



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Resources
Title of Cabinet paper	Draft Minerals Strategy and Update on the Development of New Zealand's Critical Minerals List	Date to be published	9 July 2024

List of documents that have been proactively released

Date	Title	Author
May 2024	Draft Minerals Strategy and Update on the Development of New Zealand's Critical Minerals List	Office of the Minister for Resources
13 May 2024	Draft Minerals Strategy and Update on the Development of New Zealand's Critical Minerals List CBC-24-MIN-0035 Minute	Cabinet Office

Information redacted

YES / NO

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

In Confidence

Office of the Minister for Resources

Cabinet Business Committee

Draft Minerals Strategy and Update on the Development of New Zealand's Critical Minerals List

Proposal

- 1 I am seeking Cabinet's agreement to release a Draft Minerals Strategy for New Zealand for public consultation. I also seek to update Cabinet on the development of a Critical Minerals List for New Zealand.

Relation to Government priorities

- 2 The Government has signalled a major role for minerals in New Zealand's export-led economic recovery and their intention to take a long-term, strategic approach to New Zealand's mineral resources. The Minister of Finance recognised this as part of the recent speech on economic growth, i.e. increasing the scale and pace of the development of mineral resources as a way of strengthening trade and investment.
- 3 The Government's coalition agreements refer to a commitment to facilitate the development of mineral resources for the country's economic benefit:
 - a) The Coalition Agreement between the National Party and New Zealand First commits to investigating the strategic opportunities in New Zealand's mineral resources, including vanadium, and developing a plan for these opportunities.
 - b) The Coalition Agreement between the National Party and the ACT Party commits to explore the potential for a critical minerals list, where such minerals would have a preferential pathway for development once identified.
- 4 The strategy intends to double the value of New Zealand's mineral exports over the next ten years. This is aligned with a broader Government target to double the value of all national exports in ten years.
- 5 Developing a minerals strategy is a fundamental first step in ensuring that we have a strategic framework for resource production covering resource extraction, processing, and value addition. Having a critical minerals list will enable us to progress work to secure access to essential minerals needed for our economic functions.

Executive Summary

- 6 The Government has indicated that minerals will be critical to New Zealand's export-led economic recovery. Minerals play a vital role in our economic functions, but we will need to take a long-term, strategic approach to the management of our minerals estate and to ensure we have access to, and a reliable supply of, the minerals we need.
- 7 Having a minerals strategy will help us to focus our efforts, enabling a long-term, strategic approach to the development of our minerals estate. My aim is for us to have a minerals sector that enhances prosperity for New Zealanders, demonstrates its value to the public, and delivers the minerals needed for a clean energy transition.
- 8 This Cabinet paper seeks agreement to release a Draft Minerals Strategy for public consultation.
- 9 The Draft Minerals Strategy proposes an export-led growth pathway to double current minerals exports values from \$1 billion to \$2 billion by 2035. It identifies the actions needed to secure and increase minerals supply and the potential of these minerals for use and export.
- 10 It is specific to minerals, as there is already extensive work underway for the petroleum side of the resources portfolio, including progressing policy to remove the ban on offshore petroleum exploration.
- 11 Graphic design for the strategy is ongoing. An updated version of the strategy will be ready for the release date.
- 12 Following Cabinet's approval, the Draft Minerals Strategy would be released for public consultation on 23 May.
- 13 I also wish to update Cabinet on the progress of work to develop a Critical Minerals List (List) for New Zealand, with the following scope in mind:
 - 13.1 That a mineral will be considered critical and included in the List if it is economically important and have a supply risk;
 - 13.2 That the List's scope of potential minerals will include all non-petroleum minerals (including aggregates and coal), and exclude petroleum;
 - 13.3 That the List, when developed, will be reviewed periodically to ensure it is fit for purpose and meets our needs.
- 14 Officials at the Ministry of Business, Innovation and Employment are already progressing work to develop the List with the defined scope.
- 15 The Draft Minerals Strategy and the Critical Minerals List will likely elicit moderate public interest and high sector interest.

- 16 I intend for the Draft Minerals Strategy to be released for public consultation on 23 May 2024 and published before the end of the year, while the Critical Minerals List will be finalised and published before the end of the year.

Minerals are essential to our economic functions

- 17 Minerals play an essential to New Zealand's economic functions. They generate export and Crown revenues and are used as inputs into products. Minerals are also essential for other sectors to thrive, such as the importance of aggregates in construction and infrastructure.
- 18 The gross domestic product (GDP) contribution of petroleum and minerals to the nation's economy is \$2.61 billion annually. Non-petroleum minerals exports in 2022 stood at over \$1 billion.

