



**NEW ZEALAND
PETROLEUM & MINERALS**

Financial Capability Guidelines

Petroleum Decommissioning

OCTOBER 2025



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Te Kāwanatanga o Aotearoa
New Zealand Government



**MINISTRY OF BUSINESS,
INNOVATION & EMPLOYMENT**
HĪKINA WHAKATUTUKI

Ministry of Business, Innovation and Employment (MBIE) Hīkina Whakatutuki – Lifting to make successful

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Removal of the mid-water arch from the Tui oil field decommissioning project.

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Definitions:

Where reference is made in these guidelines to a clause in the Programme, this will be indicated by the prefix ‘P’, i.e., P13.16 refers to clause 13.16 of the Programme. References to a section are to the Act unless other stated.

Capitalised terms used but not defined in these guidelines have the meaning given to them in the Act and Programme.

In keeping with P13.1(6), in this guideline, use of the terms “Permit”, “Permit Holder” and “Permit Participant” should be taken to also mean “licence”, “licence holder” and “person with a Participating Interest in a licence” unless expressly stated otherwise.

Data confidentiality

All information received by MBIE will be maintained in accordance with MBIE operational policy. All information submitted to, and held by, MBIE is subject to the Official Information Act 1982 (“the **OIA**”). See Appendix 1.

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Introduction

These guidelines support Part 1B Subpart 2 of the Act and Chapter 13 of the Programme as they relate to financial capability assessments. They provide guidance on how the Minister is likely to assess financial capability, guidance on how the Minister is likely to interpret specific terms, and other information that may be of assistance relating to how the Minister may determine financial capability.

The Minister retains legislative discretion in respect of all matters covered by these guidelines.

When the Minister may carry out a financial capability assessment

Section 89ZG and P13.16 provide that, at any time while the Permit of a Permit Holder who is liable to carry out and meet the cost of decommissioning activities under the Act remains in force, the Minister may assess whether that Permit Holder is highly likely to have the financial capability to carry out and meet the costs of decommissioning (a “financial capability assessment” or “FCA”) considering the factors in section 89ZH and P13.17. Completing an FCA using Permit Participant financial capability is covered in G1.

In this guideline “**Highly Likely**” should be read as meaning - highly likely to have the financial capability to carry out and meet the costs of decommissioning.

Focus of assessments

G1. Permit Holder and Permit Participant assessments (P13.16(1))

To inform the FCA of the Permit Holder, where there is more than one Permit Participant, the Minister will ordinarily make an assessment of the Permit Participants with a focus on the cashflow forecast, financial (point-in-time) metrics and qualitative information (see G3, G3(a)+(b), G4).

It is intended the Permit Holder assessment is informed by the aggregated results of the respective Permit Participants. The Permit Holder outcome will be applied to the Permit Participant when determining the Acceptable Financial Security Arrangement.

An example approach based on a Permit Holder made up of multiple, unrelated, Permit Participants, is provided in G5.

Information on the assessment process, and a worked example

G2. How information may be used in the FCA (P13.18(2))

The Minister may consider the matters in section 89ZI when undertaking an FCA, using them to inform both the quantitative analysis and qualitative assessment of related matters. For example:

- (i) Field Development Plan – how the Permit is planned to be developed, the work programme and associated commitments, timeframe and expected production profile (including an understanding of likely cessation of production and possible extension of Permit life). The Minister will ordinarily use the information to inform the extent of potential development activities and the implications for future decommissioning obligations.
- (ii) Asset Register – identifies the main components of Petroleum Infrastructure and number and type of Wells (including Relevant Older Petroleum Infrastructure and Relevant Older Wells). The Minister will ordinarily consider both the completeness of the register and how the details have been incorporated into the Decommissioning Plan.
- (iii) Decommissioning Plan (“**DP**”) – what the scope of decommissioning entails with reference to section 89E, the implications of ‘total removal’¹, the asset register and expected timeframe to complete. Where plans relating to undeveloped reserves are identified, the Minister will ordinarily be interested in how these have been incorporated into the future cashflows.
- (iv) Decommissioning Cost Estimate (“**DCE**”) – the estimated cost of carrying out the DP. The current cost estimate will ordinarily be used in the financial (point-in-time) metrics and as an input into the cashflow forecast (see Appendix 3).

