The Aotearoa Circle – The Circle We Keep Podcast

Episode 2: Stew Hamilton, Chief Executive, Mercury

Transcript

Host Izzy Fenwick:

Welcome to The Circle We Keep, the Aotearoa Circle's new podcast series. Today we have a fascinating conversation with Stew Hamilton, the CEO of Mercury. We're going to be talking about why nature means business. So, we're going to bring him in, enjoy.

Thank you so much for joining us today, Stew. We're very excited to have you. Nice to be here. I've been particularly excited about having this conversation with you because I'm super passionate at the moment about building more understanding and awareness of nature as capital and as an asset and of the ecosystem services that it provides us and not just the conservation or scenic benefits of nature, but the economic imperative that it provides us. And I think there are maybe few companies that really understand that relationship better than Mercury, one of your most critical suppliers, is also one of our longest waterways.

So, what's it like having a commercial relationship with nature? What is working with the Waikato River like?

Stew Hamilton

It's pretty special actually. I joined Mercury about four years ago deliberately because I thought it was an organisation that does some great things for New Zealand. I've worked for different companies in New Zealand and abroad, in Australia and Africa, and very proud to be part of an organisation which really does have a big impact on New Zealand, both in terms of commercial outcomes, but equally in terms of its natural capital management. So, it's very, very special.

Izzy Fenwick

Very cool. What does an invoice from a supplier like a river, what does that look like?

Stew Hamilton

Yeah, that's a great question. And in terms of actually thinking about that is pretty challenging as well, actually, in terms of what are we using to actually generate value. the river itself, it's 425 kilometres long. It goes from 357 metres above sea level all the way from Taupō to Port Waikato. And thinking about how we manage every single drop of water as it makes its way down the river is pretty special.

From an invoice perspective, I think it's probably there's two broad components to it. And because we're largely borrowing from the river, we don't really take the water. The water really passes through our assets, and we don't really consume it. It's our job to look after it as it transitions through the nine power stations down the river. And so, with that in mind, there's probably two invoices that delivers us.

The first one is a bit of an interest payment. So, every drop of water that's making its way through our hydro dams, we need to make sure we look after that. We need to make sure that when it enters the Lake Taupō or the Waikato River at the mouth of Lake Taupō, that it gets to Port Waikato in a way that we haven't in any way impacted it. Now

we are one of the people that, one of the stakeholders that has a role to play and obviously there's numerous impacts on the river as it makes its way down. So that's the first component of a short term.

The second thing I think about is the long term and that's when you really kind of come out, and you see that the 425 kilometres that makes its way from the lake to the sea. And how do we go about looking after it for the long term? And therefore, it's like an investment that we need to make. So, it's an invoice of investment. And for us, it's really thinking about not just the next couple of years, but like 50, 100 years out. And when you sort of start to think about what the 50 to 100 years look like, the investment you need to make is a commercial investment, but equally an investment in the ecology of that river so that ultimately the generations ahead of us can still, I guess, obtain value, whether that's economic or social value out of the river, just as we are.

Izzy Fenwick

That must be incredibly challenging to think in such long term, like 50 and 100 years. And I can so appreciate why you need to do that, especially when nature, you know, is such a long-term thing to consider and the systems that wrap around it or might change it.

How do you go about thinking about it when it's, you know, unpredictable? It's a kind of a crystal ball approach.

Stew Hamilton

It is, yes. And that's probably the only certainty we know is that there's going to be more variation and more instability, changes and try to predict what they are., very challenging. So actually, read with interest the scenarios that come along with thinking about climate change and The Aotearoa Circles had a great impact on providing some thinking around that. We might talk about that a little bit later on. But it is very much thinking about the scenarios and not so much look at them as absolutes, but directional and start to think about what the variation could mean in terms of the investment we need to make now, in terms of the things that we should be doing now, in terms of the mitigations we should be ultimately looking to apply in the future.

Izzy Fenwick

Nice. I know the river is not your only natural supplier. You have some other nature suppliers that you work with. Tell me a little bit about some of your other critical suppliers.

