IMM
initiative. By designating a Lead Agency, the nominated agency is tasked with leadership and streamlining decision-making processes of all entities involved.	Officials have a statutory requirement to serve the Government of the day which can compromise independence, unless decision making power is officially delegated by Cabinet. A Lead Agency would likely be MBIE (Kānoa).	with CRH Ltd being the legal entity holding the investments. The Crown also holds its interest in Air New Zealand through Ministers.	A Lead Agency can contract and hold investments (with appropriate Ministerial approval and delegations).
Crown Entity Company - Schedule 4A (new or existing) A Schedule 4A company is a company in which the Crown is the majority or sole shareholder, established when objectives sought may be best supported by joint ownership. Schedule 4A refers to a new company added to Schedule 4A of the Public Finance Act 1989.	The Schedule 4A company must be created by Order in Council amending Schedule 4A of the Public Finance Act. The Crown determines the entity's mandate and exercises ongoing oversight via the mechanisms provided in the Crown Entities Act. While the entity must operate independently within its mandate, it is ultimately subject to a degree of Ministerial influence – primarily through the company's constitution, statement of corporate intent and letter of expectations, as well as through availability and rationing of capital. The term Schedule 4A company is used throughout this Business Case given this was noted in the commissioning Cabinet Paper. In practice, this could also be a Crown entity company under the Crown Entities Act.	- Schedule 4A companies include CRH Ltd, Ngāpuhi Investment Fund Ltd and Ferry Holdings Ltd - Crown entity companies under Crown Entities Act include Crown Irrigation Investments Limited and New Zealand Venture Investment Fund Limited.	A new Schedule 4A company could be empowered to provide advice and decision making to all stages of the investment lifecycle and to make and hold all investments. It would be subject to well understood accountability and reporting frameworks under the relevant legislation.
State Owned Enterprise (SOE)	An SOE is established under the State-Owned Enterprise Act and incorporated as a company under the Companies Act.	- KiwiRail - NZ Post - Airways New Zealand	An SOE could provide advice and decision-making for all stages of the IMM.

Entity type	Practical description	Entity example(s)	Entity applicability as a basis of an IMM
A SOE is a Crown-owned corporate entity.	SOEs are required to operate as successful businesses and to be as profitable and as efficient as comparable businesses not owned by the Crown.		The SOE Act provides an accountability and reporting framework, but SOEs are generally subject to less control by Shareholding Ministers than other forms of Crown entity.
Independent Crown Entity (ICE)⁵⁸ An ICE is a Crown entity established by legislation.	An ICE is created by Act in Parliament, which defines its functions, powers and the degree of independence from Ministerial control. ICEs are generally independent of government policy. Board members are appointed by the Government and the relevant Act will specify the accountability and reporting mechanisms. An ICE is generally used to undertake regulatory functions.	• Commerce Commission • Electricity Authority • Financial Markets Authority	An ICE could provide advice and decision-making for all stages of the IMM. An ICE is accountable to the Crown, as its sole owner. However, acts independently within its defined functions and powers.
Special Purpose Vehicle (SPV) An SPV is a separate legal entity created to isolate financial risk for a specific purpose or project. SPVs are commonly used in project financing.	As a highly structured entity, financial risk is isolated, and parent organisations can be protected against liabilities associated with the project. However, establishment can be complex and requires significant administrative oversight.	• Auckland System Management • Wellington Gateway Partnership.	An SPV was considered as a basis to an IMM, however was not progressed as a viable basis for an IMM because it is assumed Crown ownership in the entity would remain greater than 50%. Instead, an SPV is considered a suitable tool to deploy as a subsidiary of another legal entity to hold a specific investment.

⁵⁸ An Autonomous Crown Entity was also considered however not taken further as it is substantially similar to an Independent Crown Entity in this context but with less autonomy.

2.2.2 IMM longlist options

Based on the relevant components identified in Section 2.2.1 above, the following IMM has been considered. These seek to outline the party / entity responsible for driving activity under each of the five stages.

Table 18: IMM longlist, with entities applied by stage of investment lifecycle

Model Name	Origination/ Negotiation	Investment Decision	Operations / Holding ⁵⁹	Exit	Decommissioning (if required)
JOG	JOG	Ministers	Operations: JOG Holding: The Crown or other entity	JOG	JOG
Lead Agency MBIE (Kānoa)	MBIE (Kānoa)	Ministers	MBIE (Kānoa)	MBIE (Kānoa)	MBIE (Kānoa)
Lead Agency + MBIE (Kānoa)	MBIE (Kānoa) (supported by SMEs)	Ministers (advice from Expert Advisory Panel)	MBIE (Kānoa) (supported by SMEs)	MBIE (Kānoa) (supported by SMEs)	MBIE (Kānoa) (supported by SMEs)
Schedule 4A (existing)	MBIE (Kānoa)	Ministers (advice from CRH Ltd Board)	Operations: MBIE (Kānoa) Holding: CRH Ltd	MBIE (Kānoa)	MBIE (Kānoa)
Schedule 4A (new)	Sch 4A	Sch 4A - Board	Sch 4A	Sch 4A	Sch 4A
ICE	ICE	ICE	ICE	ICE	ICE
SOE	SOE	SOE	SOE	SOE	SOE

A number of assumptions have been made in assembling the proposed models above:

- **MBIE (Kānoa).** It is considered that Kānoa's commercial skillset and investment facilitation expertise, coupled with colocation of the policy responsibility of MBIE's Energy and Resources Branches, would arm it well to effect immediate progress towards Business Case objectives. It is assumed to be the agency best placed to support any IMM.
- **CRH Ltd.** Various existing Schedule 4A companies were considered alongside CRH Ltd as 'off the shelf' options to perform legal asset holding (and other if appropriate) responsibilities. However, CRH Ltd. was considered the existing company whose operational objectives or principles were closest aligned to those defined within this Business Case.
- **No SPV.** An SPV-based IMM was also considered, however was not progressed as a viable option because it is assumed Crown ownership in the entity would remain greater than 50%. Instead, it may be used as a tool to deploy under all IMM options. For example, an SPV could be used to hold an asset if the Crown (via the IMM) enters a joint venture to co-invest with another party(s) and/or if it seeks to ring-fence a subset of similar investments.

⁵⁹ Responsibilities through the Operations / Holding stage of and investment lifecycle is split between an Operations and a Legal Asset Holding entity in instances where the main entity is not legally able to hold assets (e.g., in the instance a JOG is the basis of an IMM).

2.2.3 Assessment framework

A robust assessment framework has been developed to assist in identifying IMMs. The following criteria align with the Investment Objectives of this Business Case but are not exhaustive.

Table 19: Assessment criteria

Criteria	Description
Independence	The model must be able to operate in a manner that does not give rise to a conflict with the Crown’s regulatory function. In this context, New Zealand Petroleum and Minerals (NZPAM) is not a formal part of any IMM. It is also noted that all IMMs will have some level of Ministerial involvement (either in establishing the model, overseeing the model, or exiting the model) and this level of independence throughout IMM design has also not been considered. Independence for this assessment is focused on the <u>level of operational independence – specifically about decision making rights for investments traded off against the desirability of Ministerial oversight of investment decisions within energy system priorities</u>. The core trade-off is whether Ministerial decision making occurs or whether this is devolved to pre-established Boards (or similar). This assessment hasn’t been scored as part of this business case as it is a value judgement for Ministers – but will be an important driver for the eventual IMM selected. Furthermore, the Investment Mandate will be a critical supporting tool in confirming the focus areas and levels of discretion in decision making afforded.
Time to implement	The establishment of the entity must be timely, with a clear and well understood pathway to effective operation.
Cost	The entity cost structure will be fit-for-purpose, with both establishment costs and ongoing operational costs optimised, and funds used effectively and economically. Where appropriate, it should leverage people, processes and systems from existing precedents and other associated agencies. Costs are focussed on the core ‘baseline’ costs associated with operating the IMM – given that it is expected that external services would be required for ‘transaction support’ to complement existing capability and capacity across all models.
Effectiveness	There must be a high degree of confidence that the IMM can deliver on its objectives efficiently and reliably, with appropriate accountability, and through sound management of operational obligations. Proven and relevant examples of IMMs for other investments and other sectors have been used for this assessment.

2.2.4 Assessment

Each IMM has generally been assessed against the above assessment criteria. IMMs have been scored on a three-point scoring basis: Meets (green); Partially Meets (orange); Does not Meet (red).

Any model that scores a ‘does not meet’ has been discarded, while all other models have been carried forward through this Business Case. The following table provides an overview of this assessment.

Table 20: Overview of models by assessment criteria

Criteria ⁶⁰	JOG	Lead Agency	Lead Agency +	Schedule 4A (existing)	Schedule 4A (new)	ICE	SOE
Independence	Joint Ministers will make investment decisions.	Joint Ministers will make investment decisions.	Joint Ministers will make investment decisions. The proposed Expert Advisory Panel would provide additional advice to Ministers to support decision making. This provides more independence than a pure Lead Agency model.	Joint Ministers will make investment decisions. CRH Ltd Board or similar, would provide additional advice to Ministers to support decision making – and would be supplementary oil and gas expertise at Board (or subsidiary) level.	A new Schedule 4A company would have delegated powers of decision making on future investments in line with constitution, Investment Mandate, and annual letter of expectation from Ministers.	ICE Board would make investment decisions. An ICE is accountable to the Crown, as its sole owner. However, acts independently within its defined functions and powers.	SOE Board would make investment decisions. The SOE Act provides an accountability and reporting framework, but SOEs are generally subject to less control by Shareholding Ministers than other forms of Crown entity.
Time to implement	Can be implemented quickly (<3 months) as it is an informal (non-legal) co-operation between existing government agencies. Agreeing an operational mode (i.e. MoU) may extend time though low risk. Time may also depend on ability to establish Investment Mandate and Investment Criteria.	Can be implemented quickly (<3 months) if agency with existing required functions is used (e.g. MBIE (Kānoa)). Time may also depend on ability to establish Investment Mandate and Investment Criteria.	Can be implemented relatively quickly (<3 months) if agency with existing required functions is used (e.g. MBIE (Kānoa)) - depending on availability and suitability of available Expert Advisory Panel members. Time may also depend on ability to establish Investment Mandate and Investment Criteria.	Between 3-6 months depending on availability of suitable additional Board members and time taken to establish Investment Mandate and Investment Criteria.	Between 4-8 months depending on the speed of statutory process and availability of suitable Board candidates and management staff. Can leverage existing Schedule 4A precedents for legal and operational documentation. Time may also depend on ability to establish Investment Mandate and Investment Criteria.	Extensive administrative process for establishment given legislative approval required.	Extensive administrative process for establishment given legislative approval required.
Cost	Requires resource commitment from participating agencies, though no	Setup may involve dedicating additional staff. Legal/policy, investment	As for 'Lead Agency', though additional operating cost of	Additional cost required to establish subsidiary and operate IMM though	Additional cost required to establish and operate IMM given the need to	Independent boards and significant governance and compliance	Require complex governance, commercial operations, and

⁶⁰ The evaluation of each model against criteria was conducted in absence of legal advice.

Criteria ⁶⁰	JOG	Lead Agency	Lead Agency +	Schedule 4A (existing)	Schedule 4A (new)	ICE	SOE
	legal structure required. Costs are shared between agencies, without a separate appropriation.	evaluation and contract management systems are already in place.	SMEs and Expert Advisory Board.	is expected to be less than a new Schedule 4A given this is leveraging existing CRH Ltd and MBIE (Kānoa) operating model.	appoint new Board members, hire 4 – 6 staff, and manage property, systems, and processes.	requirements, requiring substantial setup and ongoing operational funding.	reporting, leading to high setup and operational costs.
Effectiveness	This model may be effective for similar reasons to the Lead Agency model, but presents additional coordination challenges. A JOG cannot legally hold an asset, therefore would rely on the Crown or another entity to legally hold assets.	MBIE (Kānoa) experience demonstrates that this model may be effective. However, the number of staff with experience of the oil and gas sector will need to be increased to support negotiations and deal delivery. Moreover, the lack of independent expert advice to Ministers may dilute decision making effectiveness. Assets can be held on MBIE's books (existing precedence for this). Does not preclude transfer of the assets to another company/entity if that is supported in the future.	As for 'Lead Agency', utilising pre-existing entity with known personnel, and operating model. Depth of sector expertise likely limited but expected to be supplemented at an organisational level and through establishment of an Expert Advisory Panel. Assets can be held on MBIE's books (existing precedence for this). Does not preclude transfer of the assets to another company/entity if that is supported in the future.	Pre-existing entity with known personnel, and operating model being utilised. Depth of sector expertise may be limited but can be supplemented and at organisational level and through the appointment of an independent expert to the CRH Ltd Board (or subsidiary). Assets would be held within CRH Ltd	Depending on the design of the entity, this structure enables timely and appropriate integration of investment options.⁶¹ Assets would be held within new Schedule 4A company.	Responsible for risk and resource management within their mandate, though may be constrained by statutory or budgetary limits.	Operates commercially with clear mandates to manage financial and operational risks. Generally, delegated authority to make timely, effective investment decisions to maintain commercial viability.

⁶¹ It is noted that Directors will be conscious of director duties and liabilities and may be unwilling to make investments that have risk without Crown protection (indemnity or capital). This could mean options the Crown would typically accept do not proceed.

2.2.5 Summary of IMM shortlist

A fit for purpose assessment of the potential IMM has been undertaken in the timeframe available for this Business Case.

Based on the outcome of the above assessment, two general pathways forward have been presented. There are potential variations to these that should continue to be worked through as key documents such as an Investment Mandate are agreed.

- **Lead Agency +** Use existing MBIE (Kānoa) resources, systems and processes to undertake deal origination activity supplemented with additional contracted expertise across functions such as legal, commercial, and petroleum sector. Ministers would make investment decisions, and MBIE would hold assets on their Balance Sheet. In addition, an Expert Advisory Panel would be established to support investment decision making.
- **Schedule 4A (new)**. Establish a new Schedule 4A company to undertake all deal origination, investment decision making, and holding of investments.

A **Lead Agency +** model is presented because it pragmatically and effectively responds to the lack of independent and expert advice that is a key drawback from the Lead Agency only model.

It is useful to understand practicalities of establishing a **new Schedule 4A** company given time and cost implications. In practice, the option of using an existing Schedule 4A company, such as Crown Regional Holdings Limited (CRH Ltd), should also remain under consideration.

Utilising a Schedule 4A company is feasible however presents significant trade-offs in set up time to get investment decisions made as well as higher ongoing operating costs – particularly if a new Schedule 4A company is established. The length of establishment time and annual overheads may be disproportionate to the size of the fund that needs to be delivered.

For Ministers to respond quickly to the unfolding challenges in the energy market, and to be able to identify investment options and make decisions in the near future, then a model using an existing agency with Ministers making decisions is the fastest and least cost model. Decision making quality can be supported using an Expert Advisory Panel before final decisions are taken.

Ultimately, whether the **Lead Agency +, Schedule 4A (new)** model, or other variations are deployed, will depend on Ministerial imperatives – and there is a clear trade-off between time and cost vs independence when evaluating one against the other. Table 21 provides a summary of high-level pros/cons.

Table 21: IMM shortlist trade-offs

Lead Agency +		Schedule 4A (new)	
• Legal Asset Holding responsibility: Assets may be held on MBIE Balance Sheet. • Deal origination: MBIE (Kānoa) supplemented by sector experts, commercial and legal expertise, to drive deal origination activity. • Governance & decision-making responsibilities: MBIE (Kānoa) would advise on investment proposals to the Expert Advisory Panel and decision-making Minister(s). The Expert Advisory Panel will have a role in providing independent commercial advice to decision-making Minister(s). On the advice of the Lead Agency and Expert Advisory Panel, which both include and/or are informed by oil and gas experts, Minister(s) would then make investment decisions.		• Legal Asset Holding responsibility: A new Schedule 4A entity is incorporated. All investments are held by this entity (or a subsidiary). • Deal origination: Operational staff within the new entity will have responsibility for all deal origination activity, supplemented by sector experts, commercial and legal expertise, if an as required. • Governance & decision-making responsibilities: A Board is appointed to the new Schedule 4A company. This Board will need to have adequate oil and gas expertise and would hold all decision-making responsibilities.	
Pros	Cons	Pros	Cons
• Quick enablement allowing immediate sector engagement and development of investment options and materials. • Less fiscal cost in the short and long-term using existing structures and systems. • Enables Ministers to approve investments in line with Government priorities, while supported by sector expert advice. • Financial flexibility to adjust to operational and investment volume in treatment of cost given presence of multi-category appropriation. • Expert, independent advice provided to Ministers (by the External Advisory Panel) who have oversight of obligations and interests. • Keeps option of using a Schedule 4A entity (if desirable in the future).	• Need to manage perceived and any actual conflicts of interest – Expert Advisory Panel with industry, and MBIE (Kānoa) with industry regulator (both within MBIE).	• Ability to tailor design of company, Board, and expert advice to investments (including future energy investments). • Fewer decision making and advisory levels.	• Highest cost/most resource intensive and no budget allowance currently available to cover ongoing operating costs. • Length of time to establish and obtain investment decisions. • May duplicate existing capability. • Less ability for Ministerial oversight of obligations and interests to inform investments. • Risk that investment decisions are largely made for the bulk of the fund before entity is established.

2.3 Investment Options assessment

The remainder of the Economic Case provides analysis on the range of potential Investment Options. Given inherent uncertainties, and commercial sensitivities, a definitive conclusion about preferred investment options cannot be completed at this time. Rather, high-level trade-offs around strategic alignment, value for money, affordability, and achievability are made.

2.3.1 Methodology

A two-stage multi-criteria analysis (MCA) approach to longlisting options has been deployed. This aligns with Treasury Better Business Case guidance for investment propositions of this nature.

MCA is a tool that enables a wide range of perspectives to be captured and considered. It enables the options to be weighted and therefore trade-offs to be measured through a systematic and robust method.

The MCA assessment process includes a mixture of different quantitative and qualitative analytical techniques to help determine viable options.

The two assessment stages proposed are:

- **Investment Objectives** – does the option fall within the scope of the Business Case and does it support the proposed Investment Objectives? This is intended to provide comfort that an option is aligned with the strategic intent.
- **Critical Success Factors** – does the option align with wider assessment criteria including Critical Success Factors? This is intended to provide confidence that the option can be practically delivered and meets government expectations.

A CBA (and other equivalent economic assessment tools) is not a credible assessment technique at this stage given the inherent uncertainties in forecasting the efficacy of different options in stimulating gas supplies and reducing the perception of sovereign risk.⁶² However, an MCA approach is fit for purpose as it enables the trade-offs to be clearly outlined.

This analysis then demonstrates that there are at least seven investment options that could be considered viable. The establishment of a robust IMM (outlined in Section 2.2) to originate, evaluate, and negotiate these options with industry counterparties is required.

2.3.2 Option longlisting

The primary source of information to identify potential investment options has been informal sector engagement over July and August 2025. This engagement involved a series of structured one-on-one meetings, which was explicitly not intended to be an opportunity to discuss specifics of commercial investments, rather, it was a chance to seek general input into the development of this Business Case and the wider policy surrounding the co-investment fund. This exercise identified five categories of investments, and up to 15 separate investment options (or activities), that could help support the stated objectives as demonstrated in Figure 18.

⁶² CBA is recommended as an analytical tool once individual investment options are worked through as part of the proposed deal origination and investment decision process.

During the informal sector engagement there was broad support for the progression of a fit-for-purpose IMM to manage the \$200m investment fund. The options available for this category are provided in Section 2.2 above.

A definition of the remaining investment options (under the four categories) and summary of how they align to the Scope of the Business Case and the Investment Objectives is provided in the following section.

