

Budget 2022 Initiative Summary – Main Budget Process

Effectively engaging with iwi and managing risks in petroleum and mineral permitting

Section 1: Overview

Section 1A: Basic Initiative Information

Lead Minister	Energy and Resources.					
Department	Ministry of Business, Innovation and Employment.					
What type of initiative is this?	Critical cost pressure initiative	Y	Manifesto commitment initiative	N	Health and Disability System Reform initiative	N
	Climate Emergency Response Fund initiative	N	Savings initiative	N	Non-Spending initiative	N
Initiative description [max 800 Characters]	This initiative addresses critical cost-pressures within the Energy and Resources: Management of the Crown Mineral Estate Appropriation and the increasing deficit in the associated memorandum account. It will ensure that the regulator exercising functions and powers under the Crown Minerals Act 1991 (CMA) has the resources, processes and systems needed to undertake iwi engagement, and maintain appropriate monitoring, compliance and enforcement activities under the CMA. It will also implement the new petroleum decommissioning requirements to mitigate the risk of the Crown having to fund and undertake decommissioning as it has been the case for the Tui oil field.					
Is this a Cross-Vote initiative?	N	NA				
Department contact	Privacy of natural persons _____ _____ _____ _____ _____					
Treasury contact	Privacy of natural _____					

Section 1B: Total Funding Sought

Operating funding sought (\$m)	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total
	Confidential advice to Government _____					

Capital funding sought (\$m)	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
	Confidential advice to Government _____										

BUDGET SENSITIVE

Section 1C: Initiative Classifications

Is this initiative seeking funding from the Climate Emergency Response Fund (CERF)?	N	-							
Is this initiative climate-related, but not seeking funding from the CERF?	Y	Among other things, this initiative enables the regulator to implement requirements introduced by the Crown Minerals (Decommissioning and Other Matters) Amendment Act (the Amendment Act) to mitigate the fiscal risks with maturing petroleum fields as we transition away from fossil fuels to a low emissions economy. The new requirements are intended to mitigate the risk of the Crown having to fund and undertake decommissioning as it has been the case for the Tui oil field.							
Does this initiative align with the Crown's obligations under the Treaty of Waitangi?	<i>Strong</i>	Section 4 of the the Crown Minerals Act 1991 (the CMA) requires all persons exercising functions and powers under the the CMA to have regard to the principles of the Treaty of Waitangi. There are also a number of Crown Mineral Protocols and Relationship Agreements that set expectations for how the Crown engages with iwi. This initiative will provide the regulator with the resources, processes and systems needed to improve and sustain how it engages with iwi under the CMA and related Crown Mineral Protocols and Relationship Agreements.							
Specify if this initiative will help reduce child poverty and describe the impact.	<i>No impact</i>	-							
Does this initiative align with the Child and Youth Wellbeing Strategy?	N	-							
Does the initiative include funding to procure from NGOs?	N	-							
Does the initiative include funding to support digital and data related investments?	Y	<p>The initiative includes funding to support information management systems required for minerals and petroleum permit processing and information disclosure requirements under the CMA. The initiative aligns with the "All of Government 'Digital, data and ICT investment principles", in particular the "service delivery investment principle" and "information and data services investment" principles by building and extending on existing digital foundations and infrastructure. Parts of this initiative focusses on gaining insight from data. It also focusses on the efficiency and ease of regulated parties, iwi and the public to interact with the regulatory system by extending and integrating existing capability and platforms (rather than investing in new or replacement systems):</p> <ul style="list-style-type: none"> • service delivery investment principle and the use of open application programming interfaces (APIs) to expose business functions, rules and data to support improvements to customer facing services and statutory registers; • information and data services investment principle in the delivery of data and analytics for decision making and sharing of data; and • digital foundations and infrastructure investment principle for a digital public service and preference for cloud-based infrastructure services. 							
Is this a regulatory or legislative initiative (according to the guidance provided)?	Y	This initiative is directly required to address existing functional gaps under the CMA (e.g. iwi engagement under section 4 of the CMA, monitoring, compliance and enforcement activities) and new monitoring, compliance, and enforcement functions and powers introduced through the Amendment Act.							
		This initiative is required so that the regulator can address functional gaps to implement existing requirements under the CMA and implement new petroleum infrastructure decommissioning requirements through the Amendment Act and associated regulations.							
Is this a significant investment initiative per the definition at section 4.8 of the Budget 2022 guidance?	N	No. Does not meet significant threshold of CO (19) 6							
		<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">Data / Digital / ICT</td> <td style="width: 10%;">N</td> <td style="width: 15%;">Physical Infrastructure</td> <td style="width: 10%;">N</td> <td style="width: 15%;">Organisational Transformation</td> <td style="width: 10%;">N</td> <td style="width: 15%;">Specialised Equipment</td> <td style="width: 10%;">N</td> </tr> </table>	Data / Digital / ICT	N	Physical Infrastructure	N	Organisational Transformation	N	Specialised Equipment
Data / Digital / ICT	N	Physical Infrastructure	N	Organisational Transformation	N	Specialised Equipment	N		

