



EVENT BRIEFING

Meeting with Energy Resources Aotearoa and oil and gas stakeholders in Wellington on 1 February 2024

Date:	29 January 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1611

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your meeting with Energy Resources Aotearoa and some oil and gas stakeholders on Thursday, 1 February 2024.	1 February 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resources Policy	04 897 5032	✓
Magnus Abraham-Dukuma	Senior Policy Advisor	04 901 2032	

The following departments/agencies have been consulted			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with Energy Resources Aotearoa and oil and gas stakeholders on 1 February 2024

Date:	29 January 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1611

Purpose

To provide you with likely topics for discussion, background information and suggested talking points for your meeting with Energy Resources Aotearoa and some oil and gas stakeholders in Wellington on Thursday, 1 February 2024 from 12:30-1:30pm at your Beehive office.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing.

Noted

Lena MacCarthy
Manager, Resource Policy
Resource Markets Branch, MBIE

29 / 01 / 2024

Hon Shane Jones
Minister for Resources

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Background

1. You agreed to meet with Energy Resources Aotearoa (ERA) and some oil and gas stakeholders at your Beehive office on Thursday, 1 February 2024 from 12:30-1:30pm. This meeting is at the request of the ERA's Chief Executive, John Carnegie.
2. The proposed meeting would be your first major interaction with the oil and gas sector. It presents an opportunity to discuss matters of interest to the sector and clarify the Government's priorities in the Resources portfolio.
3. Biographies of John Carnegie and other key attendees are provided in **Annex One** and suggested talking points are provided in **Annex Two**.

Topics ERA and oil and gas stakeholders are likely to discuss with you

4. The overarching theme of the ERA's discussion will likely centre around ways to incentivise investment in the petroleum industry, which could cover the following specific topics:
 - a) proposed scope of offshore ban reversal legislation
 - b) simplifying the petroleum decommissioning regime
 - c) gas security of supply
 - d) deployment of carbon capture, utilisation, and storage (CCUS) in New Zealand
 - e) fast-track consenting and broader Resource Management Act 1991 (RMA) changes
 - f) critical minerals list and strategy for New Zealand.
5. We have provided an overview of these topics below.

Proposed scope of offshore ban reversal legislation

6. Oil and gas producers have consistently cited the ban as a major disincentive for investment in the New Zealand energy landscape and a risk to the security of New Zealand's energy supply. In their introductory letter to you last year, the ERA highlighted the ban as a matter for urgent attention, which severely undermines investment confidence in the upstream oil and gas sector.
7. When we briefed you on options for changes to the Crown Minerals Act 1991 (CMA) you indicated your preference for a Bill that goes beyond just removing the ban to include selected limited changes to the regime, relating to decommissioning, investor confidence and other regulatory matters. Officials have advised you on a work programme to remove the ban and make other changes to the Crown Minerals Act [Briefing 2324-1599 refers] in 2024.
8. Officials are currently undertaking work to better understand the key reasons for low investor confidence to develop targeted and effective policy options to further improve investor confidence.
9. ERA and their member bodies might ask about the scope, extent, and timing of the ban reversal. You could respond by saying the Government is currently working through a policy package that captures the ban and other complimentary matters to boost investor confidence and security of supply. With respect to timing, you could respond by saying you expect legislation to be before the House in the second half of the year.

Simplifying the petroleum decommissioning regime

10. In 2021, the CMA was amended to set clear obligations on permit and licence holders to carry out decommissioning. The amendment also introduced new requirements for permit and licence holders to hold financial securities for carrying out decommissioning, as well as requirements to submit technical and financial information to MBIE. The ERA and most of its

members have said the decommissioning regime under the 2021 CMA amendment is stringent, disproportionate to the risk it seeks to manage, and hinders investment confidence.

11. Officials consider there may be opportunities to make changes to the decommissioning regime to improve investor confidence, as part of the Bill to remove the ban. Officials will brief you on options for this in early March 2024.
12. ERA and their member bodies might seek to know the specific changes to be made to the decommissioning regime and other aspects of the CMA. You could respond by saying that the specific details are being considered, but that your overarching objective is to ensure a regime that less cumbersome and boosts investment confidence, while also mitigating financial exposure to the Crown and New Zealanders.

Gas security of supply

13. Gas producers and ERA have an interest in the Government's work to improve gas security of supply. In its submission on the *Gas Transition Plan Issues Paper*, ERA favoured a market-led approach rather than a transition plan prescribed by Government. ERA stated that the Government should identify and change policies that undermine investor confidence in gas supply and demand as well as facilitate and enable opportunities in the sector. These opportunities include CCUS and adoption of renewable gases (biogas/biomethane and hydrogen).
14. MBIE is establishing a gas security of supply workstream that will likely cover:
 - a. enabling CCUS
 - b. investigating the current gas market settings to determine if there are settings that can increase efficiency and improve reliability in the short and long-term
 - c. enabling renewable gases
 - d. increasing the long-term flexibility of gas supply
15. Should gas security of supply be raised, you could note that you are working with your colleague (the Minister for Energy) on this matter, and that you are keen to hear the industry's ideas on how to improve gas security of supply.

Deployment of CCUS in New Zealand

16. CCUS (carbon capture, utilisation, and storage) refers of technologies that capture carbon dioxide (CO₂) for permanent storage. This prevents carbon emissions into the atmosphere and is an internationally recognised climate change mitigation technique, including by the International Energy Agency (IEA).
17. In December last year, your office received correspondence from ERA which included their briefing to the incoming Government and a background briefing note on CCUS. The note expresses ERA's preference for a new, dedicated CCUS Act to guide industry through consenting requirements.
18. In December last year, you expressed your interest in knowing more about the options for deploying CCUS in New Zealand. In consultation with the Ministry for the Environment (MfE), MBIE is currently developing its work programme for CCUS, including identifying options for enabling CCUS activities in the near term and creating a long-term environment to support and embed CCUS in New Zealand's energy systems landscape. We will provide advice on this within the first quarter of this year.

Fast-track consenting and broader RMA changes

19. You are working with the Minister Responsible for Resource Management Reform, the Minister for the Environment, and the Minister of Conservation to speed up consenting processes to reduce unnecessary costs and inefficiencies hindering projects including those in the mining and quarrying sector. This includes introduction of the Fast-Track Consenting

Bill in March 2024. You have clearly indicated that you will ensure that some mining projects would be eligible for the Fast-Track Consenting process.

20. This meeting provides an opportunity to also ask ERA and oil and gas stakeholders about how they might benefit from fast-track consenting, noting that these projects should be 'shovel ready' and have regional or national benefits.
21. You are also progressing amendments to the Resource Management Act 1991 by the end of 2024, to cut red tape and reform the national direction that creates barriers to land use, including in National Environmental Standards and National Policy Statements. The wider amendments to the RMA and national direction aim to provide more consenting certainty to applicants who are interested in the development of our natural resources.
22. This meeting provides an opportunity to reassure oil and gas sector stakeholders that you are aware of the challenges faced by the resources sector and interested in deepening your understanding of the challenges.

Developing a long term, strategic approach to New Zealand minerals resources

23. The Government is committed to the role that resources can play in an export-led recovery for New Zealand while strengthening our relationships with our key global partners.
24. You have identified that a key Resources portfolio priority is taking a long-term, strategic approach to New Zealand's minerals resources, to support the supply of global 'critical' mineral demand and ensure a secure domestic supply of the minerals we need, to maximise economic and Crown benefit from our mineral estate.
25. Over the next months, we will be developing a minerals strategy that identifies the actions needed to secure and increase their supply and potential for use and export. This includes the development of a list of critical minerals by the end of 2024 (2324-1072 refers), undertaking mineral endowment studies to better understand our mineral resource, increasing investment in mineral research, development, and innovation, and identifying opportunities for international trade.

About the audience/stakeholders

26. This section summarises each stakeholder's corporate profile, their key interests and issues, and a snapshot of their New Zealand market share in the resources sector.

Energy Resources Aotearoa (John Carnegie and Craig Barry)

27. ERA was established in 1972 as the industry body representing the upstream oil and gas sector in New Zealand. It was formerly known as the Petroleum Exploration and Production Association of New Zealand (PEPANZ) until March 2021 when it changed to Energy Resources Aotearoa (ERA).
28. In the past, ERA's major focus was to represent explorers and producers of resources like oil, LPG, and natural gas. They have now broadened their membership to the wider energy system, including gas users and local essential services providers.
29. Officials engage with the ERA at regular intervals about operational and policy issues.

Todd Energy (Mark Macfarlane, Evan Davies)

30. Todd Energy Limited (Todd) is a wholly New Zealand-owned and operated company that accounts for approximately 60 per cent of New Zealand's annual natural gas production. Todd has interests in the onshore McKee/Mangahewa (100 per cent) and Kapuni (100 per cent) fields, as well as the offshore Pohokura (26 per cent) field.
31. Todd continues to develop its producing assets and is an active explorer, especially in the onshore Taranaki region. 9(2)(b)(ii)

9(2)(b)(ii) specifically from the Mangahewa gas field. At the time, Todd noted that reserves could be increased but that this required changes to the current commercial and regulatory environment.

32. Todd operates three onshore mining permits/licences, and the two biggest onshore exploration permits. Todd also operates one offshore exploration permit (the Karewa discovery) and has applied for a mining permit over this area.
33. Four permit applications are currently being assessed by New Zealand Petroleum and Minerals (NZ P&M). These include two changes of conditions for onshore exploration permits and one application for a new offshore mining permit. Officials are also assessing a dealing application related to gas sales for a number of permits/licences.

OMV (Henrik Mosser)

34. OMV New Zealand Limited (OMV) has been operating in New Zealand since 1999 and is one of New Zealand's largest natural gas producers (second only to Todd). OMV is the operator of, and has, a participating interest in three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent).
35. OMV is a subsidiary of the OMV Group – an Austrian listed industrial and global energy and chemicals company. In February 2023, the OMV Group announced its decision to explore the sale of its exploration and production assets in the Asia-Pacific region, including Malaysia and New Zealand. MBIE believes that there has been limited interest in the sale of OMV's New Zealand assets.
36. In addition to OMV's producing assets the company also holds three large offshore exploration permits in the Taranaki, one of which holds a recent discovery, Toutouwai. Further drilling is being planned to appraise this discovery.
37. Officials are currently assessing three applications from OMV that relate to offshore exploration acreage, and one application for a change of control at Maui.

Beach Energy (Mat Quinn)

38. Beach Energy Limited (Beach Energy) is an ASX listed oil and gas exploration company headquartered in Adelaide, South Australia, and has oil and gas production in five basins across Australia and New Zealand. In the offshore Taranaki basin, Beach Energy is the operator of, and holds a participating interest in, the Kupe Natural Gas Processing Plant (50 per cent) which produces gas from the Kupe field.
39. Beach has recently completed the drilling of a development well at the Kupe field. Kupe South-9 was drilled late in 2023. The well was cased and completed for production and connected to the Kupe Gas Plant.
40. Officials are assessing one application from Beach, seeking to extend the duration of the Kupe mining licence.

NZ Oil and Gas (Andrew Jefferies and Paris Bree)

41. Over the past forty years, New Zealand Oil & Gas (NZOG) has held substantial exploration acreage around New Zealand, as well as exploration assets in Australia, Indonesia, Tunisia, and the United States. NZOG is listed on the NZX and ASX, and is majority owned (70 per cent) by O.G. Oil and Gas Singapore (ultimately part of the Ofer Global group). It has a participating interest (4 per cent) in the Kupe field.

¹ 2P reserves are an estimate of the amount of gas which permit or licence holders expect to produce commercially from any field.

42. Outside Taranaki, NZOG also has an interest in producing assets in Australia (Northern Territory) and in Indonesia through an ASX-listed subsidiary.
43. Officials are currently assessing a dealing application for NZOG's gas sales at Kupe.

Matahio (Drew Cadenhead)

44. Matahio Energy New Zealand (Matahio) is the operator of, and holds an interest in, four onshore fields in Taranaki: Cheal (100 per cent), Cheal East (70 per cent), Sidewinder (100 per cent) and Puka (100 per cent).
45. Matahio acquired these interests in 2023, subsequent to the liquidation of Tamarind Taranaki Ltd (and its Singapore-based parent company), which previously held these assets as well as the Tui oil field. Matahio is ultimately owned by the shareholders of the secured creditor for the Tamarind Groups' New Zealand assets.
46. The directors of Matahio have not been the directors of any of the Tamarind Group companies.
47. In addition to the producing onshore assets, Matahio also holds one onshore Taranaki exploration permit.
48. Officials have recently received an application for a transfer of permit interest in one of the onshore mining permits, Cheal East.

Greymouth (Mark Dunphy)

49. Greymouth Petroleum Limited (Greymouth) is a New Zealand company that has interests in a number of permits including several onshore mining permits/licences: Turangi, Kowhai, Kaimiro/Ngatoro, Surrey and Radnor.
50. Greymouth also holds two exploration permits, one onshore and the other offshore.
51. Officials are not currently assessing any permit or licence applications from Greymouth.

Westside (Josh Adams) (Tentative attendee)

52. Westside is an ASX listed company that entered the New Zealand market in 2016 after acquiring 100 per cent of the onshore Rimu and Kauri assets. Westside's ultimate parent is a Chinese company, Landbridge Group.
53. Westside is a minor oil and gas producer and is focussed on maximising existing production and accessing untapped potential in both assets. The company has an interest in producing fields in Queensland, Australia.
54. Officials are not currently assessing any applications from Westside.

Risks and mitigations

55. It is likely ERA, alongside oil and gas stakeholders, will voice their dissatisfaction with the regulatory burden and uncertainties with the current decommissioning regime and delays with finalising regulations under the CMA.
56. Officials are aware of the industry's concerns and will brief you on options for changes to the decommissioning regime in early March 2024.

Contacts

Name	Position/organisation	Telephone
John Carnegie	Chief Executive, Energy Resources Aotearoa	9(2)(a)

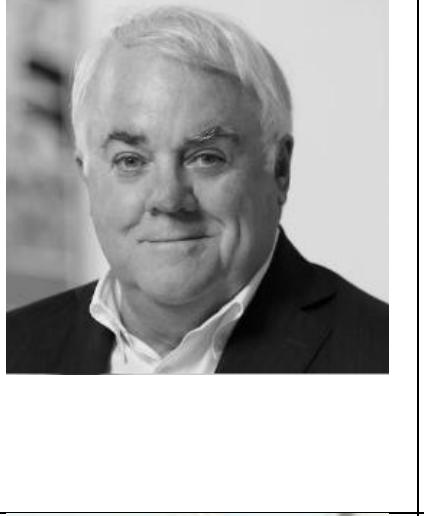
Annexes

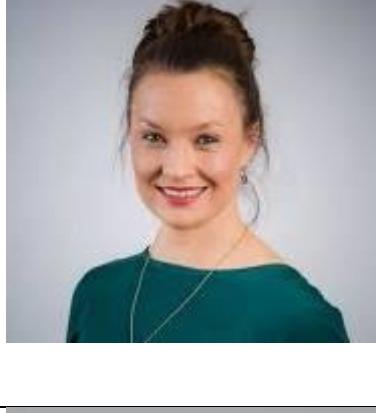
Annex One: Biographies of attendees

9(2)(g)(i)

Annex One: Biographies of attendees

	<p>John Carnegie – Chief Executive, ERA</p> <p>John Carnegie joined Energy Resources Aotearoa in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that spoke to the role of resources in the transition (specifically gas, but also other fuels).</p> <p>Prior to his role at Energy Resources Aotearoa, he was the Executive Director of the Business NZ Energy Council and has nearly three decades' experience in public policy and energy markets, specialising in energy, climate change and resource management policy.</p> <p>John has recently been appointed to the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum. He will also be speaking at the World Energy Congress convened by the Council from 22-25 April 2024.</p>
	<p>Craig Barry – Policy Director, Upstream and Climate, ERA</p> <p>Craig is a chemical engineer with 25 years working in the international upstream oil and gas sector. He has an operations background and worked with MBIE as a Principal Production Advisor before joining the ERA. Craig spent 10 years with Woodside Energy, where he worked on corporate strategy and planning, exploration, and LNG projects. His time at Woodside included two years as New Zealand country manager.</p>
	<p>Mat Quinn – Country Manager, Beach Energy</p> <p>In 2019, Mat was appointed to New Zealand Country Manager and General Manager Operations for Beach Energy.</p> <p>Mat has worked in the oil and gas industry for over 25 years. Previously he has worked with Shell Todd Oil Service in Taranaki, and Origin Energy and BassGas in Australia.</p> <p>He is on the Board of Energy Resource Aotearoa and Energy Skills New Zealand.</p>

	<p>Henrik Mosser – General Manager, OMV New Zealand</p> <p>Henrik joined OMV in 2014 as Head of Asset in Romania. In 2017, he was promoted to the position of Director Domestic Assets for OMV Petrom, being responsible for all the on- and offshore production operations in Romania. His most recent role has been as VP of Exploration, Development & Production for OMV Australasia, based in Wellington.</p>
	<p>Mark Macfarlane – Chief Executive, Upstream Energy, Todd</p> <p>Mark completed a Bachelor of Mechanical Engineering (Hons) at the University of Melbourne in 1987 and joined ExxonMobil in Victoria. Over the next 10 years Mark held a number of roles in projects, operations, planning and sub-surface in both Australia and Malaysia.</p> <p>Immediately prior to joining Todd Energy, Mark held of the role of Chief Operating Officer and was responsible for Tullow Oil's HSE, exploration, operated and non-operated businesses, and commercial activities.</p>
	<p>Evan Davies – Group Chief Executive Officer and Chief Executive Officer of Todd Capital</p> <p>Evan joined Todd as Managing Director of Todd Property in 2008 and in 2022 was appointed Chief Executive Officer of Todd Capital. In April 2023, Evan was appointed as Group Chief Executive Officer. Evan has multi-sector knowledge and leadership experience in a range of industries. He has previously been the Managing Director of SkyCity, growing the company from a single site to having business operations throughout NZ, South Australia, and the Northern Territory, with an enterprise value in excess of \$3 billion and more than 6,000 staff.</p>
	<p>Andrew Jefferies – Chief Executive, NZ Oil and Gas</p> <p>Andrew joined New Zealand Oil & Gas in 2013. He started his career with Shell in Australia after graduating with a BE Hons (Mechanical) from the University of Sydney in 1991, an MBA in technology management from Deakin University in Australia, and an MSc in petroleum engineering from Heriot - Watt University in Scotland. Andrew is also a graduate of the Australian Institute of Company Directors (GAICD), and a Certified Petroleum Engineer with the Society of Petroleum Engineers. He has worked in oil and gas in Australia, Germany, the United Kingdom, Thailand, and Holland.</p>

	<p>Paris Bree – General Counsel, NZ Oil and Gas</p> <p>Paris started as a lawyer with New Zealand Oil & Gas in 2010 after having been a solicitor in the Bell Gully Wellington and Herbert Smith Freehills London litigation departments. Paris has a law degree and an arts degree from Victoria University of Wellington and is admitted to the High Court of New Zealand as a Barrister and Solicitor. She is also a delegate of the University of Dundee Centre for Energy after completing the Petroleum and Mineral Law and Policy course on Petroleum Agreements and a delegate of CWC's Production Sharing Contracts-Advanced Master Class. Paris was appointed General Counsel in 2017.</p>
	<p>Drew Cadenhead – Director and New Zealand Country Manager, Matahio Energy</p> <p>Drew Cadenhead is a professional exploration geologist with 40 years' experience in technical and executive roles in the oil and gas sector in Canada and the South Pacific. Drew has been based in New Zealand for over two decades, and before joining Matahio as its New Zealand Country Manager, Drew led TAG Oil Ltd as CEO / COO for 12 years, managing TAG's unprecedented exploration campaign in New Zealand, securing several significant acquisitions, and overseeing all operational aspects of the company. TAG's New Zealand assets were acquired by Tamarind in late 2020, and Drew served as its Country Manager until joining Matahio.</p>
	<p>Mark Dunphy – Chief Executive Greymouth</p> <p>Mark holds the position of Chairman & Chief Executive Officer for Greymouth Petroleum Ltd. He is also on the board of MOA Brewing Co. Ltd. He previously held the position of Chairman of Cultus Petroleum NI and Chairman at Interstate Energy Pty Ltd.</p>

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AIDE MEMOIRE

Minister Jones' Speech for the Energy Resources Aotearoa Breakfast 15 February 2024

Date:	1 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1896

Information for Minister(s)

Hon Shane Jones
Minister for Resources

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resource Policy	04 897 5032	✓
Sophie Ford	Policy Advisor	09 928 2981	

The following departments/agencies have been consulted

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



AIDE MEMOIRE

Minister Jones' Speech for the Energy Resources Aotearoa Breakfast 15 February 2024

Date:	1 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1896

Purpose

To provide you with a draft speech for your consideration ahead of the joint ministerial breakfast with Energy Resources Aotearoa stakeholders on Thursday, 15 February 2024 from 07:30am-08:30am.

Lena MacCarthy
Manager, Resource Policy
Building, Resources and Markets, MBIE

01 / 02 / 2024

Background information and logistics

1. You and the Hon Simeon Brown have agreed to speak at a breakfast meeting with Energy Resources Aotearoa (ERA) stakeholders on Thursday, 15 February 2024 from 07:30am-08:30am, at the PwC Centre, Level 4, 10 Waterloo Quay, Wellington.
2. You are both scheduled to speak for 10 minutes, respectively, followed by a question-and-answer session. You are both due to leave the meeting after the question-and-answer session at 8:30am.
3. This event provides an opportunity to discuss your priorities and overarching objectives for the energy and resources portfolios with industry stakeholders. It also provides an avenue to hear about stakeholders' views on how to address some of the energy and resources challenges New Zealand faces, as well as exploring opportunities the challenges present.
4. ERA will see this event as an opportunity to pitch their ideas about how to restore investment confidence in the energy and resources sectors, ensuring energy security for what we need now and in the future, and recognising the sector's critical and sustained role for decades to come.
5. You will receive an event briefing on 12 February 2024 which will give you more details. Biographies of key attendees will be provided, as well as suggested reactive points for the question-and-answer session.
6. In the meantime, we have prepared a draft speech for your consideration in **Annex One**.

Annexes

Annex One: Minister Jones' Speech for the Energy Resources Aotearoa Breakfast 15 February 2024

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EVENT BRIEFING

Joint Ministerial Breakfast with Energy Resources Aotearoa in Wellington on 15 February 2024

Date:	12 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1621

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your joint ministerial breakfast event with Energy Resources Aotearoa in Wellington on Thursday, 15 February 2024.		15 February 2024
Hon Simeon Brown Minister for Energy			

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resource Policy	04 897 5032	
Magnus Abraham-Dukuma	Senior Policy Advisor	04 901 2032	

The following departments/agencies have been consulted

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Joint Ministerial Breakfast with Energy Resources Aotearoa in Wellington on 15 February 2024

Date:	12 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1621

Purpose

To provide you with logistical details and suggested questions and answers for your joint ministerial breakfast event with Energy Resources Aotearoa and its members on Thursday, 15 February 2024 from 7:30-9:00am, at the PwC Building, Level 4, 10 Waterloo Quay, Wellington.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing ahead of your joint ministerial breakfast event with Energy Resources Aotearoa in Wellington on Thursday, 15 February 2024.

