THE NEW ZEALAND PETROLEUM CONFERENCE | BEYOND 08

SKY CITY CONVENTION CENTRE
AUCKLAND, NEW ZEALAND

9-12 MARCH 2008

Petroleum and the New Zealand Energy Strategy

David Parker

Minister of Energy

March 2008

Climate Change Solutions

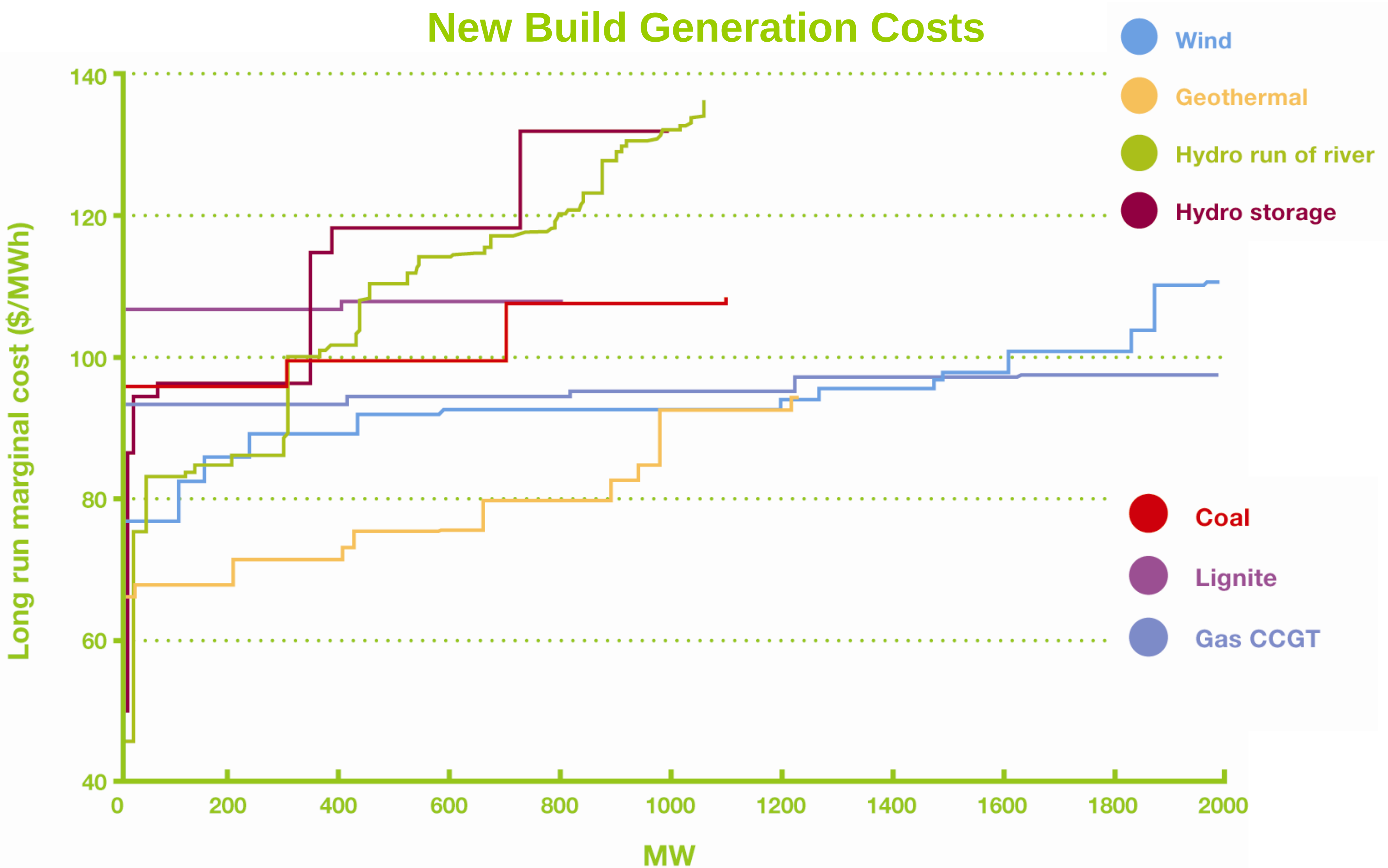
New Zealand Government

sustainability

Renewable electricity target

90 per cent of electricity from renewable sources by 2025

Renewables future makes economic sense



Role of fossil fuel generation

- All new electricity should be renewable except that for security of supply.
- Fossil fuel generation continues to play a critical role (particularly gas).