2.3.3 Longlist options assessment

The methodology to assess the longlist of options has been informed by scope and Investment Objectives.

Scope

Confirm that the investment option aligns with the scope of this project as identified in Section 1.1.2. Key concepts that constrain the scope of the Business Case are as follows:

- A focus on domestic, upstream gas production.
- Measures that involve investment with a commercial focus.

A range of other concepts are therefore explicitly out of scope, including:

- Demand side support and interventions to enable fuel switching and conversion;
- Exploring mechanisms to bring imported gas to market;
- Exploring non-traditional gas supply sources such as biogas; and
- Legislative, regulatory, fiscal, and policy amendments; and pricing support for users to mitigate forecast high gas prices.

Amendments to the decommissioning regime are also considered out of scope. Decommissioning is a critical part of the Crown Minerals framework, designed to ensure that the costs of removing petroleum infrastructure and restoring sites do not fall on the Crown or third parties. Risk to the Crown was seen clearly through the collapse of Tamarind Taranaki in 2019, as responsibility for decommissioning the field fell on the Crown. The Crown Minerals Amendment Act 2025 (the Act) seeks to strike a balance between protecting the Crown, supporting investment, and aligning with international practices. Under the decommissioning regime, should the Crown take a direct working interest in a permit; the Crown will be exposed to decommissioning liability.

Investment Objectives

As noted in the Strategic Case, two Investment Objectives have been identified through the draft ILM exercise. These are the primary basis for the first MCA filter. Table 22 provides an overview of the evaluation and scoring approach for this step.

Table 22: Investment Objective Assessment overview

Investment Objective	Evidence Base	Scoring
Increase domestic gas supply by 2035.	Qualitative and quantitative assessment based on the inherent characteristics of the option and the probability of success. Considerations include: - For production and development: - Are there known reserves/resources (2P, 2C) that are being targeted? - Would the investment be reasonably expected to bring this gas to market faster than if purely left to the market? - For exploration for new gas - is there a reasonable expectation of success in an exploration campaign? - Can any associated construction or mobilisation activity be completed in the production and development timeframe? - Has industry expressed a view that the investment will positively stimulate gas supply in the next ten years?	Interventions will be scored on a Meets, Partially Meets, and Does Not Meet basis. Any option that scores a 'Does Not Meet' in either category will be discarded.
Reduce perception of sovereign risk to gas investment	Qualitative assessment primarily based on the level of positive / negative commentary about the initiative as expressed through public statements and/or the outcomes of recent market engagement.	

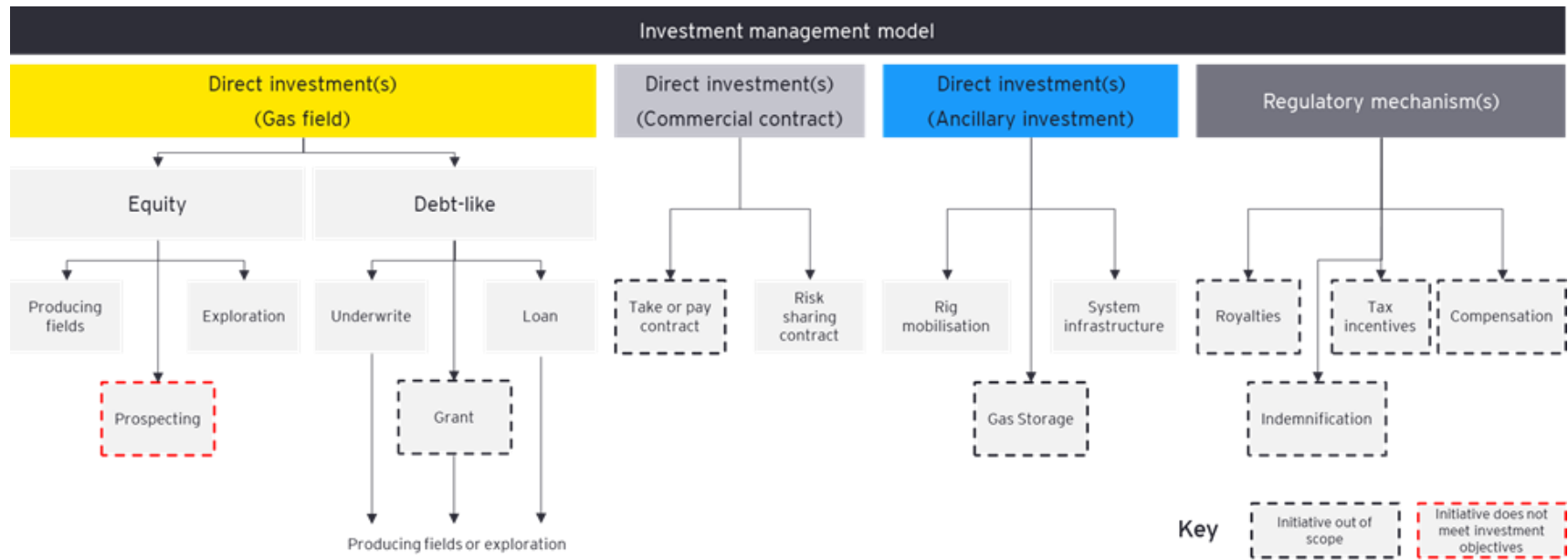
Regarding the second investment objective, sector participants have generally expressed a view that sovereign risk as defined is not likely to be mitigated through any one investment contemplated through this Business Case (except for indemnification, which is out of scope).

However, the establishment of an appropriately resourced and configured IMM, coupled with smart investments in targets that respond to known commercial barriers, while appropriately allocating risk, would be perceived as a vote of confidence in the sector that would carry weight with domestic and overseas investors.

2.3.4 Longlist evaluation

A summary of longlist assessment is provided in Figure 18 below. A more detailed investment option assessment is then provided in Table 23.

Figure 18: Options longlisting assessment⁶³



⁶³ This is a non-exhaustive list of investment options, there are a range of other investment options that could be explored through the fund.

Table 23: Investment option assessment

Category	Investment	Description	Example(s)	IO1	IO2	Business Case application
Direct Investment (gas field)	Equity – production	Invest as an equity partner in existing producing fields with the goal to convert 2C resources to 2P reserves and/or bring gas to market faster than would otherwise happen.	Crown takes an equity stake in a producing field which may facilitate greater gas uplift from the field – including through collaboration with JV partners.			A viable option that at least partially meets both Investment Objectives and will be tested through the options assessment phase.
	Equity - exploration	Invest in exploration opportunities in greenfield developments by taking direct stakes in permits – this would likely be used to fund and derisk drilling activity that confirms (or not) a commercial opportunity.	- Crown funds the appraisal work at an existing exploration permit in return for an equity stake. - Crown (re)packages existing permit information from expired permits and seeks co-investors to undertake exploration activity.			A viable option that at least partially meets both Investment Objectives and will be tested through the options assessment phase.
	Equity - prospecting	Invest in prospecting permits in undeveloped acreage.	Crown partners with international companies to shoot seismic in frontier opportunities.			Does not meet Investment Objectives because it does not allow gas to be brought to market by 2035.
	Underwrite	Crown to underwrite the cost of new drilling by taking on a pre-specified level of financial risk which could facilitate access to fair borrowing rates or additional capital.	- Crown could provide direct underwrite to production or exploration activity if the perceived risk is great enough to warrant this type of option. - This would be expected to be more prominent at the exploration phase of the lifecycle – but could equally apply to the production end if those opportunities existed.			A viable option that at least partially meets both Investment Objectives and will be tested through the options assessment phase.

Category	Investment	Description	Example(s)	IO1	IO2	Business Case application
	Loan	Crown directly helps fund upstream activities focused on bringing new reserves to market, or to act as a loan guarantor. • ‘Capital-at-risk’ model that seeks to commercialise reserves but acknowledges the ‘dry hole risk’ and possibility that the loan is written off. • ‘Traditional financing’ approach that looks to simplify lending options to operators and explorers at favourable rates and conditions.	• This would be expected to be at the exploration stage of the lifecycle.			• A viable option that at least partially meets both Investment Objectives and will be tested through the options assessment phase.
	Grant	Crown provides capital funding to company(s) to complete exploration and development activities.	• Crown could provide access to a contestable fund for appraisal work.			• Is considered out of scope because there is no ‘investment’ under this model – and no opportunity for commercial return. .
Direct Investment (commercial contract)	Take or pay	Government guarantees an agreed volume of gas is purchased at an agreed price, once project is commissioned.	• Long term take-or-pay arrangements are commonplace in gas projects overseas to secure financing of projects. Contracts typically span 10-25 years to underwrite capital costs.			• Is considered out of scope for this investment because it would require the government to become involved downstream – by finding a home for purchased gas.
	Risk sharing contract	Shared risk development framework that could provide de-risking mechanism and	• Similar to an underwrite, but opportunity to identify specific areas where better allocation of risk between government and			• A viable option that at least partially meets both Investment Objectives and will be tested

Category	Investment	Description	Example(s)	IO1	IO2	Business Case application
		allows Government some upside.	operator/explorer (but with opportunity for crown upside).			through the options assessment phase.
Direct Investment (ancillary investment)	Rig mobilisation	Investment to support rig mobilisation which can encourage multi-field/project drilling campaigns.	- Expected that this would be mainly but not exclusively focussed on offshore exploration – rather than onshore production. - Government support to facilitate an offshore ‘rig club’ rather than seek to own or operate onshore or offshore drilling rigs.			A viable option that at least partially meets both Investment Objectives and will be tested through the options assessment phase.
	System infrastructure	Invest as a Joint Venture partner in gas pipeline, new technology, or gas processing facilities (including CO ₂ separation) to enable additional gas to enter the transmission network.	Investing in supporting infrastructure at an existing field that produces high CO₂ gas output, i.e., installing a compressor, replacing an amine tower, or investment in other established or emerging technologies.			A viable option that at least partially meets both Investment Objectives and will be tested through the options assessment phase.
	Equity - Gas storage	Invest as Joint Venture partner in a potential gas storage facility to help provide demand confidence for gas exploration and production.	Taking an equity stake to enhance and accelerate gas storage activity at existing field(s).			A valuable mechanism to support upstream development and downstream price management but is out of scope given that this investment is more closely related to downstream assets.
Regulatory mechanisms	Royalties	Bespoke royalty arrangements for new reserves.	- Reduced royalty rates - Royalty ‘holiday’ for new discoveries.			Out of scope because there is no ‘investment’.

Category	Investment	Description	Example(s)	IO1	IO2	Business Case application
	Tax incentives	Amendments to taxation arrangements to make petroleum activities more attractive to investors.	Enhanced capex depreciation for projects bringing new reserves to market – including appraisal wells and infill production.			Out of scope because there is no 'investment'.
	Compensation	Pre-agreed mechanism for compensation if any regulatory rule change creates material losses.	- Pre-agreed contractual compensation for specified regulatory changes. - Binding arbitration clauses where investors can sue to claim compensation over policy changes that have negatively impacted their revenues and/or investment returns.			Out of scope because there is no 'investment'.
	Indemnification	Full government indemnity that guarantees it will not ban gas exploration or change any material predefined petroleum settings.	A letter of indemnification from the Minister of Finance under s65D of the Public Finance Act 1989.			Out of scope because there is no 'investment'.

This analysis demonstrates that there are at least seven different types of potential investment options (shortlist options) which meet the Investment Objectives, are expected to be desirable for at least one industry investment partner and are within the scope of the Business Case.

2.3.5 Shortlist option assessment

The seven investment options identified in Section 2.3.4 have been assessed against a shortlist evaluation criterion to provide an indication of the relevant pros, cons, risks and opportunities associated with each proposition. Unlike most Business Cases, this exercise has not identified a specific investment option that should be progressed. Rather, this exercise has provided guidance for future evaluation of specific investment propositions by the proposed IMM.

2.3.6 Criteria

Critical Success Factors (CSFs) have been used as the starting point for this MCA. CSFs establish the elements that are essential for an option to be able to successfully deliver the project in a way that satisfies the Investment Objectives and solves the Problem Statements.

The development of CSFs has been informed by Treasury Better Business Case guidance, analysis of information supporting the case for change, Investment Objectives and the original Cabinet mandate for the project. Within each MCA criteria there are a range of sub-criteria that have been drawn out.

The table below shows the MCA criteria used. The development of these criteria, including their description and respective weightings, have been developed by the Business Case team and represent a balanced view of decision-making criteria.

Table 24: Short List Assessment Criteria

Criteria	Sub-criteria	Description	Weighting
Strategic Alignment	Investment Objectives	How effectively does the option increase domestic gas supply by 2035? Qualitative assessment of the degree to which the option meets this investment objective.	12%
		How effectively does the option reduce perception of sovereign risk to gas investment? Qualitative assessment of the degree to which the option meets this investment objective.	8%
	Mitigate other commercial risk	Does the option resolve any other relevant commercial risks faced by the industry? Qualitative assessment based on responses from sector engagement completed through this project.	5%
	Improve long term gas outlook	Does an option improve the outlook for longer term gas supply? Qualitative assessment of the expected benefits of an option to producing domestic gas beyond 10 years.	5%
Market appetite		What is the expected market appetite to invest in the option? Qualitative assessment based on responses from sector engagement completed through this project.	20%

Criteria	Sub-criteria	Description	Weighting
Affordability		Is \$200m enough to effectively deliver an option? Qualitative and quantitative assessment of potential investment boundaries for a \$0m - \$190m investment - what does this investment 'buy'?	10%
Value for money	Commercial upside	How much commercial upside does the option present for the Crown? Qualitative assessment of the scale and likelihood of any commercial returns (as expressed through reasonable industry averages) and the probability of commercial success.	10%
	Commercial / legal downside	What is the scale and likelihood of downside commercial/legal risks to an option? Qualitative assessment of commercial and legal risks. Examples include Current and contingent liabilities; Commitment to future investment(s); Exposure risk.	10%
Ability to implement	Ability to implement	How achievable is an option? Qualitative assessment of the perceived ability to implement an option in the proposed timeframes.	10%
	Flexibility	How much flexibility does an option present? Qualitative assessment including considerations such as: Upfront investment vs phased investments; Level of control; Exit strategies.	10%

Each shortlist option is assessed against their ability to meet each criterion using a -3 to +3 scoring range:

- **-3 = Extremely poor** capability to/will not achieve and/or contribute to the CSF.
- **-2 = Very poor** capability to/will not achieve and/or contribute to the CSF.
- **-1 = Poor** capability to achieve and/or contribute to the CSF.
- **0 = Immaterial** capability to achieve and/or contribute to the CSF.
- **+1 = Good** capability to achieve and/or contribute to the CSF.
- **+2 = Exceeds** capability to achieve and/or contribute to the CSF.
- **+3 = Largely exceeds** capability to achieve and/or contribute to the CSF.

A 0 to +3 criterion was applied for the following criterion, based on the assumption they would generally result in a net positive outcome:

- Strategic Alignment – Investment Objective 1
- Strategic Alignment – Investment Objective 2
- Strategic Alignment – Mitigate other commercial risk
- Strategic Alignment – Improve long term gas outlook
- Market appetite
- Affordability
- Value for Money – Commercial upside

A 0 to -3 was applied for the following criterion, based on the assumption they would generally result in a net negative outcome:

- Value for money – Commercial downside
- Ability to implement
- Flexibility

Further detail on this scoring methodology can be found in Appendix D.

2.3.7 Shortlist assessment

A summary of the shortlist assessment stage is provided in Table 25 and Table 26

As noted in the introduction to the Economic Case, there are material challenges in completing this analysis in lieu of specific investment option details and real commercial sensitivities. Accordingly, this analysis should be considered high-level, but sufficient to outline trade-offs around strategic alignment, value for money, affordability, and achievability of different investment options. This analysis will be used to support more detailed investment optioneering once the IMM is established.

Detailed analysis of each investment option is provided in Appendix D.

This assessment shows that under the right circumstances all of these investment options could support the Investment Objectives of the investment fund – but that each carries different trade-offs around strategic alignment, value for money, affordability and achievability and that these are best assessed through the proposed IMM.

Table 25: Shortlist assessment summary

			Direct investment				Commercial Contract	Ancillary	
Criteria	Sub-criteria	Weighting	Equity Stake in Production	Equity Stake in Explor.	Underwrite Develop.	Sector Loan	Risk Sharing Contract	Rig Mobilisation	System Investments
Strategic alignment	IO 1 (gas supply)	12%	+3	+2	+1	+1	+2	+2	+2
	IO 2 (sovereign risk)	8%	+1	+1	+1	+1	+1	+1	+1
	Mitigate other commercial risk	5%	+1	+1	+2	+1	+1	+1	+1
	Improve long term gas outlook	5%	0	+2	+2	+2	+2	+2	+1
Market appetite		20%	+2	+2	+2	+1	0	+2	+1
Affordability		10%	+1	+1	+1	+1	+1	+1	0
Value for money	Commercial upside	10%	+2	+2	+1	+1	+1	+1	+1
	Commercial/legal downside	10%	-2	-2	-2	-2	-1	-1	-1
Ability to implement	Ability to implement	10%	-2	-2	-2	-1	-2	-2	-2
	Flexibility	10%	-2	-2	-2	-1	-1	-2	-1
Weighted Score			+0.59	+0.57	+0.40	+0.35	+0.27	+0.57	+0.32

Table 26: Investment Options Evaluation Summary and Scores

Investment Option	Weighted Score	Evaluation Summary
Equity Stake in Production	+0.59	Taking an equity stake in a producing oil field would meet the investment objectives and represent a viable commercial proposition. There are material downside commercial risks to consider and manage, including potential decommissioning exposure, but this investment option should be included in the suite of tools for the IMM.
Equity Stake in Exploration	+0.57	Taking an equity stake in an exploration development would meet the investment objectives and may represent a viable commercial proposition. There are material downside commercial risks to consider, including dry hole risk, but if managed effectively could result in material development profit depending on the restrictions of divestment rules at shareholder level and market appetite for non-controlling shareholdings. While the commercial upside is likely greater than equity investment in production, the financial risk is far larger and exit opportunities may be limited for an extended period of time.
Rig Mobilisation	+0.57	This option responds to a known challenge in the New Zealand sector given scale, distance, and prospectivity issues. Depending on how this is structured, it could be well received from the industry and there would be expected to be appetite.
Underwrite Development	+0.40	Underwriting is a potential option for early-stage exploration, risk-sharing and attracting private capital, however there is limited control over long term influence over the project, market appetite, and the financial returns are expected to be lower, all else equal, compared to an equity stake in a project.
Sector Loan	+0.35	Direct loans are a viable option for early-stage exploration to attract private capital with stated market appetite but carries higher risk than traditional forms of financing. Moreover, there is limited influence over long term control of the project and the financial returns are expected to be lower, all else equal, compared to an equity stake in a project.
System Investments	+0.32	In principle this represents a potentially beneficial investment that would enable known gas quantities to enter the wider market in a way that is not currently occurring. However, there remain major uncertainties about size, scale and nature of investment required, commercial arrangements, and risk present in investing in pipeline or processing facilities. It is also unclear how this would impact existing market arrangements.
Risk Sharing Contract	+0.27	On balance, entering into a risk sharing arrangement may represent a viable commercial proposition, which could stimulate gas development, and has precedent in overseas jurisdictions. However, there was limited market appetite for this option and it would require complicated negotiations in underwriting development, managing offtake, and selling gas.

2.3.8 Diversified approach

Another critical overlay to this analysis has been that each individual investment option has been considered in isolation. In practice, there would be expected to be benefits to a more diversified approach.