BUDGET SENSITIVE

Section 2: Cost pressure information

Answers must not exceed 1-2 paragraphs per section.

Cost pressure driver	Y	Volume	N	Price	N	Personnel (driven by volume/price)
Cost pressure description						
						<p>The Energy and Resources: Management of the Crown Mineral Estate Appropriation (the appropriation) is facing cost pressures due to a decline in third party revenue and the addition of new regulatory activities under the CMA without an equivalent increase in baseline funding.</p> <p>The appropriation is funded by a mix of Crown revenue and third-party revenue (fees). Fees declined in recent years (from \$5.75m in FY18 to \$4.91m in FY21) due to a decline in petroleum fees revenue. In FY21, total expenditure was \$19.1m, of which \$12.4m was Crown-funded and \$6.7m was funded from fees. The difference between third party fees collected and expenditure funded by third party fees (\$1.8 million in FY2021) is managed through a memorandum account. The memorandum account should trend to a \$nil balance over time as surpluses and deficits, caused by cost recovery timing differences, offset. However, declining revenues and increasing costs mean the memorandum account has been in deficit since 2014 and has remained in deficit despite a fees review in 2016. In FY21 the memorandum account balance was a \$3.4m deficit. This deficit will increase without additional funding, as the pool of fee payers (in particular petroleum exploration and mining permits) is likely to decrease, while the costs increase with the addition of new regulatory activities.</p> <p>The addition of new regulatory activities is primarily driven by:</p> <ul style="list-style-type: none"> • the Government's commitment to strengthening Treaty partnerships and Māori-Crown relations. For example, section 14 of the Public Services Act 2020 explicitly recognises the role of the public service to support the Crown in its relationships with Māori under the Treaty of Waitangi. As a result, the regulator is expected to continuously improve how it meets Treaty obligations under section 4 of the CMA and Crown Mineral Protocols and Relationship Agreements; and, • a shift in focus over the past decade from promoting and growing revenue from the Crown Mineral Estate to managing and mitigating risks associated with minerals and petroleum permits. For example, CMA amendments in 2013 introduced new monitoring, compliance and enforcement functions and powers for the regulator following the Pike River coal mining tragedy in 2010. The Amendment Act strengthening decommissioning requirements provides for further administrative, monitoring, compliance, and enforcement activities to mitigate the risk of the Crown having to fund and undertake decommissioning as it has been the case for the Tui oil field. <p>MBIE engaged an external consultant to independently review activities which are delivered and funded under the appropriation to better understand the cost pressures. This independent review is available on request.</p> <p>Funding this cost pressure is critical. Without funding the regulator will have significant functional gaps in the resources, processes and systems needed to be able to exercise its powers and functions under the CMA. Specifically, the regulator would not be able to:</p> <ul style="list-style-type: none"> • sustain and improve how it meets Treaty of Waitangi obligations under the CMA and Crown Minerals Protocols and Relationship Agreements, which could have implications for the Māori-Crown relationship and result in judicial review; • conduct effective monitoring and compliance, which could result in regulatory failure (e.g. illegal mining resulting in serious harm); • fully respond to the increased complexity of managing late-life petroleum permits, including new petroleum infrastructure decommissioning requirements introduced by the Amendment Act which are intended to mitigate the risk of the Crown having to fund and undertake decommissioning as it has been the case for the Tui oil field; • update aging information management systems, which could lead to an inability to execute regulatory functions; and • reduce permit processing times which can be a bottleneck for industry. <p>Without additional funding the deficit in the memorandum account will also increase.</p> <p>Funding cannot be deferred to future Budgets as it is not possible to re-prioritise within existing baselines of the appropriation or other parts of the Energy and Resources portfolio.</p>
Cost pressure management						<p>Cost pressures cannot be funded from existing baselines of the appropriation. The activities undertaken by the regulator and funded by the appropriation are legislative or regulatory requirements under the CMA. The last notable (\$8.800 million) addition of baseline funding was over a decade ago, in FY10 for the Petroleum Action Plan (PAP) [EGI (10) 228 refers]. Overtime additional activities and functions were</p>

