

Minerals

Investment Strategy 2004-2007





The need for a Minerals Investment Strategy

New Zealand's mineral estate is a significant national asset with the potential to make a large and long-term contribution to our economic well-being. For many years, that potential has been recognised, but unrealised. A major factor in this has been a lack of sustained and large-scale investment in exploration. Increasing recognition of the need for regionally-based economic development, favourable market conditions for many of the commodities found in New Zealand, and improving awareness of prospectivity, have now created the opportunity to materially increase the levels of international and domestic investment in the mineral industry.

The Objective of the Strategy

The minerals investment strategy seeks to attract more investors and explorers who are capable of maximising the economic benefits of the Crown mineral estate, while recognising New Zealand's environmental and cultural values.

1. Strategic infrastructure

Certain minerals are critical inputs in providing strategic infrastructure that enables growth e.g. roading (aggregates) and energy (coal and lignite). We need to ensure that New Zealand is able to access such minerals when they are needed to meet demand for infrastructure, at a reasonable cost.

2. Increasing economic activity that raises New Zealand's GDP

Exploration and extraction contribute to economic growth through:

- Flow-on effects of mining activity for other businesses and regional development.
- Raising the productivity of New Zealand firms through foreign direct investment.
- Increasing export revenue.

3. Royalties/tax revenue

As mineral production increases, so too does Crown revenue from tax and royalties. Although not a primary driver for an investment strategy, it is relevant in determining relative economic benefits between high value and low value minerals.



Desired outcomes from exploration of the mineral estate

- New Zealand has sufficient minerals to meet demand for strategic infrastructure, at reasonable cost.
- New Zealand business and regional productivity is increased.
- The value of the mineral estate for the Crown is captured.
- The New Zealand mineral estate is managed in a sustainable manner.

The role of Crown Minerals

Crown Minerals has various roles to play in achieving these outcomes, particularly:

- Effectively allocating and regulating interests in the mineral estate;
- Ensuring information is readily available about exploration and mining;
- Promoting responsible investment;
- Advising on the economic value to be derived from the mineral estate.

Targeted Investment Promotion

A focus on particular minerals or locations

Maximising the effectiveness of promotion activity requires judgements about issues such as which minerals to focus on, and which areas to promote for exploration activity. Criteria which will help make these judgements about 'what' and 'where' are:

- Focusing on minerals critical for strategic infrastructure (e.g. aggregates), particularly if there is a supply problem or a likely problem in the future;
- Identifying areas that are known to be prospective and are likely to be recoverable within current technical and regulatory constraints;
- Favouring high return minerals likely to be more attractive to potential investors;
- Focusing on areas where there are significant wider economic opportunities for growth from mining activity e.g. spillovers, flow-on effects, and regional growth.

We need to recognise that any focus on particular minerals or locations will most likely change over time in response to changes in market conditions and improvements in technology. This demands that as much available prospectivity data is available as possible to allow the market to adjust as demand changes, and, in turn, to modify investment promotion priorities in response to these changes.

Strategic work priorities

There are a range of factors that explorers and investors consider when making investment decisions about New Zealand, including:

- Prospectivity and readily accessible information about prospectivity;
- Cost-effective regulatory and fiscal regimes;
- Low sovereign risk;
- Access to land.

Prospectivity and accessibility of information

Prospectivity is the cornerstone of an exploration decision. We will maximise the value of existing data by improving data quality, quantity, and accessibility. We will ensure that exploration rights are allocated to those who have the technical and financial resources to effectively improve knowledge of New Zealand's prospectivity, and that there is rigorous compliance with the permit holder's obligations to provide the Crown with technical data arising from exploration.

Cost-effective regulatory and fiscal regimes for minerals

There are continual opportunities to make the regulatory regime for mineral exploration more efficient and user-friendly, particularly through the regular improvement of the minerals programmes. This will give us a strong point of differentiation with other countries for explorers making a decision whether to invest here.

Low sovereign risk

We will continually work to improve the transparency of our allocation processes and will competitively market this attribute to international explorers who wish to balance their risk profile.

Land access

Environmental values should and will continue to be recognised through the land access and resource consent processes. However, these can create unnecessary delay, increasing investment risk. There are opportunities for Crown Minerals to properly emphasise issues of economic benefit to bodies making decisions on land access matters.



Priorities for Action

1. Information

- Complete the development of an integrated permitting and geo-technical data information system.
- Develop and promote value-added information for gold exploration in identified regions.

2. Investment promotion

- Promote regions with the highest exploration potential and lowest environmental barriers to entry.

3. Regulation and access to land

- Review the Minerals Programme and associated regulations to simplify allocation and compliance processes.
- Improve central government alignment on issues affecting ownership of, and access to, Crown land.
- Identify precedent-setting opportunities for improving judicial and local government recognition of economic development benefits in district planning and resource management.



New Zealand's Minerals Investment Strategy



