

Reference: 20190590



20 September 2019

s9(2)(a)

Dear s9(2)(a)

Thank you for your Official Information Act request, received on 25 August 2019. You requested the following:

*I request a copy of the following documents:*

- 1. Treasury Report T2019/974: Framework for policy intervention for climate change – 17 April 2019*
- 2. Treasury Report T2019/1000: New Zealand Green Investment Finance: Due Diligence Meetings Outcomes – 24 April 2019*
- 3. Aide Memoire T2019/1028: Aide Memoire: Commercial Performance State of Play as at 11 April 2019 – 17 April 2019*
- 4. Treasury Report T2019/573: The Treasury's 2018/19 Quarter Two Performance Report – 12 March 2019*
- 5. Aide Memoire T2019/701: Public service protocols for costing political party policies – 15 March 2019*

### Information being released

Please find enclosed the following documents:

Item	Date	Document Description
1.	17 April 2019	Treasury Report T2019/974: Framework for policy intervention for climate change
2.	24 April 2019	Treasury Report T2019/1000: New Zealand Green Investment Finance: Due Diligence Meetings Outcomes
3.	17 April 2019	Aide Memoire T2019/1028: Aide Memoire: Commercial Performance State of Play as at 11 April 2019

I have decided to release the documents listed above, subject to information being withheld under one or more of the following sections of the Official Information Act, as applicable:

1 The Terrace  
PO Box 3724  
Wellington 6140  
New Zealand  
tel. +64-4-472-2733

<https://treasury.govt.nz>

- personal contact details of officials, under section 9(2)(a) – to protect the privacy of natural persons, including that of deceased natural persons,
- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials,
- 9(2)(ba)(i) – to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to prejudice the supply of similar information, or information from the same source, and it is in the public interest that such information should continue to be supplied
- names and contact details of junior officials and certain sensitive advice, under section 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions,
- commercially sensitive information, under section 9(2)(b)(ii) – to protect the commercial position of the person who supplied the information, or who is the subject of the information,
- direct dial phone numbers of officials, under section 9(2)(k) – to prevent the disclosure of information for improper gain or improper advantage.

Direct dial phone numbers of officials have been redacted under section 9(2)(k) in order to reduce the possibility of staff being exposed to phishing and other scams. This is because information released under the OIA may end up in the public domain, for example, on websites including Treasury’s website.

**Information to be Withheld**

I have decided to withhold the document listed in the table below in full, under the following section of the Official Information Act:

- advice still under consideration, section 9(2)(f)(iv) – to maintain the current constitutional conventions protecting the confidentiality of advice tendered by Ministers and officials, and

Item	Date	Document Description
1.	15 March 2019	Public service protocols for costing political party policies – 15 March 2019

In making my decision, I have considered the public interest considerations in section 9(1) of the Official Information Act.

## Partial Extension of Request

Under section 15(a) of the Official Information Act I have decided to extend the deadline for making a decision on your request for the document listed in the table below by 20 working days. This is to allow for the consultations required in order to make a decision on your request.

Item	Date	Document Description
1.	12 March 2019	Treasury Report T2019/573: The Treasury's 2018/19 Quarter Two Performance Report

Subsequently the due date for making a decision on the request for this information will be 18 October 2019. Notwithstanding this extension I will communicate my decision to you on this information as soon as possible.

Please note that this letter (with your personal details removed) and enclosed documents may be published on the Treasury website.

This reply addresses the information you requested. You have the right to ask the Ombudsman to investigate and review my decision.

Yours sincerely

David Hammond  
**Team Leader Ministerial Advisory**

# 20190590

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## IN-CONFIDENCE



TE TAI ŌHANGA  
THE TREASURY

## Treasury Report: Framework for policy intervention for climate change

Date:	5 April 2019	Report No:	T2019/974
		File Number:	SH-10-8

### Action Sought

	Action Sought	Deadline
Minister of Finance (Hon Grant Robertson)	Note the contents of this report.	19 April 2019
Associate Minister of Finance (Hon David Parker)	Note the contents of this report.	19 April 2019
Associate Minister of Finance (Hon Shane Jones)	Note the contents of this report.	19 April 2019
Associate Minister of Finance (Hon James Shaw)	Note the contents of this report.	19 April 2019

### Contact for Telephone Discussion (if required)

Name	Position	Telephone	1st Contact
Maria-Krystyna Duval	Senior Analyst, Transition and Regional Economic Development	s9(2)(k)	N/A (mob) ✓
Natalie Labuschagne	Policy Manager, Transition and Regional Economic Development		N/A (mob)

### Actions for the Minister's Office Staff (if required)

Return the signed report to Treasury.

Note any feedback on the quality of the report

Enclosure: No

**IN-CONFIDENCE****Treasury Report: Framework for policy intervention for climate change**

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**Executive Summary**

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s9(2)(f)(iv)

s9(2)(g)(i)

The primary way to mitigate the distributional impacts on households associated with a rising price is through the adoption of a well-designed price ceiling, which if set at an appropriate level, can still drive necessary abatement but mitigate the impact on households, sectors and regions. The Government also has a toolbox of support measures at its disposal to smooth the transition over time and share the burden of the transition in a just and equitable way. Support measures can be costly, but they should be considered in the context of the co-benefits of early climate action and this Government's aims for a just transition.

