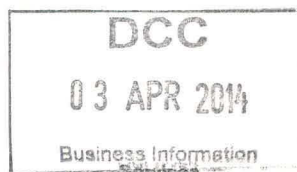


2 April 2014

Sue Bidrose  
Chief Executive  
Dunedin City Council  
50 The Octagon  
PO Box 5045  
Dunedin 9031



Dear Sue

#### **RESPONSE TO YOUR SUBMISSION ON BLOCK OFFER 2014**

Thank you for your submission (on behalf of Dunedin City Council) of 14 November 2013 regarding the government's proposal to offer onshore and offshore blocks for oil and gas exploration in 2014. I appreciate the time you took to comment on the overall proposal and the specific consultation areas in your region.

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

- the importance of engaging with the public on Block Offers going forward
- the need for more detail around local community benefits
- the need for risk and disaster management in view of the outstanding natural environment
- that climate change adaptation costs have not been included in the cost-benefit analysis
- your summary of Dunedin community feedback on the Block Offer 2014

36 submissions were received on the proposed Block Offer: 16 came from iwi and hapū, and 20 were from local authorities. A number of general themes were evident in the submissions. These were:

- health, safety and environmental concerns
- the need for early and on-going engagement
- the need to manage sites of local, cultural and historical significance
- a desire for benefits of resource development to be seen at the local/regional level
- the need for resources to enable iwi and hapū to engage effectively on these issues
- the relationship between the Crown and iwi/hapū

More detail on the submissions received is available on the NZP&M website [www.nzpam.govt.nz](http://www.nzpam.govt.nz)

#### **Block Offer 2014 bidding round**

The Minister has announced that eight release areas have been selected for the Block Offer. Three are onshore and five are offshore. These are shown in the attached map.

During the submission process we received a number of requests for exclusions or amendments to the consultation areas. The government has a responsibility to ensure that sites of significance to iwi and hapū are adequately protected. The exclusion of defined areas of land from a block offer is

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one mechanism we can use to achieve this. The Crown must also consider the relative prospectivity of the area, as well as any other legislative and regulatory provisions that apply. All areas for Block Offer 2014 were selected for their likely commercial interest and geological prospectivity.

With regards to the majority of the requests for exclusion, the broader framework of legislative, regulatory and operational provisions protects sites of cultural sensitivity, and is in most cases considered adequate. However, several specific amendments have been made to the consultation areas which are reflected in the final release areas:

- Consultation area 14TAR-R2 (onshore Taranaki) has been amended to:
  - exclude those sites of significance which overlap with the New Plymouth District Council district boundaries, until the council-led project to map sites of sensitivity to iwi in this area has progressed,
  - exclude the area known as Parihaka Pā composing 19.607 hectares [Block ID 17310, Māori Land Online] due to its strong cultural importance to the Taranaki Iwi, and
  - further, a condition has been added to consultation area 14TAR-R2 requiring any operator undertaking petroleum exploration activity within 200 metres of the Tangahoe, Pātea and Whenuakura Rivers to give written notification to Te Runanga o Ngati Ruanui at least 20 working days before the activity is undertaken
- Consultation area 14ECT-R1 (onshore East Coast) has been amended to exclude the area over the Ruataniwha aquifer system. This consultation area is also amended to better reflect a more precise assessment of the likely distribution of the petroleum resource
- Consultation area 14WEC-R1 (onshore West Coast) has been amended to better reflect a more precise assessment of the likely distribution of the petroleum resource
- Consultation area 14GSC-R1 (offshore Canterbury/Great South Basin) has been amended to remove the overlap with the Banks Peninsula Marine Mammal Sanctuary
- Consultation area 14PEG-R1 (offshore Pegasus Basin) has been amended to remove the overlap with the planned Kaikoura whale sanctuary which prohibits some types of seismic surveying.

Block Offer 2014 opened on 2 April 2014. Petroleum companies have until 25 September 2014 to submit a bid for an exploration permit. We expect to grant permits for Block Offer 2014 in December.

#### **Specific remarks on your submission**

I note your remarks around the need for ongoing engagement with the public on petroleum-related activity. New Zealand Petroleum & Minerals (**NZP&M**) has made a firm commitment to being transparent with, and better informing the New Zealand public about resource development. We have strengthened our resource capabilities with an increased focus on engagement between iwi and hapū, local authorities, operators and NZP&M itself. This includes dedicated staff members specifically focused on iwi and hapū, local authority and public engagement. The focus for these staff is on our statutory and proactive engagement, with our proactive activities concentrated in areas where the industry is expanding to ensure iwi and hapū, local authorities and the public are able to make informed decisions around the future development of petroleum and mineral resources based on accurate information.



