



**MINISTRY OF BUSINESS,  
INNOVATION & EMPLOYMENT**  
HĪKINA WHAKATUTUKI



# Briefing for the Incoming Minister Energy and Resources

**26 October 2017**

This document has been proactively released. Redactions made to the document have been made consistent with provisions of the Official Information Act 1982.

## Contents

---

<b>Contents</b> .....	<b>2</b>
<b>1. Portfolio overview</b> .....	<b>3</b>
The span of the Energy and Resources portfolio .....	3
Context for energy and resources use and development in New Zealand .....	4
New Zealand is leading the way on renewables .....	4
Our non-renewable energy sources currently remain a necessary energy source.....	5
MBIE’s response to this changing context .....	7
<b>2. Portfolio responsibilities</b> .....	<b>10</b>
Legislative responsibilities.....	10
Crown entities and statutory bodies.....	13
Related Crown entities.....	15
Funds and appropriations .....	15
<b>3. Major links with other portfolios</b> .....	<b>17</b>
<b>4. How MBIE assists you</b> .....	<b>18</b>
Key MBIE officials .....	18
<b>5. Energy and Resources work programme</b> .....	<b>20</b>
Focus for the first 100 days .....	20
<b>Annex 1: Relevant legislation</b> .....	<b>22</b>
<b>Annex 2: Key international energy relationships and agreements</b> .....	<b>23</b>
<b>Annex 3: Boards within the Energy and Resources portfolio</b> .....	<b>24</b>

# 1. Portfolio overview

---

## The span of the Energy and Resources portfolio

1. As Minister of Energy and Resources your portfolio encompasses activities relating to the energy, petroleum and minerals sectors. As the Minister you act as:

**An owner** – seeking a fair economic return on Crown owned petroleum (oil and gas), minerals and land for New Zealanders. This includes allocating and managing petroleum and mineral permits.

**A regulator** – ensuring the effective operation of legislative regimes to the benefit of consumers. This includes:

- promotion of energy productivity and efficiency improvements
- ensuring secure and reliable energy supply that is resilient to shocks
- oversight of well-functioning and competitive energy (electricity and gas) markets
- managing Crown risks around exploration and development over the life-cycle of resources
- consulting Māori collaboratively to facilitate appropriate resource development, and
- managing effective compliance systems.

**A facilitator of change** – setting a vision for the energy and resources systems over the long term. This includes:

- supporting the transition to a lower emissions economy
- removing barriers to innovation and investment, and
- ensuring that positive technology adoption is enabled.

2. You are responsible for five energy-related Crown entities and statutory bodies for which MBIE has a monitoring function. The Electricity Authority has the statutory objective of promoting competition, reliability and efficiency in the electricity market for the long-term benefit of consumers. The Energy Efficiency and Conservation Authority, which you can direct, is a delivery agency responsible for promoting energy efficiency and use of renewable energy. The Gas Industry Company is the private industry body that co-regulates the gas industry with you (as the Minister). There are also two Rulings Panels, one for gas and one for electricity (see pages 13-15).
3. This portfolio enables you to take a leading role in Ministerial discussions about the intersection of economic and environmental outcomes, in pursuit of energy and resources objectives for New Zealanders. For instance, the recent experience with the Refinery-to-Auckland fuel pipeline shutdown demonstrates that stability and security of energy supply remains paramount. In your interactions with other portfolios you have a role to ensure policy issues with implications for the energy, petroleum and mineral sectors are addressed.
4. Other portfolio opportunities and challenges include the impact of rapidly evolving technologies and reducing greenhouse gas emissions to meet climate change objectives, while ensuring we maintain a productive, efficient and competitive economy.

### Context for energy and resources use and development in New Zealand

#### **New Zealand is leading the way on renewables**

5. New Zealand's use of its renewable energy resources is amongst the best in the world. In 2016, 40 per cent of our total primary energy was generated from renewable energy, ranking fourth amongst the Organisation for Economic Co-operation and Development (OECD) countries.
6. New Zealand has progressively reduced emissions from our electricity sector. Eighty five per cent of our electricity was produced from renewable sources in 2016 (third in the OECD), and electricity generation now represents six per cent of New Zealand's total emissions. There are opportunities to increase the level and diversity of renewables in our electricity system, as well as transition to using more electricity instead of fossil fuels. Both provide opportunities to help meet the Government's commitment to transition to net zero emissions by 2050.

#### ***There is a growing focus on the role of renewables beyond the electricity sector to reduce emissions...***

7. In addition to electricity, New Zealand's potential to reduce emissions in the energy sector lies in process heat and transport, both of which have a much larger proportion of non-renewable energy than electricity.
8. Process heat is energy used for commercial and industrial processes, manufacturing and heating. For example, meat and dairy processors use steam from boilers to sanitise equipment and process raw products, such as milk into powder. Some of the largest process heat users are concentrated around primary sector food production, others include the petrochemical, pulp and paper, and wood sectors.
9. Process heat makes up one-third of New Zealand's overall energy use and contributes approximately nine per cent of total emissions. Sixty per cent of process heat is supplied using fossil fuels, mainly coal and gas. Process heat, therefore, offers one of our largest opportunities to improve energy efficiency and switch from fossil fuels to renewable energy, for example by utilising co-fired woody biomass in boilers or taking advantage of our largely renewable electricity supply with increased electrification.
10. In some cases, there are limited commercially viable alternatives to coal use in the short-term, particularly in the South Island which does not have direct access to natural gas. We are working on a process heat plan to assess the barriers to increased renewable uptake, including looking at issues around feasibility, security of supply, and potential grid connection.

#### ***Global investment in renewable technology keeps increasing...***

11. Renewable energy technology is now a major growth industry. Bloomberg New Energy Finance figures show that global investment in renewable energy in 2016 was five times higher than in 2004. As a technology taker, New Zealand will benefit from this growth in international investment through accelerated uptake of low-cost alternatives to fossil fuels.
12. The ability of New Zealand businesses to shift towards greater use of renewables in their production processes and supply chains also has implications for their international competitiveness in the face of increasingly emissions-conscious international consumers.