We can predict some of the likely distributional impacts of climate change policy, but considerable uncertainty will remain for the time being, making a whole-of-government approach to climate change policy essential.

**Recommended Action**

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We recommend that you:

- a **note** that there are some important upcoming policy decisions on climate change policy
- b **note** that the most critical decisions over the next few months relate to reform of the Emissions Trading Scheme (ETS)
- c **note** that the Treasury recommends an ETS-first approach to the transition to a low-emissions economy
- d **note** that the adoption of substituting complementary measures should be carefully considered because such measures interact with the ETS in unpredictable ways and will increase the overall cost of abatement without lowering the overall amount of emissions

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- e **note** that Ministers have a toolbox of support measures that they can deploy to mitigate the regressive impacts of the ETS

Natalie Labuschagne  
**Policy Manager**

Hon Grant Robertson  
**Minister of Finance**

Hon David Parker  
**Associate Minister of Finance**

Hon Shane Jones  
**Associate Minister of Finance**

Hon James Shaw  
**Associate Minister of Finance**

**IN-CONFIDENCE****Treasury Report: Framework for policy intervention for climate change**

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**Purpose of Report**

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1. Over the next few months, Cabinet will consider a series of policy interventions to lower emissions to meet New Zealand's greenhouse gas emissions reduction targets to meet both its (upcoming) domestic 2050 targets and its international 2030 target under the Paris Agreement (the Targets). These will include decisions on how to reform the Emissions Trading Scheme (the ETS), policy packages to drive down emissions in the transport and process heat sectors, as well as decisions that will target the agricultural sector from a climate change and freshwater perspective.
2. This report aims to provide you with a framework to consider how to prioritise these decisions to ensure that the Targets are met in a manner that shares the burden across the economy and supports increased living standards for New Zealanders throughout the transition.

**Analysis**

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***Purpose and strength of the ETS***

3. The Government has signalled a firm intention to considerably lower greenhouse gas (GHG) emissions by 2030 under the Paris Agreement and by 2050 at the domestic level. To achieve success with these twin goals, policy intervention will be needed to correct three market failures: unpriced environmental externalities; the public good nature of investment in research and innovation; and imperfect information which may prevent sufficient knowledge spillovers, take-up in new technologies, or ways of doing things to drive the transition

***Pricing environmental externalities***

4. The first market failure can be overcome by effectively pricing environmental externalities. The Government can price environmental externalities either through a new emissions tax or the existing ETS. The Treasury's view is that a reformed ETS remains the key policy tool to achieve the Targets.
5. An emissions tax directly imposes a set price on GHG emissions such that emitters are charged for every tonne of emissions they produce, whereas the ETS issues a set number of emissions allowances each year. These allowances can be auctioned to the highest bidder as well as traded on secondary markets, creating an emissions price. By placing a cap on the quantity of emissions, the ETS is more effective at driving abatement, but one disadvantage is the potential for volatility in price.
6. To date, the ETS has failed to reduce emissions because of dilution of its effects by limiting its scope, not placing an overall cap on emissions, allowing for the unlimited use of international units, and using industrial allocation extensively. Ongoing ETS reforms present a unique opportunity to remedy these shortcomings.

**IN-CONFIDENCE*****Comprehensive and well-designed coverage***

7. To be effective, the ETS must be comprehensive and well-designed. It should preferably, and where practical, cover the entire economy and provide predictability about future prices. In theory, ETS participants for whom abatement is relatively expensive will purchase allowances and participants for whom abatement is relatively less expensive will sell allowances. The emissions price then adjusts to whatever is required to meet the Targets, and this will pass through to other prices economy-wide. Thus, the ETS enables households and businesses, to determine the least expensive means to lower their consumption of emissions-intensive goods, which will contribute to the necessary abatement required to meet the Targets.
8. An ETS is much more effective than a tax because it provides the economy with the flexibility to make decisions in a decentralised way with information that the Government does not possess. It unlocks initiative, it drives private sector investment in research and development, it is neutral as to method, and it achieves the necessary quantity of abatement.

***Reform of the ETS is a first order priority***

9. For the reasons set out above, reform of the ETS should be a first order priority for the Government. To date, the technical changes to the ETS considered by Cabinet have been necessary but are insufficient to push ETS reform in a meaningful direction. They do not directly address the issue of the regulatory changes required to enable the price to rise high enough to drive change.

s9(2)(f)(iv)

10. The Treasury will provide you with further advice on each of these policy proposals to support discussions at the Cabinet Committee.

s9(2)(f)(iv)

*The Report of the High-Level Commission on Carbon Prices* published in 2017 suggests that in order to meet the temperature goals of the Paris Agreement, emissions prices will have to reach between \$58 and \$117 by 2020 and between \$73 and \$146 by 2030<sup>1</sup>. As these prices were calculated in the context of achieving the Paris Agreement temperature goals at the global level by 2050 with significant variance between countries,

s9(2)(f)(iv)

