

Budget 2009: Tax exemption encourages oil and gas exploration

14 May 2009 - Energy and Resources Minister Gerry Brownlee and Revenue Minister Peter Dunne have announced positive measures to enhance the development of New Zealand's natural resources.

Budget 2009 will make provision for a five year continuation of an exemption for offshore oil and gas exploration.

The current exemption from tax on the profits of non-resident operators of offshore rigs and seismic vessels was introduced in 2004 and was to expire on 31 December 2009.

"The international exploration industry is showing increasing interest in New Zealand following recent government initiatives. To build on this interest, the government will be extending the exemption until 31 December 2014 to further encourage exploration of New Zealand's offshore hydrocarbon basins," the Ministers said.

"To give effect to this decision, it is our intention to include this in a tax bill to be introduced nearing the end of the year."

"The past five years have seen more exploration activity in New Zealand waters. The number of non-resident offshore rigs operating in New Zealand has more than doubled; the number of offshore wells drilled has increased from 12 wells in the period between 2000-2005 to 62 wells in the period since 2006.

"Offshore gas reserves have increased by 364 PJs from 2005 to 2008, with notable reserve upgrades at Maui and Pohokura."

"New Zealand is distant from other countries with petroleum programmes, and the cost of sending rigs and seismic vessels to New Zealand is high," the Ministers said.

"Before the exemption, non-resident offshore rig operators and seismic vessels had tended to stay in New Zealand for a period of less than 183 days, even if further exploration had been desirable beyond the 183 day window.

Different rigs were then required to be brought to New Zealand to complete the work, causing extra mobilisation and demobilisation costs. This also disrupted sensible exploration and development programmes.

The continuation of the tax exemption will further help stimulate the search for oil and gas here", the Ministers said.

"In conjunction with the recently announced \$20-million injection into government-funded seismic data acquisition, continuing the exemption further indicates the government's commitment to the natural resources sector and its contribution to New Zealand's economic prosperity," the Ministers said.

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