

Block Offer 2017 – Questions and Answers

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What areas are included in Block Offer 2017?

This year's Block Offer includes five offshore release areas (in Northland - Reinga, Pegasus - East Coast, Hawke Bay, Taranaki and Great-South Canterbury), and two onshore release areas (in Taranaki and Southland). There is also one onshore/offshore release area in Taranaki.

The total acreage included in the tender is 481,735 km², comprising 5,102 km² onshore and 476,632 km² offshore.

For more information, see the NZP&M website.

Bidding for the tender will close at 5pm on 6 September 2017 (New Zealand time). We expect to grant permits in December 2017. Any permits granted would likely commence on 1 April 2018.

How were these areas in the Block Offer selected?

Release areas are identified based on formal nominations from industry and other interested parties, and available data about their geological prospectivity.

The tender does not include any land listed in Schedule 4 of the Crown Minerals Act 1991 (including national parks and marine reserves) or World Heritage sites.

Areas of importance to Māori identified in section 3.1 of the Petroleum Programme are also excluded from the tender (such as the Pouakai, Pukeiti and Kaitake Ranges).

Who was consulted for Block Offer 2017?

Under the Crown Minerals Act 1991 and Minerals Programme for Petroleum 2013, the Government must consult with all affected iwi and hapū before releasing a Block Offer. The legislation also provides for consultation with local authorities.

Between 19 September 2016 and 25 November 2016, NZP&M consulted with 143 iwi and hapū groups on the proposal for Block Offer 2017. NZP&M also consulted with 43 local councils between 17 October 2016 and 25 November 2016.

The aim of consultation was primarily to identify sensitive areas not already protected by legislation, so we can take steps before the Block Offer is opened for bids. Options include removing areas from the Block Offer or putting conditions on activities within an area to recognise its importance.

Officials received 25 submissions – 12 from iwi and hapū and 13 from local councils – and made recommendations for changes to the Minister of Energy and Resources.

The Government does not consult with the wider public as part of Block Offer tenders.

For more information on the Block Offer consultation, go to:

<http://www.nzpam.govt.nz/cms/permits/petroleum/block-offer/2017>.

What changes were made following consultation?

Following consultation, the Government has decided to exclude:

1. Blocks inside 12 nautical miles in the Great South - Canterbury Offshore Release Area (17GSC-R1).
2. Blocks that cover the Takitimu mountain range in the Southland Onshore Release Area (17SLD-R1).
3. Blocks inside three nautical miles in Hawke Bay up to the southern point of Gisborne, in the Hawke Bay Offshore Release Area (17PEC-R2).
4. Blocks inside six nautical miles in the Gisborne region in the Pegasus - East Coast Offshore Release Area (17PEC-R1).

Why does the offshore Taranaki Release Area overlap with the North Island West Coast Marine Mammal Sanctuary?

The Taranaki Offshore Release Area (17TAR-R1) includes a 2,894 km² overlap with the North Island West Coast Marine Mammal Sanctuary.

Onshore and offshore Taranaki is New Zealand's only petroleum producing region, and remains prospective for future exploration. There has been offshore exploration since the late 1960s, decades prior to the Marine Mammal Sanctuary being created.

While petroleum activity is allowed within the sanctuary, any permits granted as a result of Block Offer 2017, which overlap the sanctuary, will include conditions requiring the permit holder to follow the Department of Conservation's 2013 Code of Conduct for Minimising Acoustic Disturbance to Marine Mammals from Seismic Surveying Operations.

The Code requires operators to submit an environmental impact assessment to the Department of Conservation. It also requires survey vessels to have independently trained observers watching (Marine Mammal Observers) and listening (Passive Acoustic Monitors) for marine mammals during surveys. Operators must temporarily halt survey activity if any marine mammals are spotted within a predefined mitigation zone.

This code is considered to be one of the most rigorous in the world for protecting marine mammals.

Does petroleum exploration activity in the West Coast Marine Mammal Sanctuary pose a threat to Maui's Dolphins?

In 2012, the Government asked a forum of experts to review the risks to Maui's dolphins and look at what more could be done to ensure their survival. The forum found that the risk to Maui dolphins' from oil and gas development is very small.

The greatest risk identified was from fishing, particularly from set nets (95 per cent). In response, the Government roughly doubled the area of the set net ban in the marine mammal sanctuary. The petroleum industry has been active in this area for many years and no incidents involving Maui's dolphins have been recorded.

There are seven active petroleum permits either in or overlapping the sanctuary. This includes the Pohokura gas field, which has been producing gas commercially since 2006 and today accounts for around 40 per cent of New Zealand's natural gas.

Does the release of Block Offer 2017 mean all the areas in the tender will eventually be drilled for oil?

The total available acreage for Block Offer 2017 is 481,735 km². The area in the tender is much larger than the area that could be permitted (and if no bids meet our criteria there may be no permits granted at all).

The release areas are large, sometimes covering multiple petroleum basins. Companies bid for the blocks in a release area they consider most attractive. NZP&M then assesses bids and may grant permits. Throughout each of these steps, the area involved progressively gets smaller until we arrive at the final permit area.

It is also important to recognise that only a small portion of the permit will be affected by any exploration activity. Drilling is very expensive and time-consuming, and operators will only drill where their research suggests they have the best chance of finding oil or gas.

