

Keynote Address

Hon P Swain

Associate Minister of Energy

Good evening. It gives me great pleasure to be addressing this eighth New Zealand Petroleum Conference organised by Crown Minerals.

I'm pleased to see such a large attendance here and especially the number of overseas representatives. This really does reflect the international nature of the petroleum industry.

First of all I would like to take this opportunity to congratulate you on your recent successes. I was excited to hear of the announcement by Swift Energy of the potential of the Rimu discovery. The initial test results are very encouraging and would suggest that this may be significant find. Equally so, the Pohokura gas discovery by the Fletcher Challenge consortium is great news for the industry. I will continue to watch these developments with interest.

These discoveries come hard on the heels of an increased level of exploration here in New Zealand. Currently there are 52 exploration permits over six of the country's petroleum provinces. Not only does this represent a healthy spread of permits throughout New Zealand but it is also pleasing to know that there is a significant amount of exploration being undertaken in the so called lesser explored basins. Already renewed exploration on the East Coast is paying dividends and who knows, possibly in two years time when you meet again, a new discovery in a frontier basin might be on offer.

The coalition government appreciates the significance of the petroleum industry in New Zealand and the important contribution it makes to the New Zealand economy.

The annual value of our petroleum production is in the vicinity of two billion dollars. That's a significant addition to our economy and we want to see it continued.

In addition, of course, your industry creates considerable revenues for the government through taxes and royalties.

The petroleum industry delivers benefits to New Zealanders across the economic and social spectrum. For example in Taranaki it's estimated that for each petroleum industry employee there are 14 more people employed indirectly. And one of the most real examples of the practical benefits I have heard of is the fact that one of the companies in Taranaki spends \$4,000 a week in the local pie shop!

To be successful the relationship between the owner of the petroleum resource – ie the government – and the oil explorer must be a symbiotic one. I have often heard it said:

“The contractual relationship between host government and explorer requires cooperation if it is to work. The host Government brings its resources; the explorer the technology, financial resources, management and technical skills – all designed to release the value of the resources for the benefit of both parties.”

At the last conference the president of the Independent Petroleum Association of America defined what an explorer looked for in choosing an exploration destination. He said they looked for:

- prospective geology;
- favourable country or fiscal terms;
- favourable taxation regime;
- low country or sovereign risk;
- markets for oil and gas; and
- an industry infrastructure.

New Zealand satisfies all these counts and it is important to us to continue to be a good place for petroleum exploration. One of the key government objectives at the same time is to ensure there is maximum benefit from the industry for all New Zealanders. As my colleague the Deputy Prime Minister and Minister of Economic Development Jim Anderton has indicated we want to take a more strategic approach to industry growth and job creation.

Details of this will emerge over the next few months, however one of the concerns I have is the over-dependence of the New Zealand economy on commodity exports. There is a real desire from this government to promote the growth of value added knowledge-based goods and services. One of the real benefits that your industry offers over and above the extraction of oil and gas is the development of science and technology which is the cornerstone of the new economy.

The government's attitude is to let explorers actively pursue their agreed work programme, and in so doing operate responsibly within New Zealand's 'clean green' environment. I might further add that I am most happy to be able to say that the exploration and extractive petroleum industry in New Zealand has an enviable record of operating in an environmentally responsible manner.

That brings me to the government's views on energy efficiency. It's a matter at the heart of the government's energy policy and we will be taking action in this area on matters like encouraging

the transition to fuel efficient transport and the increased use of CNG and LPG dedicated vehicles, and public education on the value of energy efficiency.

In concluding can I reiterate that the new government values the contribution of the petroleum industry to the New Zealand

economy and I encourage you in your efforts to explore New Zealand; to discover and to develop New Zealand's petroleum resources.

I wish you an enjoyable and profitable Conference.