Stew Hamilton

Yeah, very much so. There's a few of them. So, we very much rely on nature's energy to support our production of electricity and so water being one of them. The other one very much is the earth's energy, so geothermal. And so, we have five geothermal assets that we are joint owners and operators of around the Taupō to Kawerau region. And that's obviously extracting energy but also liquid because we bring the energy from the earth out as liquid and then reinject it back into reservoirs. So that's a key component. Wind is another component. So, we extract energy from the wind. We don't have solar at the moment, but that is another form of energy that can be used. So, when you combine those things, water, wind, earth, heat, and ultimately solar, New Zealand is set up very well to really utilise nature's energy resources to produce electricity.

Izzy Fenwick

You almost sound like Captain Planet.

Stew Hamilton

Oh, it's You know what? It's exactly the thing. And the one thing that's missing is heart, right? So, I remember. Yeah, so that's where we come in. And so exactly, I was going to say that and thought you might not know what that is. Yeah, no. I grew up watching Captain Planet. He was our hero. That is so cool. And it was those things, earth, fire, wind, water, and heart. And we really should be the heart to this operation that enables all those other forms of natural capital.

Izzy Fenwick

And I would argue that Mercury does have a lot of heart, and you do take that relationship very seriously.

Stew Hamilton

We do, yeah, very much so. Often, it's a challenge, right, because there are many trade-offs that we're trying to make, especially when it comes to electricity, especially in times like the moment where we have a cost-of-living crisis and we're trying to balance the affordability of energy with the security of supply and the sustainability of the resource we have. And so that does become quite a challenge and it requires a fair amount of heart and courage and foresight to be able to manage that.

Izzy Fenwick

While we're here, let's talk a little bit about some of those tensions. We know we need growth in energy, we know we need more energy and what does that sort of mean and look like? So, tell me a little bit about what you think the growth needs for energy are going to look like in New Zealand in the next couple of years and some of the sort of tensions or trade-offs you're thinking about?

Stew Hamilton

Yeah, definitely the growth in New Zealand, not just from an electricity perspective, but from an energy perspective will be through our renewable resources. There'll be a lot of build out of wind and a lot of build out in solar in particular. Solar both in terms of grid scale solar, so the large farm solar farms, but equally what we call behind the meter, which is household and more distributed forms of solar. They'll be critical. We've got lots of opportunity to do that and will be a key part of the future. Mercury's place to play is largely going to be in onshore wind. We have really key skills, we've got a fantastic team that look from top of the North to the bottom of the South for opportunities to do that. In fact, we're building one wind farm now in Northland and one in Southland. So, both of those locations are really important. And that will be key for the next decade and more beyond.

Now that will be supplemented by geothermal, and New Zealand is very special in its opportunity in geothermal. The great thing about geothermal is that whether it's blowing or raining or the sun is shining, it doesn't matter. It will keep producing this base load of electricity which in the past we've really relied a fair bit on thermal, fossil thermal fuels to provide or hydro.

So, when you have this really nice base load of geothermal and we've got lots of opportunity in that space, we have wind and solar which is what largely is called intermittent renewables. They'll be producing electricity when the sun's shining or the wind's blowing. Then the real critical factor for us is what do we do in those times when the wind's not blowing and the sun's not shining and largely will move a lot of our hydro system, which used to be baseload in New Zealand, will probably move to more peaking to be able to fill some of those gaps. So hydro, if anything, becomes more important in the future, to support basically providing that energy when New Zealanders, both households and companies need it.

Izzy Fenwick

Interesting. I can really appreciate then why those scenarios become really important because some of the other things that we know to be true, we don't know how true, in what way, but we know the climate is changing, we know there's different weather events that are going to be more common and more often.

Yeah, keen to understand how you plan with that sort of volatility in mind and what your kind of thinking about when your climate change could impact some of those suppliers and the makeup that that might then have.

Stew Hamilton

It's probably three different impacts that it can have on us. The first is extreme events. So how do we set ourselves up to manage the potential extreme nature of weather events, whether that's water, whether that's wind and making sure that our dams, our geothermal sites, our towers, our plants are resilient to those extremes. And we do a lot of modelling to look at what those extremes could be, thinking about one in a hundred, one in thousand-year events, how do we make sure our assets are resilient, not just because we want to maintain the commercial operation of the assets. But equally, if those assets fail, they have flow-on effects, literally, to many other communities and stakeholders and partners around. So that's a key focus is asset resilience and how we manage the asset management at risk around that.