It is intuitive that a diversified basket of investments would have a multiplier effect on Investment Objectives and likely spread the risk of an investment failing to produce commercial returns. For example, comparatively smaller individual stakes to support producing field(s), exploration activity, and facilitating wider access to a drilling rig in the near term would likely be a preferable approach rather than investing all of the investment fund in one of the above options in isolation.

In the above scenario the Crown could:

- Pursue multiple strategic objectives (around near-term and longer-term gas supply).
- Realise efficiencies in pursuing multiple investment options given the potential to share common resources. Options for rig facilitation and potential exploration activity are good examples of this.

Detailed diversified investment analysis should be a core function of the IMM.

2.4 Summary

The Economic Case concludes that, at a high-level, there are at least seven investment options that present viable options for upstream gas investment. Each of these investment options are within scope of this investment, at least partially meet one or both Investment Objectives, and have been raised as viable potential investment options by at least one industry participant. All seven investment options present different commercial opportunities, as well as legal and commercial risks, and have different implementation pathways.

The criticality of establishing a robust IMM to originate, evaluate, and negotiate these investment options with industry counterparties cannot be understated. This is a highly technical area, with commercially astute co-investors, and the need for sufficient experience, capacity and capability to establish and then operate a fit for purpose IMM is essential.

Seven IMM models have then been evaluated and two models have been assessed through this Economic case – with time, cost and independence trade-offs.

- **Schedule 4A:** longest to establish (roughly four to eight months) and the most expensive to operate. Would provide the most operational independence in decision making.
- **Lead Agency +:** quickest to establish (two to three months) and expected to be least costly. Would provide greater Ministerial oversight of decision-making, informed by an Expert Advisory Panel.

In practice, other variations remain under consideration including the intermediate option of using an existing Schedule 4A company, such as Crown Regional Holdings Limited (CRH Ltd). However, the Commercial, Financial, and Management Cases provide more operational details about the commercial focus, cost, and implementation steps for these two IMM models.

3. Commercial Case

This Commercial Case provides:

- An indication of the expected Investment Mandate for the IMM. While it is expected that a formal mandate will be confirmed through the establishment phase, including with co-development and/or support of investment decision makers and expert advisors, the Business Case has outlined starting points for scope, purpose, and commercial considerations.
- An overview of the potential deal origination process. There are broadly three options with the latter of these initially favoured:
 - Unsolicited bid model;
 - Investment round/process; and
 - Hybrid model - one-off investment round/process upon establishment with a clearly defined unsolicited bid process thereafter.
- Details on the procurement elements to establish an IMM. In Phase 1, these activities are expected to focus on recruitment/appointment of critical staff and securing appropriate consultancy resources.

Given residual uncertainty about the preferred IMM, this Commercial Case provides general insight into the above topics. It is expected that all three elements will be refined and confirmed through establishment phase activities.

3.1 Investment mandate

Understanding the boundaries of the Investment Mandate for the IMM is a critical activity and needs to be informed by a clearly defined strategy. It also needs to be developed in lock step with the confirmed IMM.

It is expected that the refinement of strategy and development of the mandate will be undertaken through Establishment Phase activities, including with co-development and/or support of investment decision makers and expert advisors.

The Commercial Case progresses thinking for the Investment Mandate, providing considerations that may be considered during the development stage, which will have implications for the:

- Capacity and capability of the resourcing mix sought for the IMM – including Board skills composition (as outlined in Section 3.2 of the Commercial Case);
- Likelihood of reaching a positive deal conclusion through the deal origination process (as outlined in Section 3.3 of the Commercial Case); and
- Costs of the IMM as outlined in the Financial Case.

Additionally, many investment mandate considerations will be value-based judgements that are best made by officials and Ministers. Therefore, outlining these potential boundaries can help inform wider advice.

3.1.1 Scope and purpose

Agreeing the purpose of the entity provides the foundation from which to determine the scope of the entity's commercial and operational mandate.

A high-level scan of a range of Schedule 4A companies identified some common purpose statements and/or conceptual similarities to adopt for this IMM.⁶⁴ This exercise concluded that it is generally preferable to have a limited number of purpose statements so that the IMM can remain focussed on core activities - rather than efforts being distracted and diluted through a wider remit.

Table 27 below provides an overview of four purpose statements that have been considered through this Business Case. Of these, it is proposed that the two highlighted form the basis for any formal determination of a purpose statement as captured in a Constitution, Statement of Intent, or as referenced in the Investment Mandate.

Table 27: Potential purpose statements for IMM

Purpose Statements	Considerations	Adopted?
Co-invest in upstream opportunities to increase domestic gas supply	- A narrow focus on investment options to increase domestic gas supply through upstream opportunities is aligned to the scope of the Business Case, expectations in the Cabinet Paper, and Investment Objective 1. - Subject to ministerial value-based judgements referred to above, it is suggested that a purpose statement remain silent on short term vs long term needs – which will enable the IMM to weigh up risk adjusted returns on a case-by-case basis.	Yes
Invest on a commercial basis	- An explicit expectation for investments being made on a commercial basis aligns with the scope of the Business Case and the Cabinet Paper. - A general definition of 'commercial' will be required – likely focussed on the need for any investment to make a commercial return. A core decision for the Board is whether a specific 'risk adjusted return profile' is stipulated or whether a range is provided to account for the variability of investment options that may need to be evaluated.	Yes
Crowd-in investment capital	- There was no expectation for crowding in investment (a scenario in which increased Government investment leads to additional private sector investment) as identified through the Cabinet Paper or as indicated through the Investment Objectives. - Some Schedule 4A companies have crowd in expectations included in their purpose statement. However, there have been mixed results in how effective this has been. - It is proposed that this purpose statement be excluded because explicitly targeting crowding-in capital could limit investment	No

⁶⁴ Schedule 4A purpose statements scanned include NZ Green Investment Fund, Kiwi Bank Group Limited, and Crown Regional Holdings Limited.

Purpose Statements	Considerations	Adopted?
	options and could misalign resource priorities to be capital markets-facing rather than industry-facing. - Also, by virtue of operating as a capital investor with reasonable governance processes, it is assumed pooling of investment would occur naturally as opportunities are originated and developed. - An objective to crowd-in additional capital could be permitted as part of the constitution.	
Show market leadership and/or mitigate sovereign risk	- The Cabinet Paper was clear that mitigation of sovereign risk is sought – but was less prescriptive about expectation for market leadership. - However, while the intention of the IMM is to communicate the Crown’s commitment to gas via commercial investments as a means to encourage further private investment, it is not necessary for this specific entity to be mandated to play a market leadership role.	No

3.1.2 Commercial considerations

While in principle, the IMM would seek to meet its purpose statement discussed in Section 3.1.1, there are more detailed commercial considerations that could be drafted within an Investment Mandate that would form part of the wider set of establishment documents.

An Investment Mandate would serve as a clear, formal document that defines the IMM’s strategic roadmap and investment parameters, therein acting as a guiding document for making and managing investments. It would set out key commercial elements such as the IMM’s risk profile, financial goals, investment beliefs, and asset allocation preferences. This would ensure the IMM’s governance and management aligns with the specific objectives (including the purpose statements) and risk tolerance of the Crown, providing consistency and discipline in decision-making.

Initial Investment Mandate considerations are provided in Appendix G. Similar to purpose statement considerations, it is expected that the Project Team will refine and develop these considerations as part of its core activities.

Key considerations

Four critical considerations in the Investment Mandate emerge. The extent to which the Investment Mandate is prescriptive, or whether general guidance is provided on the following, will be important to confirm in consultation with the Board/Directors of the eventual entity.

- Short-term vs longer term opportunities.** A core consideration in the Investment Mandate is the extent to which near term opportunities are preferred over longer-term opportunities.
It is proposed that this direction is best advised at a Ministerial level, and then given effect to through the Investment Mandate, and/or any associated Letters of Expectations.
- Risk-adjusted investment ranges and/or investment hurdles.** In addition to the fundamental question of whether it is appropriate for the Investment Mandate to set investment ranges or

hurdle rates, there is also a question of whether these rates should be adjustable depending on asset classes / stage of investment lifecycle.

- **Risk tolerances.** The level of commercial return expected is typically a function of the level of risk presented, which can be defined via risk tolerances for specific investment propositions.

It is proposed that no formal risk-adjusted investment range, and accompanying risk tolerance thresholds, be mandated as part of the investment mandate provided to the IMM. Each investment option should be considered on a case-by-case basis. Rather, the expected commercial returns, the relevant legal and commercial risks, and the potential exit strategies for each investment (at a minimum) should be presented to decision makers as part of FID in each project and reviewed at stage gates as part of each investment decision.

- **Diversified investments.** It is intuitive that a diversified basket of investments would have a multiplier effect on Investment Objectives and likely spread the risk of an investment failing to produce commercial returns. Moreover, a coherent package of investments is likely to more effectively mitigate sovereign risk than one single investment. Development of the Investment Mandate should therefore consider whether a diversified investment approach should be explicitly instructed or whether it should be simply permitted.

It is proposed that a diversified investment management approach is not explicitly mandated but is permitted and generally encouraged (depending on the nature of each specific investment option considered).

3.2 Deal origination model

There are broadly three options (unsolicited bid model; investment round/process; hybrid model - one-off investment round/process upon establishment with a clearly defined unsolicited bid process thereafter) that have been considered with high level pros and cons outlined in the below table.

Underpinning these options is the desire to balance flexibility to pursue a fit for purpose deal origination process but also adhere to expectations set out in Government Procurement Rules (including inclusivity and the promotion of good practice for procurement planning, approaching the supplier community). While this investment is not strictly 'procurement' it does share similar characteristics.

Table 28: Deal origination model

Deal origination model	Pros	Cons
Unsolicited bid model – The IMM clearly states its evaluation criteria for investment options, and parties can submit a proposal at any time. This option could leverage learnings from NIFFCO market led proposal process.	• The market will likely favour the flexibility afforded by the model provided that the IMM is sufficiently resourced and that consistent investment evaluation decisions are made. • Allows for bids to be received in real time.	• Resourcing level will likely not match the expected responses (either under or over resourcing). • Challenging for the IMM team to assess opportunities at a portfolio-level.

Deal origination model	Pros	Cons
Periodic bid round model – The IMM clearly states its evaluation criteria for investment options, but opportunities to submit a response are limited to a specific period of time.	• Will allow the IMM team to plan resources appropriately – as resourcing decisions can be made once all responses are received. • Allows for portfolio-level considerations.	• Rigid timeframes may not incentivise real time opportunity realisation. • Expected there will be periods where resources are under-utilised.
Hybrid model - The IMM clearly states its evaluation criteria for investment options, and a one-off submission round upon establishment is offered. From a set date, an unsolicited bid process is followed thereafter.	• Will allow the IMM team to plan resources appropriately in the short term – as resourcing decisions can be made once all responses are received. • Will allow longer term ‘rules of thumb’ to be developed to resource up for future unsolicited bids. • Allows for portfolio-level considerations.	• Parties may wait until the first round is completed before submitting unsolicited bids.

An overview of how the deal origination process, through to deal completion, is outlined in Figure 19 below.

Eligibility Criteria

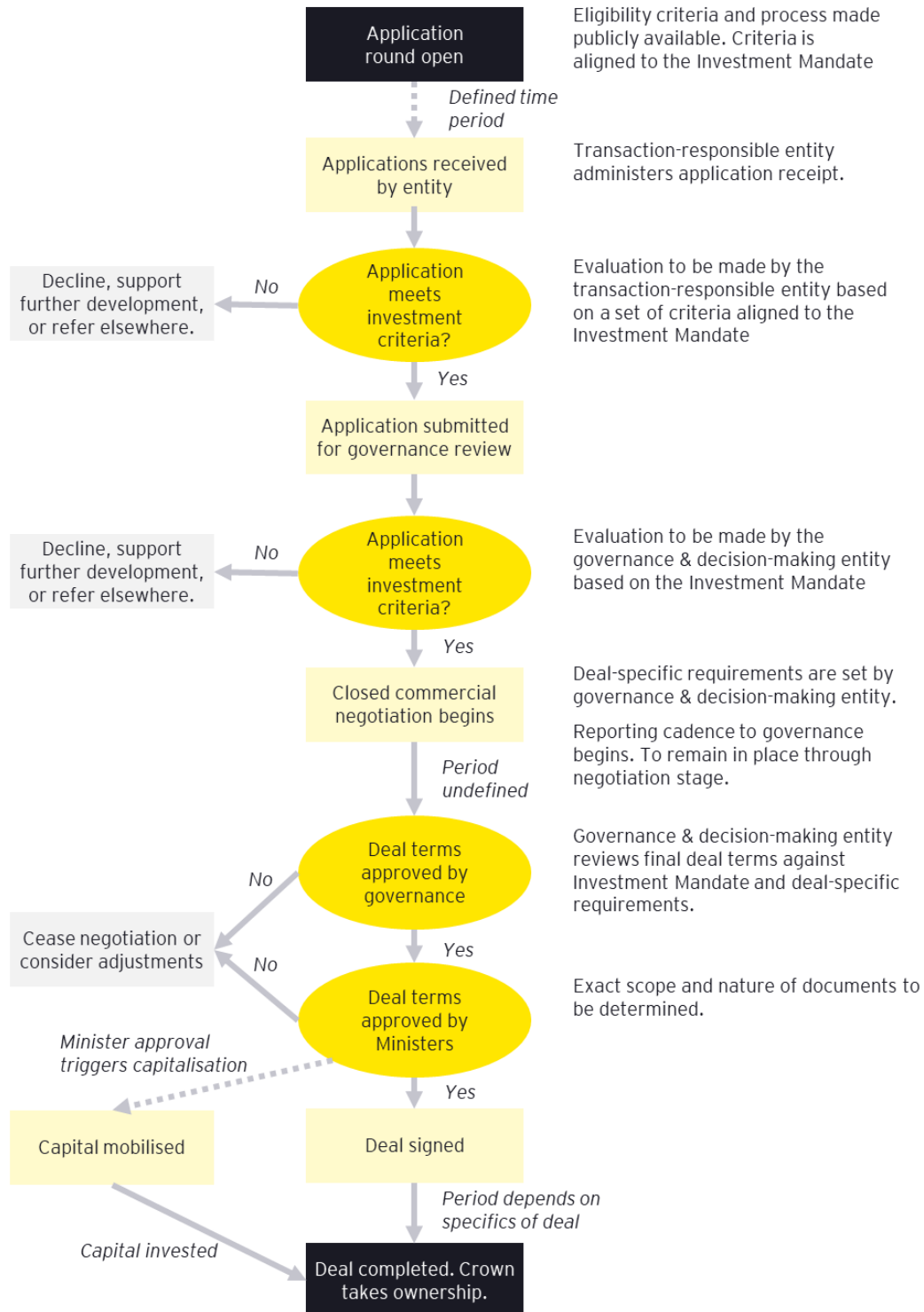
An important part of the deal origination process is the presence of binary eligibility criteria to determine whether investment opportunities are credible at the first hurdle. Eligibility criteria would, at least in principle, align with the key considerations noted in Section 3.1.2 above and would be expected to comply with the IMM’s Investment Mandate (to the extent that it has been developed at the time of seeking investment proposals from the market).

Appendix G provides context on how these criteria could comprise part of the Investment Round documentation which would also include background information, process steps and timeline, legal and confidentiality terms, and other supporting information.

At a minimum, eligibility criteria would be expected to cover the following:

- **Scope of investments** (generally as outlined in this Business Case) and with reference to any prohibited investments or exclusions (e.g., ethical, reputational concerns, or out of scope as defined in this Business Case).
- **Counterparty qualifications** (e.g., financial and social standing, prior experience and track record, legal compliance).
- **Legal and regulatory compliance requirements** (e.g., adherence to Financial Markets Conduct Act 2013, or equivalent if open to companies outside of New Zealand).
- **Readiness for negotiating and settling a transaction** (to ensure expediency of Crown investments).

Figure 19: Application to deal completion process



3.3 Procurement elements

Upon Cabinet consideration of this Business Case, immediate work is expected to begin establishing an IMM and to procure capability and supporting services necessary to evaluate on investment options. The scale and nature of these procurement elements is outlined across the two Phases of the project.

- Phase 1 – Establishment (covering all efforts and activities to establish the IMM).
- Phase 2 – Operational (covering baseline efforts required once the IMM is operational).

3.3.1 Phase 1 – Pre-establishment

The primary activities of Phase 1 will be standing up a Project Team to focus on completing all activities required to establish an IMM, to progress early-stage deal origination activity, and to report / engage stakeholders on progress.

Given the timeframes available, and the skillsets available within MBIE (Kānoa), it is expected that the Project Team outlined in the Management Case will largely be sourced via internal secondment / transfer within MBIE (Kānoa).

MBIE (Kānoa) has experience in establishing a Schedule 4A entity, has commercial skillsets, and general knowledge of the upstream oil and gas sector, and there is precedent for pooling MBIE (Kānoa) resources to deliver defined projects like this.

While MBIE (Kānoa) possesses many of the attributes necessary for the Project Team, there will be capability and capacity gaps that are best met via external contracts – particularly for deal origination activities. It is proposed that MBIE procurement rules are followed when sourcing any external support as stated below. The opportunity to use a professional services panel for some of these skills may also warrant attention given the need to procure certain skills at speed to assist with opportunity evaluation and negotiation.

- **Petroleum sector specialists** – including Geoscience (geology, geophysics, reservoir engineering) to assess PRMS categories, resource potential, and maturation of contingent resources; petroleum engineering and production operations to evaluate well design, development planning, and production deliverability; Facilities and project engineering to scope costs, timelines, and risks for surface infrastructure (pipelines, processing, tie-backs, etc.); and HSE and regulatory expertise to manage compliance, permitting, and safety / environmental standards.
- **Commercial** – to support development of the proposed Investment Mandate and support any investment option evaluation and negotiations – including M&A/JV/JOA expertise: to review and structure joint ventures, farm-ins, and commercial agreements.
- **Legal** – to provide any support for necessary legal documents required for the establishment/augmentation of a Schedule 4A entity.
- **Recruitment** – to support the recruitment of any Board / Director personnel required for the Schedule 4A entity as well as any key staff (if necessary).
- **Other advisory** – including but not limited to, accounting and tax, organisational enablement, and Community and stakeholder engagement specialists.

Budget estimates for these services are outlined in the Financial Case.

3.3.2 Phase 2 - Operational

The nature of the IMM selected will have implications for the types of procurement completed in Phase 2 as well as the parties who will lead that activity – with specific powers to procure detailed in a Procurement Policy that will need to be drafted (or reconfirmed) in Phase 1.

4. Financial Case

This Financial Case outlines that:

- Budget 25 provided a tagged contingency for this investment fund of \$192m capex and \$2m opex p.a. over four years.
- The total cost of establishing and operating an IMM, including transacting investments, over an initial four-year programme (year 1 – year 4) is estimated to be **Commercial Information**. This assumes six transactions of varying size and complexity.
- When the initial four-year period's costs are converted to financial years, this corresponds to a total estimated baseline FY26 – FY29 opex of **Commercial Information** for the Lead Agency + option and **Commercial Information** for the Schedule 4A (new) option.⁶⁵
- The proposed option selected will determine the expected operating funding track.
 - If the Lead Agency + model is chosen, then it is proposed that the full \$2m p.a. of opex be drawn down over the four-year period 2026-2029 with any additional opex to be met through MBIE baseline operating costs.
 - If the Schedule 4A (new) option is chosen then the \$2m p.a. of opex should be drawn down, and a combination of MBIE operating baselines, reprioritisation, and/or a separate request for additional operating funding required to cover any shortfall.
- Formal reporting obligations, and treatment of under/overspend, will be outlined as part of Phase 1 activities.

4.1 Funding profile

In 2025, Cabinet agreed to set aside a tagged contingency of \$200 million to co-invest in new gas fields, with the aim of mitigating sovereign risk and encouraging private investment in New Zealand gas energy production.