## ENERGY AND RESOURCES

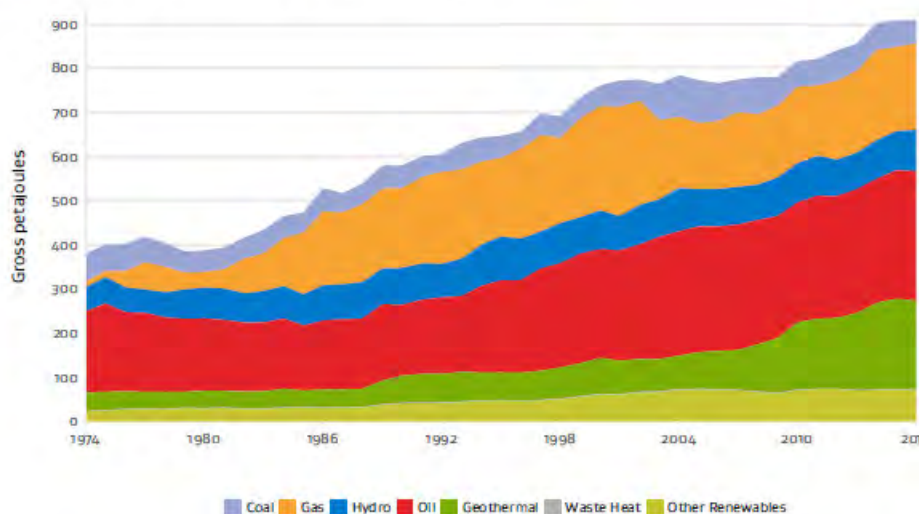
*...and open and competitive markets are important to support transition for New Zealand consumers.*

13. New Zealand's existing policy settings rely on the use of open and competitive markets, wherever possible, to deliver energy security and to keep downwards pressure on energy prices for consumers. Electricity security of supply has improved under the current settings, and increases to retail electricity prices have slowed (and fell for residential consumers for the first time in 15 years in 2016).
14. Open and competitive markets mean that New Zealand can take advantage of international advances in technology to reduce emissions associated with energy systems. Many of these technologies (e.g. solar photovoltaics, batteries and electric vehicles, coupled with the 'internet of things') allow consumers to take greater control of their energy needs.
15. These technologies are expected to significantly change existing business models over time and will test previously clear regulatory distinctions between industry participants (e.g. generators versus consumers). The changing roles and services in the system may also influence the intersection between the energy and social sectors (e.g. access and affordability for low-income consumers).
16. This will be particularly evident and relevant with relation to your Government's stated intent to introduce a Winter Energy Payment, as well as the full-scale review into retail power pricing.

### **Our non-renewable energy sources currently remain a necessary energy source**

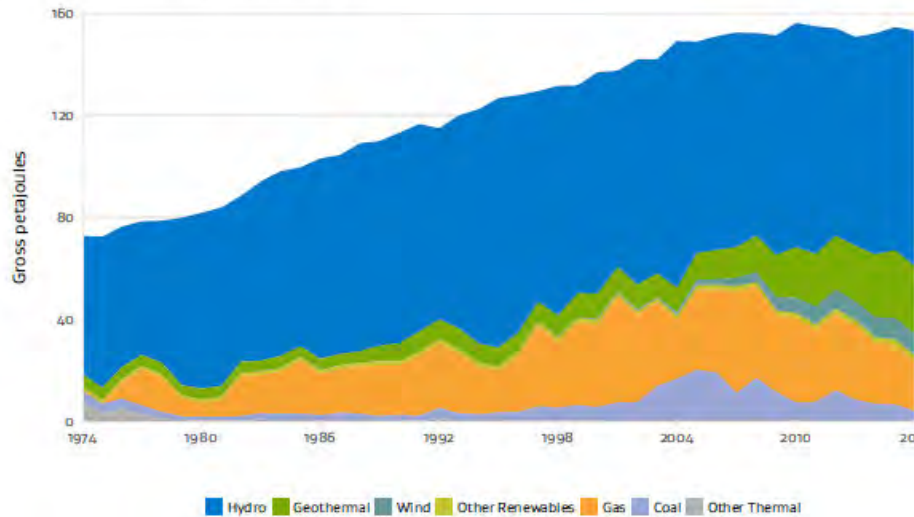
17. New Zealand is still largely dependent on non-renewable energy sources in areas such as process heat (discussed above) and transport.
18. The graphs below set out the supply of fuel by type in New Zealand and the fuel type used to generate electricity. The oil category includes petrol and diesel, and is predominantly used for transport. Electrification of our vehicle fleet therefore provides signification opportunity for emissions reduction, and there is already a target to increase the uptake of electric vehicles (to two per cent of the vehicle fleet by 2021) that is supported by programme lead by the Ministry of Transport, with support from Energy Efficiency and Conservation Authority.

**Figure A.2: Total primary energy supply by fuel**



## ENERGY AND RESOURCES

Figure F.4: Electricity generation by fuel



19. The contribution to the economy from petroleum (oil and gas) and minerals production is approximately 1.6 per cent of GDP or \$2.96 billion per annum.
20. The International Energy Agency (IEA) produces forecasts of the need for oil and gas resources globally as the transition to a lower emissions economy continues. It expects that world demand for oil will continue to grow until 2040 due to global growth in the freight, aviation and petrochemical sectors. A number of countries are using gas to displace coal as a transition fuel because it is less emissions intensive. The pace and cost of transition globally will depend on increased availability of alternative technologies and cost-competitive sources of renewables-only energy.

### ***...but global trends will continue to influence domestic consumer and investment preferences***

21. Growth of renewable and non-renewable resources is shaped by the choices of New Zealand businesses, consumers and Government, but also by external developments. This presents both challenges and opportunities. At the heart of these external developments are:
  - the global response to the Paris Agreement (COP 21) on climate change
  - advances in technology, which are set to rapidly evolve all aspects of the energy system, and
  - changing demand for inputs to high-tech industries (e.g. rare-earth mineral resources for smart devices and batteries).
22. There are choices to be made about how New Zealand responds to these opportunities while continuing to ensure that households and businesses benefit from secure, accessible, affordable and sustainable energy.

### ***Non-renewable resources currently support energy security, but New Zealand's reliance on gas and coal for electricity generation continues to diminish...***

23. The oil and gas industries have experienced instability over the last few years. The industry's structure has changed significantly, as a result of mergers and acquisitions; many production assets approaching late life; and crude oil prices having fallen significantly since late 2014.
24. The low oil price is a result of slow growth in demand and excess supply globally. Oil prices have recovered slightly since their 10-year low in early 2016, but remain well below previous highs. Over the medium term, we expect that global oil demand and supply will balance

## ENERGY AND RESOURCES

leading to more stable prices. The IEA projects world demand for oil will continue to grow to 2040. This is partly due to the projected growth of the road freight, aviation and petrochemical sectors, and the current non-competitiveness of substitute fuels.

