



Ministry of Business, Innovation & Employment

Petroleum in New Zealand

Visit to Takahanga Marae
Takahanga Terrace
Kaikoura

February 2013

The context for mineral resource development

- Already a major part of the New Zealand economy, with the potential to contribute more
- Balancing economic and environmental outcomes
- Building a strong regulatory environment
- Attracting reputable operators
- Managing risk includes effective central and local government coordination
- Addressing iwi and public desire for better information



Value of oil and gas

- Petroleum is our fourth-largest export at \$2.2 billion in 2011
- GDP contribution in excess of \$2.5 billion
- Between 1970 and 2011, the oil and gas industry contributed over \$4 billion in royalties and \$2 billion in tax
- Government receives around 42% of profits of new developments



Realising value for regions

- Regional benefits include jobs, wages flowing into local economy, local business growth, potential infrastructure development and community investment
- At a minimum the oil and gas industry employs 3,730 FTEs (full-time equivalent positions) in high paying, highly skilled jobs*
- Adding indirect and induced effects increases employment to 7,700 FTEs nationwide*
- In 2011, the mining sector, which includes oil and gas activities, was responsible for 23% of Taranaki's Regional GDP**

** Venture Taranaki Report – The Wealth Beneath Our Feet*

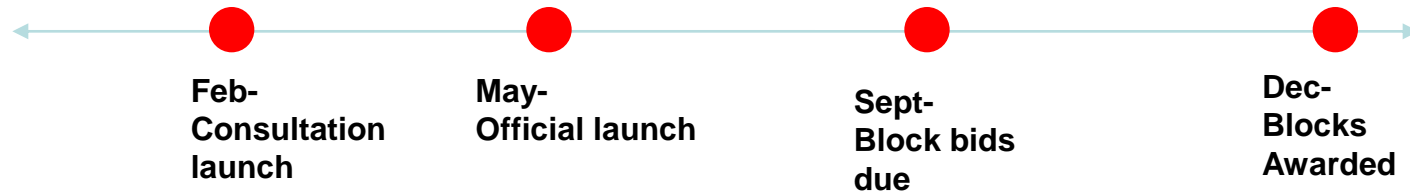
*** Economic Development Group Occasional Paper 12/07 August 2012, Economic contribution and potential of New Zealand's oil and gas industry - Figure 4: Sector contributions to Taranaki GDP - BERL, Statistics New Zealand*

