

The Treasury

Solid Energy Information Release

March 2013

Release Document

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Key to sections of the Official Information Act 1982 under which information has been withheld.

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- [1] 9(2)(a) - to protect the privacy of natural persons, including deceased people
- [2] 9(2)(b)(ii) - to protect the commercial position of the person who supplied the information, or who is the subject of the information
- [3] 9(2)(f)(iv) - to maintain the current constitutional conventions protecting the confidentiality of advice tendered by ministers and officials
- [4] 9(2)(g)(i) - to maintain the effective conduct of public affairs through the free and frank expression of opinions
- [5] 9(2)(i) - to enable the Crown to carry out commercial activities without disadvantage or prejudice
- [6] 9(2)(j) - to protect the commercial position of the person who supplied the information, or who is the subject of the information; to enable the Crown to carry out commercial activities without disadvantage or prejudice; and to enable the Crown to negotiate without disadvantage or prejudice
- [7] 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
- [8] Information is out of scope or not relevant.

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In preparing this Information Release, the Treasury has considered the public interest considerations in section 9(1) of the Official Information Act.

Solid Energy: Briefing for Public Meeting on 14 October 2009

To	Minister for State Owned Enterprises	Priority	Urgent
cc	Minister of Finance Minister of Energy and Resources		
Date	13 October 2009	Deadline	14 October 2009

Purpose

Solid Energy is holding its second public Annual Meeting in the Illot Theatre at the Wellington Town Hall, at 12.00pm on Wednesday 14 October 2009. The meeting will commence at 12.30pm following a light lunch. This briefing outlines the format and expected content of the meeting.

Meeting Format

The meeting will follow the generally successful format of last year. Solid Energy's Chair, John Palmer, will lead the meeting, speaking on company performance for the June 2009 financial year, followed by the CEO, Dr Don Elder, who will speak on wider operational performance of the company. Questions will then be taken from the public, which must be directed to the Chair, who may then invite fellow Board members or senior management to respond.

Solid Energy recommends that Ministers do not make any public comments, which CCMAU supports, as holding the meeting is an operational decision of the Board, and it is therefore their responsibility to answer questions from the media. However, if you engage with media, you may wish to support Solid Energy's decision to hold such a meeting, or refer to the background notes below on topics the media or other stakeholders may raise.

Meeting Risks

Solid Energy's first public meeting last year was generally well received, however at one point a number of protestors took over the stage while the CEO was speaking. It was this action that gained the most media attention.

Solid Energy is aware that protest action is again planned for this year's meeting. It intends to stop known protestors from entering the meeting, but not stop stakeholders from passing comment or questioning Solid Energy's business practices.

Financial performance for the year to 30 June 2009

Solid Energy had a disappointing 2008/09, despite achieving a record NPAT result of \$110.8 million. The 'disappointing' result was largely due to a collapse in the international market for coking coal (ie coal used in steel making) in November 2008, with prices declining from around \$US300/tonne to \$US100/tonne. Not surprisingly, the second half of the financial year was very challenging for Solid Energy, not just due

to lower international prices, but because customers began deferring and cancelling export shipments.

Performance of Solid Energy's non-coal business was also challenging in 2008/09, contributing to impairments totalling \$26.7 million before tax. Of particular note is a \$13.2 million impairment in the value of Solid Energy's biodiesel business and a \$6.3 million write down in its coal seam gas investment.

Background notes on likely areas of interest to stakeholders

Financial Performance

Since 2000, Solid Energy has been one of the strongest performing SOEs, on a return on equity basis. Revenue has consistently increased, and the company is one of New Zealand's largest exporters. As seen this year, financial performance is dependant on export prices for coking coal and the value of the New Zealand dollar.

Environmental Performance

Solid Energy has inherited a legacy that includes disturbed land and impacted water quality. Mining practices have improved significantly in recent years, but plenty of rehabilitation work remains, which Solid Energy acknowledges. We expect Solid Energy to continue to be more transparent and publicly accountable for its environmental performance.

Coal-to-Products Plant

Solid Energy has access to vast quantities of lignite in Southland, which it is continuing to investigate the best use for. An ambitious coal to diesel plant, requiring an \$8-10 billion investment, remains an option. The recently announced joint investigation with Ravensdown, into the viability of a US\$1 billion plus coal to fertiliser plant, is due to be completed in early 2010, and could be complementary to later diesel investments.

Stockton Alliance

Solid Energy is looking for a step change in operational and safety performance at its Stockton Mine following the commencement of an alliance agreement with Downer EDI on 3 October 2009. At least 75 contractors from the previous mine operators have failed to gain new jobs at the mine.

Mining access to conservation land

Solid Energy has not commented on possible changes to the Crown Minerals Act and/or Department of Conservation processes that may provide greater flexibility for potential mineral exploration on conservation land.

Key Company Background Data

Total Revenue 2008/09	\$978 million (2008: \$552m)	Chair	John Palmer
Profit after Tax 2008/09	\$111 million (2008: \$34m)	Deputy Chair	John Spencer
Shareholder Equity June 09	\$434 million (2008: \$368m)	Chief Executive	Don Elder
Total Assets June 09	\$792 million (2008: \$656m)	Chief Operating Officer	Barry Bragg
Employees	815 (+800 contractors)		

Chris Jones
**Manager – Energy, Land &
Environment**
CCMAU [1]

Hon Simon Power
Minister for State Owned Enterprises

Hon Bill English
Minister of Finance

Hon Gerry Brownlee
Minister of Energy and Resources