



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Resources
Title of Cabinet paper	Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency	Date to be published	10 July 2024

List of documents that have been proactively released

Date	Title	Author
May 2024	Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency	Office of Minister for Resources
22 May 2024	Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency ECO-24-MIN-0077 Minute	Cabinet Office
15 May 2024	Regulatory Impact Statement: Amendments to the Crown Minerals Act 1991 relating to petroleum exploration and mining	MBIE
16 May 2024	Regulatory Impact Statement: Amendments to the Crown Minerals Act 1991 relating to small-scale non-commercial gold mining	MBIE
14 May 2024	Climate Implications of Policy Assessment disclosure sheet	MBIE

Information redacted

YES

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- Legal professional privilege
- Confidential advice to Government
- Commercially sensitive information
- Confidential information entrusted to the Government
- International relations

Regulatory Impact Statement: Amendments to the Crown Minerals Act 1991 relating to small-scale non-commercial gold mining

Purpose of Document	
Decision sought:	Agree to the creation of a new Tier 3 permit for small-scale non-commercial gold mining operations.
Advising agencies:	Ministry of Business, Innovation and Employment (MBIE)
Proposing Ministers:	Hon Shane Jones, Minister for Resources
Date finalised:	16 May 2024
Problem Definition	
<p>Small-scale, non-commercial gold mining activities are currently regulated in the same manner as higher-risk larger commercial gold mining. This imposes compliance costs on the miners and administrative costs for MBIE as the regulator that are both disproportionate to the value and risks of the activity and higher than is justifiable.</p>	
Executive Summary	
<p>This proposal seeks to improve regulatory efficiency and oversight for small-scale non-commercial gold mining operations, currently referred to in the Minerals Programme 2013 as ‘hobby’ or ‘recreational’ operations. There are around 190 permits for these operations, all in the South Island, mostly on the West Coast (85) and in Otago (64). Whilst there are usually no royalties paid by these operations (and therefore no direct benefits to the Crown) it is still important that they be regulated so that, where royalties do become payable, these can be identified, property rights of other miners can be protected, and the nature of the mining can be overseen.</p> <p>The requirements for mining permits are set out in legislation and administered by MBIE, so government intervention is required to resolve the problem. The legislative changes required will be made through the Crown Minerals Amendment Bill 2024 (the Amendment Bill) that will also remove the ban on offshore mining, make adjustments to the petroleum decommissioning regime and seek to increase investor confidence by reducing compliance and other costs for investors.</p> <p>As well as the preferred option of creating a new permit Tier for these non-commercial gold mining operations, three other options were considered. These ranged from continuing with the status quo to fully exempting the mining activity from regulation. The preferred new Tier 3 permit best meets the primary objective of improving the administrative efficiency of the regulator, while also reducing the regulatory burden on miners, and this will be recommended in the May 2024 Cabinet paper seeking agreement to the changes. The impacts of the preferred option are expected to be minor and mostly beneficial for the regulated parties and the regulator. Current and future holders of permits for these types of operations will have their costs for completing applications and annual reporting reduced. The regulator will be able to streamline its processes for these new permits, allowing it to better allocate its resources and focus more on higher risk and value commercial</p>	

applications. The implementation risks are low and there are not expected to be any differential impacts on population groups.

The targeted engagement that we have done suggests that industry and the current permit holders are likely to be supportive of the proposals. Relevant iwi and hapū, particularly those with the permits in their rohe (region or territory), will be interested in the proposals. We have provided information to them on the proposals and will ensure that they are offered opportunities to work more closely with us later on the design and implementation of the permits. Environmental groups may have some concerns. However, the creation of the new Tier does not represent provision for more mining than would have been permitted under Tier 2 and environmental impacts will continue to be managed through the consenting system.

A range of mostly minor and technical amendments to the Crown Minerals Act 1991 (the **CMA**) that will enhance regulatory efficiency are also being pursued through the Amendment Bill. These amendments are not discussed here as Regulatory Impact Statement (**RIS**) exemptions have been sought and approved by Treasury for all of them. The primary objectives of the Amendment Bill to improve investor confidence in New Zealand's petroleum sector and secure our gas supply are assessed in a separate RIS.

Limitations and Constraints on Analysis

The main constraint on this analysis has been the tight timeframes set by Ministers for the legislative process to pass amendments to the CMA that will remove the ban on offshore mining. These time constraints have affected both the quality of the analysis and what consultation was possible.

In relation to consultation, there has been limited opportunity to engage with stakeholders and time for them to provide considered feedback. We have not been able to engage directly with the regulated parties, who are the current permit holders for 'hobby' or 'recreational' operations. Instead, we have sought to get a sense of the barriers and concerns that this group might have through narrowly targeted engagement with the professional agents who assist them to complete applications and the annual reports that are currently required. These agents have a wealth of experience in the sector, but we are effectively hearing the views of the 'hobby' miners indirectly and second-hand from the agents. We intend to seek the views of the miners more directly before the select committee process as part of a wider campaign to raise awareness about the proposals. The regulatory efficiency proposals were mentioned in a Ministerial hui with iwi and hapū and we followed up by providing information on the proposed new Tier. We were not able to consult with environmental groups and get their views on the possible environmental impacts of the proposals.

For the analysis, we have been limited in the amount of data we could obtain about current 'hobby' operations and research that we could do on approaches in other jurisdictions and regulatory systems. Getting the full data set for the existing permits would have required manual analysis at the individual permit level and there was not time or the resources to do this. We have therefore relied on aggregated data that can be readily extracted from the databases. We also do not have up-to-date data on the resources and time that it takes to process permit applications and other functions performed by the regulator. This information will be collected when a full review of all permit fees is done over the next year. It will provide the basis for setting justifiable fees for the new permit and also to reassess all the other fees. Until this review is done, we cannot provide monetised costs for the proposal.

In addition, it has been difficult to predict future stakeholder behaviour or responses to the proposals, as we do not yet have the full details of how they will be implemented and what the impacts might be. The key factor that will influence stakeholders that is not known now is the level of the fees for the new Tier 3 permits and how these will compare with other Tiers of permits, particularly for Tier 2. How much lower the new permit fees end up being relative to other permits will be a strong incentive both for new entrants into the market (i.e. people taking up non-commercial gold mining after the changes are made) and the extent to which current permit holders will transition to the new Tier.

The ability and incentives for current permit holders to transition to the new Tier 3 have also been a key consideration in shaping these proposals. Current permit holders have paid application and annual fees for the exclusive rights that they now have to carry out non-commercial gold mining operations in a particular permitted area. If the new Tier had significantly increased their responsibilities or reduced their rights, they would have limited incentive to move to the new permits and may even have sought compensation. The proposals have therefore, as much as possible, sought to maintain and uphold current property rights.

Responsible Manager(s) (completed by relevant manager)

Anna Cook
 Director Petroleum and Minerals Operations
 Resource Markets Branch
 MBIE

16/05/2024

Quality Assurance (completed by QA panel)

Reviewing Agency: MBIE

Panel Assessment & Comment:

MBIE's Regulatory Impact Assessment Review Panel has assessed this Regulatory Impact Statement (RIS) as partially meeting the criteria necessary for Ministers to make informed decisions on the proposals.

The RIS sufficiently articulates the problems presented by the status quo and what the desired outcomes are. It sufficiently explains the inclusion or exclusion of the desired outcomes and criteria when undertaking options analysis, especially those in scope of other regulatory regimes and regulators. It sufficiently explains how the proposed new Tier 3 permit will work, and how this differs to the status quo.

The RIS also sufficiently articulates the limitations of the RIS, some of which are detailed below.