BUDGET SENSITIVE

	<p>introduced through amendments to the CMA, without additional baseline funding. The funding received for the PAP has been redirected to these activities over the last 11 years. Other funding to meet the cost pressures has been time-limited, such as funding received in Budget 16 to improve regulatory compliance and monitoring functions. This funding peaked at \$1.050 million in FY20 and expired the same year, increasing cost pressure from FY21. The funding available now is not sufficient to meet existing activities or the additional activities to be introduced by the Amendment Act</p> <p>Efforts to reprioritise further funding to meet cost pressures have already been made, including \$0.700m in 2017 and \$0.300m baselined, reprioritised from within the Energy and Resources portfolio. There is no ability to re-prioritise from other parts of the Energy and Resources portfolio any further.</p> <p>Cost pressures cannot be addressed immediately through an increase in third-party revenue (fees).</p> <p>The last fees review was conducted in 2016 and it was decided to undertake a first principles fees review once the CMA Review is completed. This is because changes resulting from the CMA Review could result in additional costs or savings for the regulator which would be important to consider as part of a fees review. The scope of the CMA Review is set out in the 2019 Discussion Document. The Amendment Act accelerated the parts of the CMA Review that related to strengthening the requirements for petroleum infrastructure decommissioning. Policy work on the remaining areas of the CMA Review has been undertaken but policy decisions have not yet been made due to other Government priorities, including COVID-19.</p> <p>Cost pressures cannot be addressed immediately because a first principles fees review to increase fees on regulated parties would take a minimum of 12 months to complete and implement due to the legal process that needs to be followed.</p> <p>Further, based on Treasury guidelines, an increase in fees is unlikely to address all cost pressures because:</p> <ul style="list-style-type: none"> • not all increasing activities by the regulator (e.g., improved iwi engagement) may be considered as cost-recoverable by user charges (fees); and, • there are also some constraints on how high fees can be, as charges cannot unduly be in excess of the cost of providing services so users are not burdened with costs associated with past or future activities. A significant increase in fees may increase permit surrenders which could exacerbate existing cost pressures. <p>As noted above, in the longer term the pool of fee payers (in particular petroleum exploration and mining permits) under the appropriation is likely to decrease, so continuing to rely on third parties fees to fund the regulator is unlikely to be sustainable.</p>
Case for funding	<p>Additional funding is needed to address functional gaps under the CMA. The outputs the funding would be purchasing include:</p> <ul style="list-style-type: none"> • sustained and improved iwi engagement as required under section 4 of the CMA and under existing Crown Mineral Protocols and Relationship Agreements; • improved monitoring and analysis of permit-holder information to support compliance activities under the CMA • effective implementation of the new petroleum infrastructure requirements introduced by the Amendment Act which provides for further administrative, monitoring, compliance, and enforcement activities to mitigate the risk of the Crown having to fund and undertake decommissioning as it has been the case for the Tui oil field; • improved compliance and enforcement activities across both minerals and petroleum permits; and, • maintained and improved information management systems critical to the permitting regime and public information disclosure requirements.