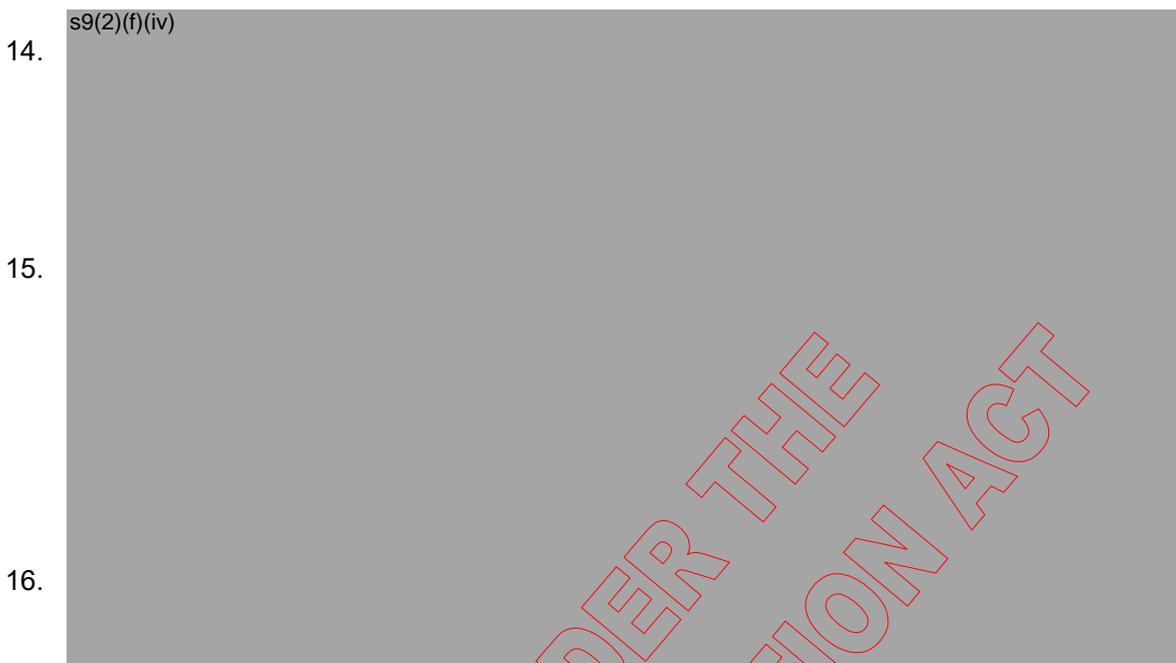
12. s9(2)(f)(iv)

13. s9(2)(g)(i)

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<sup>1</sup> These figures are expressed in New Zealand dollars.

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**Nature and timing of complementary measures**

17. As part of a government's suite of measures to reduce emissions, it can use complementary measures. Complementary measures can be thought of along two dimensions: the extent to which they substitute or reinforce the price signal provided by the ETS, and whether they are relatively narrow or broad in the sectors they affect. Illustrative examples are provided at Table 1 below:

	<b>Substitute</b>	<b>Reinforce</b>
<b>Narrower</b>	<ul style="list-style-type: none"> <li>• Electric vehicle subsidies</li> <li>• Building energy standards</li> <li>• Fuel efficiency standards</li> </ul>	<ul style="list-style-type: none"> <li>• Sectoral mitigation public good research</li> <li>• Capability-building</li> </ul>
<b>Broader</b>	<ul style="list-style-type: none"> <li>• Carbon capture and storage commercialisation subsidies</li> </ul>	<ul style="list-style-type: none"> <li>• Publishing forecast price pathway information</li> </ul>

**Substituting complementary measures**

18. In theory, substituting complementary measures could achieve a similar result to that delivered by the ETS on a sector-by-sector basis with regulations or subsidies. In practice however, the government does not have access to the right information to achieve this result across millions of decisions by individuals and firms each year. Accordingly, substituting complementary measures do not achieve results comparable to the ETS.

19. Substituting complementary measures do not alter the operation of the ETS and do not achieve greater abatement if they target sectors that are already covered by the ETS. This is why choices to adopt substituting complementary measures alongside the ETS should be carefully considered. Otherwise, they may prove to be expensive and counterproductive.

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20. Rather than increase total abatement, these measures will tend to change who abates (the 'waterbed' effect). This is because the allowances that would otherwise have been used by those targeted by the measures become available for purchase by others. In doing so, they simply transfer the costs of the transition without affecting total abatement.
21. Among substituting measures, narrower ones also create the risk of resources being diverted from their most productive uses to abatement choices or industries that are less productive, as they shield some sectors from the price signal created by the ETS more than others.
22. There may be cases where the price signal is ineffective making substituting measures necessary. However, making choices on substituting measures in the absence of effective price information (ahead of the reforms of the ETS) may lead to higher costs overall. Robust analysis is needed in employing these measures, and particularly multiple narrow measures, as they may interact with each other and the ETS unpredictably.

**Example: Electric Vehicle Subsidies**

EV subsidies would serve to lower emissions by encouraging some car owners to purchase zero emissions vehicles.

However, because subsidies promote a specific technology, the rebate has narrower impact than an emissions price increasing the cost of fuel.

An emissions price allows individuals to choose their preferred behavioural response, for example using public transport, or purchasing a more efficient petrol car.

s9(2)(g)(i)

Recent analysis by the Canadian Ecofiscal Commission found that EV rebates in Quebec reduce emissions at a cost CAN\$400/tonne while British Columbia's carbon tax reduces emissions at CAN\$35/tonne.

**Reinforcing complementary measures**

23. Reinforcing complementary measures can address the second and third market failures outlined above, namely: investment in R&D and knowledge spillovers.
24. Even with a high emissions price, certain targeted government incentives are needed at various stages of the research and development process. This is because research into some areas needed for the transition such as clean technology require:
  - Many years of research;
  - High upfront costs that individual firms simply cannot afford even with the support of tax credits; and
  - A certain risk appetite as the research outcomes are highly uncertain.