The RIS provides limited or insufficient information on:

- The views of hobby miners. Only indirect and anecdotal information is held on the views of hobby miners.
- The views of iwi/hapū on the proposed changes. While iwi/hapū have been informed and will be offered the opportunity to participate in the future development of the new Tier, their views on whether they support the direction of travel is unknown.
- The views of other regulators that deal with the mining sector, in particular, local authorities and WorkSafe. Local authorities may also be able to provide information on the views of local communities and hobby miners, which is currently unknown.
- The resources and time it takes to process permit applications, the nature of permit holders, and the possible numbers of those who would be interested in getting a new Tier 3 permit (both current Tier 2 holders and new entrants). This makes it difficult to accurately quantify the costs and benefits proposed in terms of introducing a new Tier 3 permit – particularly to MBIE – and whether the recommended option is the best option for MBIE in improving regulatory efficiencies and oversight of the non-commercial gold mining sector.

Despite these limitations we consider the RIS is a qualified partially meets. This is based on assurances in the RIS that the limitations identified above will be addressed through a full review of the permit fees being charged, and stakeholder feedback being sought through the Select Committee stage of the Amendment Bill. We also note that MBIE's intention to review the new arrangements within five years presents a further opportunity to ensure that the proposed Tier 3 permit is fit-for-purpose.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem and how is the status quo expected to develop?

How the Crown minerals estate is regulated

1. The Crown Minerals Act 1991 (**CMA**) enables the Crown, as resource owner, to allocate rights to develop Crown owned minerals. Crown owned minerals include petroleum, gold, silver and uranium. The Crown may also own minerals on or under Crown land, and, in some instances, may have rights to certain minerals in private land. In addition, there are some cases of private mineral ownership on or under Crown land.
2. Obtaining a permit under the CMA is necessary when minerals are owned by the Crown, but it is not sufficient on its own to start to develop those minerals. This is because the CMA operates alongside other legislation that regulates the health, safety and environmental aspects of mining.
3. Other key statutes include the Resource Management Act 1991 (RMA), the Maritime Transport Act 1994, the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act), and the Health and Safety at Work Act 2015.
4. The different regulators within the Crown owned minerals system are set out below.

Figures 1: Regulators in the Crown owned minerals system

		PERMIT Allocation, compliance and administration	ENVIRONMENTAL CONSENTS	HEALTH & SAFETY	LAND ACCESS
REGULATOR	ONSHORE	Ministry of Business, Innovation and Employment	Local Authorities	Worksafe NZ	Private land owners and occupiers
	OFFSHORE		Environmental Protection Authority (beyond 12 nautical miles)	Worksafe NZ	DOC
			Local Authorities (out to 12 nautical miles)	Maritime NZ (oil spill management)	MBIE
					LINZ

5. The CMA was introduced at the same time as the RMA. The efficient allocation and management of rights to develop Crown minerals, and the management of environmental effects from extracting these resources were deliberately separated at the time. This separation was intended to minimise potential conflict between the Crown’s dual roles as resource owner and as regulator. It seeks to ensure independent and transparent decision making, clear accountability for the different objectives, and regulatory efficiency.
6. Overall, the regulatory systems provide checks and balances which aim to achieve positive wellbeing outcomes. It does, however, mean that environmental impacts,

conservation values and health and safety standards are not directly relevant to permitting assessments, as they are addressed by the other regulatory systems.

Permits and the permitting process

7. The permitting process is designed to strike a fair balance between giving the permit holder flexibility as to how they explore for, prospect for, or mine petroleum or minerals while making sure this occurs in a reasonable timeframe and in a way consistent with 'good industry practice'.
8. Permits are required at different stages of an operation. Each permit has specific timeframes and requirements associated with it, which vary for petroleum and minerals permits. The types of permits are:
 - 1) **Prospecting permit** – gives the right to look for minerals owned by the Crown using survey activities to assess the area.
 - 2) **Exploration permit** – gives the right to explore for mineral deposits and evaluate the feasibility of mining.
 - 3) **Mining permit** – gives the right to mine Crown owned minerals once a discovery has been made.

The two-Tiered system for permits and why it was introduced

9. The CMA separates petroleum and minerals permits into Tier 1 and Tier 2 categories. Tier 1 generally covers higher-return, higher-risk projects, whilst Tier 2 permits are generally for lower-return industrial, small business, and non-commercial gold mineral mining operations that are more appropriately regulated using a simpler, more pragmatic regime.
10. Applicants for both Tiers must demonstrate technical and financial capability, proposed work programmes and, for minerals mining permit applications, demonstrate the existence of a mineable resource. Once a permit is granted, holders must provide MBIE as the regulator of the Crown minerals estate with Annual Summary Reports and other technical reports. The offences and penalties are the same for both Tiers.
11. There are additional requirements which only apply to Tier 1 permits. Applicants for Tier 1 mining permits must also satisfy a high-level health, safety, and environmental capability test, and the mineral resource must be more stringently defined and reported in accordance with an internationally recognised code. Once the permit is granted, Tier 1 permit holders have to provide 'iwi engagement reports' and attend Annual Review Meetings with MBIE officials, when requested to do so.
12. These Tiers were introduced in 2013 and replaced a 'one size fits all' approach to the historic management of permits. Officials made the argument at the time that the reporting frequencies for some data were unnecessarily onerous for some types of permits, and this imposed unjustified compliance costs on permit holders. This had led to a misallocation of MBIE's resources and the regulator spending disproportionate amounts of its time processing high volumes of lower-value, lower risk permit applications and requests to change conditions for them.
13. The introduction of the two-Tiered system was intended to enable proactive management for complex high-value operations and pragmatic management for low-risk, low-royalty operations. The overall objective was to reduce compliance costs and the administrative burden on government and thereby enable strategic and efficient use of Crown resources.

The current thresholds between Tier 1 & Tier 2 permits, fees and royalties

14. To distinguish between the two Tiers for different types of permits, the new system introduced thresholds¹. The thresholds are proxies for the scale of an exploration programme or mining operation. They are either 'value' or 'volume' based depending on the type of permit and mineral.
15. For minerals mining permits, a permit will be classified as Tier 1 if the estimated annual royalty to the Crown will exceed \$50,000 (for gold, silver, and platinum group metals), or the estimated annual production will exceed 200 kilotonnes of coal or 500 kilotonnes of metallic mineral ore or ironsand. The permit is also considered Tier 1 regardless of the royalty or production rates if the operation will take place offshore or underground. All other minerals mining permits are classified as Tier 2.
16. The application and annual fees for permits vary between the tiers and whether the operation is onshore or offshore. A Tier 1 applicant is charged \$14,500 for an onshore permit and pays the greater of \$1,790 per square kilometre or \$1,400 annually. The application fee for Tier 2 permits, currently including all "hobby" operations, is \$5,000 and the greater of \$1,790 per square kilometre or \$1,000 annually. For all permits, royalties are payable once there is net sales revenue over \$200,000 per annum.

Other relevant sector facts and figures

17. The resources sector contributed \$1.03 billion of export value from minerals exports in 2022 and \$921 million from oil and gas exports. It contributed \$1.9 billion in GDP in the year ending March 2021 and employs approximately 6,250 people.
18. In terms of Crown revenue in the form of royalties, fees and levies, in 2022-23 this totalled \$235.8 million, with minerals contributing \$21.6 million and petroleum \$214.2 million.

The number and nature of minerals permits, including for current 'hobby' mining operations²

19. As of 18 January 2024, by far the most active permits or licences are currently for the minerals sector (799³ compared to 37 for petroleum). The same is true for new permit applications (280 for minerals but 15 for petroleum).
20. 757 (or 95 per cent) of current minerals permits are classified as Tier 2. Only a small proportion of minerals mining permits pay royalties (35 per cent of Tier 1 and 18 per cent of Tier 2). This is partly due to their size, but also because many permits are inactive. Most minerals permits are small (over two thirds cover less than 250 hectares) and the majority are for 'mining' (see the table below for more details).

¹ See Schedule 5 of the CMA.

² All these figures were calculated on 18 January 2024.