25. In the face of low oil prices, most exploration and production companies have reduced expenditure. Oil and gas companies are focusing on optimising existing production assets, rather than investing in new exploration projects with a high level of commercial uncertainty (such as offshore New Zealand, which is relatively under-explored).
26. The Taranaki basin is expected to provide New Zealand with around 10 to 12 years of gas reserves, subject to changes in demand (and the rate of new gas discoveries in the basin).
27. Gas and coal provide low-cost fuels for electricity generation. As the inputs for thermal generation plants they currently support energy security, meeting periods of peak demand and providing baseload generation when hydro storage levels run low. New Zealand currently has 2000 MW of thermal generation (up to 20 per cent of total generation capacity). The coal-fired Huntly power station (500MW) is contracted to remain open until 2022.
28. It is important to note that New Zealand's reliance on gas and coal for electricity generation has diminished with the increase in geothermal development, which provides predictable baseload generation of renewable electricity.

### **MBIE's response to this changing context**

#### ***...Focusing on the role that the energy and transport sectors will play in the transition to a low emissions economy...***

29. As noted, we are focusing on process heat and transport for meaningful emissions reductions. Work is underway to understand whether there are barriers that are preventing increased efficiency and the use of renewable energy in process heat.
30. Changes in technology across the electricity system offer new opportunities to reduce emissions, balanced against the challenge to maintain energy security supply and the potential to increase the cost of energy.
31. The New Zealand Energy Strategy 2011-2021 sets the strategic direction for the energy sector and the role of energy in a productive New Zealand economy. The New Zealand Energy Efficiency and Conservation Strategy (NZECS) 2017 – 2022 articulates direction for the promotion of energy efficiency, energy conservation and the use of renewable sources of energy. The NZECS currently focuses on three priority areas; renewable and efficient use of process heat, efficient and low emissions transport, and innovative and efficient use of electricity.

#### ***...And ensuring there is sustained downward pressure on prices, today and through the transition***

32. Retail transport fuel margins have been rising, and remain a source of concern. An investigation into fuel margins (the mark-up on petrol and diesel) conducted by external consultants for MBIE found that there are areas of the market that need to be looked at to ensure it is functioning competitively.
33. Beyond the effect of the carbon price under the Emissions Trading Scheme, there is a focus on better understanding the interrelationship between economic growth and emissions reduction, including where the opportunities lie. This is important in understanding how a transition to a lower emissions economy will translate to costs in the energy sector, and subsequently, the extent to which these are passed on to households and businesses.

## ENERGY AND RESOURCES

34. There is a need to ensure that there is continued competitive pressure on prices for all consumer energy sources during, and beyond, this period of change. Both the investigation into fuel margins and your commitment to a full-scale review of power pricing will help understand if competitive pressure is sufficient to ensure reasonable prices.

### ***Maintaining and enhancing the quality of the regulatory environment...***

35. The importance of energy supply security and reliability is an enduring theme for the sector. While the sector has well-developed risk management practices, its resilience to prolonged drought, earthquakes, and other hazards warrants continuous improvement. Recent experience with the Refinery-to-Auckland fuel pipeline shut down, and the Christchurch and Kaikoura earthquakes, has raised questions about how government can better support the development and coordination of risk reduction, readiness, response and recovery, especially for electricity and liquid fuels (upon which other essential services depend). We are continuing to develop policies and work with relevant parties.
36. New Zealand's market-based approach places businesses and consumers at the forefront of the response to the impacts of new technology. The speed with which this technology-driven change will play out is uncertain. It is essential to ensure that any apparent regulatory impediments to innovation in the energy sector are examined. Government may need to take a more active role where incentives or structures impede innovation, or where the outcomes of innovation or technological change may be undesirable from a broader social, environmental or economic perspective.
37. Promoting good regulatory stewardship is a key element of the Government's regulatory approach. For instance, MBIE is finalising an Energy Charter, along with the Electricity Authority, the Commerce Commission, the Gas Industry Company, and the Energy Efficiency and Conservation Authority, to promote active and cohesive management of the energy markets regulatory system.
38. Recognising the global commodity cycle and ensuring stability of domestic regulatory settings is particularly important to the management of petroleum and minerals resources.
39. We work with industry organisations to ensure that their interests are understood and, where appropriate, reflected in our functions. A strong regulatory compliance and enforcement function is important for a healthy well-functioning resources sector, and allows it to maintain its social licence to operate in New Zealand.
40. As part of our Crown role as a Treaty Partner we have developed a robust consultation process with Māori. We also encourage engagement between Māori and industry in the interest of establishing an informed and balanced regulatory environment that allows the parties to explore opportunities for collaboration.

### ***...Continuing to improve our management of petroleum and minerals knowledge...***

41. Geoscience and other technical knowledge form the basis of our understanding and discovery of New Zealand's natural resource endowment. Provision of information is an area where government can influence the retention of exploration investment, but it requires careful management. There are spill-over benefits to this knowledge, including land-use and infrastructure planning, and identification of natural hazards (such as earthquakes).
42. The role of government is providing baseline datasets, acting as a custodian and steward of information, and coordinating research and development. This can boost industry confidence by reducing technical risks.
43. However, generating new geoscientific knowledge and realising the value of existing knowledge held across different agencies and other entities faces significant constraints. This



## **ENERGY AND RESOURCES**

includes the level of public investment, the type and format of data acquired, and dealing with aging technology. Government will need to make investment decisions in the medium-term to address system constraints, achieve greater coordination and improve accessibility of knowledge across government.

## 2. Portfolio responsibilities

---

### Legislative responsibilities

44. The key legislation you are responsible for is listed below, including your functions, duties and powers under each. Other legislation relevant to your portfolio is listed in **Annex 1**.

#### *Crown Minerals Act 1991*

45. The Crown Minerals Act 1991 (the Act) sets out the management regime for Crown-owned minerals. The Act covers the efficient allocation of the Crown's minerals, the effective management of those rights, and for obtaining a fair financial return from the development of Crown-owned minerals. The purpose of the Act is to promote the prospecting for, exploration for, and mining of Crown owned minerals for the benefit of New Zealand. 'The benefit of New Zealand' is defined as best achieved by increasing New Zealand's economic wealth through maximising the economic recovery of New Zealand's Crown-owned minerals.
46. Crown-owned (or vested) minerals include all petroleum, gold, silver and uranium, as well as all minerals in the territorial sea, Exclusive Economic Zone (EEZ) and extended continental shelf. Other minerals (e.g. coal, iron sands, aggregates) have a mixture of Crown and private ownership. Privately owned minerals do not fall under the Act.
47. Key responsibilities retained by you rather than delegated to MBIE under the Act are:
- powers, duties and functions involving matters with national or public interest tests
  - recommending changes to, or proposing new, mineral programmes that explain the interpretation and application of the primary legislation
  - deciding whether to reserve areas of land containing Crown-owned minerals for more strategic allocation
  - deciding whether to, alongside another Minister, prohibit access to Crown-owned land, and
  - recommending regulations on related matters, including for setting royalties and fees.
48. Responsibilities currently delegated to MBIE are:
- attracting applications for prospecting, exploration, or mining permits, including by way of public tender
  - granting or declining permits, subsequent changes to permits (including changes to ownership, work programme, duration and area), and revoking permits
  - co-operation with regulatory agencies that perform functions in relation to Crown-owned minerals
  - collecting and disclosing information in connection with mineral resources and mineral production, and
  - consulting with iwi and hapū on proposed permit application areas.
49. Whilst not prescribed under the Act, we participate in ongoing Treaty settlements.