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25. This will require government intervention at the basic research stage. While the Treasury would not recommend that the Government form a view on particular technologies that show promise, it does have a role to play in identifying sectors across the economy that will support the transition.

s9(2)(f)(iv)

26. Government intervention also has a role to play at the applied stages of research and development to counter issues that occur at the adoption stage. Examples include network effects, where a technology is more effective the more users there are, but the high take-up price dissuades the market from reaching an optimal size.
27. Finally, another area where reinforcing complementary measures are helpful is to correct information asymmetries and other non-price barriers. This could include providing better information and advisory services, which promote the cost-effective uptake of emissions-reducing technologies. Since these measures remove barriers to least-cost abatement, they can reduce the total costs of transition and accordingly should be a high priority.

s9(2)(f)(iv)

***Interventions to mitigate the distributional impacts of the ETS***

29. While an ETS-first approach is more economically efficient than other measures, it will have uneven regressive impacts on some households as a high emissions price will place a proportionally higher burden on low-income households, who have larger budget shares for emissions-intensive goods. These impacts may also be starker in some regions.
30. To provide you with some additional information on these impacts at the household level, below we provide some indication of the proportional amount of disposable income spent on emissions-intensive energy goods. The shares of disposable income have been calculated using the Treasury's TAWA model and are based on 2015/2016 Household and Expenditure Survey data linked with Internal Revenue Department and Ministry for Social Development data. The Treasury considers that the figures given in Table 2 have moderate reliability and moderate risk.

**Table 2: Percentage of disposable income spent on energy by decile group (each decile represents 10% of New Zealand households with the first decile being the lowest income households)<sup>2</sup>**

<b>Decile/Energy category</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>	<b>8</b>	<b>9</b>	<b>10</b>
<b>Petrol</b>	6.9%	4.0%	3.8%	4.2%	3.6%	3.8%	3.1%	2.6%	2.4%	1.3%
<b>Electricity</b>	8.1%	6.3%	4.8%	3.7%	3.0%	2.7%	2.3%	2.2%	1.9%	1.1%

<sup>2</sup> Access to the anonymised data used in this study was provided by Statistics NZ in accordance with security and confidentiality provisions of the Statistics Act 1975 and secrecy provisions of the Tax Administration Act 1994. Statistics NZ confidentiality protocols were applied to the data sourced from the Ministry of Social Development. The results in this paper have been confidentialised to protect individual persons, households, businesses and organisations from identification. The results presented in this study are the work of the Treasury, not Statistics NZ.

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<b>Gas</b>	0.4%	0.3%	0.3%	0.2%	0.3%	0.2%	0.1%	0.2%	0.2%	0.1%
<b>Total</b>	15.4%	10.6%	8.9%	8.1%	6.9%	6.7%	5.5%	5%	4.5%	2.5%

31. s9(2)(f)(iv)

32. Ministers have several tools at their disposal to mitigate the distributional impacts through support measures, which refer to existing tax, skills and welfare support measures that can help various groups to transition in periods of profound structural change. These include:

- a Tax measures, such as Working for Families or adjustments to tax thresholds;
- b Benefit payments;
- c Targeted support measures, such as the Winter Energy Payment.

33. s9(2)(f)(iv)

### Next Steps

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34. The Treasury is working with the Ministry for the Environment to prepare advice for Cabinet that will outline:
- a The Government's climate strategy and the sequencing of decisions across the Climate Change (Zero Carbon) Amendment Bill, the Emissions Trading Scheme, and response to the Productivity Commission's Report;
  - b The climate change-related actions that the Government is taking; and
  - c What the Government is seeking to achieve with the ETS.

s9(2)(f)(iv)

## APPOINTMENT-IN-CONFIDENCE

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**Treasury Report: New Zealand Green Investment Finance: Due Diligence Meetings Outcomes**

<b>Date:</b>	24 April 2019	<b>Report No:</b>	T2019/1000
		<b>File Number:</b>	CM-3-6-4-3-1

**Action Sought**

	<b>Action Sought</b>	<b>Deadline</b>
Minister of Finance (Hon Grant Robertson)	For your information	None
Associate Minister of Finance (Hon James Shaw)	<b>Note and agree</b> to recommendations	29 April 2019

**Contact for Telephone Discussion (if required)**

<b>Name</b>	<b>Position</b>	<b>Telephone</b>		<b>1st Contact</b>
Susan Cameron	Project Manager	s9(2)(k)	s9(2)(a)	✓
Gael Webster	Manager, Governance and Appointments			

**Actions for the Minister's Office Staff (if required)**

**Return** the signed report to Treasury.

Note any feedback on the quality of the report

**Enclosure:** Yes Attached

**APPOINTMENT-IN-CONFIDENCE****Treasury Report: New Zealand Green Investment Finance: Due Diligence Meetings Outcomes**

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**Executive Summary**

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The due diligence meetings for up to five positions on the newly created entity New Zealand Green Investment Finance Limited (NZGIF) are complete.

This report asks you to agree to the preferred candidates recommended for appointment.