Block Offer Strategy

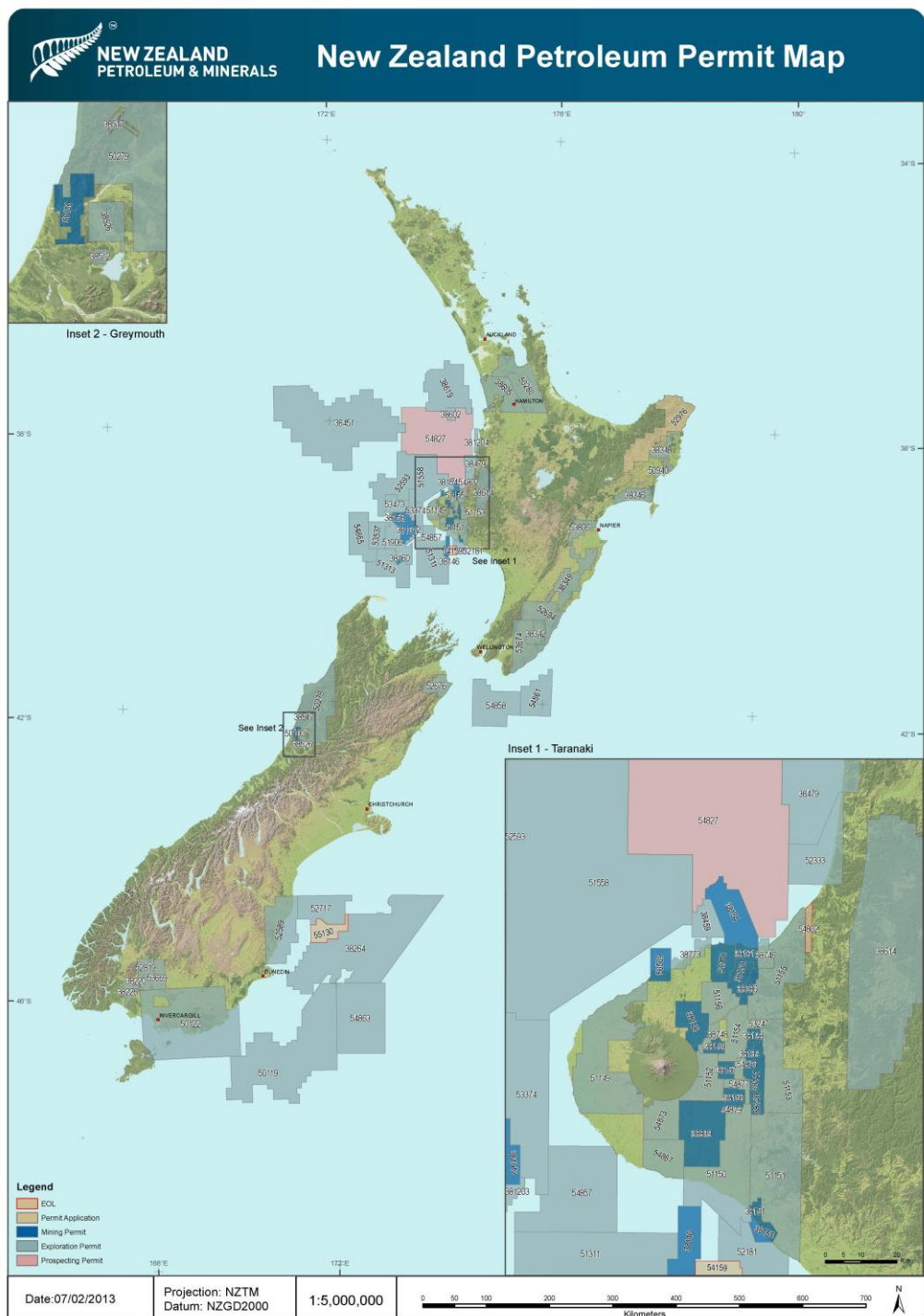
- One of the Government's economic development priorities under the Business Growth Agenda
- From 2012, exclusive use of an annual “block offer” competitive tender process for oil and gas permits
- No more reactive first-in, first-served “priority-in-time” permitting
- Enables the government control over where and when areas are opened for exploration
- It also provides for upfront engagement with iwi, local government and industry



