



PROACTIVE RELEASE COVERSHEET

Minister	Hon Nicola Willis, Hon Simon Watts	Portfolio	Minister for Economic Growth and Minister of Finance Minister of Climate Change and Minister of Building and Construction
Name of package	Proactive release of Golden Bay Cement advice	Date to be published	24 September 2026

List of documents that have been proactively released

Date	Title	Author
17 November 2025	1. REQ-0023882 / BRF-7119 – Policy pathways for managing the impacts of the potential closure of Golden Bay Cement's Whangarei site	Ministry for the Environment, Ministry for Business, Innovation and Employment
22 January 2026	2. 26-BRF-00040 – Meeting with Fletcher Building Limited	Ministry for the Environment
11 November 2025	3. 26-BRF-00040 – Appendix 1: Letter from Fletcher Building (November 2025)	Ministry for the Environment
19 March 2026	4. Deloitte – Final Report – Golden Bay Open Book Review	Ministry for the Environment
17 March 2026	5. REQ-0029518 / 26-BRF-00311 – Options for managing the potential closure of Golden Bay Cement	Ministry for the Environment Ministry for Business, Innovation and Employment
17 March 2026	6. REQ-0029518 / 26-BRF-00311 - Appendix 1: Draft Budget Letter	Ministry for the Environment Ministry for Business, Innovation and Employment
17 March 2026	7. REQ-0029518 / 26-BRF-00311 – Appendix 2: Overview ETS and Industrial Allocation	Ministry for the Environment
2 April 2026	8. 26-BRF-00846 – Key messages and approach to discussions with Fletcher Building re Golden Bay Cement	Ministry for the Environment, Ministry for Business, Innovation and Employment
9 April 2026	9. 26-BRF-00885 – Advice on exempting Fletcher Building from the NZ ETS	Ministry for the Environment
10 April 2026	10. 26-BRF-00920 – Meeting with Fletcher Building on 13 April	Ministry for the Environment
6 May 2026	11. RWQ 003263625 / 26-BRF-01207 – Draft Cabinet paper, Maintaining domestic cement manufacturing in NZ.	Ministry for the Environment Ministry for Business, Innovation and Employment

May 2026	12. 26-CAB-00966 – Maintaining domestic cement manufacturing in NZ	Ministry for the Environment Ministry for Business, Innovation and Employment
24 June 2026	13. REQ-0034786 / 26-BRF-01606 – Approving a deal with Fletcher Building regarding Golden Bay Cement	Ministry for the Environment Ministry for Business, Innovation and Employment
16 July 2026	14. REQ-003263625 / 26-BRF-02017 – Drawing down the Golden Bay Cement Tagged Contingency	Ministry Cities, Environment, Regions and Transport, Ministry for Business, Innovation and Employment

Information redacted YES

Any information redacted in this document is redacted in accordance with the Ministry for Cities, Environment, Regions and Transport policy on proactive release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Summary of reasons for redaction

Some information has been withheld under the following Official Information Act clauses;

- 9(2)(a) protect the privacy of natural persons, including that of deceased natural persons
- 9(2)(b)(ii) to protect information where the making available of the information would likely unreasonably prejudice the commercial position of the person who supplied or who is the subject of the information.
- 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.
- 9(2)(f)(iv) - to maintain the constitutional conventions for the time being which protect the confidentiality of advice tendered by Ministers of the Crown and officials.
- 9(2)(g)(i) – to maintain the effective conduct of public affairs through the free and frank expression of opinions by or between Ministers, members of organisations or officials in the course of their duty.
- 9(2)(h) - to maintain legal professional privilege
- 9(2)(j) – to enable a Minister of the Crown, department, organisation, or local authority to carry on, without prejudice or disadvantage negotiations (including commercial and industrial negotiations).



Ministry for the
Environment
Manatū Mō Te Taiao



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

BRIEFING

Policy pathways for managing the impacts of the potential closure of Golden Bay Cement's Whangārei site

Date:	27 November 2025	Priority:	High
Security classification:		Tracking number:	MfE: 7119 MBIE: REQ-0023882

	Action sought	Response by
Hon Simon Watts Minister for Climate Change Hon Shane Jones Minister for Regional Development	Indicate whether you would like officials to carry out further work on potential options to support Golden Bay Cement's Whangārei site.	1 December 2025
Hon Nicola Willis (Minister of Finance), Hon Chris Penk (Minister of Building and Construction), Hon Todd McClay (Minister for Trade and Investment), Hon Penny Simmonds (Minister for the Environment)	Refer for information.	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kirsty Flannagan	General Manager – Markets [MfE]	s 9(2)(a)	
Simon Mandal-Johnson	Manager – ETS Policy [MfE]		✓
Sean Rae	Author		
Isabel Poulson	General Manager – Strategy, Planning and Performance, Kānoa – Regional Economic Development & Investment Unit (Kānoa) [MBIE]		✓
Sam Blackburn	Principal Policy Advisor, Kānoa [MBIE]	04 901 4992	

The following departments/agencies have been consulted
Ministry of Business, Innovation and Employment (MBIE), New Zealand Treasury, Ministry of Foreign Affairs and Trade (MFAT)

Minister's office to complete:

- | | | |
|--|---|------------------------------------|
| ☐ Noted | ☐ Approved | ☐ Declined |
| ☐ Overtaken by Events | ☐ Needs change | ☐ Seen |
| | ☐ See Minister's Notes | ☐ Withdrawn |

Minister's Comments



BRIEFING

Policy pathways for managing the impacts of the potential closure of Golden Bay Cement's Whangārei site

Date:	27 November 2025	Priority:	High
Security classification:		Tracking number:	MfE: 7119 MBIE: REQ-0023882

Purpose

1. To provide initial advice on cross-portfolio options to respond to Golden Bay Cement's (GB) potential shift to an import-only model from 2030. This briefing tests whether Ministers wish to act at this time and if so, seeks direction on which options to prioritize.

Key points

2. GB is the only domestic manufacturer of cement in NZ. As a result, the NZ ETS creates a cost pressure for GB that its competitors, operating import models, do not face. GB receives Industrial Allocation (IA), but this does not fully offset its NZ ETS costs.
3. GB has indicated to MfE officials that, unless a decision on a new policy for managing emissions leakage from the cement sector (such as Border Carbon Adjustment, BCA) is reached before May 2026, it plans to cease manufacturing cement at its Whangārei site from 2030 and transition to an import-only model ^{s 9(2)(b)(ii)} [REDACTED].
4. Should GB's Whāngareī site close, there will be impacts on employment in Northland, and on the waste management system, as GB is a key end-destination for waste, especially tyre waste.
5. GB's closure also has implications for New Zealand's economic security and the resilience of our supply chains. Removing our end-to-end domestic production capacity for cement increases volatility for construction and civil engineering as critical sectors. Full reliance on imports would increase New Zealand's exposure to global shipping routes and price volatility.
6. This is balanced against a fiscal saving (through reduced IA), the precedent set by not providing ad hoc support to individual firms and a reduction in domestic emissions.
7. Any intervention involves costs that should be balanced against the potential benefits of avoiding the closure of the plant, such as:
 - i. Exempting GB from the NZ ETS, or covering more of its ETS-imposed costs, sets a precedent for other emitters seeking future exceptions of their own. This would signal to NZ ETS market participants that Government is willing to reduce ETS impacts for individual firms.

- ii All options are likely to have fiscal costs on top of the Crown's investment into GB of over \$16 million over the last 20 years. GB's closure would have fiscal savings from reduced IA worth about s 9(2)(i) between 2030 - 2050.
- iii If GB is exempt from the ETS, other parts of the economy would need to 'do more' to meet our emissions targets and budgets, in relation to GB's 550kt CO₂e per annum.

Options for a Government response

8. A BCA would address the cost pressure caused by the NZ ETS. s 9(2)(g)(i)
BRF-7080, provided alongside this briefing, presents three options for how you might like to proceed. No options will give GB the certainty it needs by May 2026.
9. We have undertaken preliminary analysis on other options to respond to GB's potential closure. We seek your direction as to whether you wish us to prioritise further work into any of the options. All options are likely to require additional funding and will take effect from 2030. We have not discussed any options, other than a BCA, with GB.
 - i **Lasting solutions:** Tackles the root issue of GB's hard-to-abate emissions costs, ensuring GB's domestic manufacturing without a BCA:
 - i. **Option 1:** exempting GB from the ETS (in whole or in part)
 - ii. **Option 2:** pause or remove the phase-out of IA for cement.
 - ii **Interim solutions: Option 3:** Offset the effects of IA's phase-out from 2030, until a BCA (or a lasting solution) is introduced by providing GB with additional emission units (NZUs).
10. Officials have explored other possible avenues to respond, in particular through co-investment opportunities, although there does not appear to be a viable option at this stage:
 - i GB does not meet the requirements for the waste levy, under the Waste Minimisation Act. The levy is oversubscribed in future budget years.
 - ii The Regional Infrastructure Fund (RIF) has no mechanism to support ongoing business operations. GB has not proposed an investment opportunity to improve its viability. Ministers may wish to direct officials to further engage with GB to determine whether there are any investment options, and whether there is a role for the RIF.

Next steps

11. We seek your direction as to whether you would like officials to undertake further work to explore any of the options.
12. As this is an important decision, with consequences that will affect Northland in particular, officials advise that you should consider making Cabinet aware of your desired approach. This could go alongside a decision on the next steps with the BCA. If you choose to pursue any of these options, pre-engagement with the Minister of Finance will also be required given the fiscal implications. We will also work with MFAT to ensure compliance with New Zealand's international trade obligations in relation to subsidies.

13. s 9(2)(f)(iv)

Recommended action

The Ministry for the Environment (MfE) and the Ministry of Business Innovation and Employment (MBIE) recommend that you:

1. **Direct** officials not to carry out further analysis on options Yes / No
OR
2. **Indicate** if you would like officials to provide you with further advice on options under the Climate Change portfolio:
 - a. Lasting solutions: exemption from ETS or a pause or removal of the phase-out of IA for cement Yes / No
 - b. Interim solutions: additional allocation of NZUs Yes / No
3. **Indicate**, despite the lack of currently available options (such as co-investment opportunities), if you would like officials to engage further with GB to investigate alternative response opportunities under the Environment or Regional Development portfolios:
 - a. Environment: supporting GB's further emissions reduction and waste minimisation through the waste disposal levy Yes / No
 - b. Regional Development: improving the viability of GB's Whangārei site through the Regional Infrastructure Fund (RIF). Yes / No
4. **Refer** this briefing to the Minister of Finance, Minister of Building and Construction, Minister for Trade and Investment and Minister for the Environment Yes / No

s 9(2)(a)

Simon Mandal-Johnson
Manager
ETS Policy, Ministry for the Environment

Hon Simon Watts
Minister of Climate Change

27 / 11 / 2025

___ / ___ / 2025

s 9(2)(a)



Isabel Poulson
General Manager, Strategy, Planning and Performance
Kānoa – Regional Economic Development & Investment
Unit, Ministry of Business, Innovation and Employment

27 / 11 / 2025

Hon Shane Jones
**Minister for Regional
Development**

___ / ___ / 2025

Purpose

14. To provide initial advice on cross-portfolio options to respond to Golden Bay Cement's (GB) potential shift to an import-only model from 2030. This briefing tests whether Ministers wish to intervene and if so, direct officials to undertake further work on options.

Background

Golden Bay Cement is New Zealand's only fully integrated domestic manufacturer of cement

15. GB is New Zealand's only integrated manufacturer of cement. GB operates a cement plant in Whangārei, Northland, employing over 200 direct and 350 indirect full-time equivalent jobs, approximately 1.8 per cent of the Whangārei district's workforce.
16. In 2024, GB received allocation of 490,000 emissions units (NZUs) for production of both cement and clinker, worth about \$30 million (at \$62 per NZU)¹.
17. Over the past 20 years, GB has received about \$16 million of co-funding through the Waste Minimisation Fund (WMF) to support its use of waste tyres in its integrated cement manufacture. About \$26 million was provided to other entities to provide supply of other waste materials to GB. GB is an important end-destination for waste, having replaced 50-60 per cent of coal in its thermal process by diverting over 100kt of a variety of waste, including tyres, from landfill annually.

Golden Bay Cement have concerns about Industrial Allocation settings

18. GB has two longstanding concerns about IA. The first is the review and adjustment of allocative baselines (a measure of emissions intensity which determines allocations) every 5-10 years. The Government has recently agreed to remove the review provision which addresses this concern, through the Climate Change Response Act (Efficiency and Effectiveness) Amendment Bill (the CCRA Bill), which is anticipated to receive Royal Assent in mid-2026.
19. GB's second major concern regards current IA settings, which is that IA does not sufficiently compensate the business for its ETS-related costs under a domestic production model, which will worsen as IA phases out. The medium-to-long-term effect is that GB will not be able to compete with import-based businesses. In particular:
 - i ~63 per cent of GB's emissions are essential for the process of manufacturing cement, and there is no technologically viable way to reduce these emissions, and therefore, NZ ETS costs
 - ii GB cannot pass on its emissions costs to consumers, as its competitors, who import clinker, do not face NZ ETS costs.
20. GB considers that the current rate of IA (before any phase-down is applied) renders its business uneconomical as it does not fully offset its NZ ETS costs. GB informs officials that the business is currently managing emissions costs by drawing down a stockpile of

¹ Assumptions from the BCA model

NZUs, which will be exhausted by 2030. s 9(2)(b)(ii)

21. Officials have not verified GB's claims about GB's viability at the Minister of Climate Change's direction.

Golden Bay's potential shift to an import-only model is driven by whether its IA concerns are addressed

22. GB has informed MfE officials that the business is at a critical decision point. In May 2026, the Fletcher Building Limited's (FBL) (GB's parent company) Board will decide whether to stop manufacturing cement in Whāngarei and switch to an import-only model s 9(2)(b)(ii) or continue domestic manufacturing operations and invest in reducing the ~37 percent of GB's emissions that are not hard-to-abate. GB has advised that this timeline is being driven by the projected exhaustion of its current stockpile of NZUs by 2030, s 9(2)(b)(ii)
23. GB seeks a government policy decision on whether to implement a BCA by May 2026. However, this is not possible, due to the complexity and risks associated with this work. This is set out further in BRF-7080 - Findings of the Border Carbon Adjustment Feasibility Study and Next Steps, provided alongside this briefing.
24. The Minister of Climate Change directed officials to provide initial advice on alternative options to support GB's continued domestic cement manufacture.

Consequences of not intervening

25. FBL's May 2026 decision presents a choice about whether the Government should intervene to retain domestic production of cement. There are economic, environmental and fiscal consequences of not intervening. An import-only model would likely result in:
- i **Fiscal:** savings of approximately s 9(2)(j) in 2031, totalling as much as s 9(2)(j) in 2023-dollar terms) between 2030 and 2050 through reduced industrial allocation.
 - ii **Emissions:** a domestic emissions reduction of approximately 550kt CO₂e per annum, helping NZ to meet domestic targets if the cap on the NZ ETS is reduced correspondingly. The replacement, imported cement, following GB's closure, may have higher emissions depending on the manufacturing process used. However, emissions from products produced overseas are not considered for achievement against meeting domestic emissions targets.
 - iii **Regional economic:** GB would no longer create employment for 200 direct and 350 indirect FTEs, approximately 1.8 per cent of the Whangārei district's workforce. While many of GB's employees would not necessarily be able to find suitable alternative employment quickly or easily, s 9(2)(b)(ii) from decision to closure provides time for adjustment that will mitigate some of these impacts.

- iv **Indirect economic:** Regional businesses which supply GB could also be significantly impacted and, in some cases, forced to close, with negative flow-on impacts on the local economy. Further analysis would be needed to show the impacts over different time scales and the potential for these same resources to be utilised elsewhere in the economy.
- v **Waste sector impacts:** Loss of ~100kt of waste diversion from landfill annually. GB has processed 93 per cent of the waste tyres ^{Total waste tyres received for processing by the scheme} through the government accredited Tyrewise scheme in the first nine months of its operations. GB is critical to this material's supply chain and will continue to be important until other markets can be developed. GB and waste supply entities have received significant funding through the ^{Waste Minimisation Fund} (see paragraph 17 above). The success of these investments hinges on GB's continued Whāngarei operations.
- vi **Economic security and supply chain resilience:** Full reliance on imports would increase New Zealand's exposure to global shipping routes and price volatility. New Zealand currently imports around 40% of its domestic consumption of cement, dominated by imports from Japan and a range of Southeast Asian countries. Major disruptions (e.g., conflicts, natural disasters) could significantly impact supply and costs across construction and civil engineering which are critical sectors for New Zealand. Minor disruptions, such as shipping or port delays, typically add cost and time but are expected to be managed by the market under an import-only model.³ We understand that some supply is typically held domestically, although there are barriers to stockpiling. Overall, we assess the risk of severe disruption to cement supply to be low in the short term. Over the long term, lessons from past shortages can be taken to build resilience, including promoting competition and diversity of supply, improving access to overseas products (currently underway), and encouraging use of substitutes.

Options for a government response

Options include investigating other lasting solutions to a BCA, or interim options to make domestic cement manufacturing more viable

- 26. There are two sets of options available to provide certainty on future support for GB's hard-to-abate emissions costs:
 - i **Lasting solutions** ensuring GB has low or no emissions costs from its hard-to-abate emissions. Options are available under the Climate Change portfolio through changes to the NZ ETS and industrial allocation:
 - i. **Option 1:** Exempt GB from direct surrender obligations (clinker process emissions and alternative fuel use emissions) and continue to use IA to offset indirect carbon costs (coal and electricity).
 - ii. **Option 2:** Pause or remove the phase-out of IA for cement.

³ In the longer term, it may be possible for some construction to substitute concrete with other materials, and cement may be partially replaced by supplementary cementitious materials.

- ii **Interim solutions:** providing additional government funding until a BCA comes into force, or another long-term solution is made.
- iii **Option 3:** A lump sum of NZU allocations to GB, annually or periodically to cover a higher portion of GB's ETS costs not covered by IA. Provided for as long as necessary while a permanent solution is identified.

27. Key risks and considerations of the options, including fiscal impacts, are found in the Table below 1.

Table 1: Key considerations and fiscal impacts

Option	Key considerations	Fiscal impact (2030-50, compared with a scenario where GB shifts offshore in 2030 ⁴)
1 – Exempt GB from direct surrender obligations and continue to use IA to offset indirect carbon costs (lasting solution)	Creates a significant precedent of government assistance for private firms in meeting their NZ ETS costs – moral hazard Places an additional burden of emissions reductions on other sectors The total amount of NZUs auctioned by government may need to be adjusted to avoid exceeding the emissions budget	s 9(2)(g)(i) However, may have broader fiscal impacts s 9(2)(g)(i)
2 – Pause or remove the phase-out of IA for GB (lasting solution)	Creates a precedent of government intervention where private firms take issue with the ETS Places additional burden on other sectors, however, does not require an adjustment of total amount of NZUs auctioned by government Requires change to primary legislation (potentially through 2026 CCRA Amendment Bill) Undermines the overall phase-out of IA by creating inconsistencies in approach between sectors. Other companies may seek similar changes.	s 9(2)(g)(i)
3 – NZU allocation increase (interim solution)	Opportunity to enter into an agreement to ensure emissions reductions Undermines the phase-out of IA as it creates inconsistencies across sectors	s 9(2)(g)(i)

⁴ We have assumed that any option would take effect from 2030, when GB has told us its domestic cement manufacture will become unviable, as its stockpile of IA will be depleted.

		s 9(2)(g)(i)
--	--	--------------

28. At this stage, we cannot guarantee that any option will assure GB's continued operations. GB's ongoing viability could be impacted by other factors, such as energy prices, even if one of the options below is pursued. Contractual arrangements, available for any option, would mitigate some of the fiscal risk.
29. All options are likely to have fiscal implications and require additional funding. If Ministers wish to peruse any option, we recommend early engagement with the Minister of Finance.

Officials have explored other possible avenues to provide additional funding although none appear viable at this stage.

There is no obvious mechanism to respond through the Environment portfolio

30. GB may receive co-funding to transition to lower emissions assets and infrastructure and minimise waste. Co-funding would need to offset the shortfall created by IA's phase-out: s 9(2)(g)(i). Existing funding mechanisms within the Environment portfolio use the waste levy, such as the Waste Minimisation Fund (WMF) and the Environmental Investment Fund (EIF).
31. We are not aware of any further funding opportunities through the WMF that meet the fund's current criteria.⁵ The EIF is currently being developed and is not a fully integrated fund. The levy is fully allocated in future budget years

There is no obvious mechanism to respond through the Regional Development portfolio

32. Ministers may wish to consider whether there is a role for government through the Regional Development portfolio.
33. The Regional Development portfolio has been focused on improving the productivity and resilience of regional New Zealand primarily by co-investing in hard infrastructure assets through the Regional Infrastructure Fund (RIF). The RIF is not designed to provide financial support to businesses to continue existing operations.
34. Officials' engagement with GB to date has not uncovered a potential capital investment that would enable the firm to remain viable at its Whangārei site. As a result, officials initially consider there is currently no clear role for government in supporting GB through the Regional Development portfolio to continue operating.
35. Ministers may wish to direct officials to more closely engage with GB to understand if there is a potential co-investment opportunity that improves the viability of its Whangārei site. Any investment opportunity would need to show clear rationale as to why the firm has not made the investment itself to date, and why it cannot make the investment itself moving forward without RIF support.
36. As an indication, the nature of GB's business is likely to mean it does not align with the RIF's eligibility framework, so any Crown co-investment would require Ministers to agree to seek Cabinet's approval to exempt the RIF's eligibility criteria. There is precedent for

⁵ The WMF's criteria reflect the Government's priorities of diverting waste from landfill and not providing funding for on-going expenses and when private capital is available.

this approach, as s 9(2)(g)(i)

37. Should Ministers choose to receive further advice, we will provide analysis as to what costs and risks this may create for the Crown. It is worth noting, the Regional Infrastructure Fund is already appropriated as part of Budget 2024, although there may be further fiscal impacts to be aware of.
38. The current pipeline of potential investment opportunity sees the RIF significantly oversubscribed, so any other investment opportunities would need to be considered and prioritised alongside other projects seeking Crown co-investment.
39. s 9(2)(f)(iv)

Next steps

40. Subject to your direction, officials can provide further detailed advice on some or all of these options. We are available to discuss this advice at your next officials meeting.
41. As this is an important decision, which will affect Northland in particular, officials advise that you should consider making Cabinet aware of your desired approach. This could go alongside a decision on the next steps with the BCA. If you choose to pursue any of the options in this paper, pre-engagement with the Minister of Finance will also be required given the fiscal implications. We will also work with MFAT to ensure compliance with New Zealand's international trade obligations in relation to subsidies.
42. MfE would be interested in determining the impacts of both IA and emissions costs on GB's business, in terms of assessing emissions leakage risk. If you direct us to pursue any of these options, we will provide more information on ways of working with GB.

Clarification and corrections - Page 8 - paragraph 25.

1. Clarification: "This calculation was based on Ministry calculations and assumptions at the time. More up to date information has been provided by Tyrewise up to 30 June 2026. Which indicates Golden Bay Cement had received 1.34% of all loose end-of-life regulated tyres collected and available for processors or export, and 45% of end-of- life regulated tyre tonnage collected by the Scheme as tyre-derived fuel."

2. Correction: text should read "total waste tyres received for processing by the scheme"

3. Correction: text should read "Waste Minimisation Fund"



MEETING WITH FLETCHER BUILDING LIMITED

Date:	22 January 2026	Priority:	Medium
Security classification:		Tracking number:	26-BRF-00040

Hon Simon Watts
Minister of Climate Change

Snapshot

You are meeting with Fletcher Building Limited (FBL) on Thursday, 29 January. FBL has requested this meeting to update you on its next steps for its domestic manufacture of cement. This is in light of your decision in December 2025 to pause work on a border carbon adjustment (BCA). FBL will share with you the likelihood of a board decision in May 2026 to shift Golden Bay (its cement subsidiary) to an import-only model under current policy settings. FBL is seeking a signal from you about your willingness to respond to Golden Bay's position.

Time and date	Thursday 29 January, 11:30am – 12:00pm
Venue	Minister's Office
Attendees	Thornton Williams, Chief Executive Heavy Materials Division Christian May, Chief Corporate Affairs Officer
Last meeting	February 2025
Officials attending	Sam Buckle, Deputy Secretary, Climate Change and Resource Efficiency Kirsty Flannagan, General Manager, Markets Jane White, Chief Advisor, Markets
Agenda	FBL's May 2026 board decision and current position Update on the 'Golden Bay Master Plan' investment programme

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kirsty Flannagan	General Manager, Markets Unit	s 9(2)(a)	
Simon Mandal-Johnson	Manager, ETS Policy		✓
Tabitha McMaster	Author, ETS Policy		

MEETING WITH FLETCHER BUILDING LIMITED

Key points

1. Fletcher Building Limited (FBL) has told officials that its domestic cement manufacturer, Golden Bay (GB), is financially unviable beyond ~2030. FBL states this is due to the combined effect of the legislated phase-out of industrial allocation (IA) and an inability to compete with importers which do not face an equivalent carbon cost.
2. Under current circumstances, with work on a BCA paused, Thornton Williams (the Chief Executive of the Heavy Building Division) has advised that his recommendation to the FBL board in May 2026 will be to shift to an import-only model. If the Board agrees, domestic cement manufacturing would cease by 2030. FBL will be seeking a signal from you about your willingness to respond to GB's position (for example, by reconsidering the BCA decision or through other government intervention).
3. Moving to an import-only model includes fiscal savings for the Government through reduced IA costs s 9(2)(i) 2031) and a reduction in domestic emissions (~550kt annually). There would be implications on local and regional employment (200 direct and 350 indirect FTEs would no longer be employed by GB (~1.8% of Whangārei district's workforce)). ~100kt of waste diversion from landfill would be lost annually and New Zealand would face increased exposure to global shipping routes and price volatility.
4. We recommend the following approach for your meeting:
 - a) **Acknowledge FBL's concerns and emphasise that the government is taking these seriously**, as demonstrated through the upcoming changes to industrial allocation settings and the feasibility study.
 - b) **Note your decision and rationale in December to not proceed with a BCA.** You may also wish to recognise GB's open and collaborative approach to the study.
 - a) **Test whether there is further flexibility in FBL's May 2026 deadline or if there are steps the Government could take to provide flexibility in the deadline.** It is unlikely FBL will signal flexibility as it has advised us it needs a four-year period to implement either its domestic investment or an import-only model.
 - b) **Invite FBL to participate in an 'open book' exercise to confirm its financial position.** FBL has provided a plausible summary of GB's financial position; however, we cannot verify it.
5. We recommend commencing an 'open book' process with FBL now. The process will provide certainty that FBL's case is accurate and Ministers with an opportunity to make a more informed decision on whether to consider intervening (now, or after the May board meeting). Similar exercises have been undertaken in the past with other firms and have produced results quickly, however, it would come at a cost to the Government.

Next steps

6. In view of the implications of this decision on regional development, we recommend you consider notifying the Minister for Regional Development about this upcoming meeting and your proposed approach. The Ministry of Business, Innovation and Employment is aware and supportive of our proposed approach.
7. You previously agreed to take this issue and any potential responses to Cabinet in early 2026 [BRF-7080 refers]. Prior to this, we recommend you meet with the Minister of Regional Development and Minister for Economic Growth to agree an approach.
8. We will discuss these steps further with you at the Monday 26 January officials meeting.

Recommended action

The Ministry for the Environment recommends that you:

- | | |
|--|-------------------------|
| 1. Note the recommended approach to the meeting with Fletcher Building Limited | <i>Noted</i> |
| 2. Agree to commission an open book process with Golden Bay to confirm its financial position | <i>Agree / Disagree</i> |
| 3. Discuss this issue with the Minister for Regional Development and/or his office prior to the meeting | <i>Agree / Disagree</i> |
| 4. Agree to seek a meeting with the Minister for Regional Development and Minister for Economic Growth to agree on a preferred approach to this issue | <i>Agree / Disagree</i> |

s 9(2)(a)

Kirsty Flannagan
General Manager
Markets, Ministry for the Environment

Hon Simon Watts
Minister of Climate Change

21 / 01 / 2026

___ / ___ / 2026



s 9(2)(g)(i)





Ministry for the
Environment
Manatū Mō Te Taiao

s 9(2)(g)(i)



Background

Golden Bay Cement (GB) is New Zealand's only fully integrated domestic manufacturer of cement

1. GB is New Zealand's only integrated manufacturer of cement and is owned by Fletcher Building Limited (FBL). GB operates a cement plant in Whangārei, Northland, employing over 200 direct and 350 indirect full-time equivalent jobs, approximately 1.8 per cent of the Whangārei district's workforce.
2. In 2024, GB received allocation of 490,000 emissions units (NZUs) for production of both cement and clinker, worth about \$30 million (at \$62 per NZU).

Golden Bay Cement has concerns about Industrial Allocation (IA) settings, which are not addressed through the upcoming changes to the CCRA

3. GB has two longstanding concerns about IA. The first is the review and adjustment of allocative baselines (a measure of emissions intensity which determines allocations) every 5-10 years. The Government has recently agreed to address this concern by agreeing to remove the review provision through the Climate Change Response Act (Efficiency and Effectiveness) Amendment Bill. This Bill is anticipated to be introduced to the House in 2026.
4. GB's second major concern, which remains unaddressed, is that current IA settings render it unable to compete with import-based cement businesses. In particular:
 - i ~63 per cent of GB's emissions are essential for the manufacture of cement, and there is no technologically viable way to reduce these emissions, and therefore, the associated emissions costs
 - ii GB cannot pass on its emissions costs to consumers and remain competitive, as its competitors, which import clinker or cement, do not face emissions costs; and
 - iii The phase out of IA increases the impact of the above factors.
5. FBL has informed officials that the business is managing emissions costs by drawing down a stockpile of NZUs, which will be exhausted by 2030. s 9(2)(b)(ii) [REDACTED] At your direction, we have not verified GB's claims about its viability.