The cost estimates are expected to be updated for changes in development and decommissioning activities and/or costs. Where cashflow forecasts include revenue from undeveloped reserves, the decommissioning costs arising from developing those undeveloped reserves must also be included. This will ordinarily inform ongoing monitoring activities and the potential for alterations to future financial securities.

- (v) information needed to monitor financial position - includes financial statements, together with current and future looking supporting information not otherwise included in the financial statements.
- (viii) any other matters the Minister considers relevant. This may include consideration of any existing Financial Security Arrangement (including amount) in place to meet decommissioning obligations or information relating to current or emerging risks to the Permit Holder’s ability to comply with their decommissioning obligations.

¹ Where a permit holder has been exempted from the requirements to decommission an item of petroleum infrastructure (in whole or in part) or to plug and abandon a particular well, it will not appear in the DP or DCE (or it will only be included for information).

G3. Quantitative metrics and scoring (P13.18)

To inform the FCA of the Permit Holder, ordinarily an assessment of the Permit Participants will be undertaken to inform the Minister's decision.

The quantitative scoring method, outlined in P13.18(4), applies a combination of point-in-time metrics and cashflow generation. This method is likely to be applied as outlined below and explained further in G3(a) and G3(b).

The Score is determined by: Weight multiplied by the Rating (determined by the outcome of the metric)².

	Rating				
Point-in-time Metrics	Low = 0	Medium = 1	High = 2	Weight	Score (Max)
Current Ratio (%)	<100	100 to 125	>125	5	10
Interest Cover (times)	<2	2 to 3	>3	5	10
Gearing (%)	>50	50 to 30	<30	5	10
Operating Cash to Debt (%)	<20	20 to 35	>35	5	10
Operating Margin (%) ³	<0	0 to 15	>15	5	10
Decom Cost Cover (%)	<50	50 to 70	>70	10	20
Sub-Total (max =70, min = 0)					70

Cash Generation (Cashflow) Metrics	Low = 0	Medium = 1	High = 2	Weight	Score (Max)
Free Cashflow (times) ⁴	<0.8	0.8 to 1.25	>1.25	50	100
Free Cashflow – revenue stress test (% discount in revenues) ⁵	<10	10 to 25	>25	15	30
Sub-Total (max =130, min = 0)					130
Total Score (max =200, min = 0)					200

Note: The Minister will ordinarily take into consideration the 'price deck' being used in generating the free cashflow (including the revenue stress test).

Highly Likely will ordinarily be assessed as described in P13.18(5) to (9)⁶.

² Where borrowing is not relevant, score 10 for each of Interest Cover, Gearing and Operating Cash to Debt.

³ If operating margin is affected by proximity to end of field life, it can be considered in qualitative information (see G4).

⁴ Free Cashflow (as generated in the cashflow forecast) add back DCE (included in the cashflow forecast) plus amount/value of financial securities held (mark-to-market or face value, as appropriate and excluding Parent Company Guarantees (PCGs)) plus working capital (excluding inter-company receivables and any financial securities recognised in working capital) divided by the DCE (included in the cashflow forecast).

⁵ The "revenue stress test" is: ((Free Cashflow add back DCE) divided by Revenue) expressed as a percentage. Allowance should be made for the value of Financial Securities held (mark-to-market or face value, as appropriate and excluding PCGs) and working capital (excluding inter-company receivables). See G3(b).

⁶ A going concern qualification (not an emphasis of matter) is likely to result in automatic non-achievement of the highly likely test. Where the ultimate parent company has a going concern qualification, this would also apply.

