

# **The Treasury**

## **Solid Energy Information Release**

**May 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.

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**From:** [4] @solidenergy.co.nz  
**Sent:** Thursday, 2 August 2012 11:56 a.m.  
**To:** [4]  
**Subject:** FW: Solid Energy Business Plan  
**Attachments:** letter to ryall - BusPLAN 2 Aug 2012.pdf; SE Business Plan 2012 (v28 2012-07-31).pdf

Apologies[4] Please refer to the attached

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**From:** [4]  
**Sent:** Thursday, 2 August 2012 11:55 a.m.  
**To:** [John.Crawford@treasury.govt.nz](mailto:John.Crawford@treasury.govt.nz); [4] @treasury.govt.nz'  
**Subject:** Solid Energy Business Plan

Dear John and [4] Please find attached Solid Energy's business plan. Please note that the letter from the Chairman is a draft as the Chairman is travelling at the moment. We expect him to sign the letter today and the final will be couriered with the Business Plan to the Minister later today.

Kind Regards

[4]

Executive Assistant to Chief Executive  
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Thankyou.

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2 August 2012

## DRAFT

Hon Tony Ryall  
Minister for State Owned Enterprises  
Parliament Buildings  
WELLINGTON 6160

Dear Minister

### **SOLID ENERGY'S 2012 BUSINESS PLAN**

Further to your letter of 13 June 2012 please find enclosed Solid Energy's 2012 Business Plan, which we are submitting in advance of your requested date of 31 August to establish a baseline for monthly reporting. We have agreed a monthly meeting schedule with Treasury, with our first meeting planned for 6 August.

Key points with regard to the Plan are that:

- Solid Energy is a commodity business and by definition exposed to international commodity demand/supply and price volatility cycles.
- Despite continuing relatively strong growth in emerging countries, particularly China and India, the global economic downturn is depressing demand for steel and coking coal. Export coal prices have fallen 50% since mid-2012 and market weakness appears likely to be protracted.
- While our current view is that these prices are not sustainable in the market beyond the near-term, and long-term fundamentals still look positive for our business, we are taking an appropriately conservative view that these fundamentals could prevail for up to two years, and possibly beyond, posing significant downside risk to our Business Plan and Budget.

We have addressed these issues in our 2012 Business Plan, considering a range of scenarios. This has resulted in us reordering our near-term strategic priorities through FY13-15:

1. Generate and preserve immediate cash (FY13)
2. Maximise medium-term cash generation and value uplift consistent with MOM objectives (FY14-15)
3. Preserve, and advance where possible, our long-term value creation strategies.

During FY13 we expect to manage the business aggressively to reflect these near-term strategic priorities. We will only move back to overall management driven primarily by our long-term strategies, based on long-term business goals and medium-term value uplift objectives, if and when markets, revenues, cash flow and capital availability allow.

We continue to have a strong clear focus over the three year Business Plan period on being IPO ready by the first half of 2014, to the extent our markets permit. We expect to continually refine our plans for this pathway, in discussion with you and your advisors, as we seek the optimum balance between responsible business management through the downturn and value uplift at IPO.

Based on the Business Plan we are finalising our 2012 Statement of Corporate Intent, which I expect the Board to approve at our August meeting in time for submission by 31 August as per your request.

Yours sincerely

John Palmer  
**CHAIRMAN**

