

## APPENDIX 2

### Eugenie Sage's Reasoning In Rejecting Oceana Gold's Original Application<sup>27</sup>

#### 4. Minister for Land Information's benefits assessment

##### *Benefits*

19. The Minister has considered the factors of high relative importance as set out above, as well as the other factors listed in s 17 of the Act.
20. The benefit assessment must be undertaken having regard to the nature of the investment (reflecting the proportional nature of the assessment). The investment in this case is the conversion of highly productive farmland currently used for food production through dairy farming and dry stock farming into land used primarily to store waste from Oceana Gold's gold mining operation. The Land is proposed to be used to create a tailings impoundment with a reservoir to accumulate waste.

##### *Jobs – s 17(2)(a)(i) (Ministerial Directive Letter - high relative importance)*

21. The Waihi mine (as part of "Project Martha") has the capacity to store [redacted] million tonnes of tailings in the existing tailings storage facilities which Oceana Gold says equates to another nine years of life for the mine until 2028 without the acquisition of the Land.<sup>8</sup>
22. Oceana Gold expects 250 existing FTE direct employees and about 100 existing FTE contractors currently employed at the Waihi mine will be retained if the Land is acquired and "Project Quattro" proceeds.<sup>9</sup> Oceana Gold has advised they expect these jobs to continue or increase for as long as the processing plant continues to operate, beyond the current mine life and beyond the capacity of the current tailings storage facilities.<sup>10</sup> However, from the information provided, "Project Quattro" does not appear to create any new jobs.
23. While the investment could extend the period of mining activities in the area by nine years from 2028 to 2036, the counter-factual is that mining continues until 2028. In a "without the investment" scenario, four current FTE jobs on the [redacted] and [redacted] farms will remain, and the jobs associated with "Project Martha" are likely to continue until 2028. Should the mining operations then cease, there would be about 30 to 40 workers involved with rehabilitation works and post-closure monitoring for three to five years.<sup>11</sup>
24. That provides time for the affected community to attract alternative investments in sustainable enterprises and plan for any workforce changes that might occur. An independent economics assessment on Project Martha, provided with Oceana Gold's application, noted that "with sufficient preparation and planning, likely negative effects on local employment ... can be reduced".<sup>12</sup> A period of around nine years is likely to be sufficient to establish new employment opportunities, particularly if New Zealand continues to transition to a low-emissions economy.
25. The Waihi mine has been operating for some time yet the median personal income in the Hauraki District is only \$23,000. This suggests that the applicant's investment and operation has not necessarily generated substantial and identifiable benefits for the immediately affected community at Waihi. There are recognised limits to mining's effect on social outcomes, which can be accounted for.<sup>13</sup>
26. The Minister considers it relevant that mining can continue as part of "Project Martha" until 2028, but acknowledges that jobs will be retained for a further nine years if the Land is acquired.
27. Accordingly, the Minister would give the "jobs" factor a moderate weighting.

##### *New technology or business skills - s 17(2)(a)(ii) (Ministerial Directive Letter - hi*

28. Oceana Gold advised they may invest in robotic/semi-autonomous mining equipment and that this equipment is not presently used in other mines in New Zealand. There is no certainty that this new technology will be introduced.
29. The applicant has provided information around the current checks and balances for the safety of tailings storage facilities.<sup>14</sup> There is no certainty Oceana Gold will invest in "new" risk management technologies for tailings processing. Accordingly, the Minister would give this factor no weight.

<sup>27</sup>

Extract from official document at [https://www.lin.govt.nz/sites/default/files/media/doc/reasons\\_for\\_decision\\_by\\_ministers\\_on\\_a\\_pplication\\_by\\_oceana\\_gold\\_new\\_zealand\\_ltd\\_-\\_redacted.pdf](https://www.lin.govt.nz/sites/default/files/media/doc/reasons_for_decision_by_ministers_on_a_pplication_by_oceana_gold_new_zealand_ltd_-_redacted.pdf).

*Increased export receipts – s 17(2)(a)(iii) (Ministerial Directive Letter - high relative importance)*

30. Oceana Gold said mining of "Project Quattro" will generate on average █████ 000 ounces of gold per year, all of which will be exported to Australia.<sup>15</sup>
31. In a "without the investment scenario":
  - (a) the Land will continue to be used for dairy farming, with an estimated export value of \$ █████ 000 per annum;<sup>16</sup> and
  - (b) "Project Quattro" will not proceed because of the lack of adequate tailings storage, the Waihi mine will cease operations in 2028 and Oceana Gold's projected gold exports of, on average, █████ 000 ounces will not occur for the projected six year project life of "Project Quattro".
32. The Minister acknowledges that mining can continue at the Waihi mine until 2028 without acquiring the Land and that current projections are for the mine to continue to operate at most for a further nine years beyond that if the Land is acquired. An increase in export receipts will therefore only occur at most for an additional nine years if the Land is acquired.
33. Accordingly, the Minister would give this factor moderate weighting.