6. Officials met with representatives from FBL on 21 January 2026 to gauge how they intend to approach the meeting. FBL consider there has been no material movement over the past Government term on the two core ETS issues affecting them: the 5/10-year allocative baseline review provision and lack of a level playing field with importers. While FBL acknowledge that Cabinet has agreed to remove allocative baseline reviews, addressing the former issue, their view is they still lack legislative certainty and a level playing field.

Golden Bay's potential shift to an import-only model is driven by whether its IA concerns are addressed

7. GB has informed MfE officials that the business is at a critical decision point. In May 2026, the FBL Board will decide whether to stop manufacturing cement in Whāngareī and switch to an import-only model s 9(2)(b)(ii) [REDACTED] or continue domestic manufacturing



operations and invest in its Master Plan (see paragraph 8). GB has advised that this timeline is being driven by the projected exhaustion of its current stockpile of NZUs by 2030, and the fact s 9(2)(b)(ii) .¹

8. FBL will provide an update on GB's Master Plan investment, s 9(2)(b)(ii) .
.
.
.
9. FBL's letter (see Appendix 1) sets out steps on a BCA that would provide sufficient certainty to the Board to decide on its future operating model. As this has been superseded by your decision to not proceed with a BCA, FBL have advised that under current circumstances the recommendation to the Board in May 2026 would be to shift to an import only model.

You decided not to progress a BCA or alternative options to respond to FBL's concerns

10. On 7 December, following receiving the findings of the BCA feasibility study, you decided against proceeding with a BCA [BRF-7080 refers]. On 27 November, you also received a briefing testing whether you would like officials to explore a limited set of alternative options to address GB's potential shift offshore [BRF-7119 refers]. The Minister for Regional Development also received the latter briefing.
11. At the officials meeting on 8 December, you indicated you did not wish to further explore the alternative options in BRF-7119. Minister Jones is yet to formally respond to the briefing.
12. Given the regional significance of GB's operations and that the range of potential responses involve a number of Ministerial portfolios, you agreed to take this issue and any potential responses to Cabinet in early 2026 [BRF-7080 refers].

You recently received a letter from Concrete New Zealand regarding the BCA study

13. Concrete New Zealand wrote to you on 18 December in response to your letter to the industry on 16 December outlining your decision to not proceed with a BCA. Its core point is the incompatibility between FBL's May 2026 decision point and a likely decision from Australia on a BCA (likely in 2027 or later). Concrete New Zealand seeks a meeting to discuss how to bridge this timing gap. s 9(2)(ba)(i) .

¹ The transition period includes consenting, design and procurement.



Biographies

	Thornton Williams, CE Heavy Material Division (Fletcher Building) Thornton was appointed Chief Executive of the Heavy Materials Division in September 2024. Prior to this appointment, Thornton was CFO – Concrete Division since 2021. Thornton joined Fletcher Building in 2011 and held the role of General Manager – Treasury and Risk before joining the Concrete Division. Prior to joining Fletcher Building, Thornton held several senior roles in the finance industry.
	Christian May, Chief Corporate Affairs Officer (Fletcher Building) Christian is responsible for the development and implementation of Fletcher Building's internal and external communications strategies, working across the Group's more than 30 different business units in Australia and New Zealand. He oversees all aspects of external and internal communications including public/media relations, financial communications, government affairs, issues management, stakeholder engagement and digital channels.

Appendices

Appendix 1: Letter from Fletcher Building Ltd (November 2025)

s 9(2)(ba)(i)

Appendix 1: Letter from Fletcher Building Ltd (November 2025)

s 9(2)(ba)(i)



Fletcher Building Limited

Private Bag 92114
Auckland 1142
810 Great South Road
Penrose
Auckland 1061
New Zealand

fbu.com
+64 9 525 9000

11th November 2025

Hon Simon Watts
Minister of Climate Change
s.watts@ministers.govt.nz

Copy: Hon Nicola Willis, Minister of Finance and Economic Development
Hon Chris Bishop, Minister for Infrastructure
Hon David Seymour, Minister for Regulation
Hon Shane Jones, Minister for Regional Development

Maintaining climate policy momentum to secure the future of cement manufacturing in New Zealand

Dear Minister,

I am writing on behalf of Fletcher Building's Heavy Building Materials Division (Golden Bay Cement) to thank you for the Government's ongoing efforts to deliver the policy certainty that industrials like us need to invest in our long-term future in New Zealand. We strongly encourage you to continue this momentum and we are committed to working with you and your officials to that end.

We look forward to our scheduled meeting with you on 9 December — this letter provides detail on our current situation to inform that discussion.

Golden Bay Cement is considering its future in New Zealand

Golden Bay Cement is New Zealand's only domestic cement manufacturer, with a substantial manufacturing plant based in Whangarei. We play a key and integrated role as New Zealand seeks to close its infrastructure gap.

As you will be aware, our Board is soon to consider the first investment of s 9(2)(b)(ii) masterplan investment programme at Golden Bay's Whangarei site. This masterplan would secure our presence in Northland for the coming decades; provide domestic supply chain resilience for the construction industry; further reduce our emissions intensity; and improve our price competitiveness. This investment depends on long-term certainty about the relative carbon cost we face compared to our import competitors.

The alternative case is to switch to an import-only model, with consequences for local resilience and employment. We are fully developing both options for our Board to consider in May 2026.



Domestic cement manufacturing is critical for New Zealand's supply chain resilience

In an environment of increasing global uncertainty — geopolitical, economic, and environmental — maintaining a strong domestic concrete manufacturing capability has never been more important. Cement and concrete are fundamental to every major infrastructure and housing project. A wholly import-dependent cement supply chain would expose New Zealand to global disruptions, foreign carbon pricing regimes, and shipping volatility, directly affecting the delivery of national infrastructure priorities.

Domestic cement manufacturing ensures strategic self-sufficiency, underpins regional employment and innovation, allows greater control over decarbonisation outcomes within New Zealand's own borders, allows industry to continue the diversion of waste from landfill and supports reinvestment in the energy sector. These are strategic advantages that cannot be replicated through imports alone.

We deeply appreciate the Government's recent announcements on industrial allocation

We welcomed the Government's recent announcement that it intends to amend industrial allocation settings to provide more certainty for the market. Removing periodic allocative baseline reviews, and instead using phase-out rates to manage industrial allocation, reduces the disincentive on industrials to invest in decarbonisation projects.

This move gives us more confidence that if we make significant investments in reducing our emissions, we will not be penalised by the reduction of our allocation. It shows the Government and your officials have understood the issues facing us and we appreciate your constructive engagement to help address them. It is a materially positive step toward a secure future for operations in Whangarei.

However, in the longer term, phase-out of industrial allocation will nonetheless start exposing Golden Bay Cement to a net carbon cost that its import competitors do not face. We expect we will start to incur cash cost as early as 2030, well within the payback period for our reinvestment decision. This undermines the case for a domestic, rather than import-only, future and creates a critical uncertainty. At our meeting we can provide more detail on the phasing and scale of this impact on the business case.

A border carbon adjustment would support the future of long-term domestic manufacturing

The Government has begun feasibility work on a border carbon adjustment (BCA), due end of 2025, which would subject both domestic and imported cement to a common carbon cost. It would also enable Government to more quickly phase out industrial allocation for cement, removing a net fiscal cost and possibly generate new revenue. This work is critically important to Golden Bay Cement's future in New Zealand, and we thank you for initiating it.

The wider cement sector, including our major import competitors, support this work in principle. Both domestic and import-only players recognise the need for a level playing field for carbon pricing. This will ensure the sector





is incentivised to pursue least-cost emissions reductions, without creating perverse risks of emissions leakage or deindustrialisation.

We've appreciated officials' engagement with the sector on this work, and we strongly urge you to progress this to the next phase of policy design as soon as possible.

We expect a decision on Golden Bay Cement's future in May 2026

Time is of the essence. Our Board was initially due to decide on Golden Bay Cement's future in April 2025. At that stage it opted for a capital-light, no-regrets approach that preserved optionality between a domestic and import-only future. This bought us 12 months to continue engaging with Government and we're pleased this has resulted in your recent commitment to address industrial allocation review settings, as well as to conduct feasibility work on a BCA.

The decision on Golden Bay Cement's future cannot be delayed further, so the Board will reconsider it in May 2026. Notwithstanding the recently announced changes to industrial allocation may not be legislated by this point, the Government's public commitment to the changes will provide significant confidence to inform the Board's decision.

Similarly, we are realistic that a BCA will not be in place by mid-2026. However, we emphasise again that we expect to incur a carbon cost relative to import competitors as early as 2030. We would welcome any efforts from Government to provide as much certainty about momentum toward a BCA as possible, to ensure the Board can commit to domestic investment with confidence.

Next steps

At our meeting on 9 December, we would welcome a conversation about what might be possible between now and May 2026 to provide the confidence the Board seeks about BCA. We consider this could include (but is not limited to):

- A decision by end 2025 to conduct the next phase of policy design on a cement BCA (proceeding from the final feasibility study which we understand is due at that point)
- Correspondence and/or public comment from the Government on the direction of travel toward a BCA (and potential implementation timelines), and
- Early conversations across the major political parties to establish high-level consensus on the need for BCA in select sectors.

On 9 December we will brief you on the details of the business case for domestic and import-only operation, and how this interacts with carbon policy. We would also welcome your thoughts about how the Government might assure the Board about momentum toward a cement sector BCA.



Thank you again for the constructive engagement we have had over the last few years with you, your Cabinet colleagues, and your officials. Recent announcements have achieved material progress on the issues at hand, and continued momentum will help to maximise the chance of a decision in May 2026 that secures the future of cement manufacturing in New Zealand.

Regards,

s 9(2)(a)



Thornton Williams

Chief Executive — Heavy Building Materials

Fletcher Building Limited

The Ministry for the Environment
Final Report – Golden Bay Open Book Review

Deloitte.

Transaction Services | 19 March 2026

Strictly Private and Confidential

Contents

Key Findings	8
Appendices	23

Matthew Parker
Partner
Office tel: +64 4 470 3595
s 9(2)(a)

Cameron Gray
Director
Office tel: +64 7 838 7914
s 9(2)(a)

Important notice
Out of Scope

We accept no responsibility or liability for the contents of the report to any other party.

For your convenience, this report may have been made available to you in electronic and hard copy format. Multiple copies and versions of this report may, therefore, exist in different media. Only a final signed copy should be regarded as definitive.

Jane White

Chief Advisor

Ministry for the Environment

19 March 2026

Dear Jane

Golden Bay Open Book Review

We enclose our report in connection with the projected financial viability of the domestic cement manufacturer, Golden Bay (**GB**) owned by Fletcher Building Limited (**FBL**). The viability analysis has been prepared with particular consideration of the current cost of carbon to GB under the New Zealand Emissions Trading Scheme (**NZ ETS**) and the related emission baselining and phase-out of industrial allocation (**IA**).

This report is not intended to be exhaustive but highlights the most significant matters that have come to our attention to date.

We draw your attention to the section titled “Scope and Bases of Work” in which we summarise the scope of our work, sources of information and any limitations of the work undertaken.

For full details of the agreed scope of work, and an understanding of the terms and restrictions of our work, refer to the AoG Consultancy Services Order (**CSO**) dated 13 February 2026 (the **Engagement Agreement**).

Deloitte

Level 12, 20 Customhouse Quay
Wellington 6011

PO Box 1990
Wellington 6140

New Zealand

Tel +64 4 470 3500

www.deloitte.co.nz

Our work was completed on 6 March 2026 and we have not updated our work since that date.

We have not yet sought management representations and will advise you of the outcome of those procedures in our final report.

We provided a draft of this report dated 19 March 2026 to GB Management for their confirmation of certain facts and matters. Management provided the confirmation we requested.

s 9(2)(a)

Matthew Parker
Partner

Cameron Gray
Director

for Deloitte Limited (as trustee for the Deloitte Trading Trust)

Scope and context for assessing GB's financial viability

We have been provided with the information requested and an appropriate level of access to GB staff to complete our scope of work

Background

GB has indicated that its domestic cement manufacturing operations may become financially unviable beyond 2030. GB have stated this is due to rising emissions costs, declining profitability under current NZ ETS settings, and increasing competition from lower-cost imports which in their view don't incur carbon costs. FBL is expected to make an investment decision in May 2026 on the future of GB's Whangārei plant. Ministry for the Environment (MfE) is of the understanding that the Chief Executive of FBL's Heavy Building Division is likely to recommend to the Board that GB closes its domestic manufacturing in the absence of any further policy intervention.

In light of these circumstances, MfE has engaged Deloitte to provide an objective analysis of GB's financial viability to support Minister level decision making as to whether to provide any government intervention to support GB's domestic manufacturing to continue. The analysis will include an assessment of GB's financial records and other relevant information to validate GB's position.

Our approach has been based on financial investigation and financial model interrogation, including understanding forecast assumptions, and aligning with historical trends, market drivers, or other known factors.

Key scope questions

Our work addresses the following key questions to support Ministers' assessment of GB's financial viability and the potential need for policy/regulatory intervention. *Our detailed scope of work is presented in Appendix A1.*

- **Financial viability.** Is GB's domestic cement manufacturing projected to become financially unviable from around 2030, and to what extent is this outcome driven specifically by emissions costs within the NZ ETS?
- **Forecast reasonableness.** Are GB's model assumptions—including demand, pricing, energy and fuel costs, carbon prices, capital and operating requirements, and Return on invested capital (ROIC) thresholds, reasonable, evidence based, and consistent with market benchmarks for a publicly listed industrial business?
- **Impact of NZ ETS settings.** How do baselining on GB's own emissions performance, the legislated phase out of IA, and the removal of baseline reviews influence GB's financial trajectory relative to a fixed IA or alternative baseline counterfactual?

- **NZU stockpile dynamics.** What is the size and expected exhaustion date of GB's New Zealand Unit (NZU) stockpile (NZU Stockpile), how quickly is it being drawn down, and what are the financial implications once GB must purchase NZUs at market prices?
- **Cost pass through feasibility.** Is it reasonable to conclude that GB cannot pass through sufficient emissions costs to customers, considering domestic market structure, import competition, price setting dynamics, and relative carbon intensities?
- **Scale of intervention required.** What level of emissions cost recovery, or equivalent annual NZU allocation, would be required for GB to remain financially viable as IA phases out?
- **Timing and reversibility.** Is the proposed May 2026 decision point commercially realistic given the lead time needed to transition to an import only model, and how feasible would it be for GB to restart domestic manufacturing once closed?
- **Workforce profile.** What are the characteristics of GB's workforce (headcount, composition, unionisation, skills etc.) relevant to understanding transition impacts and operational feasibility?

There are no significant scope limitations, or areas of our scope which have not been completed.

Information sources & quality

Unless stated otherwise the source of all information in this report is management information in respect of GB. The information has been appropriate for us to perform our scope.

GB has provided two forecast scenarios, 'Do Nothing' and 'Invest'. For each, the modelled periods have extended to 2055, which reflects GB's long-term horizon in assessing capital planning and returns. On this basis we have also presented the financial information across this period.

Access to GB

We have had an appropriate level of access to relevant personnel within GB including s 9(2)(a)

Executive summary

Without changes to current New Zealand ETS settings, GB's domestic manufacturing is unlikely to remain financially viable, requiring a time critical assessment of alternative operating models

Executive summary

- GB, New Zealand's sole remaining domestic cement manufacturer, faces a material risk of financial unviability beyond 2030 under current NZ ETS settings. This review was commissioned to provide an objective assessment of GB's financial outlook, the key drivers of that outlook, and the decision path to consider alternative operating models, to inform potential ministerial decision making.
- The analysis set out in this report indicates that GB's domestic manufacturing operations are not financially viable under a "Do Nothing" scenario, which is presented as a theoretical counterfactual baseline rather than a viable strategic option for GB, even before the inclusion of carbon costs. While an "Invest" scenario, requiring significant capital investment to expand capacity and reduce clinker intensity, improves underlying operating performance, GB does not achieve its required ROIC once emissions costs are included. Emissions costs, rather than the underlying operating model, are therefore the binding constraint on financial viability.
- We consider GB's forecast assumptions provided to us to be reasonable, evidence based, and internally consistent, based on our independent review of model structure, benchmarks and supporting analysis. Assumptions relating to demand, pricing, energy inputs, carbon price trajectories, operating costs, and capital requirements are aligned with historical performance, observable market data, and independent benchmarks. While uncertainty is inherent over long time horizons, our review of model structure, sensitivities, and supporting analysis does not identify bias that would materially alter the conclusions on viability, as summarised in the executive pages that follow.
- The conclusion that GB does not meet its ROIC hurdle is robust to benchmarking methodology. Independent cross checks against international cement and industrial peers indicate that while FBL's s 9(2)(b)(ii) GB's forecast returns remain materially below comparable benchmarks once emissions costs are included. This reinforces the conclusion that the challenge is structural rather than methodological.
- A critical driver of this outcome is the exhaustion of GB's existing NZU stockpile. s 9(2)(b)(ii) which are forecast to be fully utilised by FY30 under all scenarios. Once used, GB must purchase NZUs at market prices, resulting in rapidly escalating cash costs, compounded by the legislated phase out of IA's.
- We also find that GB has limited ability to pass through emissions costs to customers. Despite holding a significant share of domestic supply, GB operates in a market effectively anchored to import parity pricing. Cement is globally traded, and imported product represents a credible and scalable alternative for New Zealand customers. Any material price increases to recover emissions costs would therefore likely drive substitution toward imports, particularly given the carbon-cost asymmetry between domestic production and imported cement.
- The feasibility of transitioning to an import only operating model is therefore central. Drawing on the precedent of Holcim New Zealand's exit from domestic manufacturing, management estimates that establishing import terminals and associated logistics would require approximately s 9(2)(b)(ii). Import infrastructure would need to be operational prior to domestic closure to ensure continuity of supply.
- The proposed May 2026 decision point is commercially realistic, though we cannot offer a robust view if this can be materially deferred. Closure of domestic manufacturing is effectively irreversible without substantial reinvestment, and prolonged uncertainty risks asset degradation and value erosion.
- Finally, GB's workforce profile is highly relevant to transition impacts and operational feasibility. The workforce is moderately sized s 9(2)(b)(ii) and concentrated in site specific manufacturing roles. A transition to an import only model would involve significant workforce dislocation, limited redeployment opportunities, and the need for careful industrial engagement, with associated cost, timing, and social implications requiring early and deliberate management.

Executive summary

GB's key assumptions have been anchored to appropriate benchmarks where available and appear reasonable

The table below summarises Deloitte's assessment of the key forecast assumptions that drive financial viability. Detailed analysis and sensitivities are provided on pages 7 and 11–20.

Topic	Assumption	Source	Deloitte view on reasonableness
Cement average selling price	Similar market conditions persist with broadly inflationary increases ^{§ 9(2)(b)(ii)}. No consideration of changes in global market conditions or overseas carbon regulations or taxes.	Inflation – within RBNZ target band	Reasonable to anchor prices to inflation. We have not been provided with or able to source other more appropriate sources
Sales volume	Increase by ^{§ 9(2)(b)(ii)}, assuming an economic recovery, before reverting to more 'normal' growth assumed in line with population growth. Expanded production capacity is not reached until ^{§ 9(2)(b)(ii)}.	Management assumption & industry standard approach to long term growth	Reasonable and consistent with industry-standard long-term demand forecasting approaches
Capital expenditure	Base capex reflects historical maintenance and renewal spend, inflation-adjusted. Above-base reflects planned investment in storage, processing, and dispatch infrastructure to support expanded operations.	Historical actual spend & engineer informed estimates for above base.	Reasonable given stage of expansion planning and consistency with historical renewal profiles.
Electricity prices	A blend of current hedge positions and electricity futures pricing – to FY29. Variable component of pricing held constant beyond FY29 with fixed component inflated.	Enerlytica / ASX futures for short term.	Reasonable as market-based view of future pricing, with no reputable publicly available long-term forecasts beyond FY29. Falls within the range of non-public sources post FY29.
NZU prices	Broadly aligns with 'auction floor' projection per Carbon News 10-year forward curve to 2035. Projection trajectory extrapolated beyond 2035.	Carbon News 10 year forward curve 'auction floor' projection	Reasonable as reputable 3rd party forecast and within the bounds of MfE NZU price projections.
Slag prices	Current prices inflation adjusted.	Current 3rd party invoice / terms + inflation	Reasonable as linked to market quote and no other public market benchmarks
Coal prices	Current prices inflation adjusted.	Current 3rd party invoice / terms + inflation.	Reasonable as objective and consistent with market benchmark. Within projection range of publicly available forecasts.
ROIC	Internal cement division return hurdle ^{§ 9(2)(b)(ii)}	Cement sector WACC (derived by 3rd party advisor) & Visible Alpha market benchmarks	Reasonable approach. Deloitte benchmarking suggests lower accounting-based outcomes, but not an inconsistent hurdle
Emissions & IA's	Emissions consistent with historical profiles. IA's in line with current regulatory setting. Assumed re-baselining in 2035.	Historical profile & current ETS regulation	Reasonable as consistent with history and current regulation, and largely mechanistic in nature. Deloitte correction made to IA's beyond 2040.

Sensitivity

GB's forecast returns are most sensitive to cement prices and carbon costs under the current regulatory setting

s 9(2)(b)(ii)

Capex sensitivity analysis does not consider subsequent depreciation impacts within NOPAT.

Sensitivities

- s 9(2)(b)(ii)
- The requirement to pay carbon costs once the stockpile of NZUs is exhausted in 2030 has a significant impact on ROIC, reflecting the structural exposure created by ETS design rather than uncertainty in the underlying carbon price or emissions assumptions. ROIC would increase s 9(2)(b)(ii) in a hypothetical no-carbon-cost case. Under current market settings, GB does not have pricing power, nor an ability to pass through costs to customers, carbon costs will need to be borne by GB and will directly impact ROIC.

- The forecast is less sensitive to other assumptions, including capex and energy inputs, consistent with Deloitte's assessment that these are not primary sources of forecast uncertainty.

Key findings

Key Findings

8

Appendices

23

Key findings | Financial viability

Under GB base case “Invest” scenario, financial viability is achieved only in the absence of carbon costs. The status quo ‘Do Nothing’ scenario is not seen as a viable alternative and GB is not financially viable under this scenario, even without carbon costs

s 9(2)(b)(ii)

Financial viability

Scope item: *Is GB’s domestic cement manufacturing projected to become financially unviable from around 2030, and to what extent is this outcome driven specifically by emissions costs within the NZ ETS?*

- FBL measures financial viability by comparing expected returns to an internal ROIC benchmark s 9(2)(b)(ii) (Hurdle Rate). Historical ROIC has been unaffected by the cost of carbon due to emissions costs being offset by industrial allowances and the related NZU stockpile, and reached s 9(2)(b)(ii).
- GB presented two scenarios. The first reflects the currently proposed expansion and investment in operational decarbonisation, s 9(2)(b)(ii) and the related re-baselining of allowances from 2035 (‘Invest’). This is the primary GB business case. The second has the business continuing under the status quo operational model and the current regulatory setting (‘Do Nothing’). GB have explained that this scenario represents a ‘counterfactual’ theoretical baseline for comparative analysis, and is not a viable strategic path for GB. This fixed reference point is used to isolate and measure the incremental costs and returns associated with the proposed investment option in the Invest scenario. For each scenario GB forecast cash flows including and excluding the cost of carbon, and both scenarios were modelled to 2055.
- The charts opposite illustrate the outcome under each scenario. Under both scenarios carbon purchases are not required until FY30, when the stockpile of units has been exhausted. The Do Nothing scenario ROIC remains below the s 9(2)(b)(ii) threshold excluding carbon purchases, and drops to a negative ROIC from FY45 with carbon costs included. As such, and consistent with GB’s positioning of the scenario, continuing with the status quo operational model does not appear to be a viable option on the basis of FBL’s Hurdle Rate.
- Under the Invest scenario the forecast ROIC shows an upward trajectory as production volumes increase towards the increased capacity levels, and carbon costs are shared over greater volumes as slag replaces clinker in the production process. The decrease in ROIC between s 9(2)(b)(ii) reflects the increase in invested capital following the plant investment. Under the ‘including carbon’ scenario carbon costs largely offset these gains as allowances decrease and re-baselining takes effect, and ROIC remains below the Hurdle Rate. When carbon costs are removed, both gains and ROIC increase steadily, with the Hurdle Rate achieved s 9(2)(b)(ii).

Key findings | Financial viability

Under the invest scenario assumed margin improvement is more than offset by carbon costs

s 9(2)(b)(ii)

Financial viability

- The table above illustrates the composition of revenue by cost type and net earnings (EBIT) under the Invest scenario. Comparable detailed information was not available for FY24, FY25, and for the Do Nothing scenario.
- The primary trend is for EBIT to peak at FY30 and then decrease as NZ units in GB's stockpile are fully utilised and Carbon costs begin, increasing relative to s 9(2)(b)(ii). This drives the ROIC profile observed on the previous page.
- Other cost drivers have less of an impact, with key trends including:
 - Other COGS and overheads** as a percentage of revenue gradually falls from s 9(2)(b)(ii) improving operating efficiency and strengthening margin resilience over time including the effect of fixed costs being spread across increased production volume.
 - Electricity** decreases as a proportion of revenue from s 9(2)(b)(ii) as the forward spot rate stabilises s 9(2)(b)(ii). There is a risk that actual prices exceed this level as hedging runs out over the forecast period.

- Slag:** The introduction of slag s 9(2)(b)(ii) increases total cement output without increasing clinker production, thereby diluting energy- and emission- intensive clinker costs across a greater production and revenue base, and resulting in electricity, coal, and thermal energy costs declining as a proportion of revenue over time.
- Carbon costs:** After NZU Stockpiles are exhausted in FY30, carbon costs represent an increasing proportion of revenue as IA rates decline and NZU prices are forecast to increase, s 9(2)(b)(ii).
- Coal & Other thermal energy costs** decrease on lower volumes with the introduction of slag. Further, the proportion of coal relative to other thermal energy costs reduces as coal use is partially replaced by alternative fuel sources.
- Further detail of the underlying forecast assumptions and the reasonableness of the forecast are presented on the following pages, and in Appendix A5.

Key findings | Forecast reasonableness

Sales volume assumptions reflect expected economic activity and plant capacity, and are in line with industry standard methodology

s 9(2)(b)(ii)

Forecast reasonableness

***Scope item:** Are GB's model assumptions—including demand, pricing, energy and fuel costs, carbon prices, capital and operating requirements, and ROIC thresholds, reasonable, evidence based, and consistent with market benchmarks for a publicly listed industrial business?*

- 1 **Sales volumes (Demand)** is driven by both capacity (constraints), economic activity, and the historical baseline. Sales volumes reflect production volumes with small allowances for inventory movements (i.e. no imported cement).
 - Under the Do Nothing scenario cement sales volumes are forecast to increase s 9(2)(b)(ii) and assuming an economic recovery, before reverting to more 'normal' levels subsequently, in line population growth. This approach is consistent with that taken by Concrete NZ in the 'Roadmap to 2050' report. Volumes are capped s 9(2)(b)(ii) as clinker production capacity is reached. We have illustrated the growth profile vs population growth forecasts published by Statistics NZ in Appendix A5.
 - Under the Invest scenario sales volumes are subject to the same (economic / market) growth assumptions, but are not capped by existing clinker or cement capacity as cement capacity is expanded and slag is imported and used in place of clinker for expansion volumes.
 - We consider this approach to sales-volume assumptions to be reasonable. The growth profile applies a clear and internally consistent methodology that differentiates between short-term cyclical recovery, medium-term demand growth aligned to underlying economic and population drivers, and longer-term constraints imposed by physical production capacity. The assumptions are consistent with historical demand patterns, industry practice for long-range forecasting in mature construction markets, and the external reference points cited by management.

Management has indicated that current macro conditions suggest a slower recovery than what is reflected in the forecast. However this hasn't been reflected in the modelled scenario and we note that in the executive summary we have indicated the impact on ROIC s 9(2)(b)(ii). Notwithstanding the above, Management anticipate long term volumes to reach a similar level to what is currently forecast.

Key findings | Forecast reasonableness

Cement pricing broadly reflects inflationary increases. No consideration has been made of changes in global market conditions or carbon regulations in other geographies

s 9(2)(b)(ii)

Forecast reasonableness

- 2 **NZ bulk cement pricing (or Average Selling Price (ASP))** assumes similar market conditions persist and applies broadly inflationary increases. Do Nothing increases ^{9(2)(b)(ii)} over the entire forecast period. No consideration has been made of changes in global market conditions including potential changes to carbon regulations or taxes in other geographies, and the impact this may have on New Zealand domestic prices. On this basis, the approach to ASP is considered reasonable and appropriately conservative, reflecting a transparent inflation-anchored methodology in the absence of reliable long-term third-party pricing forecasts. Given the material influence of pricing on financial outcomes, we have illustrated the sensitivity of ROIC to movements in ASP in the executive summary.

