

Paul Orders
Chief Executive
Dunedin City Council
PO Box 5045
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Copied to: **David Cull**

29 April 2013

Dear Paul,

RESPONSE TO YOUR SUBMISSION ON BLOCK OFFER 2013

Thank you for your submission of 30 January 2013 on behalf of the Dunedin City Council regarding the government's proposal to offer onshore blocks and offshore release areas for oil and gas exploration in 2013. We appreciate the time you took to comment on the proposal and the offshore release areas in your region.

Thirty submissions were received on the proposed Block Offer, 15 from iwi and hapū and 15 from local government.

A number of general themes were evident from the submissions. These were:

- concern around the management of health and safety and environmental risks
- the importance of early and on-going engagement on resource matters
- the need for awareness of sites of local, cultural and historical significance
- a desire for the benefits of resource development to be seen at the local/regional level
- comments on the relationship between the Crown and iwi/hapū over the Crown's management of the petroleum regime.

More detail on themes raised in other submissions is available on our website at www.nzpam.govt.nz/cms/petroleum/block-offers/block-offer-2013-consultation.

The Minister of Energy and Resources has carefully considered the key matters set out in your submission. In particular:

- the importance of engaging with the public during block offers
- the need for more detail around local community benefits

- the importance of environmental risk management
- that climate change adaptation costs have not been included in the cost-benefit analysis.

New Zealand Petroleum & Minerals has made a firm commitment to being transparent with and better informing the New Zealand public about resource development. In addition to better provision of information through our "Iwi & Communities" section on our website, we are resourcing a stakeholder engagement team to build stronger regional relationships in key development areas. Such activity will be on-going, and run alongside block offer and minerals tender processes.

I welcome your comments supporting New Zealand Petroleum & Minerals consultation with territorial authorities during Block Offer 2013. A robust and informed consultation process will support the building of positive and constructive relationships with councils over the lifecycle of a permit.

I acknowledge your comment about the consultation timing falling over the Christmas and New Year. We have noted this for planning of future block offers.

I also note the comments in your submission on the need for more detail around localised community benefits. The government receives about 42 per cent 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. As Crown minerals are owned by Crown on behalf of the entire population of New Zealand, it is appropriate that these royalties are collected and used at a national level.

While the regions that host oil and gas activities may face some additional infrastructure costs, there are also considerable regional benefits that occur from these activities. These may include job creation and training, community investment, and infrastructure development, depending on what is found and where it is found. In the case of Taranaki, for example, the only region producing oil and gas in New Zealand, Venture Taranaki has estimated that the local industry generated 5,090 direct and indirect fulltime-equivalent positions in 2009 for the Taranaki region.

In your submission you also raise concerns about the health, safety and environmental impacts of oil and gas related activities. The government shares the concern that such matters are managed well, and has been putting in place a number of initiatives to strengthen the regulatory regime, including:

- a preliminary consideration of operators' health and safety and environmental capabilities and systems at the point of permitting (from late May 2013).
- a new regime to manage the environmental effects of all petroleum activities in the Exclusive Economic Zone and on the continental shelf (in force from June 2013)
- the new and stronger health and safety regulations for wells and well drilling activities (in force from 1 June 2013)
- the establishment of the High Hazards Unit within the Ministry with an increase in the number of inspectors and the appointment of a Chief Inspector (in 2012)

- the establishment of a new workplace health and safety agency (to be in place by 1 December 2013)
- Strengthened guidelines for minimising acoustic disturbance to marine mammals from seismic operations (finalised in 2012).

These changes provide a robust framework that can adequately regulate an increased level of petroleum exploration and production activity in higher risk environments, including in deep water and beyond the 12 nautical mile limit.

With regards to your comments about the costs of climate change, I note that the Government's principal policy response to climate change is the New Zealand Emissions Trading Scheme (ETS). The intention of the ETS is to encourage development opportunities while managing the associated emissions.

Block Offer 2013 bidding round

As a result of the submissions received on the proposed Block Offer 2013, the Minister has announced the selection of five defined onshore blocks and three offshore release areas as set out in the attached map.

A number of requests for exclusions or amendments to the proposed areas for tender were received during the submissions process. With regards to the majority of these sites, I consider that the best way to address the concerns of submitters is to include important sites in the block offer and to then encourage and facilitate engagement between iwi and hapū and petroleum companies to find their own solutions for avoiding or minimising any impacts of petroleum exploration activities on or near sites of significance.

I also consider that the broader legislative and regulatory framework that applies to petroleum exploration activities offers significant protection for sites of cultural sensitivity, as well as protection of the environment and the health and safety of employees. This framework includes the Resource Management Act 1991, the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, the recent amendments to the Crown Minerals Act 1991, the requirements set out in the Invitation for Bids tender document, and the operational role of New Zealand Petroleum & Minerals in supporting the successful engagement between iwi and hapū and successful Block Offer 2013 bidders.

With these in mind and following careful consideration of all thirty submissions received between November 2012 and January 2013, the number of onshore blocks in Taranaki was reduced from five to three and the relative size of two onshore East Coast blocks was reduced by thirty-six per cent.

In respect of the two Taranaki and two East Coast onshore blocks, these have been deferred in whole or in part for a future block offer. The areas were notable by the density of wāhi tapu sites and the time needed for more consultation with iwi and the gathering of information on the wāhi tapu sites in the areas concerned. No exclusions or deferrals to the proposed tender areas have been made for the two onshore Taranaki blocks and the three offshore release areas in the Reinga/Northland, Taranaki and Canterbury/Great South Basins.

Block Offer 2013 opens on 24 May 2013. Petroleum companies have until 26 September 2013 to submit an application for an exploration permit.

Permits are expected to be awarded in December 2013.

In conclusion

I hope that this letter provides adequate explanation for the government's decision on selection of the blocks and offshore release areas to be included in Block Offer 2013.

Further information on Block Offer 2013 and decisions arising from the consultation process are available at www.nzpam.govt.nz/cms/petroleum/block-offers.

A revised copy of the Invitation for Bids tender document will also be available on the Block Offer 2013 webpage on 24 May 2013.

You are welcome to contact Pieri Munro, our Acting Manager Regional relationships on (04) 462 4209 or pieri.munro@mbie.govt.nz in regard to any aspects of this proposal.

Yours Sincerely



David Binnie
General Manager
New Zealand Petroleum & Minerals



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Block Offer 2013 onshore blocks and offshore release areas