The second thing is probably coming down from 100-year impacts to probably more like two to three-year impacts is the concept of dry years. We used to have this concept of a dry year in New Zealand. So, when you have a dry year, it means as you head into winter, we don't have the water in our lakes to provide energy for when New Zealand uses much more power, which is in winter. We're probably moving more now to dry periods. Because in the last 12 months, we didn't have a dry year, had probably like two droughts and a flood. So, you have them come in small pockets. so how do we set ourselves up to manage those times where we don't have that water in the lake. And that really requires us to have a diversity of energy sources. Diversity in terms of type, but also diversity in terms of location, and diversity in terms of not just the big players, like the Gentailers, how do consumers get engaged in managing energy? How do small to medium businesses get engaged as well? That's probably the second part.

And the third thing is then very short term. So, what happens on July the 9th at 7am when it's a really cold morning, everyone wakes up sticking on their heaters, how do we have enough, ready to go so when the heat comes, the power is there to provide it, and we don't wind up shutting off hot water significantly across New Zealand. it's kind of like, the different horizons, all of which is variation, but it's just thinking about the different parts of our business and how we manage those different variations in natural resources.

Izzy Fenwick

I know you've said it's not just you, it's the whole industry and I appreciate that. But I can also imagine there might be a few things that you'd like government or business or you know the community to know about what they could be doing to support you Mercury or the broader industry considering the huge amount of responsibility not only that you have to provide energy and power to us but also to do so in a way that is protecting critical natural capital and natural assets in the way that you do so you know.

If there was something that you wanted some of those groups to know, what might that be?

Stew Hamilton

There are probably many things. Firstly, I'd like them to know that we care deeply about the energy trilemma. It's something we think about every day, whether that's the executive, whether it's team inside Mercury, it's our board, thinking about how we manage the affordability of energy in a way that's reliable and also managing the

sustainable nature of it. By nature, like a dilemma is a difficult choice between two things that you can't hold true at the same time. And a trilemma becomes even harder. And so, it is quite challenging, but we're up for that challenge. And I get a lot of feedback often where you hear people saying, oh, you're holding back water to keep prices high, or you're not building plants to keep prices high, and that's how you make money. And it's just not true. And I can understand why that perception is there, because power prices are higher than they have been. There're some reasons for that, but it's not because we're not building, because we are building at pace. It just, that takes a bit of time. And over the last five years, we as an industry have built an extra 10 % of New Zealand's power. And in the next three years, we'll build another 10%. And so, it's coming on stream relatively fast, but it does take a bit of time from a glimmer or a spark of an idea to actually the spark of the electron can take, I it could take three to five years, depending on whether it's a solar or a wind farm or a geothermal site. But it's definitely something we take seriously. We looked at this the other day and actually we're building now 25% faster than the Think Big era. Now the Think Big era is one of those periods of time that people think about New Zealand doing a lot of in. That was government funded. We're now doing more than that through private funding.

And that will absolutely have an impact, but in the meantime, it's not great solace for people who are seeing power prices go up. So that is something that we think deeply about and think about how we manage that.

Izzy Fenwick

We talked a little bit before as well about how you're thinking about some of those big weather events. The other thing that I was kind of thinking about is, because it's another kind of dilemma that I see, those big weather events get a lot of attention as they should because it's a little bit like cutting a major artery. But there's another thing that's also happening and that's much harder to see kind of gradual decline of some of our natural assets in other ways. It's a little bit like death by a thousand cuts. much harder to kind of quantify or see.

And how are you building your understanding about some of those harder to notice changes in your critical suppliers that could impact how you deliver energy, you know, in the next sort of, however long really?

Stew Hamilton

I still love how you call them our suppliers. It's really a nice mindset to think about it. It's really true because you're right, because often the big events, you can see those, and you can work out how we might manage those. And it's a slow, call it degradation, whether it's of our environment, whether it's of the supply being there that definitely can make a bit of an impact. And one of the probably the best ways for us to think about that are in our geothermal power plants. And geothermal power plants, we drill to two kilometres, maybe sometimes three kilometres underground where there's water and it's very hot? So, we get up to 300 degrees Celsius, sometimes even warmer, 350 degrees. And so, we're pulling that to the frown level and then we're using that steam and hot liquid to drive turbines and reduce electricity and then we re-inject that water on brine back into the reservoir. So, it's like a closed loop. But as we do that through time, you can imagine you do start to extract a bit of heat out of that reservoir. And if you take too much water out, it does over time extinguish, slowly the reservoir and that doesn't happen over a year or two years, that happens over decades and it's very, we work very closely, we have a number of partners who help us operate and look after the reservoir particularly Ahu Whenua Trust, Tauhara North No.2 Trust and Tūaropaki Trust in the Taupō region and they are really awesome partners because they think very long term.