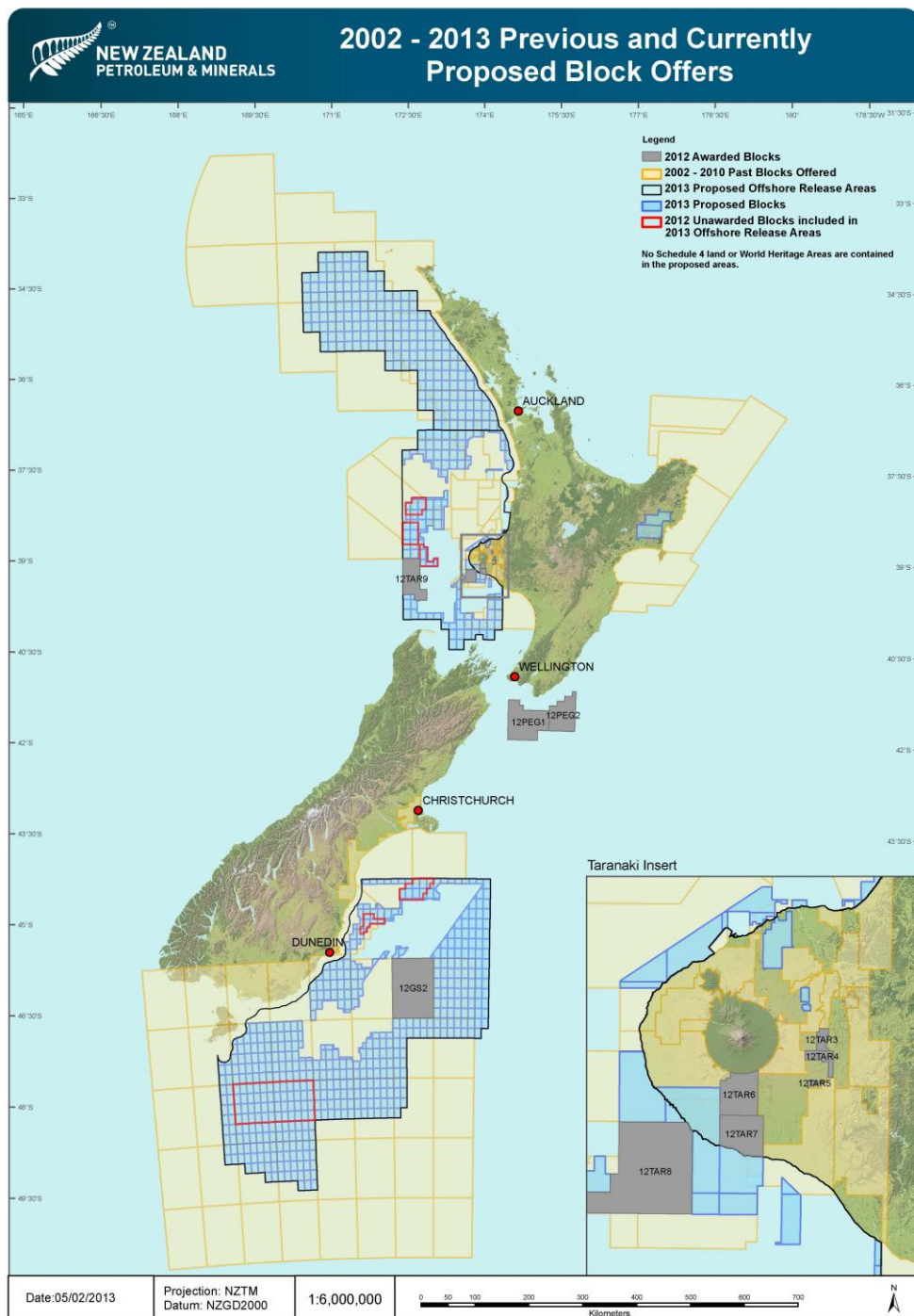
Typical block offer timeline



Existing permits



2002 – 2013 block offers and existing permits



GOVERNMENT MANAGEMENT OF PETROLEUM

Process



IN NEW ZEALAND, THE EXPLORATION AND PRODUCTION OF PETROLEUM IS MANAGED EVERY STEP OF THE WAY.