Carbon capture and storage (CCS)

- CCS can provide low emissions supplies of energy from existing and new fossil-fuel generation.
- CCS still poses questions
- Much international research underway.
- Government policy group established to consider issues and regulatory options.

10-year restriction on new baseload thermal

- 10-year restriction on the construction of new thermal generation above 10 MW whose fuel source contains 20% or more fossil fuels

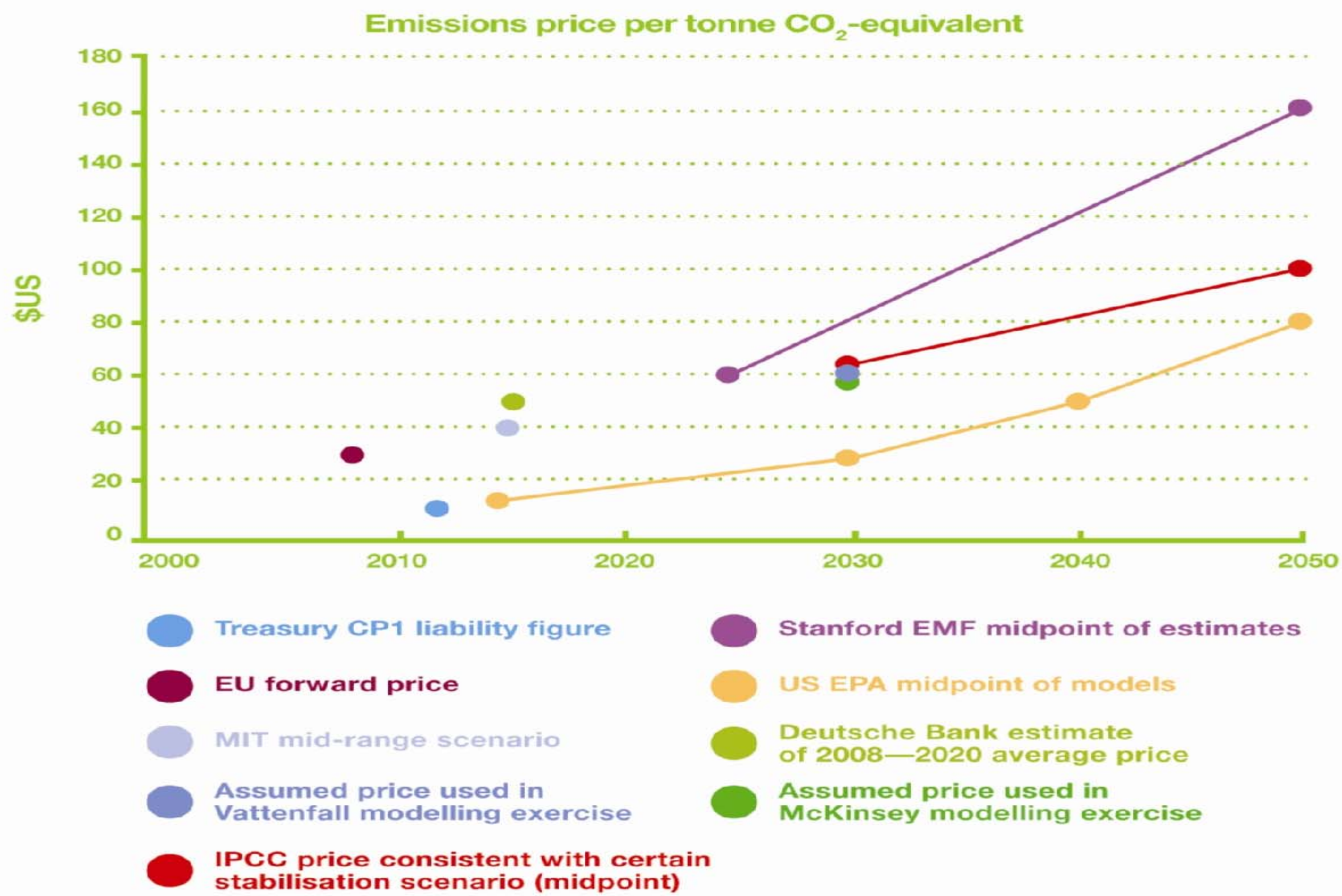
- Restriction does not preclude new thermal generation below 10MW