I also acknowledge your comments regarding the need for the economic benefits of petroleum activity to be more clearly evident at the regional level. As you're probably aware, the Government receives approximately 42 per cent of a petroleum company's accounting profit, which is a combination of taxes, royalties and levies (royalties). These taxes and royalties help pay for infrastructure and services that benefit all New Zealanders, such as hospitals, schools, and roads. As Crown minerals are owned by, and administered on behalf of, the people of New Zealand, it is appropriate that these royalties are collected and used at a national level.

While we acknowledge that the regions that host oil and gas activities face some additional infrastructure costs, it is also important to acknowledge that benefits from oil and gas activities are also generated at a regional level. These include job creation and training, community investment, and infrastructure development – depending on what is found, where it is found, and how it is processed. Taranaki (the only region producing oil and gas in New Zealand) is an example of the significant regional benefits that this industry can produce. A 2010 Venture Taranaki report found that at a minimum, the oil and gas industry directly employs 3,730 full-time equivalents, and supports a further 3,970 elsewhere in the economy.

NZP&M shares the view that the health, safety and environmental impacts of petroleum activity must be managed effectively, and that petroleum operators must be subject to rigorous regulatory requirements. A number of initiatives have been put in place to strengthen the regulatory regime. These include:

- a requirement (since May 2013) for high-level preliminary assessment of an operator's capability and systems that are likely to be required to meet applicable health, safety and environmental legislation at the point of permitting;
- a new regime to manage the environmental effects of all petroleum activities in the Exclusive Economic Zone and continental shelf came into force from June 2013 (with a transition period closing June 2014);
- stronger health and safety regulations for wells and well drilling activities through the Health and Safety in Employment (Petroleum Exploration and Extraction) Regulations 2013 (from June 2013);
- the establishment of the High Hazards Unit within MBIE in 2012 to enforce health and safety compliance, with an increase in the number of inspectors (moved to the newly-established WorkSafe NZ);
- the establishment of a new independent workplace health and safety agency, WorkSafe NZ in late 2013; and
- the announcement of a \$2 million funding boost for Maritime New Zealand (to improve their oil spill response capability) in December 2013.

These changes have created a robust framework which allows appropriate regulation of the expected increase in petroleum exploration and production activity in higher risk environments. These changes include regulation for deepwater and beyond the 12 nautical mile limit (the Exclusive Economic Zone and continental shelf), where previously no environmental regulation existed.

With regard 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.

The Government's energy strategy is to ensure diverse resource development, environmental responsibility, efficient use of energy and secure and affordable energy. As part of this, the Government aims to achieve 90 percent electricity generation from renewable sources by 2025. In 2010, renewables contributed 74 percent of electricity generation. But to retain secure and affordable energy in the meantime, we will continue to explore for and produce non-renewables, such as oil and gas.

I acknowledge the summary of submissions you have received from the public on Block Offer 2014. We consider that the most appropriate stage at which to involve the public in the decision-making process is the point prior to the activity being undertaken, when it is clear which specific area, and specific parties, are proposed to be affected. 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 of the coastline, and the Exclusive Economic Zone and Continental Shelf Act beyond that point. It's appropriate at this stage, for local authorities and the Environmental Protection Authority to consider what level of public consultation is required, based on the proposed activity and legislative framework.

I also note that while there is a statutory requirement to engage with iwi and hapū, NZP&M has extended the scope of engagement to local authorities in order to better represent public interest.

#### **Concluding remarks**

I hope that this letter explains the government's decision on selection of the blocks for Block Offer 2014.

More information about Block Offer 2014 and the consultation outcome is available on our website: [www.nzpam.govt.nz](http://www.nzpam.govt.nz). This website includes a copy of the Block Offer 2014 Invitation for Bids.

If you would like to discuss any aspects of the Block Offer please contact Jonathan Gibbard, Manager of the Regional Relationships team, on (04) 901 1503 or [jonathan.gibbard@mbie.govt.nz](mailto:jonathan.gibbard@mbie.govt.nz).