If agreed the Treasury will provide documentation to enable Cabinet and Caucus consultation to occur. We will then provide you with appointment documentation for your signature. The documentation should be lodged with Cabinet Office by 10.00am on Thursday 16 May 2019 for consideration at APH Committee on Wednesday 22 May 2019.

**Recommended Action**

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We recommend that you:

- a. **agree** to appoint Jacqueline Robertson as a Director of the NZGIF Board for a term of three years from 1 June 2019 up to 31 May 2022

*Agree/disagree.*

- b. **agree** to appoint Mark Vivian as Director of the NZGIF Board, for a term of three years from 1 June 2019 up to 31 May 2022

*Agree/disagree.*

- c. **agree** to appoint Kevin Holmes as Director of the NZGIF Board, for a term of three years from 1 June 2019 up to 31 May 2022

*Agree/disagree.*

- d. **agree** to appoint Gavin Fernandez as Director of the NZGIF Board, for a term of three years from 1 June 2019 up to 31 May 2022

*Agree/disagree.*

Gael Webster  
**Manager, Governance and Appointments**

Hon James Shaw  
**Associate Minister of Finance**

**APPOINTMENT-IN-CONFIDENCE****Treasury Report: New Zealand Green Investment Finance: Due Diligence Meetings Outcomes****Purpose of this report**

1. This report asks you to agree to four appointments to the NZGIF Board.

**Background**

2. In December 2018, you appointed a Chair designate (Cecilia Tarrant) and one director designate (David Woods) to the NZGIF Board.

**Table 1: NZGIF Board members**

Name	Position	Contract status	Appointment date	Term expiry date
Cecilia Tarrant	Chair	Contracted for services until entity is incorporated.	From date of incorporation	Three years from date of incorporation
George (David) Woods	Director	Contracted for services until entity is incorporated.	From date of incorporation	Two and a half years from date of incorporation
Vacancy: Director (up to 5)				

3. We note incorporation occurred on 12 April 2019.
4. You agreed to Treasury undertaking a call for nominations for up to 5 additional directors to the NZGIF Board [T2018/3650 refers]. A fit for purpose, dynamic, innovative and fresh board was sought with skills across the following areas:
  - Corporate Governance experience
  - Investments and commercial acumen
  - Talent management
  - Diversity of perspective
  - Environmental, social and governance management
  - High level of financial literacy
  - Leadership
  - Risk oversight/management
5. The call for nominations garnered 141 responses. Of these 105 were male (74.47%) and 36 female (25.53%).
6. The shortlist presented to you on 1 March 2019 [T2019/489 refers] recommended 17 candidates, two were removed and another eight further candidates added by you for consideration. After discussion with Treasury officials and the Chair on 11 March 2019 you agreed a final shortlist of 14 shortlisted candidates, 10 male (72%) and 4 female (28.5%), with an additional four candidates considered suitable for substitution. Subsequent to NZGIF Chair, Cecilia Tarrant's conversation with s9(2)(a) s9(2)(a) was shortlisted. To ensure as much gender equity as possible, when tax issues surfaced in respect of s9(2)(a) you substituted s9(2)(a) and when

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s9(2)(a) indicated she was not available to be considered for the role, the panel substituted s9(2)(a).

7. The candidates interviewed were: s9(2)(a), Kevin Holmes, s9(2)(a), Jacqueline Robertson, Mark Vivian, s9(2)(a), Gavin Fernandez, s9(2)(a) and s9(2)(a).

**Due Diligence Process**

8. The shortlisted candidates were interviewed on 28, 29 March and 1 April 2019 by a selection Panel comprising Cecilia Tarrant (NZGIF Chair designate), David Woods (NZGIF Director designate), David May (current director ACC, previous establishment chair of New Zealand Superannuation Fund), and Gael Webster (Manager, Governance and Appointments at Treasury).
9. These interviews served a dual purpose; firstly as an 'interview' to inform our recommendation to you of the best candidates for appointment, and secondly as a 'due diligence' process for the candidates to gain as much knowledge as possible regarding the scope and purpose of the NZGIF.
10. A weighted matrix and suite of questions were used to ensure consistent review and ranking of each candidate. In addition, candidates were ranked against a set of five specific skill categories considered important to the success of the NZGIF Board in its establishment phase: investment, start-up/connectivity to capital, financial, ESG and establishment experience.
11. The panel considered that the best candidates for a well-composed NZGIF Board with the required skills and experience were Gavin Fernandez, Kevin Holmes, Jacqueline Robertson, and Mark Vivian. Their CVs are attached. The panel also considered that these candidates would bring energy, commitment, and strong motivation to the role and that there would be a good fit to enable the board to work collaboratively. The panel considered that the fifth position on the board should be retained for a future appointment.
12. The Treasury recommends these four preferred candidates for appointment and has suggested terms of three years. Orderly succession and refreshment of the board can occur with retirement at end of term or reappointments of variable term lengths.
13. If you decide not to appoint one of the recommended candidates the view of the Treasury after consultation with the Panel is that only three Directors should be appointed at this time. The remaining two vacancies can be filled once the establishment Board has settled into its role and the additional skills required, which may include international expertise, become more apparent. We will bring further advice to you on the process to be followed for filling these vacancies.