So, when we're talking about partnerships they're not talking about three or four years, they're talking about 100 years. And that partnership isn't just with us, that partnership is with our suppliers. The natural resources. that mindset is, and that learning that we have gained from our partnership with Iwi and with Māori Trusts helps us to think about management of the resources over the long time. And they do start to actually drop off very slowly and

we watch what's happening on the surface because you do see little geysers and hot pools move and change depending on what you're doing over quite a long time and technology helps a lot at the moment because we used to have people trudging around land that's got hot Tomo on them. Now we use drones much easier to manage it, safer, better data, but it is that watching for small changes that are happening every year and looking at that trend in terms of what it's likely to be doing over the next and that's just one aspect of looking at slow changes over the long term.

Izzy Fenwick

You've picked up on the terminology and language I've played with so quickly in that supplier conversation and accounting for nature. ***I'm wondering, are any of those assets on the books? Do you see a depreciation? How do you think about it?***

Stew Hamilton

We definitely see, so I wouldn't say from a technical accounting perspective, they don't play out, but they do play out in terms of asset valuation. So when we go to a geothermal site and we look at what is the net present value of that site and we look at therefore what's the energy it's going to produce over the next 30, 40 years and we calculate a net present value and that energy it's going to produce over the next 30, 40 years is very much linked to the health of our supply and the reservoir. So, we do actually in some way build into our accounting the value of the asset and how that links into how much energy it is drawing from our natural resources.

Izzy Fenwick

But thinking about some of the other work that The circle's done in energy, we talked a little bit about the energy scenarios. I don't expect you to remember all of the names of the scenarios because I can't even remember all of the names of the scenarios.

Stew Hamilton

There's a hot house in there somewhere.

Izzy Fenwick

Yeah, there is. And it's interesting that that's the one we remember. It's sort of a scale of, yeah, hot house, really not good. Trailblazers, really good. And then sort of in the middle, there's some sort of fast followers and slow movers or something like that, I think. Where do you, which of those scenarios, and I know you don't, you want to have the details sort of right in front of you, but which of those scenarios is Mercury, sort of most using or do you think is most likely at the moment based on kind of where we're going? Where would you?

Stew Hamilton

Yeah, we definitely, that's how we, we look at all of them. Yeah. And think about the impact implications, not only in the implications in terms of the impacts, but implications in terms of the actions that we should be taking regardless of the scenario, in the scenario. We certainly, I think it's more towards not the full hot house, but not towards the trailblazing scenario and thinking about, okay, what does that mean? Because often the fear I have with this scenario is that people will look and companies look at them and go, ah, and New Zealand does this generally actually, we're such a small player globally, you know, does it really matter?

The things that we do, in no way are they going to excuse the pun trump, what's going to happen elsewhere in the world. But it does, think, I've been a New Zealander for 50 years and over that time the thing I've been most proud of is New Zealand's efforts in role modelling on the global stage. Whether that's in sport, whether it's in culture,

whether it's in business. And I think that we can continue to keep doing that. And so therefore, our impacts might not just be purely in the physical things we do, but it could show up in the role modelling and influence that we have. And I think in many ways, that's the broader piece we can be playing to. And so, when you look at those scenarios, we do think that we're probably heading more towards the hotter scenarios. And sometimes we can go, well it's going to be too hard and it's a pity. But actually, our role is to keep going and role modelling what can happen. And as we do those things we tend to find that you find that and trying to cover the trilemma, tend to find that there are actually solutions that start to come out which actually enable all things to be hit at once. And actually, if you look at an area of the world now that is actually pushing hardest in renewable energy generation, it's Texas.

And go, now that wouldn't naturally occur to you, right? Because you think Texas, oil state, drill baby drill. But in many instances, lot of renewable energy, especially solar and wind, are getting to the stage where they are commercially competing with some of the fossil fuel generation. And when you start to meet those things, actually you find various organizations and countries and states acting which actually combine both the best of how you look after the environment, how do you look after the climate, and how do you support commercial and social outcomes. And that's where I think economy and the people like New Zealand can actually help to play in finding some of those solutions.