Noted

Lena MacCarthy
Manager, Resource Policy
Building, Resources and Markets, MBIE
12 / 02 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Hon Simon Brown
Minister for Energy

..... / /

Background information and logistics

1. You (Hon Simeon Brown and Hon Shane Jones) have agreed to speak at a breakfast meeting with Energy Resources Aotearoa (ERA) members and stakeholders on Thursday, 15 February 2024 from 7:30-9:00am, at the PwC Building, Level 4, 10 Waterloo Quay, Wellington.
2. You will be met by John Carnegie, Chief Executive of ERA, upon arrival.
3. A total of 101 people are expected to attend the event.
4. This event provides an opportunity to discuss your priorities and overarching objectives for the energy and resources portfolios with industry stakeholders and how you intend to deliver on your priorities. It also provides an avenue to hear about stakeholders' views on how to address some of the energy and resources challenges New Zealand faces, as well as exploring opportunities.
5. ERA will see this event as an opportunity to pitch their ideas about how to restore investment confidence in the energy and resources sectors, ensuring energy security, and an orderly transition to a low emissions future.
6. You will arrive at the venue at 7:30am and eat breakfast upon arrival, and then be invited to speak from 8:00-8:15am. Mr Carnegie will be introducing you to speak. After that, there will be a question-and -answer session, followed by ERA wrap-up.
7. Draft speeches were provided to your offices ahead of this briefing for your consideration. A list of attendees is provided at **Annex One**. Suggested reactive points for the question-and-answer session are provided at **Annex Two** (for Minister Jones) and **Annex Three** (for Minister Brown) to supplement the draft speeches
8. You are both due to leave the meeting between 8:50-9:00am.

About Energy Resources Aotearoa

9. ERA was established in 1972 as the industry body representing the upstream oil and gas sector in New Zealand. It was formerly known as the Petroleum Exploration and Production Association of New Zealand (PEPANZ) until March 2021 when it changed to Energy Resources Aotearoa (ERA).
10. In the past, ERA's major focus was to represent explorers and producers of resources like oil, LPG, and natural gas. They have now broadened their membership to the wider energy system, including gas users and local essential service providers.
11. Officials engage with the ERA at regular intervals about operational and policy issues.

Risks and mitigations

12. We have not identified any risks associated with this meeting.

Contacts

Name	Position/Organisation	Telephone	Will meet you on arrival
John Carnegie	Chief Executive, ERA	9(2)(a)	✓

Annexes

Annex One: List of Attendees

Annex Two: Suggested Questions and Answers for Minister Jones

Annex Three: Suggested Questions and Answers for Minister Brown

Annex One: List of Attendees

S/N	First Name	Last Name	Organisation
1.	9(2)(a)		Energy Resources Aotearoa
2.			Energy Resources Aotearoa
3.			Energy Resources Aotearoa
4.			MBIE
5.			MBIE
6.			MBIE
7.			OMV
8.			OMV
9.			OMV
10.			OMV
11.			Todd
12.			Todd
13.			Methanex
14.			Gas Industry Co.
15.			Straterra
16.			Contact Energy
17.			Contact Energy
18.			Genesis Energy
19.			Nova Energy
20.			Nova Energy
21.			Meridian Energy
22.			Meridian Energy
23.			ExxonMobil
24.			ExxonMobil
25.			Mercury
26.			Horizon Oil
27.			Horizon Oil
28.			Beca
29.			Beca
30.			Beca
31.			Beca
32.			Beca

33.	9(2)(a)	Beca
34.		Major Electricity Users' Group
35.		Vector Limited
36.		Electricity Authority
37.		Electricity Authority
38.		Electricity Retailers' Association of New Zealand
39.		Senate shj
40.		Senate shj
41.		Senate shj
42.		Senate shj
43.		Energy Skills Aotearoa
44.		Energy Skills Aotearoa
45.		Electricity Networks Aotearoa
46.		Explore Consulting
47.		GNS Science
48.		Simpson Grierson
49.		Forsyth Barr
50.		PwC
51.		Fonterra
52.		Westside Corporation
53.		BRG
54.		GreenwoodRoche Project Lawyers
55.		Commerce Commission New Zealand
56.		BRG
57.		Mallett Partners
58.		Harbour Asset Management
59.		Mallett Partners
60.		Bell Gully
61.		Simpson Grierson
62.		Matahio
63.		Simpson Grierson
64.		BRG
65.		Simpson Grierson
66.		Iron Duke Partners
67.		POWERco

68.	9(2)(a)	Freeman Media
69.		POWERco
70.		Upstream
71.		SLB
72.		Ministry for the Environment
73.		Iron Duke Partners
74.		Enerlytica
75.		ACC
76.		YellowBike
77.		BlueFloat
78.		Elemental Group
79.		Lillis Clark
80.		Beggs NZ
81.		Iron Duke Partners
82.		Energy Efficiency and Conservation Authority
83.		Simpson Grierson
84.		Mallett Partners
85.		Commerce Commission New Zealand
86.		Orion Group
87.		Octagon Asset Management Limited
88.		Federated Farmers of New Zealand
89.		Worley
90.		Govett Quilliam Lawyers
91.		GreenwoodRoche Project Lawyers
92.		Iron Duke Partners
93.		Oji Fibre Solutions
94.		Consultant/Contractor
95.		Trig Point Capital
96.		BlueScope Steel
97.		Simpson Grierson
98.		MinterEllisonRuddWatts
99.		RioTinto
100.		Russell McVeagh
101.		Sapere

9(2)(g)(i)

9(2)(g)(i)

9(2)(g)(i)

Out of scope

Out of scope

Out of scope



EVENT BRIEFING

Meeting with Methanex 7 March 2024

Date:	27 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2130

Action sought		
	Action sought	Deadline
Hon Shane Jones Minister for Resources	Note the contents of this briefing and suggested talking points for your meeting with Methanex on Thursday, 7 March 2024	7 March 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resource Policy	04 897 5032	✓
Sophie Ford	Policy Advisor	09 928 2981	

The following departments/agencies have been consulted

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with Methanex 7 March 2024

Date:	27 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2130

Purpose

To provide you with background information and suggested talking points for your meeting with Methanex on Thursday, 7 March 2024 from 11:00am – 12:00pm at your Beehive office.

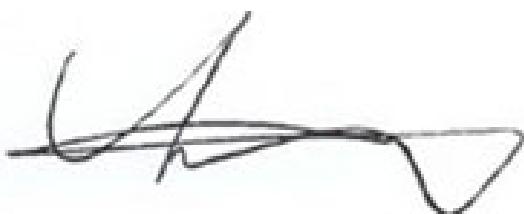
This meeting is an opportunity for you to discuss the efficient operation of the upstream gas sector and the work being undertaken on the Crown Minerals Act 1991.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing.

Noted



**Hon Shane Jones
Minister for Resources**

Lena MacCarthy
Manager, Resource Policy
Building, Resources and Markets, MBIE

..... / /

27 / 02 / 2024

Background

1. You have agreed to meet with Stuart McCall, the General Manager of Methanex New Zealand Limited (Methanex) on Thursday, 7 March 2024 between 11:00am – 12:00pm.
2. A biography is provided at Annex One and suggested talking points are provided at Annex Two.

About Methanex

3. Methanex is the world's largest producer and supplier of methanol, accounting for 14 per cent of global methanol supply.
4. Most methanol is produced on an industrial scale using natural gas and is used to produce many industrial and consumer items such as plastic, synthetic fabrics and fibres, adhesives, and as a chemical agent in pharmaceuticals. Methanol is also used as a vehicle fuel, as a fuel blend, in making biodiesel and increasingly as a marine fuel.

Methanex in New Zealand

5. Methanex can produce up to 2.2 million tonnes of methanol across its three operating plants at Motonui and Waitara (which is currently mothballed) near New Plymouth.
6. Methanex consumes around 40 per cent of New Zealand's natural gas supply annually. Given the large proportion of natural gas that Methanex consumes, it has a unique role in the gas market. As a major consumer of New Zealand's gas supply, contracts with Methanex give oil and gas companies confidence to continue investing in gas production in New Zealand.
7. In submissions made on the Gas Transition Plan Issues Paper, submitters said the Government should work with major users, such as Methanex and Ballance to develop energy transition plans and prevent their exit. Several submitters saw expected demand forecasts as an important factor in investment decisions. In particular, they recognised demand from large users (particularly Methanex) as a driver of investment decisions.
8. Officials engage with Methanex at semiregular intervals about operational and policy issues. Most recently, Stuart McCall attended the Joint Ministerial Breakfast with Energy Resources Aotearoa in Wellington on 15 February 2024, where you delivered a speech on the Resource portfolio priorities.

Methanex's role in the electricity system

9. Methanex has also been important for electricity generation demand response. An arrangement between Methanex and Genesis for winters 2021 and 2022 enabled gas to be released into the electricity market to support electricity generation. This supply of gas helps to reduce reliance on coal generation, which lowers overall emissions and may help to ameliorate wholesale electricity prices. You may wish to ask Methanex about their willingness to continue releasing gas into the electricity market in dry years when needed.

Methanex's role in reducing New Zealand's emissions

10. Initial research and modelling for the Gas Transition Plan suggests that, if Methanex continues to use gas in its production process until reserves are depleted, New Zealand will not meet its emissions budgets.
11. 9(2)(f)(iv)

Topics for discussion

12. Methanex have indicated they would like to discuss the efficient operation of the upstream gas sector, and the work being undertaken on the Crown Minerals Act 1991 (CMA).
13. We expect Methanex will be interested in the gas supply outlook, as they are a major user, are currently undersupplied, and see supply falling going forward. They should be interested in aspects of the proposed security of supply work programme, including enabling CCUS and more directly, exploring market settings to increase efficiency and improve resilience.
14. Background information on the discussion topics is provided below.

Efficient operation of the upstream gas sector

Reserves uncertainty at existing fields

15. Methanex are facing gas supply uncertainty from existing fields for several reasons, including natural depletion, disappointing drilling results and changing economics. 9(2)(b)(ii)
[REDACTED]
[REDACTED]
[REDACTED]
Methanex hope that new regulatory settings will encourage field operators to continue to invest in developing existing assets.
16. Methanex have a mothballed train and another that is usually not running at capacity due to a shortage of gas supply. 9(2)(b)(ii)
[REDACTED]
[REDACTED]
17. Methanex will be interested in initiatives to encourage investment in existing field development and ensure their gas supply.

Outlook for new gas reserves from exploration

18. It will take time to develop renewable energy sources and feedstocks for green methanol production in New Zealand. Production at scale is unlikely to begin before 2030. Until then, Methanex will continue to rely on gas while they investigate alternatives.
19. Methanex is concerned that the outlook for gas supply has declined since last year. Methanex will be interested in what the plan is to encourage investment in new gas reserves from exploration.
20. Lifting the exploration ban will allow new exploration to occur. However companies will need to understand what acreage is available, conduct the technical work to evaluate prospectivity and identify the areas they are specifically interested in acquiring and the gain approval for the budget they need to conduct the work. Some companies may have already done this work prior to the ban, however for frontier areas, this preparatory work can take up to three years. Hence, gas supply from new exploration can take up to ten years.

Timing of the annual reserves publication

21. Methanex will be interested in MBIE's latest gas forecasts publications when they become available. Gas users may feel that the release of data is too late and lacks granularity, and this negatively affects their business planning. Gas reserves are reported to MBIE by the operators on 31 March for the previous calendar year, so it takes time to analyse and publish the data. However, MBIE can normally do this early in Q3 such as with last year's 13 July publication date.

9(2)(b)(ii)
[REDACTED]

Work being undertaken on the Crown Minerals Act

23. Officials have advised you on a work programme to remove the ban and make other limited changes to the CMA regime, relating to decommissioning, investor confidence and other regulatory matters [Briefing 2324-1599 refers] in 2024.
24. Methanex will be interested in the Crown Minerals work programme including the offshore ban reversal, improving investor confidence, the decommissioning legislation, and enabling CCUS.

Lifting the offshore exploration ban and improving investor confidence

25. We have consistently heard from industry that the ban is a matter for urgent attention, which severely undermines investment confidence in the upstream oil and gas sector and a risk to the security of New Zealand's energy supply.
26. Officials are currently working through a policy package that captures the ban and other complimentary matters to boost investor confidence and security of supply. We understand that investor confidence in oil and gas exploration in New Zealand is low for several reasons. We have previously indicated that regulatory measures related to multi-client data provisions of seismic data, the CMA purpose statement, permit allocation process, commercial measures and operational enhancements are potential options to consider, to improve investor confidence.
27. We will provide you with policy options to further improve investor confidence and create a more attractive investment environment for oil and gas exploration through amendments to the CMA by mid-March 2024. We will also advise you on the options for improving regulatory efficiency.
28. Methanex might ask about the scope, extent, and timing of the ban reversal and when exploration could be expected to resume. With respect to timing, legislation is expected to be before the House in the second half of the year.

Simplifying the petroleum decommissioning regime

29. In 2021, the CMA was amended to set clear obligations on permit and licence holders to carry out decommissioning, require permit and licence holders to hold financial securities for carrying out decommissioning, as well as requirements to submit technical and financial information to MBIE. We have heard from the industry that the decommissioning regime under the 2021 CMA amendment is stringent, disproportionate to the risk it seeks to manage, and hinders investment confidence.
30. Methanex might seek to know the specific changes to be made to the decommissioning regime and other aspects of the CMA, including how the CMA can be made less onerous and uncertain, the possible removal of trailing liability¹, and possible removal of post decommissioning fund.
31. Officials consider there may be opportunities to make changes to the decommissioning regime, as part of the Bill to remove the ban. While we are still considering the specific details, the overarching objective is to ensure a regime that is less cumbersome and boosts investment confidence, while also mitigating financial exposure to the Crown and New Zealanders. Officials will brief you on options for this in early March 2024.

¹ Trailing liability refers to former permit and licence holders retaining decommissioning obligations after exiting.

Carbon capture, utilisation and storage

32. CCUS refers to technologies that capture CO₂ for permanent storage. This prevents carbon emissions into the atmosphere and is an internationally recognised climate change mitigation technique, including by the International Energy Agency.
33. In 2022, Methanex confirmed the technical feasibility of CCUS at their Geismar (US) and Medicine Hat (Canada) sites – the most promising locations for implementing this technology. In 2023, Methanex prioritised further study at Geismar due to two key advantages: existing infrastructure for the transport and geological storage of CO₂, and the expanded tax credit for CCUS contained in the U.S. Inflation Reduction Act.
34. Methanex are likely interested in governing legislation which allows for CCUS, and how CCUS is treated under the Emissions Trading Scheme (ETS). Regulatory settings and carbon pricing incentives affects reserves and the options available for the sequestration of emissions for mitigation of ETS charges.
35. Another important aspect of CCUS is that it would allow gas field operators to produce gas that has a high volume of naturally occurring CO₂, thus increasing reserves. 9(2)(b)(ii)
[REDACTED]

36. In December last year, you expressed an interest in knowing more about the options for deploying CCUS in New Zealand. Under the Security of Supply work programme, MBIE is currently developing its work programme for CCUS.
37. The work programme will look at options to better enable CCUS across regulatory settings allowing gas producers to sequester CO₂ from gas streams where they currently must pay ETS charges for the CO₂ released. 9(2)(g)(i)
[REDACTED]

[REDACTED] We will provide advice on this to you and the Minister of Energy within the first quarter of this year.

Exploring market settings to increase efficiency and improve resilience

38. As part of the proposed security of supply work programme, MBIE will work with the Gas Industry Company to explore market settings to increase efficiency and improve resilience.
39. This work aims to deliver improved outcomes for investment in existing gas fields enough to support our future energy needs and ensure our gas system is resilient and supports long-term energy security.
40. This work will look at how the market operates to determine if there are potential changes to make it more efficient and support gas security of supply. Work will include how the market has responded to gas shortages in the past and if these more ad hoc mechanisms are fit-for-purpose for the future of the energy sector.

Risks and mitigations

41. We have not identified any specific risks relating to this meeting.

Annexes

Annex One: Biographies of attendees

9(2)(g)(i)



Annex One: Biographies of attendees

	<p>Stuart McCall – Managing Director, Methanex New Zealand</p> <p>Stuart was recently appointed as Managing Director of Methanex New Zealand late in 2021.</p> <p>Stuart was previously the Director of Business Development for Methanex New Zealand since 2017.</p> <p>He has held several roles as Chief Financial Officer for several prominent Australian companies.</p> <p>Stuart is based in Auckland.</p>
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9(2)(g)(i)

9(2)(g)(i)





EVENT BRIEFING

Quarterly meeting with Energy Resources Aotearoa on 18 March 2024

Date:	8 March 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2326

Action sought			
	Action sought		Deadline
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa on 18 March 2024. Agree to provide feedback on the proposed collateral for the meeting by 11 March 2024.		11 March 2024

Contact for telephone discussion (if required)				
Name	Position	Telephone	1st contact	
Lena MacCarthy	Manager, Resource Policy	04 897 5032	9(2)(a)	✓
Nayana Islam	Senior Policy Advisor	09 928 2678		

The following departments/agencies have been consulted

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Quarterly meeting with Energy Resources Aotearoa on 18 March 2024

Date:	8 March 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2326

Purpose

You are meeting with Energy Resources Aotearoa (ERA) and some oil and gas stakeholders at your Beehive office on Monday, 18 March 2024 from 3:00-5:00pm to discuss options to amend the decommissioning regime and to increase investment in oil and gas exploration in New Zealand.

Recommendations

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa and some oil and gas stakeholders on Monday, 18 March 2024.

Noted

b **Agree** to provide feedback on the proposed collateral for the meeting by Monday, 11 March 2024.

Agree/Disagree

Lena MacCarthy
Manager, Resource Policy
Building, Resources and Markets, MBIE

8 / 03 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. You have agreed to meet with Energy Resources Aotearoa (ERA) and some oil and gas stakeholders for your quarterly meeting with them at your Beehive office on Monday, 18 March 2024 from 3:00-5:00pm.
2. Biographies of the attendees are provided in Annex One. Suggested talking points are provided in Annex Two.
3. MBIE officials that will attend the meeting to support you include:
 - Bruce Parks, General Manager, Resource Markets Branch
 - Susan Hall, Policy Director, Energy Markets Branch
 - Lena MacCarthy, Manager, Resource Policy
 - Ayesha Amin, Principal Advisor, Resource Policy
 - Yi-Shen Lau, Principal Advisor, Resource Policy

Topic for discussion and meeting collateral

4. The meeting provides you with an opportunity to have an open, no-commitments discussion with ERA on options for the upcoming Crown Minerals Act 1991 (CMA) Amendment Bill, to inform the policy development process. The ERA has expressed interest in discussing the options for changes to the decommissioning regime and to improve investor confidence under the CMA.
5. To help facilitate the discussion, we have prepared collateral attached in Annex Three to share with ERA ahead of the meeting. The collateral outlines, at a high level, the different policy options we are considering for the CMA Amendment Bill and questions for ERA, for your consideration. Please provide any feedback on the collateral by Monday, 11 March 2024, as we intend to send it to the ERA on 12 March 2024.
6. We propose that you open the meeting with ERA and that officials facilitate an open discussion based on the collateral presented.

We recommend against discussing any detailed proposals, recommendations or decisions

7. We intend to provide you with advice on options for changes to the decommissioning regime and improving investor confidence on 11 March 2024, as well as options for increasing regulatory efficiency on 18 March 2024.
8. Given that you will still be considering advice from officials on these topics at the time of the meeting with ERA, and that Cabinet will not make decisions until May 2024, we recommend against discussing any detailed proposals/recommendations or decisions on any of the options. This will protect the decision-making process for both you and Cabinet.

Energy Resources Aotearoa may provide their views on other changes made to the CMA since 2018

9. ERA recently provided MBIE with a summary of their views on the changes that have been made to the CMA since 2018 to help inform future policy work. Many of their views relate to the 2018 oil and gas exploration ban and the decommissioning regime. The advice you will be receiving shortly covers these areas.

10. ERA may outline other changes that they think should be progressed that are currently not in scope of the policy work and the Bill this year.
11. Due to the tight timeframes for progressing a Bill this year, there is likely to be limited scope to consider policy changes beyond the areas that are currently included. There will be an opportunity to address further policy changes as part of the second CMA Amendment Bill within this Parliamentary term.

Background on the organisations of the meeting attendees

Energy Resources Aotearoa

12. ERA was established in 1972 as the industry body representing the upstream oil and gas sector in New Zealand.
13. In the past, ERA's major focus was to represent explorers and producers of resources like oil, LPG, and natural gas. They have now broadened their membership to the wider energy system, including gas users and local essential service providers.
14. Officials engage with ERA at regular intervals about operational and policy issues.

Todd Energy

15. Todd Energy Limited (Todd) is a wholly New Zealand-owned and operated company that accounts for approximately 60 per cent of New Zealand's annual natural gas production. Todd has interests in the onshore McKee/Mangahewa (100 per cent) and Kapuni (100 per cent) fields, as well as the offshore Pohokura (26 per cent) field.
16. 9(2)(b)(ii)
17. Todd operates three onshore mining permits/licences, and the two biggest onshore exploration permits. Todd also operates one offshore exploration permit (the Karewa discovery) and has applied for a mining permit over this area.
18. Four permit applications from Todd are currently being assessed by New Zealand Petroleum and Minerals (NZP&M). These include two changes of conditions for onshore exploration permits and one application for a new offshore mining permit. Officials are also assessing a dealing application related to gas sales for a number of permits/licences.

OMV New Zealand

19. OMV New Zealand Limited (OMV) has been operating in New Zealand since 1999 and is one of New Zealand's largest natural gas producers (second only to Todd). OMV is the operator of, and has a participating interest in, three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent).
20. OMV is a subsidiary of the OMV Group – an Austrian-listed industrial and global energy and chemicals company. In February 2023, the OMV Group announced its decision to explore

¹ 2P reserves are an estimate of the amount of gas which permit or licence holders expect to produce commercially from any field.

the sale of its exploration and production assets in the Asia-Pacific region, including Malaysia and New Zealand. We understand that there has been limited interest in the sale of OMV's New Zealand assets.

21. In addition to OMV's producing assets, the company also holds three large offshore exploration permits in the Taranaki, one of which – Toutouwai – holds a recent discovery. Further drilling is being planned to appraise this discovery.
22. Officials are currently assessing three applications from OMV that relate to offshore exploration acreage.

