

Guide to Government Management of Petroleum



In New Zealand, the exploration and production of petroleum is managed every step of the way

This guide gives an overview of the process to look for and develop oil and gas on land or at sea, and the regulatory agencies involved at each step. It reflects changes to the wider regime that were put in place in June 2013.

To understand the process in detail you will need to familiarise yourself with the relevant legislation, regulations and the petroleum programme.

All petroleum permit holders are required to regularly report to the government to ensure regulations and requirements are being complied with.

For more information, go to the New Zealand Petroleum & Minerals (NZP&M) website at www.nzpam.govt.nz

NZP&M manages the government's oil, gas and mineral resources and is a branch of the Ministry of Business, Innovation and Employment (MBIE).



The petroleum industry makes a significant contribution to New Zealand's economy.

1 Assessment

2 Exploration

LOOKING AT THE LAND

- › Government or investors might research into where petroleum might be found.
- › Historical and technical data is available from NZP&M, GNS Science, universities and others.
- › Some land is excluded from permitting for conservation or cultural reasons.

GETTING A PERMIT

- › A prospecting permit is required for seismic surveys. Applications will be assessed by NZP&M based on the proposed work programme, and technical and financial capability.
- › NZP&M consults with iwi and hapū as part of the permit process.
- › Offshore seismic surveys are expected to adhere to the Department of Conservation's (DoC) Code of Conduct for Minimising Acoustic Disturbance to Marine Mammals from Seismic Survey Operations 2013.

GETTING A PERMIT

- › Before work can begin, an exploration permit is required. NZP&M holds annual competitive tenders, known as Block Offers. NZP&M assesses a bidder's technical and financial capability, compliance history and undertakes a preliminary, high level assessment of an operator's capability and systems that are likely to be required to meet applicable health, safety and environmental legislation.
- › Conservation areas listed in Schedule 4 of the Crown Minerals Act 1991 (CMA) and World Heritage Areas are not included in Block Offers.
- › Consultation with iwi, hapū and councils on the proposed Block Offer is undertaken by NZP&M.
- › Permit holders may be required to attend annual meetings with NZP&M and other regulators.
- › Permit holders are required to report annually to government on their iwi engagement activity.
- › NZP&M liaises with WorkSafe New Zealand (WorkSafe), Maritime NZ, the Environmental Protection Authority, Department of Conservation and local authorities, as necessary.

LAND ACCESS

- › Permit holders must notify landowners and occupiers of planned minimum impact activities, or enter into an access arrangement for other activity. If access cannot be agreed, the parties may go to arbitration.

ENVIRONMENTAL & MARINE CONSENTS

- › Before exploratory drilling can begin on land or within 12 nautical miles of the coastline, resource consent from local authorities will generally be required under the Resource Management Act 1991 (RMA).
- › If the area is more than 12 nautical miles from the coastline, the Environmental Protection Authority (EPA) manages the environmental effects of activity under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act) and its regulations. A marine consent, including an impact assessment, is required from the EPA for those activities not permitted in the regulations. Seismic surveys are a permitted activity.
- › Transitional arrangements may apply for up to 12 months after the EEZ Act comes into force, but an impact assessment must be provided to the EPA.
- › Under the Maritime Rules Part 200, Maritime New Zealand (MNZ) must approve a discharge management plan before an operator can commence drilling.
- › Offshore operators have unlimited liability for costs incurred by the Crown in cleaning up oil spills from their installations, and any damages to third parties as a result of oil pollution involving their installations. Operators are required to demonstrate financial security to meet this liability.

HEALTH AND SAFETY

- › Under the Health and Safety at Work Act 2015 (HSW Act), operators have a duty to provide safe working places for their workforce and must comply with the Health and Safety at Work (Petroleum Exploration and Extraction) Regulations 2016 (HSW regulations). This legislation is enforced by WorkSafe's High Hazards Unit (HHU).
- › Operators must submit a safety case for offshore installations, land drilling units or production facilities at least 90 days before commencement. Any hazards to safety must be identified and control measures implemented. HHU acceptance of a safety case is required before operations begin.
- › Well operators must notify the HHU at least 20 days before any well drilling, suspension or abandonment begins. HHU must be satisfied risks are identified and precautions are being implemented.
- › Well operators must ensure independent examination of working wells throughout the lifecycle of the well.

Prospecting permit: up to 4 years

Exploration permit: up to 15 years

PROSPECTING PERMITS:

Prospecting permits allow for the gathering of technical data. It may be obtained for the purposes of marketing to the oil and gas industry by specialist operators, who do not intend on developing the resource. Activities may include seismic surveys and data analysis.

