

Kaikoura Community Forum with Anadarko

Question Sheet 3

1. If there is complete failure of blow-out prevention devices and a blow-out occurs as happened with the Deepwater Horizon then what is your blow-out response plan?
2. If they respond that that is highly unlikely then say, nevertheless it is possible, so if it happens, what is your response plan?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

New Zealand's oil spill response system is built through partnerships between Maritime NZ, regional councils the oil industry, International partnerships; primarily with the Australian Maritime Safety Authority and one of the largest international Oil Spill Organisations – Oil Spill Response, UK .

It is the responsibility of the operator to bring a blown out well under control and the operator will have plans to conduct the well control activity. The operator will have access to capping stacks and sub-sea dispersant systems required to control and manage the well blow out. Importantly the operator will also have access to a drilling rig, where appropriate to completely shut off the leaking well head. Maritime NZ would oversee this operation, using experts in oil well control measures to ensure the actions taken by the operator are appropriate.

Maritime NZ works with regional councils, the oil industry, and specialists from around the country to ensure oil spill response plans are in place and current for every region.

It has a dedicated team of experts based at the Marine Pollution Response Service (MPRS). That team is responsible for training and managing around 400 people based around the country to call on in the event of a major oil spill.

While the responsibility to control and contain an oil spill lies with the operator, Maritime NZ has the power to step in and take control at any time. In the case of a major event they would take control, drawing on an extensive network of international government and industry resources to assist.

3. Will you have a relief rig alongside at the time of exploratory drilling?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

4. Is it correct that a relief rig is likely to be essential to plugging a blow out at these great depths?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

5. If so then why will you not have one and how long will it take for one to arrive?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

Liability

- 6 What is the extent of your liability if a disaster occurs such as a blowout?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

7 Will you accept unlimited liability for any oil spill, blowout or accident?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

To the Minister of Energy:

8 Given that the Deepwater Horizon cost the US economy 37 billion then who will meet the shortfall between the liability of Anadarko and the cost of disaster response? Is it correct that it would be the New Zealand taxpayer?

The Deepwater Horizon incident was a very extreme case. There is no limitation on liability for spills originating from oil and gas exploration operations so an oil company/operator would be pursued for the full costs of oil spill response. Anadarko is a large company and has substantial assets; in addition Anadarko holds insurance to cover this unlikely possibility. The Government judges the suitability of a company to undertake oil exploration activity by looking at many factors including their technical capabilities, safety record and their ability to finance both normal and emergency response operations.

9 Would you agree that the infrastructural capability of New Zealand is far below what can be found in the US in terms of oil drilling?

New Zealand has a considerably smaller offshore oil drilling industry and associated infrastructure than the US. Operations in New Zealand are, however, conducted by international companies to rigorous national and international standards and there is a comprehensive safety regime in place. A key focus is on safety standards and prevention whereby every effort is made to prevent any incident occurring in the first place. As oil exploration activity continues to grow and develop then infrastructure will also develop.

New Zealand places significant obligations onto oil companies undertaking, or planning to undertake, exploration activity. These obligations include comprehensive environmental assessments, Safety Case requirements and also detailed oil spill contingency planning. This last aspect covers the very unlikely event where there is some form of uncontrolled release of oil and requires industry to have demonstrated to the Government's satisfaction that they have the skills, knowledge, equipment and plans to be able to respond to an incident and contain, control and stop the release of oil as soon as possible.

10 What is the government's oil disaster response plan?

New Zealand's oil spill response system is built through partnerships between Maritime NZ, regional councils and the oil industry. It is the responsibility of the operator to bring a blown out well under control. Maritime NZ would oversee this operation to ensure the actions taken by the operator are appropriate.

Maritime NZ works with regional councils, the oil industry, and specialists from around the country to ensure oil spill response plans are in place and current for every region.

Maritime NZ has a dedicated team of experts based at the Marine Pollution Response Service (MPRS). That team is responsible for training and managing around 400 people based around the country to call on in the event of a major oil spill.

11 Has it improved since the time of the Rena or is it still likely to still rely heavily on volunteers?

Oil spill response capability is constantly under review in the light of experience gained from incidents and also as technology advances. In oil spill situations in New Zealand, including during the RENA, the primary response

is undertaken by a core team of professionally trained personnel; Maritime New Zealand oversees the National Response Team of more than 400 trained personnel and also has access to international oil spill response capability, both personnel and equipment.