Matahio Energy

23. Matahio Energy New Zealand (Matahio) is the operator of, and holds an interest in, four onshore fields in Taranaki: Cheal (100 per cent), Cheal East (70 per cent), Sidewinder (100 per cent) and Puka (100 per cent).
24. Matahio acquired these interests in 2023, subsequent to the liquidation of Tamarind Taranaki Ltd (and its Singapore-based parent company), which previously held these assets as well as the Tui oil field. Matahio is ultimately owned by the shareholders of the secured creditor for the Tamarind Group's New Zealand assets.
25. The directors of Matahio have not been the directors of any of the Tamarind Group companies.
26. In addition to the producing onshore assets, Matahio also holds one onshore Taranaki exploration permit.
27. Officials have recently received an application for a transfer of permit interest in one of the onshore mining permits, Cheal East.

Horizon Oil

28. Horizon Oil Limited is an Australian-based company, listed on the Australian stock exchange. It is an oil and gas exploration, development, and production company with projects located in New Zealand and China. Horizon oil holds a 26 per cent interest in the offshore Maari/Manaia field in New Zealand, with their joint venture partners OMV (69 per cent interest) and Cue Energy Resources Limited (5 per cent interest).

Westside Corporation

29. Westside Corporation is an ASX-listed company that entered the New Zealand market in 2016 after acquiring 100 per cent of the onshore Rimu and Kauri assets. Westside Corporation's ultimate parent is a Chinese company, Landbridge Group.
30. Westside Corporation is a minor oil and gas producer and is focussed on maximising existing production and accessing untapped potential in both assets. The company has an interest in producing fields in Queensland, Australia.
31. Officials are not currently assessing any applications from Westside.

Risks and mitigations

32. ERA may be dissatisfied at the level of information on the options we are able provide to them, including our recommendations. There are limitations to the information we can provide to ERA to protect the decision-making process for both you and Cabinet. To limit

dissatisfaction, we recommend outlining the rationale for limiting the information we are able to provide at this stage, and outlining their ability to provide feedback during the select committee stage of the CMA Amendment Bill.

Annexes

Annex One: Biographies
9(2)(g)(i)

Annex Three: Draft meeting collateral

Annex One: Biographies

	<p>John Carnegie – Chief Executive, Energy Resources Aotearoa</p> <p>John joined Energy Resources Aotearoa in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that speaks to the role of resources in the transition (specifically gas, but also other fuels).</p> <p>Prior to his role at Energy Resources Aotearoa, he was the Executive Director of the Business NZ Energy Council and has nearly 30 years of experience in public policy and energy markets, specialising in energy, climate change and resource management policy.</p> <p>John has recently been appointed to the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum. He will also be speaking at the World Energy Congress convened by the Council from 22-25 April 2024.</p>
	<p>Mark Macfarlane – Chief Executive, Upstream Energy, Todd Energy</p> <p>Mark completed a Bachelor of Mechanical Engineering (Hons) at the University of Melbourne in 1987 and joined ExxonMobil in Victoria. Over the next 10 years Mark held a number of roles in projects, operations, planning and sub-surface in both Australia and Malaysia.</p> <p>Immediately prior to joining Todd Energy, Mark held the role of Chief Operating Officer and was responsible for Tullow Oil's HSE, exploration, operated and non-operated businesses, and commercial activities.</p>
	<p>Henrik Mosser – General Manager, OMV New Zealand</p> <p>Henrik joined OMV in 2014 as Head of Asset in Romania. In 2017, he was promoted to the position of Director Domestic Assets for OMV Petrom, being responsible for all the on- and offshore production operations in Romania. His most recent role has been as VP of Exploration, Development and Production for OMV Australasia, based in Wellington.</p>

	<p>Drew Cadenhead – Director and New Zealand Country Manager, Matahio Energy</p> <p>Drew is a professional exploration geologist with 40 years' experience in technical and executive roles in the oil and gas sector in Canada and the South Pacific. Before joining Matahio as its New Zealand Country Manager, Drew led TAG Oil Ltd as CEO/COO for 12 years, managing TAG's unprecedented exploration campaign in New Zealand, securing several significant acquisitions, and overseeing all operational aspects of the company. TAG's New Zealand assets were acquired by Tamarind in late 2020, and Drew served as its Country Manager until joining Matahio.</p>
	<p>Richard Beament – Managing Director/CEO, Horizon Oil</p> <p>Richard Beament has been the CEO of Horizon Oil since July 2022. He has also held Chief Financial Officer and Finance Manager roles in Horizon Oil.</p> <p>Richard Beament has over 20 years' experience in accounting and finance, and prior to joining Horizon, held senior positions with PwC in Sydney and London.</p>
	<p>Brendan Madden, Chief Company Officer and Chief Financial Officer, Westside Corporation</p> <p>Brendan joined Landbridge in 2016 and is the Chief Company Officer and Chief Financial Officer for Westside Corporation.</p> <p>Brendan is a Chartered Accountant with more than 15 years of experience. He had held a range of finance positions, including at an ASX-listed minerals processing company, Australia's largest retail travel organisation, and Deloitte.</p>

9(2)(g)(i)

Annex Three: Draft meeting collateral

9(2)(g)(i)

9(2)(g)(i)

9(2)(g)(i)



EVENT BRIEFING

Quarterly meeting with Energy Resources Aotearoa on 8 May 2024

Date:	6 May 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	2324-2823

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa on 8 May 2024.	8 May 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Conor Paul	Acting Manager, Resource Policy	04 901 0693	✓
Sophie Ford	Policy Advisor	09 928 2678	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Quarterly meeting with Energy Resources Aotearoa on 8 May 2024

Date:	6 May 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	2324-2823

Purpose

You are meeting with Energy Resources Aotearoa and a range of oil and gas sector representatives at your Beehive office and online on Wednesday, 8 May 2024 from 4:00-5:00pm to discuss options for the upcoming Crown Minerals Act 1991 Amendment Bill (the Bill).

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa on 8 May 2024.

Noted

Conor Paul
Acting Manager, Resource Policy
Building, Resources and Markets, MBIE

06 / 05 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. You have agreed to meet with John Carnegie, Chief Executive at Energy Resources Aotearoa (ERA) and a range of oil and gas sector representatives for your quarterly meeting at your Beehive office and online on Wednesday, 8 May 2024 from 4:00-5:00pm.
2. Biographies of the attendees are provided in Annex One.
3. MBIE officials that will attend the meeting to support you include:
 - Bruce Parkes, General Manager, Resource Markets Branch
 - Susan Hall, Policy Director, Energy and Resource Markets
 - Conor Paul, Acting Manager, Resource Policy
 - Ayesha Myra Amin, Principal Policy Advisor, Resource Policy
 - Yi-Shen Lau, Principal Advisor, Resource Policy
 - John Buick-Constable, National Manager Petroleum and Minerals
4. The Inland Revenue official that will attend the meeting are:
 - Paul Fulton, Principal Policy Advisor
5. Suggested talking points are provided in Annex Two.

Energy Resources Aotearoa

6. ERA was established in 1972 as the industry body representing the upstream oil and gas sector in New Zealand.
7. In the past, ERA's major focus was to represent explorers and producers of resources like oil, LPG, and natural gas. They have now broadened their membership to the wider energy system, including gas users and local essential service providers.
8. Officials engage with ERA at regular intervals about operational and policy issues.

Topic for discussion

9. The meeting provides you with an opportunity to have an open, no-commitments discussion with ERA on options for the upcoming the Bill, to inform the policy development process. The ERA has expressed interest in discussing:
 - options for changes to the Crown Minerals Act 1991 (CMA) including the decommissioning regime and improving investor confidence;
 - fiscal support measures for the industry, such as tax breaks;
 - the timeliness of petroleum permit processing times; and
 - the role of oil in New Zealand in maintaining our skills base.
10. You were scheduled to meet with ERA on 18 March and 11 April 2024, however, those meetings were cancelled. Ahead of those meetings, officials provided ERA with meeting collateral (attached in Annex Three) to facilitate discussion. ERA provided feedback on the different policy options being considered. The feedback, including their briefing note for your meeting with them, is attached at Annex Four.
11. Officials met with ERA representatives on 15 April and again on 1 May to discuss the decommissioning-related changes and currently preferred options.

12. This briefing outlines, at a high level, the policy options being considered for the Bill and questions for ERA.
13. We recommend that you open the meeting with ERA, who may then wish to speak to their briefing note and proposals. Officials can facilitate an open discussion based on the material presented.

We recommend against indicating any firm policy decisions

14. We provided you with a suite of briefings with advice on options for:
 - improving investor confidence and increasing regulatory efficiency on 11 March 2024 [BR 2324-2303 refers],
 - changes to the decommissioning regime on 14 March 2024 [BR 2324-2138 refers],
 - international comparisons for increasing investment in petroleum exploration on 28 March 2024 [AM 2324-2774 refers], and
 - international comparisons of New Zealand's petroleum decommissioning regime on 10 April 2024 [AM 2324-2971 refers].
15. Based on your initial decisions, we provided you with a draft Cabinet paper for feedback and Ministerial consultation on 18 April 2024 [BR 2324-2217 refers].
16. Given that Cabinet will not make decisions until late May 2024, we recommend against indicating any firm policy decisions on specific proposals and options. This will protect the decision-making process for both you and Cabinet.

ERA have provided us with their views on changes made to the CMA since 2018

17. ERA recently provided MBIE with a summary of their views on the changes that have been made to the CMA since 2018 to help inform our policy work. Many of their views relate to the 2018 oil and gas exploration ban and the decommissioning regime introduced in 2021. The advice we have provided you with to date takes into account ERA's views.

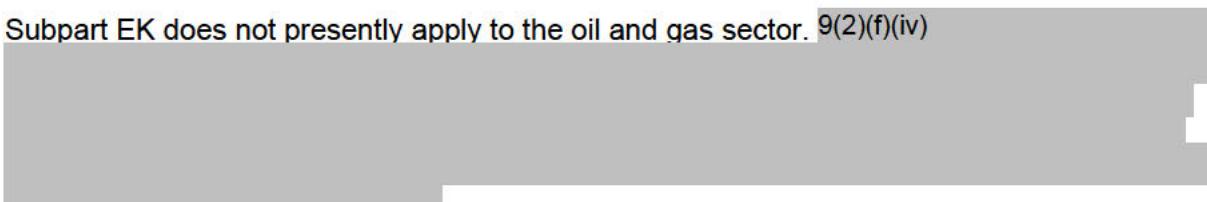
ERA's concerns about New Zealand's decommissioning regime

18. Below is a summary of ERA's views on difference aspects of the decommissioning regime and proposed changes included in the draft Cabinet paper:

Issue	ERA's views	Proposed changes in the draft Cabinet paper
Financial securities	Allow for greater discretion in the application of parent company guarantees and the requirement for financial securities	<p>The draft Cabinet paper proposes changes to allow more flexible kinds of financial securities, like parent company guarantees, and more flexibility in how they are held e.g., across multiple permits.</p> <p>9(2)(f)(iv)</p>
	Remove the presumption of complete removal as the basis for financial securities in the absence of resource or	<p>No changes proposed in the upcoming Bill.</p> <p>However, the draft Cabinet paper notes that officials will work with the industry on financial</p>

	marine consents	security guidelines, including how uncertainty about removal requirements will be dealt with before permit holders apply for and receive resource or marine consents closer to decommissioning.
	Limit the scope of financial securities to plugging and abandonment of wells	No changes proposed in the upcoming Bill. Our briefing accompanying the draft Cabinet paper [BR 2324-2217] notes that the Crown could face significant risks if the scope was narrowed in this way.
Trailing liability	Remove trailing liability provisions	Trailing liability will remain as a last resort as it is a commonly used tool in decommissioning regimes internationally. The draft Cabinet paper, however, proposes limiting liability to the immediately previous permit holder.
Criminal liability for directors	Remove as it undermines the ability to attract high calibre governance professionals	No changes proposed in the upcoming Bill.
Post-decommissioning liability	Remove post-decommissioning funds requirements	The draft Cabinet paper proposes removing the post-decommissioning fund requirement. Instead, permit holders will be perpetually liable for any post-decommissioning risks, consistent with international practice.

Financial securities and the use of Environmental Restoration Accounts

19. ERA may raise the option of Environmental Restoration Accounts (Subpart EK, Income Tax Act 2007). These accounts allow businesses to take an immediate tax deduction for future environmental restoration costs. The income tax benefit from the deduction is paid into an account held by the Inland Revenue Department and refunded at the time of incurring the restoration costs. At that time the refund is grossed up as taxable income which is offset by the restoration costs.
20. Industry has indicated the primary advantage to them is in having the early tax deduction in the context of new projects. Further, every year the funds remain in the account they earn interest at a fixed rate of 3%. This improves project economics and therefore may support increased investment.
21. Subpart EK does not presently apply to the oil and gas sector. 9(2)(f)(iv)

22. 9(2)(f)(iv)


Timeliness of permit processing times

23. ERA has advised that it wishes to discuss permit processing times. We assume they may raise concerns about the timeliness of decision-making in relation to applications.

The regulator is addressing the permitting queue and making good progress

24. Over the last year, New Zealand Petroleum & Minerals (NZP&M) has been implementing a programme of work to improve regulatory efficiency, address our permitting queue and improve the timeliness of our assessments and decision-making.

25. On 12 February 2024, we commenced a permitting 'sprint' to resolve historical permit applications that had been submitted prior to 30 June 2023 (the queue).

26. While the majority of historical applications relate to minerals permits, we have seen a positive movement in the processing of petroleum permits.

27. On 17 October 2023, there were 12 historical petroleum applications in the queue, out of a total of 13 petroleum applications lodged.

28. Since 1 January 2024, decisions have been made on 11 petroleum applications (five on historic applications, and 6 on applications received since 1 July 2023). In this period, six new applications have been received.

29. As at 2 May 2024, the number of historical petroleum applications in the queue has reduced to five, with the total queue being nine. Of the nine petroleum applications on hand:

- Four are from OMV New Zealand
- Two are from Todd Energy (or its subsidiaries)
- One is from Cheal Petroleum
- One is from Greymouth Gas, and
- One is from Comet Ridge.

30. All applications are progressing well and, as far as we are aware, there are no specific concerns from applicants over their advancement.

NZP&M have introduced processing timeframes and will start to publicly report against them

31. We recognise the importance of improving decision-making timeframes and providing greater transparency over our progress.

32. To this end, NZP&M have adopted a set of timeframes for processing petroleum and minerals applications received after 30 June 2024 which will be used to measure performance and will be publicly reported each quarter.

33. The first quarterly publication of NZP&M's performance against the timeframes, for the period 1 July 2024 to 30 September 2024, will occur in early October 2024 via the NZP&M website.

Petroleum applications, and the regulatory environment, are complex

34. While we are (and will continue to) improve the timeliness of our decision-making, by their nature petroleum permit applications are typically complex and it takes time to thoroughly assess their merits against the relevant statutory tests.

35. Over the last few years, the timeliness of processing permits has also been affected by a greater need for the regulator to consider the extent to which it can and should take environmental considerations into account when looking to allocate permits. This has

complicated decision-making. Notably, decision-making has been challenged through the *Students for Climate Solutions Incorporated v Minister of Energy and Resources* case. The High Court in that case held that climate change considerations were not relevant under the CMA and this decision has been appealed. It was heard by the Court of Appeal in May 2023, and we await a decision

36. In recent years, NZP&M has also enhanced our approach to engaging with Māori (under protocols and section 4 of the Crown Minerals Act), which has added complexity to decision-making processes.

Risks and mitigations

37. ERA and sector representatives may be dissatisfied at the level of information on the options we have provided to them. We have sought to balance sharing information with protecting yours and Cabinet's decision-making processes. We recommend outlining the rationale for limiting the information we are able to provide at this stage, and outlining their ability to provide feedback during the select committee stage of the Bill.

Annexes

Annex One: Biographies

s 9(2)(g)(i)

Annex Three: Meeting material

Annex Four: ERA briefing note

Annex One: Biographies

	<p>John Carnegie – Chief Executive, Energy Resources Aotearoa</p> <p>John joined ERA in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that speaks to the role of resources in the transition (specifically gas, but also other fuels).</p> <p>Prior to his role at ERA, he was the Executive Director of the Business NZ Energy Council and has nearly 30 years of experience in public policy and energy markets, specialising in energy, climate change and resource management policy. John is on the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum. He will be speaking at the World Energy Congress convened by the Council from 22-25 April 2024.</p>
	<p>Mark Macfarlane – Chief Executive, Upstream Energy, Todd Energy</p> <p>Mark completed a Bachelor of Mechanical Engineering (Hons) at the University of Melbourne in 1987 and joined ExxonMobil in Victoria. Over the next 10 years Mark held a number of roles in projects, operations, planning and sub-surface in both Australia and Malaysia.</p> <p>Immediately prior to joining Todd Energy, Mark held of the role of Chief Operating Officer and was responsible for Tullow Oil's HSE, exploration, operated and non-operated businesses, and commercial activities.</p>
	<p>Drew Cadenhead – Director and New Zealand Country Manager, Matahio Energy</p> <p>Drew Cadenhead is a professional exploration geologist with 40 years' experience in technical and executive roles in the oil and gas sector in Canada and the South Pacific. Drew has been based in New Zealand for over two decades, and before joining Matahio as its New Zealand Country Manager, Drew led TAG Oil Ltd as CEO / COO for 12 years, managing TAG's unprecedented exploration campaign in New Zealand, securing several significant acquisitions, and overseeing all operational aspects of the company. TAG's New Zealand assets were acquired by Tamarind in late 2020, and Drew served as its Country Manager until joining Matahio.</p>
	<p>Henrik Mosser – General Manager, OMV New Zealand</p> <p>Henrik joined OMV in 2014 as Head of Asset in Romania. In 2017, he was promoted to the position of Director Domestic Assets for OMV Petrom, being responsible for all the on- and offshore production operations in Romania. His most recent role has been as VP of Exploration, Development and Production for OMV Australasia, based in Wellington.</p>

	<p>Mat Quinn – Country Manager, Beach Energy</p> <p>In 2019, Mat was appointed to New Zealand Country Manager and General Manager Operations for Beach Energy.</p> <p>Mat has worked in the oil and gas industry for over 25 years. Previously he has worked with Shell Todd Oil Service in Taranaki, and Origin Energy and BassGas in Australia. He is on the Board of Energy Resource Aotearoa and Energy Skills New Zealand.</p>
	<p>Richard Beament – Managing Director/CEO, Horizon Oil</p> <p>Richard Beament has been the CEO of Horizon Oil since July 2022. He has also held Chief Financial Officer and Finance Manager roles in Horizon Oil.</p> <p>Richard Beament has over 20 years' experience in accounting and finance, and prior to joining Horizon, held senior positions with PwC in Sydney and London.</p>
	<p>Craig Barry – Policy Director, Upstream and Climate, ERA</p> <p>Craig is a chemical engineer with 25 years working in the international upstream oil and gas sector. He has an operations background and worked with MBIE as a Principal Production Advisor before joining the ERA. Craig spent 10 years with Woodside Energy, where he worked on corporate strategy and planning, exploration, and LNG projects. His time at Woodside included two years as New Zealand country manager.</p>
	<p>Evan Davies – Group Chief Executive Officer and Chief Executive Officer of Todd Capital</p> <p>Evan joined Todd as Managing Director of Todd Property in 2008 and in 2022 was appointed Chief Executive Officer of Todd Capital. In April 2023, Evan was appointed as Group Chief Executive Officer. Evan has multi-sector knowledge and leadership experience in a range of industries. He has previously been the Managing Director of SkyCity, growing the company from a single site to having business operations throughout NZ, South Australia, and the Northern Territory, with an enterprise value in excess of \$3 billion and more than 6,000 staff.</p>

9(2)(g)(i)

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Annex Three: Meeting material

Annex Four: ERA briefing note

9(2)(f)(iv)



11 April 2024 Meeting Briefing

Hon Shane Jones

Minister of Resources

Key messages:

- *the changes made to the Crown Minerals Act since 2018 **have severely damaged investment confidence** and made New Zealand an unattractive place to invest*
- *the looming gas shortages **imperils our energy security, causes material risks to our electricity system**, this means **demand now goes unmet** with risks to the competitiveness of our export sector and overall economic recovery*
- *our international reputation is now as a **country with high sovereign risk** at the same time our major fields near end-of-life*
- *to achieve the Government's stated objective to revitalise the oil and gas sector, much-needed **investment is now required** to protect and grow our diminishing oil and natural gas reserves base*
- *damage to the sector requires policy changes that are both pragmatic and proportionate to the magnitude of the problems faced. Comparisons to overseas jurisdictions are interesting but, given New Zealand's unique operating environment, do not provide a roadmap*
- *we seek:*
 - a. *repeal of all legislative changes since 2018 (with one exception) to the Crown Minerals Act;*
 - b. *the replacement of the decommissioning laws with legislation that appropriately balances the risk to the Crown with that of operator insolvency;*
 - c. *fiscal measures that encourage new appraisal and exploration investment to restore and grow oil and gas reserves (i.e. activities that are not directed at 2P reserves);*
 - d. *efficient and timely regulatory processes and consenting, including consideration of permit extensions; and*
 - e. *changes to be made with urgency, befitting the risks, especially to electricity supply winter25.*

The urgent need for reform

- Many of the changes to the Crown Minerals Act since 2018 were designed to halt future activities (the “offshore ban”) or eliminate the risk to the Crown of having to fund another decommissioning project. Specific concerns with these changes include:
 1. restrictions on exploration acreage that were unadvertised and not part of any party’s campaign policy platforms, and announced without consulting permit holders;
 2. measures to mitigate financial risk to the Crown that were cherry-picked from other jurisdictions, and layered in ways that are neither appropriate to the New Zealand context, nor proportionate to the risk being managed;
 3. submissions from affected parties during the select committee process were largely ignored; and
 4. undermining the previously clear and unambiguous purpose of the Crown Minerals Act has cut across regulatory responsibilities, unnecessarily increasing the complexity of the operating environment.
- The issues noted above have dramatically increased New Zealand’s reputation for sovereign risk, across a multitude of sectors. The unwillingness of the previous government to work with the petroleum sector to develop pragmatic and sensible policy solutions contributed to the current low trust environment.
- The dramatic regulatory over-reaction in the wake of the financial collapse of the Tui operator was an attempt to eliminate risk, without consideration of the costs borne by permit holders nor the ‘concessionary’ nature of the relationship between Crown and permit holder. The changes we seek we believe are proportionate and fit-for-purpose given the challenges in our energy mix.
- If we are to stave off energy shortages, contribute to resolving the looming winter²⁵ electricity security problems, and meet the urgent need to grow our oil and gas reserves base, we believe the changes made to the Crown Minerals Act since 2018 should be repealed, and urgently.
- Government and officials can then work to replace the repealed legislation with sensible, pragmatic legislation developed through a consultative public policy process. This approach recognises the ongoing need for natural gas in our energy mix for the foreseeable future and the vital role the sector plays in our ongoing health and well-being.