EXPLORATION ACTIVITIES:

Exploration activities include seismic surveys, sampling, aeromagnetic surveys, exploratory drilling, geological studies, compiling reports and data analysis. This work helps to identify the places within the permit area that are most likely to contain commercially recoverable amounts of oil and gas. Some production is allowed under an exploration permit.

Our oil and gas resources are extremely valuable national assets that make an important contribution to the economy. Through safe and environmentally responsible exploration and production, they could make an even bigger contribution.

The government receives around 42% of the profits of the petroleum industry in the form of company tax and royalties. This pays for important services like education and healthcare. At the current rate of exploration and production this equates to around \$400 million in royalties and \$300 million in company tax annually.

In 2012, oil was our fourth largest merchandise export at a value of over \$2 billion. New Zealanders also benefit through jobs, investment in local communities, and having a more secure energy supply.

3 Production

4 Restoration

GETTING A PERMIT

- › The permit holder must have discovered petroleum in the exploration permit area before applying to NZP&M for a mining permit.
- › NZP&M will assess the applicants' proposed work programme. Granting the permit involves agreeing on a development programme that ensures maximum responsible recovery of the resource.
- › Before awarding a mining permit, NZP&M consults again with iwi and hapū.
- › Royalties are paid to the Crown once production commences.
- › Permit holders may be required to attend annual meetings with NZP&M and other regulators.
- › Permit holders are required to report annually to government on their iwi engagement activity.

ENVIRONMENTAL & MARINE CONSENTS

- › Before work can begin on land or within 12 nautical miles of the coastline, resource consent is generally required under the RMA. Resource consent applications for activities that have more than 'minor effects' are generally publically notified to ensure the application process is public and participatory.
- › Activity taking place more than 12 nautical miles from the coastline must comply with the EEZ Act and its regulations. Marine consents will be required for those activities not permitted in the regulations. A marine consent application must include an impact assessment and will be publicly notified by the EPA.
- › Production permits with existing structures and pipelines when the EEZ Act came into force in June 2013 do not need to apply for a marine consent from the EPA. However, new activity or changes to operations under permits will need to comply with the EEZ Act regime.
- › Under the Maritime Rules Part 200, MNZ must approve a discharge management plan before an operator can commence drilling.
- › Offshore operators have unlimited liability for costs incurred by the Crown in cleaning up oil spills from their installations, and any damages to third parties as a result of oil pollution involving their installations. Operators are required to demonstrate financial security to meet this liability.

HEALTH AND SAFETY

- › Under the HSW Act, operators have a general duty to provide a safe working environment for their workforce and to comply with more specific duties set out in the HSW regulations enforced by the HHU.
- › Operators must submit a safety case for offshore installations, land drilling units or production facilities at least 90 days before commencing construction or operations. Any hazards to safety must be identified and control measures implemented. HHU acceptance of a safety case is required before operations begin.
- › Well operators must notify the HHU at least 20 days before any well drilling, suspension or abandonment begins. HHU must be satisfied risks are identified and precautions are being implemented.
- › Well operators must ensure independent examination of working wells throughout the lifecycle of the well.

DECOMMISSIONING & RESTORATION

- › Activities on land and out to 12 nautical miles off the coastline need to comply with the RMA and local authority plans, while activities more than 12 nautical miles from the coastline need to comply with the EEZ Act and its regulations.
- › Decommissioning and restoration is considered at the point of initial agreement of a resource consent (RMA) or marine consent (EEZ) for exploration or production activities.
- › Restoration activities could include removal of site infrastructure and ongoing monitoring of the site.
- › Wells must be plugged and abandoned in accordance with HSW regulations. HHU must be notified at least 20 days before well abandonment operations begin. HHU must be satisfied risks are identified and precautions are being implemented. Well operators must ensure independent examination of the well abandonment operation.
- › HHU acceptance of a revised safety case must be received before decommissioning a production facility.
- › Local authorities or the EPA may hold a bond for the restoration of the site.

Initial mining permit: up to 40 years

PRODUCTION ACTIVITIES:

Once a mining permit has been awarded and all the right consents are granted, permit holders will develop the site to produce oil and/or gas. The programme will include the development of necessary production facilities and infrastructure, and well drilling.

A mining permit holder also has the right to continue to explore in that area, therefore exploration activities may also occur.

* Important note: This guide should not be relied upon without consulting the relevant legislation, regulations and programmes.

This version of the guide reflects changes to the CMA that came into effect late May 2013, and the introduction of new health and safety and EEZ Act regulations in June 2013.

For further information on the relevant laws please contact the responsible government agency.

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