³ There were 833 in total, but 34 are irrelevant as they don't directly relate to mining (e.g. ancillary licences for coal mines) and have been removed from this number.

Table 1: Key figures for minerals permits – numbers and areas as at January 2024

Permit Type	Total Number	Number by Permit Type	Permit Area
Tier 1 Minerals Permits	42	Prospecting = 0 Exploration = 14 Mining = 28	0-550 hectares = 14 >550 hectares = 14
Tier 2 Minerals Permits	757	Prospecting: 35 Exploration: 120 Mining: 602 (this includes 195 for 'hobby' operations)	0-250 hectares = 562 >250 hectares = 43

21. Of these 799 permits, 195 are for “hobby” or “recreation” operations⁴; effectively the small, non-commercial operators our proposal will be targeting. They are all in the South Island, mostly on the West Coast (85) and in Otago (64) (see **Annex 1** for a map of the locations of the ‘hobby’ operations). The equipment permitted for these permits depends on the location. River-based operations involve the use of small suction dredges capable of being operated by one person, while beach operations can only use hand tools and a riffle box. The majority of current permits are 50 hectares or less (25 have a greater area). The permits are generally issued for 10 years (68 per cent of current ones are) and more than half (103) have less than five years until they expire. All but four of the current permit holders are mining for gold. The permit holders are often individuals, but they can also be held by other legal entities such as family trusts or companies set up for these purposes.
22. The operations would generally involve two people working with a small suction dredge in the river, one in scuba gear operating the hose that sucks up the riverbed (as pictured below). They produce modest amounts of gold but can provide a reasonable supplementary income. Based on 2022 reporting, the average annual yield for ‘hobby’ permits was around 2.5 ounces and 95 per cent were in the range of 0-15 ounces. At today’s gold prices (around NZ\$4,100 per ounce) that would be an average annual return of about NZ\$10,000, with some getting over NZ\$60,000.



⁴ See the Minerals Programme 2013, Schedule 1: Definitions.

23. These small-scale operations have consistently represented a significant proportion (20-25 per cent) of all applications assessed and minerals permits administered by the regulator.
24. This kind of non-commercial gold mining is very different from gold fossicking. There are areas designated for gold fossicking, also all in the South Island, which do not require a permit and can be used by anyone. Permits are exclusive rights given to permit holders over a specific area of land. Gold fossicking is collecting gold by a stream or river using metal detectors, pans, shovels, picks and sluice boxes. Only hand tools can be used and motorised machinery is prohibited.
25. The variety in the type and scale of mineral mining operations permitted under Tier 2 is very wide. They currently range from the 'hobby' operations to medium sized coal and gold mines using heavy earthmoving equipment and generating more than \$10 million in annual earnings (see **Annex 2** for comparisons between gold fossicking, 'hobby' mining and other Tier 2 operations).

Recreational gold mining in Australia and other jurisdictions

26. Recreational gold mining and prospecting is a popular outdoor activity in a number of other countries, including Australia, South Africa, Wales, Canada and the United States.
27. Australian states largely do not have an equivalent to what we refer to as 'hobby' mining. They do have provision for recreational prospecting and mining, which is more similar to our gold fossicking arrangements.
28. Each state has its own set of rules and regulations, but they generally allow non-motorised equipment and have areas for 'fossicking' similar to here in New Zealand. They often require a 'licence' charged at a nominal fee, which is not done here. In some cases, the restrictions seem to be much tighter than ours, particularly in New South Wales (NSW). The different approaches to recreational mining in each state are set out below.

Table 2: Recreational mining in Australian states

Where	Approach	Other Relevant Information
<i>Victoria</i>	Requires a 'Miner's Right' for recreational prospecting, even on the owner's private land, which can be purchased online for AU\$27.	Provide for what are called 'low risk mines', which are governed by a Code and don't need specific work plans. These operations must have a licence area of 5 hectares or less (much smaller than 50 for ours), and must not involve underground operations, blasting, clearing of native vegetation or the use of chemical treatments.
<i>Western Australia</i>	Like Victoria, requires a 'Miner's Right' for 'prospecting' and 'fossicking'. 'Fossicking' refers to the collection of mineral samples or specimens, other than gold or diamonds, for the purpose of a mineral collection, lapidary work or hobby interest. The term 'prospecting' includes the search for all minerals including the use of metal detectors.	
<i>Queensland</i>	A 'fossicking licence' is required to search for and collect materials using hand tools for recreational, tourist and educational purposes only and <u>no</u> machinery is permitted. You can collect gemstones, ornamental stones, mineral specimens, alluvial gold (including nuggets) and some fossil specimens, but not meteorites and fossils of vertebrate animals. Queensland has created a number of 'fossicking areas' where people	Sale is allowed for the odd 'lucky find', but repeated removal for sale through shops or businesses, or as part of making a living, is considered commercial, and will then require the equivalent of a permit. The threshold for exemption from royalties is AU\$100,000.

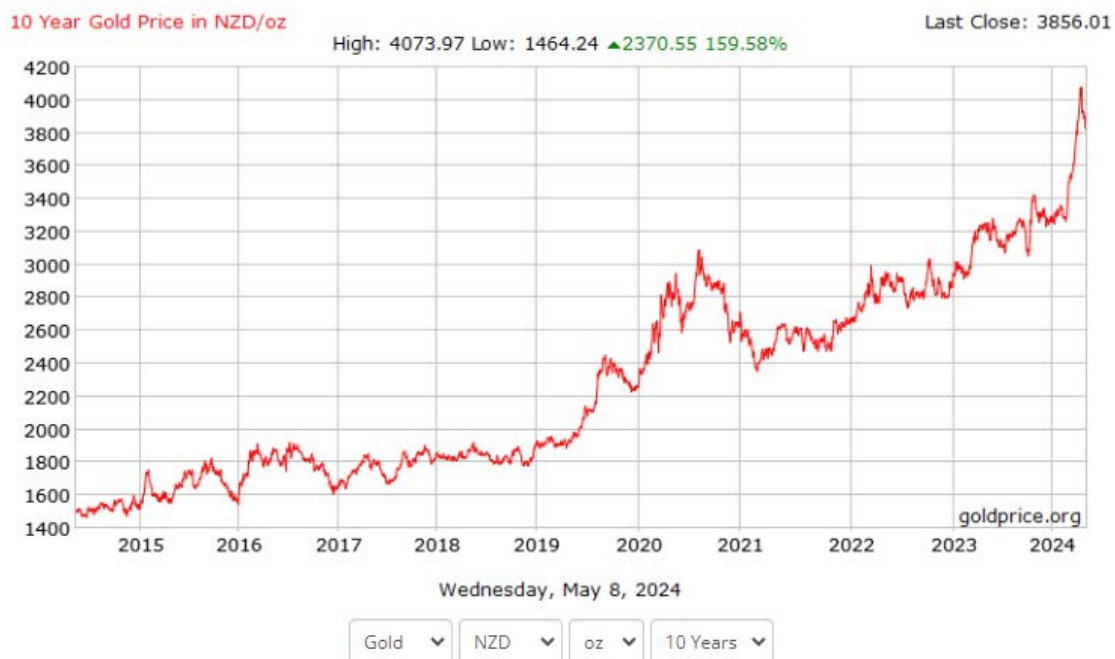
	don't need to obtain special permission from the landowner and commercial mining is not allowed. Outside of these, written consent from a landowner is required.	
NSW	Allows 'fossicking' but has strict rules about equipment (nothing 'power-operated'), disturbance and restoration (no more than one cubic metre can be moved during any single 48-hour period and the site must be returned to the "original soil profile") and the amount of mineral that can be taken (5 nuggets of 10 grams or greater or 50 grams of gold over the same 48-hours).	The NSW Government has established a number of 'Fossicking Districts' where fossickers are not required to obtain consent from licence holders. Outside of these areas, a range of consents may be required.