- 3 **Electricity prices:** reflect a blend of current hedge positions and electricity futures pricing (source: Enerlytica NZ Electricity Futures estimates, Otahuhu (North Island)). The FY26 forecast includes hedging ^{9(2)(b)(ii)} at an average ^{9(2)(b)(ii)}. After one of the hedges unwinds in FY26, remaining hedges average ^{9(2)(b)(ii)} for the remainder of the forecast and spot prices are forecast to revert ^{9(2)(b)(ii)} long term. The fixed component of electricity prices, additional to the above rates, increases ^{9(2)(b)(ii)}. From FY29 onwards, Do Nothing \$ /MWh is higher as fixed electricity costs are spread over a lower total MWh used. GB has also investigated long term Solar PPA options. As GB is a 24 hour operation, the solar profile does not match their load demand, meaning GB would still need to hedge for non-solar hours which GB believe is cost prohibitive.
 - Electricity pricing across FY27 and FY28 lacks alignment across Do Nothing and Invest scenarios, however, the discrepancy is immaterial in nature as evidenced in the previous sensitivity analysis.
 - Enerlytica is a reputable source, and ASX NZ electricity futures provide a reasonable and market-based foundation for electricity price assumptions through to FY29. Beyond this period, GB has held the variable component of electricity prices constant rather than applying further inflation. We have compared these prices against non-public sources including discussions with MBIE and confirmed these prices appear reasonable. Given both the inherent uncertainty in forward electricity pricing and the lack of publicly available benchmarks for the outer years, we consider the overall approach to be reasonable. The sensitivity of ROIC to electricity price movements is illustrated in the executive summary.

Key findings | Forecast reasonableness

Slag and coal pricing reflect current prices, inflation adjusted. Coal price forecasts to 2030 are in line with 3rd party forecasts

s 9(2)(b)(ii)

Forecast reasonableness

- 4 **Slag pricing** (Invest scenario only) is based on a long term expected price of s 9(2)(b)(ii) CFR shipping terms (supplier pays to port of delivery), inflation adjusted each period. GB have a quote from a reputable supplier for s 9(2)(b)(ii). Additional freight, handling and electricity in connection with slag have been forecast as part of the slag price presented in the table to the left. We are not aware of any objective market benchmark for slag prices in New Zealand. Management has supported its forecast with a recent third-party supplier quote, which we have evidenced, and applied an inflationary escalation consistent with the broader forecasting framework. In the absence of observable market benchmarks, this approach provides a transparent and defensible basis for the assumption and is considered reasonable.
- 5 **Coal prices:** are based on forecast USD/t (translated to NZD) plus shipping and cartage sourced based on current contracted rates. These prices are inflated in subsequent periods. This approach provides forecast prices that are within the bounds of KPMG's published Newcastle benchmark thermal coal price forecast for the period of to 2030. The graph opposite illustrates this relationship
 - The adopted approach of inflating current coal prices and sense-checking the resulting forecasts against parameters published by a reputable external source is consistent with our expectations and is considered reasonable. In the absence of further publicly available long-term forecasts relevant to this scenario, this methodology provides an appropriate basis for the assumption. Given the sensitivity of returns to coal prices, we have illustrated the impact on ROIC in the executive summary.

Key findings | Forecast reasonableness

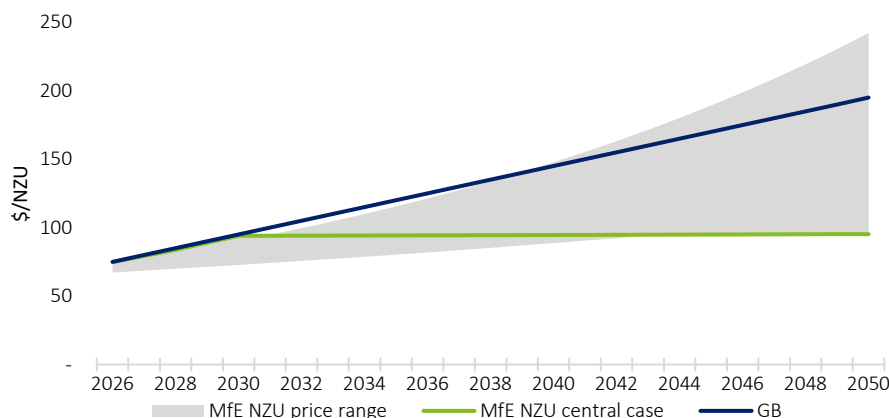
ETS pricing is based on the ten year forward curve to 2035 and is extrapolated in outer years. The forecast price is above the (inflation adjusted) MfE central case, but within the MfE forecast price range

Key forecast assumptions

NZ\$m	Actual		Forecast					
	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY55
Do Nothing Scenario								
NZU Price (\$/NZU)	n/a	n/a	75	80	85	90	95	220
Invest Scenario								
6 NZU Price (\$/NZU)	n/a	n/a	75	80	85	90	95	220
Variance								
NZU Price (\$/NZU)	n/a	n/a	-	-	-	-	-	-

Source: Management information

NZU price forecast



Forecast reasonableness

6 Carbon price assumptions are based on the 'auction floor' projection as published by Carbon News, using the ten-year forward curve through to 2035. Beyond 2035, the price trajectory has been extrapolated on a consistent basis, recognising the absence of reliable long-term market forecasts.

- MfE has developed an alternative view of future NZU prices, informed by assumptions around supply, demand, forestry participation and policy settings. The MfE forecast range and central case are presented alongside the GB forecast for comparison. The GB price path approximates the upper end of the MfE range through to FY45 and is lower thereafter, remaining within the bounds of the MfE forecast range across the projection period.
- In our view, the approach adopted by GB reflects a reasonable and transparent methodology for carbon price forecasting in an environment characterised by policy uncertainty and limited long-dated market signals. Given the materiality of carbon prices to GB's financial outcomes, the sensitivity of ROIC to alternative NZU price paths is illustrated elsewhere in this report.
- Further detail on emissions assumptions and cost structure is provided in Appendix A5.

Operating (cost) requirements (not shown in table): Operating cost assumptions are material but are not considered a key judgemental input for the purposes of this analysis. Cost trends are discussed in the financial viability section and Appendix A5, and largely reflect volume effects, energy inputs and emissions intensity, and the existing fixed cost (overhead) structure rather than discrete management judgement.

Key findings | Forecast reasonableness

Clinker production is the key driver of emissions and carbon costs, and cement emissions per tonne decrease as slag replaces clinker in the production process

s 9(2)(b)(ii)

Forecast reasonableness

- Emissions assumptions underpin GB's forecast carbon cost profile and are driven primarily by production technology, fuel mix and clinker substitution rather than discretionary management judgement. The assumptions reflect the interaction between clinker production volumes, emissions intensity per tonne, and the progressive introduction of supplementary cementitious materials (SCMs), principally slag.
- **Emissions intensity:** GB has modelled a reduction in clinker emissions intensity in the early forecast years, reflecting planned substitution of coal with alternative fuels and associated efficiency improvements in the kiln system. These changes reduce both process and energy-related emissions and are consistent with known decarbonisation pathways in cement manufacturing. Beyond this initial period, clinker emissions intensity is assumed to stabilise, reflecting the practical limits of further reductions without fundamental process change.
- **Clinker substitution and cement emissions:** Cement emissions intensity declines progressively across the forecast period as slag is introduced and the average clinker factor reduces. The use of slag allows greater cement output per tonne of clinker, diluting emissions across a larger production base. This results in cement emissions intensity declining further than clinker emissions intensity over time, consistent with the mechanical relationship between clinker content and embodied emissions.
- **Industrial allocation treatment:** GB's industrial allocation assumptions have been aligned to the current regulatory decline rates. A correction was made to the allocation profile beyond 2040 to reflect the legislated increase in the rate of phase-out; further detail is provided in Appendix A5.
- Taken together, the emissions assumptions applied by GB are considered reasonable. They are grounded in observable production mechanics, reflect incremental changes to fuel use and clinker substitution, and are internally consistent with capacity and investment assumptions under each scenario. While emissions outcomes influence carbon costs, they are not considered a primary source of forecast uncertainty relative to pricing, volume or carbon price assumptions.

Key findings | Forecast reasonableness

The Invest scenario capex to ^{s 9(2)(b)(ii)} includes ^{s 9(2)(b)(ii)} above base spend and exceeds the Do Nothing scenario by ^{s 9(2)(b)(ii)}. By 2055 capex in each of the scenarios is comparable as Do Nothing requires higher cyclical asset renewals

^{s 9(2)(b)(ii)}

Forecast reasonableness

Capex - Do-Nothing

- Capital expenditure (**Capex**) in Do Nothing is largely ongoing replacement and maintenance spend. This includes a noticeable spike every ^{s 9(2)(b)(ii)} reflecting major periodic renewal cycles for ageing plant and equipment.
- Outside of these spikes, base capex broadly increases in line with inflation.
- In the initial years **Above Base** spend relates to required overhaul and upgrades of plant in the near term required to continue production.

Capex - Invest

- Maintains the same underlying base replacement profile as the Base Scenario (excluding the five-year renewal spikes).
- Includes significant upfront above-base investment ^{s 9(2)(b)(ii)} to support the upgrade of storage and handling facilities for clinker and supplementary Cementous materials (**SCM's**), additional milling and testing capacity for SCMs, increased silo storage capacity, and dispatch facilities for finished products. GB have progressed past preliminary design and have entered the front-end engineering phase of the investment. GB has engaged cement industry expert consultants, local planners, civil / structural and electrical engineers, and completed initial RFQ's with equipment suppliers, processes which have all informed the estimates.
- ^{s 9(2)(b)(ii)}
- This upfront investment replaces a substantial portion of ageing equipment, reducing the renewal spikes seen in the Do Nothing scenario. Post-programme, capex stabilises to a steady-state profile.
- Overall, the capex forecasts appear have been built up on a reasonable basis: they align with historical spend, reflect asset condition and required investment, and are consistent with each operating scenario. While capex affects invested capital timing and levels, it is not a major driver of forecast uncertainty compared with pricing, volume, or carbon assumptions.

Key findings | Forecast reasonableness

FBL's internal Hurdle Rate for ROIC has been used to assess GB's financial feasibility. The Hurdle Rate is consistent with an internal WACC assessment and ROIC market comparables sourced by GB

s 9(2)(ba)(i)

- Forward looking analysis indicates that under a “Do Nothing” scenario, ROIC remains below the s 9(2)(b)(i) hurdle even excluding carbon costs and deteriorates further once carbon costs are incurred.

• s 9(2)(b)(ii)

•

•

- Visible Alpha and Capital IQ report different ROIC figures because they use different methodologies. Visible Alpha provides an economic, forward-looking ROIC based on normalised sell-side analyst models that adjust earnings to reflect sustainable returns. Capital IQ instead calculates ROIC mechanically from reported financial statements using standard accounting definitions, including book-value goodwill and other legacy assets. Consequently, Visible Alpha reflects expected economic performance, while Capital IQ provides a backward-looking accounting measure of historic returns. We have not attempted to further reconcile ROIC outcomes between the two approaches.

• s 9(2)(b)(ii)

s 9(2)(b)(ii)

We

understand that these outcomes were not materially affected by carbon costs due to industrial allocation and the use of a pre-existing NZU stockpile.

Key findings | NZU stockpile dynamics

GB's current NZU stockpile reflects historical IA's exceeding emissions, less NZU's sold. Under each scenario the stockpile will be exhausted by FY30

s 9(2)(b)(ii)

NZU stockpile dynamics

Scope item: What is the size and expected exhaustion date of GB's NZU stockpile, how quickly is it being drawn down, and what are the financial implications once GB must purchase NZUs at market prices?

- As GB's historical emissions have been below the level of industrial allocation it has accrued a NZU stockpile.
- A portion of these surplus units have been sold, so that the remaining units are not fully representative of the benefit gained.
- s 9(2)(b)(ii)
- s 9(2)(b)(ii)
- Under each scenario the stockpile will be exhausted by FY30, reflecting the reduction in IA's versus a relatively stable (but decreasing) level of emissions. As such, GB will be required to purchase NZU's to meet ETS obligations from FY30 onwards.
- As clinker production stabilises in both scenarios, the underlying emissions pathway becomes similar, leading to a largely aligned carbon profile across the Do Nothing and Invest cases as IA assistance rates phase out.
- s 9(2)(b)(ii)

Key findings | Impact of NZ ETS settings

The reduction in IA appears to be the primary driver of GB's increased carbon costs. Holding IA's at an **s 9(2)(b)(ii)** (vs 84.5% currently) allows GB to achieve its Hurdle Rate, all else equal

s 9(2)(b)(ii)

Impact of NZ ETS settings

Scope item: How do baselining on GB's own emissions performance, the legislated phase out of Industrial Allocation (IA), and the removal of baseline reviews influence GB's financial trajectory relative to a fixed IA or alternative baseline counterfactual? What level of emissions cost recovery, or equivalent annual NZU allocation, would be required for GB to remain financially viable as IA phases out?

- To illustrate the impact of various ETS settings we have developed the following scenarios, with the impact on ROIC vs the Invest case and the Do Nothing case illustrated in the graphs:
 - No re-baselining:** No change to allocative baseline. As no re-baselining is assumed in the 'Do Nothing' scenario, this is only relevant for 'Invest'. The impact is seen from 2035, but is muted as emissions improvements have been made only in relation to fuel and not clinker process. ROIC under each scenario remains below the Hurdle Rate.
 - Fixed IA:** holds the IA at 84.5%, consistent with the FY26 IA. Under the Do Nothing scenario, ROIC remains below the Hurdle Rate. In the Invest scenario the ROIC exceeds **s 9(2)(b)(ii)** from FY41 onwards.
 - s 9(2)(b)(ii)**

IA' scenario should be interpreted as a theoretical, mathematical analysis designed to isolate the scale of industrial allocation support required for GB to achieve its ROIC hurdle, with all other assumptions held constant. Importantly, this scenario does not resolve the underlying carbon-cost asymmetry faced by domestic manufacturers: even under the 'Financial Viability IA' construct, GB continues to incur material residual carbon cash costs **s 9(2)(b)(ii)**

by FY55) that would not be borne by cement importers. Given the conclusion that GB has limited ability to pass through emissions costs in a market anchored to import-parity pricing, these costs would be expected to be absorbed in GB's cost base, sustaining a structural competitiveness disadvantage.

Key findings | Impact of NZ ETS settings

Under the MfE central case NZU price path, the Hurdle Rate of $\$9(2)(b)(ii)$ would not be achieved until $\$9(2)(b)(ii)$

$\$9(2)(b)(ii)$

Impact of NZ ETS settings

- Alternate ETS settings scenarios (cntd):
 - NZU price path:** To test MfE's alternative NZU price path, we have modelled the impact on ROIC in the Invest case adopting the MfE range and central case, which is presented in the chart opposite compared against the GB Invest scenario. This shows that regardless of the price path for carbon, that ROIC even under the lower NZU price path would be below the Hurdle Rate for circa $\$9(2)(b)(ii)$. Note that this scenario adjusts for the correct IA% post-2040. The carbon costs incurred by GB under this scenario would $\$9(2)(b)(ii)$. These costs apply only to domestic manufacturers and do not affect importers.

Key findings | Cost pass-through feasibility

Due to the commodity nature of cement, and the viable and scalable import alternative for customers, GB's cement pricing is constrained by the 'imported tonne' or the global price plus distribution

Cost pass-through feasibility

Scope item: *Is it reasonable to conclude that GB cannot pass through sufficient emissions costs to customers, considering domestic market structure, competition, price setting dynamics, and relative carbon intensities?*

- Our assessment as summarised below is based on first principles and publicly observable market behaviour, international cement trade dynamics, and acknowledged carbon leakage risks under New Zealand's ETS framework. We have not undertaken detailed market analysis.
- GB has stated that it cannot pass through sufficient emissions costs to customers, notwithstanding it represents c.60% share of domestic cement supply. The New Zealand cement market does not operate as a conventional dominant producer market. In practice, achievable pricing is constrained by import parity, reflecting the presence of a credible and scalable imported supply alternative.
- Cement is a globally traded, relatively homogeneous commodity, with suppliers able to access surplus offshore production capacity. Following Holcim's exit from domestic manufacturing in 2016, the New Zealand market has been served by an efficient import only model, sourcing bulk cement from large scale offshore producers. Import terminals in Auckland and Timaru enable national distribution and, once established, allow material scaling of supply without the need for capital intensive kiln investment. Publicly available information does not indicate binding volume constraints at these terminals, meaning the barriers to expanding imported supply are materially lower than those associated with domestic clinker production.
- As a result, imported cement represents a credible outside option for domestic suppliers. Were GB to increase prices materially above landed import parity, customers could substitute toward imported supply. This dynamic effectively caps GB's achievable pricing at or near import parity, such that the market behaves as if GB is a constrained price taker despite its high market share.

- This pricing constraint is exacerbated by a carbon cost asymmetry. Imported cement does not face an equivalent emissions cost upon entry to New Zealand, and exporters in some jurisdictions face limited or rebated carbon pricing in their home markets. Any attempt by GB to recover NZU procurement costs through higher wholesale pricing would therefore widen the price differential relative to imports.
- While GB has positioned its Ecosure product as New Zealand's lowest carbon cement (c.20–25% below benchmarks), **s 9(2)(b)(ii)** where the cost of concrete must remain competitive with alternative building materials, further limiting emissions cost pass through.

Key findings | Timing and reversibility & workforce profile

Available evidence suggests that both the import-only transition and the Invest case require multi-year lead times, informing the relevance of the proposed May 2026 decision point

Timing and reversibility

Scope item: *Is the proposed May 2026 decision point commercially realistic given the lead time needed to transition to an import only model, and how feasible would it be for GB to restart domestic manufacturing once closed?*

- In assessing the reasonableness of FBL's need to determine the operating future of GB by May 2026, the precedent of Holcim New Zealand's exit from domestic cement manufacturing provides a relevant benchmark.
- Publicly available information indicates that Holcim announced the closure of its Westport cement works in 2013, with domestic manufacturing ceasing mid-2016. This transition required the design, consenting and construction of bulk cement import terminals in Auckland and Timaru, involving capital investment of approximately NZ\$100m and an execution period of around three years. Import infrastructure was commissioned ahead of the withdrawal of domestic production, ensuring continuity of supply.
- Management of GB has indicated that a comparable transition today would require s 9(2)(b)(ii) to establish import facilities and logistics, alongside a managed wind-down of Portland operations. Management also notes that similarly long lead times apply to the decarbonisation 'Invest case', and that delaying decisions significantly increases the risk of entering the late 2020s without viable import infrastructure or adequate carbon mitigation. This is reflected in the modelled scenario, which s 9(2)(b)(ii).
- Management also advises that while mothballing is technically possible, prolonged uncertainty makes it uneconomic, with assets deteriorating rapidly once not actively maintained. The observations above confirm that GB will require lead time to implement investment decisions / close the GB plant. We cannot comment with certainty if it is reasonable for GB to defer the decisions, though note that the current plant has a ROIC already below FBL's intended target.

Workforce profile

Scope item: *What are the characteristics of GB's workforce (headcount, composition, unionisation, skills etc.) relevant to understanding transition impacts and operational feasibility?*

- Based on the workforce data provided, GB's workforce is moderate in size (160 employees), s 9(2)(b)(ii), s 9(2)(j), and strongly oriented toward domestic cement manufacturing operations, which is highly relevant when assessing transition impacts to an import-only model.
- The workforce s 9(2)(b)(ii), s 9(2)(j) and concentrated in operational, shift-based roles such as kiln, process, cement and raw materials patrollers, testers, quarry operators, electricians and maintenance technicians. These roles reflect deep, site-specific technical and process skills tied to continuous clinker and cement production rather than import terminal or distribution activities.
- Northland operations are particularly labour-intensive, with a material reliance on contractors (maintenance and cartage), taking the estimated total workforce exposure to ~380 FTE equivalents when contractors are included.
- From a transition perspective, this profile implies significant workforce dislocation risk. Many core production skills are unlikely to be able to be directly redeployed in an import model, which would typically require fewer operational staff and more logistics, storage, quality and distribution capabilities. s 9(2)(b)(ii), s 9(2)(j) that restructuring, redundancies and redeployment w require careful industrial engagement, extended consultation, and potentially higher transition costs, all of which are central to assessing operational feasibility.
- Additionally, location is a critical transition consideration. The current workforce is concentrated around the Northland manufacturing site, whereas an import model would likely require coastal port-based terminals, potentially in different regions. This creates heightened redundancy, relocation and community impact risks, with limited redeployment feasibility for site-bound operational staff.



Appendices

Key Findings

8

Appendices

23



Appendices | A1: Scope

Scope of review

Scope

1. Financial viability and economic returns assessment

- Review GB's forecast financial performance and position including understanding modelling methodology and key assumptions and drivers, validating these assumptions and drivers (as feasible) with reference to historical references, market / public information, or other known factors. Comment on GB's assertion of financial unviability from 2030.
- Analyse GB's ROIC by comparing to FBL's internal hurdle rates, and public information including domestic cost of capital benchmarks, and listed international cement peers.

2. NZU position and emission cost analysis

- Understand GB's current level of NZU inventory and assumptions relating to the forecast profile of that inventory including forecast emissions and industrial allowances and emissions costs. Validate assumptions with reference to historical datapoints and the current regulatory regime.
- Quantify the financial impact of future ETS obligations, and the extent this contributes to the forecast financial unviability of GB. Estimate the additional NZUs required to maintain domestic production viability, or for GB to achieve sustainable returns.

3. Policy settings and structural drivers

- Analyse the impact of regulatory and market factors on GB's financial performance and position, including GB's industrial allocations profile against historic emissions or fixed IA levels, the potential removal of allocative baselines, and the impact of other market factors including electricity fuel costs, construction sector demand trends, and competitor activity.

4. Market dynamics and pricing considerations

- Using market (share) and product information provided by GB, analyse GB's ability to pass emissions-related costs to customers by considering GB's market share, product differentiation, and ability to price set in the domestic cement market.

5. Timeframes and operational flexibility

- Using publicly available information relating to relevant precedents (e.g., Holcim NZ's exit from domestic manufacturing in 2016), and information provided by GB, assess the reasonableness of FBL's claimed need to decide on the operating future of GB by May 2026. To the extent information is available, consider lead times required to wind down domestic operations, capital and logistics timelines for establishing import facilities, and the feasibility and cost of recommissioning domestic operations once closed.

6. Workforce analysis

- Using data provided by FBL/GB, analyse the characteristics of the Whangārei workforce, including total headcount, breakdown of headcount by type (full-time, part-time, temporary, and contract), unionisation levels and collective agreements, skill profiles and critical roles, and workforce demographics.



Appendices | A2: Bases of work

Bases of work

This should be read in conjunction with the transmittal letter at the front of this report.

Introduction

- The scope of our work is set out in our proposal dated 12 February 2026, which is replicated as A1 of this report.
- Our work, which is summarised in this report, has been limited to matters which we have identified that would appear to us to be of significance within the context of that scope.
- Our Services do not constitute an assurance engagement in accordance with New Zealand standards for assurance engagements, nor do they represent any form of audit under New Zealand standards on auditing (International Standards on Auditing (New Zealand)), and consequently, no assurance conclusion nor audit opinion is provided, including for example, whether you should proceed with the Proposed Transaction. We do not warrant that our enquiries will identify or reveal any matter which an assurance engagement or audit might disclose.

Places visited and sources of information

- Unless stated otherwise the source of all information in this report is management information in respect of GB.
- We have held discussions and obtained information from the following sources:
 - GB Management

s 9(2)(a)

- MfE.
- The dataroom (a shared OneDrive site for file sharing)
- Data in the public domain

Pro forma EBIT

- There is no definitive or authoritative literature or common standard with respect to the calculation of pro forma EBIT. Therefore there is no basis to state whether all appropriate and comparable adjustments have been made. In addition, while the identified adjustments may indeed be unusual or infrequently occurring, it is possible that there may have been other items not included in the calculation, and it is possible that future periods may also include such items, although they would be different from the historical items.
- As a result you should note that pro forma EBIT within our report may not represent EBIT that will be achieved in the future.

Prospective financial information (“PFI”, being any financial information about the future)

- Where our work relates to PFI, we will have commented on the bases and assumptions underlying the PFI provided to us as contemplated in the Scope but accept no responsibility for the PFI or for the ultimate realisation of the PFI. Such bases and assumptions will have been determined by, and are the sole responsibility of, the senior management, directors, or prospective directors or such other persons who prepared such PFI.
- All PFI relates to the future and involves estimates, assumptions and uncertainties. PFI is based on information available at the time of its preparation. Accordingly, the PFI will not include unanticipated events after the date on which it was prepared, including, but not limited to, changes in law and regulations, changes in government policies and changes in accounting standards. The attainment of the predicted results depends upon successful implementation of the underlying strategies by management and the realisation of the underlying assumptions, including any operational improvements.
- Events and circumstances frequently do not occur as expected and actual results are likely to be affected by events beyond the control of management resulting in differences between the predicted and the actual results. Such differences are normal and may be material.



Appendices | A3: Summary income statement

Do Nothing summary income statement

s 9(2)(b)(ii)



Appendices | A3: Summary income statement

Invest summary income statement

s 9(2)(b)(ii)



Appendices | A4: Invested capital and ROIC

Invested capital and ROIC

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Average selling price and demand profile

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Detailed cost of sales: Invest

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Detailed manufacturing costs: Invest

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Detailed manufacturing costs: Invest

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Electricity price detail: Invest

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Slag price detail: Invest

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Coal price detail: Invest

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

s 9(2)(b)(ii)



Appendices | A5: Forecast reasonableness

Product inputs and emissions profile

s 9(2)(b)(ii)



Appendices | A6: ROIC

CapIQ derived ROIC

s 9(2)(ba)(i)



Appendices | A6: ROIC

Visible Alpha vs. CapIQ ROIC

s 9(2)(ba)(i)



Appendices | A7: Transition

Import facility timeline

s 9(2)(b)(ii)



Appendices | A8: Employee demographics

GB Northland workforce demographics

s 9(2)(b)(ii)



Appendices | A8: Employee demographics

GB Northland workforce demographics

s 9(2)(b)(ii)





Appendices | A9: Glossary

Glossary of terms

AoG	All of Government	Model	Open workbook review
ASP	Average selling price	NOPAT	Net operating profit after tax
CAGR	Compound annual growth rate	NZ ETS	New Zealand emissions trading scheme
CapIQ	S&P capital IQ	NZU	New Zealand unit
CFR	Cost and freight	PFI	Prospective financial information
COGS	Cost of goods sold	COGS	Cost of goods sold
CSO	Customised average rate loan	ROIC	Return on invested capital
EBIT	Earnings before interest and tax	ROU	Right of use
FBL	Fletcher Building Limited	SCM	Supplementary cementitious materials
Forecast period	FY26 to FY55	Visible Alpha	S&P Global financial analytics platform
FTE	Full-time equivalent	WACC	Weighted Average Cost of Capital
FY	Financial year		
GB	Golden Bay Cement		
Historical period	FY24 to FY25		
IA	Industrial allocation		
KPI	Key performance indicator		
Management	Management team if Golden Bay Cement		
MfE	Ministry for the Environment		

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides leading professional services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets and enable clients to transform and thrive. Building on its 180-year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 460,000 people worldwide make an impact that matters at www.deloitte.com.

Deloitte New Zealand brings together more than 1900 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Tauranga, Hamilton, Rotorua, Wellington, Christchurch, Queenstown and Dunedin, serving clients that range from New Zealand’s largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz.

This communication contains general information only, and none of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms or their related entities (collectively, the “Deloitte organisation”) is, by means of this communication, rendering professional advice or services. Before making any decision or taking any action that may affect your finances or your business, you should consult a qualified professional adviser.

No representations, warranties or undertakings (express or implied) are given as to the accuracy or completeness of the information in this communication, and none of DTTL, its member firms, related entities, employees or agents shall be liable or responsible for any loss or damage whatsoever arising directly or indirectly in connection with any person relying on this communication. DTTL and each of its member firms, and their related entities, are legally separate and independent entities.

JOINT BRIEFING

Options for managing the potential closure of Golden Bay Cement's Whangārei site

Date:	17 March 2026	Priority:	High
Security classification:		Tracking number:	26-BRF-00311
			BRIEFING-REQ-0029518

	Action sought	Response by
Hon Simon Watts, Hon Shane Jones Minister of Climate Change, Minister for Regional Development	Make decisions on whether to seek a Cabinet mandate to enter into negotiations with FBL and GB to determine the scale of intervention required and the most suitable policy option for support. Refer this briefing and relevant appendices to Hon Willis and Hon Simmonds and discuss if required.	20 March 2026
Hon Nicola Willis, Hon Penny Simmonds Minister for Economic Growth, Finance Minister for the Environment	Copy for your information	N/A

Action for Minister's Office staff

Return signed briefing to officials at MfE and MBIE

Appendices and attachments

Appendix 1: Draft Budget 2026 letter

Appendix 2: Overview ETS and Industrial allocation

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Kirsty Flannagan	General Manager (MfE)		
Jane White	Chief Advisor (MfE)		✓

Anna Clark	Dep Sec (MBIE)		
James Soligo	Policy Director (MBIE)		✓

The following departments/agencies have been consulted
MFAT, TSY, MFE (Waste and Investments), MSD

- Minister's office to complete:
- ☐ Noted

☐ Overtaken by Events

☐ Approved

☐ Needs change

☐ See Minister's Notes

☐ Declined

☐ Seen

☐ Withdrawn

Minister's Comments

JOINT BRIEFING

Options for managing the potential closure of Golden Bay Cement's Whangārei site

Date:	17 March 2026	Priority:	High
Security classification:		Tracking number:	26-BRF-00311

Purpose

1. This briefing seeks ministerial decisions on whether to enter negotiations with Fletcher Building Limited (FBL) to determine the scale of support required to keep Golden Bay Cement's domestic manufacturing plant in Whangārei operating.

