

Mining update

Prime Minister John Key confirms mining on Conservation estate

February 2010

Land to be opened up for mining, Conservation Fund set up

INTRODUCTION

In his Statement to Parliament on 9 February 2010, the Rt Hon John Key detailed the Government's plan to unlock the economic potential of the mineral estate residing in Crown-owned land.

In a 20-minute long speech delivered to the House of Representatives yesterday, the Prime Minister explained the Government's agenda for unlocking resources in 2010, and reiterated the intention to release a discussion paper this month or shortly thereafter.

This *Mining Update* summarises the Government's indicated proposal.

Mining - New Zealand's economic drawcard?

As was identified by the Hon Gerry Brownlee, Minister of Energy and Resources, in 2009, the potential value of mining resources in New Zealand is up to \$140 billion. With an estimated worth of \$175,000 per hectare, mining land currently only constitutes 0.015% of this country's total land area. As conservation estate makes up around 13% of New Zealand's total land, the economic potential of conservation estate could be huge.

Discussion document recommendations

The discussion document (which the Government last year indicated would be released this month) will be circulated "shortly", according to Key.

The document will contain recommendations for removal of some land (and addition of further land) to Schedule 4 of the Crown Minerals Act 1991. Schedule 4 designates a "protected class" of land to which the Minister of Conservation cannot grant access for mining purposes.

The indication at this stage is that mining licences will be granted to private parties, with the Government potentially seeking royalties from any exploitation (see below).

Conservation Fund

In conjunction with the review of Schedule 4, the Government is proposing the establishment of a Conservation Fund. This fund would use royalties drawn from mining licences granted over Crown land to resource special conservation projects around the country.

This may offset some of the concerns harboured by many groups that an increase in mining activity would threaten New Zealand's environment, particularly that land which has been designated as protected for conservation purposes. Further, the Prime Minister assured those concerned that any new mining on conservation estate will have to meet "strict environmental tests". The nature of such tests may be revealed in greater detail in the formal discussion paper.

Public consultation

Being an issue of high public interest and potentially contention, the consultation process for any change to Schedule 4 may "water down" the Government's seemingly sweeping review. The Ministers of Energy and Resources and Conservation indicated last year that a consultation process following the release of the discussion document would last six weeks, although this could be extended. However, the Government hopes to have a recommendation to Cabinet by June 2010.

Although it will undoubtedly face significant public scrutiny, the initial proposal has the ability to significantly affect access to and exploitation of New Zealand's underground resources.

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