**Panel Assessment**

14. Jacqueline Robertson, of Wellington, is a recently retired audit and assurance partner of Deloitte NZ. Her current governance experience includes Audit Oversight Committee Member for the Financial Markets Authority, member of the Nikau Foundation Audit and Investment Committee, and director of Stride Property Ltd (an NZX listed company). She was previously a member of the Sustainable Business Council and Chair and member of the Wellington Circus Trust. Ms Robertson led the

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Deloitte NZ corporate responsibility and sustainability services, [REDACTED]  
s9(2)(g)(i)

15. Mark Vivian, of Wellington, is a Partner at Movac, an early stage tech investor and venture capital firm where he has worked for the past ten years in teams that have created investment mandates and deployed funds in accordance with those mandates. Movac currently has \$175m of funds under management and is investing \$110m in an early expansion capital fund. Mr Vivian has primary responsibility for deal sourcing and investor relations. He is currently an Advisory Board Member at Frank Executive, TourWriter and Kiwi Landing Pad, and a Director of 1Above and The Rugby Site. He was previously a director at New Zealand Registry Services, a Trustee of Young Enterprise Trust, an Advisory Board Member of Yellow Brick Road, Chair of Zeosoft, Trustee of Sport Wellington, Advisory Board Member at Global Career Link, Independent Director for Absolute IT and Chair of Wellington International Sevens Tournament.

s9(2)(g)(i)

16. Kevin Holmes, of Melbourne, was a chartered accountant at PwC prior to an extensive international career in finance management roles. He recently retired from his role as Chief Governance and Strategy Officer at Australia's Clean Energy Finance Corporation (CEFC) a publically owned Australian green investment bank where he established governance and risk management processes to support investment assessment for a multibillion dollar portfolio over its formative first six years. Mr Holmes was a director of GreenSync Holdings Pty Ltd, Western Wind Energy and Perenia Holdings, was an executive director at Energy Australia, and director of subsidiary company Roaring 40' Wind Energy. Mr Holmes was also CFO and COO in British Gas, BHP Petroleum, BHP Transport and Logistics, Pacific Power, Pacific Hydro Ltd and Energy Australia (formerly TRUenergy).

s9(2)(g)(i)

s9(2)(ba)(i) and s9(2)(g)(i)

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s9(2)(ba)(i) and s9(2)(g)(i)

17. Gavin Fernandez, of Auckland, has a background in aircraft avionics engineering with an international senior management career most recently as General Manager of Swire Sustainable Development for the Swire Group where he lead a global initiative for the Swire Group to acquire sustainable energy, fuel and other companies that neutralise CO2 emissions and contribute to the Group's goal of zero net carbon impact. He drove sustainability in his previous roles as Vice President at Anchorage Fuel Service Company Ltd, and Head of Fuel Purchasing for Cathay Pacific Airways. Mr Fernandez is currently a Trustee at The Ākina Foundation, and a Director of Impact Enterprise Fund.

s9(2)(g)(i)

**Diversity**

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18. The Board currently has gender balance. The Panel considered gender balance and diversity throughout the selection process. If you agree to the recommended appointments of four directors, the gender balance will be 33% female including a female chair. In addition, one member of the proposed board identifies as Māori  
s9(2)(a)
19. If you prefer to appoint only three directors at this time, including Ms Robertson, the gender balance would be 40% female.

**APPOINTMENT-IN-CONFIDENCE**

20. We recommend retaining the seventh position on the Board for future appointment, which will provide an opportunity to address the gender balance. However we note on a board of uneven number equal gender balance is not obtainable.

**Board Fees**

21. As shareholding Minister you have previously approved Board fees. The base fee for a director on the NZGIF board is \$49,000 per annum. The Chair receives twice the base fee and the Deputy Chair receives 1.25 times the base fee. These fees have been set in accordance with Crown Companies Fees Methodology.
22. As shareholding Minister you have previously approved special fees set at 50% of the base fee for a period of twelve months from the date of incorporation of the NZGIF to cover the exceptional duties required of the board. During the establishment phase there will be significant additional work required of the Chair and Directors of the NZGIF Board as there will initially be no complete corporate structure beneath the NZGIF Board to carry out a number of the establishment tasks.
23. You have previously agreed to a professional development budget of \$5,000 per NZGIF Board member appointed. There are no risks or fiscal implications for the Crown arising from the recommended appointments. The Board fees are paid directly by NZGIF. NZGIF has access to \$30 million of Crown funding for its operational costs, which has already been appropriated.

**Next Steps**

24. Following your agreement to appointments, we will provide documentation to enable Cabinet and Caucus consultation to occur. We will provide you with appointment documentation for your signature and lodging on 16 May 2019, for the Appointments and Honours Committee meeting scheduled for 22 May 2019.
25. The timeline for the remaining process is set out below:

Action	Target
Consultation	29 April – 12 May 2019
APH documentation lodged	16 May 2019
APH meets	22 May 2019
Cabinet meets	27 May 2019
Appointment documents signed	27 May 2019
Terms commence	29 May 2019

**Attached documents**

Attached to this report are:

- Annex I: Candidate CVs

## COMMERCIAL-IN-CONFIDENCE

## Commercial Performance State of Play as at 28 March 2019

To: Minister of Finance (Hon Grant Robertson)  
Minister for State Owned Enterprises (Rt Hon Winston Peters)

cc: Associate Minister of Finance (Hon David Parker)  
Associate Minister for State Owned Enterprises (Hon Shane Jones)

This report provides an update on current issues in relation to State Owned Enterprises, Airports, Air New Zealand and Mixed Ownership Model companies within your portfolio. Please tick a box if you would like more information on a topic.