This funding envelope is broken down into the following:

- \$192m of capex over four years.
- \$2m per annum. of opex over four years.

Release of this funding is subject to Cabinet consideration of this Business Case.

⁶⁵ Some costs, particularly transaction costs, may be able to be capitalised upon transacting an investment, however, for the purpose of departmental funding to support working capital requirements in this Business Case, all costs are considered to be operating expenses. In this regard, actual accounting treatment will need to be determined in due course for each individual investment.

4.2 Financial costs

The total cost of establishing, and operating, an IMM over an initial four-year programme (Year 1 – 4) is indicatively estimated at **Commercial Information**. This corresponds to a four-year budgetary forecast for FY26 to FY29 of **Commercial Information** with cash flows reflected in Figure 20 below. This estimate includes:

- **Establishment costs** – costs that are required to develop the IMM through Phase 1. These include external support costs for each workstream such as legal, commercial and recruitment fees, necessary Project Team costs and Expert Advisory Panel costs (as required, noting that the cost of any government agencies' input to Governance is assumed to be met from within existing baselines).
- **Operational costs** – costs that are required for ongoing management of investments through the operational stages of an investment lifecycle (refer to Section 2.2 for information on the investment lifecycle).
- **Transaction costs** – costs that are related to the receipt, evaluation, and negotiation of investment options. These costs are highly uncertain given the number, nature, and complexity of each opportunity is not known at this stage. Costs will begin to be incurred when short-listed options have been evaluated and the closed negotiation process commences.

These costs are indicative in nature given the largest cost inputs are the costs associated with evaluating specific investment opportunities. It is unclear the number, nature, and complexity of this activity, however six transactions of varying size and complexity have been assumed, and high-level ranges have been presented to show this uncertainty.

Commercial Information



4.2.1 Establishment cost

Establishment costs are required to develop the IMM through Phase 1. These include Project Team costs (as necessary); external support costs for each workstream such as legal, commercial and recruitment; and Advisory Group costs. Table 29 provides further detail and applicability to the IMM options.

Most establishment costs are expected to be incurred during Phase 1, prior to legal establishment of the IMM (in the case of the Schedule 4A (new) option). Whether or not some costs continue to be incurred in initial months of Phase 2 depends on detailed staging of project workstreams.

Table 29: Establishment costs

Cost category	Description and assumption (<i>new Schedule 4A entity basis</i>)	Cost	
		Schedule 4A (new)	Lead Agency +
Project Team staff costs	Assumed that all Project Team staff costs will be met from within MBIE baselines by reprioritising existing MBIE and MBIE (Kānoa) staff.	Fiscally neutral	Fiscally neutral
External support	Budget for a range of external support is required to progress pre-establishment activities including: • Petroleum sector specialists – including geoscience; petroleum engineering and production operations; facilities and project engineering; and HSE and regulatory expertise. • Commercial – to support development of the proposed Investment Mandate and support any investment option evaluation and negotiations – including M&A/JV/JOA expertise to review and structure joint ventures, farm-ins, and commercial agreements. • Legal – to provide any support for necessary legal documents required for the establishment/augmentation of a Schedule 4A entity. • Recruitment – to support the recruitment of any Board / Director personnel required for the Schedule 4A (new) entity as well as any key staff (if necessary). • Other advisory – including but not limited to, accounting and tax, organisational enablement, and Community and stakeholder engagement specialists.	Commercial Information	
			Leverage MBIE / MBIE (Kānoa) capability, and simpler IMM to set up, so less requirement for external advice.
Expert Advisory Panel	Budget for a proposed Expert Advisory Panel to shepherd Phase 1 through into Phase 2.	Commercial Information	

Cost category	Description and assumption (new Schedule 4A entity basis)	Cost	
		Schedule 4A (new)	Lead Agency +
	Public servant time is considered fiscally neutral while costing for independent representatives is based on day rates.		
Total cost		Commercial Information	

4.2.2 Operational costs

The IMM will incur operational costs relating to ongoing investment management through the operational stages of an investment lifecycle. These include Director or Expert Advisory Panel fees, staff costs, and necessary products and services to support the wider functioning of the IMM.

Table 30 below details the costs to operate the IMM over the four-year programme for each IMM option.

Table 30: Operational costs

Cost category	Description and assumption (new Schedule 4A entity basis)	Cost (per annum)	
		Schedule 4A (new)	Lead Agency +
Board fees / Expert Advisory Panel fees	Budget for a six-person Board, based on mid-point estimates of Level 1 Group 3b (Subsidiary Bodies of Statutory Entities) ⁶⁶ and including travel and other expense allowances. - Chair: \$62,000 - Member(s): \$31,000	Commercial Information	
			No new directors however Expert Advisory Panel required.
Staff costs	Budget for 4-6 staff, with strong industry experience (for most, if not all positions), including: - CEO - Investment Director - Investment Analyst - Operations Manager - Support Services Manager - Financial Support - Administration Includes KiwiSaver and no allowance for bonus.	Commercial Information	
		Year 1-2 is higher due to transactional phase requiring more resource. Transition toward an investment management phase occurs through Year 3-4.	MBIE (Kānoa) to provide capability, meaning shared services and other integrated support functions lower the cost.
Entity costs / overheads	Cover products and services such as premises, property, equipment, subscriptions, IT equipment, cell	Commercial Information	

⁶⁶ DPMC (2025) CO (25)2 Cabinet Fees Framework. [Cabinet Office Circular CO \(25\) 2: Cabinet Fees Framework for members appointed to bodies in which the Crown has an interest - July 2025 - Cabinet Office](#)

Cost category	Description and assumption (new Schedule 4A entity basis)	Cost (per annum)	
		Schedule 4A (new)	Lead Agency +
	phones and computers, payroll system, travel and vehicles, etc.		Based on MBIE allocated overheads MBIE (Kānoa) to provide capability.
Specialised External Support	A budget for a range of specialised outsourced support functions, products and services would be required. Outsourced external support - based on the staff noted above, the IMM will require other functions to support its core BAU operations (outside of transactional support). Such functions include legal, accounting, financial, tax and insurance advice; geoscience, engineering and gas sector strategic advice; HR support; systems and IT support, and other operating functions. Specialised products and services – additional to the entity costs above, there may be the ongoing requirement to procure specialised products and services more closely related to core business operations such as financial systems, technology and data services, audit, and insurances (such as Directors & Officers and Warrantees & Indemnities). Costs are based on a bottom-up build of likely requirements.	Commercial Information	
			Allowance for specialised legal advice, incremental audit costs for subsidiary and insurance.
Total		Commercial Information	

4.2.3 Transaction costs

There are significant transaction costs that could be incurred to execute an investment(s) over the initial four-year programme – and these are highly uncertain.

As outlined in the Commercial Case, it is expected that MBIE (Kānoa) does not have the full breadth of skills and experiences to manage the complexity associated with deal evaluation and negotiation. External support is expected to be required to supplement MBIE (Kānoa) covering petroleum sector, legal, and commercial expertise.

Uncertainty associated with the deal pipeline (number, nature, size, timing, and complexity of each option) presents challenges in both the size of the budget required for these services as well as the timing of working capital allocated.

The table below outlines estimated transaction costs for external support based on corporate advisory industry standards. The estimates included in this table are based on an indicative investment values and deal complexity.⁶⁷

This estimate is appropriate for the purposes of understanding likely working capital requirements for this support – but is not precise in nature. In practice, none, all, or more of these fees may be required based on the nature of any evaluation and negotiation activity.

Lead Agency + IMM costs are lower than Schedule 4A (new) costs because it is assumed MBIE (Kānoa) could provide some capabilities required to manage and execute transactions.

The table below details the transaction costs incurred over the four-year programme for each IMM option.

Table 31: Indicative transaction costs

External Support	Estimated transaction cost / % of total investment ⁶⁸	
	Schedule 4A (new)	Lead Agency +
Legal / Commercial	Commercial Information	
Other Advisory (e.g. SMEs covering petroleum, geoscience, environmental, and engineering)		
Total		

4.3 Affordability and next steps

The costs above have been estimated assuming a four-year programme to establish and undertake operations of the IMM. Figure 21 below provides the programmes an estimated annual cost forecast.

⁶⁷ For budgeting purposes, we have considered transaction costs to reflect a series of mid-market sized deals with reasonable complexity, allowing for more than one deal to be completed within the first two years. The number, size, timing, and complexity of a deal(s) will depend on actual market opportunities and the appetite of the Board and management.

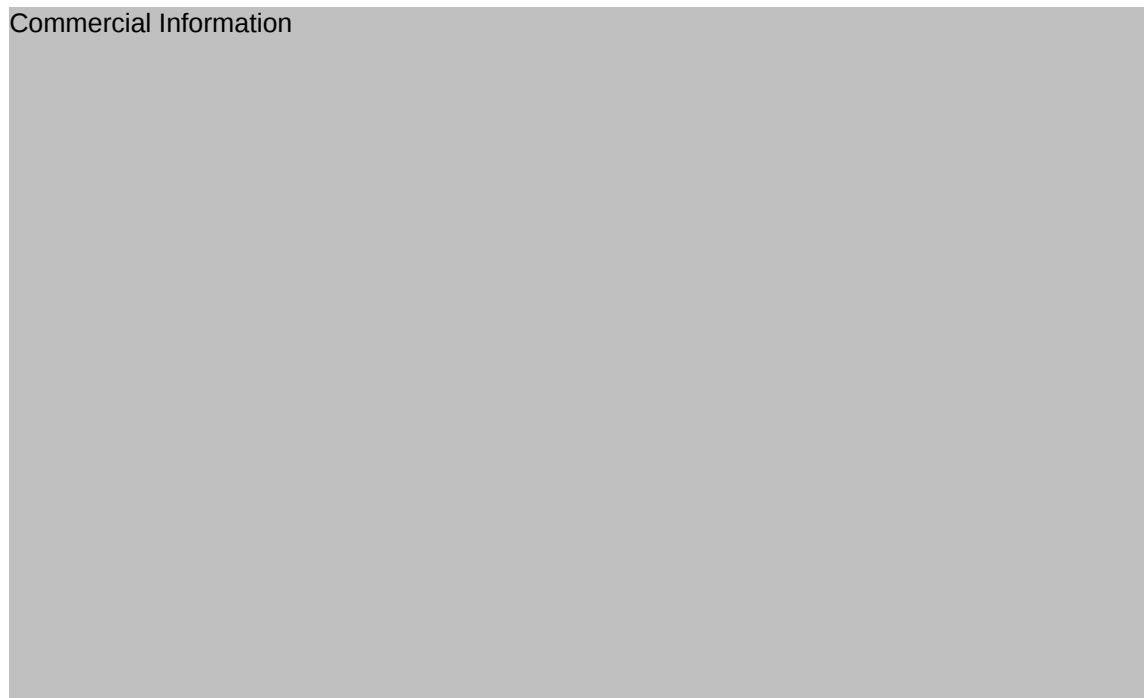
⁶⁸ Total investment is equal to \$200m minus establishment and transaction costs, and minus total Year 1 – 4 operational costs.

Commercial Information

The four-year programme cost estimates have been allocated to a four-year budgetary annual cost forecast (FY26 to FY29) by assuming the IMM will be operational from 1 Jan 2026, meaning half the Year 1 operating and transaction costs will be incurred in FY26 and the remaining half will be incurred in FY27. Similarly, half of the Year 2 operating and transaction are assumed to be incurred in FY27, and the remaining half will be incurred in FY28, and so on. It is assumed all establishment costs will be incurred in FY26.

Figure 22 below, and as provided in Figure 20, provides an estimated four-year budgetary forecast for FY26 to FY29 based on the allocation above. Estimates suggest FY27 will incur the highest level of expenses for both IMM options. This is because it is the first full year of expenses and coincides with a period of high transaction costs. Costs then reduce through FY28 and FY29 as fewer transactions are made and IMM operations transition into a phase of investment management.

Commercial Information



The estimates in the reflect an FY26 departmental operating expenditure of \$3.86m (based on the higher of the two options' costs) to commence Phase 1 pre-establishment and support the IMM establishment, deal origination activity, and investment management operations. This cost is within the funding envelope signalled as part of Budget 25. This is summarised in Table 32.

Table 32: FY26 Business Case costs

	FY26 Business Case costs	
	Schedule 4A	Lead Agency +
Establishment costs	Commercial Information	
Operational cost		
Transaction costs		
FY26 Total		

Consequently, this Business Case supports the drawn down of \$2m p.a. of opex for a four year period from 2026 – 2029 if a Lead Agency + model is chosen, and a drawn down of \$2m p.a. of opex with a combination of MBIE operating baselines, reprioritisation, and/or a separate request for additional operating funding required to cover any shortfall, if a Schedule 4A (new) option is chosen.

5. Management Case

The Management Case describes the workstreams, deliverables and resourcing required during the establishment phase of the IMM (Phase 1) that will enable the IMM to be operational from Day 1 onwards (Phase 2).

Day 1 generally denotes the time at which the chosen IMM becomes operational. That is, when the entity requiring establishment receives formal legal status and/or its Board or advisory panel and management personnel (if any) commence operational duties.

This Management Case:

- Recognises that a core Project Team will be required to establish an IMM. The degree of resourcing required by the core Project Team and the specific entities involved in cross-governance differs depending on the IMM; and
- Estimates timelines for completion of Phase 1 activities by workstream, which span from two to eight months (in a “best case scenario”) depending on the IMM.

This Management Case focuses primarily on Phase 1 activities. These position the chosen IMM for operability from Day 1 onwards, at which point the workstreams, timelines, roles and responsibilities will be determined by the IMM established.

5.1 Project workstreams

In Phase 1, activities under the following workstreams should be progressed regardless of the preferred IMM chosen.

Table 33: Project workstreams

Workstream	Functions
A. Project Team establishment	Establishing a Project Team of representatives and supporting subject matter experts who will be responsible for preliminary work to stand up and operationalise the IMM. The set of capabilities that the Project Team establishment workstream will be required to source, and the proposed approach to sourcing, is provided in Appendix E. It is expected that this Project Team will be largely sourced via internal secondments from within MBIE and will be disestablished once the IMM is operational.
B. Legal / Governance	Within the Project Team there should be a Legal/Governance workstream that: • Produces necessary documents and processes required to establish the IMM prior to Day 1; and • Ensures statutory obligations are met and the portfolio is governed effectively once operational, through Phase 2.

Workstream	Functions
	Early direction for these activities is provided in the remainder of this Management Case and in Appendix F. It is also expected that this workstream will work with PSC and Treasury to confirm the ongoing monitoring arrangements for the IMM.
C. Commercial	Within the Project Team there should be a Commercial workstream that: • Determines the Investment Mandate for the IMM by documenting the objectives, strategy, risk tolerance, and guidelines to inform each transaction and manage the portfolio; • Develops the Assessment Criteria; and • Completes early engagement activities with the market and develop supporting materials for the deal origination processes. Early direction for the above two items is provided in the Commercial Case and detailed in Appendix G.
D. Entity Enablement	Within the Project Team there should be an Entity Enablement workstream with a focus on: • People: Identifying and where relevant supporting the recruitment and/or secondment and/or appointment of staff (including Board, Director, C-Suite roles, and any operational staff) across the IMM. This will also consider the approach to market for critical external support – including legal, commercial, and technical (geoscience, etc). • Processes: Developing, and where relevant documenting guidance, for ongoing operational processes. • Systems: Identifying, integrating, and where relevant procuring, relevant systems to support an effective IMM. Steps the Entity Enablement workstream will undertake are provided in Appendix H.

5.2 Governance and project team structures

It is proposed that the Project Team is responsible for all Phase 1 activities. Roles within the Project Team remain generally consistent across all models based on the shared breadth of activities that must be progressed during Phase 1. However, the number of supporting staff, and the proposed governance arrangements, differs.

It would be appropriate for the Project Team to comprise the following roles.

- **Senior Responsible Officer (SRO):** to ensure the successful delivery of project outcomes, effective risk management, and continued alignment with the project's objectives. It is expected that this role will be held by a current DCE within MBIE.
- **Project Director (PD):** responsible for the coordination of workstreams and their respective deliverables within the required timeframes to keep the project timeline on track. It is expected that this role will be filled from an internal secondment within MBIE.

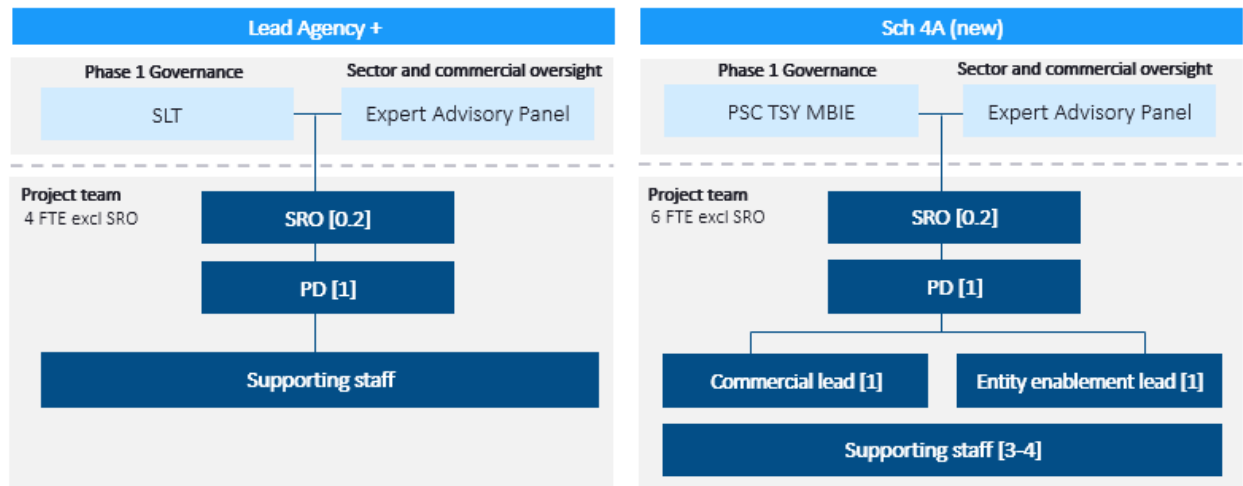
- **Commercial Lead (and supporting staff):** to lead the commercial workstream including development of the Investment Mandate, market engagement and investment development work. It is expected that this role will be filled from staff seconded from MBIE (Kānoa).
- **Enablement Lead (and supporting staff):** to lead legal/governance, and entity enablement workstreams. It is expected that this role will be filled from staff seconded from MBIE and would be expected to be more prominent in the Schedule 4A (new) model.

The Project Team may be required to engage with two governance forums:

- **Government representative group:** established to ensure Phase 1 activities delivers the required outcomes, including appropriate interagency integration, budgetary requirements, and timelines. It is proposed that this forum be ‘fit for purpose’ with MBIE SLT likely sufficient if **Lead Agency +** model is pursued. However, if **Schedule 4A (new)** model is pursued then a wider cross government group may be required – including representatives from TSY, MBIE and PSC.
- **Expert Advisory Panel:** This group would provide supporting advise to Ministers under the **Lead Agency +** model and Board-equivalent direction under the **Schedule 4A (new)** model, on origination and negotiation, and governance during development of the Investment Mandate. It is envisaged that independent members with gas sector, transaction and investment management experience would be targeted.

Figure 23 provides an overview of Project Team and governance structures, accompanied by a summary of key deviations that distinguish each IMM from one another.

Figure 23: Governance and Project Team structures



For the **Lead Agency +** model, a leaner Project Team of c. four FTE (excluding the SRO) would likely be sufficient given that many of the systems and processes already exist within MBIE (either directly, or under comparable models such as Crown Regional Holdings Limited).