Key points

2. In January, FBL separately informed Minister Watts and Minister Jones that its Board will determine in May whether to continue investing in domestic cement production at the Golden Bay (GB) facility or transition to an import-based model. FBL indicated that rising carbon costs—costs not incurred by their competitors—will render the GB plant economically unsustainable from 2030 onwards, once its stock of NZ ETS units has been depleted.
3. At Minister Watts' request, FBL agreed to open its books for review. Deloitte undertook the review and found that:
 - Even with investment in decarbonisation and plant expansion, increasing carbon costs mean GB cannot meet its target return on invested capital (ROIC). Carbon costs are forecast to increase s 9(2)(b)(ii)
 - The increase in carbon costs is driven by the declining rate of industrial allocation (IA) and the exhaustion of the company's existing NZ ETS unit stockpile from 2030.
4. The open book review has confirmed that without government intervention, the FBL Board will likely decide to close GB's domestic manufacturing plant and switch to an import model. Ministers need to decide whether to intervene or not.
5. In deciding whether to intervene, several factors need to be weighed up and require judgement:

Table 1: Pros and cons of government intervention to support GB

Reasons to intervene	Reasons not to intervene
Supports domestic manufacturing of cement – reducing security of supply concerns.	The risk of a major supply disruption is relatively low, as cement and clinker are widely traded commodities and suppliers have incentives to manage supply chain risks. Although the current geopolitical situation highlights the risks of import reliance, it has not yet significantly disrupted Asian shipping routes used for New Zealand's current cement imports and GB would not be shutting down its domestic operations until 2030.
Avoids loss of up to 160 jobs directly employed in cement production.	May delay labour reallocation – preserving existing jobs may slow the reallocation of labour toward more productive and lower-emissions activities.
Makes allowance for emissions from industrial processes for which no technological abatement solutions exist.	Undermines the purpose of the ETS to incentivise emissions reductions with a market-based tool. Depending on the method of intervention, s 9(2)(g) (i)
Help to level the playing field with importers.	s 9(2)(h)
Precedent risk is moderate given other actions taken already for other major industrial allocation users.	Creates a residual precedent risk, and the fiscal cost could be significantly larger than previous actions taken.
Avoids emissions leakage and an estimated increase in global emissions of 4 Mt over 2030 to 2050.	The potential to reduce the projected shortfall to meeting EB3 by around 3 Mt if ETS settings are adjusted to account for GB's closure.
May reduce downstream policy impacts – maintaining domestic production could limit disruption to linked regulatory schemes, including Tyrewise.	Additional policy development and Government investment could be provided to mitigate impacts of GB's closure on the Tyrewise scheme, although investment in GB is likely to be very costly.

6. Recent events in the Middle East have brought into focus the economic security risks of reliance on imported inputs, and the risk-mitigation value of some domestic production capacity. Against this backdrop, there may be merit in engaging with GB to test whether any mutually acceptable options exist.

7. It is uncertain what level of support would be required to enable GB to continue its domestic operations, s 9(2)(b)(ii). From a no regrets perspective, officials recommend seeking a Cabinet mandate to enter into negotiations with FBL and GB to better understand the level of support needed. Ministers can then make a decision about whether to intervene and the appropriate option for doing so.

8. s 9(2)(j)

9. Once we understand the scale of intervention required, **the government may decide the price is too high and choose not to intervene**. If it wants to intervene, the most appropriate option can then be determined. The **government could directly fund GB**, or it could consider the following **ETS-related options**:

Table 2: ETS-related options

ETS-related options	Implications to consider
Reduce industrial allocation (IA) phase-out rates to the minimum required under the current CCRA framework¹	Would require a recommendation from the Climate Change Commission (CCC) that there is an ongoing and substantial risk of emissions leakage. There is no assurance the CCC would recommend this, and it may not provide sufficient certainty for FBL Board decision-making. An additional allocation of NZ ETS units may also be needed in addition to the lower phase out rate to reach an agreed ROIC.
Amend the CCRA to allow further reductions in IA phase-out rates if specific criteria are met	Would require legislative change and careful policy design to define criteria (e.g. emissions leakage risk, hard to abate emissions). Could provide greater certainty, but risks signalling a weakening of ETS settings. Officials could provide further advice on design and legislative vehicle if Ministers are interested.
Provide an ETS exemption for GB's hard-to-abate process emissions under s60 of the CCRA	This is FBL's preferred option. s 9(2)(h) [REDACTED] [REDACTED] [REDACTED] [REDACTED] May raise precedent and integrity risks for the scheme.

10. s 9(2)(j) [REDACTED]
[REDACTED]
[REDACTED], s 9(2)(b)(ii)
[REDACTED]. This is based on relatively low-emissions price assumptions used in official emissions projections. s 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED] s 9(2)(b)(ii)
[REDACTED]. A letter to the Minister of Finance is attached, requesting approval to submit a late budget initiative for a tagged contingency to support the negotiations.
11. Any support provided would need carefully crafted conditions including a commitment by GB to continue operating domestically, to invest in decarbonisation and firm expansion and not to stockpile any units received. It would also need a contractual commitment to support over the long term to provide the certainty GB needs.
12. Before making decisions, we recommend you consult with the Minister for Economic Growth and Finance, and the Minister for the Environment.

¹ From 1% from 2031 to 2040 and 2% from 2041 to 2050 (instead of the current 2% and 3% rates)

Recommended action

The Ministry for the Environment and the Ministry for Business, Innovation and Employment recommends that you:

1. **Note** Deloitte has completed an open book review and confirmed that without government intervention the FBL Board will likely decide to close GB's domestic manufacturing plant and switch to an import model. *Noted*
2. **Note** that officials have identified potential options to support Golden Bay [refer para 6] but it is unclear what scale of support would be sufficient for Golden Bay to continue its domestic operations, and this would need to be surfaced through iterative negotiations. *Noted*
3. **Agree to EITHER:**
 - a. Not intervene to support Golden Bay's domestic operations *Agree / Disagree*
 - OR**
 - b. Agree to seek a Cabinet mandate to enter into negotiations with FBL and GB to determine the scale of intervention required and most suitable policy option, before returning to Cabinet to decide whether to intervene (**recommended**). *Agree / Disagree*
4. **Agree** to send the attached letter to the Minister of Finance seeking approval to submit a late budget initiative for a tagged contingency to support negotiations. *Agree / Disagree*
5. **Agree** any decision to support Golden Bay would need associated conditions attached, including a commitment by GB to continue operating domestically, to invest an agreed amount in decarbonisation and firm expansion and s 9(2)(j) *Agree / Disagree*
6. **Agree** to discuss this briefing with the Minister for Economic Growth and Finance, and the Minister for the Environment. *Agree / Disagree*

s 9(2)(a)

Kirsty Flannagan
General Manager
Markets, Ministry for the Environment
17/03/2026

Hon Watts
Minister of Climate Change

___ / ___ / 2026

s 9(2)(a)

Anna Clark
Acting Deputy Secretary
Labour, Science and Enterprise, MBIE
17/03/2026

Hon Jones
Minister of Regional Development

___ / ___ / 2026

Background

13. Fletcher Building Limited (FBL) has advised that rising carbon costs—costs not incurred by its competitors²—will render the GB plant economically unsustainable from 2030 onwards, once its stockpile of NZ ETS units (NZUs) has been depleted. In May 2026, the Board will decide whether to switch to an import-only model from 2030.
14. Cement production generates significant, hard-to-abate emissions and faces trade exposure.³ About 65% of GB's emissions come from the clinker chemical process.⁴ FBL is concerned about phasing out free NZUs under industrial allocation (IA) and ensuring fair competition with cement importers. The Government's Climate Change Response Bill may address some issues related to changing allocative baselines for IA, but concerns about an uneven playing field and the phase-out of IA persist.
15. Advice on policy pathways for supporting GB was provided to the Minister of Climate Change in November 2025 [BRF-7119 refers], alongside the findings of a border carbon adjustment (BCA) feasibility study [BRF-7080 refers]. The Minister decided not to undertake further policy work on a BCA s 9(2)(f)(iv)
[REDACTED]
16. The Minister of Climate Change met with FBL in January 2026 and directed officials to undertake an open book review of GB's financial position. The Minister of Regional Development Jones also met with FBL and wrote to Ministers of Finance and Economic Growth, Infrastructure and Climate Change on 28 January requesting consideration of support for GB to continue domestic manufacturing.

The open book process has confirmed GB's financial position

17. Following a review of GB's financial accounts and projections, Deloitte has advised that:
 - FBL measures financial viability against a hurdle rate of return on invested capital (ROIC) of s 9(2)(b)(iii) Deloitte considers this is reasonable for the cement industry.
 - s 9(2)(b)(ii)
[REDACTED].
 - Due to the commodity nature of cement and the viable and scalable import alternative for customers, GB's cement pricing is constrained by the import price, s 9(2)(b)(ii)
[REDACTED]

² Japan, which is a major source of imports, has proposed to introduce an emissions trading scheme from 2027 which could lead to a price increase for its cement, this could see prices rise for imports to New Zealand or a shift away from Japan as an import market.

³ 'Hard to abate emissions' refer to greenhouse gas emissions that arise unavoidably from the chemistry or physics of an industrial process, rather than from the fuel or energy used to run it, and for which there are currently limited, costly, or immature options to eliminate them completely.

⁴ A key component of Portland cement is clinker. To make clinker, limestone needs to be burnt at high temperatures (referred to as 'calcination'), resulting in release of carbon dioxide. This is the 'hard to abate' aspect of cement production.

- Even with investment in decarbonisation and plant expansion, increasing carbon costs mean GB cannot meet its target return on invested capital (ROIC). s 9(2)(b)(ii)
 - The increase in carbon costs is driven by the declining rate of industrial allocation (IA) and the exhaustion of the company's existing NZ ETS unit stockpile from 2030.
 - To meet the hurdle rate of return, GB would need to invest in efficiency improved capital **AND** government would need to intervene in some way to reduce the firm's ETS related costs.
18. Deloitte's findings confirm that without government intervention, the FBL Board would most likely decide to close its GB plant and switch to an import-only model.

Impacts of GB ending domestic manufacturing and shifting to an import-only model

19. Table 1 in the key messages provides a summary of the reasons to intervene or not intervene in the potential closure of GB. The section provides more detail on the economic, environmental and fiscal impacts of closure.

Economic and regional employment impacts

20. **GB is a significant regional employer:** Golden Bay Cement employs ~160 staff directly (around 1.3% of the Whangārei workforce) and a further ~220 workers indirectly through contractors, mainly in maintenance and transport.
21. **Maintaining domestic production requires significant investment:** GB has indicated that maintaining production would require capital investment s 9(2)(b)(ii). Most of this investment would be undertaken at the Whangārei site, providing a temporary boost to the regional economy during construction.
22. **Move to an import-only model would reduce jobs and move investment out of the region:** Moving to an import-only model would materially reduce on-site production roles and flow-on employment, with impacts extending to local suppliers, contractors, and service businesses. s 9(2)(b)(ii)
23. **Local impacts outweigh national impacts:** National economic effects of moving to an import only model are expected to be minor, but regional impacts would be concentrated and more significant. Officials consider the regional impacts to be manageable give the size and relative diversity of Whangārei. National supply chain risks are discussed below.

24. **Mixed skill transferability:** s 9(2)(b)(ii)
 [REDACTED] Other maintenance and skilled labour roles (e.g. electricians, technicians) have more transferable skills, across manufacturing, infrastructure, energy, and other resource-based industries.
25. **Job losses now would land in a tight labour market:** Whangārei's unemployment rate is currently low (4.1%), but the region has historically higher unemployment and higher deprivation index than the national average, increasing the risk of adverse social impacts. The Government is investing heavily in Northland via the Regional Infrastructure Fund (RIF) and the Northland Corridor, which may generate employment opportunities for displaced workers. The extent to which labour demand generated from these projects will align in timing, location and skill requirements with workers displaced from cement manufacturing is uncertain. s 9(2)(b)(ii)
 [REDACTED] may reduce willingness or ability to relocate to employment opportunities outside the region, intensifying social impacts.

Supply chain impacts

26. Full reliance on imports would increase New Zealand's exposure to global shipping routes and associated price volatility relative to the status quo. As cement is a key input into construction with limited substitutes, a supply chain disruption could have significant consequences for construction activity.
27. GB and HR Cement supply approximately 60% of the cement used in New Zealand. Around 40% of cement is imported primarily by Holcim NZ and a small amount s 9(2)(b)(ii), s 9(2)(i)
 [REDACTED]
 [REDACTED]
28. s 9(2)(j), s 9(2)(ba)(i)
 [REDACTED]
 [REDACTED]
29. Minor disruptions in cement trade such as shipping delays, port delays, or peaks in global demand typically add cost and time but are expected to be managed by the market under an import-only model. A major disruption would most likely arise from a significant international shipping or supply chain shock, such as a major natural disaster or international conflict, with impacts extending well beyond the construction sector.
30. Although the impacts of the current Middle East crisis are still emerging, disruption to cement supply would likely be limited under an import-only model at this stage. This is because the conflict has not yet materially affected shipping from Asia. If the conflict escalates or becomes protracted, resulting in a major shipping disruption then the supply of cement would be limited to any domestic inventory (which would be available until 2030 even if FBL decides to close its domestic operations).
31. MBIE considers the risk of a major supply disruption under an import only model to be relatively low, as cement and clinker are widely traded with a diverse range of exporting countries. The private sector also has incentives to hold some inventory, although storage is limited by shelf life and handling requirements.

32. However, recent events in the Middle East have brought into focus the economic security risks of reliance on imported inputs, and the risk-mitigation value of some domestic production capacity. Against this backdrop, there may be merit in engaging with GB to test whether any mutually acceptable options exist.
33. If New Zealand were to move to an import-only model, supply chain risks could be mitigated through measures such as diversifying suppliers, pursuing international cooperation to secure long-term or contingent supply contracts, and requiring mandatory stockholding (noting cement and clinker's limited shelf life and storage constraints). Further work, including industry engagement, would be needed to assess the costs and effectiveness of these options.

Environmental impacts

34. Moving to an import only model would have environmental impacts. Domestic emissions would fall in terms of target accounting, with about 0.6 Mt CO₂e per annum (15 Mt CO₂e 2030-2050) shifting offshore. The BCA feasibility study indicated that global net emissions would increase by about 4Mt over 2030 to 2050 if cement production moved offshore to higher emissions intensity producers. Ministers could choose to reduce the ETS cap to 'lock in' these domestic emissions reductions for NZ or retain the ETS cap to lower costs for other firms. Changes to the ETS cap are managed through the ETS unit and price controls settings process.
35. Closure would significantly undermine waste-diversion schemes relying on GB's operation, namely Tyrewise. In the worst-case scenario, it would require Tyrewise to be drawn to a close if an alternative operating and financial framework could not be found and benefits no longer outweighed costs.⁶ Closure would result in waste tyres being exported or stockpiled, and overall poor environmental, health outcomes, such as tyre fires and leaching of toxic chemicals, and financial costs for communities.

Fiscal and financial impacts

36. MfE has estimated GB's chemical clinker process emissions costs (the hard to abate aspect) arising from its ETS obligations to surrender NZUs for its emissions.⁷ These costs are approximately s 9(2)(b)(ii) per annum (in 2026-dollar terms) between 2030-2050, or about s 9(2)(b)(ii) in total. A further s 9(2)(b)(ii) per annum emissions costs relate to process heat and other factors, totalling about s 9(2)(b)(ii) GB will no longer face these costs under an import-only model.
37. If Golden Bay Cement stops domestic production, the Crown saves the cost of providing free ETS units, but this is broadly offset by lost ETS revenue because the

⁶ Golden Bay Cement diverts around 140,000 tonnes of waste from landfill each year, including wood waste, tyres, industrial sludge, and hard-to-recycle plastics, which it uses as fuel. This accounts for roughly 1.9% of New Zealand's landfill waste (based on 2024/25 estimates). While this significantly reduces landfill volumes, there is no available data on the amount of waste generated by Golden Bay's own operations.

⁷ Projections of future cement emissions, industrial allocation and related fiscal costs are based on the information provided to officials via the Border Carbon Adjustment Mechanism feasibility study and use the projected ETS central price from 2025 emissions projections. s 9(2)(b)(ii)

As with any analysis of this nature, a range of assumptions need to be made and there is a high degree of uncertainty relating to the estimates, particularly given how far into the future the analysis extends.

firm no longer needs to buy and surrender units; overall, the ETS market is assumed to adjust without a large net fiscal impact.

38. The Crown's prior public investments via the waste minimisation fund would stop yielding benefits from waste diversion under an import only model.⁸

Ministers need to decide whether to intervene

39. The key decision Ministers need to make is whether to intervene. We have identified four policy options (three ETS-related and one of direct funding) that could support GB, but negotiations with GB will be necessary to determine what level of support is needed if the government were to intervene, and therefore the most appropriate option.
40. Table 3 sets out the options we have considered and the key considerations and trade-offs. All options create a residual precedent risk, and the fiscal cost could be significantly larger than previous actions taken. However, we consider the precedent risk is moderate given other actions taken already for other major industrial allocation users.
41. The ETS options make allowance for emissions from industrial processes for which no technological abatement solution exists. However, they do undermine the purpose of the ETS – depending on the method of intervention, s 9(2)(g)(i) .
42. s 9(2)(j) . This is based on relatively low-emissions price assumptions used in official emissions projections. s 9(2)(g)(i) . s 9(2)(b)(ii) .

⁸ Over the past 20 years, GB has received about \$16 million of co-funding through the Waste Minimisation Fund (WMF) to support its use of waste tyres in its integrated cement manufacture. About \$26 million was provided to other entities to provide supply of other waste materials to GB.

Option	Benefits	Risks and trade-offs
Reduce industrial allocation (IA) phase-out rates to the minimum required under the current CCRA framework, with the potential for an additional allocation of NZUs if required	Reduced phase out rate would offset most of GB carbon costs from its emissions intensive clinker production processes.	s 9(2)(h)
Amend the CCRA to allow further reductions in IA phase-out rates if specific criteria are met	- Provides a targeted and evidence-based way to urgently address emissions leakage risk. - Reduces delays and high administrative cost of existing process (e.g., CCC must advise). - Provides legislative certainty to GB and a strong signal of support.	
Provide an ETS exemption for GB's hard-to-abate process emissions under s60 of the CCRA	Addresses GB concerns about an 'unlevel playing field', by removing carbon costs.	Implications for ETS decisions and its accordance with emissions budgets, particularly EB3. s 9(2)(h)
Direct funding	- Outside of the ETS so reduces impacts on the purpose of the ETS - Straightforward to implement (subject to contractual terms)	- Sends a signal that Government is willing to intervene when businesses are in commercial stress. - A fixed funding amount will offset less of GB's emissions obligations (and therefore costs) should prices be materially higher than anticipated.

s 9(2)(h)



Other options considered

47. We considered other funding options such as the Regional Infrastructure Fund (RIF) and environmental investment fund (EIF) and have not pursued these in more detail as
- s 9(2)(g)(i) ¹⁰ If Ministers choose to enter negotiations with GB, officials can do more work on these options if desired.

s 9(2)(h)



s 9(2)(g)(i)



48. Other more bespoke options were not progressed, including targeted tax relief for cement production and the establishment of a cement specific special economic zone. These options were not considered feasible within the available timeframes. They would have required substantial policy design, consultation and legislative change, with a high risk of delay and implementation complexity. Given the scale of the anticipated impacts, these approaches were assessed not to be an efficient or pragmatic response.
49. We also considered whether to provide broader funding to support the region to transition. There is already substantial investment underway or planned for the Northland region as noted above. Regional support for worker transitions could be provided on a business-as-usual basis.¹¹

Advice

50. It is uncertain what level of support would be required to enable GB to continue its domestic operations, s 9(2)(b)(ii) [REDACTED]
[REDACTED] From a no regrets perspective, officials recommend seeking a Cabinet mandate to enter into negotiations with FBL and GB to better understand the level of support needed. Ministers can then make a decision about whether to intervene and the appropriate option for doing so.
51. s 9(2)(f)(iv) [REDACTED]
[REDACTED].
52. Exempting from the ETS is not preferred s 9(2)(h) [REDACTED] and potential harm to its credibility. Pursuing this option would likely require legislative amendment to establish clear exemption criteria.
53. s 9(2)(j) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED] It would also need a contractual commitment to support over the long term to provide the certainty GB needs.
54. A letter to the Minister of Finance is attached, requesting approval to submit a late budget initiative for a tagged contingency to support the negotiations.

Government investment into Tyrewise would support its viability

55. For the continued success and financial viability of Tyrewise, it is preferable that GB accepts waste tyres at current levels beyond 2030. This will provide the greatest opportunity for alternative domestic markets to develop as planned.

¹¹ MSD works with businesses and affected staff when there is a restructure or redundancy process. MSD's Early Response Teams can help people across a range of areas including but not limited to finding connections to alternative employment and accessing upskilling opportunities.

56. If GB closes in 2030, Government investment could boost the funding available through Puna Taurima¹² (the Tyrewise Fund), and accelerate projects already being funded or support new initiatives that could bridge the gap left by GB.¹³ Alternatively, investment could cover Tyrewise's budget increases while waiting for the domestic market to build capacity.
57. Further Government investment to Tyrewise or other funding sources would provide solutions for waste tyres, and other materials, and wider benefits, to the economy, including creating jobs.
58. We recommend officials provide you with more detailed advice on options to mitigate impacts if GB's closure is confirmed and once the closure can be discussed with Tyrewise. This would include investment options to stimulate the domestic markets for waste tyres and other materials GB are currently diverting from landfill.

Risk mitigation and Implementation

Risk mitigations

59. All options contain risk; Table 4 below provides an overview of these alongside possible risk mitigations.

Table 4: Summary of risks and mitigations

Risk	Mitigations
Relief is provided and Golden Bay switches to import model anyway	Contractual conditions would likely be necessary to ensure any relief provided achieved Government objectives. s 9(2)(j)
Regional and economic disruption from transition to an import-only model, i.e., because of non-intervention	Proactively s 9(2)(b)(ii); clearly communicate the non-intervention rationale; monitor supply resilience through diversified imports and private stockholding
Support via ETS relief undermines the purpose of the ETS and creates precedent effects	Allowing GB to transition to an import-only terminal avoids undermining the purpose of the ETS and precedent risks. If Budget 26 funding or ETS relief is pursued, ensure relief is conditional, and ETS market impacts are managed to the extent possible. Avoid windfall gains to GB and clearly communicate the rationale to limit precedent risk across emissions intensive and trade-exposed sectors.

¹² Puna Taurima funds research, development and trials of new ideas to expand and strengthen markets. Tyrewise is currently fully funded by the tyre stewardship fee.

¹³ s 9(2)(f)(iv)

Next steps

60. We recommend you discuss this briefing with officials and with the Minister for Economic Growth, Finance and Minister for the Environment before deciding whether to seek a Cabinet mandate to enter into negotiations with Golden Bay.
61. If you decide to enter into negotiations, we recommend you proceed as per the following timeline. A letter needs to be provided as soon as possible to the Minister of Finance seeking approval to submit a late budget initiative.

Table 5: Timeline and milestones for entering into negotiations with FBL/GB

Milestones	Timeline
Preferred option confirmed following Ministerial discussions	20 March
Letter to MOF sent asap seeking approval to submit a late budget initiative	23 March
Briefing with draft Cabinet paper to Minister for review	27 March
Agencies submit Budget bid to TSY	w/c 6 April (ahead of 9 th April Budget Ministers meeting)
Cabinet paper seeking approval for preferred option	Ministerial consultation – 6 to 10 April Cabinet: 20 April (will seek permission not to go to ECO)
Financial approval sought through Budget 2026 Cabinet paper - seeking agreement to tagged contingency	Cabinet: 28 April
<i>Budget moratorium begins</i>	<i>28 April 2026</i>
Minister's office communicates Cabinet decisions to FBL, and (if agreed), enter into negotiations	April/May

Appendices

Appendix 1: Draft Budget 2026 letter

Appendix 2: Overview ETS and Industrial allocation

Appendix 1: Draft Budget 2026 letter for Minister Willis

Attached

Appendix 2: Overview ETS and Industrial allocation

Attached



[Date]

Hon Minister Willis

Minister of Finance, Minister for Economic Growth, Associate Minister of Climate Change

By email: N.Willis@ministers.govt.nz

Dear Nicola,

Request for invitation to submit budget initiative

This letter seeks an invitation into the Budget 2026 process for an initiative to support Golden Bay's domestic cement manufacturing plant. This warrants your consideration as without support, Golden Bay will likely shut its domestic operations over the next five years with regional employment and GDP impacts.

Golden Bay Cement not viable beyond 2030

I have been in discussions with Fletcher Building Limited (FBL) about its subsidiary, Golden Bay Cement (GB). GB is New Zealand's only integrated domestic manufacturer of cement. FBL has told officials that GB is financially unviable beyond 2030 with domestic cement manufacturing profitability declining due to the cost of carbon under the NZ Emissions Trading Scheme (NZ ETS). FBL states this is due to the inability, under current industrial allocation policy settings, to compete with importers which do not face an equivalent carbon cost on their hard to abate emissions.

The FBL Board is due to decide in May 2026 whether to proceed with planned decarbonisation investments at its GB plant or to close its domestic manufacturing site and shift to an import-only model § 9(2)(b)(ii). We understand that the Chief Executive of FBL's Heavy Building Division is likely to recommend to the Board that GB closes its domestic manufacturing in the absence of any further policy intervention.

To support Ministers to make a decision about whether to provide any government intervention, I instructed officials to procure an open book review of Golden Bay's financial position. This review, undertaken by Deloitte, found that:

- Even with investment in decarbonisation and plant expansion, increasing carbon costs mean GB cannot meet its target return on invested capital (ROIC). Carbon costs are forecast to increase from § 9(2)(b)(ii) of revenue in 2030 to § 9(2)(b)(ii) of revenue in 2055.
- The increase in carbon costs is driven by the declining amount of industrial allocation GB will receive and the exhaustion of the company's existing NZ ETS unit stockpile from 2030.

The open book review has confirmed that without government intervention, the FBL Board will likely decide to close GB's domestic manufacturing plant and switch to an import model. Ministers need to decide whether to intervene or not.

Options to support Golden Bay

It is uncertain what level of support would be required to enable GB to continue its domestic operations, s 9(2)(b)(ii)

I propose that officials begin non-obligatory discussions with Golden Bay to determine what level of support would be required and the best option to support this. I will then seek Cabinet's agreement to either intervene or not.

To support these discussions with Golden Bay, I am seeking approval to submit a late budget initiative for a tagged contingency of up to s 9(2)(j) (from 2026 to 2030). Any support provided would need carefully crafted conditions including a commitment by GB to continue operating domestically, to invest in decarbonisation and firm expansion and s 9(2)(j). It would also need a contractual commitment to support over the long term to provide the certainty GB needs. There are likely to be fiscal implications beyond the Budget forecast period which Cabinet would need to be aware of in agreeing to provide any support.

A decision is needed as part of Budget 2026 to assure the FBL Board that ongoing support will be available for their domestic cement operations beyond 2030. We are working with FBL to see if the Board can delay its decisions until June or July.

Thank you for considering this matter.

Yours sincerely,

Hon Simon Watts
Minister of Climate Change

Appendix two – Overview of NZ ETS and industrial allocation for cement production

Emissions trading and industrial allocation policy is complex. Golden Bay's (GBs) issues relate both to fundamentals and technical elements of Emissions Trading Scheme (ETS) and Industrial Allocation (IA) policy. This document explains key concepts and terms for a broader audience.

Table of Contents

Glossary	1
The ETS requires emitters to surrender NZUs.....	2
NZUs permit unit holders' emissions	3
Certain emissions cannot be easily reduced and therefore costs not easily avoided	4
Industrial allocation is provided to firms with high emissions costs and international competition	4

Glossary

Emissions trading scheme:

- **NZU / unit** – New Zealand Unit. Emitters must 'surrender' one NZU per tonne of their emissions (see below). NZUs have cash value to firms, due to market fundamentals of supply and demand, and because they can be traded with other ETS participants. Purchasing NZUs increases the business costs of emitting industries.
- **Emissions** – long-lived greenhouse gases, often referred to as carbon dioxide equivalents or 'CO₂e'.
- **Surrender** – when NZUs are given back to the government by an emitter to meet their legal obligations as ETS participants.
- **Emissions leakage** – when firms seek to move domestic production to other jurisdictions to reduce or remove their emissions costs. Results in a transfer of emissions from NZ to overseas, and potentially an increase in global emissions if the production in other jurisdiction is more emissions intensive.

Industrial allocation:

- **Industrial allocation (IA)**– a system under the ETS where free NZUs are provided to eligible emitters (emissions intensive trade exposed). These emitters are unable to pass on their emissions costs to customers due to international competition.
- **Allocative baselines (AB)** - the number of emissions attributed to a unit of product of an eligible activity. Combined with production volumes, the AB determines the total emissions to be considered by the IA scheme for an eligible activity. For GB, clinker has an allocative baseline of 0.83 tCO₂e.

- **Level of assistance** – the portion of total included emissions to be met with free NZUs from IA. Two groupings of eligible firms started with different levels of assistance in 2020, 90 and 60 percent respectively. GB started with a level of assistance of 90 percent.
- **IA phase out** – the legislated decrease of the level of assistance (the portion of emissions covered by IA). The level of assistance is decreasing by one percentage point this decade, then two percent from 2031, then three percent until the phase out is completed for each group (2060 for GB). The phase out can be slowed or sped up if the legislative tests are met.