Issues with current small-scale non-commercial gold mining

29. The two-Tiered permit system has generally worked well, allowing MBIE to manage its resources more effectively. Nevertheless, a backlog of applications has built up and processing times are still not optimal.

30. A number of factors have contributed to this situation. There has been an upsurge in applications since 2020 due to high gold prices, which have appreciated by over 80 per cent in the last five years. There has been a tightening of our regulatory processes over the last five years, which has seen more rigorous reviewing and approving of applications, including for 'hobby' operations. The quality of all applications also requires improvement as significant time is now taken up by working with applicants to bring them to a standard that allows for them to be processed and assessed.

Figures 2: Global gold prices per ounce in NZ\$ over the last 10 years⁵



31. The requirements for Tier 2 minerals mining permits are excessive for small-scale non-commercial operations. For example, they will not be able to show there is a mineable resource within their permit area. However, MBIE is still required to take this into consideration and be satisfied of this when deciding whether to grant a permit. In terms of reporting, Tier 2 permit holders are also required to produce full Annual Summary

⁵ (<https://goldprice.org/gold-price-history.html> accessed on 9 May 2024)

Reports, which include a summary of mining and processing methods and the production of all minerals in the permit area.

32. About 18 per cent of permit applications in the permitting queue as at 18 January 2024 were for Tier 2 mining permits that should meet the criteria for the proposed Tier 3 permits (see Annex 2 for details of the criteria). In addition, around 20 per cent of requests for changes to a permit, including transfers of interest, are for permits that would meet the Tier 3 criteria.
33. Under the current settings, MBIE is using a similar amount of time and effort in processing applications for 'hobby' operations using the Tier 2 requirements as it does for other more complex Tier 2 applications. Because of their size, these operations pay no royalties and present fewer risks, while larger commercial operations, also using a Tier 2 permit, provide a significant return to the Crown and require more oversight from MBIE.
34. If no changes are made and the status quo remains in place, MBIE will continue to use a disproportionate amount of its resources to process applications related to small-scale non-commercial operations. These resources cannot therefore be used for the higher-risk and higher-value commercial operations. Application processing times will continue to be lengthy and MBIE will continue to experience periodic backlogs of applications that build up, as it cannot effectively allocate its resources.
35. In relation to monitoring and compliance of the current 'hobby' operations, this has been light-touch. This approach is consistent with the low-risk nature of the activities and the isolated locations of the permits. There may be random periodic site inspections of permit areas, but the regulator would mostly rely on complaints from the public or other permit holders. The prevalence of non-compliance is difficult to gauge, but there have been incidences of illegal mining by small operators, often on conservation land, and the Department of Conservation has brought a prosecution for this under the National Parks Act 1980 recently.

What is the policy problem or opportunity?

36. There are no direct financial benefits to MBIE or the Crown in permitting small-scale non-commercial mining activities. They do not reach the threshold for royalties, nor do they provide any material knowledge about the Crown's resources (e.g. geoscience information and data). The 'hobby' permits therefore only provide a private benefit for the 'hobby' miners.
37. It is important, however, that the non-commercial operations are regulated to ensure that these miners are complying with the rules, and enforcement action can be taken if they are not. If we don't have any regulatory oversight, people may disregard the rules and the rights of other permit holders (i.e. mining in other permit holders permitted areas and illegal mining) and there may be undesirable behaviours (e.g. turf wars). Permitting also gives a sense of ownership by the permit holder to the permitted area, as the permit and its conditions encourages them to comply with good industry practice at the site and ensures they restore any damage that might be done to the beds and banks of rivers there.
38. We want to ensure that the costs to MBIE as the regulator for administering and overseeing these high-volume but low-value and low-risk operations are reduced and recovered. We also want to reduce administrative barriers to entry for prospective hobby miners. The best way of achieving these aims is by streamlining the processes and practices associated with these permits. While larger Tier 2 mineral mining operations provide a public good through the royalties paid to the Crown as well as economic benefits to communities they operate in, smaller, 'hobby' mining operations do not. Therefore, it seems the current regime that requires smaller, 'hobby' operations to be assessed and regulated in the same way as larger Tier 2 operations is not fit for purpose, and represent an ineffective use of MBIE's resources.
39. The creation of the existing two Tiers allowed the regulator to have a more proportionate approach to operations depending on their scale and level of risk. The current settings do not, however, allow the regulator to effectively distinguish between small-scale 'hobby' and commercial operations within Tier 2 so that they can be treated differently. The changes needed are therefore an extension of the original policy intent to create the two Tiers, but to now allow for even greater differentiation with a third Tier.
40. The upcoming Crown Minerals Amendment Bill 2024 (**Amendment Bill**) proposes to remove the current ban on new petroleum exploration outside of onshore Taranaki presents the opportunity to resolve the legislative elements of the policy problem. The Minister for Resources has agreed that these issues will be pursued through the Bill as well as other targeted measures to improve regulatory efficiency and consistency.

Iwi and stakeholder interests

41. Improving the administration of small-scale non-commercial gold mining operations will be of interest to the whole minerals sector, but particularly the 195 current holders of Tier 2 permits for their 'hobby' operations.
42. The mining industry body Straterra mostly represents the large commercial interests in the sector and not the recreational mining community. It will want to see how the changes improve the overall efficiency of the regulator and what flow on benefits that will have on the commercial Tier 1 and Tier 2 applications of their members.
43. Both current and prospective non-commercial gold miners are likely to be generally supportive. They should welcome simplified application processes, and reduced reporting requirements. Existing permit holders will want to ensure that their current rights and

benefits have not been eroded but may want to advocate for these to be extended. A small number that have currently been allowed to have work programmes broader than the proposed definition (i.e. larger areas of land or more powerful machinery) may want to retain Tier 2 permits.

44. With only 195 active permits and some permit holders operating more than one (26 in total), 'hobby' miners are a relatively small community. The only demographic information we have on them is where their operations are located in the South Island. The revenue from 'hobby' mining is relatively modest, so they are also likely to have other sources of income.
45. We have not sought their views, but environmental groups may have concerns that this type of small-scale mining activity is being allowed to continue. The environmental impacts of these activities are outside MBIE's remit. These are managed in other parts of the regulatory system, which allows for controls and safeguards to be put in place (e.g. local councils through water plans and in the conditions for resource consents). Resource consents are not required for gold fossicking and whether they are needed for non-commercial gold mining will depend on the council rules, which vary across the country.
46. In the past, iwi have submitted on applications for permits for 'hobby' operations, often opposing them. Others have river management clauses in their deeds of settlement and will want to know if these are affected. All iwi and hapū will be particularly interested in how the proposals impact on consultation requirements with them on permits.

What objectives are sought in relation to the policy problem?

47. The primary objective of the proposal is to improve MBIE's administrative efficiency by ensuring its resources are allocated appropriately. This should contribute to reducing any backlog in applications that has not yet been addressed, and help to ensure that backlogs do not build up in future.
48. This improved efficiency will, in turn, reduce the regulatory burden on applicants. This is important because, to be successful, the new permit needs to be attractive both to new entrants to the non-commercial gold mining market, but also to entice holders of current permits that could meet the new definition and requirements, to take up the new Tier 3 permit.
49. These two objectives combined should help to improve the overall regulatory efficiency of the petroleum and minerals regulatory system. The benefits of this will be felt most directly in communities that rely on mining operations for their economic wellbeing, particularly on the West Coast of the South Island. They may also indirectly enhance the reputation of the mining sector and therefore help to build the social licence that it requires across the whole country.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

50. The following criteria have been used for assessing the options to manage small-scale, non-commercial gold mining operations:

- 1) **Efficiency** – MBIE resources can be allocated appropriately for all its functions, including monitoring and enforcement of the mining regime, reducing its administrative burden and improving processing times.
- 2) **Promotes investment** – reducing barriers to entering the non-commercial gold mining market and enhancing investment in the mining sector, which should lead to growth in the sector.
- 3) **Minimises compliance costs** – permitting processes are clear, simple and reduce costs for the regulated parties.
- 4) **Ease of implementation** – how readily the changes can be put in place operationally.