The clean technology transition is driving global competition for access to minerals

- 19 The clean energy transition is driving a global demand for minerals production and countries are developing their resources on the back of this demand.
- 20 Projections by the International Energy Agency suggest the demand for each of the five most important critical minerals (i.e. lithium, cobalt, nickel, copper and neodymium) will likely increase between 1.5 and 7 times by 2030¹. Key uses of these minerals include the following:
- 20.1 Lithium is used to make lithium-ion batteries for electric vehicles, mobile phones and laptops;
 - 20.2 Cobalt is used in lithium-ion batteries, and for making magnetic, wear-resistant and high-strength alloys;
 - 20.3 Nickel is used in turbine blades and batteries, including rechargeable nickel-cadmium batteries and nickel-metal hydride batteries used in hybrid vehicles;
 - 20.4 Copper is a critical input into clean technologies such as solar panels, wind turbines and energy storage systems; and
 - 20.5 Neodymium is an essential input in high-strength permanent magnets, used in both wind turbine generators and EV motors.

¹ IEA Energy Technology Perspectives 2023.

Minerals production is highly geographically concentrated

- 21 Over the past three decades, the production of minerals and metals has been concentrated in a limited number of countries (**Figure 1**), unlike oil and gas where approximately 100 countries have reserves and production capacities².

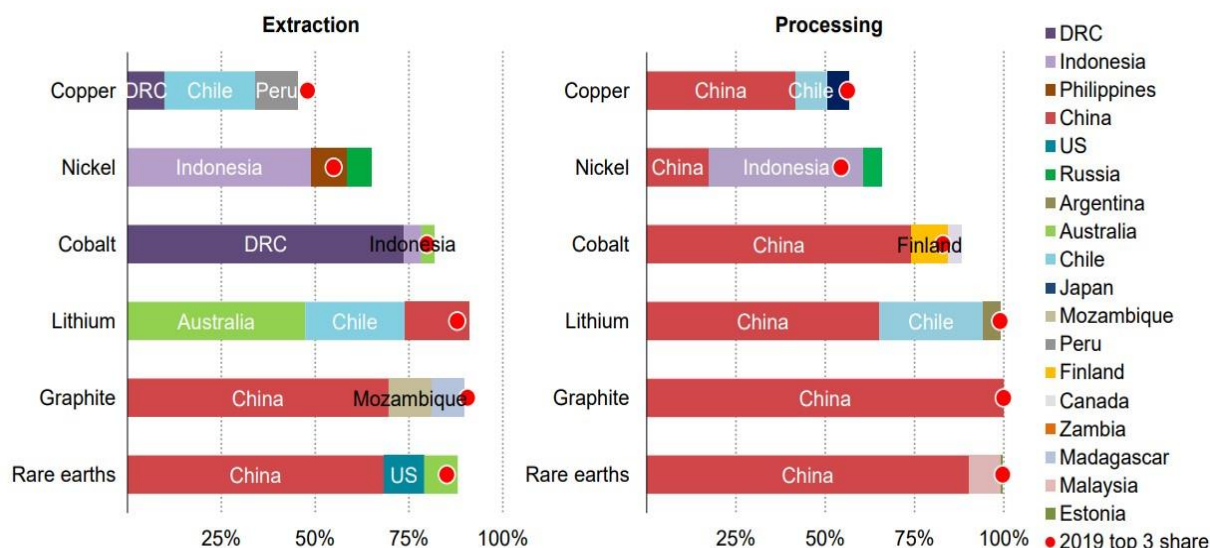


Figure 1: Share of the top producing countries for selected minerals (IEA 2023)

Geopolitical risks could disrupt the supply of minerals internationally

- 22 The high geographical concentration of minerals production makes global minerals supply chains vulnerable to disruptions. New Zealand is exposed to international supply risks due to our reliance on minerals and manufactured goods imports.

There are challenges to minerals development in New Zealand

There is a lack of quality data on the supply and demand of our mineral resources

- 23 We produce many of the minerals we need for our economic functions, such as aggregate for roading and construction and ironsand for steel production. However, we have an incomplete understanding of the types and amounts of minerals we rely upon.
- 24 The lack of relevant data can lead to poor decision-making. It is hard to understand the impact policy development can have on the security of certain minerals without understanding the minerals ecosystem.

There are regulatory and social licence constraints

- 25 The amount of time for obtaining consents is resulting in inflated costs and has damaged our international reputation for doing business generally. This is

² Data by the United States Energy Information Agency suggests that in 2022, 98 countries produced about 80.75 million barrels of crude oil.

also having a direct impact on minerals investments. We need to get the enabling policy and regulatory settings right, to unlock economic opportunities in the minerals sector.