What is the process for bidding on a Block Offer?

The Government has opened the tender for Block Offer 2017 with an Invitation for Bids. The invitation lists specific areas, made up of blocks that companies may bid for. This allows companies to define their desired permit area based on their analysis of the available data. Bidding for the tender will close at 5pm on 6 September 2017.

More information on the Block Offer 2017 Invitation for Bids is available on MBIE's website.

How will bids be assessed?

Bids are assessed according to criteria set out in the Crown Minerals Act 1991, the Petroleum Programme 2013 and the Invitation for Bids.

This is not a financial tender. Bids must set out how the company proposes to explore its desired permit area, including the methods and technologies they plan to use. Bids can be made by individual companies or joint ventures.

This assessment considers the work the bidder proposes to undertake (Work Programme), their technical and financial capability to carry out that work, their compliance history, and their likely ability to meet New Zealand's health, safety and environmental requirements.

How long will permits under Block Offer 2017 be granted for?

Exploration Permits granted in Block Offer 2017 may be granted for 10, 12 or 15 years, depending on the release area.

Does the Government expect to see lower interest in the Block Offer, given the international impact of low oil prices?

The industry has been experiencing a significant drop in oil prices and New Zealand is not immune from these global movements. Realistically, the downturn in commodity prices will be a factor for some companies – however, there are signs global oil prices may have reached their lowest point in this commodity cycle leading to a slow but sustained recovery.

We will continue to seek investment from experienced and capable operators. Individual companies factor in a range of considerations when they look at when and where to invest.

Given that it can take decades to move from petroleum exploration, to discovery and production, some companies tend to take a long-term view, outside the current commodity cycle.

New Zealand offers a mix of mature and frontier acreage, with attractive fiscal terms and competitive costs for acreage acquisition. The minimum work programme commitments in frontier areas are competitive, and we have active markets that allow investors to farm-in and out, with no penalties or fees for surrendering a permit.

BACKGROUND ON BLOCK OFFERS

Why does New Zealand need more oil and gas exploration?

Building a more competitive and productive economy is a Government priority. Oil is New Zealand's sixth largest commodity export, and gas is an important contributor to our domestic industries, households and electricity generation.

Petroleum production make a significant contribution to the New Zealand economy, with \$3 billion paid to the Crown in royalties over the past nine financial years. This money is used to pay for public services and infrastructure that benefit all New Zealanders.

Future oil and gas discoveries could significantly lift exports, improve Gross Domestic Product (GDP), increase government revenue and create opportunities for regional development.

For more information see the [Business Growth Agenda report – Building Natural Resources](#).

What is a Block Offer?

The Petroleum Block Offer is an annual tender used to allocate petroleum exploration permits. In 2012 the Government adopted the annual Block Offer approach exclusively to allocate petroleum exploration permits. Prior to 2012, the Government completed a number of Block Offers that were focused on specific basins.

This process is transparent and enables us to engage with affected iwi, hapū and councils before the final tender is announced. Adoption of an annual cycle for the tender also assists us to target promotion of the Block Offer and New Zealand's potential for petroleum exploration to investors.

NZP&M administers the tender, assesses bids and grants permits.

What will an exploration permit allow the holder to do?

An exploration permit gives the permit holder the rights to search for commercially recoverable reserves of oil and gas in a specific area. The activities allowed under this permit include sampling, aeromagnetic surveys, geological studies, compiling reports, seismic surveys and drilling exploratory wells to establish if there is oil or gas in the area.

Before they begin any exploratory drilling the operator must get:

- any resource consent required from the local district council (if on land) and regional councils (if on land or in territorial waters); or
- a marine consent from the Environmental Protection Authority (if beyond 12 nautical miles).

Permit holders must also arrange land access with the landowner and/or occupier. Access to conservation land must be arranged with the Department of Conservation.

If commercial quantities of petroleum are found, operators must apply for a petroleum mining permit from NZP&M. The process for this application includes further consultation with affected iwi and hapū. Resource and marine consents are also required.

For more information, see the [Guide to Government Management of Petroleum](#).

How does the Government manage health and safety and environmental issues related to the industry?

Health, safety and environmental matters are managed by a number of government agencies, and local government:

- NZP&M assesses an applicant's technical and financial capability and compliance history, and seeks advice from other regulators on whether applicants have the capability and systems in place to meet health, safety and environmental legislation before we grant a permit.
- The Environmental Protection Authority manages the effects of specified restricted activities on the environment in the Exclusive Economic Zone and continental shelf. They manage applications for marine consents and monitor compliance.
- WorkSafe New Zealand monitors the health and safety of staff and oil wells throughout their design, construction, operation, maintenance, modification, suspension and abandonment.
- The Department of Conservation is responsible for protected species and manages guidelines for minimising disturbance to marine mammals from seismic surveys in marine mammal sanctuaries.
- Maritime New Zealand ensures operators have plans to respond to emergencies arising from an oil spill. Maritime New Zealand is also responsible for New Zealand's readiness and coordination of a response to a major oil spill.
- Local authorities manage the effects of activities on the environment onshore and in territorial waters through resource consents.

For more information on how petroleum and mineral activities are regulated in New Zealand, see [the information sheets on the NZP&M websites](#).

CONTACTS

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