



Minerals West Coast submission to Parliament's Finance and Expenditure Committee on "Inquiry into banking competition"

To: Finance and Expenditure Committee

From: Patrick Phelps, manager, Minerals West Coast

[Inquiry into banking competition - New Zealand Parliament \(www.parliament.nz\)](http://www.parliament.nz)

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Introduction

Minerals West Coast wishes to bring to the attention of the Finance and Expenditure Committee a widespread banking practice of withholding of services to lawfully established businesses within New Zealand – namely, coal miners.

Minerals West Coast refers to the following from the Committee's terms of reference – "The effect of any bank lending policies relating to borrowers' emissions that result in additional lending costs and/or lending restrictions."

Executive summary

- Some banks are prohibiting New Zealand coal mining companies from accessing some or all of their services
- The rationale is ostensibly to promote climate change action
- This usurps the Government's exercise of climate change policy through Parliament and other democratic processes
- This practice adversely impacts on New Zealand's national energy security, and, therefore, poses a serious threat to national security
- Coal is essential to many industries including backup electricity generation, food processing, steelmaking, and cement and lime manufacture
- In the case of foreign-owned banks, this amounts to "foreign interference" in New Zealand's affairs
- Arguably, the behaviour of relevant banks is illegal, perhaps, even criminal
- Unless banks immediately cease the practice of withholding services from coal miners, the Government should make complaints to the police, and to the Financial Markets Authority, to investigate potential illegal or criminal behaviour

The banks' position

Banks such as Westpac, ANZ, BNZ and KiwiBank say they are concerned about global climate, according to their own communications.



They imagine they can make a difference to climate change by refusing to provide certain banking services to coal mining companies in New Zealand.

In doing so banks are presumably operating on the assumption that by withholding capital, lending services, and even transactional banking, New Zealand's domestic coal producing capacity will be suffocated.

Such an approach ignores the fact that coal can be sourced from elsewhere (albeit at potentially greater costs and with greater transport emissions) through the importation of coal to meet demand, e.g. for necessary backup electricity generation to avoid power cuts.

Banks ignore the fact that coal consumption accounts for **less than 6%** of New Zealand's greenhouse gas emissions (World Energy Data 2023).

Government climate change policy and action

The Government has the role on behalf of all New Zealanders to set and implement climate change policy.

There is a Climate Change Response Act 2002, a New Zealand Emissions Trading Scheme, and additional policy instruments under this heading. Their purpose is to help meet New Zealand's international obligations under the Paris Agreement 2015.

In setting and implementing policy, the Government needs to be mindful of adverse effects on the economy and society, and the potential for carbon leakage, ie the offshoring of GHG emissions on closing businesses in New Zealand.

It is not for banks to decide New Zealand's climate change policy. New Zealanders have elected governments to do that, taking into account a range of relevant factors, and the inherent complexity of climate change policy.

Serious threat to national security

By imposing barriers to coal mining companies going about their lawful business in New Zealand, the banks named above pose a threat to New Zealand's national energy security.

This is because coal provides essential backup to national grid electricity generation. By preventing New Zealand coal mining companies from supplying the required coal, New Zealanders could become 100% reliant on imports, a serious supply chain risk.

The threat against the electricity system has wider ramifications, affecting the entire economy, and is, therefore, a threat to national security.

Besides electricity, coal is essential to domestic steelmaking, and food processing. For the latter, coal was an "essential service" during the first covid lockdown, and a "key utility" under subsequent lockdowns.



Direct banks to provide services to lawfully established businesses

Banking in New Zealand is a highly regulated sector. Customers from whom services are withheld cannot easily access services from other operators in the market, as, due to being a highly regulated sector, a small number of operators enjoy the lion's share of the market.

As such, it is appropriate for the regulator (ultimately the New Zealand Government) to direct that services must be provided (by law) to those who seek them. The idea that a business may not even be able to access transactional banking, when it is conducting a lawful activity, such as coal mining, is farcical.

-ENDS-

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