- 26 The policy and regulatory settings also need to be in line with how New Zealanders believe mining should be done – in a socially and environmentally responsible manner. The strategy seeks to build social licence, by setting out actions that will demonstrate the value of the sector.

We are also exposed to supply disruptions domestically

- 27 While geographical concentration of minerals production exposes New Zealand to externally driven supply risks (see paragraph 22), we also have domestic supply risks for some minerals we rely on for our economic functions. For example, there is a shortage of aggregates in Auckland that is being reported as critical by the Aggregate and Quarry Association.

A Minerals Strategy is needed to harness future opportunities and to secure reliable access to the minerals we need

- 28 The Crown has a stewardship role to play in the management of New Zealand's minerals estate, including enabling access to the minerals New Zealand relies upon.
- 29 Officials at the Ministry of Business, Innovation and Employment (MBIE) have developed a Draft Minerals Strategy, which sets out a long-term, strategic approach to accessing minerals and benefiting from economic opportunities.
- 30 It has the following three pillars:
- 30.1 Enhancing prosperity for New Zealanders – this relates to jobs, export revenues, royalties to the Crown and taxes, and indirect benefits such as infrastructure upgrades and meeting local supply needs, such as aggregates production;
 - 30.2 Demonstrating the sector's value – this relates to accurately presenting the sector's overall value in the public domain to allow for robust conversations and informed choices about minerals; and
 - 30.3 Delivering minerals for the clean energy transition – this relates to enabling investment in minerals, to position New Zealand to contribute to the global supply chain of minerals needed for the transition through exports.
- 31 The Draft Minerals Strategy proposes an export-led growth pathway to double current minerals exports values from \$1 billion to \$2 billion by 2035, and a projected increase in regional jobs from the current 5000+ to 7000+ by 2035. These projected targets are based on known Crown Minerals developments and are likely conservative estimates of the actual value we could derive from our mineral resources into the future.

- 32 The Draft Minerals Strategy identifies the actions needed to secure and increase minerals supply, and their potential for use and export. It also lists actions already underway.
- 33 The Draft Minerals Strategy is attached at **Appendix One**. Graphic design for the strategy is ongoing. An updated version of the strategy will be ready for the release date and will include improved graphic design and infographics.
- 34 I seek your agreement to release the Draft Minerals Strategy for public consultation on 23 May 2024. Following consultation, I would return to Cabinet with a final Strategy by November.

Work is also progressing to develop New Zealand's Critical Minerals List

- 35 Many countries recognise the criticality of minerals extraction and supply resilience. Critical minerals lists are a key feature across our international partners.
- 36 The development of New Zealand's Critical Minerals List (the List) is one of the priorities for the Resources portfolio. I am progressing work to develop the List, which will be published towards the end of this year.
- 37 When developed, the List would identify the minerals that are economically important to New Zealand and our international partners, and which also have supply risks.
- 38 The development of a Critical Minerals List will contribute to work on critical supply chains New Zealand is carrying out as part of its membership to the Indo-Pacific Economic Framework (IPEF) Supply Chains Agreement, and to work to ensure sustained access to critical goods and services as a part of the economic security core issue of the National Security Strategy.
- 39 The list would allow for the Government to investigate specific actions for reducing the vulnerability of the minerals deemed critical. This could include preferential pathways for development.
- 40 MBIE officials are currently finalising the contract for the development of the List. The contract is intended to start in May, include targeted engagement, and be brought back to Cabinet by the end of the year.

Development of the Critical Minerals List is within a defined scope

- 41 I wish to inform you that I am using a set of parameters in the development of the List, as outlined below.

How we define critical minerals

- 42 Jurisdictions we compare ourselves with have defined 'critical mineral' in several ways, which have been considered by officials at the MBIE. In light of these examples, I intend for New Zealand to define critical mineral as:

“Any mineral as defined under the Crown Minerals Act 1991, excluding petroleum, that is essential to New Zealand’s economic functions and has a supply risk domestically and/or internationally.”

Criteria for critical minerals

- 43 A mineral would be critical and feature on our List if it is:
- 43.1 economically important to New Zealand
 - a) pivotal to New Zealand’s economy; and/or
 - b) in demand by New Zealand’s strategic international partners; and
 - 43.2 vulnerable to supply disruption domestically or internationally.

How often we should review the list

- 44 I intend for the List to be reviewed and updated every three years. This could involve reviewing the methodology and content of the list, as well as the definition of criticality, to ensure the list is relevant to our future needs.

