



## **Block Offer 2014 – Consultation Phase**

### **Questions and Answers**

September 2013

#### **About the Block Offer 2014**

1. Where are the proposed areas for Block Offer 2014 consultation?
2. How have the proposed Block Offer 2014 areas been specified?
3. How have the proposed Block Offer 2014 areas been selected?
4. Do the proposed areas for Block Offer 2014 include any Schedule 4, World Heritage sites or Marine Reserves?
5. How will the Block Offer 2014 consultation and tender process be conducted, and what is the timing?
6. How will bids be assessed?
7. How long is an exploration permit granted for?
8. What happens under an exploration permit?
9. Does an exploration permit provide a company with a mining right?
10. Will exploration permits be granted for all the areas offered in Block Offer 2014?
11. Do any of the proposed areas being consulted on include areas offered in previous Block Offers?
12. Who is being consulted on the proposed Block Offer 2014 areas?
13. How will feedback received from iwi and local authorities be considered and taken into account?

#### **General information on block offers**

14. Why is a block offer approach used?
15. What is the outcome of the 2012 and 2013 Block Offers?

#### **Developing oil and gas in New Zealand**

16. How will the Government ensure the benefits of oil and gas development are seen at a local level?
17. How is the Government responding to concerns about health and safety and environmental controls in New Zealand?
18. How are the health and safety regulations for the petroleum industry being strengthened?
19. Will resource consents be required for offshore exploration activities more than 12 nautical miles off the New Zealand coast?
20. How will the Government provide protection and appropriate management of sites of local, cultural and historical significance?

## **About Block Offer 2014**

### **1. Where are the proposed areas for Block Offer 2014 consultation?**

A mix of onshore and offshore areas around New Zealand are proposed to be included in Block Offer 2014. The areas offer a range of mature and frontier acreage - spanning blocks in well-explored areas through to large blocks in frontier regions where little or no exploration has taken place.

The Government is consulting on a total area of 433,940.27 square kilometres across five proposed offshore areas and three proposed onshore areas.

Proposed offshore areas in:

- Reinga-Northland Basin - 85,009.38 km<sup>2</sup> area of consultation
- New Caledonia Basin – 49,051.79 km<sup>2</sup> area of consultation
- Taranaki Basin – 55,032.44 km<sup>2</sup> area of consultation
- Pegasus-East Coast Basin – 75,136.03 km<sup>2</sup> area of consultation
- Great South-Canterbury Basin – 154,293.88 km<sup>2</sup> area of consultation

Proposed onshore areas in:

- East Coast Basin (North Island) – 3,142.79 km<sup>2</sup> area of consultation
- Taranaki Basin – 2,403.43 km<sup>2</sup> area of consultation
- West Coast Basin (South Island) – 9,870.54 km<sup>2</sup> area of consultation

The areas being consulted on exclude any existing permits - except where existing permits are due for relinquishment before 1 April 2014 when the Block Offer 2014 tender is opened.

Note that the proposed areas contain some acreage that is currently being offered in the Block Offer 2013 tender round and yet to be granted any permits. An announcement on this is expected in December 2013.

Maps and technical details about the proposed Block Offer 2014 areas is available at:  
<http://www.nzpam.govt.nz/cms/petroleum/block-offers/block-offer-2014-consultation>

### **2. How have the proposed Block Offer 2014 areas been specified?**

The term Block Offer refers to the cluster of onshore and offshore prospective areas (called release areas) around New Zealand that have been identified as containing petroleum and gas deposits. Offshore, a release area is usually a defined area within a much larger Basin.

A proposed area for consultation could be a section within a release area, or may comprise the entire release area.

As part of improving the processes for permitting oil and gas exploration, the Government has recently changed the approach to how permit blocks are specified. The new approach is consistent with international best practice.

For Block Offer 2014 the onshore and offshore release areas have been overlaid with a mesh of small blocks (called graticular sections).

Offshore, each graticular section is approximately 250 square kilometres. Onshore, each graticular section is approximately 62.5 square kilometres.