Izzy Fenwick

I love that. We do talk about punching above our weight a lot. Why wouldn't we try and punch this too? Texas is a great example, and I also think China is doing a huge amount to electrify. China, not known for doing it out of the goodness of their hearts, they are long-term strategic thinkers, because why are they doing that? It makes very good economic sense.

Stew Hamilton

Good economic sense, both commercially and also from a resilience perspective as well. we're seeing, especially through COVID, when supply chains start to break down globally, the negative lens of that is that countries become quite isolated and try to set themselves up to be self-sufficient, which to the expense of international trade, there is a positive lens to that. And again, it means that you do set yourself up to be more resilient so that you can actually be economic. And often these sources are using natural resources, which can be best for, I guess, the environment and nature in general.

Izzy Fenwick

I think that's a really good point as an argument for those that think our emissions are immaterial in the big scheme of things, which is not untrue. So, the resilience of New Zealand ends up doing kind of the same job for a different outcome, but the results are the same.

Stew Hamilton

Correct, yes. think when you can try and line up the kind of...I'm an engineer by training and I like Venn diagrams. And when you can try and find the Venn diagrams where you do overlay the economic, the social and the commercial outcomes together, that's ultimately the sweet spot. And the more we go on, it's trying to find those solutions that do hit those because if you just try to find a solution that hits one, ultimately the invoice will be high.

Izzy Fenwick

I can see why you're so good at this job with the trilemma, loving Venn diagrams. You're holding a lot in your head at once. The other thing that I think is useful to think about in those scenario examples, and I know that the ones

that we're specifically talking about from The Aotearoa Circle were really about climate, but the circle's also doing quite a lot of nature scenarios at the moment because like you say, the climate scenarios are often about like trying to understand the likelihood of stuff that's coming to us that is outside of our control largely due to some sort the other big players that are implicating, you global weather and global warming. But nature, do have a lot of control over and the potential scenarios when we think about the decline or implications of certain events, may they be extreme weather from climate. Having a direct implication on our supplier, on our assets, those things are really material and within our power and control.

How are you thinking about those more kind of nature-based scenarios considering your beautiful suppliers are nature?

Stew Hamilton

Yeah, very much so. And it does cut across multiple forms of biodiversity and ecological impact. And a couple of examples, for example, at the moment that we don't necessarily have the answers to, but we're actually working through is basically the movement of different species of fish up and down the river. And we have done a lot of work over the last decade or two around supporting the movement of tūna or eel - up the river. And that's been done in conjunction with iwi. And because when you put a dam in the river, it has a big impact and has a big impact to the surrounding environment. And one of the things you don't often think about is how do tuna make their way back up the river, as small tuna, to grow big, to then have to make their way back out to the sea to spawn, produce new little baby eels. And so, we've done a lot of work over the last decade or two to actually support the movement of eel back up the river with strong help from Iwi in particular. And that's been quite successful. Then you've to work out, that's all fine, but now how do we help the eels get back down the river?

And so, there's a fair bit of work for us to think about that. And we're not the only ones in the world grappling with this. And so, there's still those issues that we have a role to play in supporting how nature has worked. And the other sort of thing that is happening at the moment is something called golden clams. Now golden clams are an invasive species from Asia that has made its way to New Zealand. It survives very well out of water for long periods of time. And so, it's likely found its way on the bottom of a boat or someone's shoe or someone's fishing rod that has made its way to New Zealand. It's now starting to spread up the river. again, whilst we move water down the river and we don't actually add anything to it or extract any chemicals from it, the movement of water does mean that species like and clams are impacted. kind of thinking more broadly to the ecological system is quite something which we're thinking deeply about. It's something we can't solve by our own. And it's certainly something which our teams are engaging with partners on.

Izzy Fenwick

I so appreciate you talking about that with me, especially since, as you say, you haven't been able to completely solve it yet. It's something you're grappling with. It's not something you can solve alone. And I think more leaders do need to get comfortable with sharing the things that they're grappling with and the ecological systems that we work within and around are hugely complex and often make no sense. Why do they go up and down the river and then out to sea? But they do. So, I really appreciate you sharing that with me because I'm sure there's often an urge to not share until we know exactly how we're going to do something.