Yours sincerely



Kevin Rolens  
**National Manager, Petroleum**  
New Zealand Petroleum & Minerals



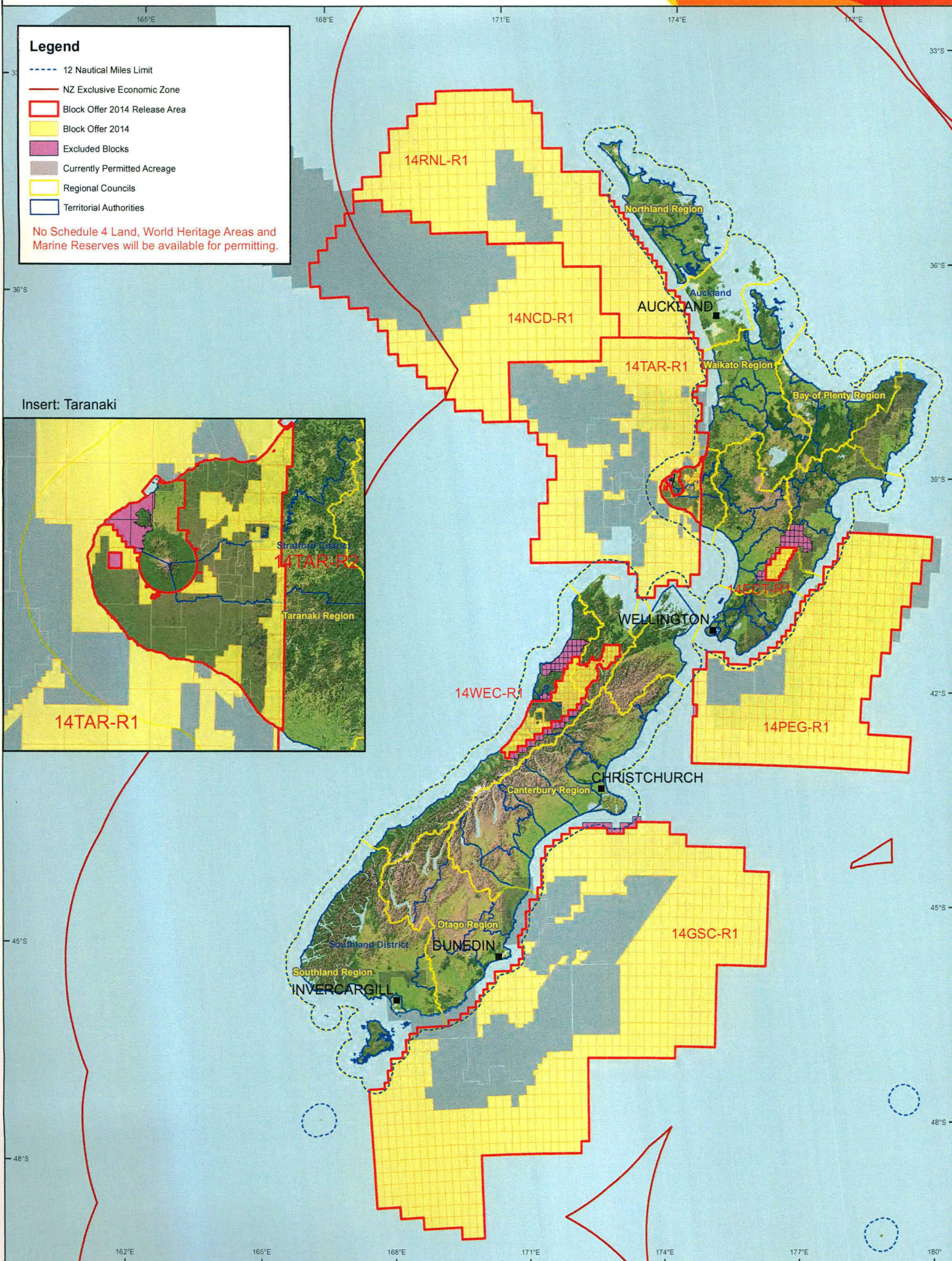
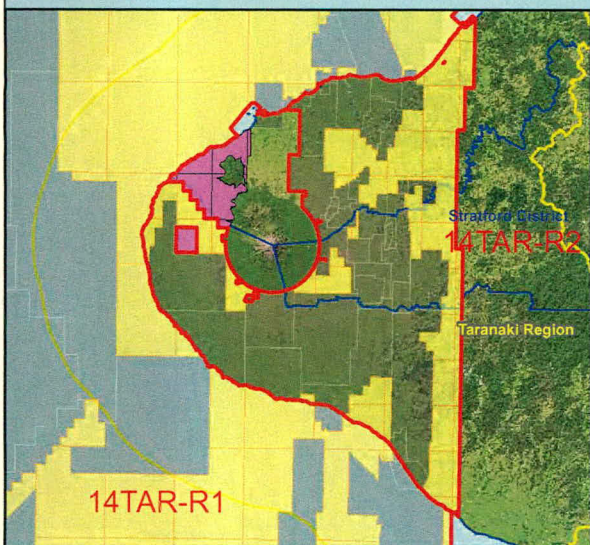
# Block Offer 2014