What scope will options be considered within?

51. The scope for the options is relatively broad and not constrained by previous decisions. The Amendment Bill to remove the ban on offshore mining was one of the new Government's election commitments, but these proposals were added later.

52. To give effect to the proposed changes will require legislative amendment, as the thresholds and definitions of the permit Tiers are set out in the CMA. The objectives could therefore not be achieved through non-regulatory approaches. The details of the application and reporting requirements, and the fee levels for the new permit Tier, will need to be set out later in regulations and in the Minerals Programme. MBIE does not hold information on why this was dropped.

Options considered but not included – non-exclusive licence-type arrangement

53. A non-exclusive permit option similar to how fishing licences work was considered but not progressed. This would have involved the Minister designating a defined area where non-commercial gold mining was permitted. The permit would give anyone the right to mine in that area so long as they met the conditions (e.g. in relation to equipment). It would have placed a significant upfront burden on MBIE in terms of understanding where the resources are, obtaining access and consents and doing the appropriate consultation with iwi and hapū and local councils. As exclusive rights are not granted to specific areas, there would be significant risks under this approach of behavioural problems associated with getting and retaining desirable locations (similar to those for Option Three discussed below). A similar approach has been used before but was dropped when the 2008 Minerals Programme was introduced. MBIE does not hold information on why this was done.

54. A wider review and adjustment of the permit Tiers was also considered. This was not pursued as, unlike the small-scale non-commercial gold mining operations, there was no clear rationale for trying to further distinguish between other types of minerals operations covered by Tier 2 permits, and Tier 1 permits are working well. Any changes to the Tiers

would also have impacted on petroleum permits, which would outweigh the benefits that modifying the Tiers could realise.

Other changes proposed to improve regulatory efficiency

55. A range of minor and technical changes to the CMA to improve regulatory efficiency will also be pursued through the Amendment Bill. They are not covered in this RIS, as Treasury has granted exemptions for them. All these proposals have been included in the Cabinet paper seeking agreement to the drafting instructions for the Bill and are annexed in full to that paper.

What options are being considered?

56. The three options being considered are standalone and mutually exclusive. A decision will need to be taken on which one to pursue, as they cannot be done in combination.

Status Quo

57. Small-scale, non-commercial gold operations continue to be assessed as ‘hobby’ or recreational operations’ under the current Tier 2 requirements. There is guidance on what operations are suitable for this type of permit, but discretion is granted to go beyond those parameters that has led to anomalies (e.g. areas larger than 50 hectares being permitted).

Option One – Formalising a less Stringent Tier 2

58. There would still be only two Tiers for permits, but the Tier 2 requirements for non-commercial gold mining permits would be made less stringent, particularly in relation to assessing applications and reporting. This could involve exempting these operations from some legislative requirements (e.g. to provide a work programme under section 29A). This option would effectively involve formalising the ‘status quo’ arrangements and aligning the legislative settings with changes to the CMA.

Option Two – Creating a New Tier 3

59. Creating a new bespoke Tier 3 permit that grants exclusive rights for small-scale non-commercial gold mining operations within a specified area, but with fewer requirements.

60. There would be a precise definition of what a Tier 3 permit is, and the work programme associated with it. This would be very similar to the parameters that are currently used for hobby or recreational operations but, as they are set in legislation, there would be no discretion to go beyond them. Tier 3 permits for small-scale non-commercial gold mining operations would be for:

- i. a duration of no longer than 10 years
- ii. an area no greater than 50 hectares
- iii. the target mineral gold (only)
- iv. using equipment that can only be hand tools and a suction dredge of 10 horsepower or less (in rivers), or hand tools and a riffle box (on beaches).

61. These proposals will require amendments to the sections of the CMA that relate to application and reporting requirements for permits, most notably sections 29A and 90. A

raft of other amendments across the Act will also be needed to give effect to the new Tier as well as new and amended regulations (See Annex 2 for details).

62. Applicants and permit holders of Tier 3 permits would still be required to pay fees. The fee level would be set in regulations, as are other fees under our legislation. The level of the fee would be determined in the context of the fees review that MBIE will undertake over the coming year for all permit fees. Production from a Tier 3 permit should generally not reach the threshold for royalties, but if the price of gold continues to rise in future and they are breached, Tier 3 permit holders should pay accordingly.
63. Offences and penalties would be the same as for Tier 1 and 2, including infringement offences when they are available, so MBIE would have access to all the compliance tools that it may need. Like other permits, a Tier 3 permit could be revoked for serious breaches (e.g. repeated non-payment of fees), expire or be surrendered. MBIE would retain visibility and control over changes to the permit, such as when the permit holder wants to sell the permit (i.e. requiring approval for a transfer of interest and change of operator) and extensions of land and duration, but it is intended that these mechanisms would involve a quicker, 'lighter touch' approach for MBIE and applicants.
64. It should also be noted that, if they are required, holders of the new Tier 3 permits would still have to get the same additional permissions required for Tier 1 and 2 permits, such as resource consents and access arrangements. On completion of their mining activities, they may also need to carry out restoration work in the permit area as appropriate.

Option Three – Full exemption

65. Removing permit requirements entirely for non-commercial gold mining activities. This could then be done by anyone, anywhere at any time. The miners would still need to obtain access arrangements and resource consents, where required, but it is not clear how this would work in practice. This option would also require appropriate amendments to the CMA.

Stakeholder consultation and feedback on options

66. In terms of gauging the level of stakeholder support for these options, we have been able to do some very targeted engagement with minerals sector representatives. We met with the Chief Executive of the mining industry body Straterra and sought feedback from relevant industry agents that are likely to have represented 'hobby' miners and helped them with applications in the past.
67. Straterra suggested that the sector would be concerned about the reputational risks that could come with an unregulated environment such as that proposed in Option Three (e.g. bad press about bad/criminal behaviour, accidents etc.) and how this could impact on genuine commercial activities, as well as the tenuous social licence that mining has in Aotearoa.
68. We received feedback from one of the five agents that we approached. They were supportive of the proposals describing them as an "excellent way forward and long overdue". They saw benefits for existing permit holders, particularly if reporting requirements were minimised and streamlined. They suggested moving as much of the application processes as possible online and saw no reason why the costs for these permits should be the same as for larger commercial operations. They also suggested that we should consider restricting the sale of the Tier 3 permits and allowing them to

overlap with commercial permitted areas, while giving the commercial permits priority. These suggestions will be considered once we have received other feedback on the proposals through public consultation processes.

69. We have provided information on the proposals to iwi and hapū in the South Island that are likely to have the non-commercial gold mining operations within their rohe and sought their initial feedback. The Tier 3 proposals were also covered in a Ministerial hui on the 7th of May 2024 on the wider proposals in the Amendment Bill. There was no specific feedback at the hui on these proposals and we are yet to hear back from affected iwi and hapū. We will ensure that they are offered opportunities to participate directly in the future detailed development of the new Tier, including the required changes to regulations and the Minerals Programme.
70. As discussed above in the 'Limitations and Constraints on Analysis' section, there have been significant constraints on the stakeholder engagement that we have been able to complete that have implications for this analysis. All stakeholders will get an opportunity to provide feedback on the proposals during the Select Committee stage of the Bill.
71. For this analysis, the key risk in these gaps in consultation is that we cannot adequately assess the extent to which current permit holders will want to transition to the new Tier. We should get a clearer picture of this through the public consultation processes on the Bill. It would also have been valuable to have better understood the views of environmental groups, but this would have been most relevant in relation to future communications and awareness raising campaigns.