The **Schedule 4A (new) model** entails more extensive Phase 1 activities given the need to establish and operationalise a new entity, and the people, processes and systems that will support it. This would require a Project Team of c. six FTE (excluding the SRO).

5.3 Project plan and milestones

The Project Team would be responsible for the completion of workstream activities (detailed in Section 5.1) in Phase 1, beginning at Cabinet approval and extending until the entity is either incorporated or operationalised (depending on the IMM selected). Based on the differing nature of activities to be undertaken, this Management Case presents an indicative timeline for Phase 1 activities for each IMM.

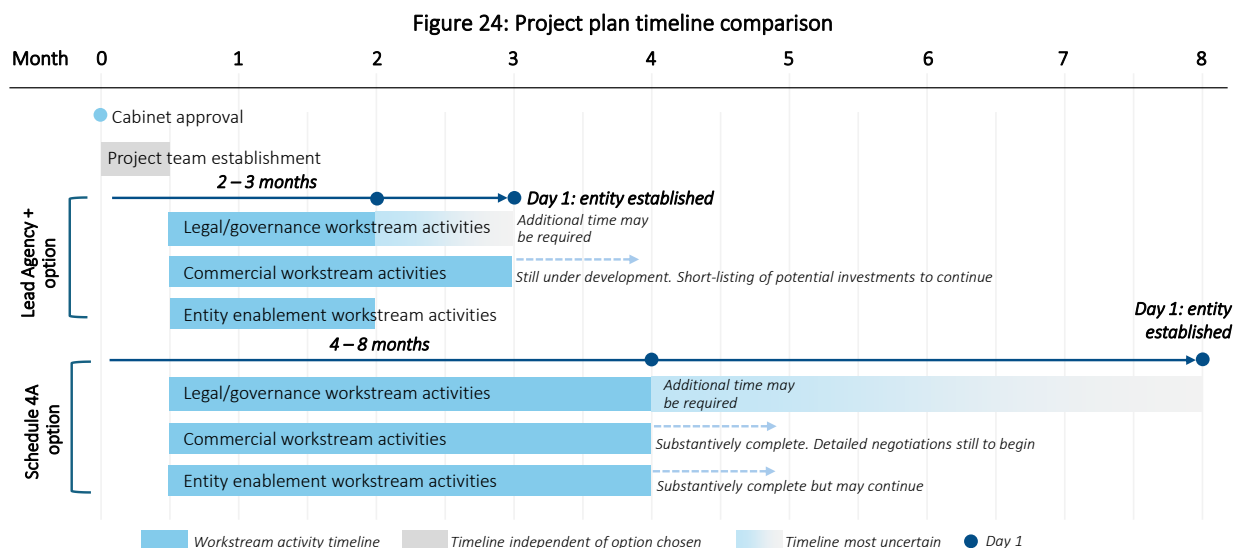
Section 5.3.1 and 5.3.2 presents timelines for the **Schedule 4A (new)** and **Lead Agency +** models and generally present a balanced view of how long it will take to complete Phase 1 activities.

The key differentiator between each timeline is that the Schedule 4A (new) model requires establishment of the legal entity and recruitment of key personnel (including the Board appointment process), whereas the Lead Agency + model becomes operational upon the appointment of an Expert Advisory Panel.

Both models will require that foundational documents are agreed (such as the Investment Mandate). Consideration should be given to the challenge of developing the Investment Mandate and governance framework, which have potential to elongate proposed timelines, particularly if Board or Panel members seek to influence their development and/or their recruitment takes longer than expected. Recruitment of key roles (decision-makers or operational staff) may also take longer than anticipated to find candidates with the necessary skills and experience.

However, with a commitment to accelerated decision-making, the timeline for entity establishment/operationalisation may be shortened. It is also anticipated that MBIE will be able to advance commercial negotiations on an interim basis in advance of full entity establishment.

Figure 24 provides high-level overview of the project timelines during Phase 1 by workstream and then detailed in full for both IMM in the following sections. Rationale for the time periods allocated to each workstream in the following sections can be found in Appendices E to H.



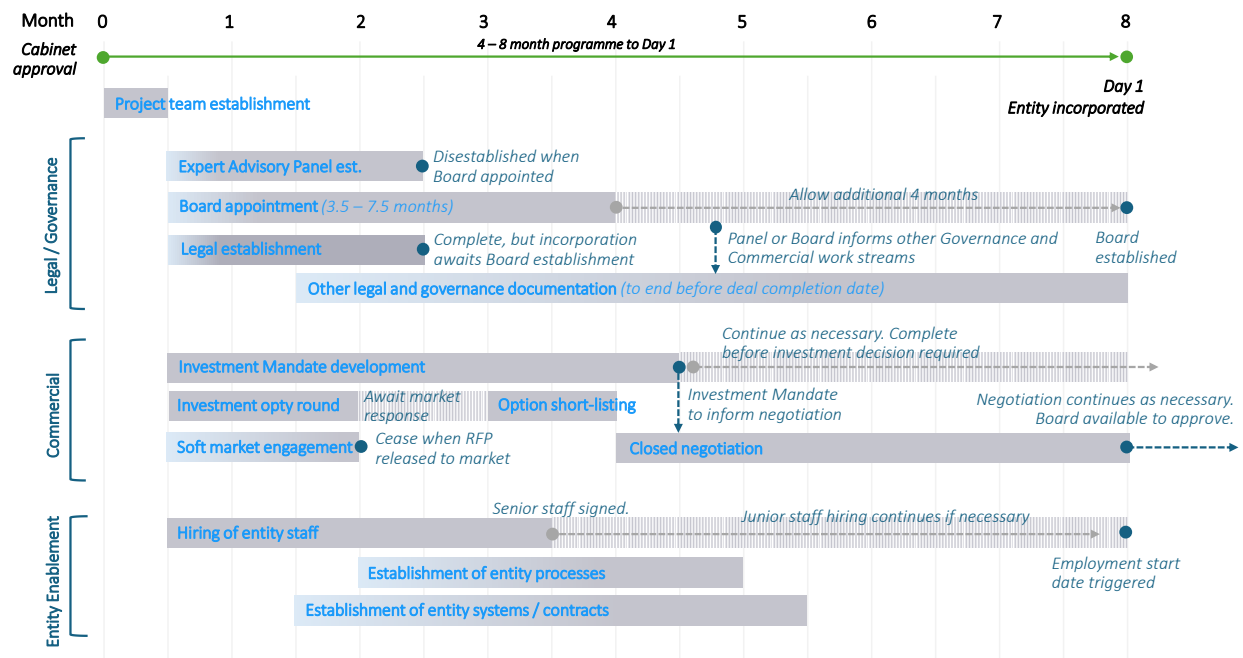
5.3.1 Schedule 4A timeline

Phase 1 activities under the Schedule 4A option are estimated to take a minimum of 4 to 8 months, as shown in the figure below. This is contingent on the ability to complete key workstream activities including the establishment of a new Schedule 4A company, Board appointment, and recruitment of staff. In practice, these activities may be challenging given the need for appointees with sufficient experience, availability, and who are not conflicted.

The legal/governance workstream accounts for a board appointment process and Schedule 4A company establishment period of approximately 3.5-7.5 months. The standard appointment process is reasonably expected to take approximately six months, and includes Ministerial approval of commencing appointments, the nomination of appointees, recommendations made by the Board Chair to the Minister, and Ministerial consultation with Cabinet Appointments and Honours Committee (APH) to approve and finalise appointments. However, if the standard procedure is truncated, there is potential to achieve the 3.5-month estimate.

The entity enablement workstream, tasked with recruiting key staff, would require at least 3-months to fulfil critical roles. The fulfilment of other roles may extend for the duration of Phase 1, under the assumption that all hiring is complete and the full team is mobilised prior to Phase 2. Another consideration to achieving these timelines will be new staff current employer notice periods.

Figure 25: Schedule 4A (new) timeline

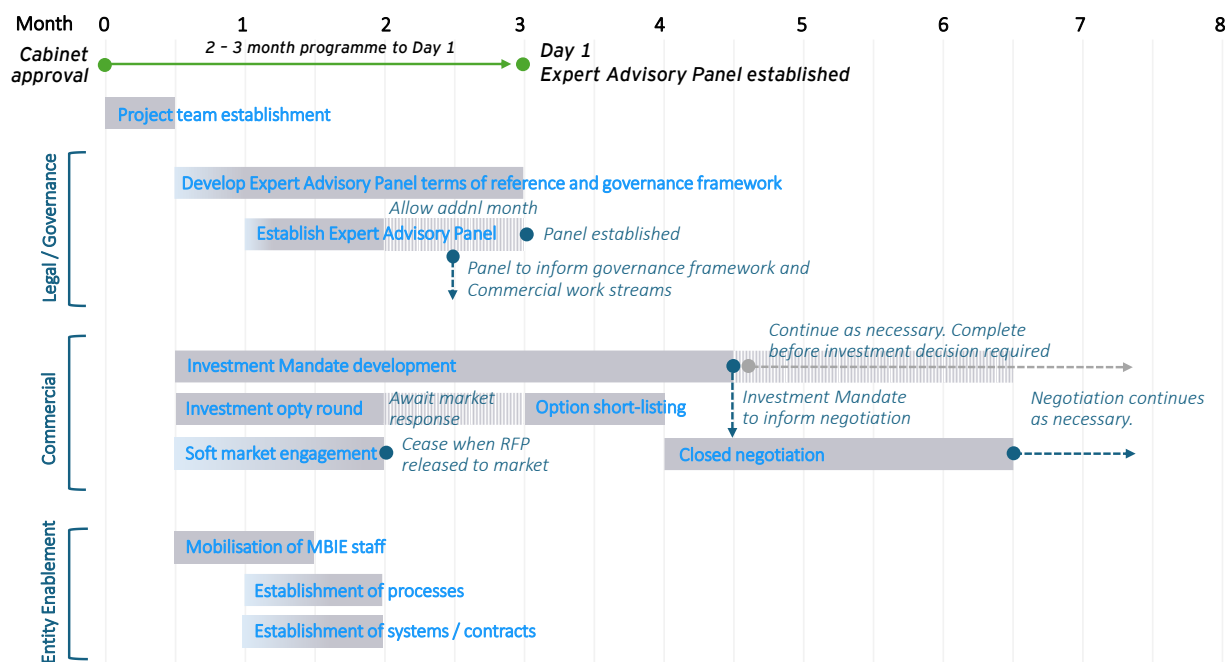


5.3.2 Lead Agency + timeline

Phase 1 activities under the Lead Agency + option are estimated to take a minimum of 2.5 to 4.5 months, as shown in the figure below.

Once the Expert Advisory Panel is established and Investment Mandate is agreed, the Lead Agency + model becomes operational. Without the need to undertake legal/governance activities required of a Schedule 4A (new) model, a significantly shorter Phase 1 timeline can be achieved through use of the Lead Agency + option. The nature of activities to be undertaken and ability to leverage MBIE (Kānoa) and subject matter expertise also results in the Phase 1 timeline having less potential variance than the Schedule 4A (new) option.

Figure 26: Lead Agency + timeline



5.4 Change Management Planning

The purpose of Phase 1 works is to stand up/operationalise the entity from Day 1. The Phase 1 project team is expected to use well established processes that sit within MBIE to facilitate robust change management planning. This is expected to continue into Phase 2 under the Lead Agency + option. However, change management planning and processes will be defined and established for the Schedule 4A (new) option in Phase 2.

5.5 Benefits Management Planning

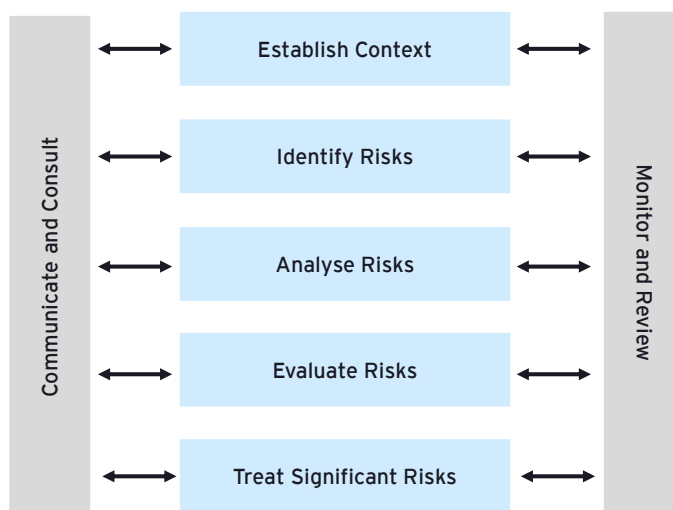
The Project Team will be expected to determine how the benefits of eventual investment are monitored and measured; a detailed Benefits Management Plan is not required for Phase 1 works. During Phase 2, benefits will be captured through reporting obligations of the chosen IMM.

5.6 Risk Management Planning

The Project Team will use a risk management approach that is consistent with International Risk Standard AS/NZS ISO 31000 and MBIE's existing risk management approach. Risk identification and assessment will

be used to make informed decisions, taking into account the consequence and likelihood of risk events. Figure 27 provides an overview of the general risk management approach to be used for this project.

Figure 27: Risk management approach for the Project Team, based on AS/NZS 31000



The key potential delivery risks for Phase 1 have been identified at this stage as shown in Table 34. It is expected that the Project Team will own and refine risk management as part of BAU.

Table 34: Phase 1 delivery risks

Main Risks	Comments and Mitigations
Resourcing: If appropriately skilled people cannot be found to fill the roles required for Phase 2 of the project (at all levels from governance to staff), this will result in delays to the project. Resources with the right levels of experience, who are not conflicted, and who are expected to be attracted by the remuneration, are likely to be limited.	This is acknowledged as a critical risk to the delivery of the project to timelines. Early engagement with MBIE recruitment function, and early discussions with MIBE (Kānoa) and New Zealand Petroleum and Minerals (NZPAM) staff to understand potential candidates, should be prioritised to get a sense of potential market. Recruitment time has been built into the project schedule, and competitive resourcing rates have been built into the Phase 2 project costs.
Stakeholder engagement: Before an IMM is established/operationalised, sector engagement will be necessary to develop a deal origination process that is fit for purpose. Critical to this engagement will be probity and maintaining appropriate distance between the Project Team and the IMM.	The Business Case outlines the proposed the approach to seeking investment propositions from the market – being based around an initial RFP type process (an “Investment Round”). All engagement with the market should be clear that specific commercial propositions are not being discussed at this stage. Instead, the focus is on considering the eligibility of sector participants and the level of information that can / cannot be provided.
Timely and effective decision-making: The Project Team will require continuous decision making to ensure momentum is maintained and project timelines are met.	The Business Case sets out a balanced project management and governance framework that seeks to balance the need for robust and rigorous decision making with the benefits of delegated approvals.

Main Risks	Comments and Mitigations
	Clear Ministerial engagement and reporting requirements should also be set out at the outset of Phase 2 to ensure continuity of decision making through operations.
Commercial and legal risks: Some commercial and legal risks remain unknown at this stage (such as decommissioning liability, depending on Crown involvement).	The presence of a specific legal workstream in the Project Team, supported by an appropriate consulting budget is considered sufficient to progress any near-term commercial and financial risks of the IMM. Once formal deal origination commences it is expected that each material legal and commercial risk will be assessed as part of due diligence on the propositions.

5.7 Reporting and assurance

This investment proposal has the potential to be high-risk if not planned and executed properly. The following reporting and assurance steps are proposed to provide confidence the project is on track and that it will deliver the intended outcomes within prescribed tolerances.

Table 35: Phase 1 Reporting and assurance plan

Mechanism	Description
IMM	A key feature of this project is the establishment of an appropriately resourced IMM that can scrutinise investment proposals on a case-by-case basis – and seek to appropriately balance commercial opportunity with legal and commercial risks present. Critical to this model is the presence of an appropriately identified Board (in the case of a Schedule 4A (new) option) or Expert Advisory Panel (for the Lead Agency + option) with relevant experience and complementary skills sets. The IMM will also be monitored by Treasury in line with similar corporate endeavours.
Internal monitoring, reporting, and assurance	Project and workstream status reports will be regularly provided to project governance by management. The Project Director will be responsible for centrally coordinating delivery and escalating risks and issues to governance as required.
Final Investment Decision	It is proposed that formal documentation is prepared to support final investment decisions. This could be a bespoke document for the IMM or would align with the ‘Approval to Deliver’ process in alignment with Treasury Better Business Case expectations. This step will provide a final opportunity to weigh up the pros, cons, risks and opportunities associated with any proposed investment and will also provide an opportunity to update and adjust (if necessary) any elements of the IMM.
Post-project evaluation	Upon completion of Phase 1, an evaluation process is recommended to detail: - How successfully the planned objectives and outcomes have been met with respect to the establishment of an IMM. - Any issues, lessons, or learnings from the investment appraisal process.

Mechanism	Description
	This will include assessment of the effectiveness of project management and governance, management of risks and issues, and realisation of expected benefits. This will provide lessons learned for similar projects in future.
Report Back	It is proposed that a report back to Joint Ministers is made after six months. This would cover progress to date in establishing the proposed IMM (in line with this Business Case), an assessment of whether this course of action remains fit for purpose or whether an alternative IMM is preferable, and any other issues or risks that emerge in progressing this investment.

Ministry for Business, Innovation, and Employment

Gas Security Fund

Single Stage Business Case (SSBC) Appendices

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Prepared for:	Ministry of Business, Innovation, and Employment (MBIE)
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Ministry for Business, Innovation, and Employment Gas Security Fund SSBC Appendices

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A. Base case assumptions

Using a gas supply and demand model, a base case scenario has been developed which explores a possible future where no co-investment is made to address sovereign risk. The supply, demand, and price forecasts reflect a scenario where there is little action taken by either government or commercial parties to develop further gas supply or to actively address demand.

This base case is illustrative in nature. The outputs of the modelling have not been used to quantitatively inform any part of the business case – for example, the investment option shortlisting or the financial modelling. However, the presentation of a base case scenarios gives a general sense about the presence of gas remaining in the energy system, including potential supply and demand balance.

This base case scenario was developed in July 2025 and was informed by the best evidence available at the time of development. Any market developments that have happened since this date have not been captured.

The narrative of the base case scenario and the assumptions made in the scenario, are largely similar to those used for the “Low Intervention” scenario in the Gas Industry Company’s 2024 Gas Supply and Demand Study.¹ These assumptions have been updated to reflect material changes since mid-2024, as well as explore the impact of potential changes in the industry.

The key changes to assumptions since the 2024 Gas Supply and Demand Study are the 2P and 2C reserves data, forecast production profiles, and gas demand for electricity generation.

The 2025 reserves data, as published by MBIE, showed a 27% reduction in total 2P reserves over a year (dropping from 1,300 PJ in 2024 to 952 PJ in 2025), causing a material decrease in the forecast supply. A supply shortfall of approximately 20 PJ is estimated to occur, beginning this year and rising to approximately 30 PJ to 40 PJ in 2028. Methanex is assumed to flex its demand down to limit some of this shortfall (shown in Figure 1 as “Supply shortfall (DR available)”). Once Methanex leaves the market, there is no further supply shortfall.

It is assumed that gas consumers react to the uncertain gas outlook either by fuel switching (away from gas) or closing operations, leading to a large reduction in gas demand by 2050. The model assumes that the economic viability of fuel switching improves over time, depending on the end use. If a consumer exits before fuel switching becomes viable, this is modelled as a closure.

Contingent on the supply/demand balance, the wholesale price forecast increases over time, from an estimated ~\$10 /GJ in 2025 to around \$19 /GJ in the long-term (excluding carbon costs). This increase is largely due to declining volumes, leading to a higher fixed cost component.

