



David Smol
Board Chair
New Zealand Institute for Earth Science Limited
By email to: [Privacy of natural persons](#)

Dear David

ANNUAL LETTER OF EXPECTATIONS FOR 2026/27

I am writing to outline my expectations for the **New Zealand Institute for Earth Science Limited (ESNZ)** from 1 July 2026. ESNZ is uniquely placed to lead and collaborate in identified research areas to deliver to the outcomes outlined in your interim Statement of Core Purpose (SCP).

Science, Innovation and Technology (SI&T) continues to be a pillar of the Government's Going for Growth strategy. SI&T is critical to the development and use of new ideas, knowledge and technology to benefit New Zealand. As ESNZ transitions to public research organisation (PRO) status, I expect your organisation to undertake research that supports economic growth, and positions New Zealand for the future.

Preparations for the planned SI&T Bill have identified the functions of a PRO, which are to:

- Undertake rigorous, internationally benchmarked science and research in areas where it is likely to produce long-term benefits for New Zealand, including economic, environmental, and health benefits.
- Provide the research and science services needed in order to:
 - Inform key regulatory and policy decisions, and
 - Give confidence to markets, the Government, and the public of New Zealand.
- Encourage commercialisation and practical use of the research carried out and technologies created.
- Drive internationally competitive innovation in New Zealand through large-scale collaboration and knowledge-sharing networks.
- Act in accordance with any applicable statement of purpose.
- Carry out any additional function, which may be directed by the Minister.

My expectations for FY27 build on those shared in previous Letters of Expectations and Board appointment letters and focus on the following medium- to long-term outcomes.

Alignment to Government Science Priorities

- I expect you to align to the new Government Science Priorities to ensure national coherence and to drive system-wide outcomes for New Zealand. Recently announced research platform investments have focussed on advanced technology, specifically Future Magnetic and Materials Technologies and Artificial Intelligence.
- I expect you to demonstrate adaptability in your research portfolio, to ensure continued relevance to both earth science partners and emerging technology areas (within the scope of your SCP).

- Government Science Priorities (based on the recommendations of PMSITAC) will be known in the first half of 2026. Confidentiality

Collaboration

- I expect you to:
 - Drive internationally competitive innovation in New Zealand through large-scale collaboration and knowledge-sharing networks.
 - Protect the integrity and security of sensitive research and technology and meet ethical standards.
 - Prioritise strategically important and valuable collaborations.
 - Build private sector capability by developing deeper relationships.
- I expect you to pursue shared and co-ordinated approaches in the areas where it is most important to do so, to enable efficiencies in cost and effectiveness in delivery. These areas may include shared infrastructure (such as property), shared suppliers, and shared services. Some approaches will be pan-CRI whereas for others a system-wide approach will be appropriate. I note the unprecedented CRIs/Universities collaboration and progress in agreed priority areas.

Economic growth, including commercial outcomes and commercialisation

- I expect you to:
 - Have an increased focus on science delivering economic benefits.
 - Encourage entrepreneurship to drive economic growth through the practical use of the research carried out and technologies created.
 - Connect transdisciplinary expertise to identify new applications of knowledge.
 - Cultivate international partnerships to improve research, investment, and economic growth outcomes.
 - Support the Government's wider diplomatic objectives.
- The amalgamation of GNS Science and NIWA created ESNZ with the mandate to drive innovation and commercial outcomes for earth sciences. I expect you to enable high-impact research, that leverages ESNZ's breadth of capability, to accelerate technology transfer, regional economic development, commercial outcomes and commercialisation.

Financial resilience

I expect you to have regard to the Government's enduring Letter of Expectations (April 2024). This includes the use of reprioritisation to drive greater value from public funds and assets, fully understanding your organisation's cost drivers and performance against key outcomes and incorporating strong evidence and evaluation practices.

Complementary to these enduring expectations, I expect you to maintain an adequate rate of return on shareholder funds to remain financially viable. This involves operating a sufficient rate of return to fund your 10-year capital intentions and maintaining a buffer for financial shocks. I anticipate this could involve difficult trade-offs and expect organisations to work together as far as possible to realise efficiencies. I do not expect dividends from PROs. I have also previously signalled my support for full cost charging for services.

In developing your Statement of Corporate Intent, if you cannot realistically meet these expectations, it is important to let me know earlier rather than later. For example, if funding capital pressures are unaffordable, it would translate into structural debt positions or entail a return on shareholder funds that would price you out of the market.

If this is the case, I am prepared to discuss refining expectations for an individual organisation's circumstances that strike a balance between the organisation achieving appropriate returns to support carefully managed capital intentions, and potential Crown capital support in the medium term. However, I would also expect this work to be undertaken closely with MBIE and occur well before any business cases seeking capital, or relying on excessive levels of debt, are put to shareholding Ministers for consideration. Where a capital investment decision requires stakeholder approval, I expect your organisation to rigorously follow the Treasury's Better Business Case process to ensure that any post-amalgamation investment decisions represent value for money.

Implementing changes to the Weather Forecasting System

To ensure a more integrated multi-hazard forecasting and warning system is optimally achieved, I expect you to:

- Continue to actively engage and collaborate with MetService.
- Implement the agreed **Commercial Information** self-funded improvements to observational weather data access arrangements, and report back on implementation progress in the second half of 2026.
- Ensure reinvestment of financial efficiencies arising from the integration with MetService is maintained within the weather forecasting system for first 3 years post-acquisition.
- Report back on improvements to observational weather data access arrangements and pricing within 3 years of acquisition.

I note that as "service critical assets", any plans to modify ownership arrangements around weather forecasting functions, or dispose of MetService, would require explicit consideration by shareholding Ministers and Cabinet. When the changes take effect, the monitoring of MetService will transfer from the Treasury to MBIE.

Please keep my officials informed of how you will achieve these outcomes and evidence of progress, both as a separate organisation and in collaboration with other CRIs and stakeholders as appropriate. I expect you to share your progress throughout the year, including any areas where priorities are not being advanced as intended.

If you need further clarification, please contact Michael Bird or Nicola Scott.

Thank you for your continued leadership.

Yours sincerely



Hon Dr Shane Reti
Minister of Science, Innovation and Technology
On behalf of shareholding Ministers

cc John Morgan, Chief Executive, ESNZ, by email to: john.morgan@niwa.co.nz