

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.

Certain information in this document has been withheld under one or more of the following sections of the Official Information Act, as applicable:

- [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
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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.



THE TREASURY

Kaitohutohu Kaupapa Rawa

Reference: T2013/121

Date: 29 January 2013

To: Minister of Finance
(Hon Bill English)

Associate Minister of Finance
(Hon Steven Joyce)

Minister for State Owned Enterprises
(Hon Tony Ryall)

Deadline: None

Aide Memoire: Aide Memoire: Solid Energy Timeline

You have requested a timeline of the developments at Solid Energy over the past decade with a particular focus on actions taken over the last 6 months and a graph of Solid Energy's valuation, debt level and the hard coking coal (HCC) price.

Timeline of Events

Date	Event
1999	Solid Energy faces significant issues resulting from the Asian crisis. Poor performing foreign currency deals resulted in the Board being replaced, banking facilities being renegotiated and the Crown offering support. New chair initiates a strategic review and restructuring.
2000	Don Elder appointed chief executive
2003	Acquisition of Nature's Flame wood pellet business – Solid Energy moves into renewable energy.
2004	Solid Energy begins investigating coal seam gas (CSG)
2005	Start of acquisition of land in Southland for lignite development
2006	Investigation of coal to liquids conversion begins, start of development of underground coal gasification (UCG) technology
2007	John Palmer appointed Chairman
2007	Beginning of research into lignite upgrading (briquetting)
2007	Expansion of renewable business into biodiesel
2008	Large increase in the Board's estimate of Solid Energy's commercial value reported in the SCI. Reported value grows from \$475 million in 2007 to \$2.954 billion in 2008.
2009	Downturn following the GFC results in rapid drop in coal price. This

	fall partially reverses quickly resulting in only a temporary fall in profitability (also assisted by weaker NZ dollar).
2009	Solid Energy starts a borrowing programme to finance growth objectives.
2010	Construction of briquetting plant begins. Investigation into coal to fertiliser transition begins.
May 2011	Government announces its intention to extend the mixed ownership model to Solid Energy if it is re-elected.
October 2011	UBS scoping study of Solid Energy completed. Raises questions about pricing assumptions used by the company and its strategic direction.
December 2011	Solid Energy confirmed by Cabinet as being part of the mixed ownership model.
2012	
February	First half result announced – strong financial performance reported but company acknowledges weakening market and falling prices.
	Solid Energy formally responds to the scoping study recommendations. Treasury views this response as inadequate. Deutsche Bank commissioned to provide a further review. [T2012/348 refers]
March	Solid Energy announces intention to buy Pike River assets
May	Ministers meet with John Palmer and John Fletcher (Deputy Chair) to discuss Solid Energy's response to the scoping study.
	Solid Energy supplies draft 2012-13 Business Plan and SCI
June	Solid Energy moved to intensive monitoring in response to deteriorating financial performance and early warning signs around the balance sheet. Draft business plan and SCI not accepted as Ministers viewed documents as an inadequate response to changing market conditions. Deadline for resubmission extended to 31 August. [T2012/384 refers]
	John Palmer announces his intention to leave his role as Chair early
July	Pike River asset acquisition complete
August	Revised business plan submitted – plan still not sufficient to give confidence in company's strategy to address changed market. Further extension to 1 December provided to allow new Chair time to complete a strategic review [T2012/2138 refers]
	Ministers meet with John Palmer to hear briefing on proposed restructure. [T2012/2051 refers]
	Initial Restructuring proposal is announced – proposed move of Spring Creek mine into care and maintenance, scale back of Huntly East mine and corporate downsizing.
	Annual Result for 2011/12 announced – headline net loss of \$40.2 million. Write-downs worth \$110.6 million are included in the result.
	John Palmer resigns as Chair of Solid Energy
September	Mark Ford is takes over as Chair of Solid Energy
	Restructure confirmed – Huntly East scale back and corporate head

	office downsized.
October	Placing of Spring Creek mine on care and maintenance confirmed
November	Board Members John Fletcher, John McDonald, Simon Masters and Michelle Smith resign from the Board
	Sale of the agribusiness component of Biodiesel New Zealand
	Board appoints PWC as an investigating accountant on the recommendation of Treasury to assist in providing a clear picture of the company's financial position.
	Further extension granted for SCI and Business Plan submission to 28 February as questions around valuation and strategy still unresolved. [T2012/2986 refers]
December	Appointment of Neville Sneddon and Pip Dunphy to the Board.

Please note that we have only included 2012 meetings between Ministers and Solid Energy where Treasury provided a briefing. We are happy to update the table with further engagements between Ministers and Solid Energy should this be required.

Graph of Valuation, Debt and Coal Prices

Attached as appendix 1 on next page. Please note that the hard coking coal prices are based on quarterly contract price estimates and are reported in \$US. The 2012 valuation supplied is based on the UBS scoping study and is not an official Board estimate of the company's value (no estimate has been made for the 2012 SCI).

[4] , Analyst, Commercial Transactions Group, [1]
Dr Brian McCulloch, Commercial Transactions Group (CTG), [1]

Appendix 1

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