#### *Electricity Industry Act 2010*

50. The Electricity Industry Act 2010 provides a framework for the regulation and governance of the electricity industry. It sets out the Electricity Authority's functions, objectives and

## ENERGY AND RESOURCES

monitoring and enforcement powers, and provides for the Electricity Industry Participation Code, which are the industry “rules”.

51. The Act also sets out requirements relating to the separation of distribution and certain generation and retail activities, places an obligation on distributors to maintain supply in certain circumstances, and contains a range of regulation-making powers. The Act provides for the industry consumer dispute resolution scheme, but the Minister of Commerce and Consumer Affairs is responsible for these provisions.
52. Your key responsibilities under this Act are:
  - recommending regulations on issues such as enforcement of the Code, the industry levy, and fairness and equity, and
  - recommending appointments to the EA and the Electricity Rulings Panel.

### ***Electricity Act 1992***

53. The Electricity Act 1992 deals with operational matters, setting out the regulatory framework for the supply and use of electricity. The Act contains wide-ranging regulation-making powers for matters of electrical safety (including for the purposes of public health and safety and prevention of property damage). The Act:
  - confers powers and duties on electricity operators and other owners of electricity works
  - provides for the registration and licensing of electrical workers and the administration of the Electrical Workers Registration Board, and
  - sets out the functions of WorkSafe New Zealand as regulator of the safe supply and use of electricity.
54. Your key responsibilities under this Act are:
  - recommending regulations on electrical safety
  - granting electricity operator status to electricity distributors or generators, which confers land access powers in relation to roads and rail crossings, as well as placing responsibilities on them, and
  - approving Electrical Codes of Practice which are developed by WorkSafe New Zealand.
55. A large number of standards are cited within the Electricity (Safety) Regulations and provide technical detail on compliance with various aspects of the regulations. Changes to these standards occur regularly. You will be notified of these amendments by Standards New Zealand, and advised on the changes by MBIE, with technical input from WorkSafe New Zealand.
56. This Act intersects with other portfolios, notably the Workplace Relations and Safety portfolio, which covers the administration of the work health and safety and WorkSafe New Zealand, and the Building and Construction portfolio in relation to the occupational regulation of electrical workers. Under the previous government the Minister for Building and Construction was formally delegated various responsibilities for the administration of occupation regulation under the Act.

### ***Energy Efficiency and Conservation Act 2000***

57. The Energy Efficiency and Conservation Act 2000 established the Energy Efficiency and Conservation Authority (EECA), and forms the legislative basis for promoting energy efficiency, energy conservation and renewable energy. It includes regulation-making powers for product energy efficiency standards and labelling, as well as the disclosure of information in order to

## ENERGY AND RESOURCES

allow for the compilation of statistics on energy efficiency, energy conservation and renewable energy.

58. Your key responsibilities under this Act are:

- ensuring that there is a National Energy Efficiency Strategy that is developed according to the requirements in the Act, currently the New Zealand Energy Efficiency and Conservation Strategy 2017-2022
- recommending regulations on minimum energy performance standards and labelling for energy-using products and services (including vehicles) and on data collection, and
- appointing the EECA Board.

### ***Gas Act 1992***

59. The Gas Act 1992 sets out the regulatory framework for the supply and use of gas. It

- confers powers and duties on gas operators and other owners of gas fittings
- provides for the governance of the gas industry, including providing for co-regulation with a gas industry body, currently the Gas Industry Company (GIC), and
- sets out the functions of WorkSafe New Zealand as regulator of the safe supply and use of gas.

60. The Act contains wide-ranging regulation-making powers for gas safety (including for the purposes of public health and safety and prevention of property damage), quality and measurement, as well as industry governance.

61. Your key responsibilities under this Act are:

- recommending regulations gas safety, as well as market governance and operation, enforcement, the industry levy, and certain consumer issues
- recommending approval of the industry co-regulator, currently GIC, and appointing the Gas Rulings Panel
- accepting or rejecting recommendations from the GIC for changes to industry rules
- granting gas operator status to gas distributors (by Gazette notice), which confers land access powers in relation to roads and rail crossings, as well as placing responsibilities on them, and
- approving Gas Codes of Practice which are developed by WorkSafe New Zealand.

62. The Gas (Safety and Measurement) Regulations 2010 are made under this Act and incorporate standards. You will be notified and advised on any changes to these standards in the same manner as with the Electricity (Safety) Regulations.

63. The Act also intersects with the Workplace Relations and Safety portfolio, which covers the administration of work health and safety and WorkSafe New Zealand.

## **Crown entities and statutory bodies**

64. Your role in relation to Crown entities and statutory bodies is to oversee and manage the Crown's interests in and relationship with the five entities described in this section (two Crown entities and three statutory bodies). This includes ensuring an effective board is in place, participating in setting the entity's strategic direction and funding, and reviewing the entity's performance and management of risk.
65. The expectation is that all parties will adhere to the "no surprises" convention. While these entities are managed at arms-length from government, as Minister you have a number of levers to ensure you can get the performance you want.
66. You are responsible for one Independent Crown entity, the Electricity Authority (EA), and one Crown agent, the Energy Efficiency and Conservation Authority (EECA). The key difference between the two is your ability to provide direction to EECA, and its obligation to give effect to Government policy relating to its functions and objectives if directed by you. **Annex 3** contains a list of the current board members and details of their terms for each of these entities.
67. The Energy Markets Policy team (Andy Hume, Manager) leads MBIE's engagement with these entities, and will support you in your oversight and management role.