G3(a). Financial (point-in-time) metrics⁷ (P13.18(4)(a))

(1) The purpose of the point-in-time metrics is to highlight any current risks to and vulnerabilities of the Permit Participant (and hence Permit Holder) that may impact its financial capability to eventually carry out the decommissioning obligations.

(2) Point-in-time Metrics

The metrics likely to be used look at short-term measures and are indicative of the ability (and immediate challenges) to reach its long term cashflow. They relate to solvency, liquidity, profitability and balance sheet capability and are described below by the following equations:

2.1 Current Ratio = Current Assets/Current Liabilities (*ratio of current assets to current liabilities*)

2.2 Where borrowing is relevant (*gearing measures*):

- Interest Cover = Operating Cashflow/Interest Expenses
- Gearing^{8,9} = Total Debt/(Total Debt + Equity)
- Operating Cashflow to Debt = Operating Cashflow/Total Debt

2.3 Operating Margin = (Revenue – Operating Costs¹⁰)/Revenue

2.4 Decommissioning Cost Cover = Net Worth/ Decommissioning Cost (*ratio of net worth to DCE*), where -

Net Worth = Net Assets¹¹ less Intangibles (including Goodwill, Capitalised Exploration and Other Capital Commitments¹²)

Decommissioning Cost = Permit Participant's share (based on its Participating Interest) of the Permit Holder's DCE in current value terms^{13,14,15}

(3) Where a Permit Participant has a high "investment grade" credit rating from a recognised credit rating agency¹⁶ this is indicative of general financial solvency, liquidity and profitability and may be applied in-lieu of performing the point-in-time scoring referred to in G3 and G3(a) above, other than the Decommissioning Cost Cover. Where a Permit Participant can rely on financial support from a related company with a such a credit rating, the same may apply.

⁷ Section 89ZK and P13.19 address the provision of supporting information.

⁸ More debt in a Permit Participant's capital structure carries greater risks, as debt must eventually be repaid and generally requires the borrower to make regular interest payments to the lender. A higher Gearing Ratio also implies that the Permit Participant will find it harder to borrow more funds, should the need arise.

⁹ Where some or all the debt on a Permit Participant's balance sheet is intra-group and the Permit Participant believes that the simple Gearing Ratio calculation outlined above would misrepresent its true capital structure, the Permit Participant may provide details of the intra-group debt and an explanation of why the Minister should modify their view of the Permit Participant's solvency risk profile. In taking that additional information into consideration, the Minister may also need to see relevant financial information for the intra-group lender including any guarantee or similar.

¹⁰ Operating Costs = Total Costs excluding interest, tax, depreciation, amortisation, impairment, decommissioning and exploration.

¹¹ Net Assets can be adjusted for the 'net' decommissioning costs included in assets and the deemed liability. For the avoidance of doubt, Net Assets includes (based on its Participating Interest) the Net Assets from all Permits in which the Permit Participant has Participating Interests.

¹² Other Capital Commitments includes exploration and other Permit commitments.

¹³ Provided under section 89ZC (P13.13) by the Permit Holder.

¹⁴ Where a Permit Participant has Participating Interests in more than one Permit, the total of its share (based on its Participating Interest) of all DCEs for which the Permit Participant has a decommissioning obligation must be included.

¹⁵ The DCE should be reduced by the amount of any financial security in place (excluding parent company guarantees).

¹⁶ Moody's ≥ A3; Standard & Poor's or Fitch ≥ A-

G3(b). Cash generation and assumptions (P13.18(4)(b))

Cash generation over the remaining life of a Permit (as evidenced in a cashflow forecast) is an important factor in assessing whether a Permit Holder (or Permit Participant) is Highly Likely.

This information may be requested under section 89ZK or section 99F in the form of a cashflow forecast (together with any supporting information) taking into account the type of detail outlined in Appendix 3. It is likely to be evaluated as follows:

Free Cashflow

Calculates how many times the free cashflow generated in the cashflow forecast (excluding the DCE included in the cashflow forecast) will 'cover' the DCE.