Section 5: Delivery

Section 5A: Fit with existing activity

The answer must not exceed 1-2 paragraphs.

How does the initiative link with existing initiatives with similar objectives?	This initiative addresses cost-pressures for existing activities the regulator is required to undertake under the CMA to manage minerals and petroleum permitting (e.g. iwi engagement, and monitoring, compliance, and enforcement activities). The initiative will also support the additional activities the regulator will be required to undertake to implement the new petroleum decommissioning requirements in the Amendment Act and associated regulations.	
Is the initiative an expansion or a cost pressure for an existing initiative?	Y	<p>The initiative will address existing functional gaps and fund additional resources, process and systems for the regulator to:</p> <ul style="list-style-type: none"> • sustain and improve how it engages with iwi under the CMA and related Crown Mineral Protocols and Relationship Agreements; • improve monitoring and analysis of permit holder information to support compliance activities under the CMA; • effective implementation of the new petroleum infrastructure requirements introduced by the Amendment Act which provides for further administrative, monitoring, compliance, and enforcement activities to mitigate the risk of the Crown having to fund and undertake decommissioning as it has been the case for the Tui oil field; • reduce delays in processing permit times; • improve compliance and enforcement activities across both minerals and petroleum permits; and, • maintain and improve information management systems critical to the permitting regime and public information disclosure requirements under the CMA. <p><i>If no, move on to section 5B.</i></p>

Provide an overview of existing funding levels for this initiative, and/or initiatives with similar objectives, in the two tables below.

	Operating Funding profile (\$m)						Total				
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears						
Existing funding for this/similar initiatives	19.173	19.156	19.148	19.148	19.148	95.773					
Total funding sought for this initiative	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government					
% change between existing funding and funding sought	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government					
Comments (optional)	Existing funding shown is the total of <i>Energy and Resources: Management of the Crown Minerals Estate</i> appropriation, including authority to spend third party revenues. Actual third party revenue will differ.										
	Capital Funding profile (\$m)										Total
	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	
Existing funding for this/similar initiatives	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000	0.000
Total funding sought for this initiative	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government
% change between existing funding and funding sought	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government	Confidential advice to Government
Comments (optional)	The appropriation is an operating appropriation only. Capital to purchase office equipment, such as desks and laptops will be needed to support the additional FTE and would sit in MBIE's capital injection appropriation.										

Section 5B: Funding sought by input

Provide a breakdown of what the requested funding will purchase. Briefly explain the formula used, or key assumptions made, to calculate the cost of each output.

Formula and assumptions underlying costings

Costings have been determined from a full profit and loss model, showing the pressure of current operations, plus anticipated additional activities against baseline funding and third party revenue projections. Pressure occurring from the current operations has been allocated proportionately across expense categories, before the below assumptions are applied.

Resourcing can be split into the four key categories:

- permanent resourcing to address functional gaps, in particular in relation to iwi engagement, monitoring, compliance and enforcement activities Confidential advice to Government
- time-limited resourcing to support/set-up the implementation (system and processes) of the new petroleum decommissioning requirements (**Confidential advice to Government**). Contracts between 12-24 months);
- permanent resourcing to support the ongoing implementation of the petroleum decommissioning requirements. Confidential advice to Government; and,
- temporary resource to carry out a fees review every three years (**Confidential advice to Government**).

Resourcing peaks in FY22/23 because time-limited resourcing to implement the new petroleum decommissioning requirements overlaps with the permanent ongoing resourcing. This is to ensure frameworks and processes established by very senior resources can be embedded as BAU and adopted by ongoing, less expensive resource. Once systems and processes are embedded to implement the petroleum decommissioning requirements, the total number of resources required Confidential advice to Government. Resources have been grouped by seniority for costing. **Confidential advice to Government**

Confidential advice to Government



Confidential advice to Government

Recruitment includes costs associated with new FTE / Contractors only. Recruitment from general turnover is captured (where applicable) in resourcing costs.

Legal Expenditure includes:

- general increase in legal expertise due to increasing complexity of assessments;
- condensed legal expenditure in FY23 to support financial securities agreements for x27 permits; and,
- expenditure for FY24 onwards to support negotiation of residual liability agreements for x27 permits.