### ***Electricity Authority (EA)***

68. The Electricity Authority (EA) is an independent Crown entity established under the Electricity Industry Act 2010, and is responsible for regulating the electricity market. While an independent Crown entity's functions are necessarily independent from Ministerial intervention, there is still an anticipation of dialogue on strategic direction and annual performance expectations.
69. Current members of the EA Board (appointed by the Governor-General on your recommendation) are Dr Brent Layton (Chair); Susan Paterson; Allan Dawson; Lana Stockman; Mark Sandelin; and Sandra Gamble (with the latter four all appointed in 2017). The Chief Executive is Carl Hansen.
70. The statutory objective of the EA is to promote competition in, reliable supply by, and the efficient operation of, the electricity industry for the long-term benefit of consumers. The EA's main functions include:
  - making and administering the rules governing the electricity industry through an Electricity Industry Participation Code
  - monitoring compliance with the code and other provisions in the Electricity Industry Act and regulations, and taking enforcement action
  - undertaking market facilitation measures such as education and providing guidelines, information and model arrangements
  - industry and market monitoring, and carrying out reviews, studies and inquiries into matters relating to the industry, and
  - contracting for market operation services and system operator services.

### ***Electricity Rulings Panel***

71. The Electricity Rulings Panel is a specialist dispute resolution and disciplinary body that determines complaints of breaches of the Electricity Industry Participation Code 2010 by

## ENERGY AND RESOURCES

industry participants, as referred to it by the EA. It also determines certain disputes between participants and hears appeals on specific decisions by the System Operator (Transpower).

72. The panel is appointed by the Governor-General on your recommendation. Before making a recommendation, you must first consult with the Minister of Justice and the EA. Current members are: Peter Dengate Thrush (Chair); Geraldine Baumann (Deputy Chair); Susan Roberts; Nicola Wills; and John O'Sullivan.

### ***Energy Efficiency and Conservation Authority (EECA)***

73. The Energy Efficiency and Conservation Authority (EECA) is a Crown Entity established under the Energy Efficiency and Conservation Act 2000. It is required to encourage, promote and support energy efficiency, energy conservation and the use of renewable sources of energy.
74. EECA's work programme is guided by the New Zealand Energy Efficiency and Conservation Strategy 2017-2022, and assigned to it under that strategy. EECA also works closely with other government agencies to help them to design, implement and monitor policies to promote energy efficiency and make better use of New Zealand's abundant renewable energy resources. As a Crown agent, EECA must give effect to government policy when directed by you as responsible Minister.
75. Current Board members (appointed by you) are: Tom Campbell (Chair); Catherine Taylor (Deputy Chair); Janet Carson; David Coull; Karen Sherry; Elena Trout; and Hon Phil Heatley. Andrew Caseley became Chief Executive in January 2017.

### ***Gas Industry Company (GIC)***

76. The Gas Industry Company (GIC) is the private industry body that co-regulates the gas industry with you (as the Minister) under the Gas Act 1992. Under the Gas Act, the GIC has powers to recommend certain gas governance regulations to you, and you have the power to accept or reject those recommendations.
77. For certain issues, you may only promulgate regulations that are based on a recommendation from the GIC. For others, you must provide the GIC a reasonable opportunity to make a recommendation to you before promulgating regulations. These constraints on your powers are designed to capture the benefits of industry self-governance, while ensuring that there is high-level ministerial oversight of the industry. This governance arrangement requires you to recommend the making of levy regulations annually to enable the GIC to recover its costs from the industry.
78. Current directors on the GIC board (appointed by industry) are: Rt Hon James (Jim) Bolger (Chair); Robin Hill (Deputy Chair); Andrew Brown; Keith Davis; Nigel Barbour; Gabriel Selischi; and Dennis Barnes. The Chief Executive is Steve Bielby.

### ***Gas Rulings Panel***

79. The panel is the final arbiter of disputes arising from activities under gas governance rules and regulations. The panel will approve or reject settlements recommended following investigation, determine unresolved matters and make orders, including remedies and penalties. The panel is appointed by you following nomination by GIC. The current panel is Hon Justice John Hansen.

## Related Crown entities

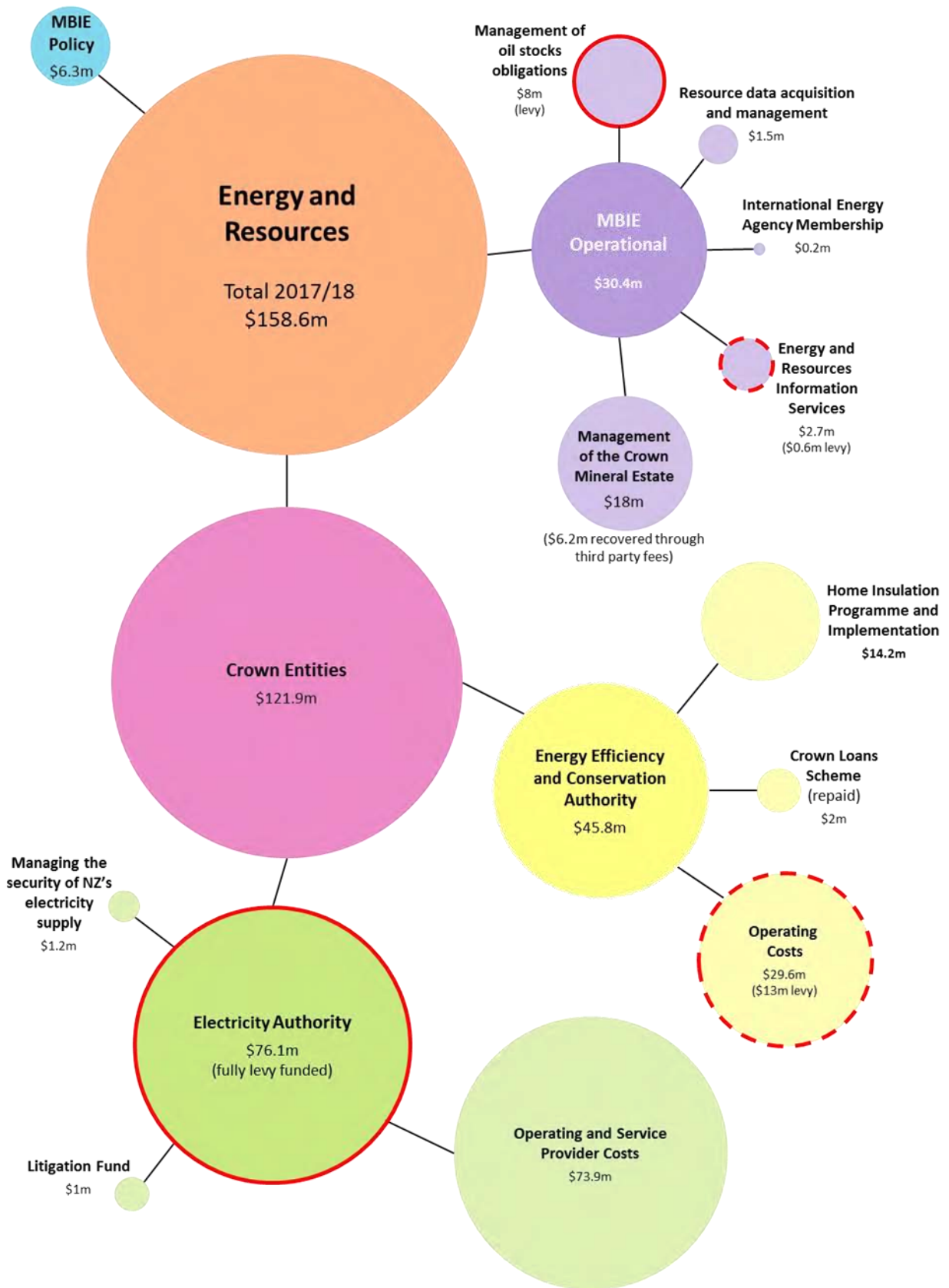
### *WorkSafe New Zealand – Energy safety*