The amount of any financial securities held (mark-to-market or face value, as appropriate, excluding PCG) plus working capital (excluding inter-company receivables and any financial securities recognised in working capital) may be added to the free cashflow generated (unless already incorporated).

Income tax and royalty refunds forecast to be received after decommissioning is complete can be added to the free cashflow (e.g. income tax and royalty refunds).

Free Cashflow (revenue stress test)

Calculates the percentage discount to oil/gas/LPG revenues that would result in breakeven cash generation after meeting all decommissioning obligations.

It is recognised that over the medium to long term, any sustained price reductions would usually result in restructuring of activities and curtailment of some projects. The timing and extent of such activities and curtailments is challenging to estimate. Where the outcome of the 'stress test' results in an adverse outcome for the 'Highly Likely' test, this and other factors may be considered as qualitative information (see G4).

Debt

Where a Permit Participant carries (or intends to carry) debt in the future, MBIE is likely to analyse each period set out in the cash flow forecast to assess its ability to service its existing and proposed debt.

Where MBIE's analysis of the Permit Participant's cashflow indicates periods of weakness, MBIE may seek clarification from the Permit Participant as to how it will mitigate these risks.

Sensitivities

The cashflow model assumptions and input estimates may be subject to various sensitivities. These will evaluate how the forecast cashflow reacts to and is able to withstand reasonable financial shocks, and the potential effect on the Permit Participant being able to meet its commitments and obligations and to its sources of funding (see Appendix 3). The outcomes may be considered as qualitative information.

Reserves – Permit Expiry

The Programme at P13.4 and P13.5 (and sections 89N/O/V/W) provide details on when the decommissioning obligations must be undertaken. The latest date the decommissioning obligations must be met is before the expiry or surrender of the Permit.

If a Permit Holder wants to include in its cashflow forecast production (of 2P remaining reserves) extending beyond the date of Permit expiry it will need to have applied for and have been granted an extension of Permit duration.

Cashflow Model

It can be expected the Minister will discuss with the Permit Participant all key cashflow model assumptions in order to understand the basis of the forecast.

Information provided by Permit Holders/Participants

See Appendix 2.

G4. Qualitative considerations and information (13.18(6))

The following considerations and information are examples of factors which may affect the Permit Holder's or Permit Participant's ability to meet its financial and non-financial forecasts. The Minister may consider:

- Matters arising in any annual review meeting.
- Audit reports including key audit matters (where provided) and any matters raised in the audit opinion (especially qualifications, emphasis of matter).
- Financial statement notes such as any relating to going concern assumptions.
- Current or emerging risks or issues to the Permit Holder's and Permit Participant's ability to comply with their decommissioning obligations. Examples may include impairment, reserves write-down, unexpected drop in production, re-financing, sale or purchase of an interest in a Permit, post balance date events.
- Contingent liabilities and assets (e.g., guarantees provided to or from others, legal cases).
- Financial statements segmentation note – areas of operation.
- The financial position of the ultimate parent company and the extent of any formal agreement to meet the Permit Participant's decommissioning obligations.
- Production and development history compared to forecasts, which is indicative of forecast accuracy.
- Undeveloped reserves and the timeframe to commit to and implement projects (e.g., move undeveloped to developed reserves) – impacting future revenues.
- Contingent resources and challenges in converting to reserves.
- Proven record of decommissioning activity (including accuracy of cost estimates).
- Decommissioning obligation growth or reduction (e.g., a change in the number of non-productive/shut-in/suspended Wells; idle Petroleum Infrastructure).
- Recent movements in the "price deck" (i.e., pricing assumptions) being used, including the "Free Cashflow – revenue stress test" result.
- Results from sensitivities run (see Appendix 3 Cashflow Sensitivity Analysis)
- Alternative revenue sources, including other petroleum assets.
- Results from the Point-in-time Metrics, for example
 - where the sub-total is <30.
 - the metric is being adversely affected by the proximity to end of field life (such as the operating margin).

