

Submission by



to the

**Economic Development, Science and Innovation Committee**

on the

**Crown Minerals Amendment Bill**

1 October 2024

**-- SUBMISSION BY THE BUSINESSNZ ENERGY COUNCIL --**  
**CROWN MINERALS AMENDMENT BILL**

1. The BusinessNZ Energy Council (BEC) appreciates the Government's release of the Crown Minerals Amendment Bill. However, the consultation period is too brief to allow for a thorough review or the formulation of substantial recommendations.
2. The Bill's introduction comes at a crucial time for the gas and overall energy sector. Recent incidents have highlighted significant limitations in gas supply, which have been deteriorating over the past few years. The available supply has fallen short of expectations, making it challenging for businesses to secure enough gas to meet their needs. This scarcity is disrupting production and putting substantial pressure on the economic feasibility of operating in New Zealand. Furthermore, an accelerated decline in gas supply, without available and economic alternatives, is likely to unleash a disorderly transition. This would have broad and deep economic and social costs across society.
3. **We support the core provision of the Bill, which seeks to reverse the ban on new oil and gas exploration beyond onshore Taranaki.** It is allowing opportunities for new investment in offshore developments to boost domestic production to smooth the decline phase of New Zealand's fields. This is crucial, as natural gas will remain vital during the country's transition to a lower-carbon economy.
4. **However, New Zealand's sovereign risk profile remains elevated, characterised by heightened policy uncertainty in the long-term.** Despite the reversal being a constructive step, opening a pathway for participants to invest offshore, the investment prospects remain challenging. The risk of future bans, or the introduction of restrictive regulations by successive Governments, provides serious regulatory risk. This undermines the ability to make final investment decisions on long-lived assets, which often have extended lead times.
5. **We urge the Government to continue to explore additional measures to reduce sovereign risk and encourage investment.** We look forward to collaborating with the Government to improve the investment climate as gas reserves decline to ensure businesses can switch when alternatives become more viable.
6. **Previous BEC submissions<sup>1</sup> have highlighted the critical need for an Energy Strategy developed alongside industry** that includes the role of gas to reduce regulatory uncertainty and build confidence. We are pleased the Government is advancing its energy strategy. **Such an energy strategy should be developed with input from multiple political parties to ensure long-term stability.** This will provide guidance and confidence needed for informed decisions and future investment.
7. The subsequent section of the submission proposes additional modifications to the Amendment Bill.

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<sup>1</sup> BusinessNZ Energy Council submission on [Advancing New Zealand's Energy Strategy](#), November (2023)

8. **We support the amendment to the Bill that enhances flexibility and provides clearer guidelines on the financial security obligations for permit holders with respect to decommissioning requirements.** Nonetheless, uncertainty will persist until more detailed information is released in mid-2025, leading the sector to adopt a cautious stance until the situation is fully clarified.
9. **We recommend aligning decommissioning requirements with international best practices.** For example, keeping certain structures that don't harm the environment could benefit ecosystems by turning into reefs. We also suggest the re-wording of "highly likely" to "more likely than not" to provide more clarity, under Part 3, Section 41C amended.
10. **We recommend removing clauses related to trailing liabilities.** Other measures already address the risk of failing to cover decommissioning costs, such as holding financial security, the Minister's right to review financial capability, and approval over transfers. Any transferee must demonstrate financial capability, and the Minister must approve transfers and collect information on financial capability. These measures should prevent situations where a transferee cannot meet decommissioning costs.
11. While limiting trailing liability to the most recent permit holder is an improvement, trailing liabilities still deter potential investors despite the offshore ban reversal. Previous BEC submissions explain the strong disincentives arising from these requirements.<sup>2</sup> These obligations interfere with commercial arrangements and property rights, requiring more work for permit or license transfers. Transferors and transferees must factor ongoing liabilities into decisions, likely slowing transfers.
12. Such barriers weaken property rights, a fundamental part of any market economy, and disincentivise investment. Over the last five years, uncertainty in regulatory arrangements has delayed or abandoned investments, decreasing energy supply diversity and security, and increasing prices. The clause sets a poor precedent for other businesses with decommissioning costs or environmental risks. We can think of no other situation in New Zealand where a seller remains liable for the new owner's future liabilities.
13. **We support the Bill's amendment to reverse the 2023 amendment to the purpose statement of the Act, which replaced "promote" with "manage."** We also support reintroducing the provision to "attract permit applications" under the Act. This aligns with BEC's previous submission on the Crown Minerals Amendment Bill 2023.<sup>3</sup> Reinstating "promote" signals, through legislation, that the Government encourages new investment in the mineral sector. Such investment is vital to improving living standards of all New Zealanders and to ensure an adequate supply of minerals necessary for the global energy transition out to 2050 and beyond.
14. The Bill also suggests implementing a system for optional Government Policy Statements (GPS) regarding the extraction of petroleum and minerals owned by the Crown, in addition to creating a new permit category (Tier 3) for small-scale, non-commercial gold mining. Regrettably, due to the restricted timeframe, we have not been able to thoroughly evaluate the benefits, drawbacks, and potential risks of these provisions.

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<sup>2</sup> BusinessNZ Energy Council and BusinessNZ submission to the Economic Development, Science and Innovation Select Committee on the Crown Minerals (Decommissioning and Other Matters) Amendment Bill, August (2021)

<sup>3</sup> BusinessNZ Energy Council submission to the Economic Development, Science and Innovation Committee on the [Crown Minerals Amendment Bill](#), January 2023.

## Appendix One - Background information on BusinessNZ Energy Council

### About the BusinessNZ Energy Council

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

### About the World Energy Council

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

### About the BusinessNZ

[BusinessNZ](#) is New Zealand's largest business advocacy body, representing:

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

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