80. WorkSafe New Zealand is the regulator of energy safety and has the function of monitoring and enforcing compliance with safety and other elements of electricity and gas legislation. This means electricity and gas safety issues are regulated slightly differently from other electricity and gas issues.
81. As the Minister for Workplace Relations and Safety has oversight of WorkSafe, this is an area of intersect between the Energy and Resources and Workplace Relations and Safety portfolios.

## Funds and appropriations

82. The Energy and Resources portfolio is funded under Vote Business, Science and Innovation. The following diagram illustrates the functions and Crown entities you are responsible for and the appropriated funding attached to each.
83. The Crown entities and some other activities in this portfolio are funded by levies (indicated by a red outline in the diagram) or fees. Revenue to the Crown from this portfolio also comes from royalties and levies on Crown resources and minerals. Each year approximately \$168.2m of royalties and \$30.9m of energy resource levy is collected.
84. As the portfolio Minister, you are responsible for the legislation mandating these levies and fees.
85. The diagram overleaf sets out the total 2017/18 appropriation for the Energy and Resources portfolio. This captures both departmental funding (funding received by MBIE to provide services directly) and non-departmental funding (funding provided via MBIE to other agencies for them to provide services). Items circled in red are fully funded by levies, and those circled with a red dotted line are partially funded by levies.

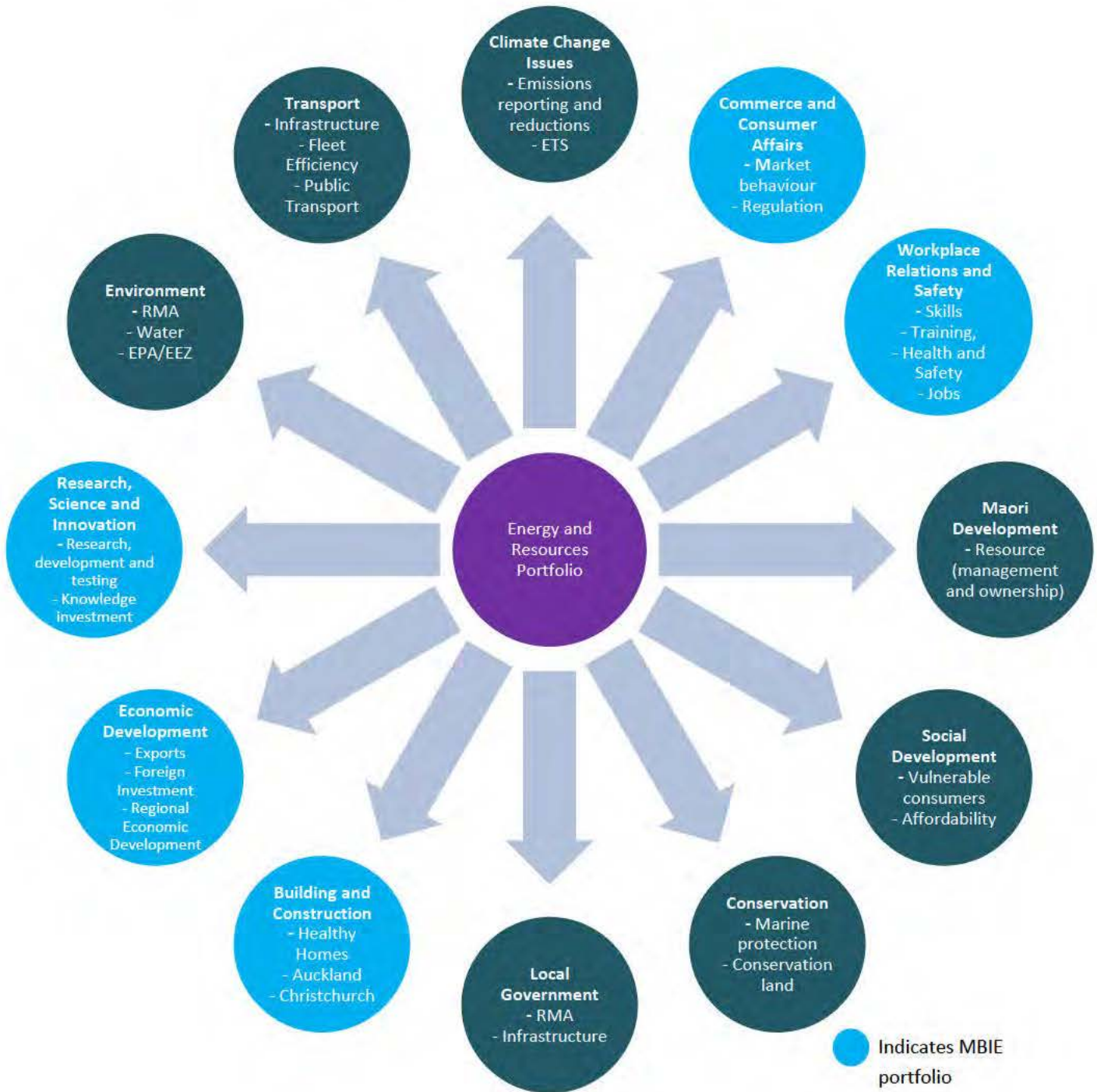
ENERGY AND RESOURCES





### 3. Major links with other portfolios

86. This portfolio also has important links with a number of other portfolios. The key relationships are outlined in the following diagram.
87. The State Owned Enterprises (SOE) portfolio is also relevant due to two key SOEs in the energy and resources sector – Solid Energy (to be liquidated 31 March 2018) and Transpower (which plans, builds, maintains and operates the national electricity grid).