## Legend

- 12 Nautical Miles Limit
- NZ Exclusive Economic Zone
- Block Offer 2014 Release Area
- Block Offer 2014
- Excluded Blocks
- Currently Permitted Acreage
- Regional Councils
- Territorial Authorities

No Schedule 4 Land, World Heritage Areas and Marine Reserves will be available for permitting.

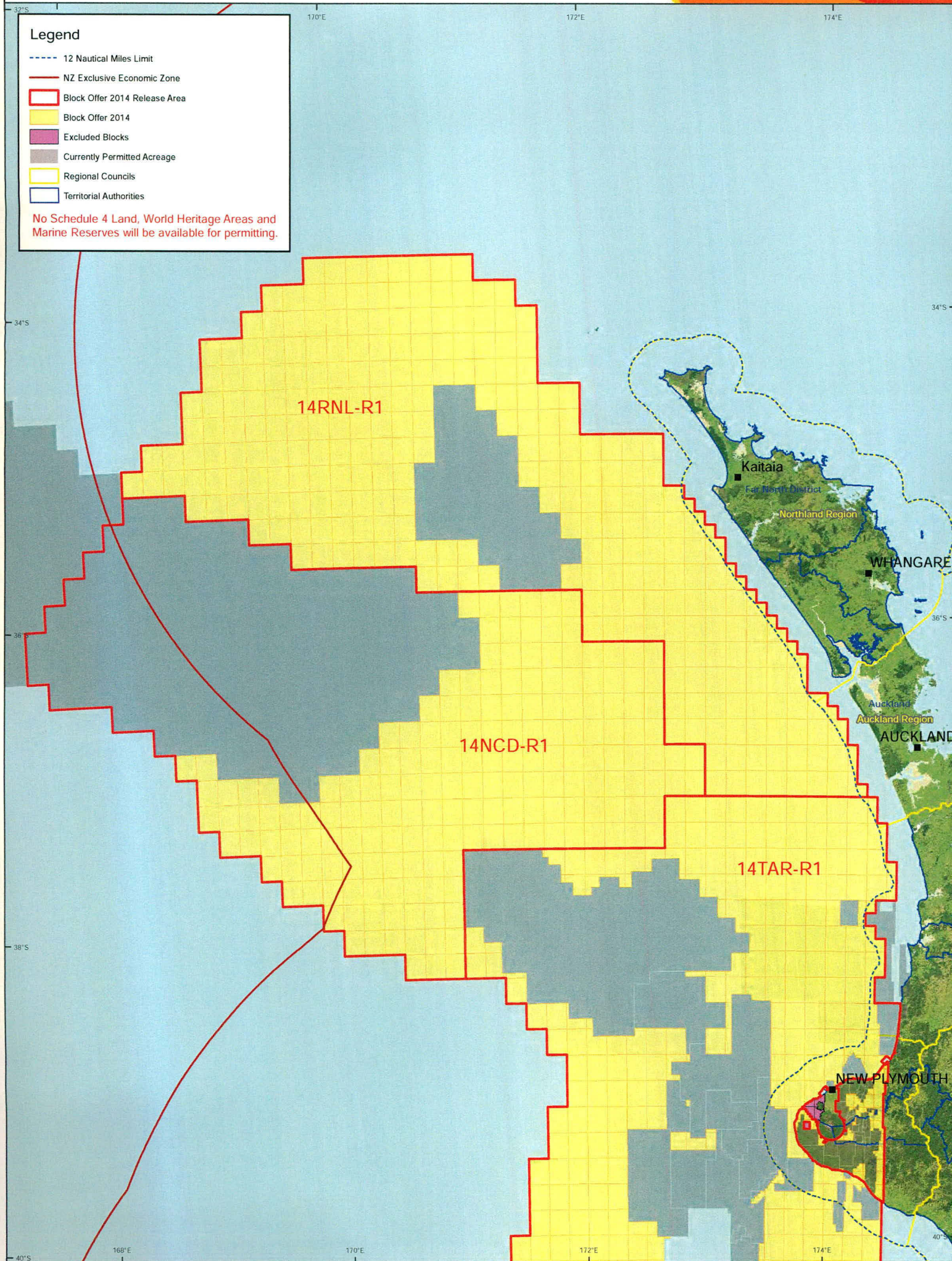
### Insert: Taranaki





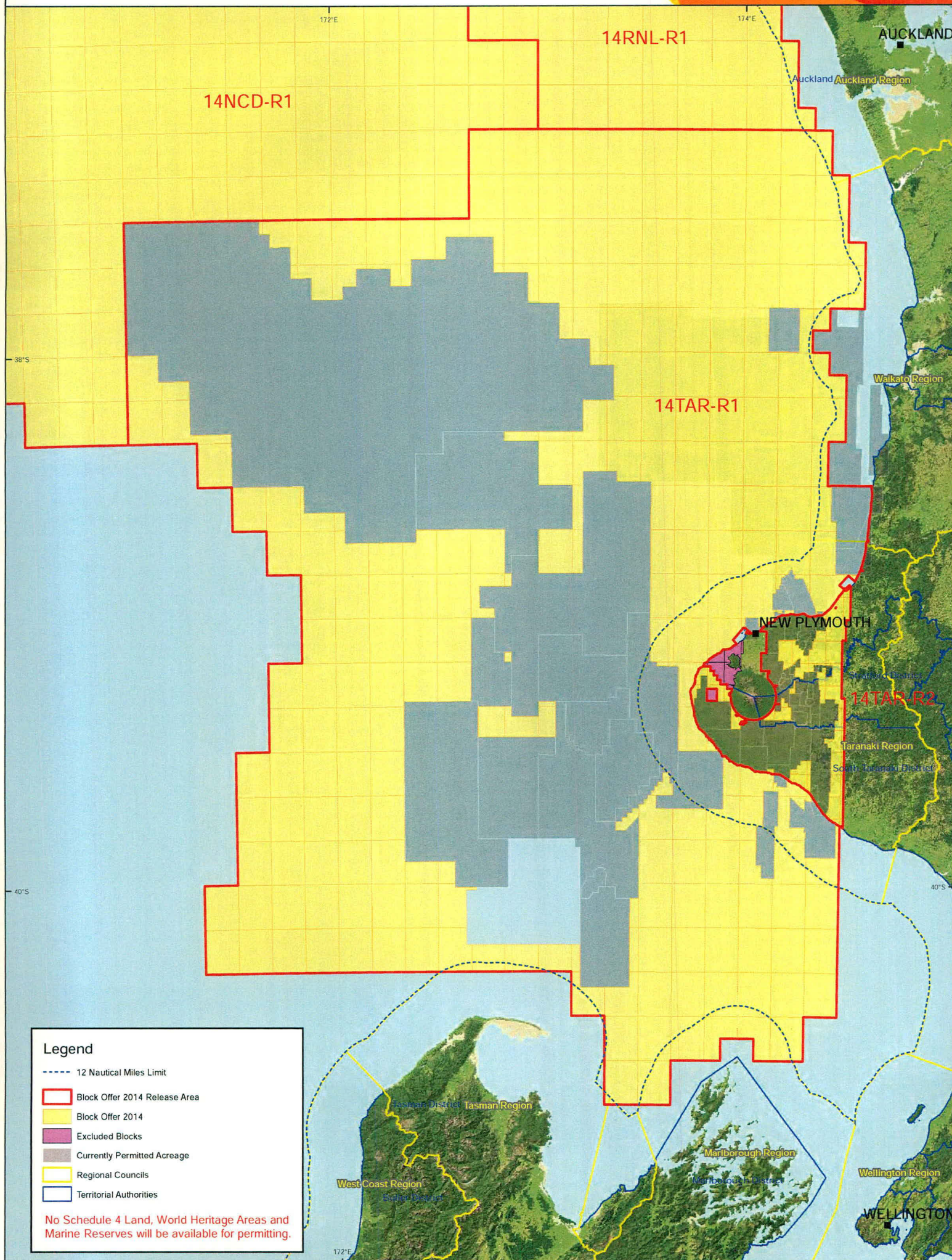
- Legend**
- 12 Nautical Miles Limit
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  - Regional Councils
  - Territorial Authorities

No Schedule 4 Land, World Heritage Areas and Marine Reserves will be available for permitting.