Consultancy and Professional Services includes:

- external iwi capability support;
- specialist engineering support for well assessments;
- actuarial services for residual liability assessments; and,
- external review of audit processes.

Systems and Software includes:

- maintenance to avoid loss of irreplaceable data;
- costs to keep existing systems operational and fit for purpose;
- extending and integrating existing capability and platforms (d); and,
- client relationships management licences to better support iwi engagement.

Depreciation includes depreciation on additional office equipment only.

Input – Operating	Funding profile (\$m)					Total
	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	

Input Information

BUDGET-SENSITIVE

Resourcing - FTE	Confidential advice to Government								
Resourcing - Fixed term contractors	Confidential advice to Government								
Recruitment for new FTE / Contractors	Confidential advice to Government								
Overheads on FTE	Confidential advice to Government								
Overheads on Fixed term contractors	Confidential advice to Government								
Legal Expenditure	Confidential advice to Government								
Consultants and Professional Fees	Confidential advice to Government				§ 9(2)(f)(iv)				§ 9(2)(f)(iv)
Systems and Software	Confidential advice to Government								
Other	Confidential advice to Government								
Depreciation	Confidential advice to Government								
Total	Confidential advice to Government								

FTE-specific Input Information (if applicable)

New FTE funding	Confidential advice to Government								
New contractor funding	Confidential advice to Government								
Additional FTE and contractor corporate overhead funding	Confidential advice to Government								
Total	Confidential advice to Government								

# of FTE's (employees and/or contractors)	Confidential advice to Government								§ 9(2)(f)(iv)
---	-----------------------------------	--	--	--	--	--	--	--	---------------

What's the % increase in FTE compared to baseline FTE numbers	Confidential advice to Government								
--	-----------------------------------	--	--	--	--	--	--	--	--

	Funding profile (\$m)										Total
Input – Capital	21/22	22/23	23/24	24/24	25/26	26/27	27/28	28/29	29/30	30/31	
Office equipment for personnel (desk / laptop)		Confidential advice to Government									
Total		Confidential advice to Government									Confidential advice to Government

Appropriations This funding would increase the existing Energy and Resources: Management of the Crown Minerals Estate appropriation.

Section 5C: Options analysis

Options analysis	<p>We have considered three funding options to address the cost-pressures under the appropriation. These options prevent the memorandum account deficit (\$3.4 million in FY21) deteriorating further.</p> <ul style="list-style-type: none"> Option One – Funding to address some of the current functional gaps and implement the new petroleum infrastructure decommissioning requirements (minimum viable option - Confidential). This option would address some functional gaps related to iwi engagement, monitoring and compliance, and information management systems, and enable the effective implementation of the new petroleum decommissioning requirements. However, some functional gaps would remain such as: <ul style="list-style-type: none"> maintenance and improvements to information management systems required to support iwi engagement and permit processing; adequate number of compliance officers to support enforcement activities; and adequate number of operational advisors to support permit processing. Confidential advice to Government <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <ul style="list-style-type: none"> [Redacted] [Redacted] [Redacted] <ul style="list-style-type: none"> [Redacted]
------------------	---

Counter-factual question	<p>If funding is not approved or deferred, the regulator will have significant functional gaps in the resources, processes and systems needed to exercise its functions and powers under the CMA. Implications of not funding this initiative includes:</p> <ul style="list-style-type: none"> Iwi partnership and engagement likely to remain the same or deteriorate with wider negative implications for the relationship between Māori and the Crown. Regulator not having the resources, processes and systems to complete the implementation of new petroleum decommissioning requirements which could increase the future risk of a petroleum operator defaulting on decommissioning liabilities as has been the case for the Tui oil field. Increased delays in processing permit times leading to bottlenecks for industry. Reduction in monitoring from current levels with increased risk of non-compliant activity (e.g. illegal mining, non-payment of royalties and fees) and regulatory risk. Compliance and enforcement limited to very serious obvious non-compliance. Infrequent and narrow auditing and enforcement activities of existing permit holders. Reduced management and maintenance of IT systems critical to the permitting system and public information disclosure requirements. Increased risk that information management systems are taken offline due to lack of maintenance and security vulnerabilities. Degradation in the management and presentation of physical collection of mineral and petroleum rock and fluid samples. Increased deficit in the memorandum account.
--------------------------	---