The case for action

- The petroleum sector in New Zealand is at a crossroads. Increasingly stringent and high-cost consenting requirements, restrictions on exploration acreage availability, and a vocal and polarising campaign against the ongoing use of fossil fuels has damaged the long-term viability of the sector and undermined our energy security.

- The essential role of natural gas in stabilising our energy system is largely underappreciated. However, this vital function, and our energy security, has been undermined by legislative changes that have restricted investment and elevated the perception of sovereign risk. Nowhere is this more dramatically demonstrated when comparing the forecast natural gas production profile with what could be considered a more likely outcome (see Appendix 1 attached).¹
- Ongoing investment in oil and gas activities is also important to maintain the domestic skills base to support the sector. These specialist roles and services are essential to keep production flowing. A loss of a skilled workforce inevitably leads to higher costs which will be passed on to consumer, as the necessary skills are imported from overseas.
- We welcome the Government's intent to repeal the restrictions to the allocation of exploration acreage introduced in 2018. The return to a more balanced view of the energy trilemma importantly recognises the role natural gas plays in ensuring New Zealand's energy security and well-being. However, we believe additional measures are needed to attract investment and incentivise exploration to protect and grow New Zealand's oil and gas reserves.

What the sector needs

- Repealing the restrictions on the allocation of exploration acreage is a necessary step. However, in light of the policy-led damage to the sector, this is insufficient to attract and incentivise the much-needed further investment in New Zealand's petroleum sector. To support New Zealand's economic and well-being aspirations the sector needs:
 1. a fair and proportionate approach to manage the financial risks associated with decommissioning oil and gas facilities;
 2. encouraging exploration, appraisal and development of gas resources through tax and royalty incentives;
 3. means to address the lack of investor confidence; and,
 4. measures to improve regulatory process timeliness and efficiency.
- We understand you have been briefed by officials on a range of potential options, developed in part from options identified in 2009 to stimulate oil and gas exploration. We provide commentary on those options in Appendix 2 attached.
- We provide in Appendix 3 attached a range of options we believe would improve the investment climate. These measures are aimed at encouraging exploration investment in ways that are proportionate to the damage incurred and extant risks, and that brings forward exploration drilling and reserves development. Where we agree with the options outlined in Appendix 2, we do not expand on these options.

¹ The petroleum reserves data release includes a forward-looking production forecast from permit and license holders based on 2P reserves. This is aggregated or "stacked" to provide an aggregate production profile. When considering additional effects such as turn-down limits on processing capacity, the outlook is far less optimistic.

- The following sections of this briefing provide some background information to what we have outlined in Appendix 3.

Decommissioning

- The legislation developed in response to the financial failure of the Tui operator was in regard to a one-off incident. In formulating the policy response, there was no evidence presented of systemic financial or environmental sector wide risk. In our view these changes were dramatic over-reaction in an attempt to eliminate the risk of the Crown undertaking another decommissioning project. However, the evidence for such a costly and harsh policy intervention simply wasn't there.
- While we are pleased to see a willingness to revisit the legislative changes in relation to decommissioning, we are concerned that an issue-by-issue approach to the elements of a decommissioning regime fails to focus on the formation of a coherent, well-balanced regime that we believe is both more appropriate to the context and necessary. In our view the legislation needs to:
 1. provide for financial security but allows for greater discretion in the application of parent company guarantees and the requirement for financial securities;
 2. removal of the criminal liability for directors. This criminalises matters usually dealt with through civil means and undermines the ability to attract high calibre governance professionals;
 3. remove trailing liability provisions as these are unnecessary if financial securities are required;
 4. limit the scope of financial securities in the Crown Minerals Act to the plugging and abandonment of wells;
 5. remove post decommissioning fund requirements; and
 6. remove the presumption of complete removal as the basis for financial securities in the absence of resource or marine consents.
- We acknowledge - if based on presented evidence of financial risk - that the rules should allow for a more stringent approach based on that risk for a specific permit holder. We describe this as a 'base and flex' approach.

Encouraging new exploration and appraisal

- Our approach is premised on a strong preference of securing our energy security with indigenous gas supplies. The alternative is a reliance on expensive imported LNG or low-quality coal to meet our energy needs or unmet demand from industrials. Reliance on imported gas and coal introduces unnecessary supply chain risks, and exposure to a different, external gas pricing mechanism. Investment in exploration can be encouraged through:

1. introducing flexible royalty settings (for example royalty holiday on a proportion of reserves or lower royalty rates for frontier basins);
2. enabling enhanced CAPEX depreciation for new developments or redevelopment of existing operations;
3. allowing CAPEX uplift for discoveries prior to a prescribed date, for example a greater than 100% tax credit on CAPEX (i.e. get the prescribed percentage of investment back as a full tax credit in the year of expenditure) on all activities designed to grow 2P reserves; and
4. removing the energy resources levy (“ERL”) for petroleum mining license (“PML”s).

Addressing investor confidence

- The petroleum sector is facing a form of “investment inertia”. Ultimately it will be for the individual permit holders and participants to make the investment decisions. It is important therefore, the case for investment in New Zealand is put forward. Our recommendations are consistent with some of those set out in Appendix 2, and include:
 1. reinsertion of “promote” in the Crown Minerals Act purpose statement;
 2. actively promoting the New Zealand petroleum sector to international investors; and
 3. introduction of a mediation and compensation mechanism in the Crown Minerals Act.
- Improving investor confidence does not guarantee firms will settle on positive investment decisions. It is however important for the government to signal its support to the sector. We firmly believe that the success of any international promotion will be positively correlated to the extent of the changes made, especially to the decommissioning regime.

Improving regulatory processes

- The petroleum sector has been active in New Zealand for over 100 years. The risks posed to health, safety, and the environment are well understood. However, the industry still attracts an unreasonable level of scrutiny from consenting authorities, despite their familiarity with the risks and mitigations. Regulatory decision-making and consenting delays continue to be of concern.
- This leads to uncertain and changing information requirements and timeframes as decision-makers appear to be seeing each application for “the first time, every time”. There is significant room for improvement in the regulatory and consenting space for upstream petroleum activities. This may include specifying decision-making timeframes and the development of national environmental standards and policies to cover what are considered routine activities in comparable jurisdictions.

- The lack of service standards and timeliness undermines regulatory credibility, adding to the elevated perception of sovereign risk.

Other matters

- Changes to the West Coast of the North Island marine mammal sanctuary made in the run-up to the 2020 election will restrict offshore exploration activities due to the prohibition of seismic surveying in territorial waters.

Next steps

- We seek to continue to work collaboratively with officials as they work-up a new Crown Minerals regime.
- Our preference is to return to the Crown Minerals Act as it was on 12 November 2018 as the starting point for developing decommissioning legislation where the policy solutions are proportionate to the risks being managed, and to revert to this with urgency.
- From this starting point pragmatic and proportionate legislation amendments can be developed through a collaborative, consultative process to appropriately manage the financial risks. Should this not be possible, we seek to work with officials to urgently develop up an alternate regime consistent with that outlined in this note.²

Attachments

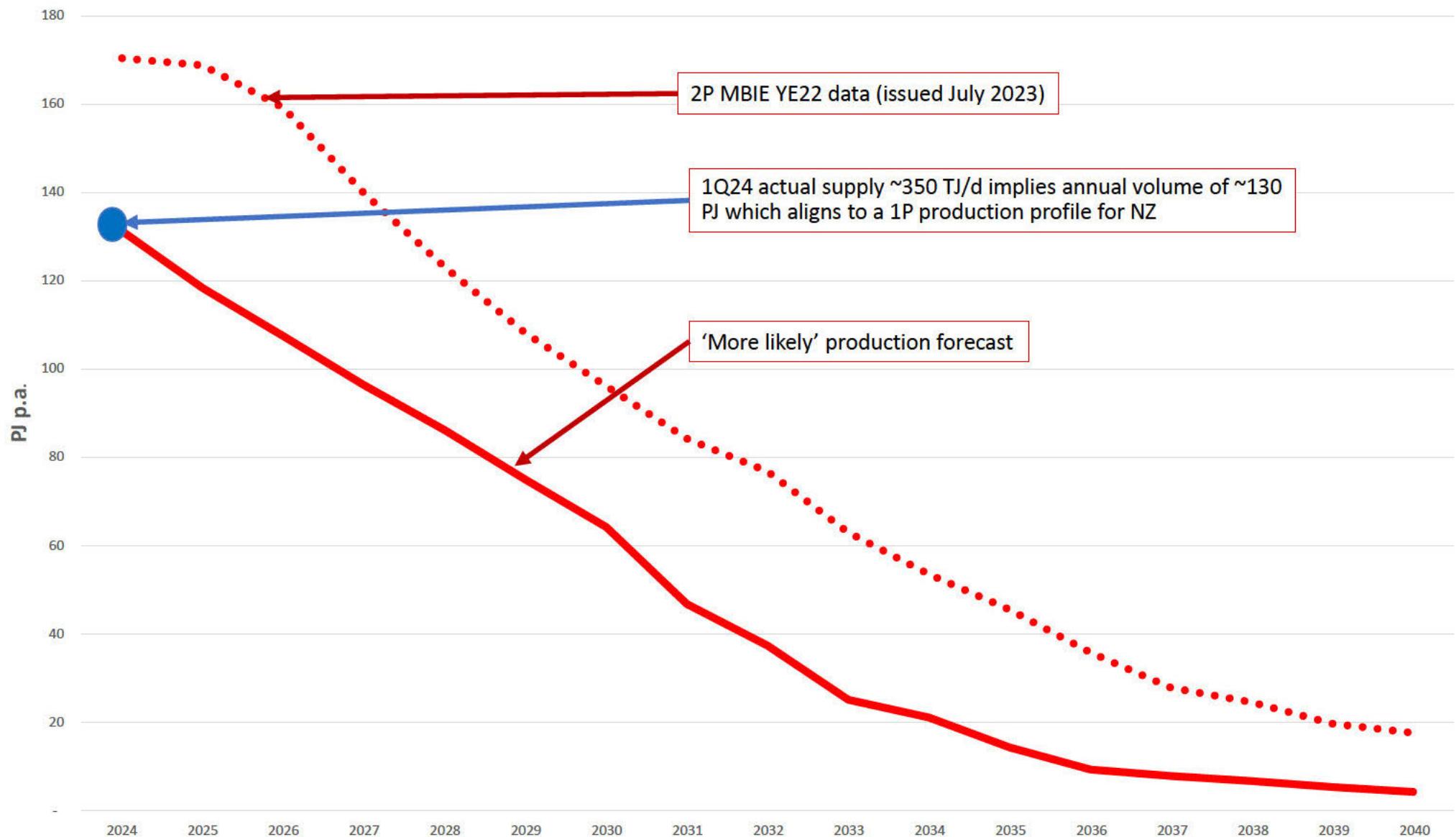
APPENDIX 1: New Zealand gas supply scenarios

APPENDIX 2: Options for investor confidence and addressing sovereign risk, Energy Resources Aotearoa Responses to options provided by MBIE

APPENDIX 3: Industry proposed complementary measures to encourage further exploration and appraisal

² We have provided MBIE officials with a clause-by-clause analysis of changes to the Crown Minerals Act since November 2018 outlining our position, and identifying those changes we consider improves the legislation.

Appendix 1: New Zealand Gas Supply Scenarios



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EVENT BRIEFING

Meeting with BusinessNZ Energy Council (BEC) on 29 May 2024

Date:	27 May 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3528

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources Associate Minister for Energy	Note the contents of this briefing to support your meeting with the Executive Director of BusinessNZ Energy Council on 29 May 2024.	29 May 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Dominic Kebbell	Manager, Gas and Fuel Policy	9(2)(a)	✓
Conor Paul	Senior Policy Advisor, Resources Policy	04 901 0693	
Scott Wilson	Senior Policy Advisor, Gas and Fuel Policy		

The following departments/agencies have been consulted

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with BusinessNZ Energy Council (BEC) on 29 May 2024

Date:	27 May 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3528

Purpose

To provide background information and talking points for your meeting with Tina Schirr, Executive Director of BusinessNZ Energy Council on 29 May 2024.

Recommendations

The Ministry of Business, Innovation and Employment (**MBIE**) recommends that you:

a **Note** the contents of this briefing, to support your meeting with Tina Schirr, Executive Director of BusinessNZ Energy Council on 29 May 2024.

Noted

Dominic Kebbell
Manager, Gas and Fuel Policy
Building, Resources and Markets, MBIE

27 / 05 / 2024

Hon Shane Jones
Minister for Resources
Associate Minister for Energy

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Hannah Keat
Acting Manager, Resources Policy
Building, Resources and Markets, MBIE

27 / 05 / 2024

Meeting purpose and logistics

Date:	29 May 2024	Time:	10:15 am-11:00 am
Location:	Your office		
Attendees:	Tina Schirr, Executive Director Her biography is included in Annex One .		
Agenda:	Out of scope		

1. You agreed to meet with the BusinessNZ Energy Council (BEC) on Wednesday, 29 May 2024. This is your regular quarterly-monthly meeting with BEC.
2. BEC wish to discuss the following as per its suggested agenda (**Annex Two**).

Out of scope

3. This meeting also provides an opportunity for you to discuss gas production and the impact on large gas users.
4. BEC is a cross-section of energy-sector business, government and research organisations. BEC has a diverse membership, including energy generation companies, energy retailers, large corporate energy users, minerals companies and electricity distribution businesses. BEC is a brand of BusinessNZ, New Zealand's largest business advocacy body and represents the World Energy Council in New Zealand.²
5. The remainder of this briefing provides background information and talking points on the topics outlined above. Talking points are included at **Annex Three**.

Out of scope

Trilemma update and gas production

Trilemma update

6. BEC has noted New Zealand has an overall score of 79.6 and a rank of 9 in the 2023 World Energy Trilemma Index and that New Zealand's:
 - energy security score has declined over the past decade because of a drop in energy storage and independence, with gas supply constraints a concern
 - equity score ranks high internationally but has been shaky over the past decade, with higher spot prices for electricity impacting industry and electrification efforts
 - sustainability score has experienced a slight downward trend over the last decade but electricity generation from renewables is improving.

Out of scope

MBIE's view

8. Gas supply may be tighter than anticipated and potentially getting tighter. As outlined below, steps are being taken to address this with the establishment of the Gas Security Response Group and changes to the *Crown Minerals Act 1991*.
9. Electricity spot prices have increased significantly (approximately doubled) since 2018. This is generally attributed to delays in generation investment, increasing gas and coal prices (including carbon costs), and declining gas production and reserves.

Out of scope

Gas production

12. BEC has noted that gas supply constraints are impacting energy security.
13. On Monday, Cabinet approved a paper seeking agreement to amend the *Crown Minerals Act 1991* to remove the ban on new petroleum exploration beyond onshore Taranaki, signal the Government's policy direction for the petroleum industry, and reduce compliance and other costs for investors. Together, these changes are intended to attract new investment in petroleum exploration and secure our supply of gas as we transition towards Net Zero 2050. It is intended that a Crown Minerals Amendment Bill will be introduced to the House in October 2024.

9(2)(g)(i)

Out of scope

Out of scope

Risks and mitigations

29. We have not identified any risks associated with this meeting.

Annexes

Annex One: Attendee biographies

Annex Two: Agenda items provided by BEC

s 9(2)(g)(i)

Annex One: Attendee biographies

	<p>Ms Tina Schirr, Executive Director BEC</p> <p>Tina Schirr is the Executive Director of the BusinessNZ Energy Council (the New Zealand member committee of the World Energy Council). She is responsible for the development of policy on matters relating to energy, transport and innovation. Her work includes the management of BEC's cross-sector energy scenarios and the World Energy Council's tools such as the Energy Trilemma Index, Energy Issue Maps and other energy innovation projects.</p> <p>Tina is a member of Transpower's Consumer Advisory Panel, part of the Start-Up Energy Transition Jury and the advisor to New Zealand's Young Energy Professional Network.</p> <p>Tina holds a Master of Science (M.Sc.) Value Chain Management from the University of Technology, Chemnitz in Germany and a Bachelor of Arts (B.A.) Management of Energy Utilities from the University of Applied Sciences, Zwickau in Germany. Her fields of specialisation include the energy industry, energy technology, energy policy and marketing.</p>
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Annex Two: Agenda items provided by BEC

Out of scope



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Out of scope



9(2)(g)(i)

Out of scope



EVENT BRIEFING

Meeting with Methanex on 4 June 2024

Date:	30 May 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2904

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the background information and suggested talking points for your meeting with Methanex on Monday, 4 June 2024.	4 June 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resource Policy	9(2)(a)	✓
Sophie Ford	Policy Advisor	09 928 2981	

The following departments/agencies have been consulted

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with Methanex on 4 June 2024

Date:	30 May 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2904

Purpose

To provide you with background information and suggested talking points for your meeting with Methanex on Tuesday, 4 June 2024 from 9:45 am – 10:30 am at your Beehive office.

This meeting is an opportunity to discuss Cabinet's recent decisions to encourage investment in oil and gas development and Methanex's emissions reduction opportunities.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the background information and suggested talking points for your meeting with Methanex on Tuesday, 4 June 2024.

Noted

pp 

Hannah Keat
Manager, Resource Policy
Building, Resources and Markets, MBIE

30 / 05 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. You are meeting Kevin Maloney, the Senior Vice President of Methanex Global and Stuart McCall, the Managing Director of Methanex New Zealand Limited (Methanex) on Tuesday, 4 June 2024 from 9:45 am – 10:30 am at your Beehive office. Biographies are provided at Annex One.
2. This meeting is an opportunity to discuss:
 - a. reversing the 2018 ban on new petroleum exploration beyond onshore Taranaki,
 - b. attracting investment for oil and gas exploration, and
 - c. increasing gas supply to Methanex.
3. Methanex have told us they are also interested in discussing:
 - a. the Government's work programme to support the resources sector and encourage regional economic development, and
 - b. Methanex's future plans, including those around decarbonisation.
4. Background information on the topics is provided below. Suggested talking points are provided at Annex Two.

About Methanex

5. Methanex is the world's largest producer and supplier of methanol, accounting for 14 per cent of global methanol supply.
6. Methanol is a simple chemical feedstock used to produce many industrial and consumer items such as plastic, synthetic fabrics and fibres, adhesives, and pharmaceuticals. Methanol is also used as a vehicle fuel, as a fuel blend to make biodiesel, and increasingly as a marine fuel.

Methanex in New Zealand

7. Methanex produces methanol using natural gas from the Taranaki region. It can produce up to 2.2 million tonnes of methanol across its three plants at Motonui and Waitara Valley near New Plymouth. However, its Waitara plant was mothballed in 2021 and one of its plants in Motonui is currently shutdown because of constraints with gas supply.
8. Before one of its Motonui plants went into shutdown Methanex consumed approximately 40 per cent of New Zealand's annual natural gas supply. Given its significant demand, it has a unique role in the gas market. As a major consumer of New Zealand's gas supply, contracts with Methanex give oil and gas companies confidence to continue investing in gas production in New Zealand.
9. We engage with Methanex at semiregular intervals about operational and policy issues. You last met with Stuart McCall on 7 March 2024, where you discussed the efficient operation of the upstream gas sector and the work being undertaken on the *Crown Minerals Act 1991* (CMA) [briefing 2324-2130 refers].

Methanex's role in the electricity system

10. Methanex has played an important role in electricity generation demand response. An arrangement between Methanex and Genesis for winters 2021 and 2022 enabled gas to be released into the electricity market to support electricity generation. This supply of gas

reduces the reliance on coal generation, which lowers overall emissions and may help to ameliorate wholesale electricity prices.

Encouraging oil and gas development

Reversing the 2018 ban on new petroleum exploration beyond onshore Taranaki

11. We have consistently heard from industry that the 2018 ban is a matter for urgent attention, as it severely undermines investment confidence in the upstream oil and gas sector and is a risk to the security of New Zealand's energy supply.
12. On 27 May 2024, Cabinet decided to amend the CMA to remove the 2018 ban on new petroleum exploration beyond onshore Taranaki as part of a suite of changes to the CMA to address energy security challenges posed by rapidly declining natural gas reserves. These changes are intended to attract new investment in petroleum exploration, improve investor confidence and secure our supply of gas as we transition towards Net Zero 2050.
13. Methanex might ask about the scope, extent, and timing of the ban reversal and when new exploration permits outside Taranaki could be expected to be granted. It is intended that a *Crown Minerals Amendment Bill* will be introduced to the House in October 2024. If passed, the first applications for new permits outside onshore Taranaki could be considered in 2025-2026.

Simplifying the petroleum decommissioning regime

14. In 2021, the CMA was amended to set clear obligations on current and former permit and licence holders to carry out and fund decommissioning. This amendment required current permit and licence holders to hold financial securities to meet this obligation and allowed the Crown to set amounts that permit holders would be required to pay into a post decommissioning fund. Industry consider that the requirements are stringent, disproportionate to the risk they seek to manage, and hinder investment confidence.
15. Methanex might seek information on proposed changes to the decommissioning regime. You may wish to discuss the changes to the decommissioning regime agreed by Cabinet, noting that this may occur in advance of a public announcement.

Natural gas supply outlook

16. Methanex may raise issues about their access to gas as the most significant impact of the tight gas supply has been on them. They have reduced production by shutting one of two production facilities in March 2024 after one of the major gas fields that supplied it – Pohokura – had a planned outage for maintenance. This plant has not reopened despite the field coming back into production, albeit as a slow rate.
17. 9(2)(b)(ii)
18. Methanex will be interested in the Ministry of Business, Innovation and Employment's (MBIE) latest gas reserves publications when they become available. Gas reserves are reported to MBIE by field operators on 31 March for the previous calendar year. Following processing and analysis of the data, MBIE plans to advise you on this and publish the data on 11 July 2024.

Methanex gas supply agreement

Gas Security Response Group

20. MBIE recently stood up the Gas Security Response Group to coordinate gas producers, major gas users, and government agencies in response to an emerging issue with gas security of supply. Recent figures released by the Gas Industry Company (GIC) show that New Zealand has a tighter than anticipated gas supply. GIC states that there was a 12.5 percent reduction in gas supply during 2023, and a 27.8 percent reduction in gas supply in the first three months of 2024.
21. Including Methanex, the Gas Security Response Group consists of a collection of 14 government entities, gas producers and retailers, and major gas consumers, who are working to identify issues in our gas supply and provide advice to government on appropriate actions to ensure security of gas supply. On 29 May 2024, you and Minister Brown reported to the Cabinet Economic Policy Committee on the work of the Gas Security Response Group.