# Block Offer 2014 Offshore Taranaki





# Block Offer 2014 Onshore Taranaki

## Legend

--- 12 Nautical Miles Limit

Block Offer 2014 Release Area

Block Offer 2014

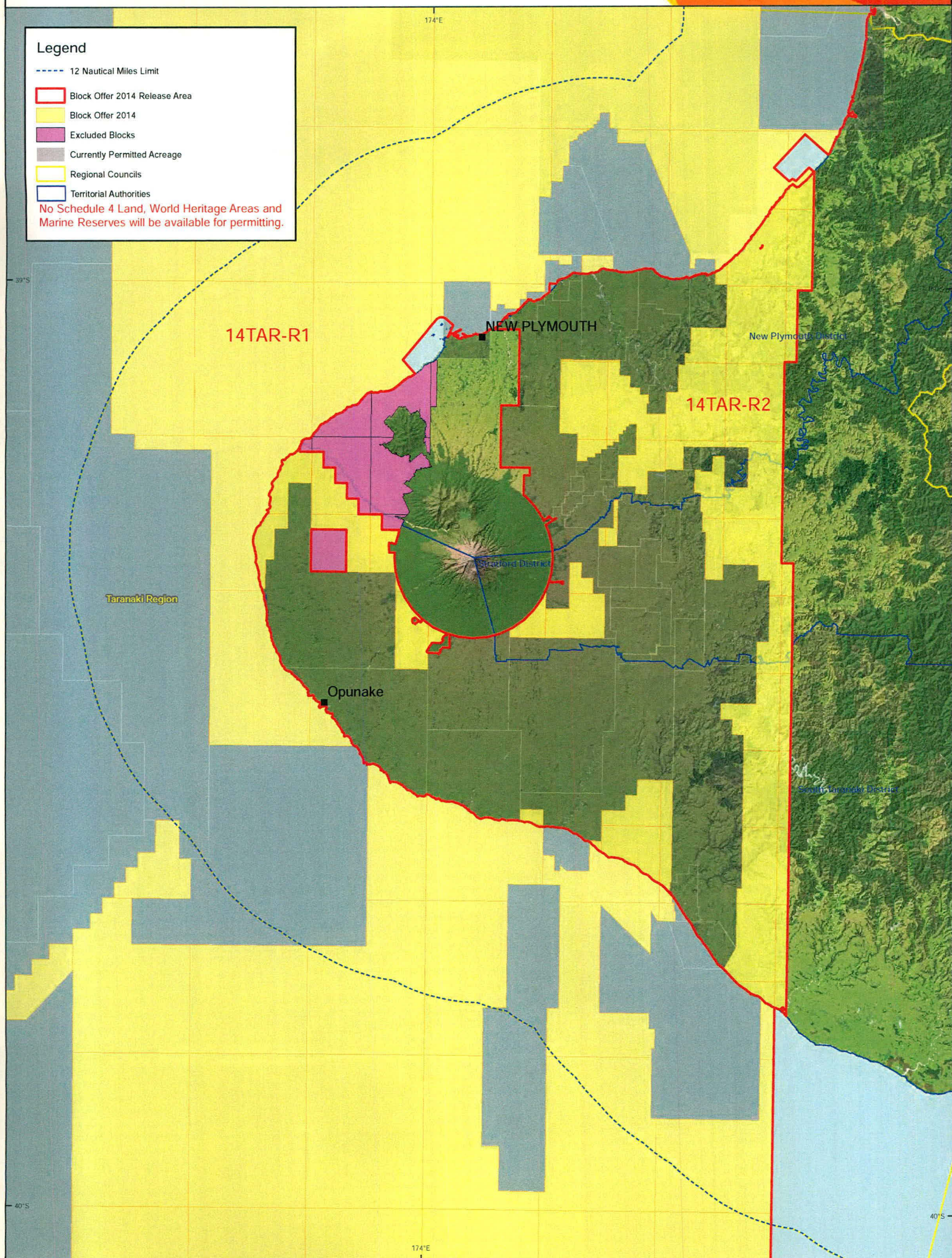
Excluded Blocks

Currently Permitted Acreage

Regional Councils

Territorial Authorities

No Schedule 4 Land, World Heritage Areas and Marine Reserves will be available for permitting.