How do the options compare to the status quo?

Criteria	Status Quo	Option One – <i>Formalising a less Stringent Tier 2</i>	Option Two – <i>Creating a New Tier 3 [Preferred]</i>	Option Three – <i>Full exemption</i>
Administrative efficiency	Does not allow the regulator to clearly distinguish between non-commercial gold and other Tier 2 permits, particularly when discretion is exercised. Low value/risk applications are clogging the system. Has allowed a backlog to build up. 0	It is not clear how much more efficiently MBIE would be able to operate if Tier 2 processes still had to be followed. Other Tier 2 permit holders could still argue for treatment the same as for 'hobby' operations and may challenge decisions, including through judicial reviews. 0	Can clearly define and treat non-commercial gold permits differently, streamlining processing and reducing reporting. More focus and resources can be directed to higher-value/risk Tier 1 & Tier 2 applications. Should help ensure that a backlog does not build up. +	No costs for MBIE to process applications, but there would be high monitoring and enforcement costs to ensure that rules are not broken and the rights of other permit holders are not impinged upon. +
Promotes investment	Industry is unhappy with delays and the uncertainty around processing times. 0	As the line between 'hobby' and other Tier 2 operations is not drawn as clearly for stakeholders, it still leaves a degree of uncertainty for the sector. 0	Applications for commercial operations should be processed more quickly over time giving greater certainty. May encourage more people to try mining as a 'hobby', potentially stimulating interest and support for the sector. ++	Existing permit holders would lose their rights under their permits, including the ability to sell it as an asset. The unregulated market may be attractive to some miners, but the potential behavioural issues (e.g. turf wars, unsafe practices, illegal mining) may bring it into disrepute, which could taint the whole sector. -
Minimises compliance costs	Some application and reporting requirements are unnecessarily onerous for the nature and scale of the activity so place too great a burden on users. 0	Similar to the status quo but the Tier 2 application and reporting requirements could be reduced in some ways. +	Much more simple and easy for users. Applications and reporting are light-touch and could be completed online. +	No permitting compliance costs for users ++
Ease of implementation	The current approach. This is the only option that does not	Establishing the framework, including new processes and guidance, would take time and	Will require some time and resource to implement (e.g. updating the Minerals	Relatively easy to implement, as the regulator is only required to monitor compliance. But would

	require legislative amendment and regulatory changes. 0	effort. It should still be relatively simple and low cost to implement as it is effectively formalising what we do now. -	Programme) but will mostly use Tier 2 requirements. --	still be a change that needed to be accounted for in processes, practices, guidance etc. -
Overall assessment	The regulatory approach being taken is not proportionate to the value and risk of the operations. Overall: 0	Would be relatively simple to implement, but does not seem to provide much of an improvement on the status quo in relation to efficiency and promotion of the sector. Overall: 0	Most likely to meet the criteria giving the best outcomes for MBIE and the sector. May be the most resource-intensive to implement. Overall: 2	Doesn't give MBIE any levers, could create monitoring issues and has reputational risks for the sector and MBIE. Overall: 1

++	much better than doing nothing/the status quo/counterfactual
+	better than doing nothing/the status quo/counterfactual
0	about the same as doing nothing/the status quo/counterfactual
-	worse than doing nothing/the status quo/counterfactual
--	much worse than doing nothing/the status quo/counterfactual

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

72. Option Two is the preferred option and will be recommended in the Cabinet paper. This would clearly delineate between small-scale, non-commercial gold permits and other Tier 2 permits removing the ambiguity of the Status Quo. It addresses a lot of the downsides of Option Three for the regulator by granting exclusive rights. It would allow the regulator to triage and clearly treat these types of permits differently. Applications could be streamlined and approvals done quickly, with compliance requirements significantly reduced for users. The relative assessments between Options One and Two are finely balanced, but Option Two seems to be marginally superior in terms of allowing for greater administrative efficiency. This would improve timeliness and certainty for industry, which should have reputational benefits that will help to promote the sector and investment in it that Option One would not offer.
73. Option One would be a relatively simple and low-cost approach. In most other ways, it is quite similar to Option Two, but the key problem is that other permit holders will argue for similar treatment and there could be inconsistent decision-making by MBIE between Tier 2 permits. No matter how these non-commercial gold permits are defined, those on the wrong side of where the lines are drawn will feel aggrieved and could challenge MBIE's decisions through judicial reviews. It would do little to enhance the investment environment in the sector.
74. Option Three would save the regulator costs in terms of application processing and would be relatively easy to implement. It would, however, leave the regulator with virtually no levers over the mining activities. There could be behavioural issues, with 'turf wars' over particularly favourable locations and there would be significant monitoring costs to ensure that operations were only small-scale and not breaching the rules. Transitioning to this approach would also have a significant impact on current permit holders, who would lose the exclusive rights that they have paid application fees to secure. Any bad press related to these issues could be damaging to the reputation of the sector, the regulator and investment opportunities.

What are the marginal costs and benefits of the option?

Affected groups	Comment	Impact.	Evidence Certainty
Additional costs of the preferred option compared to taking no action			
Regulated groups (<i>non-commercial gold miners and other permit holders</i>)	None for non-commercial gold miners. They could even be reduced if people do not feel the need to use and pay for agents to assist them. There should be no changes to costs for other permit holders, aside from possible reductions due to less delays in processing their applications.	<i>Low</i>	<i>Medium</i> With less stringent application and reporting requirements and lower fees for non-commercial gold miners, their costs will be reduced.
Regulator (<i>MBIE</i>)	Updating regulations, revising the Minerals Programme and systems and, developing new procedures/guidance for the new Tier. There may also be an increase in applications if the permits are popular.	<i>Low</i>	<i>High</i>
Others (<i>e.g. wider government, consumers, etc.</i>)	None. Permits are likely to have a standard condition that any required restoration in the permitted area must be done by the permit holder before the permit ends. Local government will follow their own processes and procedures for consents, which will not be changed under the proposals, so they won't incur any additional costs.	<i>Low</i>	<i>High</i>
Total monetised costs	These cannot be calculated until the details of the processes and fee levels are known.	<i>Unknown</i>	<i>Unknown</i>

Non-monetised costs	Any additional costs on the regulator can be cost recovered.	<i>Low</i>	<i>High</i>
Additional benefits of the preferred option compared to taking no action			
Regulated groups (<i>non-commercial gold miners and other permit holders</i>)	The process is clearer and simpler needing less time and effort to be spent on applications and reporting by miners. It will allow for more automated and transparent processes such as online applications and reporting. Applications should also be processed more quickly across the board for all permit holders. Fees may be less for the new Tier of permits.	<i>Medium</i>	<i>High</i>
Regulator (<i>MBIE</i>)	Will be able to allocate resources appropriate to risk and value. The time and effort saved on managing non-commercial gold operations can be redirected to higher value commercial applications. As processes are streamlined for the non-commercial gold operations, there is less risk of backlogs in applications building up.	<i>Medium</i>	<i>High</i>
Others (<i>e.g. wider government, consumers, etc.</i>)	New entrants may be encouraged to try non-commercial gold mining. This may improve perceptions of the sector as well. All of this may have indirect benefits for communities reliant on the mining sector for their economic wellbeing. The impacts of the activities on affected	<i>Low</i>	<i>Medium</i>

	iwi and hapū will not change unless there is a significant increase in this type of permit within their rohe.		
Total monetised benefits	Difficult to assess in dollar terms.	<i>Unknown</i>	<i>Unknown</i>
Non-monetised benefits	The benefits are clear for the regulator and regulated parties. In the absence of wider consultation, it is difficult to assess them for other affected groups.	<i>Medium</i>	<i>Medium</i>

Section 3: Delivering an option

How will the new arrangements be implemented?