The Government's work programme to support the resources sector and encourage regional economic development

22. Methanex have indicated they are interested in discussing the Government's work programme to support the resources sector and encourage regional economic development.
23. Beyond reversing the 2018 ban on new petroleum exploration beyond onshore Taranaki, the Draft Minerals Strategy is intended to attract investment into the regions. The Draft Minerals Strategy proposes an export-led growth pathway to double current minerals exports values from \$1 billion to \$2 billion by 2035 and will play a major role in New Zealand's export-led economic recovery, including boosting regional prosperity, and increasing the number of high-paying jobs.

Emissions reduction opportunities

Carbon capture, utilisation and storage

24. Methanex may be interested in actions to enable carbon capture, utilisation and storage (CCUS) including changes to the Emissions Trading Scheme.
25. Minister Brown has agreed for MBIE to develop a proposal document on a CCUS regulatory regime for public consultation for release in Q3 this year.
26. You may wish to ask Methanex about their views on CCUS, if and whether they see it as a viable medium-to-long-term option to improve their long-term commercial viability in New Zealand.

Methanex's efficiency projects in New Zealand

27. During its 2023 turnaround, Methanex finished an efficiency project for its two distillation columns in Motunui. This project increased distillation capacity for these two columns,

avoiding the need for a third column, and thereby avoiding up to 50,000 tonnes CO₂ equivalent per year, the equivalent of emissions from 20,000¹ cars.

Low-emissions methanol

28. Internationally, Methanex is pursuing opportunities to produce low emissions methanol², including CCUS, at their Medicine Hat (Canada) and Geismar (United States) sites, producing biomethanol from renewable natural gas at Geismar, and commissioning feasibility studies into converting existing plants to produce e-methanol.

29 9(2)(b)(ii), 9(2)(f)(iv)

30. In their submission to the Gas Transition Plan, Methanex noted New Zealand's advantages as a potential manufacturer of low-emissions methanol due to its highly renewable electricity system and substantial biomass resources. Methanex indicated it could provide the firm, long-term demand required to stimulate the expansion of the biogas and electricity sectors, playing a role that is analogous to what it already does in stimulating investment in gas production.

Risks and mitigations

31. We have not identified any specific risks relating to this meeting.

Annexes

Annex One: Biographies of attendees

s 9(2)(g)(i)

¹ Calculation is based on current average emissions per car as per the Government of New Zealand and current average kilometres driven per car as per the Energy Efficiency & Conservation Authority.

² Low emissions methanol can be produced from natural gas with integrated carbon capture and storage (blue methanol) or from renewable resources (green methanol). Green methanol can be made from biogas (biomethanol) or green hydrogen and recycled CO₂ (e-methanol).

Annex One: Biographies of attendees

	<p>Kevin Maloney – Senior Vice President, Corporate Development</p> <p>Kevin Maloney leads the Corporate Development team, which is responsible for the strategic planning process, new growth initiatives including the Company's global gas strategy. Since joining Methanex in 2000, he has worked in numerous global locations and held a variety of progressively senior roles in Global Marketing & Logistics, Manufacturing, and Corporate Development. Most recently, Mr. Maloney was Vice President, Corporate Development, and the business sponsor for Methanex's latest growth project, Geismar 3, in Louisiana.</p> <p>Mr. Maloney holds a Bachelor of Applied Science in Chemical Engineering from the University of British Columbia and a Master of Business Administration from Queen's University.</p>
	<p>Stuart McCall – Managing Director, Methanex New Zealand</p> <p>Stuart was recently appointed as Managing Director of Methanex New Zealand late in 2021.</p> <p>Stuart was previously the Director of Business Development for Methanex New Zealand since 2017.</p> <p>He has held several roles as Chief Financial Officer for several prominent Australian companies.</p> <p>Stuart is based in Auckland.</p>

s 9(2)(g)(i)

s 9(2)(g)(i)



EVENT BRIEFING

Meeting with OMV New Zealand on 4 June 2024

Date:	30 May 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3327

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your meeting with OMV New Zealand on Tuesday, 4 June 2024.	31 May 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Susan Hall	Policy Director, Building, Resources and Markets	04 896 5304	✓
Victoria Wilson	Senior Technical Advisor, Petroleum and Minerals	04 896 5573	9(2)(a)

The following departments/agencies have been consulted			
N/A			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with OMV New Zealand on 4 June 2024

Date:	30 May 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3327

Purpose

This briefing provides you with background information and talking points for your meeting with OMV New Zealand (OMV) on Tuesday, 4 June 2024 from 2.30-3pm at your Beehive office.

Recommendations

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing ahead of your meeting with OMV on Tuesday, 4 June 2024.

Noted

Susan Hall
Policy Director
Building, Resources and Markets, MBIE

30 / 05 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. You have agreed to meet with Henrik Mosser, General Manager of OMV, on 4 June 2024 at 2.30pm at your office. Mr Mosser will be accompanied by David Darby, Engagement and Regulatory Affairs at OMV. Biographies for Mr Mosser and Mr Darby are provided in **Annex One**.
2. Bruce Parkes, General Manager Resource Markets, will be attending from MBIE.
3. The meeting provides an opportunity to discuss OMV's exploration and investment activities in New Zealand, and its proposed plan to sell its New Zealand assets. **s 9(2)(g)(i)**
4. You last met exclusively with OMV representatives, including Henrik Mosser, on 29 February 2024 [BR 2324-1946 refers]. Mr Mosser also attends the regular Energy Resources Aotearoa (ERA) and industry meetings, the latest of which was on 8 May 2024.

About OMV and its business interests

5. OMV has been operating in New Zealand since 1999 and is one of the country's largest natural gas producers (second only to Todd Energy Ltd). OMV is the operator of, and has a participating interest in, three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent).
6. OMV is a subsidiary of OMV Aktiengesellschaft (OMV Group). The OMV Group is a publicly listed petroleum company based in Vienna which produces and markets oil and gas, innovative energy, and high-end petrochemical solutions.
7. It is one of the largest listed industrial companies in Austria, and 31.5 per cent of its shares are held by the Österreichische Beteiligungs AG (an Austrian state-owned holding company). The group employs over 22,000 people worldwide, including over 400 in New Zealand (largely in Taranaki).
8. In addition to OMV's producing assets, the company also holds three large offshore exploration permits in Taranaki, one of which (Toutouwai) holds a recent discovery. OMV is planning further drilling to appraise this discovery.
9. OMV have previously held offshore exploration acreage outside of the Taranaki region in the East Coast Basin and Great South Basin (GSB). OMV drilled a well in the GSB but did not make a commercial discovery.
10. Officials are currently assessing two applications from OMV that relate to offshore exploration acreage.

Topics OMV are likely to discuss with you

11. Topics that may be raised for discussion include:
 - OMV's exploration and investment plans.
 - Change in personnel – General Manager OMV New Zealand
 - The petroleum decommissioning regime and its impacts.
 - Permit applications currently before New Zealand Petroleum and Minerals (NZP&M).
12. We have provided an overview of these topics below.

OMV's exploration and investment plans

Sale of Malaysian assets to TotalEnergies

13. In February 2023, the OMV Group announced its decision to explore the sale of its exploration and production assets in the Asia-Pacific region, including Malaysia and New Zealand.
14. On 31 January 2024, the OMV Group announced that it had reached an agreement for the sale of its Malaysian assets – a 50 per cent share in Malaysia's SapuraOMV - to TotalEnergies Holdings SAS (TotalEnergies).
15. SapuraOMV was a strategic partnership between the OMV Group and Sapura Energy Berhad (Sapura). As well as its international assets, SapuraOMV holds a minority share (30 per cent) in three New Zealand-based permits: exploration permits 60092, 60093, and 57075 (Ridgeline, Toutouwai and Cloudy Bay, respectively). OMV New Zealand is the majority (70 per cent) participant in all three permits.
16. On 22 April 2024, TotalEnergies announced that it had signed an agreement with Sapura to acquire the remaining 50 per cent shareholding of SapuraOMV. This would make TotalEnergies the sole shareholder in SapuraOMV. The deal is expected to be closed in the second half of 2024.
17. TotalEnergies' transaction is defined as a Change of Control of a permit participant (other than an operator of a Tier 1 permit) under the Crown Minerals Act 1991 (the CMA). The permit holder is required to notify the Minister of the change of control within three months of the transaction taking place and the notification must be accompanied by a statement from the new permit participant that it has the financial capability to meet its obligations under the permit.
18. TotalEnergies is a respected French multinational integrated energy and petroleum company and one of the seven supermajor oil companies globally with strong technical capabilities. It is hoped that TotalEnergies will be encouraged to invest further in New Zealand.

Pausing the sale of New Zealand assets

19. On 30 April 2024, a media report cited that the OMV Group had announced it was putting the proposed sale of its New Zealand assets on hold. The OMV Group reportedly stated that it is not the right environment to continue the sale of its New Zealand assets, and that the process would start again in 'one to two years' when it saw 'a positive environment and also positive development of the great fields that we [OMV] have in New Zealand'.
20. MBIE officials understand that OMV Group's New Zealand assets have received limited interest.

Commitment to drill Pohukura field and increasing investment

21. In a meeting with MBIE officials earlier this year, Henrik Mosser reported that OMV had received investment sign off to proceed with drilling an extended reach well at the Pohukura field. Drilling is scheduled to start in October 2024 and will produce both oil and gas. 9(2)(b)(ii)
22. 9(2)(b)(ii)
23. OMV has signalled that it intends to get input from its new joint venture partner (TotalEnergies, see above) before making material decisions regarding the ongoing development of its exploration permits.

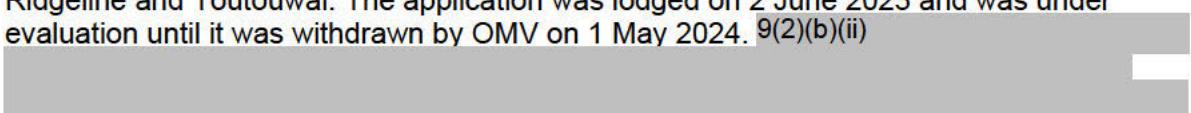
Change in personnel – General Manager OMV New Zealand

24. On 20 May 2024 Henrik Mosser announced that he will be starting a new role within the OMV Group as Senior Vice President Operated Assets, based in Vienna. In his new role, Mr Mosser will have responsibility for the OMV Group's operated assets in New Zealand, Tunisia and Austria. Mr Mosser's appointment takes effect from 1 August 2024.
25. Kevin Goulet, who is currently OMV's Head of Operations, will be acting General Manager of OMV New Zealand from 1 August 2024.

Petroleum decommissioning regime

26. The CMA was amended in 2021 and set clear obligations on petroleum permit and licence holders to decommission wells and infrastructure when operations cease. The Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021 also introduced a requirement for petroleum permit and licence holders to obtain and maintain financial securities for carrying out their decommissioning obligations.
27. Recently, Cabinet approved your paper to remove the ban on new petroleum exploration beyond onshore Taranaki, and other changes, including to the decommissioning obligations in the CMA [ECO-24-MIN-0077 refers]. These changes are intended to re-balance the regulatory burden of the regime while still protecting the Crown, private landowners and ultimately the taxpayer. They include:
 - a. providing greater flexibility around the requirement to obtain and maintain a compulsory financial security, including allowing permit holders with interests in multiple fields (like OMV) the option of providing a single security to cover all interests,
 - b. limiting trailing liability provisions for decommissioning to the most recent permit holder or participant that transferred out of a permit, rather than all previous participants, and
 - c. removing the requirement to pay an amount and/or provide a financial security for any post-decommissioning liabilities, and replacing it with perpetual liability for permit holders who decommission.
28. You may wish to discuss with OMV the changes to the decommissioning regime agreed by Cabinet, noting that this may occur in advance of a public announcement.
29. OMV may also want to discuss the use of Environmental Restoration Accounts as a financial security. We have provided talking points on these issues.

Permit applications currently before NZP&M

30. OMV recently withdrew an application to amalgamate two of its offshore exploration permits: Ridgeline and Toutouwai. The application was lodged on 2 June 2023 and was under evaluation until it was withdrawn by OMV on 1 May 2024. 9(2)(b)(ii)

31. OMV has two remaining applications awaiting assessment, both relating to the Toutouwai permit. One of these applications will see OMV relinquish 50 per cent of its exploration acreage for the permit, as required by the permit work programme.

Annexes

Annex One: Biographies of OMV attendees

s 9(2)(g)(i)


Annex One: Biographies of OMV attendees

	<p>Henrik Mosser – General Manager, OMV New Zealand</p> <p>Henrik joined OMV in 2014 as Head of Assets in Romania. In 2017, he was promoted to the position of Director Domestic Assets for OMV Petrom, being responsible for all the on and offshore production operations in Romania. His most recent role has been as VP of Exploration, Development & Production for OMV Australasia, based in Wellington.</p> <p>Henrik will be starting his new role as the OMV Group's Senior Vice President Operated Assets on 1 August 2024.</p>
	<p>David Darby – Engagement and Regulatory Affairs, OMV New Zealand</p> <p>David Darby is responsible for OMV New Zealand's stakeholder engagement and regulatory affairs. He has previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>

9(2)(g)(i)

9(2)(g)(i)

9(2)(g)(i)



EVENT BRIEFING

Meeting with OMV's Executive Vice President in Wellington on 1 July 2024

Date:	26 June 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3943

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your meeting with Berislav Gaso, OMV's Executive Vice President on Monday, 1 July 2024.	1 July 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Conor Paul	Acting Manager, Resource Policy	04 901 0693	✓
Magnus Abraham-Dukuma	Senior Policy Advisor	04 901 2032	

The following departments/agencies have been consulted			
N/A			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
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<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with OMV's Executive Vice President in Wellington on 1 July 2024

Date:	26 June 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3943

Purpose

This briefing provides you with background information and talking points for your meeting with the Berislav Gaso, Executive Vice President of OMV Group on Monday, 1 July 2024 from 10:00-30am at your Beehive office.

Recommendations

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing ahead of your meeting with Berislav Gaso, Executive Vice President of OMV Group.

Noted

Conor Paul
Acting Manager, Resource Policy
Building, Resources and Markets, MBIE

26 / 06 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. You have agreed to meet with Berislav Gaso, Executive Vice President of OMV Group, on 1 July 2024 at 10:00-30am at your office. Mr Gaso will be accompanied by Henrik Mosser, General Manager of OMV New Zealand. Biographies for Mr Gaso and Mr Mosser are provided in **Annex One**.
2. The meeting provides an opportunity to discuss OMV's new strategic direction and the Government's work programme for the resources sector, including changes to the *Crown Minerals Act 1991 (CMA)* and attracting investment. **s 9(2)(g)(i)**
3. You last met exclusively with OMV representatives, including Henrik Mosser and David Darby, on 4 June 2024 [BR 2324-3327 refers].

About OMV and its business interests

4. OMV New Zealand (**OMV**) has been operating in New Zealand since 1999 and is the country's second largest natural gas producer. OMV is the operator of, and has a participating interest in, three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent). OMV is a subsidiary of OMV Aktiengesellschaft (**OMV Group**). The OMV Group is a publicly listed petroleum company based in Vienna which produces and markets oil and gas, innovative energy, and high-end petrochemical solutions.
5. It is one of the largest listed industrial companies in Austria, and 31.5 per cent of its shares are held by the Österreichische Beteiligungs AG (an Austrian state-owned holding company). The group employs over 22,000 people worldwide, including over 400 in New Zealand (largely in Taranaki).
6. In addition to OMV's producing assets, the company also holds three large offshore exploration permits in Taranaki, one of which (Toutouwai) holds a recent discovery. OMV is planning further drilling to appraise this discovery. OMV have previously held offshore exploration acreage outside of the Taranaki region in the East Coast Basin and Great South Basin. OMV drilled a well in the Great South Basin but did not make a commercial discovery.
7. Officials are currently assessing one application from OMV in relation to the Maui mining licence.

Topics OMV are likely to discuss with you

8. Topics that may be raised for discussion include:
 - changes to the CMA and petroleum royalty review
 - attracting investment
 - OMV's new strategic direction and energy transition trends in Europe.
9. We have provided an overview of these topics below.

Changes to the CMA and petroleum royalty review

10. The CMA was amended in 2021 to set obligations on petroleum permit and licence holders to decommission wells and infrastructure when operations cease, including the requirement to obtain and maintain financial securities for carrying out their decommissioning obligations.
11. Recently, Cabinet approved proposed changes to the CMA, including reversing the ban on new petroleum exploration beyond onshore Taranaki and other changes to the decommissioning obligations in the CMA [ECO-24-MIN-0077 refers]. These changes are intended to re-balance the regulatory burden of the regime while still protecting the Crown, private landowners and ultimately the taxpayer. They include:
 - a. providing greater flexibility around the requirement to obtain and maintain a compulsory financial security, including allowing permit holders with interests in multiple fields (like OMV) the option of providing a single security to cover all interests,
 - b. limiting trailing liability provisions for decommissioning to the most recent permit holder or participant that transferred out of a permit, rather than all previous participants, and
 - c. removing the requirement to pay an amount and/or provide a financial security for any post-decommissioning liabilities and replacing it with perpetual liability for permit holders who decommission.
12. Other changes introduced by the proposed amendments include introducing a new tier of mineral permitting to make it easier for small-scale mining activities to occur and re-introducing the term “promote” into the purpose statement of the CMA to signal to the industry and international investors that New Zealand is open for business.
13. Your office has also recently put out a press release on these changes on the Beehive webpage. You may wish to discuss these proposed changes with OMV to understand their initial response as an organisation.
14. OMV may ask about the timing of the CMA changes. You could respond by saying drafting of the Bill is ongoing from now till September, and the Bill is intended to be introduced to Parliament by October, with a plan to pass it into law by the end of the year.
15. OMV may also ask about the work and timing of the petroleum royalty review. We are currently reviewing petroleum royalty rates to understand if changes could help meet our immediate gas security of supply problem. We are also seeking to understand how competitive New Zealand's rates are in the Asia-Pacific region and globally. If OMV asks, you could respond by saying work is underway to review the competitiveness of our petroleum royalty rates and that you are keen for their views.

Attracting investment

16. One of the major priorities of the Government is to rebuild investor confidence in the resources and energy sectors, which you have previously signalled to industry stakeholders. The proposed changes to the CMA are also intended to make New Zealand an attractive destination for investment.
17. This Government wants to demonstrate that New Zealand is open for business. You also plan to kickstart activities to attract international investors to New Zealand, as well as announcing specific programmes to boost investor confidence in the coming months.
18. You could ask OMV for their thoughts on what could be done to attract new investment into New Zealand's existing and new petroleum fields.

OMV's new strategic direction and energy transition trends in Europe

19. Early in June, OMV announced its brand identity at their Capital Markets Day in London, reflecting their ambition and progress towards becoming a net-zero company by 2050.
20. OMV's net-zero aspiration cuts across their organisational emissions and includes cutting oil production by about 30 per cent and natural gas production by about 15 per cent by 2030, with a stronger decline in the following decades, and then exiting fossil production for energy use by 2050. OMV intends to refocus its business portfolio to Norway, Central Eastern Europe, the Black Sea, North Africa, and the Mediterranean.
21. The strategic direction of OMV aligns with the energy transition in Europe. The European Union has a legislated target of net zero emissions by 2050, and a target for the share of renewable energy sources in energy consumption to reach 42.5 per cent by 2030.
22. As part of its energy transition programme, the OMV Group announced its decision to explore the sale of its exploration and production assets in the Asia-Pacific region, including Malaysia and New Zealand. However, MBIE understand that there has been limited interest in the sale of OMV's combined New Zealand assets [Briefings 2324-1946 and 2324-3327 refer].
23. In April 2024, a media report cited that the OMV Group had announced it was putting the proposed sale of its New Zealand assets on hold. The OMV Group reportedly stated that it is not the right environment to continue the sale of its New Zealand assets, and that the process would start again in '*one to two years*' when it saw '*a positive environment and also positive development of the great fields that we [OMV] have in New Zealand*'.

Annexes

Annex One: Biographies of OMV attendees

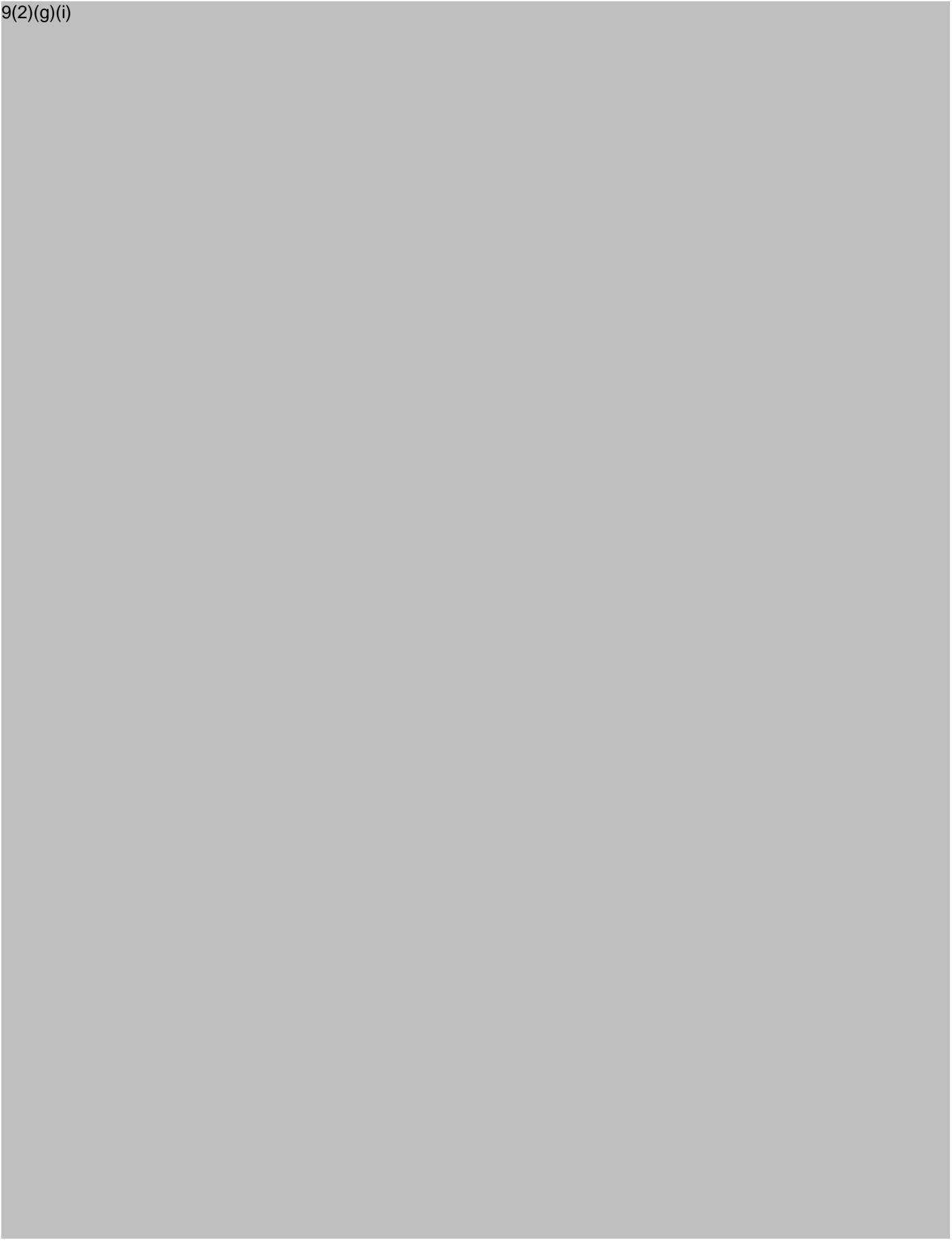
s 9(2)(g)(i)

Annex One: Biographies of OMV attendees

	<p>Berislav Gaso, Executive Vice President for Energy, OMV Group</p> <p>Since March 2023, Berislav Gaso has been a Member of the Executive Board of the OMV Group, where he is responsible for the Energy Division. Previously, he held various management positions in the MOL Group, and worked as a partner at McKinsey & Company.</p> <p>He holds a master's degree in mechanical engineering from the Technical University of Munich, Germany, and a PhD in Business Administration from the University of St. Gallen, Switzerland.</p>
	<p>Henrik Mosser – General Manager, OMV New Zealand</p> <p>Henrik Mosser has been OMV New Zealand's General Manager since early 2020. He will soon return to Austria to take up his new role as Senior Vice President for Operated Assets at OMV's headquarters, effective 1 August 2024.</p> <p>Before joining OMV in 2014, Mosser spent the first 17 years of his career working for RAG Austria AG, a Shell-Mobil unit in Central and Eastern Europe. He has a degree in petroleum engineering from the University of Leoben, Austria's university for mining, petroleum and metallurgy.</p>

s 9(2)(g)(i)

9(2)(g)(i)



9(2)(g)(i)



EVENT BRIEFING

Taranaki visit, 3-4 July 2024

Date:	27 June 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3938

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the background information and suggested talking points for your visit over 3-4 July 2024.	1 July 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Kerrin Connolly	Manager Commercial Investment	9(2)(a)	✓

The following departments/agencies have been consulted			
Kānoa Regional Economic Development and Investment Unit Energy Markets Branch			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Taranaki visit, 3-4 July 2024

Date:	27 June 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-3938

Purpose

To provide you with background information and suggested talking points for your visit to New Plymouth and Waitara, Taranaki over 3-4 July 2024.