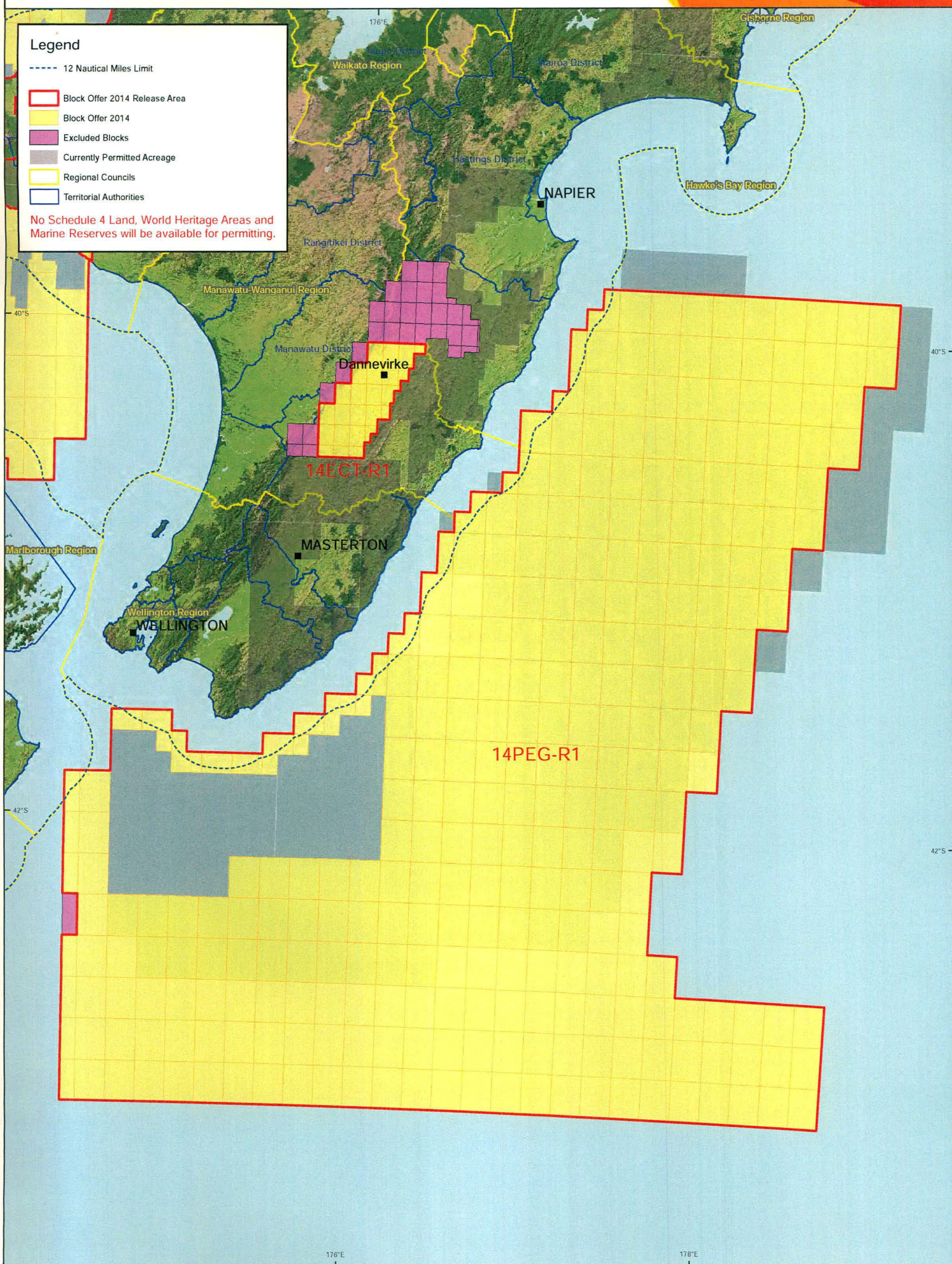


# Block Offer 2014 East Coast

## Legend

- 12 Nautical Miles Limit
- Block Offer 2014 Release Area
- Block Offer 2014
- Excluded Blocks
- Currently Permitted Acreage
- Regional Councils
- Territorial Authorities