This list is not exhaustive and there may be other factors which prompt further analysis.

G5. Example FCA of Permit Holder with multiple Permit Participants (P13.18(8))

It is ordinarily intended the Permit Holder FCA is informed by the aggregated results of the respective Permit Participants. Given the variability across Permits, individual cases will be assessed on their own merits¹⁷.

As an example of how the Minister may approach the FCA, the following is based on a Permit Holder made up of multiple, unrelated, Permit Participants.

The table below uses the individual Permit Participant financial capability scores calculated using the approach in G3 and G4 (i.e., the quantitative result together with any adjustment for qualitative information).

The “weighted score” (the ‘contribution’ to the Permit Holder score) is determined by the Permit Participant “Score” multiplied by the Permit Participant’s Participating Interest.

Permit Participant	Score	Participating Interest (%)	Weighted Score
Company A	100	10	10
Company B	100	10	10
Company C	180	80	144
Total (max =200, min = 0)			164

In the example above, the Minister may determine the Permit Holder is Highly Likely when considered as a whole, although Company A and Company B are not Highly Likely in their own right.

The Minister is likely to discuss the results of the FCA with the Permit Holder before finalising and notifying the outcome to the Permit Holder (see section 89ZJ and P13.18(10)).

¹⁷ For example, where one or more Permit Participants combined hold the majority of the Participating Interests and their combined financial capability scores are sufficiently high that the inclusion of any remaining minority Permit Participants would not change the weighted score (to below 80%), the Minister may decide not to undertake the FCA of the remaining minority Permit Participant(s).

Monitoring financial capability

G6. When monitoring may occur (P13.20)

Information obtained from monitoring may be taken into account when determining whether a financial capability assessment is to be undertaken and when an assessment is being undertaken (see P13.17 and P13.18).

Permit Holders assessed as Highly Likely are likely to be monitored annually based on:

- the point-in-time metrics (see G3(a)) used in the FCA, based on financial statements provided annually.
- a review of updates to field development plans, asset registers, DPs and DCEs (see 13.18(2)).
- publicly available information and information relating to the administration of the Permit (see P13.20(2)(c)).
- a review of other qualitative information such as those factors included in G4.
- the amount of any financial securities held as security for the performance of the decommissioning obligations.

Where the Minister considers there is a deterioration in financial position identified from the monitoring (e.g., significant increase in the DCE, additional debt, materially lower cashflows and/or cashflow projections, acquisitions/divestments) the Minister may consider there is, for example, an emerging risk to the Permit Holder's ability to comply with their decommissioning obligations and hence incorporate that into the consideration of whether and when to undertake a financial capability assessment (see P13.17/18 and G2).

Otherwise, it is anticipated that a full FCA (i.e., including the cashflow metrics) may be undertaken every 3-5 years (P13.17(5)). That decision will be made with reference to the criteria outlined in section 89ZH and P13.17, including any need for the FCA baseline to be refreshed.

Permit Holders assessed as not being Highly Likely (see G5) may be subject to an FCA annually (see P13.17(5)(b)).

Appendices

Appendix 1. Data confidentiality

All financial information received by MBIE and not in the public domain (Confidential Information) will be subject to specific operational policy relating to the protection of sensitive financial information. A number of controls to safeguard Confidential Information will be implemented, including:

- **Receiving Confidential Information**

All Confidential Information will be sent to a specific email account (nzpam-financial-assessment@nzpam.govt.nz). Access to that email inbox is restricted to a limited number of MBIE staff (with access by other staff on a case-by-case basis). Those supplying Confidential Information can elect to password protect attached electronic files, with the password separately communicated to MBIE staff completing the assessments.

- **Storing Confidential Information**

All working documents and records will be stored electronically in a sub folder structure within MBIE. Only the same MBIE staff will have access to this sub folder structure. It will be subject to a full audit trail of any access made to the records held.

- **Using Confidential Information**

Confidential Information will only be used in connection with financial capability assessments under section 89ZG, including any ongoing monitoring of financial capability. Any ratios or financial analysis derived from the Confidential Information will be treated as Confidential Information.