Companies will be able to bid for one or more of the graticular sections (and may bid for a combination of adjacent graticular sections) up to a certain limit depending on the location:

- up to a maximum of 10,000 square kilometres in offshore frontier areas (Reinga-Northland, New Caledonia Basin, Pegasus-East Coast Basin, Great South-Canterbury Basin);
- up to a maximum of 2,500 square kilometres in the offshore Taranaki Basin.
- up to a maximum of 250 square kilometres for onshore Taranaki; and
- up to a maximum of 1,000 square kilometres for onshore West Coast (South Island) and East Coast (North Island).

### **3. How have the proposed Block Offer 2014 areas been selected?**

The selection of proposed areas for Block Offer 2014 takes into account prospectivity and anticipated commercial interest, as well as offering a range of exploration and frontier acreage to appeal to a diverse range of operators and to promote a stable path to New Zealand's oil and gas production.

### **4. Do the proposed areas for Block Offer 2014 include any Schedule 4, World Heritage sites or Marine Reserves?**

No. Areas listed within Schedule 4, World Heritage sites and Marine Reserves have been removed from all the proposed areas.

### **5. How will the Block Offer 2014 consultation and tender process be conducted, and what is the timing?**

Consultation with iwi and hapū for the proposed areas in Block Offer 2014 commences for 40 days on Thursday 19 September and closes on Thursday 14 November 2013. Local authorities will be informed about the areas of consultation during the same period.

Following a review of consultation feedback, the Government will confirm the Block Offer 2014 final tender areas and expects to open the tender for bids in April 2014.

Companies interested in responsibly exploring for oil and gas would then submit bids by September 2014.

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

The Government assess the bids and expects to grant exploration permits in December 2014, for commencement from April 2015. Permits will be issued under the Crown Minerals Act 1991.

### **6. How will bids be assessed?**

Bids will be assessed in accordance with the criteria set out in the Crown Minerals Act 1991, the Petroleum Programme 2013 and the Invitation for Bids.

This assessment takes into account the work programme provided by the bidder and a number of other criteria including the applicant's technical and financial capability, compliance history and ability to meet expected health and safety and environment requirements.

NZP&M is responsible for administering the tender, the assessment of bids and granting permits.

## **7. How long is an exploration permit granted for?**

An exploration permit may be granted for up to 15 years (depending on the location). It gives the permit holder the exclusive right to explore for petroleum over the area specified in the permit. For Block Offer 2014 it is expected that:

- onshore permits will be granted for a maximum of 10 years (Taranaki, West Coast (South Island) and East Coast (North Island));
- offshore Taranaki permits will be granted for a maximum of 12 years or 15 years;
- permits for other offshore basins will be granted for a maximum of 15 years (Reinga-Northland, New Caledonia, Pegasus-East Coast and Great South-Canterbury).

## **8. What happens under an exploration permit?**

Being granted an exploration permit is the first of many steps required to develop Crown-owned minerals.

The exploration activities to be undertaken in a permitted area are determined by the work programme submitted by the permit holder as part of the tender bid and assessment process.

Exploration programmes are usually conducted in several stages. Activities generally include seismic surveys, sampling, aeromagnetic surveys, geological mapping, geochemical surveys ("general sampling"), geophysical surveys, compiling reports and analysing data. Exploratory drilling typically happens in the middle and 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 and gas.

Permit holders are also required to meet any necessary environmental consents under the Resource Management Act 1991 and/or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012. For onshore areas, permit holders must make access arrangements with landowners. All permit holders must meet the requirements of health and safety legislation.

## **9. Does an exploration permit provide a company with a mining right?**

No. An exploration permit does not automatically include mining rights.

In general, should commercially viable oil or gas reserves be discovered in the process of exploration, a company would have to apply for (and be granted) a mining permit by NZP&M.

## **10. Will exploration permits be granted for all the areas offered in Block Offer 2014?**

Not necessarily. Until all the bids for the Block Offer 2014 tender are received and assessed, NZP&M will not know the number of exploration permits that will be issued and in what areas.

If NZP&M's assessment panel decides that none of the bids for a particular area in Block Offer 2014 meets the criteria set out in the Crown Minerals Act, Petroleum Programme and the Invitation for Bids, then no permit will be granted.

The proposed areas being consulted on for Block Offer 2014, excluding areas already permitted, may be included in future block offers.

