

12 September 2025

Resource Policy Team
Ministry of Business, Innovation and Employment
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RE: Submission on the Draft New Zealand Geothermal Strategy – *From the Ground Up*

Introduction

Essity Australasia is part of a leading global health and hygiene business with a proud 70-year history of tissue making in New Zealand.

Our business employs over 300 people throughout New Zealand across a range of roles including in sales, marketing, administration, supply chain and manufacturing.

Our Kawerau mill in the Bay of Plenty produces and exports a variety of tissue products for some of New Zealand's favourite consumer brands such as Purex, Sorbent and Handee, as well as products for our leading professional hygiene brand, Tork. We are the only remaining tissue maker in New Zealand. The competitive environment presents significant challenges as we compete against cheap imports from vertically integrated (forest/pulp to finished product) low-cost operators based in international markets and navigate high operating costs associated with local labour, energy, shipping and distribution. Given the essential nature of our products and the impacts on global trade associated with the recent pandemic and ongoing geopolitical risks, maintaining domestic manufacturing capability for our products should be considered a critical sovereign industrial capability by the Government.

Other major players in pulp and paper production as well as regional manufacturers in other industries have closed or significantly reduced operations in New Zealand over recent years as a result of competition and cost pressures. **The current energy crisis is and will continue to deindustrialize New Zealand** unless direct and timely action is taken. The Government plays a key role to ensure we retain key industries, particularly those that produce essential products and/or services and provide local jobs and strengthen regional economies.

With papermaking being an energy intensive manufacturing activity, our Kawerau mill has been a major focus for our investments in advanced technologies that make us a more competitive and sustainable operation. Since 2010, Essity has invested over \$100 million to modernise our manufacturing operations and make the most of nearby geothermal energy through partnership with Tuwharetoa Geothermal. This has included the conversion of gas fired boilers to geothermal energy, as well as the recent (2024) conversion of our Paper Machine #3 to utilise 100% Geothermal steam for process heat (as called out on page 10 of the draft strategy).

We welcome the release of the draft *New Zealand Geothermal Strategy – From the Ground Up* - and its action-oriented focus. Our submission will discuss three of the ACTION PLAN GOALS in the draft document. Based on our experience with the challenges involved in regional manufacturing and proven history of energy transition to Geothermal we feel we are uniquely placed to share our experience and insights and to provide constructive and targeted feedback that can help strengthen the final strategy.

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ACTION PLAN GOAL 3 – Advancing knowledge and uptake of geothermal technologies

With the conversion of our Paper Machine #3 to utilise 100% geothermal steam for process heat in 2024, Essity's Kawerau mill is **recognised globally as a world leader** in geothermal innovation. Buoyed by the success of that investment, we are currently exploring the potential to replicate this technology on our Paper Machine #2. Building on the 23% reduction in our carbon emissions through our 2024 geothermal investment in Paper Machine #3, transitioning Paper Machine #2 to geothermal has the potential to further reduce emissions and eliminate the consumption of natural gas used in the production of a significant portion of NZ's household tissue supply.

It is important to recognise that the technology is complex, and the cost is significant. Any investment Essity makes needs to be assessed based on the competitive environment we face and ultimately must provide value for our NZ customers, consumers and Essity. The Paper Machine #3 project delivered in 2024 was **only possible with co-funding provided by the Government**.

NZ's natural and sustainable sources of energy like geothermal should provide a competitive advantage to local industry, allowing companies like Essity to better compete against low-cost international competitors. To accelerate and take advantage of geothermal energy, we believe there needs to be direct government financial support for industry in **advancing the uptake of geothermal technologies**. As part of Action Plan Goal 3 – it is recommended that a targeted fund is established specifically for "Ready to go" projects that deliver on the strategic outcomes covering innovation, energy resilience, strengthening regional economies and te Ōhanga Māori. This fund could be administered via already established entities (e.g. Kānoa and/or EECA), or via a dedicated Geothermal Fund administrator. It is recommended that this additional action is included from HORIZON 1 (2025-2026). We believe that without this near-term support, uptake of geothermal technologies will be slow (or not occur in some industries) and the strategic goal to double geothermal energy use by 2040 will be unachievable.

ACTION PLAN GOAL 4 – Enabling place-based geothermal clusters

The Kawerau Geothermal system is a good example of a place-based geothermal cluster that demonstrates innovation and energy resilience while delivering significant benefits to the regional economy and te Ōhanga Māori. Essity contributes over \$75 million a year directly to the Bay of Plenty economy, with even more indirect value generated thanks to the place-based nature of the Kawerau geothermal industrial complex.

One of the strategic outcomes promoted involves "advancing geothermal development" and to "unlock industrial growth". While both outcomes are critical to achieving the vision, also key is ensuring we retain existing industry as a foundation to place-based geothermal clusters. This foundation is important as it provides the critical mass to support growth including relevant workforce training, engineering services, energy and logistical infrastructure.

Enabling place-based geothermal clusters needs to promote both future expansion opportunities, as well as support existing industry that underwrites the geothermal sector.

A possible pathway to support place-based geothermal clusters is through the establishment of Special Economic Zones in certain areas where geothermal development potential is identified. Mechanisms that support foundational industry and promote further investment and growth could be applied e.g. accelerated depreciation and/or other tax incentives; as well as specific incentives to support development of energy infrastructure.

We believe this type of enabler should be specifically called out as part of the Action Plan. Considering the current energy crisis that is affecting New Zealand industry now, we also recommend that this work is accelerated to commence in HORIZON 1 (2025-2026) activities.

ACTION PLAN GOAL 5 – Driving science, research and innovation

While increasing access to reliable energy that leverages NZ's natural resources should be the primary focus of the Strategy, the sustainability benefits must be maximised to ensure domestic manufacturers can win against global competitors.

The types of businesses looking to leverage geothermal energy will almost certainly have ambitious emissions reduction targets that are measured and reported against international standards such as the Science Based Targets Initiative and International Financial Reporting Standards. The ability to meet emissions reductions commitments made to investors and regulators is a focus for international businesses.

While geothermal energy generates significantly less emissions than fossil fuel alternatives, there are existing and emerging technologies that can almost entirely eliminate emissions associated with geothermal generation. Some of these technologies are already in place in New Zealand, however there are opportunities for funding to be made available under Action Plan Goal 5 to enhance carbon capture and sequestration at both legacy and new geothermal facilities to maximise the carbon reduction benefits associated with transition to geothermal energy and investments in place-based geothermal clusters.

We recommend Action Plan Goal 5 includes specific activities to focus on maximising the sustainability benefits of geothermal – targeting elimination of emissions associated with geothermal energy use for new and existing operations.

Conclusion

The New Zealand Geothermal Strategy – From the Ground Up - is an exciting initiative, unlocking the potential of Geothermal energy for New Zealand and New Zealanders. Essity Kawerau mill has decades of industry experience as a regional manufacturer transitioning to geothermal energy use, and we believe our insights and recommendations will strengthen the development of the final strategy. We urge the Government to incorporate these recommendations centred on providing direct and tangible support to industry in Horizon 1. Doing so will **deliver innovation, resilience and inclusive growth for future generations.**

Yours sincerely,



Adrian Berton
Director of Manufacturing
Essity Australasia