Recommendations

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the content of this briefing is joint content from Kānoa, Energy Markets and Resources Markets.

Noted

b **Note** the background information and suggested talking points for your visit to Taranaki over 3-4 July 2024.

Noted

Kerrin Connolly
Manager Commercial Investment
Building, Resources and Markets, MBIE

27 / 06 / 2024

Hon Shane Jones
Minister for Resources

..... / / 2024

Background

1. You are visiting Waitara and New Plymouth, Taranaki over 3-4 June as arranged by your office. The visits include sites and stakeholders related to the Kānoa Regional Economic Development and Investment (Kānoa), Energy Markets, and Resources Markets portfolios.
2. This visit provides you with an opportunity to see the operations and processes at a variety of landmark Taranaki commercial sites and the ability to be able to hear from stakeholders and discuss matters with commercial and local body leaders across the portfolios.
3. The priority Taranaki stakeholders arranged by your office for you to meet include:

Out of scope

d. Beach Energy;

Out of scope

f. Motunui Methanex plant;

g. Pohokura Gas Field (OMV); and

Out of scope

4. Biographies of the attendees at each of your engagements are provided in the enclosed Annexes, as is a detailed itinerary. There are also talking points enclosed as they may be relevant. In some cases, executives from the stakeholder organisations have provided agenda detail on what they would like to discuss with you.

Annexes

Out of scope

Annex G: Methanex Plant

Annex H: Pohokura Gas Field – OMV

Annex I: Beach Energy

Out of scope

Out of Scope

Annex G: Methanex Plant

	<p>Christo Janse van Rensburg – Commercial Director, Methanex New Zealand</p> <p>Christo has more than 15 years' experience in the chemical and petrochemical industries as Process Engineer, Commissioning Manager, Production Manager, Technical Manager and Turnarounds Manager. In his current role, he provides leadership for Methanex New Zealand's commercial and gas strategy.</p>
High Level Background	<p>Methanex is the world's largest producer and supplier of methanol, accounting for 14 per cent of global methanol supply. Methanex's operation in New Zealand can produce up to 2.2 million tonnes of methanol across its three operating plants at Motonui and Waitara near New Plymouth. However, its Waitara plant was mothballed in 2021 and one of its plants in Motonui is currently shutdown because of constraints with gas supply. Before one of its Motonui plants went into shutdown Methanex consumed approximately 40 per cent of New Zealand's annual natural gas supply.</p>
Discussion and Talking points	<p>We understand that Methanex intends to provide you a tour of its methanol plant and is interested in discussing different uses of methanol (eg methanol as a marine fuel, as a fuel blend and in power generation). The visit is also an opportunity to learn more about the gas supply situation from Methanex's perspective.</p> <p>A recent officials meeting with Methanex' Anders Ekvail, Vice President- Global Gas, highlighted some considerations related to investors, namely:</p> <ul style="list-style-type: none">• The petroleum exploration ban in 2018 was unexpected by many in the sector;• The Taranaki fields are considered 'mature' resources and 'late life assets', however there is still prospectivity in them;• These investments are long term and company boards are observant to concerns about what happens when the New Zealand administration changes;• Fiscal stabilisation clauses in contracts with governments are a successfully proven and preferred method of shoring up investor confidence in countries;• New investment returns will need to appropriately reflect the risk, or perceived risk, and international operators have regional capital allocation choices;• Producers ideally require strong baseload demand in their business model. <p>9(2)(g)(i)</p>

9(2)(g)(i)



Annex H: Pohokura Gas Field – OMV

	<p>Henrik Mosser – General Manager, OMV New Zealand</p> <p>Mr Mosser joined OMV in 2014 as Head of Assets in Romania. In 2017, he was promoted to the position of Director Domestic Assets for OMV Petrom, being responsible for all the on and offshore production operations in Romania. His most recent role has been as VP of Exploration, Development & Production for OMV Australasia, based in Wellington.</p> <p>Mr Mosser will be starting his new role as the OMV Group's Senior Vice President Operated Assets on 1 August 2024.</p>
	<p>David Darby – Engagement and Regulatory Affairs, OMV New Zealand</p> <p>Mr Darby is responsible for OMV New Zealand's stakeholder engagement and regulatory affairs.</p> <p>Mr Darby previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>
High Level Background	<p>OMV has been operating in New Zealand since 1999 and is one of the country's largest natural gas producers (second only to Todd Energy Ltd). OMV is the operator of, and has a participating interest in, three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent).</p> <p>In February 2023, the OMV Group announced its decision to explore the sale of its exploration and production assets in the Asia-Pacific region, including Malaysia and New Zealand. It has completed the sale of its Malaysian assets to TotalEnergies, a respect French multinational energy and petroleum company. Officials understand that the OMV Group's New Zealand assets have received limited interest, and media reports have cited that their proposed sale is on hold.</p>
Discussion and Talking points	<p>You are undertaking a site visit at the Pohokura Production Station (PPS) which processes petroleum that is produced from the offshore Pohokura gas-condensate field.</p>

Pohokura Field



The permit for the Pohokura field is held by a Joint Venture comprising of OMV (74%) and Todd (26%), with OMV acting as the field operator.
9(2)(b)(ii)

Out of scope

Annex I: Beach Energy

	<p>Jennifer Nolan, Partner at Senateshj</p> <p>Ms Nolan has more than 25 years' experience in communications and corporate affairs, holding several roles for large government agencies as well as being a former broadcast journalist and producer.</p> <p>Prior to joining Senateshj, Ms Nolan held the position of External Relations Director for Rio Tinto in New Zealand.</p>
	<p>Brett Woods, CEO</p> <p>Mr Woods is an experienced energy sector professional, having worked for over 25 years in Australia, the UK, and Africa.</p> <p>Mr Woods was appointed Managing Director and Chief Executive Officer of Beach Energy Limited on 29 January 2024. Prior to joining Beach Energy, Mr Woods was at Santos where he was responsible for the Western Australia and Northern Territory Operating Division.</p>
High Level Background	<p>Beach holds one Petroleum Mining Licence (PML) in New Zealand, PML 38146, which includes the Kupe gas/condensate field. Beach is the operator of the PML and holds a 50 per cent interest in the licence. Other licence participants include Genesis (46 per cent) and New Zealand Oil and Gas (4 per cent).</p> <p>The Kupe field produces approximately 15 per cent of New Zealand's annual fossil gas demand (with a similar level of reserves) and approximately 50 per cent of the country's Liquified Petroleum Gas (LPG) demand.</p>
Discussion and Talking points	<p>9(2)(b)(ii)</p> <p>On 18 June 2024, Beach briefed the market on the outcomes of its strategic review. Beach designated its 50 per cent interest in Kupe among its "non-core assets", indicating it would be looking to either run down the value of such assets or seek opportunities to divest them.</p> <p>9(2)(g)(i)</p>



BRIEFING

Quarterly meeting with Energy Resources Aotearoa 6 August 2024

Date:	5 August 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2425-0556

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa on 6 August 2024.	6 August 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resource Policy	9(2)(a)	✓
Sophie Ford	Policy Advisor	09 928 2678	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Quarterly meeting with Energy Resources Aotearoa 6 August 2024

Date:	5 August 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2425-0556

Purpose

You are meeting with Energy Resources Aotearoa at your Beehive office and online on Tuesday 6 August 2024 from 8:30-9:30am.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa on 6 August 2024.

Noted

Hannah Keat
Manager, Resource Policy
Building, Resources and Markets, MBIE

5 / 08 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. You have agreed to meet every quarter with John Carnegie, Chief Executive at Energy Resources Aotearoa (ERA) and a range of oil and gas sector representatives. This quarter's meeting will be held at your Beehive office and online on Tuesday 6 August 2024 from 8:30-9:30am.
2. Biographies of the attendees are provided in Annex One.
3. MBIE officials that will attend the meeting to support you include:
 - Bruce Parkes, General Manager, Resource Markets Branch
 - Susan Hall, Policy Director, Energy and Resource Markets
 - John Buick-Constable, National Manager Petroleum and Minerals
4. **s 9(2)(g)(i)** and ERA's briefing note is provided at Annex Three.

Energy Resources Aotearoa

5. ERA was established in 1972 as the industry body representing the upstream oil and gas sector in New Zealand.
6. In the past, ERA's major focus was to represent explorers and producers of resources like oil, LPG, and natural gas. They have now broadened their membership to the wider energy system, including gas users and local essential service providers.
7. Officials engage with ERA at regular intervals about operational and policy issues.

Topics for discussion

8. The ERA has expressed interest in discussing:
 - petroleum reserves and energy security concerns;
 - the Crown Minerals Act (CMA) amendments and sovereign risk concerns; and
 - the legislative timetable and process.
9. Officials met with ERA representatives on 2 August as part of regular stakeholder engagement, and briefly discussed the points raised in their briefing note.
10. We recommend that you open the meeting with ERA, who may then wish to speak to their briefing note. Officials can facilitate an open discussion based on the material presented.

ERA are concerned about petroleum reserves and energy security

11. ERA is likely to raise gas security of supply as the latest Petroleum Reserves data shows a 20 per cent decline in 2P Reserves and a six per cent increase in 2C Contingent Resources for natural gas [BR 2324-3920 refers].
12. Some field operators reported that they had demoted some reserves from 2P Reserves¹ to 2C Contingent Resources² due to changing investment decisions. Some reserves have been

¹ 2P Reserves (Proven plus Probable reserves) are an estimate of the amount of gas that permit or licence holders expect to produce from any field.

lost altogether following technical revisions resulting from updated information on gas well performance and risk assessment. Where reserves were demoted to 2C Contingent Resources, the volumes may still be produced in the future if deemed economically viable, depending on a change to the commercial and regulatory environment.

13. Unless more gas can be brought to market than forecasted (for example, through discovery and development of new gas fields, or increased investment in existing fields), industries will have to reduce their gas consumption and there will be upward pressures on gas and electricity prices. This will likely reinforce major natural gas users' concern over the supply outlook, as some have already found it challenging to renew long-term gas supply contracts.
14. In addition to the Crown Minerals Amendment Bill (the Bill), we have the following workstreams underway looking into how to improve the security of gas supply:
 - The Gas Security Response Group
 - Enabling CCUS
 - Enabling renewable gases (focusing on biomethane and hydrogen)
 - Reviewing the Petroleum Royalty Regime.
15. ERA recently submitted on the Electricity Authority's *Potential solutions for peak electricity capacity issues* consultation paper. The key points ERA included are:
 - Large energy users like Methanex should not be relied on to voluntarily reduce their demand at very short notice to prevent energy shortages.
 - The Electricity Authority should investigate long-term arrangements for offering gas to the market for electricity generation more predictably.
 - If a longer-term more structural solution is desirable, it may be possible to develop commercial terms that allow gas to be offered into the market more predictably.

ERA want the CMA changes to go further

16. ERA welcome the proposed changes to the CMA however their view is that the changes do not go far enough to mitigate sovereign risk and help create the right incentives to encourage new exploration and appraisal.
17. ERA's preferred recommended option is for the government to underwrite new gas exploration and appraisal whereby the government takes part (or all) of the risk if gas should not be produced, while sharing some of the reward if it is. ERA believe this option would best address sovereign risk.
18. ERA suggest importing LNG should be an option of last resort as it is likely to be less economically beneficial for New Zealand. ERA expect domestically sourced gas would be lower cost whereas LNG prices would be subject to international factors.
19. We recommend testing with ERA and the individuals in the meeting what their views are on options to import LNG.

ERA propose various tax changes to incentivise drilling

20. On 18 June 2024, we advised you on fiscal measures to increase investment in gas exploration and development for energy security [BR 2324-3468 refers].

² 2C Contingent Resources are gas quantities that permit or licence holders estimate they could produce following establishment of commercial viability. If permit or licence holders decide that it is commercially viable to produce such gas, they could reclassify the gas as 2P Reserves.

21. ERA proposed six tax changes to support investment in both the exploration and production phases of field development in different ways, including specific support for appraisal drilling to grow gas reserves.
22. Changes to tax treatment is one vehicle for offering support. An alternative would be to offer a direct rebate for specific types of expenditure, such as on appraisal wells to convert 2C into 2P. Yet another option is leveraging the petroleum royalty regime.
23. MBIE considers that, if you were to favour financial support measures, they should be limited to those intended to increase natural gas development for energy security in the short and medium terms.
24. We are waiting on your direction on whether to undertake further policy work to support investment in appraisal wells, and whether this work should focus on changes to tax treatment or direct rebates. We are also progressing the review of the petroleum royalty regime and will brief you soon on options to increase investment and gas supply through changes to royalties.

New Zealand is globally competitive when it comes to the total amount of 'government take'

25. Wood Mackenzie publishes a global upstream oil and gas competitiveness index every quarter. Based on a country's 'government take' (i.e., the government's share of project cash flow through taxes, royalties and profit share), New Zealand is rated 4 out of 5, with 5 being the least amount of government take and therefore more attractive for investment. Australia is rated 3.05, Norway 2 and the United Kingdom 4.

ERA is interested in how CMA changes are proceeding

26. ERA have expressed concern that amendments to the CMA are not progressing as quickly as possible. We recommend assuring ERA the Bill will be introduced to the House before the end of the year.

Risks and mitigations

27. ERA and sector representatives have expressed dissatisfaction with some of the CMA reforms and oversight of the legislative process. We have sought to balance sharing information with protecting yours and Cabinet's decision-making processes. We recommend outlining the rationale for limiting the information we are able to provide in advance of Cabinet decisions, and outlining their ability to provide feedback during the select committee stage of the Bill.

Annexes

Annex One: Biographies

Annex Two: 9(2)(g)(i)

Annex Three: ERA briefing note

Annex One: Biographies

	<p>John Carnegie – Chief Executive, Energy Resources Aotearoa</p> <p>John joined ERA in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that speaks to the role of resources in the transition (specifically gas, but also other fuels).</p> <p>Prior to his role at ERA, he was the Executive Director of the Business NZ Energy Council and has nearly 30 years of experience in public policy and energy markets, specialising in energy, climate change and resource management policy. John is on the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum. He will be speaking at the World Energy Congress convened by the Council from 22-25 April 2024.</p>
	<p>Craig Barry – Policy Director, Upstream and Climate, ERA</p> <p>Craig is a chemical engineer with 25 years working in the international upstream oil and gas sector. He has an operations background and worked with MBIE as a Principal Production Advisor before joining the ERA. Craig spent 10 years with Woodside Energy, where he worked on corporate strategy and planning, exploration, and LNG projects. His time at Woodside included two years as New Zealand country manager.</p>
	<p>David Darby – Engagement and Regulatory Affairs, OMV New Zealand</p> <p>David Darby is responsible for OMV New Zealand's stakeholder engagement and regulatory affairs. He has previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>
	<p>Evan Davies – Group Chief Executive Officer and Chief Executive Officer of Todd Capital</p> <p>Evan joined Todd as Managing Director of Todd Property in 2008 and in 2022 was appointed Chief Executive Officer of Todd Capital. In April 2023, Evan was appointed as Group Chief Executive Officer. Evan has multi-sector knowledge and leadership experience in a range of industries. He has previously been the Managing Director of SkyCity, growing the company from a single site to having business operations throughout NZ, South Australia, and the Northern Territory, with an enterprise value in excess of \$3 billion and more than 6,000 staff.</p>

	<p>Mark Macfarlane – Chief Executive, Upstream Energy, Todd Energy</p> <p>Mark completed a Bachelor of Mechanical Engineering (Hons) at the University of Melbourne in 1987 and joined ExxonMobil in Victoria. Over the next 10 years Mark held a number of roles in projects, operations, planning and sub-surface in both Australia and Malaysia.</p> <p>Immediately prior to joining Todd Energy, Mark held the role of Chief Operating Officer and was responsible for Tullow Oil's HSE, exploration, operated and non-operated businesses, and commercial activities.</p>
	<p>Mat Quinn – Country Manager, Beach Energy</p> <p>In 2019, Mat was appointed to New Zealand Country Manager and General Manager Operations for Beach Energy.</p> <p>Mat has worked in the oil and gas industry for over 25 years. Previously he has worked with Shell Todd Oil Service in Taranaki, and Origin Energy and BassGas in Australia. He is on the Board of Energy Resource Aotearoa and Energy Skills New Zealand.</p>
	<p>Brendan Madden, Chief Company Officer and Chief Financial Officer, Westside Corporation</p> <p>Brendan joined Landbridge in 2016 and is the Chief Company Officer and Chief Financial Officer for Westside Corporation.</p> <p>Brendan is a Chartered Accountant with more than 15 years of experience. He had held a range of finance positions, including at an ASX-listed minerals processing company, Australia's largest retail travel organisation, and Deloitte.</p>
	<p>Josh Adams – Westside Corporation's NZ Corporate and Government Relations representative</p> <p>Josh is a Business Development Specialist with clients in multiple industries, including oil and gas exploration and production, new energy generation projects, forestry and wood processing, environmental technology, software development, onshore fisheries, lithium brine field management, and venture capital.</p> <p>Josh began his career as a Petroleum Geologist and has experience in exploration and development to commercial gas pipeline operations, and crude oil marketing and shipping. Josh has worked with various oil and gas companies in Australia and New Zealand including, Fletcher Challenge Energy, Santos, Greymouth Petroleum, Contact Energy, Maui Development Limited, Todd Corporation, Concept Consulting, Hale and Twomey, Firstgas and Rockgas. Josh was a National Manager Petroleum (MBIE) between 2015 and 2019.</p> <p>Josh also runs the Secretariat function for MGUG, which includes Ballance Agri-Nutrients, Fonterra, NZSteel and Oji Fibre Solutions.</p>

	<p>Kevin Goulet – General Manager, OMV NZ</p> <p>Kevin is the General Manager of OMV NZ. He has 20 years' experience in the industry, joining OMV in 2012. Most recently Kevin has been Maari Operations Manager and the Head of Department Asset Operations. Kevin's training and experience is in petroleum engineering and upstream operations. Kevin is originally from Canada and is based in New Plymouth.</p>
	<p>Richard Beament – Managing Director/CEO, Horizon Oil</p> <p>Richard Beament has been the CEO of Horizon Oil since July 2022. He has also held Chief Financial Officer and Finance Manager roles in Horizon Oil.</p> <p>Richard Beament has over 20 years' experience in accounting and finance, and prior to joining Horizon, held senior positions with PwC in Sydney and London.</p>
	<p>Drew Cadenhead – Director and New Zealand Country Manager, Matahio Energy</p> <p>Drew Cadenhead is a professional exploration geologist with 40 years' experience in technical and executive roles in the oil and gas sector in Canada and the South Pacific. Drew has been based in New Zealand for over two decades, and before joining Matahio as its New Zealand Country Manager, Drew led TAG Oil Ltd as CEO / COO for 12 years, managing TAG's unprecedented exploration campaign in New Zealand, securing several significant acquisitions, and overseeing all operational aspects of the company. TAG's New Zealand assets were acquired by Tamarind in late 2020, and Drew served as its Country Manager until joining Matahio.</p>
	<p>Amy McKenzie – Todd Corporation Executive</p> <p>As Chief Corporate Affairs Officer Amy works with the Todd board and executive and functional leadership teams (Todd Energy and Nova Energy) to balance the priorities and concerns of internal stakeholders, and manage connections between Todd and external stakeholders, including government, industry, and when necessary, the media. This includes the development of advice and strategies to help safeguard Todd's reputation, and to keep the business apprised of potential issues, including those in the legislative and regulatory space.</p> <p>Amy has held several roles within Todd, and prior to joining Todd Property in 2019 worked with Trish Sherson and Rewa Willis at corporate affairs consultancy Sherson Willis for nine years.</p>

9(2)(g)(i)

9(2)(g)(i)



Annex Three: ERA briefing note

18(d) - publicly available on ERA website



EVENT BRIEFING

Meeting with OMV New Zealand on 15 October 2024

Date:	14 October 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0003101

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of the briefing ahead of your meeting with OMV on Tuesday, 15 October 2024.	15 October 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resource Policy	9(2)(a)	✓
Sophie Ford	Policy Advisor	09 928 2678	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with OMV New Zealand on 15 October 2024

Date:	14 October 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0003101

Purpose

This briefing provides you with background information and talking points for your meeting with OMV New Zealand (OMV NZ), 11.15-11.45am Tuesday, 15 October 2024 in your Beehive Office.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of the briefing ahead of your meeting with OMV NZ on Tuesday, 15 October 2024.