## 4. How MBIE assists you

88. MBIE undertakes the following functions:

- provision of policy advice (including second-opinion advice and contributions to policy advice led by other agencies) to support decision-making by Ministers on government policy matters
- monitoring the performance of two Crown Entities and three statutory bodies
- managing the regime for the exploration and development of petroleum, mineral and coal resources
- raising awareness of the Crown's petroleum and mineral resource endowments
- provision of projections and analyses of energy supply and demand and energy sector greenhouse gas emissions
- managing statistical collections on energy and energy sector greenhouse gas emissions
- servicing New Zealand's membership of international energy organisations, such as the International Energy Agency (IEA) and the Asia-Pacific Economic Cooperation (APEC) Energy Working Group (details in Annex 2), and
- ensuring appropriate regulatory settings for liquid transport fuel specifications.

### Key MBIE officials

Name	Role	Contact details
 Carolyn Tremain	Chief Executive	04 901 1357 <small>Information withheld consistent with s 9(2)(a) of the Official Information Act 1982</small> carolyn.tremain@mbie.govt.nz
 Chris Bunny	Deputy Chief Executive Building, Resources and Markets Group	04 901 8377 <small>Information withheld consistent with s 9(2)(a) of the Official Information Act 1982</small> chris.bunny@mbie.govt.nz
 James Stevenson-Wallace	General Manager Energy and Resource Markets	04 474 2913 <small>Information withheld consistent with s 9(2)(a) of the Official Information Act 1982</small> James.Stevenson-Wallace@mbie.govt.nz

## ENERGY AND RESOURCES

89. Work on Energy and Resources is undertaken by the Energy and Resource Markets branch (ERM) of MBIE within the Building and Resource Markets Group.
90. The title “New Zealand Petroleum & Minerals (NZP&M)” is used as a brand for external purposes, domestically and internationally, and encompasses the operational activities of the Resource functions of ERM.
91. The Energy and Building Trends team produces annual and quarterly tier one statistics on energy consumption, supply and price and the energy component of New Zealand’s Greenhouse Gas Inventory. The team also provides projections of future energy supply, demand and greenhouse gas emissions and analysis to inform decision making in the energy sector.
92. The Energy and Building Trends team is part of the Evidence, Monitoring and Governance branch, which sits within the Corporate, Governance and Information group.



## 5. Energy and Resources work programme

### Focus for the first 100 days

93. The following policy and operational issues are likely to require your immediate attention and/or decision. You will receive further advice on each issue over the coming weeks. We would also like to discuss a range of other topics with you, and we welcome the opportunity to engage early on these matters.

#### Key decisions and appointments

Topic	Description	Timing	Driver
<b>Things currently scheduled to happen</b>			
Regulatory Systems Amendment Bill	The Crown Minerals Act 1991 (CMA) is being amended through the second Regulatory Systems Amendment Bill (RSB) [REDACTED] Information withheld consistent with s 9(2)(f)(iv) of the Official Information Act 1982	December 2017.	Parliamentary scheduling
<b>Things to be aware of</b>			
Electricity Transmission Pricing Methodology (TPM)	The Electricity Authority (EA) is reviewing the guidelines that Transpower <sup>1</sup> must follow when setting its TPM. The TPM determines how Transpower's regulated revenue is allocated among its customers. This review has been controversial and delayed. It aims to address long-standing issues, and involves the reallocation of around \$900 million of annual costs that are ultimately passed on to end-use consumers.	An update on timing will be provided when the EA is in a position to do so.	Review process

#### Upcoming meetings, events, publications, workshops and announcements

Topic	Description	Timing
International Energy Agency (IEA) Ministerial meeting	The biennial IEA Ministerial meeting is in November 2017, Paris. The IEA is one of MBIE's key international engagements.  No New Zealand minister has attended this Ministerial meeting since 2008 due to other commitments. The then Minister of Energy and Resources made a verbal tentative commitment to attend the upcoming meeting, if circumstances permit.  MBIE recommends attendance.	7-8 November 2017

<sup>1</sup> Transpower owns and maintains the national electricity grid.

## ENERGY AND RESOURCES

Topic	Description	Timing
Council of Australian Governments (COAG) Energy Council meeting	You are a member of the COAG Energy Council, along with energy and resources Ministers from the Australian states and territories. It oversees the Equipment Energy Efficiency (E3) programme that EECA is associated with. The Council will next meet in November 2017, in Hobart.	23-24 November 2017
EECA board appointments	EECA board member Janet Carson will retire on 4 December 2017. The number of board members will be reduced to six, which will still meet the statutory requirement for board size (six to eight members) <small>Information withheld consistent with s 9(2)(f)(iv) of the Official Information Act 1982</small> <div style="background-color: #cccccc; height: 40px; width: 100%; margin: 5px 0;"></div> The terms of three other board members, including the Chair, will expire on 31 January 2019. This means that at least three board appointments will need to be made by January 2019 to meet the statutory requirement.	Decisions to be made mid-2018 to January 2019
Block Offer 2017 Award	Discussion about how awards are made in relation to successful bids for 2017 Block offer.	December 2017
New Zealand Petroleum Conference	<small>Information withheld consistent with s 9(2)(f)(iv) of the Official Information Act 1982</small> <div style="background-color: #cccccc; height: 15px; width: 100%; margin-top: 5px;"></div>	March 2018

## Annex 1: Relevant legislation

---

Key legislation is set out in Section 2 - Crown Minerals Act 1991, Electricity Industry Act 2010, Energy Efficiency and Conservation Act 2000, Gas Act 1992 and Electricity Act 1992. Other relevant legislation to your portfolio is:

**Atomic Energy Act 1945** – sets out the regulatory framework for the means of producing atomic energy in New Zealand, including the mining of uranium and other substances that may be used for the production of atomic energy.

**Energy Companies Act 1992** – provided for the formation of energy companies, the vesting in such companies of the undertakings of electric power boards and the electricity and gas undertakings of local authorities, and the dissolution of electric power boards.

**Energy (Fuels, Levies and References) Act 1989** – provides for the recovery of costs via levies for activities undertaken by the Crown in relation to electricity, gas, and engine fuels, such as safety activities, EECA's activities, and the cost of meeting international oil stocks obligations.

**Energy Resources Levy Act 1976** – imposes a levy on the production of open-cast coal and natural gas produced from discoveries made before 1 January 1986. Revenue paid into Consolidated Fund.