Cost-of-living Implications

- 45 There are no cost-of-living implications from this paper.

Financial Implications

- 46 Any costs associated with actions in the Strategy can be met from existing agency baselines.
- 47 An increase in minerals production as a result of the strategy would likely lead to increased revenue, through royalties and levies to the Crown over time.

Legislative Implications

- 48 There are no legislative implications from this paper.

Impact Analysis

Regulatory Impact Statement

- 49 No decisions in this paper require a Regulatory Impact Statement.

Climate Implications of Policy Assessment

- 50 No decisions in this paper require a Climate Implications of Policy Assessment.

Population Implications

- 51 There are no population implications from this paper.

Human Rights

- 52 The proposals in this paper are not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of external resources

- 53 I have not used any external resources in the development of the Draft Minerals Strategy or the proposed criteria for developing New Zealand's Critical Minerals List.
- 54 MBIE has undergone a public tender process to procure a supplier to develop the Critical Minerals List.

Consultation

- 55 The Ministry for the Environment, Treasury, Department of Conservation, Ministry for Foreign Affairs and Trade, New Zealand Trade and Enterprise, Ministry of Housing and Urban Development, Environmental Protection Agency, Parliamentary Commissioner for the Environment, New Zealand Infrastructure Commission, Office for Māori Crown Relations, and WorkSafe were consulted. The Department of the Prime Minister and Cabinet was informed.
- 56 The Ministry for the Environment commented that due to the short consultation period there was not sufficient time to form a comprehensive agency view on the proposal, and there was insufficient time for feedback to be considered and addressed.

Communications

- 57 I propose to release the Draft Minerals Strategy for public consultation on 23 May 2024 at a speech I am giving in Blackball on the West Coast.
- 58 The document will be launched on MBIE's website with an accompanying press release and proactive release of the relevant Cabinet papers.
- 59 I intend for the consultation to run from 23 May to 31 July 2024. MBIE have/will develop an appropriate communications plan for the release and a consultation plan to direct consultation efforts with Treaty partners, industry stakeholders and the general public.
- 60 Questions to support public consultation have been included on the last page of the Draft Minerals Strategy.

Proactive Release

- 61 This Cabinet paper will be proactively released alongside the relevant consultation papers. This meets the requirement for release within 30 business days of Cabinet's confirmation of this decision.

Recommendations

The Minister for Resources recommends that the Committee:

- 1 **note** that minerals play an essential role in New Zealand’s economic functions, providing export revenue, high-paying jobs, and as inputs into products, and for other sectors to thrive, including the use of aggregates in construction and infrastructure;
- 2 **note** that the clean energy transition is driving a global demand for minerals production and countries are developing their resources based on this demand, with the demand for the most critical minerals likely to increase between 1.5 and 7 times by 2030;
- 3 **note** that the production of minerals is highly geographically concentrated in a number of countries, which exposes global supply chains to risks, including to New Zealand;
- 4 **note** that New Zealand is also exposed to domestic minerals supply risks due to regulatory constraints, environmental, social, and governance factors;
- 5 **note** that the Crown has a stewardship role to play in the management of New Zealand’s minerals estate, including enabling access to the minerals New Zealand relies upon;
- 6 **note** that a Draft Minerals Strategy has been developed by the Ministry of Business, Innovation and Employment to enable New Zealand to adopt a long-term, strategic approach in securing access to the minerals we need for our continued economic functions and benefit from international opportunities;
- 7 **approve** the release of the Draft Minerals Strategy for public consultation;
- 8 **authorise** the Minister for Resources to make graphical, technical and necessary amendments to the Draft Minerals Strategy prior to public consultation;
- 9 **note** that work is ongoing to develop New Zealand’s Critical Minerals List;
- 10 **note** that the definition of critical minerals for the development of a New Zealand critical minerals list is “Any mineral as defined under the Crown Minerals Act 1991, excluding petroleum, that is essential to New Zealand’s economic functions and has a supply risk domestically and/or internationally;”
- 11 **note** that the criteria for critical minerals to be included in the list is that the minerals would be economically important to New Zealand (pivotal to New Zealand’s economy; and/or in demand by New Zealand’s international partners; and vulnerable to supply disruption domestically or internationally;
- 12 **note** the completion date for the List is November 2024;
- 13 **note** that the List, when developed, will be reviewed periodically by MBIE to ensure it is fit for purpose and meets our needs; and

- 14 **invite** the Minister for Resources to report back to Cabinet with the final Minerals Strategy and Critical Minerals List in November 2024;

Hon Shane Jones

Minister for Resources

Appendices

Appendix One – A Draft Minerals Strategy for New Zealand