- **Reviewing Confidential Information**

Suppliers of Confidential Information may request copies of their Confidential Information and may update their Confidential Information prior to any financial capability assessment being completed.

- **Disclosing Confidential Information**

Section 90A of the Act includes a prohibition on the disclosure of information received under certain sections of the Act unless an exception applies. One exception is where disclosure is required by another enactment. If the Confidential Information came within the scope of an Official Information Act 1982 (OIA) request, the Confidential Information must be considered for release in accordance with the OIA. MBIE will need to consider if making the information available would be likely unreasonably to prejudice the commercial position of the participant who supplied or who is subject to the Confidential Information. If the likelihood of release unreasonably prejudices the commercial position of the participant who supplied or is the subject of the Confidential Information outweighs the public interest in release of the Confidential Information, the Confidential Information may be withheld.

- **Disposing of Confidential Information**

- Where Confidential Information is to be disposed of it shall be managed under the MBIE Records Retention and Disposal Schedule which adheres to the requirements of the Public Records Act 2005.

Appendix 2. Information provided by Permit Holders/ Permit Participants

This appendix relates mainly to cash generation information supplied by the Permit Holder or Permit Participant (as applicable). See G3(b).

Cashflow Forecast Model

MBIE is likely to request a copy of the model in excel format (appropriately password protected).

Permit Holder Consistency

In the interests of Permit Holder consistency, a cashflow forecast (or at least core Permit specific assumptions such as reserves, production, operating and future development costs and decommissioning timing and cost) provided by the Permit Operator (excluding “owner costs”) would be advantageous, both for efficiency and consistency. Where this is not feasible, MBIE will take a considered view based on the information provided by the Permit Participants.

Cashflow Forecast Assumptions

The cashflow should be on a ‘total company’ basis¹⁸ and capture all the activities of the Permit Participant, including both exploration and mining Permits in which it has a Participating Interest.

Where the Permit Participant has non-permit interests (e.g., activities unrelated to the Permit Holder activities), those activities should be included in the cashflow. This is to enable a full picture of all the commitments and obligations of the Permit Participant which may affect its ability to meet its decommissioning obligations. Where those non-permit interests are cashflow positive, it would enhance the assessment of financial capability.

Cashflow forecasts should not be discounted

Otherwise, if a discounted cashflow model is utilised, the discount rate should be set to zero.

Level of Detail

It is expected the cashflow model will provide a reasonable level of detail reflective of Permit Participant operations and information provided to management. Key revenue, the more material operating costs (including major maintenance (e.g., shutdowns, workovers)), capital expenditure, financing and dividends should be separately identified. Appendix 3 provides an example of the type of information, as applicable, that would normally be expected in a cashflow forecast.

Where a Permit Participant has interests in more than one Permit, financial capability will be assessed based on all its Permit Participating Interests. The degree of detail should reflect that.

MBIE is likely to request a copy of the model in excel format (appropriately password protected).

¹⁸ In referring to “total company” the assumption is the Permit Participant is a company in its own right.

Appendix 3. Cashflow forecast expectations

The type of cashflow forecast information the Minister may ask for includes:

Core Assumptions

- start from the balance date of the latest financial statements provided to the Minister to the date in the future when all commitments and obligations (including decommissioning obligations) are fully discharged¹⁹.
- capture all activities of the Permit Participant (where the Permit Participant has interests in more than one Permit, the information should be provided for the entity as a whole, split to show the metrics as they directly relate to each Permit).
- be phased and presented on an annual basis.
- be calculated on a future value basis (i.e., with price/cost escalation but **without discounting**) – an indicator of expected free cash generation.
- provide the source of the inflation and exchange rate assumptions used.