**11. Do any of the proposed areas being consulted on include areas offered in previous Block Offers?**

Yes. The proposed Block Offer 2014 maps being consulted on have been prepared before decisions have been made on the granting of permits for Block Offer 2013. There are areas proposed in Block Offer 2014 that may end up being granted in the Block Offer 2013 tender round. Decisions on this are expected to be announced in December 2013.

As part of the consultation, iwi and hapū and local authorities in affected regions are invited to provide their feedback on the proposed Block Offer 2014 areas.

**12. Who is being consulted on the Block Offer 2014 proposal?**

Under the Crown Minerals Act and Minerals Programme for Petroleum, the Crown has an obligation to consult with all iwi and hapū in relation to certain permit activity. NZP&M is consulting with 99 iwi and hapū with an interest in the proposed areas for Block Offer 2014 before finalising areas for the tender.

There is no legal requirement to consult with local authorities, however for Block Offer 2014 63 local authorities have been notified about the proposed Block Offer to ensure a robust and informed process, and to assist with building relationships over the lifecycle of a permit.

Those iwi and hapū and local authorities include:

- Those where a proposed area is in their rohe or area of jurisdictional control.
- Those where their rohe or jurisdictional area abuts the coast within 100 kilometres of a proposed offshore area.

This approach is consistent with what has been previously done for Block Offers 2012 and 2013.

The consultation period for Block Offer 2014 begins on Thursday 19 September and closes on Thursday 14 November 2013.

General enquiries or comments from the public to NZP&M can be made by emailing: [nzpam@mbie.govt.nz](mailto:nzpam@mbie.govt.nz)

**13. How will feedback received from iwi and hapū and local authorities be considered and taken into account?**

The submission process assists NZP&M to identify and better understand areas of sensitivity and other matters that may need to be considered when tendering for oil and gas exploration.

Under the Minerals Programme for Petroleum 2013, iwi and hapū can request that within the proposed areas for Block Offer 2014: certain areas are not included in the tender; or request that activities within certain areas be subject to additional requirements that recognise the particular characteristics of those areas.

Feedback received will inform the final make-up of the tender for Block Offer 2014. It will identify what issues are appropriately managed through other processes – for example, when access is negotiated with landowners or resource consents are granted by the local authority.

## **General information on block offers**

### **14. Why is a block offer approach used?**

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

In early 2012 the Government abolished first-in, first-served permitting – known as “Priority-in-Time”. Since then, an annual block offer competitive tender process has been used exclusively for allocating petroleum exploration permits.

Block offers are not new. 13 block offers over various regions of New Zealand have been held between 2002 and 2010.

By only using the block offer approach, the Government has more control over the areas opened for exploration, can deliver a more transparent process, and can more proactively engage and consult with iwi and local authorities on areas proposed for future exploration permit tendering.

An annual approach also assists with promotion overseas and in New Zealand.

Further information on block offers is available at [www.nzpam.govt.nz/cms/petroleum/block-offers](http://www.nzpam.govt.nz/cms/petroleum/block-offers).

### **15. What is the outcome of the 2012 and 2013 Block Offers?**

In December 2012, ten exploration permits were granted for Block Offer 2012. Information on the permits granted and to which companies is available at [www.nzpam.govt.nz/cms/petroleum/block-offers/block-offer/2012](http://www.nzpam.govt.nz/cms/petroleum/block-offers/block-offer/2012)

The tender for Block Offer 2013 closes at the end of September 2013. After evaluation of bids it is expected that permits will be granted in December 2013. Information on Block Offer 2013 is available at <http://www.nzpam.govt.nz/cms/block-offer>.

## **Developing oil and gas in New Zealand**

### **16. How will the Government ensure the benefits of oil and gas development are seen at a local level?**

The Government receives about 42 percent of a petroleum operating company’s accounting profit, which includes both taxes and royalties. These help pay for public services that benefit all New Zealanders, such as education, healthcare and roading.

Regional benefits 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 activity (including indirect and induced effects) generated by the oil and gas industry contributes a total of \$1.8 billion to the region’s GDP and employs over 4,200 people (Venture Taranaki, 2010: *The Wealth Beneath Our Feet: the value of the oil and gas industry to New Zealand and the Taranaki region*, p4).

## **17. How is the Government responding to concerns about health and 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 and production of New Zealand's petroleum and gas resources.