Demand for natural gas for electricity generation in a dry year is an important consideration. In the figures 1 and 2 below, the gas demand required to support electricity generation in a dry year is shown as a probability-weighted value, where dry years are assumed to happen approximately once every five years. The required demand for one dry year is spread over this 5-year period. This is appropriate when considering how dry year demand will deplete finite reservoirs, over the whole forecast horizon. However, in practice this demand will need to be supplied over a period of a few months within one year of unknown timing. In this base case, it is assumed that gas demand for a dry year would be needed to

generate approximately 1 TWh of electricity, equating to approximately 10 PJ of “extra demand” in that year.

In the event of a dry year in New Zealand, the electricity system is assumed to face a shortfall of approximately 3 TWh. This deficit is expected to be met through a combination of five primary mechanisms:

1. Coal-fired generation is projected to contribute around 1.5 TWh, equivalent to operating the Huntly Rankine units continuously for 90 days, although this may be moderated to lower output over a longer period.
2. Natural gas fired generation is anticipated to supply approximately 1 TWh, largely through continuous operation of Huntly units 5 and 6, supported by gas storage assets such as Ahuroa Gas Storage (AGS), which holds 6-8 PJ of working capacity. When deployed, AGS can deliver roughly 0.7 TWh via Huntly Unit 5 or 0.5 TWh through gas peaking plants.
3. Demand response, particularly the contractual arrangement with the Tiwai Point Aluminum Smelter, is expected to offset approximately 0.7 TWh.
4. Additionally, contingent hydro storage can provide an estimated further 0.8 TWh.
5. Finally, a modest overbuild of renewable generation capacity may yield an additional 0.2 TWh, noting this may lead to increased spill during average hydrological years.

Based on current assumptions, supplying LNG to meet a dry year shortfall in electricity supply would require between 10-20 PJ. This range reflects variability in the availability of alternative fuels (such as coal) and the extent of domestic gas storage utilisation. At an indicative LNG cost of NZ\$17.83 to NZ\$18.27 per gigajoule (GJ)², the total cost to supply 10-20 PJ would fall between approximately NZ\$180 million and NZ\$365 million, excluding terminal and domestic transport costs.

This base case represents one of many possible futures for New Zealand’s gas sector, shaped by minimal intervention and declining reserves. It is not a prediction, but a scenario designed to explore the implications of inaction and inform strategic planning. The assumptions and outcomes presented are indicative and subject to change; they reflect current data and modelling but should not be interpreted as definitive forecasts. As with any scenario-based analysis, there is inherent uncertainty, and actual market conditions may shift materially.

Figure 1 shows the forecast supply from each source out to 2050. The navy line shows the forecast demand, while the striped regions indicate types of supply shortfall. “DR available” is shortfall where demand response (primarily through Methanex) is able to cover the difference.

Figure 1: Forecast supply from each source out to 2050

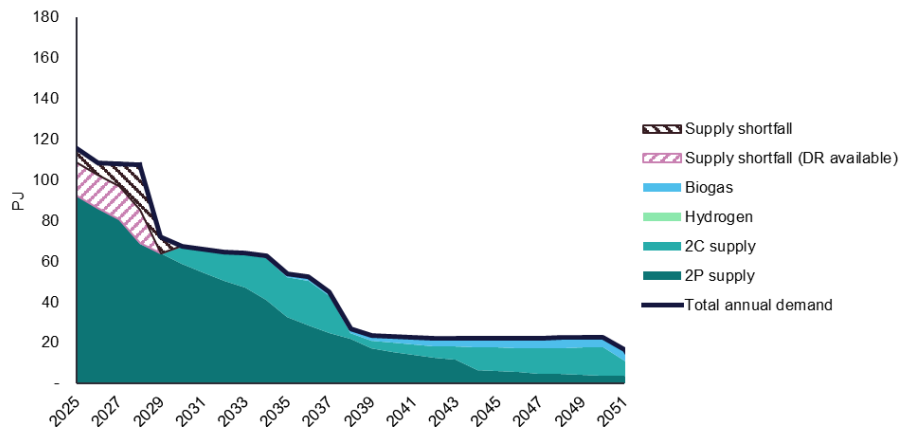


Figure 2 below shows the forecast demand for each sector out to 2050. The navy line shows forecast supply, while the stripped regions indicate industrial and commercial closure or fuel switching. Where the demand is larger than supply, a supply shortfall exists.

Figure 2: Forecast demand for each sector to 2050

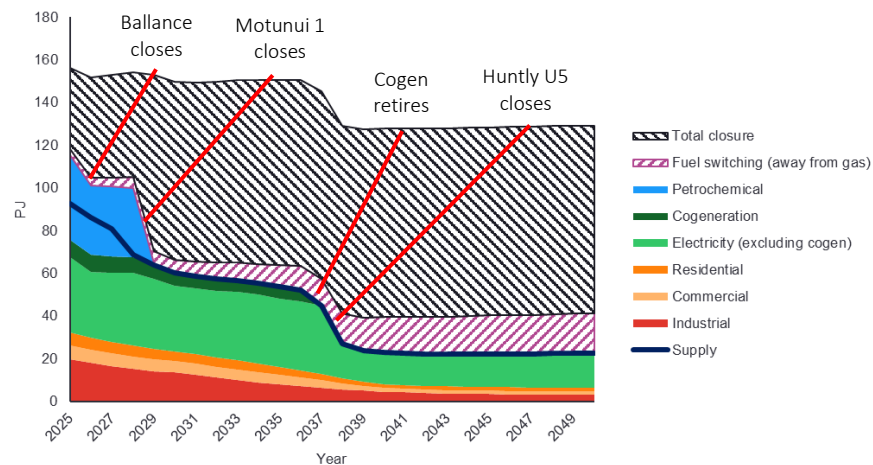
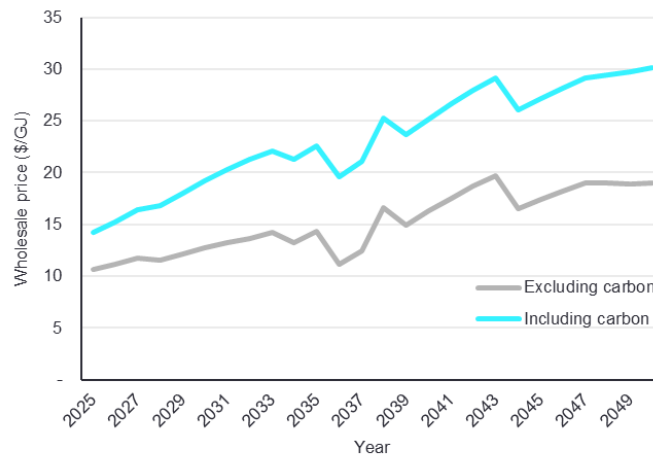


Figure 3: The wholesale price per GJ of gas in each sensitivity, with and without carbon costs



The modelling performed here uses the same methodology as the GIC Gas Supply and Demand Report 2024³. Unless noted here, the assumptions and methodology are unchanged from those presented in the Supply and Demand Study.

Table 1 and Table 2 below detail the assumptions made regarding the supply and demand inputs. There are several items that should be noted in addition to this:

- There is no assumption made about any major new gas storage coming online.
- No major changes to the NZ emissions trading scheme or industrial allocations are assumed.
- There are no new large gas consumers assumed to come online.
- It is assumed that once consumers switch away from gas or close, they do not switch back or reopen.
- It is noted that Genesis has proposed a new 100 MW multi-fuel peaker at the Huntly site. However, how this will impact gas demand and use is largely unknown, and therefore it has not been included in modelling.
- It is noted that the Investment Boost tax deduction may promote the installation of new assets. However, the impact of this is unknown, particularly in regard to supporting gas assets and/or supporting electrification assets (therefore a switch away from gas).
- This modelling considers only pipeline gas; we note that fuels such as LPG may support customers, especially residential and commercial customers, to switch away from pipeline natural gas.

Table 1: Gas Demand Assumptions

Category		Assumption	Details
Petrochemical	Methanex	Motunui 2 stays closed, Motunui 1 closes in 2028, Waitara Valley stays closed.	It is assumed that Motunui 2 remains closed, Motunui 1 closes by the end of 2028, and the Waitara Valley facility does not reopen. It is assumed that Methanex will not renew its gas contract and will exit New Zealand in 2028.
	Ballance	Full closure start of 2026.	A full Ballance closure by 2026 is assumed, reflecting a scenario where operations become economically unviable in the short term.
Electricity	Baseload	MBIE Electricity Demand and Generation Scenarios reference scenario forecast.	Gas demand for electricity generation is based on the reference scenario of the MBIE EDGS, as this scenario forecasts a similar amount of natural gas and coal use as the present day.
	Peaking		
	Cogeneration	Cogeneration plants operate at ~80% of their historical lifetime and retire 10 years early. Fonterra's Whareroa plant to have staged decrease in	It is assumed that there would be a reduced demand for gas for cogeneration plants. Fonterra have announced electrification plans, namely the conversion of Whareroa from gas to an electric boiler. This is expected

Category		Assumption	Details
		demand over four years, beginning in 2027.	to contribute to the overall decrease in demand for gas for cogeneration.
	Dry year reserve	Gas required to provide 1/3 of a 3 TWh dry-year reserve for the full forecast horizon.	This assumption equates to 10 PJ of gas demand for electricity generation in a dry year. The other mechanisms to address a dry year include increased coal generation, demand response, increased renewable generation, and contingent hydro storage.
Industrial		It is assumed that there will be a large reduction in low, medium and high temperature end uses.	It is assumed that there will be a large reduction in gas demand to reflect the uncertain gas supply outlook, with a 40% reduction in high temperature heat, 80% reduction in medium temperature heat for processing and 50% reduction in low temperature heat by 2035. Due to the supply shortfall, industrial consumers are assumed to reduce their demand, and the economics of fuel switching for high temperature uses may lead to many facilities closing.
Commercial		It is assumed that there will be a large reduction in commercial demand.	It is assumed that there will be a 50% reduction in low temperature space heating and a 40% reduction in water heating by 2035. This reduction is attributed to some commercial consumers responding to a supply shortfall by switching away from gas for these applications.
Residential		It is assumed that there will be a large reduction in residential demand.	It was assumed that there would be a 60% reduction in low temperature space heating and a 40% reduction in water heating by 2035. This reduction reflects the expectation that residential consumers will decrease their demand for gas as they transition to alternative heating solutions.

Table 2: Gas Supply Assumptions

Category	Assumption	Details
2P	MBIE reserves and forecast production profiles are used, with 2P reserves of 952 PJ as at Jan 1 2025.	These figures are taken from the updated 2025 MBIE reserves and represent a 27 % decrease from the 2024 reserves.
2C	30% of 2C resources come online, starting in 2030.	The potential for supply shortfall and increased prices gives rise to some production from 2C resources. The delay in bringing these resources online until 2030 is attributed to

Category	Assumption	Details
	2C resources are estimated to be 2011 PJ as at 1 Jan 2025, from the MBIE reserves data.	uncertainty on the demand side. The assumption that 30% of 2C resources come online should be taken as an optimistic view.
LNG	No LNG imports.	With little investment in gas solutions, it is assumed that no LNG import infrastructure is built, and no LNG enters the pipeline.
Biogas	0.3 PJ in 2030 increasing to 2 PJ in 2035, and 5 PJ in 2050.	Biogas is assumed to increase slowly over time.
Hydrogen	No hydrogen enters the pipeline.	It is assumed that the regulatory and investment requirements to supply hydrogen to the pipeline are not met.

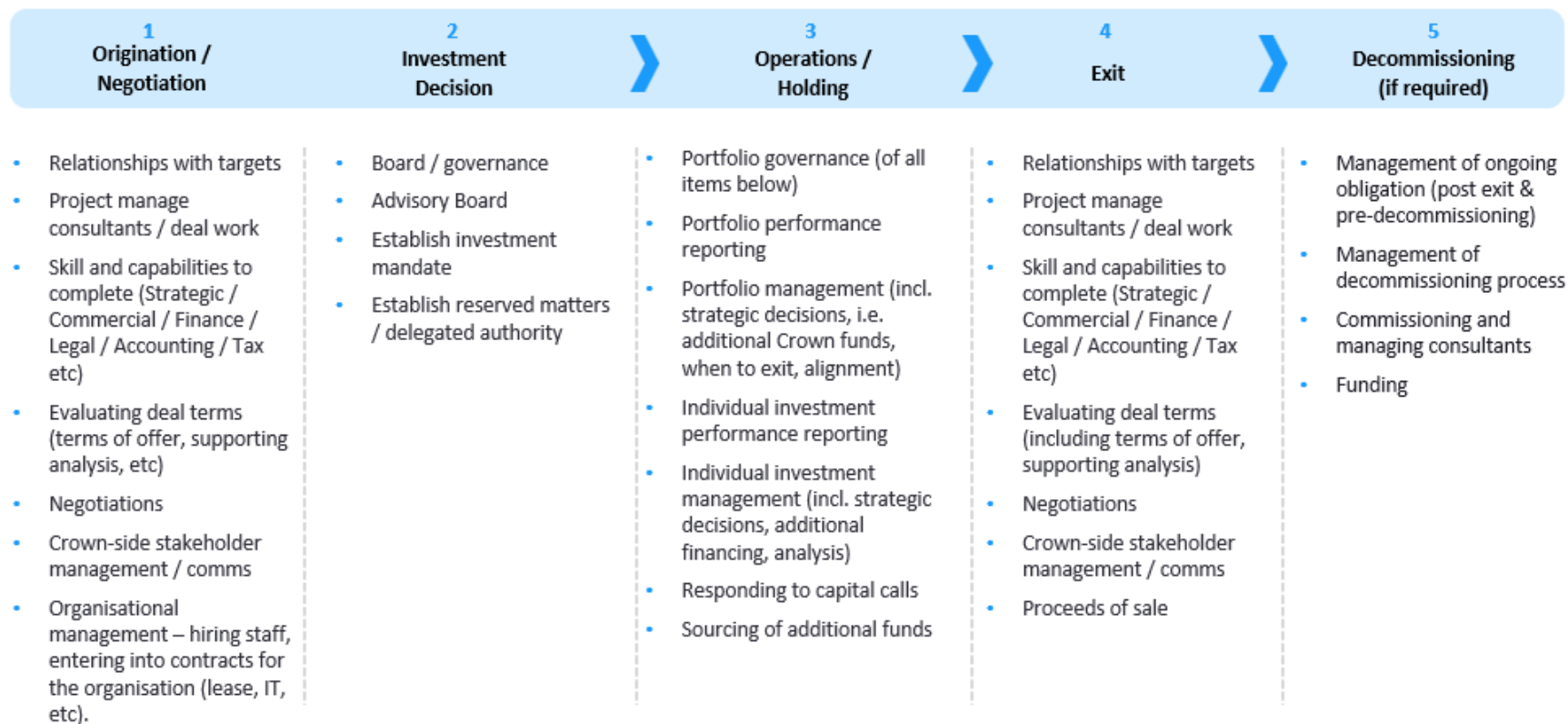
B. Risk Taxonomy

Key Risk Categories		Description
Sovereign Risk		<i>Defined for this initiative:</i> Risk that the Government may unexpectedly change significant aspects of policy or investment settings for new gas exploration and extraction, particularly those affecting the legal rights or interests of investors.
Regulatory, Compliance & Legal Risk	Regulatory and compliance risk	Changes in environmental, safety, and operational regulations (i.e. licenses/permits) can increase costs or delay projects; failure to comply may cause fines or shutdowns.
	Legal risk	Changes in laws or regulations, and the enforceability of contracts related to the asset/project, which may impact legal compliance, rights, and obligations.
	Fiscal risk	Changes to systems related to channels of Government revenue, such as taxation, royalty rates, levies, carbon pricing.
Resource / Reserve Risk	Exploration risk	Risk associated with uncertainty and potential for loss during the exploration phase, including the possibility of discovering insufficient or quantities of gas, geological uncertainties, and challenges of accurately assessing the viability of targets.
	Volume risk	Risk that quantity of the gas delivered deviates from what was commercially expected.
Operational Risk	Supplier risk	Risk that there are not sufficient supporting services and existing infrastructure, labour, expertise, other tangible/intangible assets or other resources to support establishment or ongoing operations.
	Disruption risk	The risk resulting from potential disruption from operating phase incidents reducing the output from the plant.
	Commercialisation risk	Potential challenges and uncertainties in bringing the project and its associated products to market, which may include delays in project development, regulatory approvals, and the ability to secure contracts.
Financial Risk	Capital risk	Risk of lack of appetite for co-investment and/or commitment for ongoing capital requirements.
	Financial risk	Potential exposures relating to movements in interest rates, commodity prices, unexpected increases in project costs that impact the overall profitability
	Exit risk	Potential challenges and uncertainties associated with exiting the project, including difficulties in finding buyers, unfavourable market conditions, or legal and regulatory hurdles that may impact the ability to realise expected returns.
Market and Price Volatility	Price risk	The risk that the agreed price is higher than the spot price, and/or there are price fluctuations.
	Demand risk	Risk that demands volumes are lower (or higher) than anticipated, and/or there are price fluctuations. This could be led by development of competition, alternatives to gas, or renewable energy generation.

C. Stages of the investment lifecycle

The investment lifecycle can be categorised into five stages. High-level functions the IMM should support at each stage of the investment lifecycle are provided in concept in the table below.

Figure 4: Breakdown of functions within the investment lifecycle



D. Detailed analysis of investment opportunities

An economic assessment workshop with MBIE was completed on 24 July 2025 to evaluate shortlisted potential investment options. This was completed at a high-level, and it was clear that determination of a 'preferred' set of options was not possible given the lack of details about specific investment propositions.

However, this exercise can demonstrate expected issues, risks, and opportunities that would need to be made through the formal investment option evaluation process.

The following investment options were assessed – noting that high-level concepts were informed by feedback as part of MBIE's informal market engagement through July and August 2025:

- **Equity stake in production:** Invest in an equity partner in existing producing fields with the goal to convert 2C resources into 2P reserves and/or bring gas to market faster than otherwise would happen.
- **Equity stake in exploration:** Invest in exploration opportunities in greenfield developments by taking direct stakes in permits – this would likely be used to fund and derisk drilling activity that confirms (or not) a commercial opportunity.
- **Underwrite development:** Crown to underwrite the cost of new drilling by taking on a pre-specified level of financial risk which could facilitate access to fair borrowing rates or additional capital.
- **Sector loan:** Crown directly helps fund upstream activities focused on bringing new reserves to market, or to act as a loan guarantor.
- **Risk sharing contract:** Shared risk development framework that could provide de-risking mechanism and allows government some upside.
- **Rig mobilisation:** Investment to support rig mobilisation which can encourage multi-field/project drilling campaigns.
- **Systems Investments:** Invest as a Joint Venture partner in gas pipeline or gas processing facilities (including CO2 separation) to enable off-spec gas to enter the transmission network.

This list is not exhaustive, and it is expected that there will be other options, or combinations of options, that will be raised through deal origination efforts.

Evaluation Scoring

Each shortlist option is assessed by their ability to meet each criterion using a -3 to 0, or, a 0 to +3 scoring range in the following tables.

The assessment is ringfenced to each option and each criterion. That means it is not a pairwise comparison of options, nor is it an assessment against a baseline 'do nothing' counterfactual.

Table 3 outlines the assessment criteria used to evaluate the options. Table 4 through to Table 10 provides a high-level summary of factors that have influenced the scoring for each shortlisted option. These factors are typically generic in nature.