Section 5D: Scaled option

Option overview	<p>Confidential advice to Government <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> <div style="background-color: #cccccc; padding: 2px;">[Redacted]</div> </p>
-----------------	---

BUDGET-SENSITIVE

<p>Confidential advice to Government</p> <p>[Redacted]</p> <ul style="list-style-type: none"> [Redacted] [Redacted] [Redacted] [Redacted] <p>[Redacted]</p>
--

Provide a breakdown of what the minimum viable option would purchase. If the formula used or key assumptions made differ from those used for the primary option, briefly explain these. Add additional rows to the table as needed to capture each output separately.

<p>Formula and Assumptions</p>	<p>Option 1 Assumptions are listed where different to funding sought for Option 2. Resourcing</p> <ul style="list-style-type: none"> Permanent resourcing to address functional gaps, in particular in relation to iwi engagement, monitoring, compliance and enforcement activities. Confidential advice to Government Time-limited resourcing to support/set-up the implementation (system and processes) of the new petroleum decommissioning requirements. Confidential advice to Government <p>Resourcing peaks in FY22/23 because time-limited resourcing to implement the new petroleum decommissioning requirements overlaps with the permanent ongoing resourcing. This is to ensure frameworks and processes established by very senior resources can be embedded as BAU and adopted by ongoing, less expensive resource. Once systems and processes are embedded to implement the petroleum decommissioning requirements, the total number of resources required will Confidential advice to Government on an ongoing basis. Resources have been grouped by seniority for costing. Of the 16 permanent resources the breakdown is:</p> <ul style="list-style-type: none"> 19% (3) Principal Analysts / Advisors 56% (9) Senior Analysts / Advisors 25% (4) Analysts / Advisors <p><i>*includes 3 fixed term FTE (18 months) for a review of third party fees.</i> Recruitment – basis per funding sought. Legal Expenditure – per funding sought. Consultancy and Professional Services – per funding sought. Systems and Software:</p> <ul style="list-style-type: none"> Does not include client relationships management licences to better support iwi engagement. Has limited funding to ensure systems remain fit for purpose <p>Depreciation – basis per funding sought.</p>	
--------------------------------	--	--

		Operating Funding profile (\$m)					
Input - Operating	2021/22	2022/23	2023/24	2024/25	2025/26 & outyears	Total	
Resourcing - FTE	Confidential advice to Government	2.594	2.654	2.815	3.308	Confidential advice to Government	
Resourcing - Fixed term contractors	Confidential advice to Government	1.901	0.527	0.000	0.394	Confidential advice to Government	
Recruitment for new FTE / Contractors	Confidential advice to Government	0.471	0.000	0.000	0.000	Confidential advice to Government	
Overheads on FTE	Confidential advice to Government	1.076	1.074	1.133	1.363	Confidential advice to Government	
Overheads on Fixed term contractors	Confidential advice to Government	0.664	0.167	0.000	0.084	Confidential advice to Government	
Legal Expenditure	Confidential advice to Government	3.082	1.524	1.618	1.779	Confidential advice to Government	
Consultants and Professional Fees	Confidential advice to Government	1.531	0.458	0.484	0.578	Confidential advice to Government	
Systems and Software	Confidential advice to Government	2.305	0.966	1.004	1.140	Confidential advice to Government	

BUDGET-SENSITIVE

<i>Other</i>	Confidential advice to Government	0.151	0.140	0.109	0.168	Confidential advice to Government					
<i>Depreciation</i>		0.049	0.049	0.047	0.015						
Total		13.824	7.559	7.210	8.828						
	Capital Funding profile (\$m)										
Input - Capital	21/22	22/23	23/24	24/25	25/26	26/27	27/28	28/29	29/30	30/31	Total
Office equipment for personnel (desk / laptop)		0.165									
Total		0.165									0.165
Appropriations	This funding would increase funding under the Energy and Resources: Management of the Crown Mineral Estate Appropriation.										