The ETS requires emitters to surrender NZUs

The CCRA requires participants conducting defined activities like mining coal and cement production to report emissions each year (by the end of April) and surrender emission units (by the end of June). Most sectors of the economy are included, except emissions from agriculture and non-municipal waste.

Such firms face financial costs from meeting the ETS statutory obligation to surrender NZUs. These costs are from buying emission units from other participants (the secondary market). Emitters must therefore manage these costs by either:

- investing in technologies or processes that reduce their emissions to reduce future costs of purchasing NZUs
- absorbing the cost within their business, or
- transferring all or some of these costs to consumers through product prices, for example coal, electricity, and natural gas.

The ETS adjusts the cost of goods across the economy to include the costs of emissions that may otherwise not be reflected (a negative ‘externality’¹). Its purpose, set out in the Climate Change Response Act 2002, which reflects the Paris agreement, is to assist with meeting international and domestic emissions targets to manage the effects of climate change.

NZUs permit unit holders’ emissions

As one NZU permits one tonne of emissions under NZ’s climate change legislation, NZUs have value to both firms and government.

The NZUs available are a liability to the government because they permit emissions. The liability is reduced when units are surrendered. Units may be ‘stockpiled’ or set aside for future surrenders.

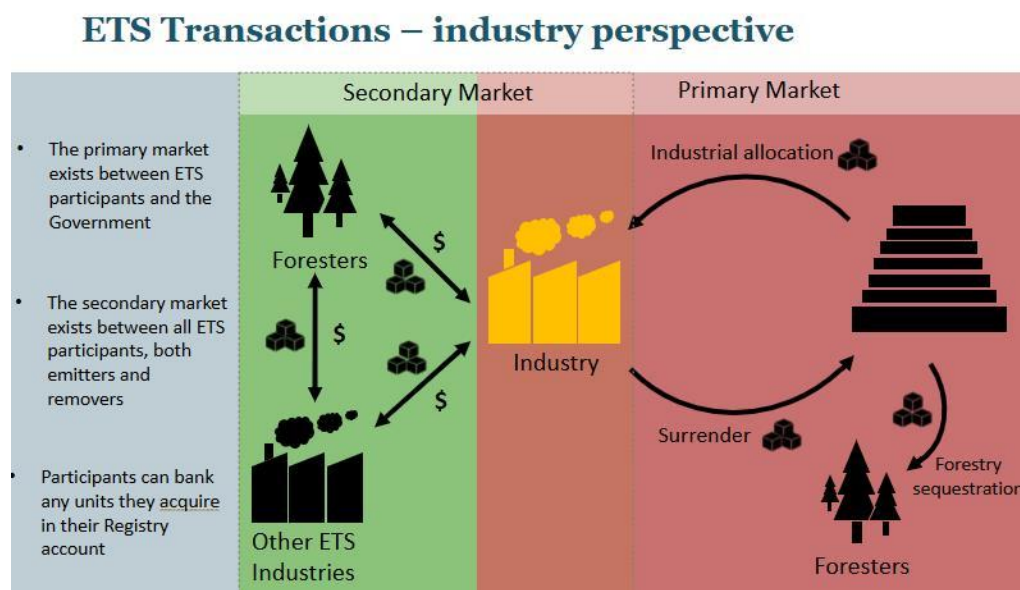
¹the imposition of a cost on a party as an indirect effect of the actions of another party. [Negative externality | Definition, Economics, Examples, & Facts | Britannica](#)

The cash value of NZUs is determined by the supply and demand of NZUs on the market

- Demand is created through surrender obligations.
- Supply meets this through units provided to participants for carbon removals (forestry), and industrial allocations (below).
- Currently, the Government also supplies NZUs through auctions, but recent auctions have not provided additional NZUs to the market due to the NZU price on the secondary market being below the Government's lowest price (the auction price 'floor').

The total units available fall under the ETS 'cap' - being the total number of emissions allowed in the system by the ETS settings. The Government determines ETS settings annually. ETS settings must be consistent with emissions budgets and targets for the relevant period.

Figure 1. ETS transactions



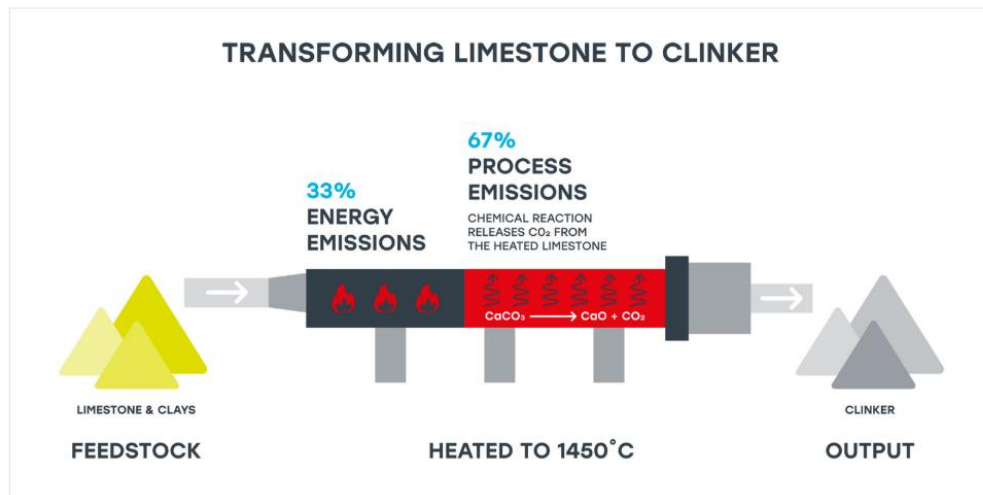
[Source: MfE internal diagram]

Certain emissions cannot easily be reduced – and therefore costs not easily avoided

Some industrial activities have emissions from chemical reactions, such as clinker production in cement manufacture. Clinker production involves the calcination of limestone, which produces large amounts of carbon dioxide. Emissions from clinker are 'hard-to-abate' as the process cannot easily be altered to lower emissions. [§ 9\(2\)\(b\)\(ii\)](#)

GB therefore has limited options to reduce hard to abate emissions (which are most of its emissions), however there are alternatives to abate their other emissions such as from energy use.

Figure 2. Generic clinker process emissions diagram (limestone calcination)



[Source: The future ACT one - Ecocem]

Industrial allocation is provided to firms with high emissions costs and international competitors

In recognition of the difficulty cement manufacturers have in recovering ETS costs from consumers of cement, the Government provides emission units ('industrial allocation') to them.² Other businesses receive similar support - industrial allocation is provided to 88 firms in 26 eligible industrial activities.

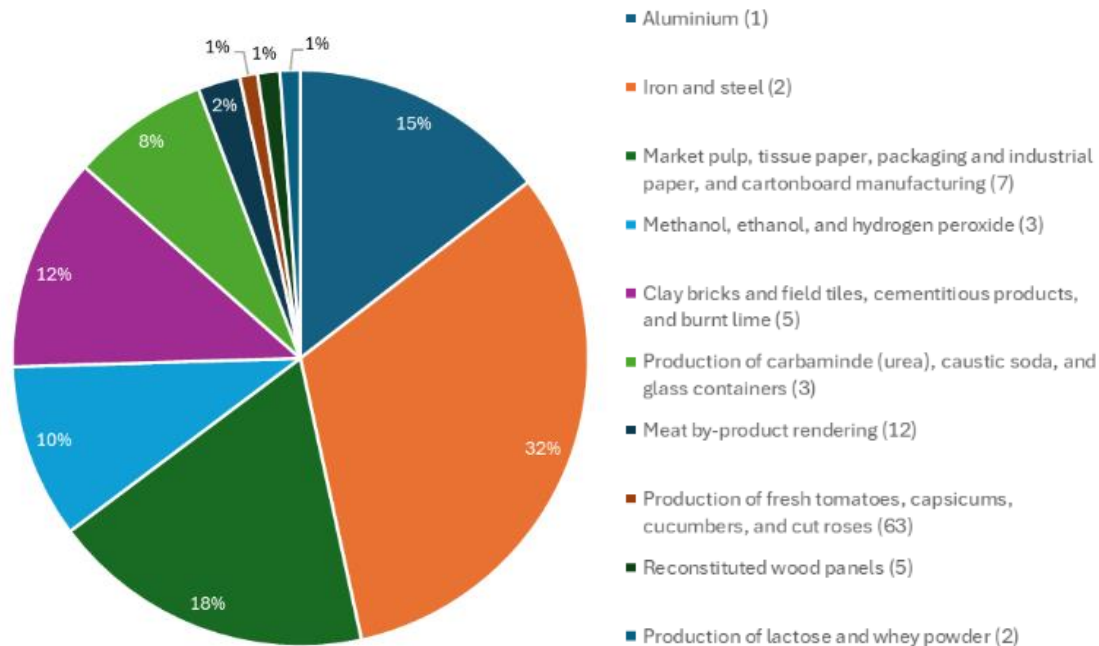
Industrial allocation allows a firm to meet some of its costs arising from the ETS. These costs include the cost of purchasing NZUs to meet surrender obligations, and costs passed through from others producing high emissions products such as coal and fuel.

Industrial allocation means that firms like GB with large amounts of hard-to-abate emissions can surrender NZUs without incurring a high cost from purchasing NZUs from the market. If the firm has excess units, it can bank them or sell them. Selling excess NZUs can offset emissions costs from the price of coal, fuel, and electricity. If industrial allocation settings are not aligned with a

² The number of NZ Units allocated is calculated using the formula: $A = P \times AB \times LA$. Where: (A) is the firm's allocation for a single product, (P) is the firm's total output of the product, (AB) is the allocative baseline for the product of an eligible activity, (LA) is the level of assistance a particular activity receives.

firm's emissions costs, industrial allocation may cover a greater portion of a firm's total emissions costs than targeted (overallocation).

Figure 3. industrial allocations by activity



[Source data: [Allocation decisions](#) | EPA]

In 2020 industrial allocation was agreed through parliament, to be phased out to support meeting of domestic emission targets. IA was originally intended as a temporary measure until overseas jurisdictions could implement similar carbon pricing policy. However, in effect, IA has been in operation since 2010 and, at current phase out rates, will not cease until 2060.

The phase-out is slow initially to provide transition time. The level of assistance is decreasing by one percentage (1%) point this decade, then two percent (2%) from 2031, then three percent (3%) until the phase out is completed for each group (2060 for GB). The volume of NZUs provided to IA eligible firms will therefore gradually reduce over time.



BRIEFING

Key messages and approach to discussions with Fletcher Building re Golden Bay Cement

Date:	2 April 2026	Priority:	Urgent
Security classification:		Tracking number:	26-BRF-00846

	Action sought	Response by
Hon Simon Watts Minister of Climate Change	Agree that officials continue discussions with Fletcher Building to see if agreement can be reached on options to support Golden Bay, Agree officials continue discussions ahead of a response to your letter to the Minister of Finance. Approve the officials' talking points. Refer this briefing to the Minister of Finance and the Minister for Regional Development.	7 April 2026
Hon Nicola Willis Minister of Finance	Copy for your information	N/A
Hon Shane Jones Minister for Regional Development	Copy for your information	N/A

Action for Minister's Office staff

Forward briefing to Minister's cc'd above

Appendices and attachments

Appendix 1: Pros and cons of intervening to support Golden Bay Cement (as provided in 26-BRF-00311)

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Becky Prebble	Acting Deputy Secretary	s 9(2)(a)	✓
Kirsty Flannagan	GM, Markets		
Jane White (Author)	Chief Advisor		

The following departments/agencies have been consulted

Minister's office to complete:

- | | | |
|--|---|------------------------------------|
| ☐ Noted | ☐ Approved | ☐ Declined |
| ☐ Overtaken by Events | ☐ Needs change | ☐ Seen |
| | ☐ See Minister's Notes | ☐ Withdrawn |

Minister's Comments



BRIEFING

Key messages and approach to discussions with Fletcher Building re Golden Bay Cement

Date:	2 April 2026	Priority:	Urgent
Security classification:		Tracking number:	26-BRF-00846

Purpose

1. This briefing seeks your agreement to an approach and talking points ahead of upcoming discussions officials propose to have with Fletcher Building Limited (FBL) about Golden Bay Cement (GB).

Key points

2. Fletcher Building has advised it will proceed with deciding the future of GB at its May 2026 Board meeting. It will also provide an interim update at the April Board meeting.
3. We recommend officials continue discussions with FBL to narrow down possible options to support GB. We seek your direction on whether to proceed with discussions before receiving a response to the letter you provided to the Minister of Finance.
4. Following this, advice will be provided to you (and cc'd to the Ministers of Finance, Regional Development, and Trade and Investment) on what is needed to keep GB open, along with the associated risks and trade-offs. Ministers can then decide how to proceed and take these recommendations to Cabinet.
5. Note that previous advice [26-BRF-00331] recommended proceeding to Cabinet on 20 April. We think it is highly unlikely that discussions with FBL will proceed in time to go to Cabinet ahead of the budget moratorium. This means FBL won't have the certainty it needs ahead of its May Board meeting. However, entering into constructive discussions could encourage the Board to postpone its decision.
6. Paragraphs 10 to 12 provides proposed talking points to support officials' discussions with GB. We welcome your feedback and endorsement of these points.

Recommended action

The Ministry for the Environment recommends that you:

- | | |
|---|--------------------------------|
| 1. Agree that officials continue discussions with Fletcher Building to see if agreement can be reached on options to support Golden Bay to retain its cement manufacturing operations in NZ. | <i>Agree / Disagree</i> |
| 2. Agree officials continue these discussions ahead of receiving a response from the Minister of Finance to your letter seeking approval to submit a late budget bid. | <i>Agree / Disagree</i> |
| 3. Approve the officials' talking points set out in paragraphs to 10 to 12. | <i>Approved / Not approved</i> |
| 4. Note that officials will provide advice you (and cc'd to the Minister of Finance, Minister for Trade and Investment, and Minister for Regional Development) following discussions with Fletcher Building. | <i>Agree / Disagree</i> |
| 5. Refer this briefing to the Minister of Finance and Minister for Regional Development. | <i>Agree / Disagree</i> |

s 9(2)(a)



Becky Prebble
Deputy Secretary,
Climate Mitigation and Resource Efficiency,
Ministry for the Environment

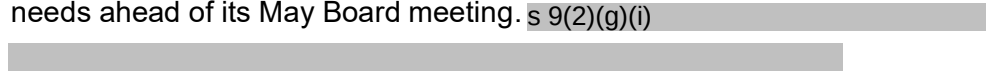
02 / 04 / 2026

Hon Simon Watts
Minister of Climate Change

___ / ___ / 2026

Background

1. The briefing follows advice provided on 17 March on options to manage the potential closure of Golden Bay cement. Since providing that advice Fletcher Building has confirmed its Board will make a decision on the future of Golden Bay at its May meeting.
2. You have sent a letter to the Minister of Finance seeking approval to submit a late budget initiative for a tagged contingency to support discussions with Fletcher Building, and are awaiting a response.
3. s 9(2)(g)(i)

4. Note that previous advice [26-BRF-00311] recommended proceeding to Cabinet on 20 April. We think it is highly unlikely that discussions with FBL will proceed in time to go to Cabinet ahead of the budget moratorium. This means FBL won't have the certainty it needs ahead of its May Board meeting. s 9(2)(g)(i)


Approach to engaging Fletcher Building about the future of Golden Bay Cement

Plan to engage Fletcher Building

5. We propose officials continue discussions with Fletcher Building to see if we can reach agreement on the scope of options to support Golden Bay to continue its domestic manufacturing operations. We seek your direction on whether to proceed with discussions before receiving a response to the letter you provided to the Minister of Finance. s 9(2)(g)(i)



6. We will keep your office informed as discussions proceed and raise any concerns with your office as soon as possible.
7. Ministers can then decide whether to support the proposed approach and what recommendations to take to Cabinet. If Ministers decide not to intervene, we still recommend seeking a Cabinet decision on this given the implications of not intervening as noted in *26-BRF-00311 – Options for managing the potential closure of Golden Bay Cement's Whangarei site* (and reproduced in Appendix 1).

Proposed talking points

8. We are seeking your agreement to relay the following points when we meet with Fletcher Building.

Talking points officials propose to use for discussion with Golden Bay

9. We suggest officials use the following talking points:
10. The Government is keen to have an open discussion about the support necessary to keep Golden Bay's domestic operations continuing.
11. These discussions are exploratory and do not commit the government to anything. Officials haven't advised Ministers on the options yet, but the Minister wants us to talk to you to get a better sense of the implications of the various options. Cabinet approval will be needed and the possibility of legislative change, before any support can be confirmed.
12. We would like to work through the specific options:

Policy option	Talking points
Exemption from the NZ ETS	- We acknowledge this is your preferred option. - We see significant difficulties with this option - s 9(2)(g)(i) ■ - In order for an exemption to be granted by the Minister there are certain legislative requirements that need to be met s 9(2)(h) Key questions for Fletcher Building: - How do you consider the legislative requirements being upheld in this case (in particular, maintaining the environmental integrity of the ETS)? - Would you consider other options?



Reducing phase out of industrial allocation to the minimum allowed under the CCRA (or potentially lowering the rate further through legislative change)	• This would be doable within existing settings, but acknowledge it would require direction from the Climate Change Commission • But Commission must provide this direction if it is satisfied there is ongoing and substantial risk that activities will be located outside NZ.
---	---

	Key questions for Fletcher Building: s 9(2)(j) • [REDACTED] • [REDACTED] • [REDACTED]
--	--



Direct funding so Golden Bay can purchase NZUs or direct provision of NZUs	Key questions for Fletcher Building: • What do you see as the benefits and risks of this option? • s 9(2)(j) [REDACTED]
--	--



Conditions that would apply to any option	Certain conditions would need to apply to any agreement for support, and we would like to discuss the following potential commitments: • GB to continue operating domestically • GB to invest in decarbonisation and firm expansion and, • No stockpiling of any units received beyond a certain level to manage risk.
When support would cease	We also need to agree when support would cease. This would likely be for any breach of conditions agreed or policy changes that level the playing field with importers s 9(2) [REDACTED] (g)(i) [REDACTED]

s 9(2)(h)

Next steps

17. Following your direction on whether we wait for a response to your letter to the Minister of Finance and any further feedback on this briefing, we propose to continue discussions with Fletcher Building. We expect these discussions to take two to three weeks. We would then provide you with advice in early May (cc'd to the Minister of Finance, Minister for Trade and Investment and Minister for Regional Development).
18. Once Ministers make decisions a Cabinet paper will be drafted. We will work with your office at this time to determine an appropriate time to proceed to Cabinet, but we expect to this be mid-June.

Appendices

Appendix 1: Pros and cons of intervening to support Golden Bay Cement (as provided in 26-BRF-00311

Appendix 1: Pros and cons of government intervening to support Golden Bay

Reasons to intervene	Reasons not to intervene
Supports domestic manufacturing of cement – reducing security of supply concerns.	The risk of a major supply disruption is relatively low, as cement and clinker are widely traded commodities and suppliers have incentives to manage supply chain risks. Although the current geopolitical situation highlights the risks of import reliance, it has not yet significantly disrupted Asian shipping routes used for New Zealand's current cement imports and GB would not be shutting down its domestic operations until 2030.
Avoids loss of up to 160 jobs directly employed in cement production.	May delay labour reallocation – preserving existing jobs may slow the reallocation of labour toward more productive and lower-emissions activities.
Makes allowance for emissions from industrial processes for which no technological abatement solutions exist.	Undermines the purpose of the ETS to incentivise emissions reductions with a market-based tool. s 9(2)(g)(i)
Help to level the playing field with importers.	s 9(2)(h)
Precedent risk is moderate s 9(2)(g)(i)	Creates a residual precedent risk, and the fiscal cost could be significantly larger than previous actions taken.
Avoids emissions leakage and an estimated increase in global emissions of 4 Mt over 2030 to 2050.	The potential to reduce the projected shortfall to meeting EB3 by around 3 Mt if ETS settings are adjusted to account for GB's closure.
May reduce downstream policy impacts – maintaining domestic production could limit disruption to linked regulatory schemes, including Tyrewise.	Additional policy development and Government investment could be provided to mitigate impacts of GB's closure on the Tyrewise scheme, although investment in GB is likely to be very costly.



BRIEFING

Advice on exempting Fletcher Building from the NZ ETS under s60 CCRA

Date:	9 April 2026	Priority:	Urgent
Security classification:		Tracking number:	26-BRF-00885

	Action sought	Response by
Hon Simon Watts Minister of Climate Change	Note the advice on what a section 60 exemption is, how it could be applied and modified, and process considerations for legislative changes and announcements. Note the budget scaling options that have provided to the Minister of Finance's office. Agree to forward this briefing to the Minister of Finance and Minister for Regional Development. Discuss with officials.	13 April 2026

Action for Minister's Office staff

Forward the briefing to the offices of the Minister of Finance and Minister of Regional Development.

Appendices and attachments

Appendix 1: Budget scaling options
Appendix 2: The three most recent s 60 exemptions
Appendix 3: Summary of options

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Kirsty Flannagan	GM, Markets		
Jane White	Author		✓

The following departments/agencies have been consulted

--

Minister's office to complete:

- | | |
|---|------------------------------------|
| ☐ Approved | ☐ Declined |
| ☐ Noted | ☐ Seen |
| ☐ Overtaken by Events | ☐ Withdrawn |
| ☐ Needs change | |
| ☐ See Minister's Notes | |

Minister's Comments



BRIEFING

Advice on exempting Fletcher Building from the NZ ETS under s60 CCRA

Date:	9 April 2026	Priority:	Urgent
Security classification:		Tracking number:	26-BRF-00885

Purpose

1. This briefing responds to your request for advice on a section 60 exemption from the New Zealand Emissions Trading Scheme (ETS) under the Climate Change Response Act 2002 (CCRA), namely:
 - Background information on what a s 60 exemption is
 - How s 60 exemption can be applied in practice
 - Broad ideas for how a s 60 exemption could be modified
 - Process aspects around the required legal changes and the timing for when any changes could be announced.

Key points

2. A s 60 exemption under the CCRA is FBL's preferred option to support Golden Bay's continued domestic cement manufacturing. An exemption can be made by the Governor-General, by Order in Council on the Minister's recommendation. The Minister must be satisfied that an exemption would not materially undermine the environmental integrity of the ETS and deliver net benefits. A s 60 exemption proposal must be consulted on.
3. An exemption could be expediated by modifying the CCRA at Budget night. One option is to amend the statutory requirements for a s 60 exemption and make the exemption alongside. Another is to amend Schedule 3 to temporarily remove ETS obligations for producing clinker.
4. A s 60 exemption could be designed in a way that limits its scope, makes the exemption conditional or applies sunset or review mechanisms. Tables 1 and 2 set out the possible modifications in more detail.
5. There are other options we propose to explore with FBL, including direct funding to support a decarbonisation investment and lowering the industrial allocation phase out rate (the latter of which will also require legislative change to ensure a low enough rate is achieved to meet FBL's return on invested capital).

- [REDACTED]
6. s 9(2)(g)(i) [REDACTED]
[REDACTED].
 7. In terms of next steps, policy decisions on how to support Golden Bay could be sought at Cabinet on 28 April, with budget decisions made at Cabinet on 5 May. Any legislative change required could be agreed through Budget night legislation.
 8. Note we have also provided options for scaling the budget initiative, which has been provided to the Minister of Finance's office. These options are attached in Appendix 1.

Recommended action

The Ministry for the Environment recommends that you:

- | | |
|--|-------------------------|
| 1. Note the advice on what a section 60 exemption is, how it could be applied and modified, and process considerations for legislative changes and announcements. | <i>Noted</i> |
| 2. Note the budget scaling options that have been provided to the Minister of Finance's office (Appendix 1). | <i>Noted</i> |
| 3. Agree to forward this briefing to the Minister of Finance and Minister for Regional Development. | <i>Agree / Disagree</i> |
| 4. Discuss this briefing and next steps with officials. | <i>Yes / No</i> |

s 9(2)(a)

Kirsty Flannagan
GM, Markets
Ministry for the Environment

Hon Simon Watts
Minister of Climate Change

09 / 04 / 2025

___ / ___ / 2025

Background

9. This briefing follows two sets of advice you have received recently concerning the future of Fletcher Building Limited's (FBL) subsidiary, Golden Bay cement (GB):
 - 26-BRF-00311 – *Options for managing the potential closure of Golden Bay Cement's Whangarei site*. This briefing sought ministerial decisions on whether to enter negotiations with FBL to determine the scale of support required to keep GB's domestic manufacturing plant in Whangārei operating.
 - 26-BRF-00846 – *Key messages and approach to discussions with Fletcher Building*. This briefing sought your agreement to an approach and talking points ahead of upcoming discussions officials propose to have with FBL about GB.
10. With the help of Robert Pigou, Head of Kānoa (MBIE), we have begun discussions with FBL (Thornton Williams, CEO Heavy Building Materials). Thornton has confirmed the Board will be making a decision about the future of GB in May. He also confirmed GB is not willing to consider a lower return on invested capital s 9(2)(b)(ii) and that the preferred option is an exemption from the ETS. FBL consider this is the only practical solution in terms of the timeframes they are working to.
11. At your direction, we are continuing to have discussions with FBL to ensure all the options are canvassed, including the practicalities of doing an exemption from the NZ ETS.
12. This briefing responds to your request for more detail on how a section 60 exemption from the NZ ETS would work under the CCRA following our meeting with you on 7 April.
13. We have also provided options for scaling the budget initiative for a tagged contingency. This has been provided to the Minister of Finance's office and is set out in Appendix 1.

An exemption from the NZ ETS under s60 CCRA

What is a section 60 exemption under the CCRA?

14. An exemption under section 60 of the CCRA allows the Governor-General, by Order in Council on the Minister's recommendation, to exempt a person or class of persons from being an ETS participant for an activity (or a part/proportion of emissions from that activity). An Order in Council may specify terms and conditions (s 60(1A)).
15. The Minister must be satisfied that the exemption **will not materially undermine the environmental integrity of the ETS** (s60(2)(a)) and that the **benefits outweigh the costs** (s60(2)(b)). The Minister must also have regard to (s60(3)):
 - the need to maintain the environmental integrity of the ETS

- the desirability of minimising any compliance and administrative costs associated with the ETS
 - the relative costs of giving the exemption or not giving it, and who bears the costs
 - any alternatives that are available for achieving the objectives, and
 - any other matters the Minister thinks is relevant.
16. While the order is in force, the exempted person is not required to comply with the ETS participant obligations for the matters covered by the order (s60(4)).
17. The Minister is also required to consult, or be satisfied that the chief executive has consulted:
- a. representatives of iwi and Māori that appear to the Minister or chief executive likely to have an interest in the exemption (s 3A(b)(vii); and
 - b. the persons (or representatives of those persons) that appear to the consuler likely to be substantially affected by the exemption (s 3B(1)(f) and (3)).
18. The activity in question for Golden Bay is under Part 4 of Schedule 3 – Industrial processes. The exempted activity would be “producing clinker or burnt lime, resulting in calcination of limestone, or calcium carbonates”.

How a section 60 exemption can be applied

19. An exemption is not typically used as a hardship or competitiveness relief mechanism. It is usually supported by:
- Very specific factual circumstances,
 - Limited fiscal and market impact,
 - A strong equity rationale.
20. Recent s 60 exemptions have addressed specific inequitable outcomes (e.g. for redisposing very old waste) or to enable consistency with past approvals and new legislation (e.g. offsetting an approved deforestation of certain pre-1990 forest land). They have resulted in improved emissions accounting under the ETS, avoided unfair participant costs, and supported broader environmental outcomes. A summary of recent exemptions is in Appendix 2.
21. Competitiveness reasons alone cannot justify an exemption under s 60. The industrial allocation regime explicitly exists to address the competitiveness challenge for emissions intensive, trade-exposed firms.
22. There are also decisions about the extent of the potential exemption and the length of time it would apply for. s 9(2)(h)
23. Before a s 60 exemption can be given, **consultation** is required with iwi/Māori and other people likely to be substantially affected by the exemption. This would take time and we anticipate at least two weeks would be required to adequately consult.

Following this, Cabinet decisions would be needed (with a supporting Regulatory Impact Statement) ahead of the Minister recommending the Governor-General make an Order directing the exemption.

Broad ideas for legislative options

24. Tables 1 and 2 set out options for how either the CCRA could be modified or an exemption made. Table 1 sets out options that require primarily legislation to amend the CCRA and Table 2 sets out options that relate to the design of the Order in Council under s 60 and do not require primary legislative amendments. The options are not mutually exclusive, and a combination of options could be applied.

Table 1: Options that require primary legislation to amend the CCRA

Design lever	How the CCRA could be modified	Benefits	Trade-offs
Activity-specific carve-out in Schedule 3	Amend Schedule 3 of the CCRA to temporarily remove ETS obligations (from 2030 to 2035 at least) for producing clinker.	Removes reliance on section 60 tests. Stronger policy defensibility and lower precedent risk.	Risks undermining the purpose of the ETS, precedent risks for other firms.
Amend requirements for s 60 exemption	Statutory prerequisites for s 60 could be amended, such as: - Amend ss 3A and 3B to alter consultation requirements for a s 60 decision - Amend the requirement to be satisfied the order will not materially undermine the environmental integrity of the ETS - Explicitly include emissions leakage risk as a relevant consideration.	s 9(2)(h) 	Risks undermining the purpose of the ETS, precedent risks for other firms.