75. MBIE, as the regulator, will be responsible for the ongoing operation and enforcement of the new arrangements.

76. The Government is proposing that the new Tier 3 permit will largely have the same key features and rights of the existing Tier 2 permits, but the application tests and processes and the reporting requirements will be less stringent, and the fees will be lower than for Tier 2. Only mining permits will be available, as the other categories of permit (e.g. 'prospecting' and 'exploration'⁶) are more relevant and proportional for larger, higher-risk and higher-value operations.

77. The differences between the proposed new Tier 3 permit, and how non-commercial gold operations are currently dealt with under Tier 2, are focussed on making it quicker and more efficient for the regulator to make decisions on applications and administer the permits. These differences are set out in more detail in Annex 2, and in summary are:

- a) *A simpler and quicker application process* that could involve just completing a short form. The detailed Tier 2 tests would generally not apply (e.g. demonstrating a mineable resource, reports on geology) and the regulator would need to be satisfied that the applicant could:
 - i. comply with the work programme
 - ii. pay the fees
 - iii. meet reporting requirements.

- b) *Less onerous reporting requirements* that will be less of a burden on both the regulator to assess and the permit holder to provide. They would simply be annual reports of:
 - i. where they have mined
 - ii. for how many days (approximately)
 - iii. how much gold they have obtained.

78. The details of the application and reporting requirements will be set out in regulations and an updated Minerals Programme. The regulator will engage closely with the sector on these changes.

79. We also intend to engage directly with interested iwi, particularly those that have the permits within their rohe on the West Coast and in Otago, and work with them on the design and implementation of the new permit.

Transitional arrangements

80. It is expected that the Bill will be introduced this calendar year. We anticipate that the new permit will be in operation from July 2025. For the transitional arrangements, we have sought authorisation from Cabinet for the Minister to be able to make further

⁶ 'Prospecting' permits give the holder the right to look for minerals owned by the Crown using survey activities to assess the area. They are generally the first step in a possible mining operation and are followed by an 'exploration' permit, which give the holder the right to explore for mineral deposits and evaluate the feasibility of mining, and then finally an actual permit to mine once a discovery has been made.

decisions on implementation and transition for the regime, including operational decisions for the new Tier 3 permit consistent with good industry and regulatory practice.

81. Our initial thinking is that the transition plan could have different pathways for new entrants and existing permit holders. New applicants for non-commercial gold mining operations that meet the specified parameters would be assessed for a new Tier 3 permit. Incumbents with current permits that meet the definition and work programme may choose to move to the new Tier 3 permit right away to get the benefit from the lower fees and reduced reporting requirements, or the status may be bestowed on them at some point in the future.
82. Others that do not currently meet the requirements, but could with small changes to their current permit (e.g. reducing the area to under 50 hectares), may choose to do that, or remain in Tier 2. The regulator may decide to offer them inducements (e.g. no or nominal costs) to make these changes.

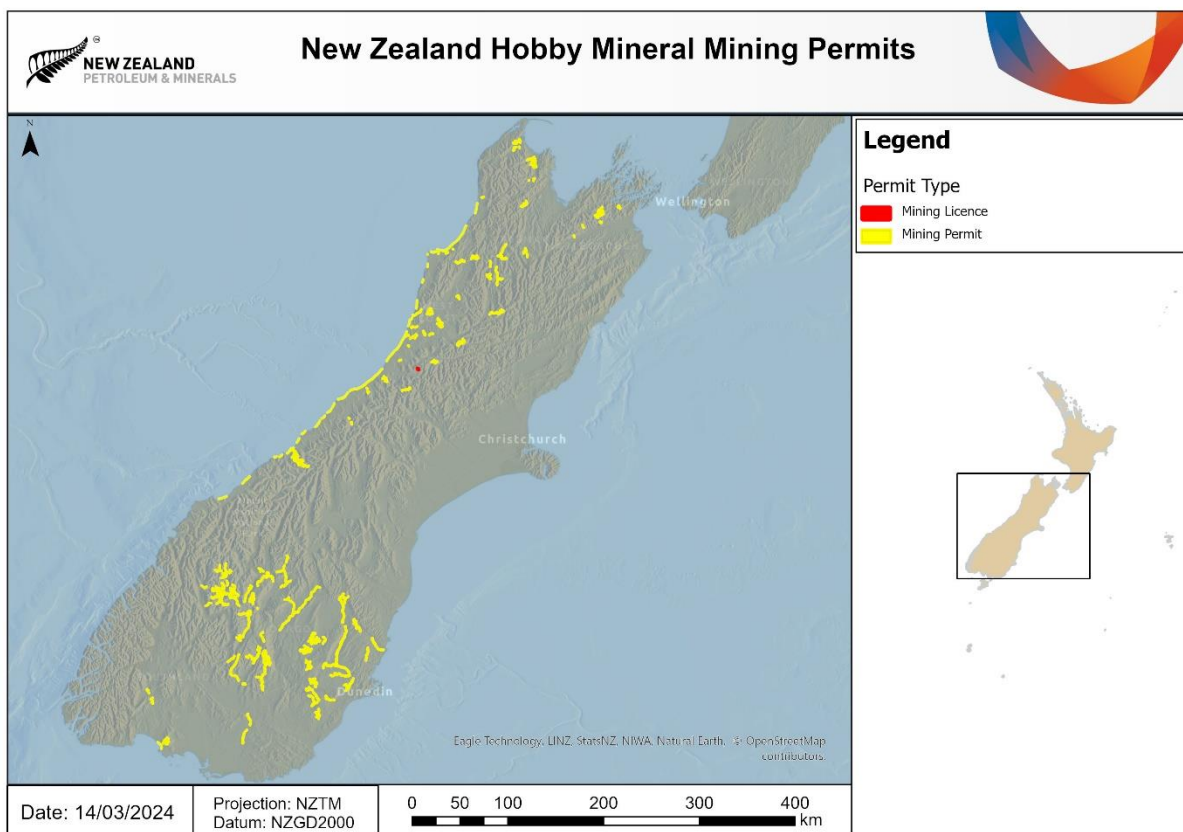
Implementation risks

83. The risks around implementation of the proposals will depend on how favourably the new permit Tier is perceived and what influence this has on behaviours.
84. If it makes non-commercial gold mining appear to be relatively simple and easy to start doing, there may be increased interest in it. If so, the new applications from new entrants will have to be processed by the regulator. If they arrive within a short timeframe, this may lead to delays unless the regulator is resourced to manage this surge in applications. If they are spread out, this will be less problematic. There could be similar issues if large numbers of current permit holders want to move to the new Tier 3 permit and apply to do so soon after they become available.
85. The other possible risk is that current permit holders do not want to transition, though this is unlikely given the benefits they would get under them, particularly reduced annual reporting requirements. Most of the current 190 or so permits granted for gold 'hobby' mining operations would fit the proposed Tier 3 criteria, or could readily fit the criteria if the permit holders were to agree to minor amendments to their existing permit conditions. Some may, however, decide to remain in Tier 2, particularly if they want to retain larger permit areas. So long as they are a minority and enough permit holders transition to make the new Tier viable, this will not be problematic for MBIE. These permit holders will simply continue to have to meet all the Tier 2 requirements.
86. In terms of monitoring and enforcement, the risks under the new Tier should be similar or slightly reduced than the status quo. With simpler and easier processes, and reduced costs, we should see less deliberate non-compliance (i.e. illegal mining) due to barriers to entry. The enforcement options will be improved when infringement offences are introduced, which would be more suitable for this low-risk kind of activity. MBIE will, however, retain the ability to prosecute for serious offences.

How will the new arrangements be monitored, evaluated, and reviewed?