**No Schedule 4 Land, World Heritage Areas and Marine Reserves will be available for permitting.**





# Block Offer 2014 Onshore West Coast

## Legend

--- 12 Nautical Miles Limit

Block Offer 2014 Release Area

Block Offer 2014

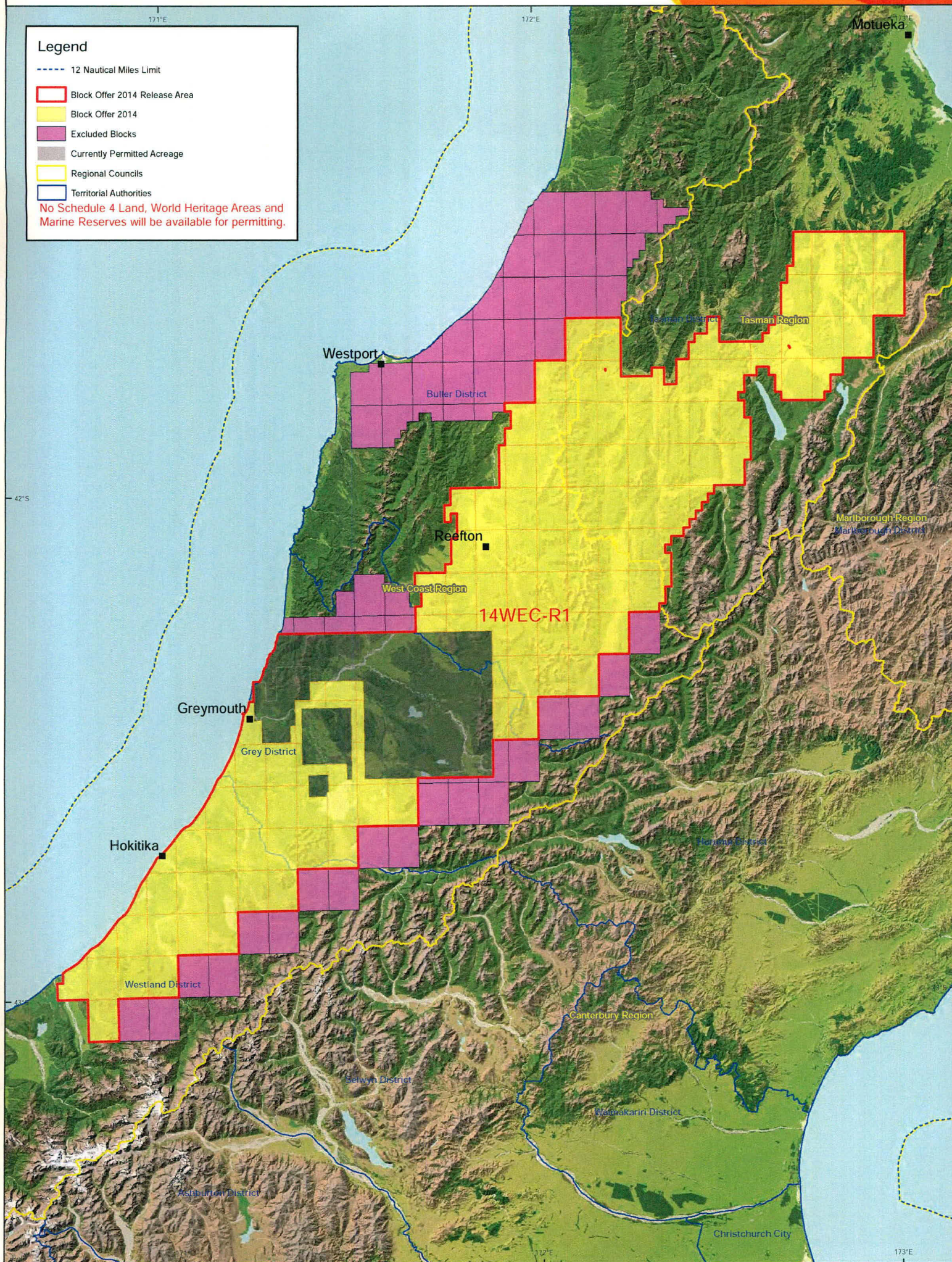
Excluded Blocks

Currently Permitted Acreage

Regional Councils

Territorial Authorities

No Schedule 4 Land, World Heritage Areas and Marine Reserves will be available for permitting.







**NEW ZEALAND**  
PETROLEUM & MINERALS

# Block Offer 2014 Great South Canterbury Basin