Table 2: Options that relate to the design of the Order in Council under s 60 (do not require primary legislative amendments)

Design lever	How the exemption could be designed	Benefits	Trade-offs
Frame the exemption as addressing a structural issue in Schedule 3 coverage	This could include: • Lack of practical access to low emissions substitutes at scale • Risk of emissions leakage • Exposure to import competition without equivalent carbon pricing • Transitional rigidity while supply-side decarbonisation capability matures.	Limits claims that general competitiveness or price pressures justify exemptions.	Requires careful drafting to ensure exemption responds to sector-specific transitional circumstances. Risk other EITE firms will seek an exemption if can make similar claims.

Narrow the exemptions scope	For example, exempt only a proportion of emissions or specific clinker production emissions or emissions above a defined output threshold.	Creates a factual distinction from other EITE activities and demonstrates proportionality.	Requires robust emissions attribution.
Make the exemption conditional on behaviour	For example: • require investment in decarbonisation • open book reviews with proportion of profits shared with the Crown • limits to purchase/sale of NZUs on secondary market.	Would require other entities to meet similar conditions if an exemption is sought.	Monitoring and ongoing review required.
Add a sunset and review mechanism	Exemption would only apply for 5-year period (from 2030 in case of Fletcher Building) and could automatically expire if Minister reassess ETS settings, or specific external condition change (e.g. equivalent offshore carbon pricing, introduction of border carbon adjustment mechanism).	Signal the exemption is transitional, not structural relief.	May require repeat decisions if issues persist.

Process aspects around the required changes in law and timing of any changes

Process considerations, including the need to consult

25. Before Cabinet could agree to a s 60 exemption under current legislative settings, **targeted consultation would be required** with representatives of iwi/Māori and other persons likely to be substantially impacted by the proposal. FBL and competing cement suppliers are the most obvious parties. A broader group might include all NZ ETS participants given the risk of a potential market impact from such a significant exemption, along with members of the Tyrewise used tyres recycling scheme and other people impacted by cement production activity, such as employees and service suppliers.
26. The requirement to undertake this consultation means it would not be possible to seek Cabinet agreement to the exemption before the budget moratorium (28 April) and policy decisions would need to be sought in early June when the moratorium is over, with bespoke legislation developed to implement any agreed legislative changes.
27. This would be after the Fletcher Building Board meeting, but the Board may be prepared to delay the decision if Cabinet has conditionally agreed to an exemption (at the 28 April Cabinet meeting), subject to consultation.

28. You could proceed with a s 60 exemption without consultation,¹ s 9(2)(h)
29. Alternatively, **the consultation provisions could be amended/removed** for the purposes of this exemption (as set out in Table 1 above). We could need to provide you with further advice on the specific amendment options and their pros and cons (both policy and legal) if you want to explore this option further.
30. If consultation is not undertaken, you could proceed to Cabinet (without first going to a Cabinet Committee) on 28 April to get agreement to the proposed policy and legislative changes ahead of budget decisions on 5 May.

Timing of legislative changes and announcements

31. We propose that budget decisions to support the negotiations be sought through the Budget Cabinet paper going to Cabinet on 5 May.
32. If legislative changes are sought, these could be expediated through Budget night legislation or through bespoke legislation following the Budget moratorium.
33. If decisions are made as part of budget night legislation, we recommend any **changes be announced** on Budget Day. This would be within the auction window of 25 May to 11 June (with the ETS auction on 9 June). However, we think in this case this is unavoidable and officials will ensure your office has appropriate communications to support the announcements and to mitigate market impacts if possible.
34. See the next steps section for more detail on timeframes.

s 9(2)(h)

¹ If the Minister is only making a s 60 exemption with no modifications to the requirements in the CCRA then this can progress as a secondary legislation process. If s 60 is to be amended (including, for example, the consultation requirements), then those amendments would need a legislative vehicle - either Budget night legislation if progressing under urgency or bespoke legislation.

Other options to support Golden Bay

39. Our previous advice has set out other options that could support GB, and we are continuing to test these options with FBL. Appendix 3 provides a summary of the options and the pros and cons.

Direct funding to support decarbonisation investment

40. To uphold the purpose of the ETS and maintain its environmental integrity, it may be preferable to provide direct cash funding to FBL to support investment in decarbonising the cement process. Direct funding would be framed as investment support, not compliance relief, and it does not:
- alter ETS participation status
 - reduce surrender obligations, and
 - change emissions accounting.
41. FBL remains fully exposed to the carbon price at the margin, which is central to the ETS's environmental integrity. It also avoids setting a precedent that the ETS can be "switched off" when carbon costs impact domestic supply.
42. FBL has indicated it will be making this investment if it decides to keep GB's domestic manufacturing operations. Funding could be provided quickly, subject to conditions, which would help to reduce balance sheet strain, improve free cash flow and increase FBL's ability to fund other obligations (including purchasing NZUs). Any direct funding could be conditional on FBL using the freed-up capital to meet ETS surrender obligations.

Reduce industrial allocation phase out rate

43. This would likely require legislative change (which could also be done through Budget night legislation) to:
- Further lower the phase out of industrial allocation as the minimum level currently available under the CCRA is not likely to be sufficient to enable FBL to reach its hurdle return on invested capital [s 9\(2\)\(b\)\(ii\)](#)
 - Remove the need for the Climate Change Commission to provide a direction to reduce the rate, with clear conditions on when the direction of the Commission can be waived.
44. Compared to an exemption from the ETS, reducing the phase-out rate keeps FBL fully inside the ETS and retains surrender obligations on residual emissions. With industrial allocation, FBL still faces the marginal cost of emissions and abatement incentives are

retained where it is cheaper to reduce emissions. Reducing the phase out rate also aligns with the policy rationale for industrial allocation – to reduce the risk of emissions leakage.

45. s 9(2)(g)(i)

Agency comments

46. **Treasury** does not think there is a strong case for government support because: the supply chain risks look manageable; displaced workers are expected to be quite readily absorbed in the regional economy; and providing support could create a precedent risk - leading other firms whose industrial allocation units are phasing out to also ask for additional support.
47. If government did want to provide support, Treasury would prefer options that do not require significant legislative changes s 9(2)(g)(i)
48. **MFAT** was consulted on an earlier briefing in relation to support options for Golden Bay Cement (26-BRF-00311). Further MFAT advice on international and legal policy implications will need to be considered in relation to the specific options outlined in this paper before a final decision is taken.

Next steps

49. In anticipation of you making a decision to proceed to Cabinet on 28 April, we are preparing a Regulatory Impact Statement to accompany the Cabinet paper. If you did want to proceed to Cabinet on 28 April, we would recommend the pathway set out in Table 3. Given the short timeframe, we have only allowed two days for agency and Ministerial consultation (at the same time) and for the Cabinet paper to go straight to Cabinet without going to a Cabinet Committee first.
50. Note this shortened process limits the opportunity to have a thorough discussion with FBL and does not enable any consultation as required under s 60 of the CCRA (unless this requirement is removed as part of the CCRA amendments).

Table 3: Pathway for fast tracking decisions on FBL

Process step	Timeframe
Officials continue discussions with FBL	13 & 14 April
Budget initiative to be submitted	COP 14 April
Briefing and draft Cabinet paper for Minister review	16 April
Agency consultation and consultation with key Ministers	20 and 21 April

Minister Watts provides an oral update at Cabinet and signals upcoming Cabinet paper and budget bid	20 April
Cabinet paper lodged seeking policy decisions	23 April
Cabinet meeting	28 April
Budget initiative considered at Budget Cabinet meeting	5 May
Drafting instructions to PCO if amendments to CCRA required	Early May
Budget night legislation and announcements	28 May
Order in council (if seeking an exemption)	Mid-June

Appendices

Appendix 1: Options for scaling the budget initiative for a tagged contingency

Appendix 2: The three most recent s 60 exemptions

Appendix 3: Summary of options to support Golden Bay

Appendix 1: Options for scaling the budget initiative for a tagged contingency

51. You wrote to the Minister of Finance (s 9(2)(g)(i) [REDACTED]) The MoF has requested further information on possible scaling options.
52. We have identified a set of scaled options, as below. These have been sent to MOF's office. These options decrease in fiscal scale, by narrowing the negotiating space available to reach an agreement with the company that would meet their and Cabinet's potential objectives.

Table 3: Scaled budget options for a tagged contingency to support negotiations

Option	Amount sought (from 2026 to 2030)	Description
One	s 9(2)(j) [REDACTED]	Based on an assessment of the upper end of what the company may require to meet their ROIC requirements, including as s 9(2)(j) contingency
Two	s 9(2)(j) [REDACTED]	As Option One, but with s 9(2)(j) contingency removed
Three	\$60.00m	A credible minimum that keeps a range of options (both for manner and timing of support) on the table. This includes: - A one-off allocation happening earlier than anticipated under Option One, at assumed lower ETS spot prices (\$50 compared to \$80). - Reducing the size of the one-off allocation made during the Budget forecast period s 9(2)(b)(ii) [REDACTED] - A direct funding/co-investment option - ETS exemption during the Budget forecast period
Four	s 9(2)(j) [REDACTED]	Options limited to ETS exemption from 2030 onwards, or changes to industrial allocation phaseout rates from that point forwards

53. We propose to include all of these options in the Budget bid, with MOF's agreement. We are sharing these scaled options in draft with Treasury officials, to ensure they can advise the MoF rapidly.

Appendix 2: The three most recent s 60 exemptions

Exemption	Case for exemption
Climate Change (Waitaki District Council) Exemption Order 2025 Exempted the council for disposing waste from two old fly-tipping sites	- Limited to a specific quantity and source of waste which had no emissions generating potential - The ETS would have required the landfill operator to report emissions from disposing the 19,000 tonnes of waste as if it was 'new waste' and imposing a significant cost (\$1.4 million at the time) on the person responsible for disposing it. - Consistent with an existing s 60 exemption for re-disposal of waste from old, closed landfills vulnerable to erosion and flooding.
Climate Change (Ngāi Tahu Farming Limited) Exemption Order 2023 Exempted Ngai Tahu for failing to offset the deforestation of 347 hectares of pre-1990 forest land within the statutory timeframe	- Ngai Tahu had an offsetting arrangement approved by Te Uru Rākau – New Zealand Forest Service in early 2017 relating to the deforestation of 1,575 hectares of pre-1990 forest land. But due to unforeseen delays (planting logistics and resource consents), some of the offsetting was not completed by the due date. - Amendments to the offsetting provisions in the CCRA in 2020 provided more flexibility to the participant to apply to remove or add land to the offsetting forest land. However, those amended offsetting provisions were not able to be applied retrospectively - Conditions in the exemption require the completion of the agreed offsetting forestry activity, along other criteria, such as establishing an additional 50 hectares of permanent indigenous forest land.
Climate Change (Christchurch City Council) Exemption Order 2023 Exempted the Council for deforesting pre-1990 forest land	- Limited to a specific deforestation event and area. Exemption cost was \$846,394 at the time. - As part of their emergency response the Council deforested 34.5 hectares of pre-1990 forest land in response to the 2011 earthquake. - Extraordinary circumstances forced the Council to respond quickly and dispose of earthquake debris on the 34.5-hectare site.

Appendix 3: Summary of options to support Golden Bay

Option	Benefits	Risks and trade-offs
Direct funding to support investment in decarbonising cement plant	- Does not alter ETS participation status - Does not reduce surrender obligations, and - Does not change emissions accounting. - FBL remains fully exposed to the carbon price at the margin, which is central to the ETS's environmental integrity. It also avoids setting a precedent that the ETS can be "switched off" when carbon costs impact domestic supply. - Straightforward to implement (subject to contractual terms)	- Sends a signal that Government is willing to intervene financially when businesses are in commercial stress. - As FBL is not considered capital constrained, there is no direct link between the problem and the option - Will need careful agreement to ensure funding is used for the intended purpose and cement production stays in New Zealand as a result - s 9(2)(h)
Reduce industrial allocation (IA) phase-out rates to the minimum required under the current CCRA framework, with the potential for an additional allocation of NZUs if required	- Keeps FBL fully inside the ETS and retains surrender obligations on residual emissions. - FBL still faces the marginal cost of emissions - Abatement incentives are retained where it is cheapest to reduce. - Aligns with the policy rationale for industrial allocation – to reduce the risk of emissions leakage.	- Current minimum phase out rates would not be sufficient to enable FBL to reach its s 9(2)(b)(ii) return on invested capital and additional NZUs are likely to be required. - s 9(2)(h)
Amend the CCRA to allow further reductions in IA phase-out rates if specific criteria are met	- Provides a targeted and evidence-based way to urgently address emissions leakage risk. - Reduces delays and high administrative cost of existing process (e.g., CCC must advise).	Precedent risk with other firms also seeking a lower phase out rate. Would require careful drafting of conditions that must be met.

	• Provides legislative certainty to GB and a strong signal of support.	
Provide an ETS exemption for GB's hard-to-abate process emissions under s60 of the CCRA	• Addresses GB concerns about an 'unlevel playing field', by removing carbon costs. • Provides almost immediate, certain and highly targeted relief from ETS costs.	• Implications for ETS decisions and its accordance with emissions budgets, particularly EB3. • s 9(2)(h)
Amend the CCRA to temporarily suspend ETS obligations for clinker production	• Can be made quickly through Budget night legislation, providing immediate and certain relief • If targeted at clinker process emissions only, retains ETS cost incentive on FBL to decarbonise fuel use	• Precedent risk, as sends a signal that Government is willing to intervene when businesses are under commercial stress. • Fundamental undermining of Parliament's purpose for the CCRA through the Government making a statutory 'overwrite' without normal processes.



AIDE MEMOIRE: TALKING POINTS FOR MEETING WITH FLETCHER BUILDING ON 13 APRIL

Talking points for meeting with Fletcher Building on 13 April

Date:	10 April 2026	Priority:	Urgent
Security classification:		Tracking number:	26-BRF-00920

Information for Minister(s)

Hon Simon Watts

Minister of Climate Change

Action for Minister's Office staff

Provide to Minister ahead of meeting with Fletcher Building at 9.30am on Monday 13 April

Appendices and attachments

Appendix 1: Attendee Biographies

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Kirsty Flannagan	GM Markets	s 9(2)(a)	
Jane White	Chief Advisor / Author		✓

The following departments/agencies have been consulted

- Minister's office to complete:
- | | | |
|--|---------------------------------------|---|
| ☐ Noted | ☐ Needs change | ☐ See Minister's Notes |
| ☐ Overtaken by Events | ☐ Withdrawn | |
| | ☐ Seen | |

Minister's Comments

AIDE MEMOIRE

Talking points for meeting with Fletcher Building on 13 April

Date:	10 April 2026	Priority:	Urgent
Security classification:		Tracking number:	26-BRF-00920

Purpose

1. You are meeting with Fletcher Building at 9.30am on Monday 13 April to discuss the future of the Golden Bay Cement Plan in Whangārei.
2. You are meeting with the following people (bios are attached in Appendix 1):
 - Andrew Reding, Chief Executive & Managing Director, Fletcher Building
 - Thornton Williams, Chief Executive, Heavy Building Materials, Fletcher Building
 - Christian May, Chief Corporate Affairs Officer.
3. Kirsty Flanagan (GM Markets) and Jane White (Chief Advisor) will also attend in support.

Context

4. In January, you met with Fletcher Building (Thornton and Christian) and discussed the decision the Fletcher Building Board will make in May about the future of the Golden Bay cement plant. At that meeting, Fletcher Building indicated that rising carbon costs – costs not incurred by its competitors – will render the Golden Bay plant unsustainable from 2030 onwards, once its stock of NZ ETS units has been depleted.
5. Officials (Sam Buckle and Jane White) met with Thornton and Christian on Friday 10 April. We reiterated that Ministers are aware of the problem and want to find a solution. We took time to work through some of the practicalities of a s60 exemption from the Emissions Trading Scheme (ETS) (Fletcher Building's preferred option), including:
 - s 9(2)(g)(i) [REDACTED]
 - s 9(2)(g)(i) [REDACTED]
 - The need to consult on an exemption and the time it would take.
6. For more information on an exemption please refer to 26-BRF-00885, *Advice on exempting Fletcher Building from the NZ ETS under s 60 CCRA*.
7. Fletcher Building reiterated the counterfactual to an exemption – Golden Bay closes down its domestic operation, NZ imports higher CO₂ cement, and supply chain resilience is reduced. They also reiterated the support would be temporary, until a Border Carbon Adjustment (or some other measure to bring carbon price equivalence) is established.

8. We also discussed what investment Fletcher Building would continue to make if an exemption was granted. Thornton said they would continue to invest in decarbonisation and s 9(2)(b)(ii) [REDACTED]

Talking points for the Minister

s 9(2)(g)(i)

[REDACTED]

s 9(2)(g)(i)



Next steps

23. The Fletchers meeting is on the agenda for the officials meeting at 9am on Monday morning. We can discuss the approach and strategy for this meeting then.
24. Following these meetings, we would welcome your direction on how you would like to proceed and refer you to the possible timeline provided in the next steps section of *26-BRF-00885 – Advice on exempting Fletcher Building from the NZ ETS under s 60 CCRA*, provided to your office on 9 April.

s 9(2)(a)



Kirsty Flannagan
GM, Markets
Ministry for the Environment

10 / 04 / 2025

Appendices

Appendix 1: Attendee Biographies

Appendix 1: Attendee Biographies

Andrew Reding

Chief Executive & Managing Director, Fletcher Building

Appointed director 22 August 2024, appointed Managing Director and Group CEO 30 September 2024.

Andrew is a highly experienced business leader who has held numerous key operational leadership roles in the construction materials and building products sectors over the past 35 years, including 11 years at Fletcher Building.

During his time at Fletcher Building, Andrew held the roles of Chief Executive of Building Products and Steel from 2001 to 2006 and Managing Director of Fletcher Wood Panels from 1997 to 2001. Subsequently, he held senior executive roles with Rank Group Limited, where he was President and CEO of Evergreen Packaging Inc, a global business with US\$1.7 billion revenue and CEO of Carter Holt Harvey Pulp, Paper & Packaging with more than NZ\$2.3 billion revenue.

Andrew has also held several government industry advisory roles including Chair of the Construction Systems Workgroup as part of MBIE's Productivity Partnership initiative, Chair of the Building Information Modelling Acceleration Committee and as a member of MBIE's Building Advisory Panel.

Andrew has more recently been involved in seismic engineering, steel waste repurposing and clean tech start-ups. Andrew is also a director of Avertana Limited and Tectonus Limited.



Thornton Williams

Chief Executive, Heavy Building Materials, Fletcher Building

Thornton Williams was appointed Chief Executive of the Concrete Division in September 2024 and then Chief Executive of the Heavy Building Materials Division in May 2025. Prior to this appointment, Thornton was CFO – Concrete Division since 2021.

Thornton joined Fletcher Building in 2011 and held the role of General Manager – Treasury and Risk before joining the Concrete Division.

Prior to joining Fletcher Building, Thornton held a number of senior roles in the finance industry. He has worked in several different markets over his career, equipping him with a global perspective.



Christian May

Chief Corporate Affairs Officer, Fletcher Building

Christian is a senior corporate communications leader with significant global experience drawn from the banking, professional services, manufacturing and infrastructure sectors in Australia, Hong Kong and New Zealand.

He has extensive experience in working with major listed companies, driving organisational change and protecting and enhancing corporate brand and reputation through effective communications. He has built and led high performing teams across media relations, internal communications, government and public affairs and stakeholder engagement, helping high-profile, complex organisations navigate change, mitigate risk and strengthen trust and social license.



BRIEFING

BRIEFING-REQ-0032636 Draft Cabinet paper - Maintaining domestic cement manufacturing in New Zealand

Date:	6 May 2026	Priority:	High
Security classification:		Tracking number: MFE MBIE	26-BRF-01207 BRIEFING REQ 003263625

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister for Economic Growth	Approve lodging of the attached Cabinet Paper for discussion at ECO on 20 MayMCERT	June 2026
Hon Simon Watts Minister for Climate Change	Approve lodging of the attached Cabinet Paper for discussion at ECO on 20 May	N/A

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Robyn Henderson	General Manager Economic Growth - MBIE	s 9(2)(a)	✓
Kirsty Flannagan	General Manager, Markets, MfE and Executive Director, Climate IEB Unit		✓
Jane White	Chief Advisor - MfE		
James Soligo	Director Economic Systems Leadership - MBIE		

The following departments/agencies have been consulted
The Treasury; Ministry for the Environment; Ministry of Foreign Affairs and Trade; Ministry for Regulation

Minister's office to complete:

☐ Noted

☐ Overtaken by Events

☐ Approved

☐ Needs change

☐ See Minister's Notes

☐ Declined

☐ Seen

☐ Withdrawn

Comments



BRIEFING

BRIEFING-REQ-0032636 Draft Cabinet paper - Maintaining domestic cement manufacturing in New Zealand

Date: 7/6/2026	[Date]	Priority:	Medium
Security classification:		Tracking number: MfE MBIE	26-BRF-01207 BRIEFING REQ 003263625

Purpose

Provide a draft Cabinet seeking a mandate to enter negotiations with Fletcher Building Ltd (Golden Bay Cement) to maintain domestic cement manufacturing capability in Whangārei, within a Budget 2026 tagged contingency envelope of up to \$60m.

Recommended action

The Ministry of Business, Innovation and Employment and the Ministry for the Environment (the Ministries) recommend that you:

- a **Approve** the attached Cabinet paper for lodging and discussion at ECO on 20 May.

s 9(2)(a)

Kirsty Flannagan
General Manager, Markets, MfE
Executive Director, Climate IEB Unit

06 / 05 / 2026

Robyn Henderson
General Manager Economic Growth –
MBIE

___ / ___ / 2026

Hon Simon Watts
Minister for Climate Change

___ / ___ / 2026

Hon Nicola Willis
Minister for Economic Growth

___ / ___ / 2026

Background

1. FBL has told Ministers rising NZ ETS costs (not faced to the same extent by importers) will make the Whangārei plant uneconomic from 2030, once Golden Bay's NZU stockpile runs out.
2. An independent open book review (conducted by Deloitte) confirmed that emissions costs, rather than the underlying operating model, are the binding constraint on GBC financial viability and that without government intervention, the FBL Board will likely close GBC domestic manufacturing plant and switch to an import model. The review also confirmed that a transition to an import only model will take around 9(2)(b)(ii) to implement.
3. FBL originally indicated they would decide on the future of the GBC at their May Board meeting. Subsequently FBL advised officials they would be willing to delay a decision until their July Board meeting if their management is satisfied the Government has taken credible steps towards finding a solution.

The case for intervention centres on retaining supply resilience

4. Maintaining supply resilience is the core case for government intervening. Cement is essential to housing and heavy/civil construction, with few substitutes. Greater reliance on imports would increase exposure to shipping, geopolitical and production shocks—quickly disrupting projects and confidence. However, officials rate supply chain risks as relatively low.
5. Domestic production provides a strategic hedge. New Zealand currently has “two lines of supply”: domestic output buffers global disruption, while imports provide back-up. If domestic manufacturing is lost, it is unlikely to return.
6. There are co-benefits that also need to be considered. Intervention reduces emissions leakage risk (~200,000 tCO₂e/yr), supports waste diversion (including Tyrewise), and avoids regional economic and employment impacts in Northland.

Yet intervention brings precedent and associated fiscal risks

7. Any intervention for GBC could increase expectations of ETS relief and may incentivise further lobbying for assistance from 9(2)(g)(i)
8. To manage precedent risk, the Cabinet paper (the paper) stresses the importance of adopting a defensible, principles-based approach that provides a foundation upon which other requests can be evaluated.
9. The paper proposes a consistent ‘criticality’ test to decide when Crown support is justified. These factors are drawn from the Indo-Pacific Framework for Prosperity Supply Chain Agreement (for which New Zealand is a signatory):
 - a. The impact of a potential shortage on national security, public health and safety or prevention of significant economic disruption
 - b. The level of dependence on a single supplier or region

- [REDACTED]
- c. The extent of imports required to meet domestic demand
 - d. The availability of domestic production capacity
 - e. the availability and reliability of alternative suppliers or supply locations
 - f. The extent of interconnectedness with other critical sectors or key goods.
10. The paper highlights other factors relevant to the decision to intervene - based on previous advice on navigating regional employer disruptions [Refer BRIEFING-REQ-0023105]:
- a. The availability of substitutes products
 - b. Whether the firm would be financially viable in the absence of the ETS cost (or whether a sustained decline in competitiveness is caused by other market factors)
 - c. Previous government support or funding
 - d. The likelihood of viable private sector solutions to maintain the capability.
11. Taken together, these factors provide a sound framework to review future requests and manage precedent risk. The paper suggests a high bar should be set for assistance – s 9(2)(g)(i) [REDACTED].

The paper suggests intervening through direct payments

12. The paper identified several potential approaches to assisting GBC. Each option is reviewed against effectiveness, administratively feasible, fiscal cost and impact on the integrity or operation of the Emissions Trading Scheme (and New Zealand's broader climate change objectives).
13. All options come with trade-offs. On balance we consider direct funding to be preferable for the Crown. This approach is likely to be effective, administratively pragmatic, and relatively low cost - while also maintaining the integrity of the ETS and broader climate change objectives.
14. FBL has expressed a preference for some form of ETS relief – either in the form of reduced ETS obligations or the provision of additional NZUs. While these options are likely to be equally effective in maintaining domestic production, from the Crown's perspective they either are more administratively complex to implement, are likely to negatively affect the credibility of the ETS market, s 9(2)(h) [REDACTED] or have greater fiscal cost.

Cabinet approval to enter negotiations with FBL is needed

15. The paper seeks Cabinet's agreement to enter negotiations with FBL to determine the scale of support required to keep GBC domestic manufacturing plant in Whangārei operating.
16. A tagged contingency and funding envelope of \$60 million has been sought through Budget 2026. The paper recommends this be the envelope within which the Crown negotiates – s 9(2)(h), s 9(2)(j) [REDACTED].
17. Cabinet authorisation is sought for the Minister for Economic Growth and the Minister of Climate Change to enter into an agreement with FBL, once they are satisfied terms have

[REDACTED]

been reached that secure the desired objective, and that the terms represent good value for New Zealand and do not undermine climate change obligations and ambitions.

18. The paper also sets out conditions to be attached to the provisions of assistance, including:
 - a. Agreement to continue cement production for a set period
 - b. Investment in optimisation and maintenance of clinker manufacturing of at least \$150 million
 - c. Repaying the Crown an agreed proportion of funding should overseas policy changes mean most clinker imports face comparable carbon costs
 - d. s 9(2)(b)(ii) [REDACTED]
19. Clawback provisions for breaching the agreement.

Next steps

20. Following Cabinet agreement, officials will commence negotiations with FBL within the \$60m envelope and return to Ministers with the proposed deal (including conditions, monitoring/audit arrangements, and any fiscal drawdown required from the tagged contingency). We anticipate this could be take at least one month.

Maintaining domestic cement manufacturing in New Zealand

Proposal

1. This paper seeks Cabinet's agreement to enter negotiations with Fletcher Building Limited (FBL) to determine the scale of support required to keep Golden Bay Cement's (GBC) domestic manufacturing plant in Whangārei operating.

Relation to government priorities

2. This proposal relates to the Coalition Government's priorities to:
 - 2.1 Support domestic productivity, regional employment and economic growth
 - 2.2 Maintain reliable infrastructure supply chains, with cement being a strategic input to housing and infrastructure delivery
 - 2.3 Support a pragmatic transition to a low-emissions economy while maintaining domestic economic resilience

Executive Summary

3. Without government support, Fletcher Building Limited (FBL) is likely to close its domestic cement manufacturing subsidiary – Golden Bay Cement (GBC) – and switch to an import-only model from 2030.
4. There is a strong case for government intervening to maintain New Zealand's resilience in the supply of cement. Cement is a critical input with few practical substitutes, and disruptions could have immediate impacts across heavy and civil engineering and construction.
5. At present, New Zealand benefits from the best of both worlds – domestic production that can cushion global supply chain shocks and import capacity that provides an alternative source of supply should domestic production be interrupted. This provides strategic flexibility and redundancy.
6. Losing domestic production would materially weaken resilience to supply disruptions at a time when supply chain interruptions are dominating geoeconomics and the domestic political economy. Once gone, the capability would be highly unlikely to be re-established.
7. In addition to maintaining our resilience, intervention would help reduce the risk of emissions leakage, with modelling indicating offshore relocation could increase global emissions by around 200,000 tonnes per year. It would also ensure continued investment in decarbonising technology.
8. Closure would undermine waste diversion initiatives that rely on current operations, including Tyrewise, increasing the risk of stockpiled tyres and associated environmental and public health harms. While the national macroeconomic impact may be modest, the regional employment and local economic impacts would be significant and must be

considered alongside resilience, climate, and environmental consequences of losing domestic production capability.

9. We have choices around how we intervene. Under current policies and phase out rates, industrial allocation (which is the mechanism for managing emissions leakage risk), is not sufficient to prevent closure in this case. We recommend entering negotiations with FBL to see if we can reach a mutually agreeable arrangement that would see domestic production remain yet maintain this Government's commitment to fiscal sustainability and a credible emissions trading market.
10. We seek Cabinet's delegated authority to provide up to \$60 million in support over the forecast period subject to an acceptable deal being reached. We believe the negotiating envelope will allow FBL to achieve the company's target commercial return. However, FBL may seek more than this amount, given the level of co-investment funding provided to other industries (e.g. NZ Steel and Fonterra) by the previous government. While maintaining resilience of supply is important, it is not a case of 'resilience at any cost' — we must maintain the fiscal discipline through time-limited and targeted support within a fixed envelope.