87. MBIE will continue its existing regulatory, monitoring, and advisory role of resources markets to gauge any areas of concern from the public, non-commercial gold miners or the wider sector. As stewards of the Crown mineral estate, MBIE monitors investment in the upstream minerals sector through exploration expenditure and trends in the number and nature of minerals applications. A Minerals Strategy for New Zealand is also being developed that will set the direction for the New Zealand minerals sector and may include actions or objectives that are relevant for assessing the new Tier.
88. At the permit level, there will also be reporting, monitoring and consultation with iwi and hapū. The reporting will be aggregated to examine trends and emerging issues. There could be some site inspections, but resources for this are limited and the locations of the permits are often remote and surrounded by difficult terrain. Consultation with iwi and hapū will allow their concerns about new applications to be heard, but could also expose issues with past conduct. The regulator may also get some insights from public complaints and other permit holders.
89. Consistent with good regulatory practice, MBIE intends to review the arrangements approximately five years after the Bill has passed. This will assess the extent to which the objectives of the proposals have been met, particularly the intended benefits for the regulator and regulated parties. The review will draw upon all the information that MBIE has gathered on trends and from specific permits, and could also commission further work such as interviews, surveys and further data collection and analysis. Following this review, MBIE could consider what further changes could be made to improve the policy settings or its operation.

Annex 1: Map of locations⁷ of current ‘hobby’ mining permit areas



⁷ There are no permits for hobby or recreational mining operations in the North Island.

Annex 2: Summary comparison between gold fossicking, ‘hobby’ operations under the proposed Tier 3 permit and other Tier 2 mining operations

Elements	Gold Fossicking	Non-commercial gold mining under Proposed Tier 3	Tier 2 Mineral Mining
What are they and how are they different to each other?			
General description	Collecting gold by a stream or river by hand, only in designated gold fossicking areas (GFA)	A small operation to collect gold in a river or on a beach.	A medium sized commercial operation to mine for a range of minerals.
What they look like			
Equipment that can be used	Hand tools such as metal detectors, pans, shovels, picks and sluice boxes can be used, but motorised machinery is prohibited.	Suction dredge with combined rating no higher than 10 horsepower in rivers, and beach sand mining operations that are limited to hand tools and a riffle box.	No restrictions - Larger, more powerful suction dredges, earthmoving equipment, with a mobile or fixed processing plant.
Income that could be earned per annum for gold (Based on today's prices of around \$4,200 per ounce)	Not applicable	An average of around \$10K , but up to \$230K* * Royalties are payable once there is net sales revenue over \$200K	A range from around \$420K to \$12.6 million

Elements	Gold Fossicking	Non-commercial gold mining under Proposed Tier 3	Tier 2 Mineral Mining
How we regulate these things (and why?)			
<p><i>Rationale for regulating/risks of not regulating</i></p>	<p>This involves very small amounts of mineral, and the impacts and risks of injury are very low. Regulation is not warranted.</p>	<p>These activities have relatively low impacts and no direct benefits to the Crown but we should continue to have light touch regulation to mitigate risks of:</p> <ul style="list-style-type: none"> • people potentially disregarding the rules and the rights of other permit holders (i.e. claim jumping); • undesirable behaviour (arguments over areas of unpermitted waterways, mining at a level that should be permitted); • the regulator would have no compliance tools to deal with the issues identified above. <p>If a decision was taken to deregulate this part of the sector, current ‘hobby’ permit holders would also lose their exclusive rights that they have paid for (and made investments in equipment based on) as well as the permit as an asset (which can be sold for thousands of dollars).</p> <p>The sector is concerned about the reputational risks that could come with an unregulated environment (e.g. bad press about bad/criminal behaviour, accidents etc.) and how this could impact on genuine commercial activities, as well as the tenuous social licence mining has in Aotearoa.</p>	<p>These are high-value, high-risk activities. They have to be tightly regulated to minimise harms and ensure a fair return to the Crown on its mineral estate.</p>

Elements	Gold Fossicking	Non-commercial gold mining under Proposed Tier 3	Tier 2 Mineral Mining
<p><i>What matters need to be considered in the application before granting a permit?</i></p>	<p>Not applicable</p>	<p>The regulator needs only to be satisfied that the applicant is:</p> <ol style="list-style-type: none"> 1) likely to comply with the conditions (e.g. the specified equipment) 2) pay the fees 3) meet reporting obligations. <p>Past non-compliance may trigger a closer examination.</p> <p>The following will not be relevant:</p> <ul style="list-style-type: none"> • Work Programme specification • Economics • Resource. <p>Area and duration will still be agreed as part of the permit.</p> <p>Depending on feedback from consultation, we may require more moderate engagement with iwi (see below).</p> <p><u>Plotting/mapping:</u></p> <p>The applicant will attach a map of the permit area (data from a handheld GPS will be acceptable).</p>	<p>All Tier 2 applications must cover the following.</p> <ol style="list-style-type: none"> 1) Capability: <ul style="list-style-type: none"> • Technical • Financial • Compliance 2) Work Programme: <ul style="list-style-type: none"> • Activities – commencement, minimum production rate, any further exploration 3) Economics: <ul style="list-style-type: none"> • Costs, capital and operating • Revenue • Scheduling 4) Resource: <ul style="list-style-type: none"> • Delineation of a mineable resource 5) Area and duration. 6) Section 4 Treaty analysis, including any submissions from iwi. This is a desktop exercise done by MBIE. <p><u>Plotting/mapping:</u></p> <p>They will have to engage a surveyor to plot the permit.</p>

Elements	Gold Fossicking	Non-commercial gold mining under Proposed Tier 3	Tier 2 Mineral Mining
		Plotting standards will apply in the future.	Plotting standards will apply in the future.
Reporting requirements	None	Annual reporting online limited to confirming where they have mined, for how many days and how much mineral they obtained.	All Tier 2 permit holders must submit: 1) Annual Summary Reports covering production, exploration expenditure, a simplified mine plan, compliance with minimum mining rate etc. 2) Technical reports for any exploration work completed.
Iwi engagement – for permit holders and the regulator	The regulator has talked to relevant iwi and hapū about the designated areas.	We are considering collective approaches that put the onus on MBIE to negotiate with iwi and hapū about the permits in their rohe. They may have no interest, or may ask to be notified of new permits. No reporting by permit holders is required.	Permit holders should consult in ‘good faith’ with iwi and hapū but no reporting is required. The regulator has obligations to iwi and hapū to consult.
Duration of permit	Not applicable	Up to 10 years. There are no minimum ‘work’ requirements	40 years is the standard expiration. A minimum amount of mining work must be done each year as set out in the Work Programme.
Fees (excluding GST)	None	Fee levels to be set in context of a wider fees review. They are likely to be lower than any of those proposed for Tier 1 and 2 permits, and will reflect costs associated with processing of permits and returns.	<i>Application fee</i> - \$5,000 <i>Annual fee</i> - the greater of: (a) \$1,790 per square km or part of a square km; and (b) \$1,000

Elements	Gold Fossicking	Non-commercial gold mining under Proposed Tier 3	Tier 2 Mineral Mining
Offences and penalties	The regulator is mostly reliant on tip offs from the public, landowners/administrators (including Department of Conservation (DoC)) and other permit holders. Only warnings tend to be issued, as infringement offences are not available. DoC has powers of seizure for illegally used machinery and has initiated some prosecutions for illegal mining in national parks	All the Tier 2 mining permit offences and the full range of Tier 2 penalties apply (but several may not be relevant e.g. using good industry practice). There may be some site inspections, but the regulator would mostly rely on complaints from the public/other permit holders and enforcement action would likely be limited to non-payment of fees and/or late reporting	All the mining permit offences and penalties.
How are they lost?	Not applicable	The permit can be revoked, expire or be surrendered. Regulatory responses could range from warnings to full prosecutions and/or revocations.	
Extension	Not applicable	The permit holder can apply for discretionary extensions (i.e. change of duration). The tests as to whether there is a commercially mineable resource will be quite strict.	
Transfer	Not applicable	The permit can be sold (i.e. is transferable).	