*Added market competition, greater efficiency or productivity, enhanced domestic services – s 17(2)(a)(iv)*

34. The Minister is satisfied the acquisition of the Land will likely result in gains in efficiency with Oceana Gold able to continue mining while using much of the Waihi mines existing infrastructure.
35. In a "without the investment scenario" the tailing capacity needed to extend life of the Waihi mine beyond 2028 will not occur, but the land will continue to be farmed in a similar manner to which it is currently farmed. The Minister accepts the regulator's assessment that the investment will not result in added market competition or enhanced domestic services. She notes that gains in efficiency will at most only be for those additional nine years.
36. Accordingly, the Minister would give this factor moderate weighting.

*Introduction into New Zealand of additional investment for development purposes – s 17(2)(a)(v)*

37. The Minister is satisfied the acquisition of the Land will likely result in the introduction of additional investment for development purposes.
38. While this factor has been given a high weighting, the Minister notes it is not one of high relative importance for sensitive, rural land.

*Increased processing of primary products – s 17(2)(a)(vi) (Ministerial Directive Letter – high relative importance)*

39. The OIO's view was that "Project Quattro" █████ would not result in increased processing of primary products. The OIO considered that Oceana Gold's activities in New Zealand related to the extraction of gold and that any processing of the extracted gold occurred offshore at the Perth Mint in Australia.
40. Accordingly, the Minister considers this benefit would give this factor no weighting.

*Adequate mechanisms in place for protecting significant indigenous vegetation and significant habitats of indigenous fauna – s 17(2)(b)*

41. The █████ property includes a 15 ha. area of indigenous vegetation which forms part of a larger █████ significant natural area █████ under the Hauraki District Plan. The tailings impoundment will destroy around 5 ha of this SNA and Oceana Gold has provided no certainty that adequate mechanisms exist to protect or offset these impacts.
42. The Land is close to the Ruahorihori Stream and Ohinemuri River which flow into the Firth of Thames. The Firth of Thames is an important site for waders and shorebirds, and is listed as a wetland of international importance under the Ramsar Convention. The Minister notes there is no certainty around protection being provided through the Resource Management Act process. The Minister has taken into account the information Oceana Gold has put forward regarding risk management.
43. The Minister would give this factor a low weighting.

*Other factors - s 17(2) (c) – (f)*

44. The Minister does not consider any of the factors in s 17(2)(c) – (f) are relevant to the Application. Accordingly, the Minister would give these factors no weight.

*Previous investment - s 17(2) (g) and r 28(e)*

45. The Minister recognises that Oceana Gold has previously undertaken investments in New Zealand with the Macraes mine and Waihi mine which have benefited the company and the region. The Minister would give this factor low weighting.

*Government policy – s 17(2)(g) and r 28(f)*

46. The acquisition of the Land will enable more mining, and therefore more emissions, which could encumber New Zealand's transition to a net-zero emissions economy. The Government has agreed that the transition to a net-zero emissions economy is in New Zealand's interests.<sup>17</sup>
47. The Minister would give this factor negative weighting.

*Ongoing viability of other investments – s 17(2)(g) and r 28(g)*

48. The Minister recognises the acquisition of the Land will extend the life of the Martha Mine at Waihi and will therefore enhance the viability of Oceana Gold's investment in that mine. In the counterfactual, the ongoing viability of other investments is likely to continue for Project Martha until 2028.
49. The Minister considers this to be relevant and has therefore given this factor a low weighting.

*Economic interests – section 17(2)(g) and r 28(i)*

50. The Minister recognises that encouraging sustainable economic activity is the best way to increase the long-term wellbeing of New Zealanders. To this end, the Government's priorities include "a broader measure of success" that goes beyond a narrow definition of economic benefit, supporting "thriving and sustainable regions," and transitioning to a "clean, green and carbon neutral New Zealand".<sup>18</sup>
51. When considering the potential for "substantial and identifiable benefits", the Minister considers it is important to distinguish between investment in sustainable enterprises, and investment in non-renewable resource extraction that creates environmental and economic risks and takes productive land out of circulation for long periods of time.
52. Ensuring the long-term economic wellbeing of New Zealanders is reliant on shifting New Zealand's economy to a sustainable, circular model that operates within the boundaries of natural ecosystems. Part of this is encouraging energy-efficient industries over energy-intensive industries. Where non-renewable resources are used for economic gain, the focus should be on adding value to each unit of resource, rather than extracting extra units. It is difficult for an economic benefit to be truly substantial if it is not sustainable. The nature of the proposed investment in non-renewable resource extraction is inherently unsustainable.