Background

11. GBC and HR Cement supply approximately 60% of the cement used in New Zealand.
s 9(2)(ba)(i), s 9(2)(j)

12. GBC is a fully owned trading entity of FBL and operates the Portland Cement Plant in Whangārei, which is New Zealand's only fully integrated cement manufacturing plant, following the closure of Holcim (NZ)'s Westport plant in 2016. GBC provides direct employment to 160 people and indirectly supports some 220 more (such as contractors). The company contributes around 9% of Whangārei District's GDP.
13. GBC's emissions are covered by the New Zealand Emissions Trading Scheme (NZ ETS). About 65% of Golden Bay's emissions come from the clinker chemical process and these emissions are very hard to abate. The industry is trade exposed, and cement imports to New Zealand do not currently face equivalent emission costs, although our main source countries are in the process of introducing pricing schemes.²
14. In January, FBL separately informed the Minister of Climate Change and the Minister for Regional Development that rising emission costs not currently incurred at the same level by its competitors will render the Golden Bay plant economically unsustainable from 2030 onwards, once its stockpile of NZ ETS units (NZUs) has been depleted. FBL informed ministers that their Board will determine at their May meeting whether to continue investing

¹ Clinker is small lumps of grey, stony material produced as an intermediate product in cement manufacturing. It is made by heating limestone and other materials (like clay) in a kiln at very hot temperatures.

² In April 2026, Japan implemented a mandatory national emission trading scheme, covering around 60% of national emissions, and including major industrial sources such as cement, with free allocation initially and price ceilings to manage cost impacts. Vietnam launched a pilot ETS in 2025 that covers the cement sector.

[REDACTED]

in domestic cement production at the Golden Bay facility or to transition to an import-based model s 9(2)(b)(ii) [REDACTED]

15. Subsequently, FBL advised officials that they may be willing to delay a decision until their July Board meeting if their management is satisfied the Government has taken credible steps towards finding a solution. We are seeking confirmation of this. A decision must be made by the FBL Board in July given the lead times to move to an import-only model by 2030.
16. To test FBL's claims, the Minister of Climate Change directed officials to commission an independent open-book review of GBC's financial position. The review, undertaken by Deloitte, found that:
 - 16.1 While investment in decarbonisation (using more Supplementary Cementitious Materials) and plant expansion would produce a positive return on invested capital (ROIC) of s 9(2)(b)(ii) increasing emission costs mean this investment would not meet FBL's target return of s 9(2)(b)(ii)
 - 16.2 Emission costs, rather than the underlying operating model, are the binding constraint on financial viability.
 - 16.3 The increase in emission costs is driven by the declining rate of industrial allocation (IA) and the exhaustion of the company's existing NZU stockpile from 2030.
 - 16.4 Competition from imports means GBC cannot pass NZ ETS costs through to customers without losing market share.
17. The open book review confirmed that without government intervention, the FBL Board will likely close GBC domestic manufacturing plant and switch to an import model. The review also confirmed that a transition to s 9(2)(b)(ii) [REDACTED] to implement investment decisions and close the Golden Bay plant.

We recommend intervening to support Golden Bay Cement to continue domestic manufacture of cement

18. Appendix 1 sets out the pros and cons of government intervention to support GBC. On balance, we consider that intervention is required to ensure New Zealand retains domestic production capability. Cement has no substitutes – making a secure supply of cement critical to achieving our ambitious infrastructure goals and attracting investment into the construction sector and the wider economy.
19. Currently, New Zealand has the best of both worlds. We have domestic production that can help cushion the impacts of disruptions to global supply chains and import capacity that allows us to pivot towards overseas suppliers should domestic production be interrupted. The system has flexibility and strategic redundancy built into it.
20. A loss of domestic production would reduce our resilience at a time when New Zealanders are getting first-hand experience of our dependence on international supply chains. Once lost, this resilience will be difficult – if not impossible – to replace.
21. As Government we have choices around how to support economic resilience. We must decide when to 'step in', and when to leave the market to allocate resources unhindered. The criticality of cement, its limited substitutability, concentration and import supply risks, and the likely severity of any disruption, all support the case for intervention. Yet we must be careful not to overstep. Our goal is to maintain domestic capacity by levelling the playing

field, not crowding out competition. 9(2)(h)

22. Other factors impact this decision. New Zealand is committed to addressing climate change – a global market failure. Intervening would help mitigate emissions leakage, with modelling indicating offshore relocation could increase global emissions by around 200,000 tonnes per year.³
23. Closure of GBC would also undermine waste-diversion schemes that depend on GBC's operations, including Tyrewise. In the worst case, Tyrewise may become non-viable, increasing the likelihood of waste tyres being stockpiled, raising negative externalities and the risk of adverse environmental and public-health impacts (including tyre fires and toxic leaching).
24. Further, GBC is a significant regional employer and an anchor customer for local suppliers, contractors, and service providers. While macroeconomic implications at a *national* level are likely to be minor, the local impacts on employment and on the *regional* economy could still be material. However, the four-year lead time may enable some adjustment and mitigation by workers, suppliers, and the wider region. These impacts would need to be considered alongside the economic resilience, climate change and environmental impacts of closure.

Intervention is not costless and creates precedent risk, although we assess this risk as moderate

25. Appendix 2 provides a list of companies that currently receive industrial allocation. It is important that we adopt a defensible, principles-based approach to policy that provides a foundation upon which other requests can be evaluated.
26. While environmental and social benefits are important considerations, the underlying rationale for government intervention in GBC is to maintain resilience in the supply of cement – an input for critical sectors such as heavy and civil engineering and construction.
27. The Indo-Pacific Framework for Prosperity Supply Chain Agreement (to which New Zealand is a Party) provides a useful touch point. The Agreement identifies factors to consider when identifying critical sectors or key goods. We consider the most relevant factors in this situation to be:
 - 27.1 The impact of a potential shortage on national security, public health and safety or prevention of significant economic disruption
 - 27.2 The level of dependence on a single supplier or region
 - 27.3 The extent of imports required to meet domestic demand
 - 27.4 The availability of domestic production capacity
 - 27.5 The availability and reliability of alternative suppliers or supply locations
 - 27.6 The extent of interconnectedness with other critical sectors or key goods.

³ This modelling assumes that if GBC shifts to an import-only model, cement will be sourced from a more emissions-intensive producer. Modelling did not include assessment of emissions associated with shipping, which will be higher for imports.

[REDACTED]

28. In addition to these, other factors we consider relevant are:

- 28.1 The availability of substitute products
- 28.2 Whether the firm would be financially viable in the absence of the ETS cost (or whether a sustained decline in competitiveness is caused by other market factors)
- 28.3 Previous government support or funding
- 28.4 The likelihood of viable private sector solutions to maintain the capability.

29. Appendix 3 provides an assessment of GBC against these factors. The assessment highlights the importance of cement and lends weight to intervention. s 9(2)(f)(iv)

[REDACTED]

30. In assessing precedent risk, we have considered the likelihood that other industries that have hard to abate emissions and are trade exposed may seek similar support. In practice, the pool of comparable firms is limited. s 9(2)(j)

[REDACTED]

31. s 9(2)(g)(i)

[REDACTED]

32. s 9(2)(g)(i)

[REDACTED]

There is also a risk that other firms who are struggling and have not received any support will question the rationale for supporting GBC, particularly in the context of the current fuel crisis. We will carefully manage this through our communications about the reasons for this intervention.

There are several possible ways we could intervene

33. We have identified several potential approaches to assisting GBC (see Appendix 4 for more detail):

- 33.1 Option 1: Direct funding to support GBC's decarbonisation investment and/or the cost of NZUs
- 33.2 Option 2: Suspending NZ ETS surrender obligations for clinker emissions from 2031 by amending the Climate Change Response Act 2002 (CCRA)

33.3 Option 3: Amend the CCRA to allow further reductions in industrial allocation (IA) phase-out rates if specific criteria are met from 2031

33.4 Option 4: Amend the CCRA to enable issue and transfer of NZUs to be used to meet NZ ETS surrender obligations until 2040.

34. In assessing these options, we have considered whether the approach:

34.1 Is likely to be effective in ensuring continued domestic production of cement

34.2 Is expedient and administratively feasible

34.3 Is consistent with the Government's broad emphasis on fiscal sustainability and value for money

34.4 Does not undermine the purpose or operation of the ETS or New Zealand's broader climate change objectives.

35. Appendix 4 provides an assessment of these options against the criteria – including the estimated costs. ^{9(2)(h)}

All options present challenges, however, on balance we consider direct funding to be preferred. This approach will:

35.1 Enable New Zealand to have access to the strategic resilience brought about by both domestic production and import cement facilities

35.2 Assist in the management of a global externality via an appropriate sharing of costs between the Crown and FBL

35.3 Maintain the credibility of the NZ ETS market and New Zealand's broader climate change obligations

35.4 Achieve the desired outcome in a way that is more administratively practical than the other options (as it does not require legislative change or impact the Government's Emissions Reduction Plan)

35.5 Provide a relatively low cost, and possibly the lowest cost, approach to achieving our primary objective of maintaining domestic production capacity.

36. The OBEGAL impact of direct funding (option 1) over 2031-40 is the same as further reducing the IA phase-out rates ^{s 9(2)(j)}, as any direct support provided would need to be equivalent to the value of in-kind support provided via increased allocation. ^{s 9(2)(g)(i)}

We seek Cabinet's support to enter negotiations with FBL

37. We note that FBL has expressed a preference for some form of NZ ETS cost relief – either in the form of reduced NZ ETS obligations (option 2) or the provision of additional NZUs (option 4). While these options are likely to be equally effective in maintaining domestic production, from the Crown's perspective they either are more administratively complex to

implement, and are likely to undermine the credibility of the NZ ETS market. Option 2 also carries greater fiscal cost.

38 ^{9(2)(h)}

39. We therefore recommend the Crown enter negotiations with FBL to determine the scale of direct funding required to keep GBC's domestic manufacturing plant in Whangārei operating (option 1). This avoids the need for legislative change and minimises risks to the credibility of the NZ ETS market.
40. A tagged contingency and funding envelope of \$60 million has been agreed through Budget 2026, which can be drawn down by the Minister for Economic Growth and the Minister of Climate Change. We recommend this be the envelope within which the Crown negotiates – noting negotiations should aim for the lowest agreeable level of support.
41. We recommend Cabinet authorise the Minister for Economic Growth and the Minister of Climate Change to enter into an agreement with FBL, once they are satisfied terms have been reached that secure the desired objective, and that the terms represent good value for New Zealand.
42. We recommended Cabinet invite the Minister for Economic Growth and the Minister of Climate Change to report back to Cabinet with the details of the deal including how compliance with the agreement will be monitored going forward.

We recommend several conditions be attached to support for GBC

43. We recommend any agreement with FBL be subject to clear conditions that provide strong policy defensibility, lower precedent risk, and guarantees for the Crown. Support must be time-limit, targeted and within the fixed envelope.
44. While the final shape of the agreement will be subject to negotiations, we propose the Crown's starting position is to seek a commitment to:
- 44.1 Continued domestic manufacturing of cement for a minimum agreed period.
 - 44.2 Investment in continued optimisation and maintenance of the clinker manufacturing capability, decarbonisation and firm expansion of at least \$150 million, ^{s 9(2)(b)}
(ii)
 - 44.3 All support ceasing should policy changes overseas mean most cement importers face comparable emission costs.
 - 44.4 Grant the Crown open-book audit rights for duration of the investment period to enable compliance with the agreement be monitored.
 - 44.5 Reasonable clawback provisions for breaching the agreement.
45. These conditions will require monitoring and administrative capability from the Ministry for the Environment (the Ministry for Cities, Environment, Regions and Transport in the

[REDACTED]

future), and the Ministry of Business, Innovation and Employment which we consider can be met from agency baselines.

Cost-of-living Implications

46. There is no immediate cost of living impact from this proposal. Domestic cement prices are set by the international market; intervention to retain domestic production will not alter this. Direct payment is in the national interest to ensure supply chain resilience and to limit impacts on costs of living and regional development from the closure of the GBC plant. s 9(2)(b)(ii)
- [REDACTED]

Financial Implications (Budget In-Confidence)

47. All intervention options considered involve fiscal implications for the Crown, both within and beyond the Budget forecast period.
48. At the invitation of the Minister of Finance, the Minister of Climate Change submitted a late Budget bid for a tagged contingency to provide fiscal headroom for a deal to be agreed and implemented. This would be funded from the Government's operating allowance if required.
49. A \$60 million tagged contingency allows for a range of credible negotiated outcomes. This includes both direct funding (option 1) and NZ ETS options (options 2-4), even where significant allocation is made within the Budget forecast period. This includes direct funding assessed on a reasonable range of grounds (as an exact equivalent to industrial allocation discounted to present values, as co-investment in capex, and providing the company with enough funding to purchase sufficient NZUs at today's market prices) to meet the company's s 9(2)(b)(iii) ROIC target by 2040.
50. s 9(2)(b)(ii) [REDACTED] . However, FBL may seek more than this amount, s 9(2)(j) [REDACTED] . While maintaining resilience of supply is important, it is not a case of 'resilience at any cost', we must maintain the fiscal discipline.

Legislative Implications

51. Direct payments to support GBC can be made without legislative change.

Impact Analysis

52. There are no regulatory changes recommended in this paper, and therefore Cabinet's impact analysis requirements do not apply.

Population Implications

53. Intervening to support GBC will ensure 160 FTE retain their jobs, along with 220 indirect workers. s 9(2)(b)(ii)
- [REDACTED]

s 9(2)(b)(ii)

54. While Whangārei's current unemployment rate is relatively low (4.1%), the region has higher historical unemployment and deprivation than the national average, heightening the risk of adverse social impacts. Although Government investment in Northland infrastructure may create employment opportunities, the alignment of timing, location and skill requirements is uncertain, and a s 9(2)(b)(ii) may have reduced ability or willingness to relocate, intensifying local impacts.

Human Rights

55. There are no inconsistencies with the Bill of Rights Act 1990 and the Human Rights Act 1993.

Use of External Resources

56. Deloitte was engaged as consultants to undertake the open book review of GBC's financial position. It was engaged for two weeks in February and provided brief supplementary analysis of the impacts of different options on GBC's ROIC.

Consultation

Government agencies

57. The Treasury, Ministry of Business, Innovation and Employment, Ministry of Foreign Affairs and Trade (MFAT), and Ministry for Regulation were consulted.

58. s 9(2)(h)

59. s 6(a), s 9(2)(g)(i)

Industry stakeholders

60. Several discussions were undertaken with FBL and GBC about what options would be most suitable. The recommendations in this paper reflect those discussions. We did not engage with other industry representatives but note discussions with cement importers, as

[REDACTED]

part of undertaking a feasibility study into a Border Carbon Adjustment scheme, showed support for options to level the playing field.

Communications

61. Following Cabinet decisions, we propose that officials work in consultation with my office to develop a communications approach, once support has been confirmed with FBL and the associated conditions have been agreed. We plan to do a joint announcement with FBL. This will include communication to the NZ ETS market.

Proactive Release

62. We intend to release this Cabinet paper proactively in part subject to redactions as appropriate under the Official Information Act 1982.

Recommendations

We recommend that Cabinet:

- 1 **note** that the open book review has confirmed that rising emission costs – costs not currently incurred by importers of cement at the same level – will render the Golden Bay Cement (GBC) plant economically unsustainable from 2030 onwards, once its stock of New Zealand emission units (NZUs) has been depleted.
- 2 **note** that without government intervention, the Fletcher Building Limited (FBL) Board will likely decide to close the GBC plant in Whangārei and switch to an import model.
- 3 **note** that countries we import cement from are adopting emissions pricing schemes, but emissions pricing equivalence is unlikely within the next decade due to lower carbon prices or generous industrial allocation schemes.
- 4 **agree** to intervene to support GBC to continue its domestic operations to maintain security of supply resilience.
- 5 **agree** the Crown enters negotiations with FBL to determine the scale of support required to keep the GBC plant in Whangārei operating.
- 6 **agree in principle (subject to negotiations)** that support for FBL will come in the form of a direct payment.
- 7 **note** that FBL has expressed a preference for support to come either in the form of additional NZUs or regulatory relief from New Zealand Emissions Trading Scheme (NZ ETS) obligations for process emissions.
- 8 **note** that support in the form of additional NZUs or regulatory relief is likely be more administratively complex to implement, create risks to the stability of the NZ ETS market, have greater fiscal cost, ^{9(2)(h)} [REDACTED]
- 9 **agree** that (subject to Budget 2026 decisions) the negotiating envelope for discussions with FBL be up to \$60 million.
- 10 ^{9(2)(j)} [REDACTED]

- 11 **agree** that support is subject to commitments, including FBL investing in decarbonisation and firm expansion and maintaining domestic capacity for an agreed period.
- 12 **authorise** the Minister for Economic Growth and the Minister of Climate Change to enter into an agreement with FBL, once they are satisfied terms have been reached that secure the desired objective, and that the terms represent good value for New Zealand and do not undermine climate change obligations and ambitions.
- 13 **authorise** the Minister of Climate Change and the Minister for Economic Growth to make announcements to the NZ ETS market about the decisions taken in this paper at the conclusion of negotiations.
- 14 **invite** the Minister for Economic Growth and the Minister of Climate Change to report back to Cabinet with the details of the deal and how compliance will be monitored.
- 15 **note** the Minister for Economic Growth and the Minister of Climate Change will return to Cabinet if a deal cannot be reached within the \$60 million tagged contingency envelope.

Authorised for lodgement

Hon Nicola Willis

Minister for Economic Growth

Hon Simon Watts

Minister of Climate Change

Appendix 1: Pros and cons of intervening to support Golden Bay Cement Limited (GBC) to continue domestically manufacturing cement

Reasons to intervene	Reasons not to intervene
Supports domestic manufacturing of cement – reducing security of supply concerns. As New Zealand is highly reliant on cement imports, cost increases and supply tightness has been caused by disruptions in the past. This included during Covid-19 and now stemming from the Iran conflict.	The risk of a major supply disruption is relatively low, as cement and clinker are widely traded commodities and suppliers have incentives to manage supply chain risks. Although the current geopolitical situation highlights the risks of import reliance, it has not yet significantly disrupted New Zealand's current cement imports and GBC would not be shutting down its domestic operations until

	2030. However, there are some reports of cement price increases and supply tightness, including from Thailand and Australia.
Avoids loss of up to 160 jobs directly employed in cement production.	May delay labour reallocation – preserving existing jobs may slow the reallocation of labour toward more productive and lower-emissions activities.
Makes allowance for emissions from industrial processes for which no technological abatement solutions exist.	Undermines the purpose of the NZ ETS to incentivise emissions reductions with a market-based tool. s 9(2)(g)(i)
Help to level the playing field with importers until the national ETSs to which they are exposed become effective.	9(2)(h)
Precedent risk is moderate given other actions taken already for other major industrial allocation users.	Creates a residual precedent risk, and the fiscal cost could be significantly larger than previous actions taken.
Avoids emissions leakage and an estimated increase in global emissions of 4 million tonnes of carbon dioxide equivalent (Mt CO ₂ e) over 2030 to 2050.	The potential to reduce the projected shortfall to meeting EB3 by around 3 Mt CO ₂ e if NZ ETS settings are adjusted to account for GBC's closure.
May reduce downstream policy impacts – maintaining domestic production could limit disruption to linked regulatory schemes, including Tyrewise.	Additional policy development and Government investment could be provided to mitigate impacts of GBC's closure on the Tyrewise scheme, although investment in GBC is likely to be costly.

Appendix 2: Assessment of precedent risk across industries currently receiving industrial allocation⁵

Industry	Trade-exposed? <i>Cannot manage NZ ETS costs by passing them onto markets</i>	No-cost effective abatement option? <i>Investing in emissions reductions to avoid future costs is either not possible, or not viable within a reasonable timeframe</i>	Unavoidable process emissions? <i>Emissions from an internationally recognised 'hard-to-abate' chemical or industrial process</i>	High thermal energy and carbon molecule of natural gas and coal?	Have previously signalled the need for support with NZ ETS costs / support?	Industrial allocation received in 2024 ⁶ ('000s NZU)	Potential fiscal impact if IA level of support reset from 2031 ⁷ (\$m, 2026 dollars, total for 2031-40)	Overall precedent risk <i>Likelihood of successfully making a case for support</i>	Comments
Aluminium	√	√	√	√		731	186	Medium	Has secured long term electricity supply contracts and is investing in expanded operations
Iron and steel	√	√	√	√	√	1,595 ⁸	175	Medium	Received GIDI funding of \$140m for electric arc furnace
Cartonboard	Partial	√			√	118	13	Medium	Received GIDI funding of \$4m
Pulp and paper	√	√			√	500	54	Medium	Materially reducing domestic manufacturing activities. Vertical links to primary sector, electricity dominant

⁵ Note, this is not a comprehensive list of all emissions-intensive, trade-exposed firms.

⁶ Current allocation rates (allocative baselines) are the average emissions per unit of production over 2016-2021 for each industry and are therefore not representative of current emission cost exposure. Some firms have reduced their emissions intensity since baselines since 2021.

⁷ The level of assistance provided under IA was initially set to 90% for high intensity firms and 60% for moderately intensive firms and then phased down. For this analysis we have assumed that the level of assistance is reset to these levels and then held there indefinitely. The fiscal impact is the additional cost over what would have been provided by the phased down level of assistance.

⁸ NZ Steel's industrial allocation will approximately halve once the electric arc furnace is operational, along with its exposure to emission costs.

Packaging paper	Partial	√			√	272	30	Medium	Predominately export focused. Electricity dominant
Clinker	√	√	√	√	√	489	n/a	High	Single domestic manufacturer of cement competing against importers. Has received small amount of GIDI funding and waste minimisation levy funding
Carbamide (urea)	√	√		√	√	315	57	High	Approached previous Government with decarbonising plan, challenge with ongoing gas supply.
Burnt lime	√	√	√	√	√	116	21	Medium - High	Very high proportion of process emissions, gas dependent. High domestic production but increasing risk of imports.
Caustic soda	√	√				8	2	Med	Electricity dominant
Hydrogen peroxide	√	Not known				13	2	Low	Received GIDI funding
Glass	Partial	Not known	√	√		64	30	Med	Gas dependent
Tissue paper	Mostly no	√			√	24	11	Med	Electricity dominant
Ethanol	√	√		√		5	2	Low	
Lactose	√	Not known				52	15	Low	Fonterra production
Whey powder	√	√				5	1	Low	Fonterra production
Methanol	√	√		√		474	n/a	Low	Expected to close ~2027 due to gas supply running low

Analysis of bespoke “very large emitter” partnership deals (NZ Steel and Fonterra)

Industry	Support Provided	Level of funding	Rationale for the support	Conditions agreed as part of funding
NZ Steel (negotiations between NZ Steel and EECA) - 2023	Government Investment in Decarbonising Industry (GIDI) project to install an electric arc furnace at NZ Steel’s Glenbrook Mill (partially replacing its existing coal burning furnace). s 9(2)(g)(i)	\$140 million through the GIDI fund, with NZ Steel funding the balance of \$300 million.	- A cost-effective emission abatement project was brought forward by the co-investment - Eliminate 1% of NZ’s total annual emissions (800,000 tonnes CO₂e per annum) – equivalent to 300,000 cars off the road. - Cut emissions at the mill by more than 45%. - Environmental benefits from recycling and reusing scrap metal. - Producing low carbon steel by world standards	- A Memorandum of Understanding and formed a Transition Group (chaired by MBIE) – a mechanism to maintain ongoing dialogue with the govt on issues which arise during the EAF project and after commissioning which may have a material impact on the viability of its investment. - NZ Steel to deliver 800,000 tonnes of CO₂e emissions reductions per annum for 9 years. - A full feasibility study to be completed and accepted by both parties, and the NZ Steel Board to be satisfied with the arrangements and regulatory settings. - NZ Steel to receive the requisite level of assurance of its ability to obtain the necessary resource consents. - Offramps for NZ Steel for detrimental commercial events - Clawbacks for the government for under-delivery of the emissions abated. - Tie a portion of the funding to on-time commissioning of the EAF and to overperformance in terms of emissions reductions by 2030. - NZ Steel to receive industrial allocation for steel produced using the EAF.
Fonterra - 2023	Government Investment in Decarbonising Industry (GIDI) project to targeted fuel-switching and efficiency upgrades across six of Fonterra’s coal-using dairy processing sites.	Crown committed \$90 million in co-funding through GIDI (grant). Fonterra committed up to \$790 to \$800 million of its own capital investment.	- Result in approx. 2.1 million tonnes of CO₂e being removed earlier from the atmosphere. 1.17m tonnes CO₂e (2.69%) of the emissions reductions required in New Zealand’s second	- The agreement is support for a 50% reduction in emissions by 2030 – increasing Fonterra’s existing target of 30%. Measured from a 2018 baseline. - It focused primarily on their coal using sites in the South Island. - All projects must be completed by 2030.

		Fonterra announced \$150m additional electrification investments (electric boilers, fleet decarbonisation), building on—but separate from—the original GIDI deal	emissions budget (EB2 – 2026-2030) and 0.83m tonnes of CO₂e in EB3 (2031-2035) (1.13% of the reductions required). Economic rationale: • Reduce need to purchase expensive offshore credits, with that money instead invested in NZ. • Build confidence for scaling of renewable energy supply, increasing access and affordability for business and households. • Stimulate new green jobs and high-quality employment. • Contribute to healthier air. • Maintain strong export market access as international trading destinations tighten their climate regulatory frameworks.	
--	--	---	--	--

Appendix 3: Assessment of cement against resilience criteria

Factor	Assessment of cement against resilience criteria
The impact of potential shortage on national security, public health and safety or prevention of significant economic disruption	High. Cement is a foundational input to construction and infrastructure (housing, transport links, water assets, hospitals, and post-disaster rebuild). If Golden Bay Cement (GBC) supply were disrupted, near-term substitution would rely on imported cement/clinker shipped through ports and domestic distribution networks—both of which can be stressed during major natural hazard events. The risk is primarily “economic disruption” and slowed recovery/repair rather than immediate public health impacts, but prolonged shortages would compound resilience and recovery risks (eg, delayed lifelines repairs and rebuild activity).
The level of dependence on a single supplier or region	Moderate–high. New Zealand has one fully integrated domestic cement manufacturer (GBC at Portland, Northland) while other major market supply is import-reliant (eg Holcim’s post-2016 offshore sourcing/distribution model). This concentrates domestic production capability in a single site/region, creating a single-point-of-failure risk (plant outage, quarry/port constraints, coastal shipping disruption). However, the overall market is not dependent on one supplier because imports provide an alternative pathway (subject to shipping/port capacity and price/FX volatility).
The extent of imports required to meet domestic demand	Material and rising. NZ’s market includes substantial imported cement/clinker supply alongside domestic production, with import dependence increasing when domestic output is constrained or when offshore pricing is favourable. Holcim’s shift to an “import and distribute” model following closure of its Westport manufacturing operation indicates that a meaningful portion of demand can be (and is) met by imports, implying exposure to freight rates, port capacity, and disruption risks on international maritime routes.
The availability of domestic production capacity	Constrained but strategically significant. GBC provides an onshore base-load capability and technical know-how that cannot be quickly recreated if lost. However, a single integrated plant limits surge capacity and creates exposure to planned/unplanned outages; resilience depends on maintenance, fuel/inputs, and reliable coastal/land distribution.
The availability and reliability of alternative suppliers or supply locations	Moderate. Alternative offshore supply is available, but scalability and reliability are constrained by supplier capacity, shipping schedules, and port and domestic distribution settings. Australia is unlikely to provide a scalable backstop supplier at short notice. New Zealand’s current and potential supply sources (including Vietnam, Japan and Egypt) carry geographic and geopolitical exposure that could affect continuity, lead times and price volatility.
The extent of interconnectedness with other critical sectors or key goods.	Very high. Cement is tightly coupled to critical sectors: construction and infrastructure delivery, transport and logistics (coastal shipping, road/rail distribution), quarrying/aggregates, ready-mix and precast concrete, and waste management (where alternative fuels are used). GBC’s increased use of waste tyres and construction/wood waste as fuels links cement continuity to waste supply chains and permitting. Disruption in energy/fuels, transport networks, or port operations can quickly transmit into cement availability and then into broader infrastructure delivery and recovery timelines.

The availability of substitutes	Limited in the short run; partial in the medium run. For many applications, cement in concrete is not readily substitutable at scale without redesign (engineering standards, consenting, durability requirements). Some substitution is possible via supplementary cementitious materials (SCMs) and lower-clinker binders (eg, fly ash/slag where available, calcined clays, limestone fillers) and by using engineered timber or steel for certain building elements. However, these substitutes face constraints: availability and quality of SCMs, competing demand, code/specifier acceptance, and the fact that many substitutes still depend on imported inputs. In practice, imports of cement/clinker are the primary “substitute” for domestic production shortfalls.
Whether the firm would be financially viable in the absence of emission costs (or whether a sustained decline in competitiveness is caused by other market factors)	GBC has indicated that reductions to NZ ETS industrial allocation could affect the viability of domestic cement production, reflecting the sector’s exposure to emission costs and to import competition. While competitiveness also depends on non-NZ ETS factors: international cement/clinker pricing, exchange rates, shipping/freight costs, etc, the open book exercise conducted by Deloitte concluded “Emissions costs, rather than the underlying operating model, are therefore the binding constraint on financial viability.”
The likelihood of a viable private sector solution to maintain the capability.	Mixed. Because NZ is a small, trade-exposed market with credible import substitution, private incentives alone may underprovide domestic production capacity (particularly if carbon costs rise faster than decarbonisation options can be deployed).
The existence of viable emissions abatement technologies for process emissions	Few commercial options for process emissions. Clinker substitution helps, but deep cuts need carbon capture and storage or indirect calcination) — credible technology not yet routine at scale and needing CO ₂ transport and storage.