## 1. New and notable issues

More info?	Entity / Issue	Update
<input type="checkbox"/>	<b>Mercury NZ windfarm construction</b> (Juston Anderson)	<p>On Wednesday 27 March 2019 Mercury announced that it had committed to the construction of the first 33 of 60 consented wind turbines at Turitea near Palmerston North. The \$256m, 119 MW project is estimated to generate 470 GWh per year on average, which is around 1.1% of New Zealand's total electricity demand. According to Mercury it is the third largest wind farm in NZ. The other 27 turbines consented at the site may be constructed in the future. Mercury also has consents for a 53 turbine wind farm at Puketoi to the east.</p> <p>The turbines at Turitea will be 3.6 MW each, reportedly with a tip height of 125 metres. For comparison the West Wind and Mill Creek wind farms west of Wellington use 2.3 MW turbines with a tip height of 111 metres.</p> <p>Mercury has signed an engineer, a procure and construct contract and a long term service and availability agreement with the local subsidiary of Danish company Vestas, the world's largest wind turbine supplier, to construct and maintain the Turitea wind farm. Mercury has also separately contracted with Electrix and Transpower for the design and construction of the transmission line to connect the windfarm to the national grid. On-site construction is planned to start around August 2019 with commissioning in late 2020. Mercury said the project will be funded from its existing balance sheet.</p>
<input type="checkbox"/>	<b>Listed company share prices</b> (Juston Anderson)	<p>The share prices of the listed electricity companies have increased by between 15% and 32% between August 2018 and March 2019, with further significant increases in recent weeks. The share prices have increased by more than the S&amp;P NZX 50 index, as shown in the graph below.</p> <p>There are a number of possible explanations for these increases: small but steady electricity demand growth and increases in forward electricity prices (via the ASX hedge market) shifting investor sentiment; positive policy support for the sector; geopolitical events meaning NZ is increasingly seen as a defensive investment market; and low interest rates with market analysts seeing little catalyst for them to increase, even before the recent RBNZ announcement. The electricity companies are all paying good dividends and so are attractive for investors seeking yield.</p> <p>Meridian's share price increase has been the largest of the electricity companies and Meridian is now trading at over 15 times forecast earnings, when the other companies are all at more typical levels of around 11 times forecast earnings. Due to this increase Meridian is currently the largest company on the NZX by market capitalisation, with a valuation of around</p>

## COMMERCIAL-IN-CONFIDENCE

## Commercial Performance State of Play as at 28 March 2019

More info?	Entity / Issue	Update
		<p>\$10.7 billion as at 27 March – ahead of A2 Milk at \$10.3 billion.</p> <p>Air NZ's share price has fallen significantly, from a peak of around \$3.40 in August last year to around \$2.41 at present. This is due to a number of factors including increases in oil prices and Air NZ's profit downgrade in January 2019.</p> <p>The share price movements have no implications for the Crown, given that the Crown does not trade in the shares of the companies, and that share price movements do not directly flow through to the Crown's accounts (other than via ACC and NZSF's much smaller investments in the companies).</p>
<input type="checkbox"/>	<b>NZ Post</b> (Madeleine Lock)	<p>Up until the events on Friday 15 March 2019, NZ Post had been making domestic courier deliveries of firearms from a small number of exempted gun retailers to the consumer. Delivery of firearms and firearms parts in both the mail and courier networks is otherwise prohibited. s9(2)(g)(i)</p> <p>Last Thursday, NZ Post announced that it has removed exemptions given to the retailers that have allowed firearms to be delivered through its network. NZ Post is reviewing its policies around these exemptions and wishes to take part in any regulation review on firearms so that the postal industry is considered within any new legislation.</p>
<input type="checkbox"/>	<b>Airways</b> (Maruta Kanepa)	<p>Raising the national security level to "high" has not impacted the aviation security level, which remains "low". CAA has not advised Airways of any plans or decisions that could impact aviation security.</p>
<input type="checkbox"/>	<b>Hawke's Bay Airport (HBAL) Terminal</b> (Aaron Gill)	<p>On 28 February 2019 Arrow International (NZ) Ltd (Arrow), the contractor for the HBAL terminal expansion was placed into voluntary administration. Arrow's insolvency raised the prospect a significant delay to the terminal project.</p> <p>To complete the project on a timely basis and manage risks, including the uncertainty of completion and potential additional cost, HBAL has quickly established a Special Purpose Vehicle (SPV). The SPV is a subsidiary of HBAL. Wendie Harvey, board member of HBAL, will chair the SPV.</p> <p>By working quickly HBAL has been able to retain the project's intellectual property through key personnel and also create a framework to ensure sub-contractors get paid and the project continues.</p> <p>To HBAL's credit the Board was aware of issues relating to Arrow before it was placed in voluntary administration and its contingency planning has allowed work on the terminal to quickly recommence.</p>

## 2. Upcoming Reports/Cabinet Papers

Company	Report No.	Subject	Date
KiwiRail	T2019/863	KiwiRail – Advice Regarding KiwiRail's Recent Correspondence	29 March 2019