Section 5E: Monitoring and Evaluation

This initiative will be monitored by the Petroleum and Minerals Regulatory System Governance Group within MBIE (Governance Group). The role of the Governance Group is to provide guidance and direction to the Regulatory System and its priorities.

A Steering Group (reporting up to the Governance Group) provides direction, oversight, guidance and decision making to support the successful implementation of the new petroleum decommissioning requirements and better implement existing requirements under the CMA.

No additional funding is sought to support ongoing monitoring of the initiative and no formal evaluation is planned for this initiative.

Section 5F: Implementation readiness

<p>Workforce: Are additional FTEs or contractors required?</p>	<p>Y</p>	<p>A range of expertise and skills will be required to implement this initiative. The range of specialist skills required for example includes:</p> <ul style="list-style-type: none"> • Iwi engagement advisors • Legal advisors • Accounting expertise • Data analysts • Financial analysts • Compliance officers • Business analysts • Petroleum technical engineer <p>These expertise have been costed as a mix of FTE, contractors and consultants.</p> <p>In practice these skills may come from a combination of permanent FTEs, contractor and/or consultants. There may be some difficulty in securing the required FTEs and contractors due to the specific skills/expertise required to build the capability and capacity of the regulator based in Wellington. Hiring people based in other parts of New Zealand may reduce this difficulty.</p>
<p>Workforce: Resourcing considerations</p>	<p>A combination of Public Service Commissioner’s Public Service Pay Guidance, MBIE’s application of the guidance and labour market conditions has been considered in developing resource costs. MBIE is currently in the processes of collective bargaining for a new collective employment agreement. The previous agreement contained enforceable contractual obligations for pay increases. As the outcome of the current bargaining process is undetermined pay increases are assumed to be a scaled down version of current entitlements. The reduced increase is also assumed to capture current tight labour market conditions, where turnover is causing resource cost increases.</p> <p>Resourcing has been costed using a FTE + overheads model for the contractor and permanent resources. This provides a view of the maximum headcount impact to MBIE, enabling better planning, and shows the intention for skills, frameworks and knowledge to be internally generated and retained as the preferred approach to implementation. However, in practice some skills may be procured through external consultants (for example for specialist financial capabilities assessments) if the labour market proves too tight. Additionally, MBIE’s flexible working options mean many of the roles could be filled outside of Wellington, further mitigating resource pressure.</p>	
<p>Timeframes</p>	<p>This initiative will be delivered starting in FY22. The main dependency to deliver this initiative is hiring the required level of resourcing.</p>	
<p>Delivery Risks</p>	<p>A risk of delivering this initiative is not being able to hire the required level of skills and expertise in Wellington where the regulator is currently based. To mitigate this risk the regulator can be flexible in where staff are located to increase the pool of people that may be interested in the new positions. With the opening of If New Zealand’s borders skilled migrants could also apply for some of the new positions.</p>	
<p>Market capacity</p>	<p>Refer to the resourcing and delivery risks and mitigation strategy discussed above.</p>	
<p>Previous delivery experience</p>	<p>The regulator has experience in hiring resourcing for iwi engagement, monitoring, enforcement, and compliance and information management activities. Therefore, in regards to the resourcing required to address functional gaps the regulator has existing systems and processes in place (e.g. training and support, governance structures and project management structures) to hire and support new staff.</p> <p>The regulator has some specialist financial expertise. However, new specialist skills and expertise will be required to complete the new financial capability assessments, risk based assessments, monitoring, and imposition of financial securities that the new petroleum decommissioning requirements provided for in the Amendment Act and associated regulations will introduce. The regulator will build on the existing expertise and use existing systems and processes in place to hire the specialist skills required to implement the new requirements. Additionally, a part-time contractor has been hired to support the implementation of the new requirements, in particular to set up the required governance/steering group to guide implementation. Implementation workstreams are being established in relation to the new requirements to support the new staff once they are on board.</p>	