Noted

Hannah Keat
Manager, Resource Policy
Building, Resources and Markets, MBIE

11 / 10 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Meeting purpose and logistics

Date:	15 October 2024	Time:	11:15-11:45 am
Location:	Your Beehive office		
Attendees:	<p>OMV NZ (biographies are included at Annex Two):</p> <ul style="list-style-type: none">• Kevin Goulet, General Manager, OMV NZ• David Darby, Engagement and Regulatory Affairs, OMV NZ• Justin White, Finance Director, OMV NZ <p>MBIE Officials:</p> <p>➤ Bruce Parkes, Susan Hall, and John Buick-Constable</p>		
Agenda:	N/A		

1. You are meeting with OMV NZ to discuss New Zealand's energy sector. OMV NZ wishes to talk about:

9(2)(b)(ii)

- its submission on the Crown Minerals Amendment Bill (Bill) to the Select Committee.

2. This meeting is also an opportunity to find out about OMV NZ's contribution as a member of the Government's Gas Security Response Group.
3. Talking points are provided at Annex One. A map showing OMV NZ's permit areas is at Annex Three.

Background on OMV

4. OMV is a publicly listed petroleum company based in Vienna which produces and markets oil and gas, innovative energy, and high-end petrochemical solutions. OMV employs over 22,000 people worldwide, including over 400 in New Zealand.
5. OMV's subsidiary, OMV NZ, has been operating here since 1999 and is one of New Zealand's largest natural gas producers. It operates and has a participating interest in three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent). It also holds three large offshore exploration permits in the Taranaki region.

Topics for discussion

9(2)(b)(ii)

6. OMV NZ is about to start drilling the POW-05 well in its Pohokura permit sometime this month. While the permit area is offshore, the POW-05 well will originate onshore.¹ We are not aware of any further development drilling that OMV NZ has planned in New Zealand.

9(2)(b)(ii)

¹ OMV NZ's Pohokura permit is technically an offshore permit, but can be drilled from both onshore and offshore.

9(2)(b)(ii)

9. OMV NZ has made a technical discovery in its Toutouwai exploration permit (PEP 60093). This technical discovery was made in March 2020 with the drilling of the Toutouwai-1 well during the COVID-19 pandemic. Due to the COVID-19 travel restrictions, for the technical analysis of the well was cut short, and the well was plugged and abandoned. As a result, OMV NZ was unable to fully evaluate the discovery.

9(2)(b)(ii)

18. Officials preparing advice on urgent and longer-term measures to access LNG to relieve the tight electricity supply situation and ensure long-duration energy storage cover.
19. A sector-funded feasibility study is underway for LNG importation with results expected in November 2024. MBIE is progressing work to ensure expedited consenting through the Energy and Electricity Security Bill that is expected to be introduced to the House this year and passed by the end of 2025 [ECO-MIN-0172 refers]. Officials will report back on LNG progress in February 2025.
20. 9(2)(b)(ii)

OMV NZ submitted on the Crown Minerals Amendment Bill

21. OMV NZ provided a written submission on the Bill to the Economic Development, Science and Innovation Select Committee. OMV NZ supports the intent of the Bill but believe further changes are needed.
22. OMV NZ supports the removal of the ban on new petroleum exploration permits outside onshore Taranaki and submitted that removal of the ban and the change in the purpose statement are welcome amendments to improve investor confidence. However, OMV NZ considers the Bill will have little difference to their operations and effectively continues the status quo set by the previous Government. Specifically, OMV NZ stated that the *“decommissioning regime remains largely unchanged and remains as a significant deterrent to investment.”*
23. OMV NZ may raise two particular concerns with you:
 - that the requirement in the Crown Minerals Act for a permit holder to be “highly likely” to meet their decommissioning obligations is too high a threshold that will be implemented in a way that excessively increases the level of financial security to be held; and
 - that the fallback position of total removal of petroleum infrastructure under the Crown Minerals Act should be removed.
24. We consider that:
 - the “highly likely” threshold remains appropriate and that concerns about the impact on the level of financial security can be managed through guidance relating to the imposition of financial securities; and
 - for infrastructure in New Zealand’s EEZ, Continental Shelf, and Territorial Sea our international obligations under the United Nations Convention on the Law of the Sea (UNCLOS) apply. UNCLOS presumes removal of abandoned or disused infrastructure, taking into account generally accepted international standards established by the International Maritime Organisation. In Australia, the base case is complete removal

unless an exemption is sought and received. It remains appropriate that, in the offshore environment, the standard for what needs to be removed in respect of oil and gas infrastructure sits in the Exclusive Economic Zone and Continental Shelf (Environmental Effects—Decommissioning Plans) Regulations 2021.² 9(2)(g)(i)

The Gas Security Response Group

25. OMV NZ is a member of the Government's Gas Security Response Group. The Group is looking at diversifying gas supply by importing liquified natural gas (LNG). 9(2)(b)(ii)

OMV's New Zealand plans

26. We understand that OMV intends to refocus its business portfolio to Norway, Central Eastern Europe, the Black Sea, North Africa and the Mediterranean. OMV has recently divested its oil and gas exploration and production assets in Malaysia. To date, it has tried, without success, to find a buyer for its New Zealand interests. However, we understand that OMV is still looking for opportunities to sell its New Zealand interests and we understand that it may be in a position to make announcements about potential divestment later this year.

Risks and mitigations

27. We have not identified any specific risks associated with this meeting.

Annexes

s 9(2)(g)(i)

Annex Two: Biographies of attendees

Annex Three: Map of OMV NZ permit areas

² Regulation 21 provides that: a decommissioning plan must set out a proposed approach that (a) will result in the complete removal of the offshore installation or infrastructure; or (b) is the best practicable environmental option.

9(2)(g)(i)

Annex Two: Biographies of attendees

	<p>Kevin Goulet – General Manager, OMV NZ</p> <p>Kevin is the General Manager of OMV NZ. Prior to succeeding Henrik Mosser as General Manager, Kevin was the head of operations and asset management for OMV NZ. Kevin's training and experience is in petroleum engineering and well operations. Kevin is originally from Canada and is based in New Plymouth. He has 20 years' experience in the industry, joining OMV in 2012.</p>
	<p>David Darby – Engagement and Regulatory Affairs, OMV NZ</p> <p>David Darby is responsible for OMV NZ's stakeholder engagement and regulatory affairs. He has previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>
	<p>Justin White – Finance Director, OMV NZ</p> <p>Justin White is Finance Director with OMV and leads OMV NZ's finance operations as part of the Executive Leadership Team. He has worked for OMV for 20 years, including roles with OMV subsidiary OMV Petrom in Romania and Kazakhstan, and OMV's head office in Vienna. He has a background in finance and law.</p>

Annex Three: Map of OMV NZ's permit areas

9(2)(b)(ii) and 9(2)(ba)(i)





BRIEFING

Quarterly meeting with Energy Resources Aotearoa on 21 November 2024

Date:	20 November 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0005095

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa on 21 November 2024.	20 November 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resource Policy	9(2)(a)	✓
Sophie Ford	Policy Advisor	09 928 2678	

The following departments/agencies have been consulted			
N/A			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Quarterly meeting with Energy Resources Aotearoa on 21 November 2024

Date:	20 November 2024	Priority:	High
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0005095

Purpose

To provide you with background information, topics for discussion, and suggested talking points for your meeting with Energy Resources Aotearoa at your Beehive office and online on Thursday, 21 November 2024 from 8:30-9:30am.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Note** the contents of this briefing ahead of your quarterly meeting with Energy Resources Aotearoa on 21 November 2024.

Noted

Hannah Keat
Manager, Resource Policy
Building, Resources and Markets, MBIE

20 / 11 / 2024

Hon Shane Jones
Minister for Resources

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Meeting purpose and logistics

Date:	21 November 2024	Time:	8:30-9:30am
Location:	Your Beehive office		
Attendees:	<p>Energy Resources Aotearoa (ERA) attendees (biographies are included at Annex One):</p> <ul style="list-style-type: none">• John Carnegie (ERA)• Craig Barry (ERA)• Kevin Goulet (OMV)• Mark McFarlane (Todd)• Evan Davis (Todd)• Mat Quinn (Beach Energy)• Josh Adams (Westside)• Richard Beament (Horizon Oil)• Drew Cadenhead (Matahio Energy) <p>MBIE officials:</p> <ul style="list-style-type: none">• Bruce Parkes, General Manager, Resource Markets Branch• Susan Hall, Policy Director, Resource Markets Branch• Hannah Keat, Manager, Resource Policy		
Agenda:	<p>The key topics likely to be discussed include:</p> <ul style="list-style-type: none">• the Crown Minerals Amendment Bill (the Bill);• sovereign risk;• further reforms needed to encourage investment;• financial securities;• workshopping upcoming changes to the regulations and programmes;• international travel opportunities;• the policy change to close the trailing liability loophole.		

1. **s 9(2)(g)(i)** ERA's briefing note is provided at Annex Three and letter at Annex Four.

Topics for discussion

ERA is concerned the Crown Minerals Amendment Bill is a missed opportunity

2. In their briefing note, ERA expressed their concerns the Bill is insufficient and embeds decommissioning changes which should be removed and does not address the issue of sovereign risk. ERA say that with opposition parties signalling they will repeal these reforms, current and future permit holders do not have the comfort needed to be secure in their investments.
3. ERA consider that an 'adverse regulatory change' clause via a contractual (non-legislative) mechanism would be a feasible way to address sovereign risk.
4. In the current environment, ERA believe substantial investment in new gas is hard to justify. Deindustrialisation is happening at an ever-increasing pace as high energy prices and tight availability impacts the economic viability of businesses.
5. Looking forward, ERA want to work with officials to:
 - a. develop a package to encourage further appraisal and exploration activity to unlock investment;
 - b. develop regulations and guidelines to operationalise legislative amendments; and
 - c. schedule government and industry workshops to develop changes to the Petroleum Programme 2013.
6. ERA also encourages you to travel to Australia, Southeast Asia, and Europe to meet with potential investors, and have extended an offer to develop a suitable itinerary for you.

ERA raised concerns about the Bill in a letter to you on 5 November

7. On 5 November, ERA sent a letter to you, Minister Brown and Minister Bishop outlining their concerns with the Bill as reported back from Select Committee. Officials met with ERA representatives on 18 November as part of regular stakeholder engagement, and briefly discussed the points raised in their letter.
8. The concerns raised by ERA and officials' response to why we think the Bill appropriately addresses these issues are outlined below.

Item	Response from officials
<p>In setting the type and amount of financial security for decommissioning, the Crown Minerals Act 1991 (CMA) cannot satisfactorily accommodate the preferences of landowners or set environmental standards for the removal of above ground infrastructure.</p> <p>Note that we understand that the ERA's preference is to remove decommissioning from the CMA and have it dealt with through environmental legislation rather than the CMA.</p>	<p>In setting the type and amount of financial security for decommissioning, the Minister can take into account a wide range of factors including:</p> <ul style="list-style-type: none">• Information provided by the permit or licence holder• The circumstances of the permit or licence holder• Any information relating to current or emerging risks to the permit holder or licence holder's ability to comply with the decommissioning obligations• Any other matters the Minister considers relevant.

Item	Response from officials
	<p>These criteria are wide enough to take into account information about the preferences of landowners.</p> <p>In relation to environmental standards for the removal of above ground infrastructure:</p> <ul style="list-style-type: none"> • The CMA is an allocation tool for Crown minerals. Inclusion of rules around the removal of infrastructure (with the presumption for total removal) exists in the CMA to enable the regulator to set the <i>amount of a financial security</i>. It is not there as an environmental standard. • The standard for removal of infrastructure is determined under environmental legislation such as the Resource Management Act 1991 (RMA) for fields onshore and in the coastal marine area and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act) and regulations for fields in the Exclusive Economic Zone (EEZ). Only if these Acts, regulations and related regulatory bodies do not set a standard for removal of infrastructure does the CMA require full removal as a backstop.
<p>The CMA continues to insist on total removal of infrastructure by default, where the insertion of explicit wording such as “... or the best practicable environmental option ...” would provide an option that meets the needs of industry, and gives assurance to the Crown.</p>	<ul style="list-style-type: none"> • The total removal standard in the CMA is a backstop in case no decision is made under other legislation. • Decisions about the standard for decommissioning are made by the Environmental Protection Authority (EPA) under environmental legislation (offshore) and by Regional and District Councils under the RMA (onshore and in the coastal marine area). • For example, decisions about offshore infrastructure are made under regulations under the EEZ Act. Those regulations set the standard as total removal and/or the “best practicable environmental option”, depending on the type of installation. The Minister for the Environment is responsible for the regulations.
<p>Trailing liability is unnecessary where financial security is a requirement.</p>	<ul style="list-style-type: none"> • Trailing liability complements financial securities. The Minister might be willing to accept a lower level of financial security because trailing liability is in place. This may well be the efficient outcome for fields that are nearing end-of-life, which tend to feature smaller operators.

Item	Response from officials
	<ul style="list-style-type: none"> Trailing liability is a feature of decommissioning regimes in New Zealand, Australia and the United Kingdom (UK).
Perpetual liability post-decommissioning is an unnecessary layer of protection.	<ul style="list-style-type: none"> Post-decommissioning liability is a feature of decommissioning regimes in New Zealand, Australia and the UK. This replaces a post-decommissioning financial security.
The lack of transitional provisions, especially for operations nearing the end of their economic life, creates unnecessary regulatory, administrative, and compliance issues for the government and permit holders.	<ul style="list-style-type: none"> Transitional arrangements can be built into the financial securities that are required. For example, it is open to the Minister to set an amount of financial securities that will be required at a date in the future.

The policy change to close the trailing liability loophole

9. Through an Amendment Paper at the Committee of the whole House stage, the Government closed a gap identified in the course of preparing the Bill, and through submissions at select committee.
10. We identified a gap where trailing liability applies when a permit is transferred, but not when there is a change of control. This allows companies to structure their business in such a way to avoid the trailing liability provisions of the CMA.
11. The Amendment Paper ensures that current and former controlling shareholders have liability even after they dispose of a permit, regardless of whether that is by a permit transfer or by way of share sale.
12. These changes align New Zealand's regime more closely with Australia and the United Kingdom, both of which extend trailing liability to a range of related bodies corporate.

Industry is unlikely to support the proposal to close the trailing liability loophole

13. We advised you that industry is unlikely to support the proposal [BRIEFING-REQ-0005793 refers]. We advised that some companies may push back on the proposal to close the trailing liability loophole, especially given the change comes at a late stage in the Bill's development. The change will mean a greater number of companies will need to manage contingent liability. However, the proposal is warranted, as the alternative of implicitly allowing the fiscal risk to the Crown is not appropriate, nor is taking an inflexible approach to financial securities.
14. ERA was informed about the policy change to close the trailing liability gap on 19 November. Bruce Parkes, GM Resource Markets, followed up the email with a phone call to discuss the change. The impression from those phone calls was that the ERA appeared to understand the reason for the change and did not voice surprise.
15. Following this first engagement, officials met with OMV to go over the policy. OMV consider that this is a substantive change, and the sector should have been consulted. We expect the change will be brought up at the meeting and have provided talking points.

Natural gas development grant and compensation for sovereign risk

16. On 5 November we sought your agreement to a potential time-limited grant to accelerate natural gas development in existing fields using the Crown's royalties revenue [BRIEFING REQ 0003090 refers]. On 15 November we provided you with a draft Cabinet paper seeking agreement to a grant to support your pre-Cabinet discussions with the Minister of Finance [BRIEFING-REQ-0006378 refers]. The draft also included placeholders for decisions on a compensation mechanism to address sovereign risk, pending your decisions on objectives and scope [BRIEFING-REQ-0005581 refers].
17. We have discussed a potential grant with some individual permit and licence holders. We have also previously discussed the issue of sovereign risk with some prospecting and mining permit and licence holders. We expect attendees may want to discuss both proposals.
18. Both proposals will require the Minister of Finance's approval before the draft Cabinet paper can be circulated for Ministerial consultation. Subject to feedback from the Minister of Finance, we will work with your office on a timeline for Cabinet before Christmas if possible or early in the new year.
19. We expect attendees will want to discuss the proposals.

Implementation of the CMA changes and consultation on regulations and the programmes

20. For all changes in the Bill to be implemented, updates are required to both Regulations and Programmes. Implementation therefore will be phased over several months following the Bill passing. We expect everything to be in place by mid-2024.
21. We are embarking on an update to the CMA Programmes. These are out for public consultation from 20 November 2024 - 11 February 2025.
22. The Bill allows for petroleum exploration permits (PEPs) to be applied for through methods other than public tender and creates a new Tier 3 permit category for small-scale non-commercial gold mining operations. To implement these changes, amendments to existing regulation under the CMA will be needed, specifically the following regulations:
 - a. Crown Minerals (Petroleum) Regulations 2007;
 - b. Crown Minerals (Minerals Other than Petroleum) Regulations 2007; and
 - c. Crown Minerals (Royalties for Minerals other than Petroleum) Regulations 2013.
23. The updated regulations for PEPs are intended to be put in place in February 2025. This will enable PEP applications outside of public tenders to be received by mid-April 2025.
24. Tier 3 permit regulations come into force in July 2025 to align with the commencement date for the new permit category in the Bill.
25. The sector will have a strong interest in the programmes and regulations.

Risks and mitigations

26. ERA and sector representatives have expressed dissatisfaction with some of the CMA reforms and the level of visibility they have been able to have of the policy and legislative process. We have sought to balance the sharing of information with protecting yours and Cabinet's decision-making processes. We recommend outlining the rationale for limiting the information we are able to provide in advance of decisions.

Annexes

Annex One: Biographies

Annex Two: **S 9(2)(g)(i)**

Annex Three: **18(d) - publicly
available on ERA**

Annex Four: ERA letter - Crown Minerals Amendment Bill 2024 (5 November 2024)

Annex One: Biographies

	<p>John Carnegie – Chief Executive, ERA</p> <p>John joined ERA in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that speaks to the role of resources in the transition (specifically gas, but also other fuels).</p> <p>Prior to his role at ERA, he was the Executive Director of the Business NZ Energy Council and has nearly 30 years of experience in public policy and energy markets, specialising in energy, climate change and resource management policy. John is on the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum.</p>
	<p>Craig Barry – Policy Director, Upstream and Climate, ERA</p> <p>Craig is a chemical engineer with 25 years working in the international upstream oil and gas sector. He has an operations background and worked with MBIE as a Principal Production Advisor before joining the ERA. Craig spent 10 years with Woodside Energy, where he worked on corporate strategy and planning, exploration, and LNG projects. His time at Woodside included two years as New Zealand Country Manager.</p>
	<p>Kevin Goulet – Managing Director, OMV NZ</p> <p>Kevin is the Managing Director of OMV NZ. He has 20 years' experience in the industry, joining OMV in 2012. Most recently, Kevin has been Maari Operations Manager and the Head of Department Asset Operations. Kevin's training and experience is in petroleum engineering and upstream operations. Kevin is originally from Canada and is based in New Plymouth.</p>
	<p>Josh Adams – Westside Corporation's NZ Corporate and Government Relations representative</p> <p>Josh is a Business Development Specialist with clients in multiple industries, including oil and gas exploration and production, new energy generation projects, forestry and wood processing, environmental technology, software development, onshore fisheries, lithium brine field management, and venture capital.</p> <p>Josh began his career as a Petroleum Geologist and has experience in exploration and development to commercial gas pipeline operations, and crude oil marketing and shipping. Josh has worked with various oil and gas companies in Australia and New Zealand, including Fletcher Challenge Energy, Santos, Greymouth Petroleum, Contact Energy, Maui Development Limited, Todd Corporation, Concept Consulting, Hale and Twomey, Firstgas and Rockgas. Josh was National Manager, Petroleum at MBIE between 2015 and 2019. Josh also runs the Secretariat function for MGUG.</p>

	<p>Drew Cadenhead – Director and New Zealand Country Manager, Matahio Energy</p> <p>Drew is an exploration geologist with 40 years' experience in technical and executive roles in the oil and gas sector in Canada and the South Pacific. Drew has been based in New Zealand for over two decades. Before joining Matahio, Drew led TAG Oil Ltd as CEO / COO for 12 years, managing TAG's unprecedented exploration campaign in New Zealand, securing several significant acquisitions, and overseeing all operational aspects of the company. TAG's New Zealand assets were acquired by Tamarind in late 2020, and Drew served as its Country Manager until joining Matahio.</p>
	<p>Evan Davies – Group Chief Executive Officer and Chief Executive Officer of Todd Capital</p> <p>Evan joined Todd as Managing Director of Todd Property in 2008 and in 2022 was appointed CEO of Todd Capital. In April 2023, Evan was appointed as Group Chief Executive Officer. Evan has multi-sector knowledge and leadership experience in a range of industries. He has previously been the Managing Director of SkyCity, growing the company from a single site to having business operations throughout NZ, South Australia, and the Northern Territory, with an enterprise value in excess of \$3 billion and more than 6,000 staff.</p>
	<p>Mark Macfarlane – Chief Executive, Upstream Energy, Todd Energy</p> <p>Mark completed a Bachelor of Mechanical Engineering (Hons) at the University of Melbourne in 1987 and joined ExxonMobil in Victoria. Over the next 10 years, Mark held a number of roles in projects, operations, planning and sub-surface in both Australia and Malaysia. Immediately prior to joining Todd Energy, Mark held the role of COO and was responsible for Tullow Oil's HSE, exploration, operated and non-operated businesses, and commercial activities.</p>
	<p>Mat Quinn – Country Manager, Beach Energy</p> <p>In 2019, Mat was appointed to New Zealand Country Manager and General Manager Operations for Beach Energy. Mat has worked in the oil and gas industry for over 25 years. Previously he has worked with Shell Todd Oil Service in Taranaki, and Origin Energy and BassGas in Australia. He is on the Board of ERA and Energy Skills New Zealand.</p>

**Richard Beament – Managing Director/CEO, Horizon Oil**

Richard has been the CEO of Horizon Oil since July 2022. He has also held Chief Financial Officer and Finance Manager roles in Horizon Oil.

Richard has over 20 years' experience in accounting and finance. Prior to joining Horizon, Richard held senior positions with PwC in Sydney and London.