12 Is the Minister aware that the Deepwater Horizon was over 300 times greater in terms of oil volume than the Rena (780 million litres vs. 2 million)?

Yes

13 Is the Minister aware that the US mobilized 6000 ships to deal with the Deepwater Horizon disaster?

Yes

14 What current modeling has been done to determine the areas likely to be most affected by an oil blow-out in the Pegasus Basin?

Detailed stochastic modelling of potential oil spills forms a part of the oil spill contingency plans that must be developed by the company/operator and provided to the Government (Maritime New Zealand) for approval. Under this regime Anadarko will be required to model oil spills from their planned activity in the Pegasus Basin. This work must be fully completed, submitted and reviewed at least two months prior to the activity starting.

15 Has there been a risk/benefit analysis done on the basis of a catastrophic oil blow-out in terms of its economic and social impact?

Under the EEZ Act the Environmental Protection Authority will take any environmental risks and mitigations into account as part of determining whether to grant a consent that will allow drilling.

In addition, Maritime NZ works with regional councils, the oil industry, and specialists from around the country to ensure oil spill response plans are in place and current for every region.

16 Has the Government projected what the cost would be to the Kaikoura economy of a catastrophic oil spill? Or to the national economy?

Under the EEZ Act the Environmental Protection Authority will take any environmental risks and mitigations into account as part of determining whether to grant a consent that will allow drilling.

In addition, Maritime NZ works with regional councils, the oil industry, and specialists from around the country to ensure oil spill response plans are in place and current for every region.

17 Were any such evaluations made when the Government considered approving this drilling?

No drilling has been approved at this stage. Under the EEZ Act the Environmental Protection Authority will take any environmental risks and mitigations into account as part of determining whether to grant a consent that will allow drilling.

In addition, Maritime NZ works with regional councils, the oil industry, and specialists from around the country to ensure oil spill response plans are in place and current for every region.

18 Was the Minister aware that Deepwater Horizon cost the US economy 37 billion dollars?

Yes

Local benefits

19 How many jobs are the people of Kaikoura likely to get from this activity?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

20 Is it true that the lionshare of benefits such as royalties will go to Government coffers?

Yes, all royalties and taxes are paid into the Crown's consolidated fund. The Government receives about 42 per cent of a petroleum company's accounting profit. These taxes and royalties help pay for services that benefit all New Zealanders, such as schools, hospitals, roads and broadband. It is also expected that regional benefits including job creation and training, community investment and infrastructure development may occur with this development.

21 Given the extent of the risk we are taking and the importance of our oceans to our culture, economy, way of life, food, reputation and livelihoods then the benefits seem very small if not virtually non-existent to us. How can you convince us otherwise?

The Government receives about 42 per cent of a petroleum company's accounting profit. These taxes and royalties help pay for services that benefit all New Zealanders, such as schools, hospitals, roads and broadband. It is also expected that regional benefits including job creation and training, community investment and infrastructure development may occur with this development.

22 Do you agree with the final report to the President of the USA by the National Commission on the Deepwater Horizon disaster 'Deep Water' which stated:

"But drilling in deepwater brings new risks, not yet completely addressed by the reviews of where it is safe to drill, what could go wrong, and how to respond if something does go awry. The drilling rigs themselves bristle with potentially dangerous machinery. The deepwater environment is cold, dark, distant, and under high pressures—and the oil and gas reservoirs, when found, exist at even higher pressures, compounding the risks if a well gets out of control. The Deepwater Horizon and Macondo well vividly illustrated all of those very real risks. When a failure happens at such depths, regaining control is a formidable engineering challenge—and the costs of failure, we now know, can be catastrophically high."

23 You would therefore agree that comparing what you intend to do in the deep waters of the Pegasus Basin at depths of up to 2700 meters is entirely different to the shallow water drilling currently occurring in Taranaki at depths of only around 120 meters?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

24 You have come to us to consult us on the deep sea oil drilling you wish to undertake. If we express that we do not wish the drilling to take place will you proceed with or abandon your plans?

Anadarko provided an answer to this question on the day of the meeting and are committed to continuing to work with the Kaikoura community in the future to address any outstanding issues.

The meeting is the start of a discussion and dialogue between Anadarko and Iwi and the Kaikoura community. This isn't the first discussion in this space, it started mid last year as part of the consultation to award the permit. NZP&M is committed to continuing this consultation into the future.