Table 3: Assessment Criteria Scoring for Options

Strategic Alignment – Investment Objective 1: Increase in domestic gas supply by 2035			
The extent to which the option increases domestic gas supply by 2035 as per the investment objective established in the ILM. Considerations include: • Production and development: ○ Are there known reserves/resources (2P, 2C) that are being targeted? ○ Would the investment be reasonably expected to bring gas to market faster than if left to the market? • For exploration: ○ Is there a reasonable chance of success in an exploration campaign? • Can any associated construction or mobilisation activity be completed in the timeframe? • Has industry expressed a view that the investment will positively stimulate gas supply by 2035?			
0	+1	+2	+3
It is more than likely the option will not increase gas supply by 2035.	The option has some likelihood of increased gas supply by 2035	The option will likely increase gas supply by 2035, though is unlikely that gas supply will be increased within the next 5 years.	The option will likely increase gas supply by 2035, and there is reasonable likelihood that the option will be able to increase gas supply within the next 5 years.
Strategic Alignment – Investment Objective 2: reduced perception of sovereign risk to gas investment			
The extent to which the option reduces perception of sovereign risk to gas investment. This is based on a combination of stated views from industry participants through informal market engagement in July and August 2025 and/or reflects other stated views.			
0	+1	+2	+3
The option does not reduce the perception of sovereign risk to gas investment.	Logically the option could reduce the perception of sovereign risk, however there is no explicit evidence from the market that this would be the case.	The option could reduce the perception of sovereign risk, with some evidence from the market	It is likely the option will reduce perception of sovereign risk to gas investment, and industry has explicitly supported this view.
Strategic Alignment – Mitigate other commercial risk			
The extent to which the option resolves or mitigates any other relevant commercial risks faced by the industry as identified in Appendix B.			
0	+1	+2	+3
The option does not reduce other relevant commercial risks faced by the industry.	The option may have a small impact on other relevant commercial risk(s) faced by industry at the stage of investment.	The option will likely have an impact on other relevant commercial risks faced by industry at this stage of investment.	The option will likely substantially reduce other relevant commercial risks faced by industry at the stage of investment.
Strategic Alignment – Improve long term gas outlook			

The extent to which an option improves the outlook for longer term gas supply.

- Is there a reasonable chance that success in an exploration campaign would yield new gas beyond 2035?
- Has industry expressed a view that the investment will positively stimulate gas supply beyond 2035?

0	+1	+2	+3
It is more than likely the option will not sustain increase gas supply beyond 2035.	The option has some likelihood of gas supply increases beyond 2035	The option will likely result in gas supply increases beyond 2035	It is more than likely the option will likely result in gas supply increases beyond 2035

Market appetite

The extent to the market has appetite to participate/bid on the presented option.

- What is the likelihood of the market engaging in this option based on prior experience and exposure?
- Has any market participant confirmed there is a near-term co-investment/partnering opportunity?
- Has the market expressed any concerns on the option historically? To what extent?

0	+1	+2	+3
The option does not appeal to the market and is deemed unviable.	There is a small likelihood the market would see the option as viable but not preferential due to existing risks/barriers. The majority of the market would not respond to this option.	There is some likelihood that the market would respond positively to this option, however there are still significant risks/barriers that would prevent widespread participation in the option.	There is a high likelihood that the market has good interest and appetite in this option, with minimal risks and/or barriers to prevent participation.

Affordability

Is a crown stake in an investment opportunity likely to fall within the expected value range of the fund – as proof, what would this stake 'buy' the crown.

0	+1	+2	+3
The option is not affordable.	The capital allocated to the investment by the Crown is likely to minimally affect the affordability of the option.	It is not likely the Crown investment will have an influential role in the affordability of the project, but the Crown will likely be a passive investor.	The capital allocated to the investment by the Crown could significantly underwrite a portion of the project.

Value for money – Commercial Upside

The extent to which the option presents a commercial upside for the Crown.

- What is the size of the opportunity / upside?
- What is the likelihood of the opportunity / upside being realised given inherent risks in upstream oil and gas exploration, development, and production activity.
- What is the expected rate of return expectations for any crown co-investment?

0	+1	+2	+3
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The option does not provide a commercial upside for the Crown.	The probability of success and/or size of this option is likely to be low.	The probability of success is likely to be moderate -> high. OR The potential size of the opportunity is likely to be moderate -> large	The probability of success <u>and</u> size of this option is likely to be high/large.
Value for Money – Commercial/legal downside			
The extent to which a project presents commercial and/or legal risks. A non-exhaustive list of examples include: - Decommissioning risks. - Asymmetric commercial risk allocation between parties. - Inherent dry well risks – including commercial loss and reputation damage associated with this.			
0	-1	-2	-3
The option presents no downside risk	This option presents few risks, with a low likelihood	It is likely that the option creates high proportions of downside risk, with severe consequences but some of these risks would be shared/manageable.	It is likely that the option creates high proportions of downside risk, with significant consequences including full loss of investment or ongoing liabilities.
Ability to implement – ability to implement			
The extent to which the option is deemed achievable. A non-exhaustive list of considerations include: - Ease of negotiation - Resourcing requirements through negotiation – and skills matching with existing capacity and capability - Resourcing requirements through delivery - Legal, operational, and commercial precedent			
0	-1	-2	-3
The option presents no implementation challenges.	There are minor implementation risks/barriers to overcome.	There are modest implementation risks/barriers to overcome	There are substantial implementation risks/barriers to overcome.
Ability to implement – Flexibility			
The extent to which the option is flexible to considerations. A non-exhaustive list of factors include: - Upfront investment versus phased investments - Level of control afforded - Viable exit strategies			
0	-1	-2	-3
The option has significant flexibility.	This option has significant flexibility, but some rigidity remains.	This option affords some flexibility	This option affords no flexibility

Table 4: Evaluation of Equity Stake in Production

Criteria	Sub-criteria	Description	Score
Strategic Alignment	Investment Objectives	- Investment in the necessary development well(s) to facilitate gas supply uplift would be expected to take less than two years and could commence before 2030 depending on the investment target. - In general, it is expected that crown investment to facilitate this development could bring gas to market 1-2 years faster than would be expected – all other things being equal.	+3
		No participants explicitly expressed a view that an equity stake in a producing gas field would directly mitigate sovereign risk as defined. However, an ability to co-invest to bring more gas to market would be seen as a symbol of commitment to the sector which has indirect benefits for the perception of sovereign risk across the sector.	+1
	Mitigate other commercial risk	- Generally, key risks at the production stage typically surround market, fiscal, regulatory and supplier – and this investment does not directly address any of these. - The Crown's role as a facilitator between JV partners could be beneficial and respond to stated industry challenges.	+1
	Improve long term gas outlook	Unlikely to have a material positive impact on long-term gas supplies given the explicit near-term focus.	0
Market appetite		- Through informal sector engagement as part of the business case development process, at least one sector participant expressed positive interest in engaging with the Crown via an equity stake in an existing production permit to facilitate gas coming to market faster than otherwise would. - Other sector participants have not ruled out this potential and there could be more credible targets for this investment option.	+2
Affordability		The precise size of any stake in a JV will depend on commercial negotiations but it is expected that a minority stake could be realised. This stake would not likely afford any material influence over the direction of the investment – the crown would likely be a passive investor under specific terms.	+1
Value for Money	Commercial upside	- The probability of success is high given that producing fields have a strong understanding of the underlying geology of the field and the expected performance of subsequent wells that are drilled. The potential size of any gas offtake, and therefore commercial upside, is likely to be small-modest given it will be targeting known resources. - Commercial returns would likely be received annually which could recapitalise the proposed fund management entity. - Separate to the investment, the Crown would receive royalty uplift in line with the quantum of gas produced.	+2
	Commercial/legal downside	- Depending on the terms of the deal, there is potential exposure to the usual contractual risks for equity stakes in projects, including decommissioning activities at the end of the project. If the Crown has divested the asset at that time, it may not incur such exposure – but this would likely be factored into deal value. - To maintain its shareholding, the Crown may be subject to further capital calls to avoid dilution.	-2
	Ability to implement	There is precedent in the sector for minor co-venturer shareholding stakes in producing fields including 4% (Echelon, Kupe) and 5% (Cue, Maari). The market is not liquid, in the same way that companies on the share market (NZX, ASX) are traded.	-2

Criteria	Sub-criteria	Description	Score
Ability to implement	Flexibility	- There is limited flexibility associated with this investment option. Once a decision is made to invest, then the commitment is made in full, and upfront. - The ability to exit will depend on the ability to find a willing buyer.	-2
Score	On balance, taking an equity stake in a producing oil field would meet the investment objectives, respond to stated market interest, and represent a viable commercial proposition. There are material downside commercial risks to consider and manage but this investment option should be included in the suite of tools for the investment management model.		+0.59

Table 5: Evaluation of Equity Stake in Exploration

Criteria	Sub-criteria	Description	Score
Strategic Alignment	Investment Objectives	- Investment into exploration activities is an early-stage activity, and production would likely not commence for at least five years after exploratory wells are drilled and may take upwards of a decade for larger developments. - Inherent risk that drilling activity does not return a viable commercial opportunity. For example, offshore exploration wells typically have a high chance of coming up dry. - Engaging in exploration activities with the intent to supply by 2035 is possible but optimistic.	+2
		No participants explicitly expressed a view that an equity stake in an exploration permit would directly mitigate sovereign risk as defined. However, an ability to co-invest to bring more gas to market would be seen as a symbol of commitment to the sector which has indirect benefits for the perception of sovereign risk across the sector.	+1
	Mitigate other commercial risk	Generally, key risks at this stage surround resource / reserve risk, fiscal risk, market risk, and permit stability. This investment does not materially impact any of these. However, if the Crown was to fund appraisal activity then that would financially 'de-risk' what is inherently a risky activity.	+1
	Improve long term gas outlook	By definition, investment in exploration activity will look to increase longer-term gas supply.	+2
Market appetite		- At least one party has expressed interest in the Crown partnering on existing exploration activity. - Other sector participants have not ruled out this potential although there are expected to be a limited number of credible targets for this investment option.	+2
Affordability		A decision to drill an exploration well requires a capital commitment to spend up to \$10 million onshore and \$200 million offshore. The precise size and value of any stake would depend on commercial negotiations, but minority stakes can be harder to divest, especially in illiquid or early-stage developments.	+1

Criteria	Sub-criteria	Description	Score
Value for Money	Commercial upside	- There is more potential return from the investment as the Crown would be investing at the higher end of the risk spectrum and therefore would be expected to capture a higher return on its capital all else equal. - The chances of success are low in comparison to investing in a producing field but if successful, the development profit may be quite attractive.	+2
	Commercial/legal downside	- There is more commercial risk taken based on investing higher up the investment lifecycle compared to production stage investment. - There is exposure to the usual contractual risks for equity stakes in projects, including decommissioning activities at the end of the project, however if the Crown has divested the asset at that time, as would be expected, it may not incur such exposure. - To maintain its shareholding, the Crown may be subject to further capital calls to avoid dilution.	-2
Ability to implement	Ability to implement	- There is common precedent in the sector for JVs in the exploration phase. - The ability to execute this option is more a function of commercial appetite than complexity.	-2
	Flexibility	- There is limited flexibility associated with this investment option. Once a decision is made to invest, then the commitment is made in full, and upfront. - There is unlikely to be an exit during exploration phase, as a willingness to exit would signal a lack of confidence in the exploration and wider sector.	-2
Score	On balance, taking an equity stake in exploration activity would meet the investment objectives and may represent a viable commercial proposition. There are downside commercial risks to consider but if managed effectively could result in material development profit depending on the restrictions of divestment rules at shareholder level and market appetite for non-controlling shareholdings. While the commercial upside is likely greater than equity investment in production, the financial risk is far larger and exit opportunities may be limited for an extended period of time.		+0.57

Table 6: Evaluation of Underwrite Development

Criteria	Sub-criteria	Description	Score
Strategic Alignment	Investment Objectives	Underwriting development would improve the likelihood of increasing gas supply within 10 years. Given it is expected to be focussed on the exploration phase, the likelihood of this materially impacts near term supplies is low. However, if this was focussed on the production end of the lifecycle then these chances could be higher.	+1
		No participants explicitly expressed a view that underwriting development in exploration or production would directly mitigate sovereign risk as defined. However, an ability to co-invest to bring more gas to market would be seen as a symbol of commitment to the sector which has indirect benefits for the perception of sovereign risk across the sector.	+1
	Mitigate other commercial risk	Government backing can improve the credit profile of a project, making it more likely to secure project finance or reserve-based lending.	+2

Criteria	Sub-criteria	Description	Score
		Can improve access to capital risk which can be challenging and lengthy capital raising processes and obtain comfort around delay risks due to lack of funding.	
	Improve long term gas outlook	It is anticipated that by reducing upfront financial risk for private operators, underwriting encourages more drilling activity, especially in underexplored or high-risk areas.	+2
Market appetite		- At least one party has raised this as an option for consideration. - Other sector participants have not ruled out this potential and it is noted that this option may allow smaller or non-operating partners to participate without being crowded out due to the upfront capital requirements.	+2
Affordability		A decision to drill an exploration well requires a capital commitment to spend up to \$10 million onshore and \$200 million offshore. The precise size and value of any underwrite would depend on commercial negotiations.	+1
Value for Money	Commercial upside	There is less direct commercial uplift potential for an underwriting mechanism compared with equity investment options.	+1
	Commercial/legal downside	- There are risks to unsuccessful drilling outcomes or commercially unviable gas being delivered to end users. - There is reputational risk to failed underwriting activities.	-2
Ability to implement	Ability to implement	- Less clarity on how to protect downside risk, and more difficult to agree on terms to mitigate downside risk. - Non-standard / atypical investment vehicle similarly leading to difficulties in managing complexities.	-2
	Flexibility	- There is limited flexibility associated with this option, as underwriting is a long-term decision but may be able to be recapitalised with another capital tranche. - The ability to exit will depend on the ability for the project to be commercially robust.	-2
Score	Underwriting is a potential option, particularly for early-stage exploration, risk-sharing and attracting private capital. However, there is limited control over long term influence over the project, market appetite, and the financial returns are expected to be lower, all else equal, compared to an equity stake in a project.		+0.40

Table 7: Evaluation of Sector Loans

Criteria	Sub-criteria	Description	Score
Strategic Alignment	Investment Objectives	It would be anticipated that taking on a direct loan would improve the likelihood of increasing gas supply within 10 years but given a loan is expected to be focussed on the exploration phase, the likelihood of this materially impacting near term supplies is low.	+1
		No participants explicitly expressed a view that a sector loan in an exploration permit would directly mitigate sovereign risk as defined. However, an ability to co-invest to bring more gas to market would be seen as a symbol of commitment to the sector which has indirect benefits for the perception of sovereign risk across the sector.	+1
	Mitigate other commercial risk	- Taking early-stage risks needs to be managed carefully using geological screening and technical due diligence to select high-potential prospects; structuring the capital so to release funds in stages (e.g., seismic, drilling, testing) based on performance or results; partnering with experienced operators with a track record of successful exploration; and including pre-agreed exit points based on results or timeframes. - These mitigation techniques can help manage some of the inherent commercial risks associated with direct loans at such an early development stage.	+1
	Improve long term gas outlook	It is anticipated that by absorbing early-stage risks can open underexplored or geologically uncertain areas.	+2
Market appetite		- At least one party has raised this as an option for consideration. - Other sector participants have not ruled out this potential and it is noted that this option may allow smaller or non-operating partners to participate without being crowded out due to the upfront capital requirements.	+1
Affordability		A decision to drill an exploration well requires a capital commitment to spend up to \$10 million onshore and \$200 million offshore. The precise size and value of any underwrite would depend on commercial negotiations.	+1
Value for Money	Commercial upside	A traditional financing sector loan is likely to have commercial upside that is comparable to Treasury discount rates.	+1
	Commercial/legal downside	- There are risks to unsuccessful drilling outcomes result in capital loss and there is reputational risk to failed capital allocation activities. - Limited control over operations unless structured with oversight provisions.	-2
Ability to implement	Ability to implement	- Sector loan contract is widely understood by market. - Easier to manage downside risk relative to other options, through contractual agreement.	-1
	Flexibility	- The direct loan mechanism offers some flexibility for government exit, but it depends heavily on how the investment is structured. - Time bound commitment based on milestones can help enable a clear and clean exit or through a secondary capitalisation.	-1

Criteria	Sub-criteria	Description	Score
Score		Direct loans are a viable option for early-stage exploration to attract private capital, though carry higher risk than traditional forms of financing. However, there is limited influence over long term control of the project, stated market appetite, and the financial returns are expected to be lower, all else equal, compared to an equity stake in a project.	+0.35

Table 8: Evaluation of Risk Sharing Contract

Criteria	Sub-criteria	Description	Score
Strategic Alignment	Investment Objectives	The objective of this mechanism is to de-risk the project such that it would increase gas supply would be capable over the next 10 years. Given that this option would be expected to intentionally focus on the production end of the life-cycle it is expected that this would enable gas coming to market faster than it otherwise would.	+2
		No participants explicitly expressed a view that a risk sharing contract would directly mitigate sovereign risk as defined. However, an ability to co-invest to bring more gas to market would be seen as a symbol of commitment to the sector which has indirect benefits for the perception of sovereign risk across the sector.	+1
	Mitigate other commercial risk	Government risk sharing arrangements can improve the credit profile of a project, making it more likely to secure project finance. This can improve access to capital, which can be challenging and lengthy capital raising processes and obtain comfort around delay risks due to lack of funding.	+1
	Improve long term gas outlook	A risk sharing framework can improve long-term domestic gas supply by de-risking early-stage exploration and incentivising private sector investment. By underwriting a portion of drilling costs and guaranteeing market access through stapled take or pay, the intervention accelerates the development of new reserves and supports infrastructure expansion.	+2
Market appetite		No parties directly raised this as an option to pursue, but this is a common mechanism used in overseas jurisdictions.	0
Affordability		Capital commitment would be a combination of up-front capital and operational phase commitments. Operational phase interventions may require significantly higher capital commitments depending on the level uplift in the NZ gas supply being targeted.	+1
Value for Money	Commercial upside	- There is potential stabilisation of revenue streams for producers resulting from the intervention, providing confidence to the sector and potentially enabling less intervention in the future. - Increased private sector investment which may unlock new reserves.	+1
	Commercial/legal downside	If the project underperforms or fails, the government may be exposed to losses or contingent liabilities, especially if repayment is tied to production outcomes.	-1

Criteria	Sub-criteria	Description	Score
Ability to implement	Ability to implement	Will require complicated negotiations in underwriting development, managing offtake, and selling gas.	-2
	Flexibility	There is some flexibility associated with this option, due to the ability to reduce the risk of the option by selling to large gas users.	-1
Score	On balance, entering into a risk sharing arrangements may represent a viable commercial proposition, which could stimulate gas development, and has precedent in overseas jurisdictions. However, there was limited market appetite for this option and will require complicated negotiations in underwriting development, managing offtake, and selling gas.		+0.47

Table 9: Evaluation for Rig Mobilisation

Criteria	Sub-criteria	Description	Score
Strategic Alignment	Investment Objectives	Investment in rig mobilisation to facilitate gas supply uplift could commence quickly depending on the commercial partner(s) appetite for mobilisation. Most likely this investment would target drilling activity in two - three years time and would be expected to be related to any exploration interests the fund explores.	+2
		No participants explicitly expressed a view that crown facilitation of rig mobilisation would directly mitigate sovereign risk as defined. However, an ability to co-invest to bring more gas to market would be seen as a symbol of commitment to the sector which has indirect benefits for the perception of sovereign risk across the sector.	+1
	Mitigate other commercial risk	Investment in rig mobilisation responds to scale, distance, and prospectivity challenges in the New Zealand sector. It also helps to overcome coordination challenges which can be present in the sector.	+1
	Improve long term gas outlook	Likely to have a positive impact on long-term gas supplies if targeted at the exploration phase.	+2
Market appetite		Given the scale, distance, and prospectivity challenges (in comparison to other jurisdictions) access to rigs is a known issue – and anything the Crown can do to mitigate or facilitate this would be welcomed, prima facie.	+2
Affordability		The cost of rig mobilisation depends on many factors such as size and distance, and the total cost the Crown would bear would depend on commercial negotiations with the rig owner. This would likely be expected to be tied to any exploration activity the Crown investment also supports.	+1
Value for Money	Commercial upside	Limited positive commercial upside in isolation. However, facilitating a rig club would spread the rig mobilisation costs which would result in a lower 'per unit' cost for the Crown.	+1

