



8 June 2012

About Block Offer 2012

1. What are the details of the government's petroleum block offer tender process?

Reputable oil and gas companies interested in exploring for petroleum (gas and oil) over 23 areas ("blocks") designated by the New Zealand Government are invited to submit a work programme bid by 15 October 2012:

The 23 blocks cover:

- 40,198.5 km² of offshore area in the East Coast Basin, Pegasus Basin, Canterbury Basin, Great South Basin and Taranaki Basin.
- 3,305.5 km² of onshore land, in Waikato, Taranaki, Tasman, the West Coast and Southland.

Once received, the tenders will be evaluated against criteria as set out in the Invitation for Bids (terms and conditions).

Exploration permits are expected to be awarded by the end of 2012.

2. How were these blocks selected for the tender?

This year the government proposed 25 onshore and offshore areas of interest, of which 23 will be tendered in 2012. Before deciding on the 23 blocks to tender, the government consulted with iwi and local authorities geographically associated with the proposed blocks between 10 February and 5 April 2012. Feedback received has informed the final makeup of the tender.

3. What is the process for making a bid for exploration permits?

Bids for exploration permits must be made to New Zealand Petroleum & Minerals by 15 October 2012. Information on the process is set out in the Invitation for Bids.

This is not a financial bidding process. The bids will have to set out how the company proposes to explore the block over the period covered by the permit, including the methods and technologies they propose to use and the timeframe. Bids can be made by individual companies or joint ventures.

Permits are expected to be awarded in December 2012.

4. Who selects the successful bidder and on what grounds?

A government evaluation panel will be set up to select the best applications and applicants for each block. Applications will be evaluated on a number of criteria including the applicants' proposed work programme, technical and financial capability, corporate profile including community and iwi awareness, risk management practices and operating experience.

New Zealand Petroleum & Minerals, a branch of the Ministry of Economic Development, is responsible for administering the evaluation.

5. Will permits be issued for all blocks?

Not necessarily. If the government evaluation panel decides that none of the bids for a particular block meet its criteria, then no permit will be issued.

6. Will exploration permits be exclusive to one permit holder?

Yes. Permit holders have exclusive exploration rights over the permit area awarded. However, there may be multiple companies involved in a single permit. This is known as a joint venture.

7. Will there be only one exploration permit for each block?

Depending on companies' specific interests and exploration strategies, New Zealand Petroleum & Minerals may decide to split a block in two and issue two separate exploration permits (where the companies are agreeable and in accordance with paragraph 5.4.28 of the Minerals Programme). There will be no overlapping permits for exploration of the same resource.

8. Do the blocks include any areas listed in Schedule 4?

No. Land listed under Schedule 4 of the Crown Minerals Act 1991 has been excluded from the blocks. Schedule 4 covers areas of particular natural significance and includes national parks and nature reserves.

9. What happens under an exploration permit?

Being awarded an exploration permit is the first of many steps required to develop Crown-owned minerals. An exploration permit is awarded for five years to allow for investigation of the potential for oil and gas development.

Exploration activities include seismic surveys, sampling, aeromagnetic surveys, geological studies, compiling reports, analysing data and exploratory drilling in the latter stages of the exploration permit. This work helps to identify the places within the permit area that are most likely to contain commercially recoverable amounts of oil or gas.

Operators are also required to meet any necessary environmental consents under the Resource Management Act 1991, make access arrangements with land holders, and the requirements of health and safety legislation.

Should commercially viable reserves be discovered in the process of exploration, an operator would need to apply for, and be awarded, a mining permit.

General Information on Block Offer 2012

10. Why is the government using a block offer approach?

The government is committed to strategically managing exploration interest in New Zealand.

From 2012, New Zealand Petroleum & Minerals will use a block offer annual competitive tender process exclusively to allocate permits for oil and gas exploration, and no longer use first-in, first-served permitting, known as priority-in-time.

Priority-in-time permitting limited the government's ability to strategically manage New Zealand's oil and gas resource. It was a reactive approach, where companies could apply to explore any area in New Zealand at any time.

Block offers are not new. The government has held 13 block offers over various regions of New Zealand between 2002 and 2010.

However, using the block offer approach only, the government has more control over the areas opened for exploration, can deliver a more transparent process, and can more proactively engagement with iwi on areas proposed for future exploration tendering. From this year, local government authorities geographically associated with areas proposed for tender are also being consulted.

An annual approach will reposition New Zealand in the international market and should attract increased investment.

11. Why does the government want to increase gas and oil exploration interest in New Zealand?

Development of New Zealand's oil, gas and mineral resources are part of a balanced approach to New Zealand's energy future – that includes exploration and production alongside renewables and clean energy.

Oil and gas are important contributors to the New Zealand economy, and there is potential to increase the returns from responsible development of our resources. For example, oil is New Zealand's 4th largest commodity export and gas is an important contributor to domestic industries and electricity generation. Production contributes in excess of \$2.5 billion to New Zealand's GDP.

The government receives about 42 percent of a petroleum company's accounting profit, which includes both taxes and royalties. These taxes and royalties help pay for services that benefit all New Zealanders, such as, schools, hospitals, roads and broadband.

We also expect regional benefits including job creation and training, community investment and infrastructure development. In the case of Taranaki, for example, the only region producing oil and gas in New Zealand, [Venture Taranaki](#) estimated that the local industry generated 5,090 direct and indirect fulltime-equivalent positions in 2009.

12. How will the Government select areas for annual tender?

Between 20 and 30 blocks will be selected each year across a number of petroleum basins and a range of potential resource types.