## COMMERCIAL-IN-CONFIDENCE

## Commercial Performance State of Play as at 28 March 2019

Company	Report No.	Subject	Date
s9(2)(f)(iv)			
Air New Zealand	T2019/906	Letter to the Chair of Air New Zealand	11 April 2019
TVNZ	T2019/540	Public Broadcasting Observations	early April
Kordia	T2019/801	Briefing for meeting with the Kordia Chair and CEO on 10 April	early April

## 3. Official Information Act (OIA) Requests under Action

Company	Request	Dates: Rec'd/due	Minister/Dept
KiwiRail	T2019/849: Two KiwiRail documents following WPQ 37918 (extension sought)	15 April 2019	Minister for SOEs

Maureena van der Lem  
**Manager, Commercial Performance**

Hon Grant Robertson  
**Minister of Finance**

Rt Hon Winston Peters  
**Minister for State Owned Enterprises**

Hon David Parker  
**Associate Minister of Finance**

Hon Shane Jones  
**Associate Minister for State Owned Enterprises**

## COMMERCIAL-IN-CONFIDENCE

## Commercial Performance State of Play as at 28 March 2019

## Annex: Entities covered by this SOP

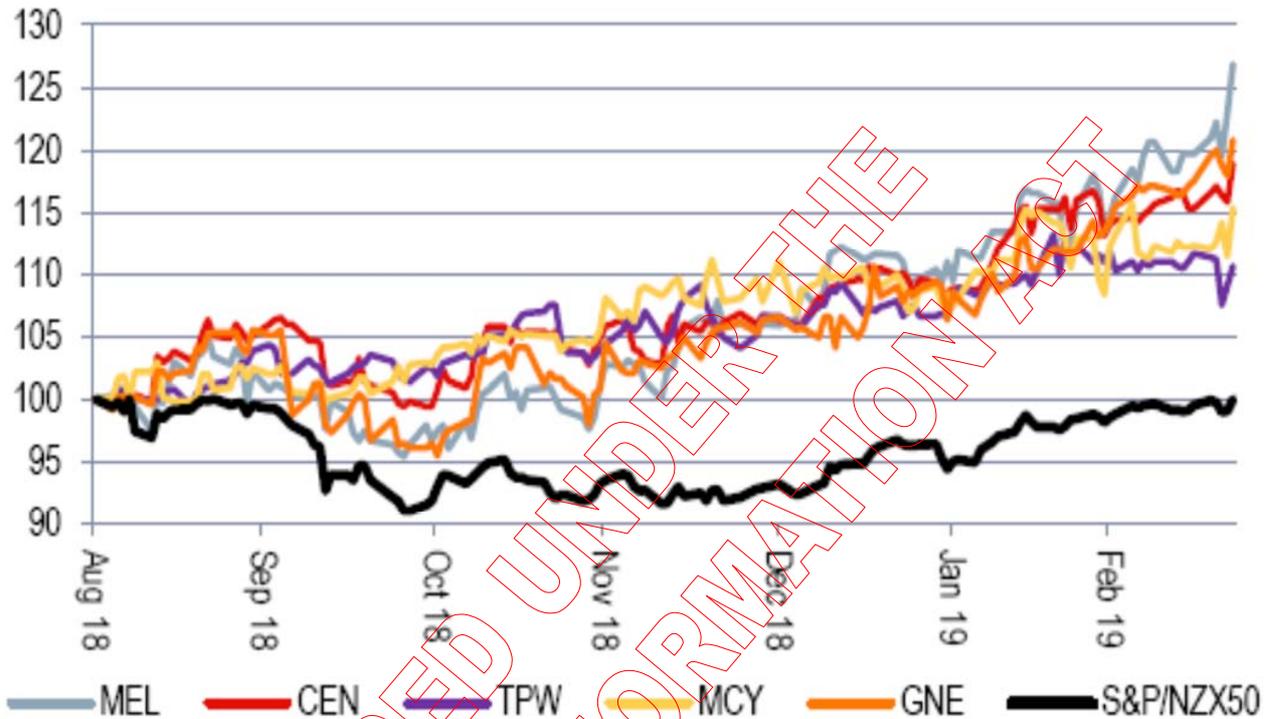
Entities	Shareholding Ministers
<b>State Owned Enterprises</b>	
Airways	Minister of Finance <i>delegated to Associate MoF (Parker)</i>
AsureQuality	
Electricity Corporation of New Zealand	Minister for State Owned Enterprises <i>delegated to Associate MfSOEs (except KiwiRail, NZ Railways Corporation and Orillion*)</i>
KiwiRail	
Kordia	
New Zealand Railways Corp	
Orillion (Animal Control Products)*	
Landcorp	
MetService	
New Zealand Post (NZ Post)	
Quotable Value (QV)	
Transpower	
<b>Mixed Ownership Model Companies</b>	
Air New Zealand	Minister of Finance
Genesis Energy	Minister of Finance and Minister for State Owned Enterprises <i>Delegation to Associate MfSOEs</i>
Mercury NZ	
Meridian Energy	
<b>Airports</b>	
Christchurch International Airport	Minister of Finance and Minister for State Owned Enterprises
Dunedin International Airport	
Hawkes Bay Airport	

\* Responsible Ministers for **Orillion** are the **Associate Minister of Finance** and the **Minister for Biosecurity**

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### Commercial Performance State of Play as at 28 March 2019

Electricity company share prices and the NZX50 since August 2018



Source: Eikon, Forsyth Barr analysis

Air New Zealand's share price over the last two years



Source: NZX website