*(a) Loss of future land use options*

53. The Ministerial Directive Letter is clear that productive farmland is an important economic asset and that the Government is particularly sensitive about overseas ownership of farmland.
54. The subject land is currently highly productive farmland used for food production. If this land was to be used to create a tailings reservoir it is likely that some of the land would be contaminated and lost for food production. Converting it into a waste-storage area for the by-products of a non-renewable extractive industry, reduces any economic benefit from the proposal. The Minister also notes that no information has been provided on alternatives to the establishment of a new tailings reservoir, such as different processing technologies.
55. The hazardous and toxic nature of the mining waste restricts options for future uses of the land including food production and, potentially, housing or recreation.

*(b) Economic impact of environmental risks*

56. Mining tailings reservoirs inherently create environmental risks arising from potential breaches, overflows, or structural failures, and these environmental risks have direct and indirect economic effects. Related clean-up costs may fall on the local community, council, and central government.
57. The Minister for Land Information accepts that New Zealand's resource management framework may go some way to minimising the risk of a tailing dam failure. However, it will not completely absolve that risk, and every year there are significant failures in tailings dams globally.<sup>19</sup> The highest profile tailings dam breaches with the highest economic costs have happened in the developing world, such as at Brazil's Córrego do Feijão mine, where over 200

people were killed by 62 million cubic litres of toxic mining waste being washed down a river valley in January 2019.

58. Tailings dam breaches have also occurred in developed countries with extensive regulatory regimes in place such as Canada, Israel, and the United States, and in mines owned or managed by established mining companies.<sup>20</sup> It is prudent to consider the possibility of such an event in New Zealand. These events can have significant direct adverse economic effects on local ecosystems and nearby population centres, and substantially reduce the value of affected ecosystem services such as drinking water sources.
59. A collapse or overtopping of the proposed new tailings impoundments risks major harm to nearby land, the Ohinemuri River, the Firth of Thames, and New Zealand's economic interests (in terms of response and rehabilitation costs).
60. The broader economic impact of a tailings dam failure in New Zealand could be significant. There could be serious negative effects on nearby productive land, the Ohinemuri and Waihou Rivers, and the Firth of Thames. It could have a flow-on effect to reduce tourism in the Waihi, Karangahake, and Thames areas, which are attractive to tourists for their natural beauty and conservation values. It could also do damage to New Zealand's international reputation as an environmentally sustainable country, which underpins not only our tourism revenue but also the value of our food exports. These risks would not be in New Zealand's economic interests.

*(c) Economic impact on affected people*

61. The proposed acquisition would facilitate further underground mining under homes in Waihi. This could cause stress from underground vibrations and uncertainty around property values, with resulting impacts on mental health. In 2017, noise and vibration issues were the most common reason for complaints regarding OceanaGold's New Zealand operations.<sup>21</sup> These health effects have human and economic costs.
62. Overall, the Minister has given the economic interests factor negative weighting.

*Oversight – s 17(2)(g) and 28(j) (Ministerial Directive Letter - high relative importance)*

63. The Minister considers that it is unlikely that New Zealanders will be able to participate at an ownership or control level. This has been given no weighting.

*Third party submissions*

64. No third party submissions have been received on what will be a large project, possibly because the Project Quattro mine expansion has not been made public and the applicant's request to the OIO for commercial confidentiality. The applicant says that "residents' perceptions about the impacts of mining on the economy of Waihi have remained generally positive"<sup>22</sup> but also notes that the company had made no announcements of the Project Quattro mine extension plans to the community. Accordingly, it is at least worth recording in the Minister's decision that there is no information to demonstrate the Waihi and wider Hauraki District community believe the application to have benefits.

*Overall benefit assessment*

65. At this time, the Minister's overall assessment is that while the proposed investment will likely create short term financial benefits in terms of jobs and servicing for the local economy the use of the Land to establish a third permanent tailings reservoir to extend the life of the Waihi mine and allow the establishment of new Project Quattro is inconsistent with sustainable economic interests.
66. Consequently, when considering the factors collectively, the Minister's view is that the benefits are not substantial and identifiable within the context of this investment, and having regard to the Ministerial Directive Letter.