Stew Hamilton

Yeah, and I'm probably an over-sharer in many ways, but certainly I think it's really important to say, look, these are the things that we need support with. And these are the things that can be better, because we don't have all the answers. We know that we do have an impact on the environment. And we know that we need to support that for the long term. And that for we need to be open with those challenges and engage with people to try and be better.

Izzy Fenwick

It's very cool. have a lot of very special customers and stakeholders and that you are thinking about the birthing of little baby, yeah, it's very special. You also alluded to, which I think is really important and I'm keen to talk about, is it's not a problem that you can solve alone. And I think when we talk about natural capital and natural assets and actually climate too, climate a little bit less, because an organisation can reduce its emissions. But no organization can sustainably design its way out of some of these big natural systems or ecological challenges or natural capital challenges. Like you say, you're not the only ones that that supplier supplies to. There are lots of people working within that. And I think back to when Dad started The Aotearoa Circle and that he was so adamant that it needed to be public and private and it needed to be cross industries because so many people kind of need to come together to kind of understand some of these challenges. Love to hear from you. You've already talked a lot about some of your partners, but you know, ***how are you thinking about who you're currently working with to solve some of these bigger challenges or are there others that you wish you could, you know, do more with, and I guess the kind of mindset that you're embracing around a non-competitive approach to collaboration in these spaces where that's so critical?***

Stew Hamilton

Yeah, it is. And I think that's probably a good intro into that challenge is that as a sector, so an energy sector, and not just electricity but other forms of energy, gas and so forth, is really important for us to work together. Now that becomes quite challenging because we are competing, and we need to make sure that from a commercial perspective we are managing Commerce Act considerations because ultimately that is necessary to provide not just better commercial outcomes but trust from public and from government that we are delivering good commercial outcomes. So, there is opportunity for us to work more in a way that ultimately will be better for New Zealand. And therefore, we need to think about mechanisms to enable that. just recently, the Gentailers, so Genesis, Meridian, Contact, and ourselves, Mercury, we entered into an arrangement to support a Huntley, a firming option, Huntley Power Station. Now, when you kind of look at that, you go, that's really weird. Why are four Gentailers, two of which are fully renewable, and the other two which have a large portion of renewable assets, why are they working together to support the continuation of a coal-fired power asset? And that might not seem natural, but it has been managed very well through support from Commerce Act lawyers and through government support to enable us to do that. And why it's been so important is because that then provides a backstop so that in the dry periods we just talked about, we've got a backstop to make sure the power is still being provided. And then why that's important is because it then gives us the confidence to keep building renewable intermittent energy, which does sometimes not create electricity if it's not blowing or not shining. And so, whilst it does provide coal for a bit longer, it actually means that we'll be able to even build even more renewables to drive not just more renewability in our electricity grid, but renewability across all of our energy system in New Zealand. And then ultimately, that will potentially turn into biomass or other forms of renewable energy. And so that's example where I'd like to see a bit more of that happening.

There are other examples where there are smaller independent builders of generating assets who would need support to actually provide firming or electricity in times that solar is producing. And so there are some good commercial partnerships that can take place there as well. And they can be small and dependents, but Iwi and other organizations can do that as well. So, I think that's interesting for us where there are partnerships that can be had between typically what would be classed as competitors in a way that still provides the trust and good commercial. Interaction and make sure we're following the regulations and laws.

Izzy Fenwick

And so important when the things that you're trying to prevent from happening, similarly with the circle trying to prevent the continued degradation of our natural capital, those things take such a long period of time that you need to be able to come together across an industry or a sector and get everything on the table so you're not waiting for someone else to kind of do something first or you know. And I guess thinking really long term, the more people that can be inputting or contributing to something in that space, the better. And I think it must be hard sometimes for organizations to prioritize those things that don't necessarily have like a short-term positive outcome. ***How do you think about prioritizing some of the things that have a long-term benefit versus the short-term ones? And what might you say to someone else who was struggling with seeing the value in something that might have long-term good outcomes but short-term harder to see?***