**Lake Taupo Compensation Claims Act 1947** – relates to agreements about the control of the Waikato River for the purposes of flood control and electricity generation. The Act sets a maximum working level for Lake Taupo, alterable by Gazette notice, and provides the basis on which compensation will be assessed for any claims in relation to the control of the lake level.

**Manapouri – Te Anau Development Act 1963** – Act enables you to notify by Gazette notice the operating guidelines for the levels of the two lakes which are recommended by the Guardians of Lakes Manapouri and Te Anau (appointed by the Minister for Conservation).

**Marine and Coastal Area (Takutai Moana) Act 2011** – provides for the recognition of the customary rights of iwi, hapū and whānau in the common marine and coastal area. Public access to the common marine and coastal area is guaranteed by the Act.

**Ngai Tahu (Pounamu Vesting) Act 1997** – formally made Te Runanga o Ngāi Tahu responsible for the ownership and management of pounamu.

**Petroleum Demand Restraint Act 1981** – authorises regulation-making for the purpose of restraining demand, reducing consumption or ensuring the equitable distribution of processed petroleum products if they are, or are likely to be, in short supply.

**Petroleum Demand Restraint (Regulations Validation and Revocation) Act 1981** – validated and confirmed regulations made under the Petroleum Demand Restraint Act 1981 and also revoked certain regulations continued in force by that Act.

**Petroleum Sector Reform Act 1988** – removed licensing requirements for retailing and wholesaling of petroleum products, thereby completing the deregulation of the sector.

**Synthetic Fuels Plant (Effluent Disposal) Empowering Act 1983** – gives New Zealand Synthetic Fuels Corporation Limited the right to discharge plant effluent.

## Annex 2: Key international energy relationships and agreements

---

The key international engagements within this portfolio are listed below.

### ***Council of Australian Governments (COAG) Energy Council***

You are a member of the COAG Energy Council, along with energy and resources Ministers from the Australian states and territories. The Council was created when the COAG Ministerial Councils were streamlined. While the Council's focus is on Australian issues, it is a useful forum for trans-Tasman discussions on areas of common interest, and provides a vehicle for information sharing and collaboration. The Council oversees the Equipment Energy Efficiency (E3) programme that EECA is associated with.

### ***International Energy Agency (IEA) and the International Energy Programme (IEP)***

The IEA is an autonomous agency within the Organisation for Economic Co-operation and Development (OECD) and is New Zealand's principal international energy relationship. It was established following the 1973/1974 oil crisis to implement measures to mitigate the risks of future oil supply disruptions. Ministerial meetings are biennial and the next meeting is in November 2017.

While the organisation was initially formed to manage world oil security, in recent years the IEA has repositioned itself as a key independent energy advocate and advisor in the transition to a low-carbon future, and is the current secretariat for the Clean Energy Ministerial.

As a member of the IEA and signatory to the IEP, we are required to hold petroleum reserves equivalent to 90 days of net imports. We currently comply with this obligation by augmenting local stocks with bilateral treaties/agreements to hold stock in other IEA countries, namely Denmark, Japan, the Netherlands, Spain, and the United Kingdom. Singapore was recently accepted as an associate member of the IEA. Information withheld consistent with s 9(2)(j) of the Official Information Act 1982

### ***Asia-Pacific Economic Cooperation Energy Working Group (APECEWG)***

The APEC EWG is one of twelve officials-level APEC sectoral working groups. It has a programme of work to maximise the energy sector's contribution to the APEC region's economic and social wellbeing.

The EWG helps further APEC goals to facilitate energy-related trade and investment and seeks to maximize the energy sector's contribution to the region's economic and social well-being, while mitigating the environmental effects of energy supply and use. The EWG meets formally twice a year, and New Zealand will host the 54th APEC EWG meeting in Wellington on 20-24 November 2017.

APEC Energy Ministerial meetings are held approximately once every two years. The last Ministerial meeting was held in October 2015, but the next Ministerial meeting has yet to be scheduled.



## Annex 3: Boards within the Energy and Resources portfolio

### *Electricity Authority*

The Electricity Authority is responsible for governance and regulation of the electricity sector. Its objective is to promote competition in, reliable supply by, and efficient operation of, the electricity industry for the long term benefit of consumers.

Name	Date of original appointment	Expiry date of present term
Dr. Brent Layton (Chairperson)	1/11/2010	31/10/2020
Susan Paterson	1/11/2010	31/10/2020
Allan Dawson	18/04/2017	17/04/2022
Sandra Gamble	18/04/2017	17/04/2022
Mark Sandelin	06/06/2017	05/06/2022
Lana Stockman	06/06/2017	05/06/2022

### *Energy Efficiency and Conservation Authority*

The function of the Energy Efficiency and Conservation Authority (EECA) is to encourage, promote and support energy efficiency, energy conservation and the use of renewable energy resources in New Zealand.

Name	Date of original appointment	Expiry date of present term
Tom Campbell (Chair)	1/02/2013	31/01/2019
Catherine Taylor (Deputy Chair)	1/02/2017	31/01/2020
Janet Carson	24/08/2011	4/12/2017
Elena Josephine Trout	1/02/2013	31/01/2019
David Coull	1/02/2014	31/01/2020
Hon Phil Heatley	1/02/2016	31/01/2019
Karen Sherry	1/02/2017	31/01/2020



***Electricity Rulings Panel***

The Electricity Rulings Panel is a specialist dispute resolution and disciplinary body that determines complaints of breaches of the Electricity Industry Code 2010 (the Code) by industry participants, as referred to it by the Electricity Authority. It also determines certain disputes between participants and can hear appeals on specific decisions by the System Operator. It is administered and funded by the Electricity Authority.

Name	Date of original appointment	Expiry date of present term
Peter Dengate Thrush (Chair)	1/07/2008	28/08/2019
Geraldine Baumann (Deputy Chair)	8/08/2011	28/08/2021
John O'Sullivan	8/08/2011	28/08/2021
Susan Roberts	8/08/2011	28/08/2019
Nicola Wills	8/08/2011	28/08/2021

***Gas Rulings Panel***

The functions of the Gas Rulings Panel are to:

- determine, in accordance with the Gas Governance (Compliance) Regulations 2008, whether a participant has committed a breach of the Rules;
- propose to the Gas Industry Company that it recommend to the Minister a change to any regulation or rule that the Panel considers, in the course of considering any matter, to be necessary or desirable; and
- do anything else referred to in the Act or the regulations.

The Panel will approve or reject settlements recommended following investigation, determine unresolved matters and make orders including remedies and penalties.

Name	Date of original appointment	Expiry date of present term
Hon Sir John Hansen	15/06/2009	13/06/2019