Criteria	Sub-criteria	Description	Score
	Commercial/legal downside	If there are issues with rig mobilisation (time delays, faults or mechanical failures), the Government may be exposed to financial losses or contingent liabilities.	-1
Ability to implement	Ability to implement	- Implementation depends on market's willingness to onboard an investor during the rig mobilisation phase. - No precedent for the Crown having supported or invested in this activity however 'rig clubs' are a common feature of the New Zealand petroleum sector.	-2
	Flexibility	The flexibility of the investment will depend on the nature of the drilling campaign and the parties involved. But in general, would be expected to be a singular investment up front, with the ability to exit dependent on the prospectivity of the well drilled.	-2
Score	In general, this option responds to a known challenge in the New Zealand sector given scale, distance, and prospectivity issues. Depending on how this is structured, it could be well received from the industry and there would be expected to be appetite.		+0.57

Table 10: Evaluation of System Investment

Criteria	Sub-criteria	Description	Score
Strategic Alignment	Investment Objectives	System investments to enable off-spec gas to enter the transmission network could occur within five years, bringing new gas to market to increase supply before 2035.	+2
		No participants explicitly expressed a view that investment in wider system improvements (as defined) would directly mitigate sovereign risk. However, a commercial investment to bring known gas to market would be seen as a symbol of commitment to the sector which has indirect benefits for the perception of sovereign risk across the sector.	+1
	Mitigate other commercial risk	This is a known barrier for some market participants.	+1
	Improve long term gas outlook	The Crown's stake in a gas pipeline or gas processing facility may support new developments, or adjacent fields, to enter the market, improving long-term supply.	+1
Market appetite		At least one party has expressed interest in the Crown supporting this investment.	+1
Affordability		To accurately assess the affordability of this option, there needs to be further confirmation size, scale, and nature of specific investment.	0
Value for Money	Commercial upside	- The probability of success is high given known quantities of off-spec gas existing in the market. - The precise commercial upside will be dependent on the terms of any agreement.	+1

Criteria	Sub-criteria	Description	Score
	Commercial/legal downside	In addition to typical commercial risks, this would also introduce additional construction risks associated with a major piece of infrastructure (processing facility and/or pipeline).	-1
Ability to implement	Ability to implement	- There is precedent in the Government, and SOEs, supporting pipeline infrastructure and processing facilities. - Commercial negotiation would be the primary focus area.	-2
	Flexibility	- Relatively low flexibility associated with this investment option. Will require a large upfront capital commitment and ongoing operational expenditure. - Ability to exit will depend on commercial success of the assets and ability to find a buyer.	-1
Score	In principle this represents a potentially beneficial investment that would enable known gas quantities to enter the wider market in a way that is not currently occurring. However, there remain major uncertainties about size, scale and nature of investment required, commercial arrangements, and risk present in investing in pipeline or processing facilities. It is also unclear how this would impact existing market arrangements.		+0.32

E. Project team establishment workstream

There is a clear need to establish a project team who would be responsible for preliminary work to stand up and operationalise the IMM.

While there is merit in retaining operational flexibility to augment the specific structure and focus of this team, the following provides a starting point for the expected experiences and the key roles within the Project Team. This has helped to support the budget build in the Financial Case.

It is expected that the Phase 1 Project Team would be largely (or entirely) sourced via internal secondments from within MBIE in the first instance and would be disestablished once the IMM is operational (on Day 1). The team could be supplemented with external specialist support if and as required. Based on discussions with MBIE, it is estimated that a Project Team could be established within a month (assuming two weeks).

The table below provides an overview of the skillsets and experience expected of the Project Team, and the proposed approach and source of these capabilities.

Table 11: Project team establishment skills and experience

Skillset / Experience	Approach and source of capabilities
Legal/Governance	The team would need legal advice to establish or augment an entity, and to provide legal rigour over operational establishment processes, systems and contracts. MBIE legal could be relied on in the first instance, with a budget set aside for specialist external legal advice.
Investment/Commercial	The team would need investment/commercial advice to progress an Investment Mandate, build out the proposed Investment Approach, and to undertake ongoing market engagement. Skills sought would include investment/commercial management, investment analytics, risk and compliance understanding, and stakeholder engagement expertise. MBIE (Kānoa) could be used in the first instance based on alignment with existing capabilities, but may need to be supplemented with external support depending on the stage of market engagement and commercial negotiation.
Entity Enablement	The team would need expertise across operational functions such as HR, processes & organisational design, systems & IT and property to hire staff and establish operational processes and systems. Existing MBIE staff may be well placed to progress many of these matters, particularly given experience in establishing Crown Regional Holdings Ltd. However, external support may be required, particularly for any recruitment activity.
Petroleum Engineer/Sector Expert(s)	To maintain separation from NZPAM and based on reliance on those responding to the Investment Round, a budget could be set aside to access technical support (petroleum engineering, geoscience, etc) if and as required.

Skillset / Experience	Approach and source of capabilities
Project Management	Project management experience would facilitate and coordinate the multifaceted team described below. MBIE staff would be well placed to perform this function.
Policy	Policy experience would progress any outstanding policy matters – particularly those that affect core artefacts such as the Investment Mandate. Policy familiarity with upstream oil and gas would be preferable but not essential. MBIE staff would be well placed to perform this function.
Stakeholder management/ Comms	The Project Team would manage communications and stakeholder engagement. MBIE staff would be well placed to perform this function.
Finance/Accounting	The Project Team would need finance/accounting advice. MBIE Finance could be used in the first instance.
Insurance and Tax	Advice on insurance obligations and tax structuring would likely need to be outsourced and a modest budget may be set aside.

F. Legal/Governance workstream

Within the Project Team a core workstream is Legal/Governance, that would:

- Produce necessary documents and processes required to establish the IMM prior to Day 1; and
- Ensure statutory obligations are met and the portfolio is governed effectively once operational, through Phase 2.

The table below provides a starting point for the potential activities of this workstream. The eventual Project Team will need to set out its own work programme, however the below has been developed to provide rationale for timelines allocated to legal/workstream activities in the Management Case. Many of these activities can be undertaken concurrently.

Prior to undertaking any activities, it is recommended legal advice is sought to confirm and refine the steps identified.

Table 12: Legal/governance workstream activities

Activity	Schedule 4A	Lead Agency +
Expert Advisory Panel establishment – includes the development and agreeance of terms of reference, governance and reporting framework, and appointments to the Panel.		
Establish an Expert Advisory Panel to oversee activities until a Board is appointed.	~2 months Establishment of an Expert Advisory Panel could occur immediately following Project Team establishment. This is slightly quicker than the Lead Agency because the scope of the Panel has more ‘interim’ characteristics so should be easier to source. Minimal documentation could support the operations of the Expert Advisory Panel, given it would be disestablished on appointment of the Board. Some Panel members may transition into Schedule 4A Board members.	~2.5 months Establishment could occur immediately following Project Team establishment. As the Panel’s role is enduring, development of its terms of reference, and governance and reporting framework will begin prior to Panel appointment and continue once the Panel is established to allow for Panel member input.
Board appointment - once the preferred IMM is approved, should Board appointment be required, the process could begin in parallel with entity establishment.		
Board appointment process	3-6 months The standard appointment process includes Ministerial approval of commencing appointments, the nomination of appointees, recommendations made by the Board Chair to the Minister, and Ministerial consultation with APH to approve and finalise appointments. Truncated appointment processes (c. 3 months) are possible but unlikely.	N/A Board appointment is not required for operationalisation of the Lead Agency + IMM.

Legal establishment		
Confirm Schedule 4A financial powers	Confirm and specify financial powers restrictions under the Crown Entities Act, including any requirement to pay any 'net surplus' back to the Crown.	N/A Only required by the Schedule 4A model.
Approval to establish the entity	5-6 weeks To allow for an Order in Council, as the Minister would seek Cabinet approval for establishment of the entity.	N/A Only required by the Schedule 4A model.
Incorporation of the entity	1 month (or less depending on preparedness) Requires preparation and submittal of documentation (i.e. Constitution, Director Consent Form from shareholding Minister).	N/A Only required by the Schedule 4A model.
Other legal and governance documentation – ends before deal completion.		
Prepare documentation: including capitalisation process (required before deal completion) and supplementary materials (best practice, though not essential to Phase 1, as noted in Table 13).	~5 months Based on the need to create documentation for the new entity, including the capitalisation process, which may be informed by precedents (such as for CRH Ltd), though will require time to develop and finalise.	N/A The preparation of governance documentation will be at the discretion of the Lead Agency, Expert Advisory Panel and decision-making Minister(s).
Total indicative timeline:	~3-6 months	~2-4 months.

Supplementary materials

The table below provides detail on other governance documentation that is either explicitly or implicitly identified through legislation, regulations, and good governance expectations, particularly for Crown entities – and will be most relevant to the Schedule 4A model. Generally, the necessity of governance documents beyond essentials depends largely on legal requirements and good practice standards relevant to the entity's structure and regulatory status.

Table 13: Best practice governance documentation

Documentation	Description
Reserved Matters	Key decisions requiring shareholder or Minister approval, protecting Crown interests.
Code of Conduct for Directors	Sets standards of behaviour and professionalism for directors.

Documentation	Description
Delegations Policy	Clarifies which decisions the board delegates to management or committees.
Conflict of Interest Policy	Procedures to identify and manage conflicts among directors and management
Appointment and Remuneration Policies	Guidelines for appointing directors and executives, including pay frameworks. As the Public Service Commission sets guidelines for remuneration, these policies are more applicable to subsidiaries as required.
Risk Management Framework	Approach to identifying and managing risks, often overseen by a risk committee.
Reporting and Accountability Framework	Defines reporting to Ministers, Parliament, and stakeholders, including statutory reports.
Stakeholder Engagement Policy	Outlines engagement with Ministers, agencies, public, and other stakeholders.
Board Evaluation and Development	Regular board performance reviews and director development processes.

G. Commercial workstream

Within the Project Team there would be a Commercial workstream that:

1. Determines the Investment Mandate for the IMM by documenting the objectives, strategy, risk tolerance, and guidelines to inform each transaction and manage the portfolio; and
2. Completes early engagement activities with the market and develop supporting materials for the deal origination and transaction processes.

The tables below provides a starting point for the potential activities of this workstream. The eventual Project Team would set out its own work programme, but this has been developed to provide rationale for timelines allocated to commercial workstream activities in the Management Case.

Table 18 details rationale for timelines allocated to commercial workstream activities in the Management Case. Many of these activities could be undertaken concurrently.

Table 14: Commercial workstream activities

Activity	Schedule 4A	Lead Agency +
Investment Mandate development - influences the approach for early engagement activities with the market and the development of supporting materials for the deal origination and transaction processes.		
• Develop Investment Mandate drawing from considerations listed in Table 15 and Table in this Appendix and the matters outlined in the Commercial Case of the SSBC. Present to project governance, the Panel/Board, and shareholding Ministers as appropriate to seek guidance and expectation.	~4 months Development would continue as necessary to inform the first investment decision. However, if an investment decision is required prior to its completion, the Panel/Board and shareholding Ministers may opt to make a decision based on drafting at that point or wait until suitable development has occurred.	
• Conduct iterative reviews with internal and external stakeholders		
• Finalise the mandate document incorporating feedback from project governance, the Panel/Board and Minister(s).		
• Implement planning, finalise sign-off and launch		
Investment Approach		
• Create preliminary deal origination guidance and materials which may include deal screening checklists for initial assessment of market responses. This includes identifying target areas aligned with the draft Investment Mandate, conducting market research, developing risk/return characteristics, and drafting criteria for initial assessment.	~2 months The creation of an Investment Round document would be fixed across IMM, as each are expected to require a fit for purpose process and documentation to go to market.	
• Develop the ‘Investment Round’ process by drafting an investment document (using considerations in Table 16, below) and establish a communication system/portal for documentation release and response receipt.		

Initial market engagement	
• Integrate lessons and insights into investment mandate development that integrates market intelligence, sector feedback and deal insights, and prepare a summary of early market engagement outcomes for Board and Ministerial briefing as part of the Investment Mandate sign-off process.	~1.5 months Initial market engagement could be undertaken in parallel with Investment Mandate development and the Investment Round activities listed above and would cease when the round is opened to the market.
Open the Investment Round and await market response	
• Open Investment Round to the market and support. This includes using targeted outreach to key sector players and intermediaries to understand pipeline deals and investor sentiment, conducting confidential bilateral meetings to test market appetite and gather feedback, capture emerging deal flow and maintaining records of these interactions.	Occurs once all Investment Round activities have been completed. Once the Investment Round is opened, the workstream would await market responses.
• Develop internal process for ongoing deal origination and reporting by designing workflows for managing deal pipeline, establishing reporting templates and cadence for management and Board updates, and agreeing protocols for when to engage external advisors.	~1 month During this downtime period the development of internal process for ongoing deal origination and reporting could be progressed.
Option shortlisting	
• Preliminary deal assessment and risk filtering by reviewing incoming deal proposals using screening checklists, undertaking financial and risk analysis, escalating deals warranting further exploration, and flagging deals requiring Board or Ministerial pre-approval (as per Reserved Matters).	~2 months Both IMM options may allow for approximately two months to undertake preliminary deal assessment and risk filtering.
Closed negotiation	
• Procure external advisors (as required) and conduct detailed negotiation with the counterparty (or counterparties) through to signing and deal completion. Investment terms, including valuation, funding amounts, rights, and obligations would be aligned to the Investment Mandate and be approved by governance group (e.g. Board).	~2.5 months (highly dependent on specifics of the investment opportunity/opportunities as they arise).
Total indicative timeline and outcome of workstream: Commercial workstream activities and timelines in Phase 1 would be materially the same across each IMM option. The form of Investment Mandate and/or stage at which the first investment may be approved would depend on the IMM chosen, its associated governance processes, and the dynamics of negotiations as they progress.	

Investment mandate

Commercial considerations that could be included in an Investment Mandate are provided in the table below. It is expected that the Project Team would refine and develop these considerations as part of its core activities.

Table 15: Investment Mandate considerations

Consideration	Description
Commercial objectives	Clear statement of the commercial purpose, such as maximising long-term returns, capital growth, income generation, or supporting national interests.
Risk profile and appetite	Defines the acceptable level of risk relative to expected returns, including risk limits or thresholds (e.g., concentration limits, single asset exposure).
Permitted and prohibited investments	Specifies the types or classes of investments allowed (equity, debt, permits, infrastructure, etc.) and any explicit exclusions (e.g., ethical restrictions). Guides management and ensures alignment with IMM values and legal requirements.
Investment strategy and approach	Overview of the strategic approach, such as active vs passive management, diversification principles, geographic focus, and asset allocation guidelines. May include delegation to external managers with mandates aligned to the IMM's policies.
Performance objectives	Quantitative or qualitative targets for returns, benchmark comparisons, and time horizons. Guides decision-making and performance evaluation.
Constraints and limits	Legal or policy constraints, such as borrowing restrictions, limits on contingent liabilities, or requirements to invest prudently and commercially. Includes compliance with legislation (e.g., financial powers for Schedule 4A companies in the Public Finance Act 1989).
Governance and oversight arrangements	Description of governance arrangements, including board or trustee oversight, reporting requirements, and accountability to Ministers or stakeholders.
Ethical and social considerations	Any requirements to consider environmental, social, and governance (ESG) factors or avoid investments that could harm the Crown's or New Zealand's reputation.
Reporting and review requirements	Requirements for regular reporting on investment performance, risk, and compliance, as well as periodic review and update of the mandate to reflect changing circumstances.

Investment Round documentation

The Investment Round documentation would provide the market suitable clarity on the background, purpose and objectives of the IMM, and other process information. It would also include information on the eligibility criteria that could be used by the IMM to evaluate responses. Such criteria would be informed by the (likely draft) Investment Mandate to the extent the mandate is developed. Potential components of Investment Round documentation are provided in the table below.

Table 16: Potential components of the Investment Round documentation

Key sections	Overview of proposed contents
Introduction and Background	• Overview of the fund and its purpose • Summary of the investment mandate and commercial objectives (e.g., long-term returns, capital growth) • Public sector and Crown ownership context
Eligibility Criteria	• Target sectors and asset classes permitted (equity, debt, infrastructure, underwriting, etc.) • Minimum/maximum investment sizes (to filter appropriate deals and align with anticipated fund size and risk tolerance) • Geographic focus • Risk profile requirements (aligned with fund's risk appetite) • Prohibited investments or exclusions (ethical, reputational concerns) • Counterparty qualifications (financial and social standing, prior experience and track record, legal compliance) • Legal and regulatory compliance requirements (e.g., adherence to Financial Markets Conduct Act) • Readiness for negotiating and settling a transaction (to ensure expediency of Crown investments)
Scope of Proposal	• Types of proposals invited (equity investments, loans, guarantees, underwriting) • Expected deal structures or terms • Performance and impact expectations (e.g., ESG considerations)
Proposal Submission Details	• Submission deadline (set 4 weeks from Investment Round release) • Instructions for submission via online portal • Format and required supporting documentation
Evaluation Criteria	• How proposals will be assessed (e.g., strategic fit, financial viability, risk, alignment with mandate) • Relative weighting of criteria if applicable
Timeline and Process	• Key dates: Investment Round release, proposal due date, evaluation period, shortlist presentation to Board, negotiation phase • Contact information and Q&A protocol
Legal and Confidentiality Terms	• Confidentiality obligations including handling under Official Information Act • Terms and conditions governing the Investment Round process
Other Supporting Information	• Any templates for financial information or risk disclosures • Sample contract terms or indicative investment agreements

H. Entity Enablement workstream

The Entity Enablement workstream focuses on people, processes and systems for both the proposed entity as well as any supporting policy and deal origination activities from within MBIE.

The table below provides a starting point for the potential activities of this workstream. The eventual Project Team will need to set out its own work programme, but this has been developed to provide rationale for timelines allocated to commercial workstream activities in the Management Case.

Table 17: Entity enablement workstream activities

Activity	Schedule 4A	Lead Agency +
People		
Hiring and/or mobilising operational staff	~3 months. Based on the need to undertake a hiring process. The hiring of senior staff is expected to take approximately three months. Junior staff hiring may continue, if necessary, till employment starts on Day 1.	~1 month Hiring process not required due to ability to mobilise MBIE (Kānoa) staff.
Processes		
Establishment of entity processes: including the development of guidance for and documentation of ongoing operational processes (incl. internal governance processes, organisational policies, origination/appraisal policies)	~3 months Based on the effort required to develop and implement new processes for a new entity.	~1 month To be substantively based on existing MBIE (Kānoa) processes.
Systems		
Establishment of entity systems/contracts: including identification, integration, and procurement of systems required to support an effective IMM (e.g. ERP/accounting systems, payroll, employment agreements)	~4 months (not critical path) Based on the effort required to develop and implement new systems for a new entity. This may begin prior to and extend longer than establishment of entity processes given the role of systems in supporting process.	~1 month Systems and contracts substantively based on existing systems used by MBIE (Kānoa).
Total indicative timeline:	~3 months	~1 month