- Small gas resources (e.g., coal seam gas) present opportunities to meet localised demand

Emissions Trading Scheme (ETS)

- ETS allows market to seek lowest-cost ways of reducing carbon emissions
- Internationally favoured measure, ETS in line with others globally
- Will eventually include every sector of economy – forestry, liquid fossil fuels, stationary energy/ industrial processes, agriculture/ waste/ others
- Linked to Kyoto trading markets internationally

Future cost of carbon



Source: Ministry for the Environment

Global carbon markets - DEMAND

Estimates for the Total Global Demand for Kyoto Units over 2008-2012 (Mt CO_2e)
Source: World Bank (May 2007)

Country or Region	**Demand for Kyoto Units**
EU 15	450
EU ETS	1,140
Japan	350
ROW	60
Total	**2,000**

Global carbon markets - SUPPLY

Estimates for the Global Supply of Kyoto Units over 2008-2012 (Mt CO_2e)
Source: World Bank (May 2007)

Type of Kyoto Unit	Supply of Kyoto Units
CDM	1,500
JI	200
Total CDM/JI	**1,700**
AAUs (Russia)	3,200
AAUs (Ukraine)	2,200
AAUs (other)	1,700
Total AAUs	**7,100**

More gas discoveries needed

- A continuing demand for gas supplies
- Current supplies are being consumed
- Clear that new discoveries need to be made in order to meet our future domestic demand

Onshore Taranaki Blocks Offer:

- Enabling new gas discoveries
- Opening up opportunities to maximise chances in the New Zealand gas market

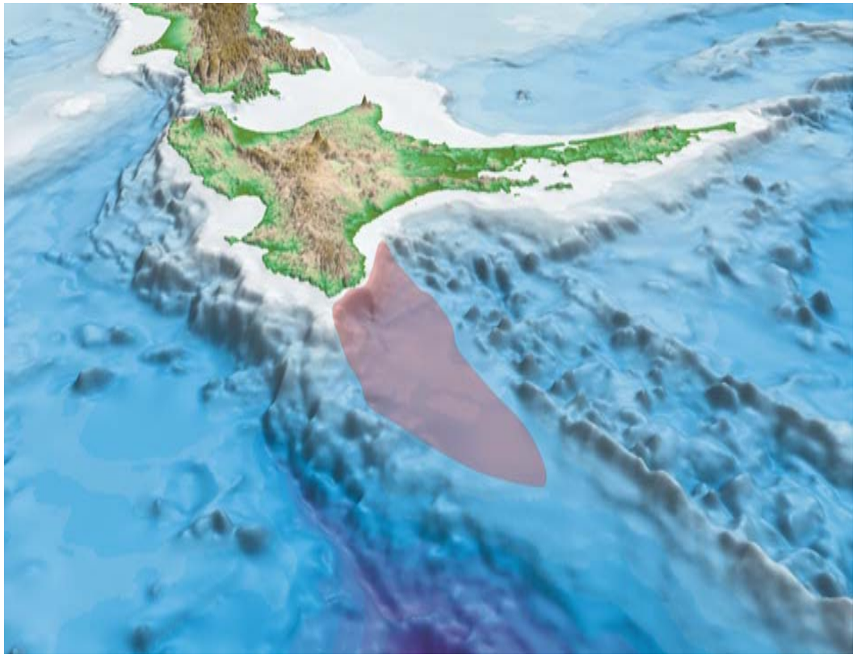
Realising the potential of New Zealand's petroleum estate

- Fossil energy remains part of the global energy supply chain
- Opportunities to discover world-class oil and gas deposits
- Potential overseas trading of large petroleum finds
- Positive indications: Tui and Maari oil fields
- Government actively encourages petroleum exploration and development

www.nzog.net/tui

Great South Basin (GSB) exploration

- GSB is around 500,000 square kilometres
- Government seismic survey indicated potentially large petroleum plays in GSB
- $1.2 billion of exploration in first five years for GSB
- Further recent seismic survey indicates the *Raukumara sub-basin* is also of material size and is prospective for oil



Offshore Raukumara sub-basin

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