Revenues (and ‘cash-based’ financial security receipts)

- use 2P reserves (not extending beyond Permit expiry)²⁰ as the basis for petroleum revenues. The production forecast for each product (i.e., oil, gas, LPG) must be shown, clearly identifiable and reconciled to the reserves report.
- use recognised independent oil price forecasts and contracted New Zealand gas prices (or independent forecasts) adjusted for any market premium or discount. MBIE will factor in the “price deck”²¹ being used in the evaluation of the free cashflow generated.
- use current pricing for non-petroleum revenues adjusted for expected volume changes (including existing users’ shutdown plans where material).
- include any ‘cash based’ financial securities that may be available to be applied to fund decommissioning obligations (subject to the consent of the Minister under section 89ZN(5)).
- include any funding arrangements necessary to further develop 2P reserves (not extending beyond Permit expiry) and/or provide known or committed future funding.
- include estimated proceeds from sale of assets, after the calculation of any DCE contingency, based on the expected sale price at the time of decommissioning (i.e. taking into account the age, wear and tear, reasonably expected for assets of the age when they will be decommissioned).

Costs (and ‘cash-based’ financial security payments)

- include normal operating costs (including insurance if not an owner cost) and costs of post-cessation of production and pre-decommissioning activity (e.g., lighthouse mode, site leases) if not included in the DCE.
- make appropriate provision for known ad-hoc costs including consenting, certification, shutdowns, and reasonable assumptions on the likelihood and impact of workover repairs. Where material, adjust production forecasts.

¹⁹ See P13.4 and G3(b) “Reserves – Permit Expiry”.

²⁰ Based on the Petroleum Resources Management System guidelines. See P13.4 and G3(b) “Reserves – Permit Expiry”.

²¹ The assumptions on the future price of the commodity. Also referred to as the ‘base case’ forward curve.

- include the costs of any projects (e.g., to develop 2P reserves and approved other non-reserve related projects) where revenue from those projects is included in the cashflow forecast or the projects will be required to continue business.
- include the costs of any other obligations (including but not limited to decommissioning costs associated with Petroleum Infrastructure and the Plugging and Abandonment of Wells).
- include any other expenses or other payments that the Permit Participant will need to satisfy, in particular, repayment of debt and interest expenses including transactions with Related Parties (this may be a best estimate of expected terms and conditions, where possible based on recent transactions).
- include individual Permit Participant (owner) costs and projected dividends.
- include cash tax (including estimated tax refunds) and royalties (both over-riding and Crown, including estimated refunds)²².
- include payments made in respect of any 'cash-based' financial securities (e.g., interest, repayment).

Other (supporting information)

- briefly describe how project costs have been estimated, the contingencies applied to those costs and expectations as to timing of completion and rate of production from development activities.
- describe in appropriate detail any assumptions which justify future cost reductions included in the cashflow forecast.
- provide details of debt or other funding facilities including transactions with Related Parties where that information is available.
- provide details of any securities granted by the Permit Participant including provided against future production or the proceeds of any future production.
- provide details of any hedging arrangements or similar.
- where surplus cash is generated, identify where the cash will be held (e.g., NZ registered bank, inter-group), in which entity's name and country of jurisdiction.
- provide details of existing non-cash financial securities which secure performance of the decommissioning obligations.

Cashflow Sensitivity Analysis

The following cashflow sensitivities may be requested on a case-by-case basis:

- lower oil, gas and/or LPG prices – noting the 'stress test', included if MBIE wished to use different price assumptions.
- lower or higher exchange rates.
- higher interest rates.
- higher inflation/escalation rates.
- capex/decommissioning cost overruns assuming upper contingency assumption.
- delays to field/project start-up.
- lower than expected production (available for sale).

²² Cash tax and royalties payable should be based on normal timeframes. Any refunds assumed in accordance with the Income Tax Act and relevant royalty regime. Note – a refund of Accounting Profit Royalty may result in Ad Valorem Royalty being payable (and offset).

- if not the base case, the scenario where Permit expiry date equals cessation of 2P production (plus time to complete decommissioning).



Te Kāwanatanga o Aotearoa
New Zealand Government

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