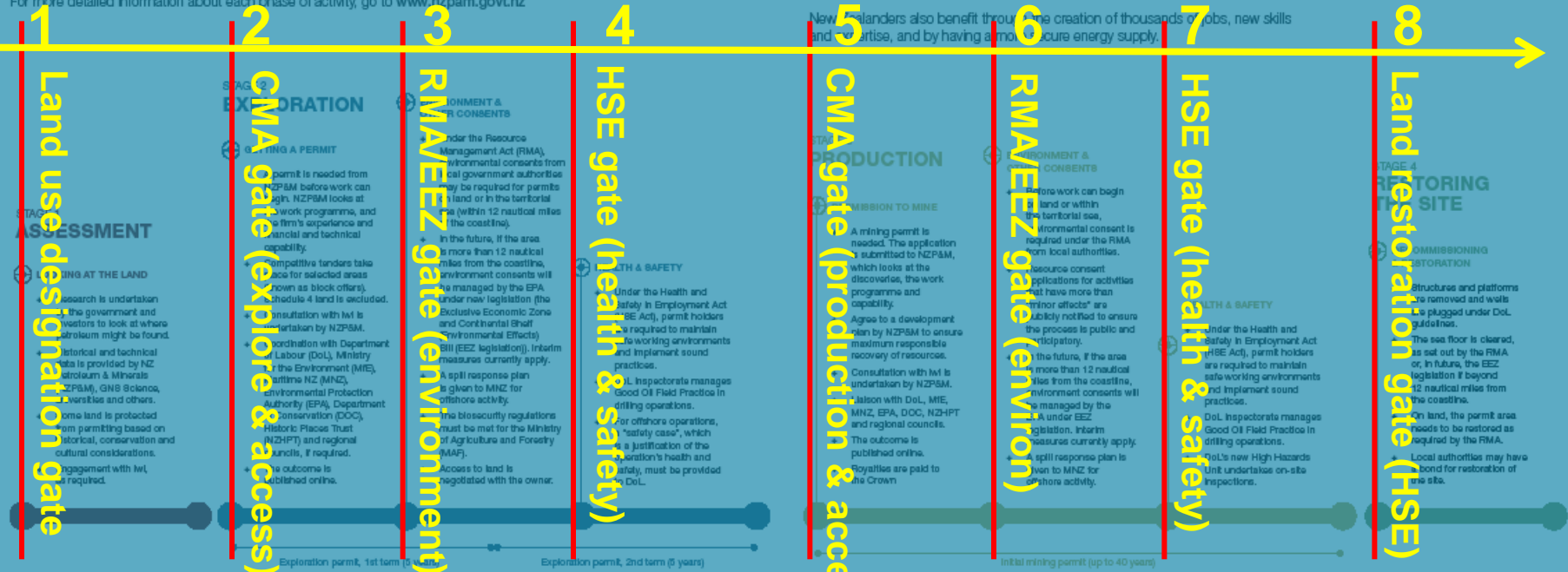
This diagram gives an overview of the process companies must follow to look for and develop oil and gas, on land or at sea.

For more detailed information about each phase of activity, go to www.nzpam.govt.nz

THE OIL AND GAS INDUSTRY MAKES A SIGNIFICANT CONTRIBUTION TO NEW ZEALAND'S ECONOMY.

Around 42 percent of profits from oil and gas production are paid to the government through taxes and royalties. This is used to pay for important services like education and healthcare. In 2010/11, royalties alone were worth approximately \$384 million.

New Zealanders also benefit through the creation of thousands of jobs, new skills and expertise, and by having a more secure energy supply.



EXPLORATION ACTIVITIES
Exploration activities include seismic surveys, sampling, aeromagnetic surveys, exploratory drilling, geological studies, compiling reports and analysing data. This work helps to identify the places within the permit area that are most likely to contain commercially recoverable amounts of oil or gas. Some production is allowed under an exploration permit. However, once a discovery is made, the permit holder has to decide whether it is economic to apply for a mining permit to develop the resource. This process is known as appraisal.

PRODUCTION ACTIVITIES
Once all the right consents are granted, permit holders can start production. They will need to establish infrastructure and employ staff before production can begin. Permit holders have to regularly file reports with the government to show that they are meeting their obligations.

"Process Gates"



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Managing risk

- Block offer strategy and reputable operators
- New legislation / legislative renewal
- Better central and local agency coordination and communication
- Incorporating international best practice
- More research (e.g. from Crown Research Institutes)
- Environmental scans



Strengthening the regime

MBIE (Infrastructure & Resource Markets Group)

Crown Minerals Act Review

Environmental Protection Authority / Ministry for the Environment

New Exclusive Economic Zone legislation

MBIE (Labour & Commercial Environment Group)

High Hazards Unit established
Review of the petroleum safety regulations

Maritime NZ

Review of oil spill preparedness

Ministry of Transport

Review of minimum insurance requirements