Recent initiatives to strengthen the regulatory regime include:

- Strengthening the Crown Minerals Act 1991 regarding the health and safety and environmental credentials of operators upfront.
- Putting in place a comprehensive regime to manage the environmental effects of all petroleum exploration activities in the Exclusive Economic Zone (EEZ) and on the extended continental shelf.
- Strengthening the health and safety regulation of wells and well drilling activities following international best practice.
- The establishment of a 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 oil spill response capability.

Operating companies must conduct their operations in compliance with Health and Safety and Environmental legislation. More broadly, they would be expected to have in place policies and plans for hazard mitigation and management, identifying and assessing risks, staff training, community engagement, respect to landowners and restoration/rehabilitation of areas.

## **18. How are health and safety regulations for the petroleum industry being strengthened?**

The Health and Safety Employment (Petroleum Exploration and Extraction) Regulations 2013 provide for the safe exploration for, and production of, petroleum resources and apply to every petroleum operation under the control of an employer at which employees carry out duties relating to petroleum operations.

A core principle of these regulations is that the employer is responsible for identifying and assessing hazards taking "all practicable steps" to manage them.

In 2013 the regulations have been strengthened to ensure that health and safety of petroleum exploration and production activities in New Zealand – both onshore and offshore – are consistent with international best practice, and to take account of key learnings from major incidents overseas.

Key aspects of the strengthened regulations include:

- Enhancement of the existing safety case regime for offshore installations and extending that to onshore installations.
- Introduction of a major accident prevention policy requirement.
- Making goal setting regulations to cover activities over the full lifecycle of a well.
- Introduction of a well examination scheme requirement.
- Introduction of notification and reporting of dangerous occurrences.

These are designed to:

- Strengthen the management of hazards having the potential to cause a major accident.
- Reduce the likelihood of an uncontrolled release of oil and gas (or blowout) occurring during well operations.
- Ensure the regulator has sufficient data to inform the targeting of regulatory interventions and the preparation of preventative guidance.

**19. Will resource consents be required for offshore exploration activities more than 12 nautical miles off the New Zealand coast?**

Areas more than 12 nautical miles offshore where the Resource Management Act 1991 does not apply, are now regulated by the new Exclusive Economic Zone (EEZ) and Continental Shelf (Environmental Effects) Act 2012 which came into effect in June 2013.

The Exclusive Economic Zone (EEZ) and Continental Shelf (Environmental Effects) Act manages the environmental effects of activities in New Zealand's oceans. It aims to manage the environmental impact of activities such as deep-water exploration and extraction of oil, gas and other minerals. It covers seabed mining, petroleum activities, energy generation, carbon capture and storage, marine farming and biodiversity, and ensures that any adverse effects are avoided, remedied or mitigated.

Compliance with the Act may include obtaining a marine consent from the Environmental Protection Authority (EPA). Marine consents are required for petroleum activities that are not identified as permitted in the regulations. A marine consent application requires an impact assessment and will be publicly notified and allow for public submissions.

**20. How will the Government provide protection and appropriate management of sites of local, cultural and historical significance?**

There is a broad framework of legislative, regulatory and operational provisions which protect sites of cultural sensitivity and provide for their active protection.

Under the Minerals Programme for Petroleum 2013 the Crown has responsibilities with regard to the active protection of areas of particular importance to iwi and hapū. Iwi and hapū have the ability to request that certain areas or sites of significance should not be included in the proposed release areas, or that activities within certain areas be subject to additional requirements. Such requests are considered by the Minister of Energy and Resources taking into account a number of factors such as whether the area is already protected under other legislation, the size of the area and the value of the potential resource affected if the area is excluded.

The environmental effects of petroleum related activities are considered under the Resource Management Act 1991 on land and within 12 nautical miles (administered by local authorities), and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 offshore beyond that point (administered by the Environmental Protection Agency).

The Historic Places Act 1993 also provides an important layer of protection, as does the requirement for holders of permits to seek a land access arrangement with the relevant land owner.

To balance the interests of active protection with responsible development, the Government encourages engagement between iwi and hapū and petroleum operating companies to find their own solutions for avoiding or minimising any impacts of petroleum exploration activities on or near sites of significance.

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.