Appendix 4 – Analysis of options to support Golden Bay Cement Limited⁹

#	Option	Effectiveness	Administrative feasibility	Fiscal impacts	NZ ETS market impacts	Mechanism
1	Direct funding to support Golden Bay Cement Limited's (GBC) decarbonisation investment /or the cost of New Zealand emission units (NZUs) (recommended)	Does not alter NZ ETS participation status or reduce surrender obligations.	Straightforward to implement.	The OBEGAL impact over 2031-40 is the equivalent to option 3 below s 9(2)(j), as we assume direct support equivalent to in-kind support via increased allocation will be sufficient to meet GBC's target ROIC. s 9(2)(j) [Redacted] [Redacted] [Redacted] [Redacted]	s 9(2)(g)(i) [Redacted] [Redacted] [Redacted] [Redacted] Other emitters will look for similar treatment.	s 9(2)(h) [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted] [Redacted]

⁹ The Minister of Climate Change decided not to progress work on a border carbon adjustment in December 2025, but to continue to monitor international developments, s 9(2)(f)(iv) [Redacted].
s 9(2)(j) [Redacted]

#	Option	Effectiveness	Administrative feasibility	Fiscal impacts	NZ ETS market impacts	Mechanism
2	Suspend NZ ETS surrender obligations for clinker emissions from 2031 by amending the CCRA	Effectively levels the playing field. Provides timely, certain and highly targeted relief from emission costs.	Will require legislative amendment. Requires ongoing monitoring of circumstances and commitments.	Reduces GBC's NZ ETS liability and expense, but also revenue as NZUs not surrendered. Net negative operating balance before gains and losses excluding ACC (OBEGAL) impact of s 9(2)(i) over 2031-40. Fewer units available for auction decreases cash proceeds by s 9(2)(b)(ii) for 2031-35 (based on NZ ETS cap reduced).	Undermines purpose of the NZ ETS through precedent-setting rule change and shifts costs to other emitters in the NZ ETS. s 9(2)(g)(i) Other emitters will look for similar treatment.	Requires primary legislation. s 9(2)(h)
3	Amend the CCRA to allow further reductions in IA phase-out rates if specific criteria are met from 2031	Keeps GBC fully inside the NZ ETS and retains surrender obligations. Aligns with policy rationale for industrial allocation.	Would require legislative amendment.	Increased expense of s 9(2)(i) over 2031-40 against OBEGAL. Fewer units available for auction decreases cash proceeds by s 9(2)(b)(ii) for 2031-35.	Some negative impact by creating investment uncertainty and regulatory uncertainty for major emitters. s 9(2)(g)(i) s 9(2)(g)(i) Other emitters will look for similar treatment.	Requires primary legislation s 9(2)(h)

#	Option	Effectiveness	Administrative feasibility	Fiscal impacts	NZ ETS market impacts	Mechanism
4	Amend the CCRA to enable transfer of emission units to be used to meet NZ ETS surrender obligations until 2040	Keeps GBC fully inside the NZ ETS and retains surrender obligations. Avoids need for GBC to purchase NZUs from the market.	To stay aligned with emission budgets, a reduction in auction supply is likely necessary to accommodate this transfer under the NZ ETS cap from 2031. But auction supply will be very small from 2031.	One off OBEGAL impact of s 9(2)(i) for the increase in allocation expense in 2026.¹¹ Likely to result in a corresponding adjustment to auction units, which would decrease cash proceeds. Spread evenly over 2029-31, this impact is estimated at s 9(2)(b)(ii) in foregone auction revenue (at the auction floor price).	Undermines purpose of the NZ ETS through precedent-setting and shifts costs to other emitters in the NZ ETS. s 9(2)(g)(i) s 9(2)(h) . Introduces uncertainty through new market supply mechanism. Other emitters will look for similar treatment.	Minister of Finance issues direction to the Registrar under section 6 of the CCRA to transfer NZUs to FBL's NZ ETS registry account.

¹¹ Based on allocating s 9(2)(b)(ii) NZUs at current (early May 2026) spot prices of around \$50/NZU.



JOINT BRIEFING

Approving a deal with Fletcher Building regarding Golden Bay Cement

Date:	24 June 2026	Priority:	Urgent
Security classification:		Tracking number:	BRIEFING-REQ-0034786 26-BRF-01606

	Action sought	Response by
Hon Nicola Willis Minister for Economic Growth	Approve the details of the deal negotiated with Fletcher Building as set out in recommendation 6.	29 June 2026
Hon Simon Watts Minister of Climate Change	Note that separate advice will follow on proposed comms around this deal. Agree to take an oral item to Cabinet to update Ministers on the outcome of the negotiation.	
Hon Shane Jones Minister for Regional Development	Copy for your information	N/A
Hon Nicola Grigg Minister for the Environment		

Action for Minister's Office staff

Forward the briefing to the Minister for Regional Development and Minister for the Environment offices.

Appendices and attachments

Appendix 1: Letter received from Fletcher Building with a request for a grant and associated conditions

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Josh Hercus	Director, MBIE	s 9(2)(a)	✓ (Min Jones)
Robyn Henderson	GM, Economic Growth, MBIE		✓ (Min Willis)
Kirsty Flannagan	GM, Markets, MfE		
Jane White	Chief Advisor, MfE		✓ (Min Watts)

The following departments/agencies have been consulted

Minister's office to complete:

- | | | |
|--|---|------------------------------------|
| ☐ Noted | ☐ Approved | ☐ Declined |
| ☐ Overtaken by Events | ☐ Needs change | ☐ Seen |
| | ☐ See Minister's Notes | ☐ Withdrawn |

Minister's Comments

JOINT BRIEFING

Approving a deal with Fletcher Building regarding Golden Bay Cement

Date:	24 June 2026	Priority:	Urgent
Security classification:		Tracking number:	BRIEFING-REQ-0034786 26-BRF-01606

Purpose

1. This briefing seeks your agreement to offer Fletcher Building Limited (FBL) up to \$60 million, through the Budget 2026 tagged contingency, to support Golden Bay Cement (GBC) to continue domestic cement manufacturing at its Portland plant in Whangārei until at least 31 December 2040.

Executive Summary

2. Cabinet has agreed that the Crown may intervene to support continued domestic cement production where Ministers are satisfied the terms secure the desired objective, represent good value for New Zealand, and do not undermine climate change obligations and ambitions. Cabinet agreed a negotiating envelope of up to \$60 million and directed officials to keep Crown costs as low as possible within that envelope. [CAB-26-MIN-0175.01].
3. Officials have been in active negotiations with FBL. These negotiations have reached a critical decision point. FBL has advised it needs a clear Government position before 30 June 2026, when its Board will make decisions on continued domestic cement manufacturing, s 9(2)(b)(ii) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
4. Negotiations have led to agreement on the broad terms of a deal which includes material commitments from GBC. These include continue domestic cement manufacturing until at least 2040, investment of at least \$150 million and s 9(2)(b)(ii) [REDACTED] in optimisation, maintenance, decarbonisation and firm expansion, open-book audit rights, reasonable endeavours to maintain employment at the Whangārei plant, and Crown clawback rights if commitments are not met or the policy landscape changes.

5. s 9(2)(b)(ii) [redacted]
[redacted]
[redacted]
[redacted]
[redacted]
s 9(2)(j) [redacted]
[redacted]
[redacted]
6. s 9(2)(b)(ii) [redacted]
[redacted]
[redacted]
[redacted]
[redacted]
7. s 9(2)(j) [redacted]
[redacted]
[redacted]
[redacted]
8. Should an agreement be reached, communications will need to be carefully managed.
s 9(2)(b)(ii) [redacted]
[redacted]. The execution strategy for purchasing NZUs is still being worked through. Officials will brief you separately on the communications strategy once the contract terms and execution strategy are finalised.
9. Please note this advice is ETS market sensitive, meaning that it could influence trading within the ETS market. This advice should be provided only to those who need to see it, it should not be shared outside the Crown, and those who have access to it must ensure that they appropriately manage conflicts of interest related to the ETS and the ETS market.
10. If you agree, MBIE will work with FBL to finalise the grant agreement and related commercial and operational arrangements. Once the agreement is signed, officials recommend the Minister for Economic Growth take an oral item to Cabinet to update Ministers on the final deal and how it will be monitored.

Recommended action

The Ministry of Business, Innovation and Employment and the Ministry for the Environment recommends that you:

1. **Note** that negotiations have reached a critical decision point with Fletcher Building Limited advising that it needs a clear Government position before 30 June 2026. *Noted*
2. **Agree** to delegate authority to MBIE officials to finalise the commercial and operational arrangements, including minor amendments to the proposed terms where the amendments are consistent with Cabinet decisions to maintain domestic cement manufacturing in New Zealand [CAB-26-MIN-0175.01]. *Agree / Disagree*
3. **Note** that Crown negotiators have sought to keep Crown costs as low as possible within the negotiating envelope of \$60 million. *Noted*
4. s 9(2)(b)(ii) *Noted*
5. **Agree** that officials may offer Fletcher Building Limited support of up to \$60 million from the tagged contingency, s 9(2)(j) *Agree / Disagree*
6. **Approve** the draft terms of the deal with Fletcher Building Limited as set out in the table below, subject to further negotiations by MBIE officials: *Approved / Not approved*

Terms	Draft terms for this project
Entity	Fletcher Concrete and Infrastructure Limited (trading as Golden Bay Cement) (GBC)
Purpose	To support GBC to continue its domestic operations to maintain security of supply resilience and the economic benefits of the upgraded cement manufacturing plant.
Term	31 December 2040
Entity Commitments	GBC undertakes to: a. continue domestic manufacturing of cement until at least 31 December 2040. b. invest in continued further optimisation and maintenance of the cement manufacturing capability, decarbonisation and firm expansion of at least \$150m, s 9(2)(b)(ii), in aggregate over the Term. c. provide open-book audit rights, with the details of timeframes to be finalised as part of the grant contract. d. use reasonable endeavours to maintain employment levels at the Whangārei plant broadly consistent with those in place at the date of

	the Grant Agreement, while retaining the ability to pursue commercially reasonable efficiency and productivity initiatives and respond to operational requirements or market conditions. Where existing roles are affected, GBC will use reasonable endeavours to support workers to transition into alternative roles.
Crown Clawback rights	Suitable provisions if the Entity Commitments are not met, including the return of funds.
Public announcements	FBL and the Crown will agree a joint communications plan before any public communication. [Officials will coordinate with Ministers Offices before finalising the plan].
Other terms	Final grant agreement to align with the Ministry of Business, Innovation & Employment's standard grant template, with relevant modifications as required.
Entity approvals	The execution of the grant agreement is subject to prior approval from the FBL Board.

7. **Note** that officials will provide further advice on the communications strategy for the deal and the establishment of an appropriation through which funding will occur. *Noted*
8. **Refer** this briefing to the Minister for Regional Development and the Minister for the Environment *Agree / Disagree*

s 9(2)(a)

Robyn Henderson
GM Economic Growth
Ministry of Business Innovation and
Employment

24 / 6 / 2026

Hon Nicola Willis
Minister for Economic Growth

___ / ___ / 2026

s 9(2)(a)

Kirsty Flannagan
GM, Markets
Climate Change and Resource Efficiency,
Ministry for the Environment

24 / 6e / 2026

Hon Simon Watts
Minister of Climate Change

___ / ___ / 2026

Background

11. On 25 May 2026, Cabinet agreed to intervene to support GBC to continue domestic cement operations to maintain security of supply and resilience [CAB-26-MIN-0175.01]. Cabinet agreed that the Crown enter negotiations with FBL to determine the scale of support required to keep the GBC plant in Whangārei operating, and agreed in principle, subject to negotiations, that any support would be provided through a direct payment.
12. Cabinet agreed a negotiating envelope of up to \$60 million and directed negotiators to keep Crown costs as low as possible within that envelope. Cabinet authorised the Minister for Economic Growth and the Minister of Climate Change to enter into an agreement with FBL once they are satisfied that the terms secure the desired objective, represent good value for New Zealand, and do not undermine climate change obligations and ambitions.
13. The Minister of Climate Change asked that negotiations come in under \$60 million.

Officials have been in active negotiations with FBL

14. s 9(2)(j)
[Redacted]
[Redacted]
[Redacted]
15. s 9(2)(j)
[Redacted]
16. s 9(2)(ba)(i)
[Redacted]
[Redacted]
[Redacted]
[Redacted]
17. s 9(2)(b)(ii)
[Redacted]
[Redacted]
[Redacted]
[Redacted].
18. s 9(2)(j)
[Redacted]
[Redacted]
19. s 9(2)(b)(ii)
[Redacted]
[Redacted]

- s 9(2)(b)(ii)
20. s 9(2)(b)(ii)
21. s 9(2)(j)
22. s 9(2)(b)(ii)
23. s 9(2)(b)(ii)

Negotiations have reached a critical decision point

24. FBL has told officials that the government needs to confirm its position on the level of support for GBC prior to 30 June 2026. It advises this deadline is critical for two reasons.
- a. 30 June aligns with FBL's FY26 reporting date. FBL advise that for audit purposes, the Board must make a clear decision on whether to continue domestic cement manufacturing s 9(2)(b)(ii)
 - b. FBL Board must make near-term commercial decisions on continued investment in GBC and its associated Northland initiatives. Without certainty on the Government position, there is insufficient clarity on the firms long-term operating model - materially increasing the risk profile of these investments.
25. Given public disclosure requirements, GBC will need to clearly articulate the basis for its decisions, including the impact of ETS policy settings; and the absence of a credible pathway to address the carbon cost differential between imports and lower-emissions domestic production.
26. s 9(2)(ba)(i)

s 9(2)(ba)(i)

[Redacted text block]

27. MBIE and MfE consider it is critical that the Crown provide GBC a clear position on the level of support it is willing to provide prior to 30 June 2026 and that failure to do so is highly likely to result in FBL moving to an import only model.

Rising NZU prices add an additional dimension to negotiations

28. NZU spot pricing has increase from around \$35 to \$40 at the beginning of 2026 and is now trending upward to \$52 to \$55, which increases the cost of purchasing what GBC consider to be the minimum amount of NZUs required.

29. s 9(2)(b)(ii)
- [Redacted text block]

30. FBL Board has not made a decision on whether (or how much) the company would be willing to contribute to the cost of NZUs above the support provided by government.

31. s 9(2)(ba)(i)
- [Redacted text block]

32. s 9(2)(b)(ii)
- [Redacted text block]

33. s 9(2)(j)
- [Redacted text block]

34. s 9(2)(b)(ii) [redacted]
[redacted]
[redacted]

35. s 9(2)(j) [redacted]
[redacted]
[redacted]
[redacted]
[redacted]
[redacted]

We are seeking agreement to offer \$60 million

36. s 9(2)(j) [redacted]
[redacted]
[redacted]
[redacted]

[redacted]
[redacted]
[redacted]

38. s 9(2)(b)(ii) [redacted]
[redacted]
[redacted]
[redacted]

39. Officials are also seeking your agreement to terms of the deal set out in recommendation 6.

40. Cabinet authorised the Minister for Economic Growth and Minister of Climate Change to enter into an agreement with FBL, once they are satisfied terms have been reached that secure the desired objective, that the terms represent good value for New Zealand and do not undermine climate change obligations and ambitions.

41. We seek authority for MBIE officials to finalise any commercial and operational arrangements, including signing an agreement on behalf of the Crown and any minor amendments to the proposed terms – subject to any changes being consistent with Cabinet decisions to maintain domestic cement manufacturing in New Zealand [CAB-26-MIN-0175.01].

Communications are also market sensitive

42. This advice is ETS market sensitive, meaning that it could influence trading within the Emissions Trading Scheme (ETS) market. This advice should be provided only to those who need to see it, it should not be shared outside the Crown, and those who

have access to it must ensure that they appropriately manage conflicts of interest related to the ETS and the ETS market.

43. s 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED]. There is also a risk that other industries who are struggling and have not received any support will question the rationale for supporting GBC, particularly in the context of the current fuel crisis. We recommend this is carefully managed through communications about the reasons for this intervention, i.e. national resilience.
44. s 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED] Any public announcement of support for GBC should therefore be delayed until a joint communications plan is developed. Officials will provide you further advice on the communication plan once the details of deal are worked finalised.
45. s 9(2)(g)(i) [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED].
46. Cabinet authorised the Minister of Climate Change to make an announcement to the ETS market once negotiations have concluded [CAB-26-MIN-0175.01]. Any announcement could be made jointly with the Minister for Economic Growth. We recommend all announcements are made in line with the ETS market sensitivity protocol to ensure fairness and equal access to information. As this decision has been categorised as Category 2, controls include making announcements outside ETS market hours and providing pre-announcement notification to the market. Officials will work with both offices to support with developing and planning communications, including market notifications.
47. Another consideration is the ETS auction scheduled to occur on 8 September. MfE's standard procedure is to refrain from making any announcement that may impact the auction two weeks before the auction occurs and two days after the auction. This mean the 'blackout period' for announcement would be between 25 August and 10 September.

Next steps

48. If you agree to the details of the deal as set out above, MBIE will work with FBL to finalise the commercial arrangements. MfE will also provide input into any ETS terms or any terms relating to the release of information to the market.

49. We expect this may take two to three weeks. Once the deal is signed by both parties, we recommend the Minister for Economic Growth take an oral item to Cabinet outlining the details of the deal and how it will be monitored.
50. Officials will also seek approval to draw down the contingency funding as appropriate, working with the Treasury.
51. s 9(2)(f)(iv) [REDACTED]
[REDACTED]
[REDACTED]
- [REDACTED]
 - [REDACTED]
 - [REDACTED]
 - [REDACTED]
[REDACTED]
- [REDACTED]
[REDACTED]
[REDACTED]



BRIEFING

Drawing down the Golden Bay Cement Tagged Contingency

Date:	16 July 2026	Priority:	High
Security classification:		Tracking number:	BRIEFING-REQ-0036534 26-BRF-02017

Action sought		
	Action sought	Deadline
Hon Nicola Willis Minister for Economic Growth Hon Chris Bishop Associate Minister of Finance Hon Simon Watts Minister of Climate Change	Agree to establish the following new multi-year appropriation Grant for Resilience of New Zealand's Cement Supply Agree to draw down the new Resilience Funding – Golden Bay Cement tagged contingency of \$60 million	17 July 2026

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
		DDI	Cell	
Robyn Henderson	General Manager Economic Growth		s 9(2)(a)	✓
Jame Soligo	Director Economic Systems Leadership			

The following departments/agencies have been consulted
The Treasury

Minister's office to complete: ☐ Approved ☐ Declined
☐ Noted ☐ Needs change ☐ Seen
☐ Overtaken by Events ☐ See Minister's Notes ☐ Withdrawn

Comments



BRIEFING

Drawing down the Golden Bay Cement Tagged Contingency

Date:	16 July 2026	Priority:	High
Security classification:		Tracking number:	BRIEFING-REQ-0036534 26-BRF-02017

Purpose

This paper seeks your approval to draw down the Golden Bay Cement Tagged Contingency agreed to by Cabinet in Budget 2026.

Recommended action

The Ministry of Business, Innovation and Employment (the Ministry) and the Ministry of Cities, Environment, Regions and Transport (MCERT) recommends that you:

a) **Note** that on 25 May, Cabinet [CAB-26-MIN-0175.01]:

Noted

- i. agreed to enter negotiations with Fletcher Building to support continued domestic cement production up to \$60 million;
- ii. authorised the Minister for Economic Growth and the Minister of Climate Change to enter into an agreement with FBL, once satisfied terms have been reached that secure the desired objective, and that the terms represent good value for New Zealand and do not undermine climate change obligations and ambitions.

b) **Note** that on 7 May, Cabinet [CAB-26-MIN-0156.09]

Noted

- i. **agreed** to establish a tagged operating contingency associated with the Business, Science and Innovation portfolio of up to the following amounts to provide for commercial negotiations with Fletcher Building to commence regarding support for Golden Bay Cement;



	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30
Golden Bay Cement – Tagged Operating Contingency	-	15.000	15.000	15.000	15.000
Total	-	15.000	15.000	15.000	15.000

- ii. **authorised** the Minister of Finance, Minister for Economic Growth, and Minister of Climate Change to jointly draw down the tagged contingency funding, subject to their satisfaction with the outcome of further negotiations with Fletcher Building on a preferred approach.

Noted

- c) **Note** that on 24 June 2026 the Minister for Economic Development and Minister of Climate Change delegated authority to MBIE officials to finalise commercial arrangements up to a value of \$60 million to be drawn down from the Golden Bay Cement Tagged Contingency.

Noted

- d) **Note** that finalisation of commercial arrangements with Golden Bay Cement are nearing conclusion.

Noted

- e) **Note** that Fletcher Building Limited is required to announce Government support to the NZX.

Noted

- f) **Note** that officials are working closely to align communications with Fletcher Building Limited and are engaging with the Minister for Economic Growth's office on arrangements for the announcement.

Noted

- g) **Agree** that, as the negotiations described in recommendation b(ii) above have been satisfactorily completed, support for Golden Bay Cement can now proceed and the tagged contingency can be drawn down.

*Agree /
Disagree*

- h) **Agree** to establish the following new appropriation:

*Agree /
Disagree*

Vote	Appropriation Minister	Appropriation Administrator	Title	Type	Scope
Vote Business, Science and Innovation	Minister for Economic Growth	Ministry for Business, Innovation and Employment	Economic Growth: Grant for Resilience of New Zealand's Cement Supply	Non-Departmental Other Expenses	This appropriation is limited to support for the resilience and security of New Zealand's cement supply by maintaining strategically important domestic cement manufacturing capability through Fletcher Concrete and Infrastructure Limited (trading as Golden Bay Cement).



i) s 9(2)(f)(iv)

*Agree /
Disagree*

j) **Approve** the following changes to appropriations to the Ministry of Business, Innovation and Employment to give effect to the decisions in recommendation (g) above

*Agree /
Disagree*

	\$m – increase/(decrease)				
	2025/26	2026/27	2027/28	2028/29	2029/30 & Outyears
Vote Business Science and Innovation Minister for Economic Growth					
Non-Departmental Other Expenses: Economic Growth: Grant for Resilience of New Zealand's Cement Supply	-	60.000	-	-	-
Total Operating	-	60.000	-	-	-

k) **Agree** that the proposed change to appropriations for 2026/27 in financial recommendation (j) be included in the 2026/27 Supplementary Estimates of Appropriations and that, in the interim, the increase be met from Imprest Supply.

*Agree /
Disagree*

l) **Agree** that the expenses incurred under recommendation (j) above be charged against the Golden Bay Cement – Tagged Operating Contingency described in recommendation (b) above.

*Agree /
Disagree*

m) **Note** that, following the adjustment detailed in recommendation (m) above for the Golden Bay Cement – Tagged Operating Contingency described in recommendation (b) above is now exhausted and therefore closed.

Noted



Hon Chris Bishop
Associate Minister of Finance
___ / ___ / 2026

Hon Nicola Willis
Minister for Economic Growth
___ / ___ / 2026

Hon Simon Watts
Minister of Climate Change
___ / ___ / 2026

s 9(2)(a)

Robyn Henderson
GM Economic Growth
Science Labour and Enterprise,
MBIE
16 / 7 / 2026

Kirsty Flannagan
General Manager, Markets,
MCERT and Executive Director,
Climate IEB Unit
16/ 7 / 2026



Background

1. On 25 May 2026, Cabinet agreed to support Golden Bay Cement's (GBC) continued domestic cement production to maintain security of supply and strengthen national resilience [CAB-26-MIN-0175.01]. Cabinet agreed that the Crown would negotiate with Fletcher Building Limited (FBL), GBC's parent company, on the level of support required to keep GBC operating, with any support to be provided through a direct payment subject to the outcome of those negotiations.
2. To provide for that potential support, Cabinet agreed a negotiating envelope of up to \$60 million and established the Golden Bay Cement Tagged Contingency as part of the Budget 2026 package.
3. On 24 June 2026, the Minister for Economic Development and Minister of Climate Change delegated authority to MBIE officials to finalise the commercial arrangements, up to the \$60 million available through the Golden Bay Cement Tagged Contingency. Signed briefings attached as Annex 1 and 2.
4. On 14 July 2026, MBIE and MCERT provided Ministers with advice on how ETS settings may affect economic resilience for the largest emissions-intensive, trade-exposed firms. The briefing also provided an assessment of the potential precedent risk created by Government support of GBC.
5. On 15 July MBIE was informed by the Minister for Economic Growth's office that the Minister was satisfied with the information contained in the 14 July briefing and that MBIE should move to finalise the deal with GBC.

Approval to draw down the Golden Bay contingency

6. MBIE negotiators (led out of Kanoa) have been working with MBIE's legal team to ensure due diligence has been undertaken. MBIE also employed external counsel 9(2)(a) to advise on the terms of the agreement. 9(2)(a) is a well-respected barrister with deep experience in commercial, public and climate change law.
7. MBIE has used a well-established funding agreement template as the basis for arrangements. This template is commonly used by Kanoa for this type of grant. The standard clawback clauses have been strengthened to reflect the upfront nature of the payments and to ensure the agreement clearly reflects the Government's policy intent for entering the arrangement. Negotiations on the agreement are nearing completion. The key terms of the agreement are set out below.

Terms	Proposed terms for this project
Entity	Fletcher Concrete and Infrastructure Limited (trading as Golden Bay Cement) (GBC).
Grant amount	Up to NZD \$60 million.



Terms	Proposed terms for this project
Purpose	To support GBC to continue domestic cement manufacturing at the Portland plant, maintain domestic clinker manufacturing capability, and undertake decarbonisation and capital expansion investments through to at least 31 December 2040.
Term	31 December 2040, unless terminated earlier in accordance with the agreement.
Entity Commitments	GBC must: a) continue domestic manufacturing of cement until at least 31 December 2040; b) commit at least \$150 million s 9(2)(b)(ii) of its own investment funding over the term; c) apply Crown funding and its own investment funding in accordance with an approved Investment Plan; d) provide annual reporting on implementation of the Investment Plan, use of funding, NZU transactions, employment levels, risks and forward plans; e) maintain full and accurate records for at least seven years after the last Crown payment; and f) allow MBIE access to records, systems, personnel and premises for audit and verification purposes
Conditions precedent	No funding is payable until MBIE is satisfied it has received: a) a Board resolution confirming the recipient's commitment to invest at least \$150 million s 9(2)(b)(ii) and continue domestic cement manufacturing until at least 31 December 2040; and b) a detailed Investment Plan covering the proposed use of Crown funding and company investment funding, employment impacts, NZU purchase plans and expected timing of expenditure. These conditions must be satisfied within three months of signing, unless otherwise agreed.
Crown clawback rights	MBIE may recover funding in a range of circumstances, including where: a) less than \$60 million is required to obtain the NZUs; b) funding is misspent, unspent or no longer committed; c) the investment programme is abandoned, or the recipient reduces its investment commitment below \$150 million; d) domestic cement manufacturing ceases before 31 December 2040; e) employment falls by more than 10% and reasonable mitigation is not demonstrated; f) regulatory or market changes mean funding support is no longer needed.
NZU provisions	Any NZUs purchased with Crown funding may only be used to meet ETS surrender obligations. The recipient must use industrial allocation NZUs and existing NZU holdings before using Crown-funded NZUs. Any Crown-funded NZUs remaining at the end of the agreement must be transferred to MBIE or its nominee



Terms	Proposed terms for this project
Entity approvals	The agreement requires the recipient to provide Board-approved evidence of its investment commitment as a condition precedent to funding.

8. The proposed arrangement has been structured to minimise Crown cost and risk. s 9(2)(b)(ii)
The capped Crown contribution is broadly equivalent to the estimated cost of the minimum s 9(2)(b)(ii), with any additional NZU costs or price risks borne by GBC. In return, the agreement secures a substantially larger private investment commitment of at least \$150 million s 9(2)(b)(ii), maintains New Zealand's only domestic clinker manufacturing capability through to 2040, and requires funding to be applied in accordance with an MBIE-approved Investment Plan. The Crown is further protected through open-book reporting, audit rights and clawback provisions if key commitments are not met or funding is no longer required.
9. To ensure the timely execution of the deal we are seeking approval to draw down the Golden Bay Tagged Operating Contingency. The Golden Bay Cement Tagged Operating Contingency was established through Budget 2026 at \$15 million per annum from 2026/27 to 2029/30, providing a total of \$60 million for potential Crown support. Cabinet authorised the Associate Minister of Finance and the Minister for Economic Growth to jointly approve drawdowns from the contingency, subject to final commercial arrangements being agreed.
10. Approval is sought to draw down the \$60 million contingency so that the agreed grant payment can be made once the commercial arrangements are finalised.
11. To give effect to the drawdown, Ministers are asked to approve the establishment of a new non-departmental expense appropriation in Vote Business, Science and Innovation, titled Economic Growth: Grant for Resilience of New Zealand's Cement Supply. Ministers are also asked to approve a \$60 million increase in 2026/27 for that appropriation, to be included in the 2026/27 Supplementary Estimates of Appropriations and met in the interim from Imprest Supply.
12. The expenses incurred under the new appropriation will be charged against the Golden Bay Cement Tagged Operating Contingency. The drawdown will fully exhaust the contingency, which can therefore be closed once the appropriation adjustment has been made.
13. Fletcher Building Limited is expected to be required to announce the support to the NZX. Officials are working closely with Fletcher Building Limited to align communications and are engaging with your office on arrangements for the announcement.

Next steps

14. Subject your approval, MBIE will finalise commercial arrangements with Fletcher Building Limited.