The blocks will be selected to take account of geology, prospectivity, and to ensure there are blocks suited to a range of potential operators.

Consultation on the proposed Block Offer 2012

13. How many submissions were received from iwi and local authorities?

Twenty-five submissions were received – sixteen from iwi and hāpu, and nine from local government. All twenty-five blocks were covered by the submissions.

14. How has feedback received through submissions informed the final makeup of the 2012 tender areas?

Feedback received through the submissions process has informed the final makeup of the tender. Of the 25 blocks consulted on, 2 blocks (12TAR1 and 12TAR2) have been removed from this 2012 block offer bidding round while a review is undertaken by the New Plymouth District Council to better understand the number and location of wāhi tapu within the district.

Feedback has also informed the size of four other blocks which have been amended on what was originally proposed:

- 12 WAI1 – this block has been reduced in size to reflect a more precise assessment of the resource.
- 12TAR5 – this block now excludes an area no longer available for permitting due to the granting of an extension to land to a neighbouring permit.
- 12TAR8 and 12CB1 have been slightly reduced in size to accommodate a boundary adjustment following changes to adjacent permit areas during the consultation phase.

15. What other decisions has the government made as a result of consultation with iwi and local government authorities in 2012?

In addition to decisions regarding the shape of blocks and deferral of two blocks in the Taranaki basin (as discussed above), the government has decided to add a tailored condition in respect of the Patea River to block 12TAR4. The condition takes account of the importance of the river to Ngāti Ruanui. The condition requires any operator of a permit to notify and consult with Ngāti Ruanui about any exploration activity planned within 100 metres of the river.

As at 6 June 2012, an extension of land application has been made by Origin Energy in relation to 12TAR4 which is yet to be determined. If the extension of land is granted, this land will be removed from the map of the available blocks and will not be included in the 2012 block offer.

The government is also implementing new processes as a result of feedback received from submitters this year:

- The government recognises the importance attached to areas of local, historical, and cultural significance, including wāhi tapu, and the responsibility to ensure they are actively protected from development where appropriate. To ensure information

provided by iwi as part of the Block Offer 2012 consultation is considered during the resource consenting phase, New Zealand Petroleum & Minerals will, with the permission of iwi, advise the relevant regional and district planning authorities, and the Environmental Protection Authority (EPA) of the information received.

- An expectation will be placed on permit applicants that engagement with iwi occur during the petroleum exploration process. This expectation is set out in the Invitation for Bids that establishes the terms and conditions of the competitive tendering process.
- The Ministry will continue to engage directly with those iwi and local government authorities consulted during Block Offer 2012.

16. What is the government doing to ensure early and on-going engagement with iwi and hapū?

The Ministry of Economic Development, including its New Zealand Petroleum & Minerals branch, has been engaging and will continue engaging with iwi, hapū and local government on Block Offers, and on wider issues relating to the sector.

Further, an expectation will be placed on permit applicants that engagement with iwi occur during the petroleum exploration process. This expectation will be set out in the Block Offer Notice which establishes the terms and conditions of the competitive tendering process.

17. How will the government provide protection and appropriate management of sites of local, cultural and historical significance?

Under the Minerals Programme for Petroleum 2005, the Crown has responsibilities with regard to the active protection of areas of particular importance to iwi. The exclusion of defined areas of land of particular importance to the mana of iwi from a block offer is one mechanism to achieve this. However, the Crown must also give regard to the relative prospectivity of the area.

In most cases, we believe the best way to balance the interests of active protection with responsible development, is to include sites of significance in the block offer and to then encourage and facilitate iwi and petroleum companies to engage to find their own solutions for avoiding or minimising any impacts of petroleum exploration activities on or near sites of significance. Those discussions should occur through the expectations envisaged of permit holders through the terms and conditions of the competitive tendering process for Block Offer 2012.

It is also important to note that actual activity undertaken by an operator typically involves a much smaller area than the area of the permit block. Therefore, in many cases the best stage to address the sensitivity of specific sites is at the point prior to activity occurring. This is also the stage at which environmental legislation to manage the effects of activity has a role via the Resource Management Act 1991 on land and within 12 nautical miles, and the Exclusive Economic Zone (EEZ) legislation offshore beyond that point, once it becomes law.

18. How is the government responding to concerns about health, safety and environmental controls in New Zealand?

The government is committed to ensuring that New Zealand has a world-class and robust regulatory environment for the safe and environmentally responsible exploration, production and transportation of our petroleum resources.

A number of initiatives this year will strengthen the regulatory regime, including:

- strengthening upfront provisions in the Crown Minerals Act 1991 regarding the health, safety and environmental credentials of operators
- putting in place a comprehensive regime to manage the environmental effects of all petroleum exploration activities in EEZ and out to the extended Continental shelf
- strengthening the regulation of wells and well drilling activities following international best practice
- the establishment of a new Petroleum High Hazards Unit with a marked increase in the number of inspectors and the appointment of a Chief Inspector
- strengthening guidelines for minimising acoustic disturbance to marine mammals from seismic operations
- strengthening regional partnerships to increase our oil spill response capability.

19. How will the government ensure benefits of oil and gas development are seen at a local level?

The government receives about 42 percent of a petroleum company's accounting profit, which includes both taxes and royalties. These taxes and royalties help pay for services that benefit all New Zealanders, such as, schools, hospitals, roads and broadband.

We also expect regional benefits including job creation and training, community investment and infrastructure development. In the case of Taranaki, for example, the only region producing oil and gas in New Zealand, [Venture Taranaki](#) estimated that the local industry generated 5,090 direct and indirect fulltime-equivalent positions in 2009.