Stew Hamilton

It's an excellent point because you see that a lot, a lot of short-termism in companies and in politics as well. And that's one of the issues at the moment, when you have people that are just working out. What they need to do to get through the next three years, what they need get through next three years and so on. And that does almost deliberately set you out to be focused on the short term. So constantly looking for short term wins that inevitably will often be at the detriment of long-term outcomes. Now I think that companies often get drawn into that and yet when you actually think about things like share prices, they should be reflective of long-term value of an organization. I know that I would be heavily hammered by analysts, by owners, by the board if I wasn't focused on the long-term outcomes for the business. That is, there'll be some companies that take a different perspective, but I think on the whole, you'll find many, whether they're listed companies or even small companies, will typically be thinking about long-term value. And obviously you can't take the eye off the ball, still need to survive. So, it's balancing again short-term wins and long-term value and recognising that actually we're talking about natural resources, we're not entitled to the resource, we don't own the resource. It's not a, you shouldn't see it as a liability or something, oh, we better do something about it. It's actually thinking about how we're borrowing from the resource and the legacy that we leave. coming back to, I guess the concept of sustainability where you're trying to support the current generation to meet its needs without compromising the future generation. And businesses should be rewarded for having that long-term focus. Are governments rewarded at the moment? I don't know. But it is a challenge for them just as much as it is for companies.

Izzy Fenwick

It's such a hard one, like you say, you know...some organizations or people feel like, we should do these things rather than seeing the potential long-term benefits of doing those things. And we don't have all of the resources, I don't think, yet while the data and digital capabilities are improving. But ah I saw recently the World Bank, which does have some serious resources, quantified the value of the world's ecosystem services at $179 trillion US dollars, which is greater than the world's GDP. And like you say, we're kind of borrowing from these services, but it's been quite hard to kind of quantify that and see the potential economic risks or implications and or opportunities, economic growth opportunities by investing in our natural assets. **Does your board think about it like that as well? You obviously really get it. How do they kind of think about some of that stuff?**

Stew Hamilton

Very much so. there would be every board meeting there's a conversation around how we're the risk for the long term. That risk can be everything from commercial risk, social risk through to our natural resources. Strong discussions in those spaces and it's something which feeds into ultimately the strategy which we're putting in place something which we've got a strategy session on Monday coming up actually the board. And one thing that I want to talk about there is at the moment, a lot of the projects that we're building, us basically harvesting the work that was done 10, 20 years ago from a prior generation of leadership of our organization. And so, we've been very

fortunate that 10, 20 years ago um the leadership and people in Mercury started some projects and did some work to think about what the river could look like, what could wind look like, what could geothermal look like. And we're now doing our best to bring those to fruition to add value for our customers, for our people, and for our owners. And it's our time now to think about what seeds are we going to sow now? So that in the 2030s, the next generation of leaders can be sort of generating value socially, economically as well. And so, it is thinking about not just what are we doing here and now to generate different forms of value but equally thinking about what the seeds are I need to sow, or we need to sow so we can actually be looking at in the long term too.

Izzy Fenwick

Awesome. I know it's not best practice for you to share something before you've shared it with the board, but any seeds you want to sow that you know, should we wait?

Stew Hamilton

We probably should wait. But it is largely, from our perspective, is thinking about diversity of access to resources and natural capital. Because one thing that I'm quite strongly in is that in the future the thing that's going to be most dominant is variability. Variability not just in weather events and impacts on nature and ultimately flows through to companies like ours, it's variation on power price. And we will see power price vary a lot, and that'll be reflective of when energy is being produced or not. And so, if power price is moving a lot and energy is up and down, the organizations that will win, the organizations that will be set up to do the best, will be those that are prepared to be most flexible. And so how do you become flexible? And that requires, I guess, different type of assets, a different mindset, different people and different ways of partnering with not just other organizations but iwi and community groups.

Izzy Fenwick

We've covered a lot today, Stew. ***What is, you know, your one challenge or your one hope or your one thought for the leaders of New Zealand or the future of New Zealand and what would you like? What would you like them to take from this conversation? Or what's the thing that you want to leave this conversation on?***

Stew Hamilton

That's great question. I think to try and wrap it up would be really thinking about when we think about natural capital, a lot of the times it's thought about in terms of invoices and liabilities and constraints. And I'd really challenge leaders to think about, especially in New Zealand, what has made New Zealand strong over the last 50 years. And the thing that's going to make us strong in the next 50 years is to take our Kiwi mindset, our Kiwi attitude and apply that to turning that concept of natural capital as a liability and working out how we can use it as a strength to set us up for not just ourselves but for future generations to come.

Izzy Fenwick

I love that. Thank you so much, Stew.