9(2)(g)(i)

9(2)(g)(i)

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Annex Three: ERA briefing note

18(d) - publicly available on ERA website



Annex Four: ERA letter - Crown Minerals Amendment Bill 2024 (5 November 2024)

5 November 2024

Hon Shane Jones
Minister of Resources
Associate Minister of Energy
Parliament Buildings
WELLINGTON 6011

via email: S.Jones@ministers.govt.nz

Dear Minister

Crown Minerals Act reform

Amendments to the Crown Minerals Act (the 'CMA') are progressing at pace. While we welcome the urgent Government attention, the proposed reforms are insufficient to encourage more natural gas development, exploration and appraisal activity and may well defeat the goals of the Government to revitalise the gas market.

Without swift action to attract the much-needed investment in new development, exploration and appraisal, ensuring New Zealand's long-term energy security is going to be difficult and costly. If adequate time can be allowed prior to the Committee of the Whole House we would like to work with you to get the right changes at the right time to incentivise new investment.

Background

The 2021 changes to address the risk of the cost of decommissioning again falling to the Crown were a dramatic overreaction to an isolated incident. The failure of a single permit holder prompted a slew of changes aimed at eliminating not only the financial exposure of the Crown but also continued the policy begun in 2018 of a managed exit of petroleum exploration and production in New Zealand.

These changes not only had the effect of undermining legislative integrity, but also blurred the lines of regulatory responsibility and seriously damaged investor confidence across the whole of the economy. The previous government's poorly conceived policy intervention has undermined New Zealand's energy security, at the very time reliable, gas-fired generation was needed to stabilise our electricity system.

At the time, we agreed decommissioning provisions in the CMA needed to be strengthened to ensure there are clear and consistent obligations **for all** permit and license holders. However, the changes introduced were a gross overreach, executing poorly designed and ill-conceived policy decisions while fundamentally damaging field economics, worsening our security of supply.

Material new investment is unlikely under the amended policy settings

The report back from the Economic Development, Science, and Innovation Select Committee makes no meaningful recommendations to the CMA amendment Bill 2024. This is despite uniform and consistent feedback from the upstream petroleum sector that, rather than removing the worst excesses of the previous government's changes, the Bill entrenches many of them. In particular, we draw your attention to the following issues that need to be addressed:

- a in setting the type and amount of financial security for decommissioning, the CMA cannot satisfactorily accommodate the preferences of landowners or set environmental standards for the removal of above ground infrastructure;
- b additionally, the CMA continues to insist on total removal of infrastructure by default, where the insertion of explicit wording such as "*...or the best practicable environmental option*" would provide an option that meets the needs of industry, and gives assurance to the Crown;
- c trailing liability is unnecessary where financial security is a requirement;
- d perpetual liability post-decommissioning is an unnecessary layer of protection; and
- e the lack of transitional provisions, especially for operations nearing the end of their economic life creates unnecessary regulatory, administrative, and compliance issues for the government and permit holders.

In addition to the legislative changes necessary, there is also no visibility of how the Government proposes to address sovereign risk and rectify the massive damage to investor confidence. Until these issues are addressed, the CMA and other policy settings will continue to be a barrier to attracting investment in New Zealand's energy sector.

We have canvassed these issues with you and officials numerous times. We seek an outcome that is proportionate to evidence of the systemic risk present, (no such evidence has been presented), balanced (between Crown and industry) and fair (across sectors).

Next steps

We will continue to strongly advocate for a fair and proportionate legislative and wider policy regime that correctly identifies and manages risks, respects the design of the legislative system, and provides suitable transitional provisions for existing permit and license holders.

In our view, reliance on officials to eventually provide regulations or guidelines on these issues runs the risk of being slow, of producing unworkable results, and misses a vital opportunity for the CMA to provide clarity and greater predictability for investors.

We urgently wish to work collaboratively with you to address these issues. We propose you work with the sector to address these problems via Supplementary Order Papers to fairly and appropriately manage these risks, if adequate time can be allowed prior to the Committee of the Whole House.

Our energy security, and ultimately our wealth and prosperity depends upon getting this right.

Yours sincerely



John Carnegie
Chief Executive
Energy Resources Aotearoa

cc: Hon Chris Bishop
Minister for Infrastructure

Hon Simeon Brown
Minister of Energy



EVENT BRIEFING

Meeting with Energy Resources Aotearoa on 12 February 2025

Date:	10 February 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0008562

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your meeting with Energy Resources Aotearoa.	12 February 2025	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resources Policy	9(2)(a)	✓
Georgia Banks	Senior Policy Advisor	04 896 5882	

The following departments/agencies have been consulted

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Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with Energy Resources Aotearoa on 12 February 2025

Date:	10 February 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0008562

Purpose

To provide you with background information and topics for discussion for your meeting with Energy Resources Aotearoa at your Beehive office and online, on 12 February 2025 from 11-11.45am.

Recommendations

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

- a **Note** the contents of this briefing ahead of your meeting with Energy Resources Aotearoa on 12 February 2025.

Noted

Hannah Keat
Manager, Resources Policy
Building, Resources and Markets, MBIE

10 / 02 / 2025

Hon Shane Jones
Minister for Resources

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Meeting purpose and logistics

Date:	12 February 2025	Time:	11-11.45am
Location:	Your Beehive office and online		
Attendees:	<p>Energy Resources Aotearoa (ERA) attendees (attendee biographies are provided at Annex One):</p> <ul style="list-style-type: none">• John Carnegie (ERA)• Craig Barry (ERA)• Kevin Goulet (OMV NZ)• Mark McFarlane (Todd)• Evan Davies (Todd)• Paul Roberts / Mat Quinn (Beach Energy) (online)• Josh Adams (Westside) (online)• Richard Beament (Horizon Oil) (online)• Ryan Beierle (Matahio Energy) (online)• Wai-Lid Wong (Matahio Energy) (online) <p>MBIE officials:</p> <ul style="list-style-type: none">• Bruce Parkes, General Manager, Resource Markets Branch• Susan Hall, Policy Director, Resource Markets Branch• Hannah Keat, Manager, Resources Policy		
Agenda:	<p>ERA has provided the following agenda items they would like to discuss:</p> <ul style="list-style-type: none">• Crown Minerals Amendment Bill 2024 (the Bill)• Promoting New Zealand's petroleum sector• Progress on addressing sovereign risk.		

1. ERA's briefing note and letter is provided at **Annex Two**.

Topics for discussion

Crown Minerals Amendment Bill

2. On 24 January we advised you on the progress of an Amendment Paper (AP) to address an identified error in the Crown Minerals Amendment Bill 2024 (the Bill) [BRIEFING-REQ-0008320 refers]. The AP also addresses some concerns raised by ERA and others in the sector, within the scope of existing Cabinet decisions.
3. It does not address their core concern, that the Bill now extends trailing liability to persons with controlling interest and applies criminal and pecuniary penalty liability to directors. They have two primary issues with this change:

- a. Extending liability to persons with controlling interest 'pierces the corporate veil', which they consider undermines the foundation of the Companies Act 1993 and common business practices.
- b. Liability is automatically applied via statute to persons with controlling interests (the AP clarifies that regulations can be made to limit liability to zero).

4. The January briefing raised the option of ministerial discretion, as an alternative approach to extending liability for decommissioning to relevant controlling interests in the Crown Minerals Act 1991 (CMA). We have subsequently prepared an Aide Memoire to inform discussions with your ministerial colleagues [BRIEFING-REQ-0008554 refers].

ERA has indicated support for the alternative approach of ministerial discretion

- 5. We have confidentially discussed this alternative with key stakeholders, including ERA, Todd and OMV, who indicated this approach is an improvement on the current provisions in the Bill. However, ERA is reserving its final judgment until it sees what changes are made to the Bill, if the alternative option is progressed.
- 6. If you agree to progress the alternative option further, we will continue to engage ERA and other key stakeholders as we finalise its design and prepare a Cabinet paper for new policy approvals. ERA is aware that if this option is progressed it will require new Cabinet decisions, which will delay the passing of the Bill. It considers it is more important to get the settings right, than rush the passing of the Bill.
- 7. We expect attendees will want to discuss the alternative approach with you. This provides an opportunity to hear directly from the sector their views on this approach.

ERA remain concerned the Bill is a missed opportunity

- 8. As noted in ERA's briefing note, ERA remain concerned the changes being made to the CMA do not go far enough. Its view is that several key issues remain to be addressed, specifically:
 - a. Criminalising the directors' responsibilities of permit participants.
 - b. Retaining the presumption of complete removal when determining an acceptable financial security arrangement.
 - c. Many of the decommissioning provisions were introduced to manage the Crown's financial exposure to existing operations; a simplified regime, with lower administrative costs should be considered for new permits, where cash reserves can build over the life of the permit.
- 9. You have already signalled to the industry that some amendments need to be made to the Bill, before it progresses through the remaining stages in the House. You may wish to inform the ERA that you are currently considering the alternative that officials have shared with you in confidence. However, there are limits on what changes can be made to the Bill at this stage, without sending it back to select committee, which would delay it further.
- 10. You may wish to say that you are focussed on correcting the Bill and passing it as soon as possible, so that the ban on new petroleum exploration is removed, and promotion of the industry can begin.

Promoting New Zealand's petroleum sector

11. ERA is concerned that other government departments' focus on renewable energy risks sending confusing signals to the international market about what investment New Zealand requires. ERA is also interested in the role the newly announced Invest NZ will play, and what focus petroleum will have in the upcoming global investment summit.
12. New Zealand, like other smaller economies, is required to attract investment across many sectors. New Zealand welcomes foreign direct investment supporting renewable projects as it does petroleum projects. The New Zealand Infrastructure Investment Summit's focus is specifically infrastructure investment, and it is understood the very small closed-invitation list is reflective of that focus.

Progress on addressing sovereign risk

13. ERA will likely seek an update from you on whether the Government is progressing any changes to mitigate sovereign risk for both LNG and natural gas. They may also seek an update from you on any changes to the Crown Minerals royalty regime.
14. Both proposals are currently with the Associate Minister of Finance for consideration. You may wish to say that these issues are currently sitting with your ministerial colleagues, and that you have no further update for them at this time.

Risks and mitigations

15. 9(2)(g)(i) 

We are now engaging with them as we design an alternative approach to extending liability for decommissioning to relevant controlling interests.

16. We have sought to balance the sharing of information with protecting yours and Cabinet's decision-making processes. If the decision is made to progress the option of ministerial discretion, we recommend outlining the rationale for limiting the information we are able to provide in advance of decisions.

Annexes

Annex One: Attendee biographies

Annex Two: ERA briefing note and letter

Annex One: Attendee Biographies

	<p>John Carnegie – Chief Executive, ERA</p> <p>John joined ERA in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that speaks to the role of resources in the transition (specifically gas, but also other fuels). Prior to his role at ERA, he was the Executive Director of the Business NZ Energy Council and has nearly 30 years of experience in public policy and energy markets, specialising in energy, climate change and resource management policy. John is on the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum.</p>
	<p>Craig Barry – Policy Director, Upstream and Climate, ERA</p> <p>Craig is a chemical engineer with 25 years working in the international upstream oil and gas sector. He has an operations background and worked with MBIE as a Principal Production Advisor before joining the ERA. Craig spent 10 years with Woodside Energy, where he worked on corporate strategy and planning, exploration, and LNG projects. His time at Woodside included two years as New Zealand Country Manager.</p>
	<p>Evan Davies – Group Chief Executive Officer and Chief Executive Officer of Todd Capital</p> <p>Evan joined Todd as Managing Director of Todd Property in 2008 and in 2022 was appointed CEO of Todd Capital. In April 2023, Evan was appointed as Group Chief Executive Officer. Evan has multi-sector knowledge and leadership experience in a range of industries. He has previously been the Managing Director of SkyCity, growing the company from a single site to having business operations throughout NZ, South Australia, and the Northern Territory, with an enterprise value in excess of \$3 billion and more than 6,000 staff.</p>
	<p>Mark Macfarlane – Chief Executive, Upstream Energy, Todd Energy</p> <p>Mark completed a Bachelor of Mechanical Engineering (Hons) at the University of Melbourne in 1987 and joined ExxonMobil in Victoria. Over the next 10 years, Mark held a number of roles in projects, operations, planning and sub-surface in both Australia and Malaysia. Immediately prior to joining Todd Energy, Mark held of the role of COO and was responsible for Tullow Oil's HSE, exploration, operated and non-operated businesses, and commercial activities.</p>

	<p>Kevin Goulet – Managing Director, OMV NZ</p> <p>Kevin is the Managing Director of OMV NZ. He has 20 years' experience in the industry, joining OMV in 2012. Most recently, Kevin has been Maari Operations Manager and the Head of Department Asset Operations. Kevin's training and experience is in petroleum engineering and upstream operations. Kevin is originally from Canada and is based in New Plymouth.</p>
	<p>Josh Adams – Westside Corporation's NZ Corporate and Government Relations representative</p> <p>Josh is a Business Development Specialist with clients in multiple industries, including oil and gas exploration and production, new energy generation projects, forestry and wood processing, environmental technology, software development, onshore fisheries, lithium brine field management, and venture capital.</p> <p>Josh began his career as a Petroleum Geologist and has experience in exploration and development to commercial gas pipeline operations, and crude oil marketing and shipping. Josh has worked with various oil and gas companies in Australia and New Zealand, including Fletcher Challenge Energy, Santos, Greymouth Petroleum, Contact Energy, Maui Development Limited, Todd Corporation, Concept Consulting, Hale and Twomey, Firstgas and Rockgas. Josh was National Manager, Petroleum at MBIE between 2015 and 2019. Josh also runs the Secretariat function for MGUG.</p>
	<p>Mat Quinn – Country Manager, Beach Energy</p> <p>In 2019, Mat was appointed to New Zealand Country Manager and General Manager Operations for Beach Energy. Mat has worked in the oil and gas industry for over 25 years. Previously he has worked with Shell Todd Oil Service in Taranaki, and Origin Energy and BassGas in Australia. He is on the Board of ERA and Energy Skills New Zealand.</p>
	<p>Paul Roberts, Production Manager, Beach Energy</p> <p>Paul is responsible for all production related activities in the Kupe and Rimu, Kauri and Manutahi gas and oil fields in Taranaki.</p> <p>Prior to this, he has held various roles at Origin Energy, including Operations Manager for New Zealand Onshore and Acting Production Manager, overseeing significant oil and gas production facilities in onshore Taranaki.</p>

	<p>Richard Beament – Managing Director/CEO, Horizon Oil</p> <p>Richard has been the CEO of Horizon Oil since July 2022. He has also held Chief Financial Officer and Finance Manager roles in Horizon Oil.</p> <p>Richard has over 20 years' experience in accounting and finance. Prior to joining Horizon, Richard held senior positions with PwC in Sydney and London.</p>
	<p>Ryan Beierle – New Zealand Country Manager, Matahio</p> <p>Ryan Beierle has over 20 years of global experience in the upstream oil and gas industry, across Canada, the United States and New Zealand. Before joining Matahio, Ryan held various technical and leadership roles in major companies including ConocoPhillips, Chevron and TAG Oil.</p> <p>Ryan holds a degree in Petroleum Engineering from Montana Technological University and an MBA from the Australian Institute of Business.</p>
	<p>Dr. Wai-Lid Wong – Chief Executive Officer and Executive Director, Matahio</p> <p>Wai-Lid Wong has 20 years' experience in the oil and gas sector, in roles including engineering, operations and asset management. Wai-Lid was part of the senior leadership team of Tamarind Resources' international business and has been appointed as CEO of Matahio.</p> <p>Wai-Lid has a PhD in chemical engineering and a Master of Engineering from Imperial College, London.</p>

Annex Two: ERA briefing note and letter

Hon Shane Jones

Minister of Resources

Meeting with Energy Resources Aotearoa on 12 February 2025

Agenda and key messages:

1. Changes to the Crown Minerals Act amendment Bill 2024:

We welcome proposals to moderate some of the trailing liability provisions of the Crown Minerals Act ('the CMA'), this is a positive development. While these changes will further delay the passage of the Bill, it is more important that we get the policy settings to encourage further investment right, rather than doing it fast.

We remain concerned that the changes will not go far enough - the criminalisation of directors' responsibilities and the presumption of complete removal when determining the level of financial security are two cases in point. With a crowded legislative agenda for the remainder of the term we fear these issues will not be addressed.

2. Promoting the New Zealand petroleum sector:

Our petroleum basins remain underexplored. This offers enormous 'yet-to-find' potential. But serious promotional work is required to attract the necessary investment. We are keen to work with you and your officials to develop an itinerary to showcase the New Zealand sector internationally.

However, care is needed not to send mixed signals while attracting foreign investment. We recommend you ensure the new Invest NZ team is mandated to attract investment in New Zealand's petroleum sector and that it is highlighted at the forthcoming global investment summit.

Messaging from MFAT, NZTE, and Invest NZ needs to align with the Government's energy policy objectives. To date there has been an unrelenting focus on renewable energy and emissions reduction. We believe this undermines the social license of the petroleum sector and imperils our energy security.

3. Mitigating sovereign risk:

In August last year Cabinet agreed that officials would report back on measures to mitigate sovereign risk for both LNG and natural gas by the end of October. Are you able to provide an update on this?

See **attached** briefing for further information.

12 February 2025

**Hon Shane Jones
Minister of Resources**

Crown Minerals Act amendment Bill

1. Amendments introduced to the CMA after the select committee process served to entrench many of the more egregious provisions introduced by the previous Government. We are pleased to see the concerns of the sector have been heard, and that steps to introduce fairer and more proportionate liability provisions are in train. While hopeful, we reserve judgement until we have reviewed the new draft of the Bill.
2. However, several key issues remain to be addressed. These include:
 - a. criminalising the directors responsibilities of permit participants;
 - b. retaining the presumption of complete removal when determining an acceptable financial security arrangement; and
 - c. many of the decommissioning provisions were introduced to manage the Crown's financial exposure to existing operations – the decommissioning and financial security regime could be greatly simplified for new entrants.
3. The petroleum sector is one of the most heavily regulated sectors around the World. Good corporate governance is essential for the smooth management of operations and investment decisions across a complex business. As we have consistently argued, criminalising the duties of directors reduces the pool of quality candidates for these governance roles. High quality directors will likely avoid the upstream sector, rather than be exposed to these risks. We believe this effect will be counterproductive to the intent of the purpose statement of the CMA, which looks to ensure good industry practices are followed.
4. The need to rely on an assumption of complete removal, where an appropriate resource of marine consent has not been granted, only highlights how

problematic it is to draw land use issues into an inappropriate legislative instrument. The CMA is an enabling regime for the exploration and development of Crown-owned minerals. It does not determine environmental standards or accommodate land-owner (including the Crown) preferences. This is better managed in effects-based legislation such as the Resources Management Act 1991 and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012.

5. Amendments to the CMA to reduce the Crown's exposure to having to undertake and pay for another decommissioning project rightly focused on existing upstream operations. However, rather than simplifying and rebalancing, this resulted in a complicated set of rules for incumbent permit holders, based on the previous government's flawed approach, introduced at a time when the fields are in decline. As now drafted, this will increase administrative costs for both the permit holder and the regulator, as well as relying on the judgement of the regulator to identify and manage these financial risks.
6. We remain of the view that, in a concessionary regime, it is wholly inappropriate for the Crown to attempt to engineer a risk-free return for itself. This includes shedding the risk of regulatory failure onto former, current and future permit holders. In formulating policies to manage the risk of decommissioning again falling to the Crown, officials need to carefully exercise judgement about who should bear what level of risk and how, against the probability of that risk materialising. These decisions have a direct bearing on the success of the regime in achieving its policy objectives to secure New Zealand's energy future.
7. To date we have seen no evidence whatsoever of an assessment of this probability nor, if undertaken, who it might be attached to. This must be the basis for an evidence-based policy position.
8. In light of this, we have consistently argued the decommissioning provisions for all permits could and should be greatly simplified to the benefit of the Crown and the permit holder and that this could especially be the case for all new permits. This would assist in the promotion of New Zealand as an investment destination for new entrants. Worryingly, the Offshore Renewable Energy Bill, currently before the House looks to unnecessarily repeat many of the same provisions as the CMA.
9. We are concerned the CMA Bill will be the only opportunity this term to address these issues, and that by not addressing them New Zealand's attractiveness as an investment destination will be diminished.
10. In the meantime, we will continue to engage positively and constructively with officials as it re-evaluates the balancing of decommissioning risks.

Promoting New Zealand's petroleum sector

11. Promoting New Zealand's petroleum sector is not without its challenges. Our petroleum basins remain underexplored, including Taranaki, our only producing basin. This offers enormous 'yet-to-find' potential.
12. However, our geographic isolation, small market size, high costs, and limited supporting infrastructure are barriers to entry. This is before addressing the social license concerns.
13. We greatly appreciate your efforts as the champion of the sector, both as Minister of Resources and as the Minister of Regional Development. However, your positivity is not reflected by other departments and agencies responsible for promoting New Zealand's economic potential.
14. By way of examples, we understand that NZTE retains a renewable energy focus, and MFAT a green energy team. This is not bad in and of themselves. However, we consider that such foci risks sending confusing signals to the market about what inward investment we require. We also wonder about the extent to which MBIE in promoting the petroleum sector will see its effort siloed and become discordant with the 'mainstream' government investment narrative about renewables. We are also curious about the role of Invest NZ and the forthcoming global investment summit (for example, has the USA or UAE been engaged in a conversation about needing petroleum investment?)
15. We urge you to work with your Cabinet colleagues to ensure there is a consistent and positive message *across government* that New Zealand is open for business, and that this includes the exploration and development of Crown-owned minerals, including petroleum.

Progress on addressing sovereign risk

16. There is a highly charged political climate for the energy sector in New Zealand. A prudent policy goal should be to provide investors with a level of comfort that their long-term investments will have protection from any radical shifts in resource or climate policy from the government-of-the-day. The exploration ban is an example of an unadvertised policy shift that seriously damaged investments made in the petroleum sector.
17. Without a commitment that their investments will be kept whole should there be a change in government and a return to a less welcoming investment climate, we believe it is unlikely investors will return, and we will regrow our reserves. For completeness, any commitment should also apply to any future investments by incumbent permit holders given they face the same risk to future investments and there is clear evidence of the damage to their investments. This is despite claims that the property rights of incumbents were not affected by banning only future permits.

18. In August last year Cabinet agreed that officials would report back on measures to mitigate sovereign risk for both LNG and natural gas by the end of October and we would welcome an update on this.



EVENT BRIEFING

Meeting between Minister Bishop and Energy Resources Aotearoa on 26 February 2025

Date:	24 February 2025	Priority:	Medium
Security classification:	Sensitive	Tracking number:	BRIEFING-REQ-0009512

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing. Agree to forward this briefing to Minister Bishop ahead of his meeting with Energy Resources Aotearoa on 26 February 2025.	24 February 2025	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resources Policy	9(2)(a)	✓
Sophie Ford	Policy Advisor	09 928 2981	

The following departments/agencies have been consulted			
N/A			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting between Minister Bishop and Energy Resources Aotearoa on 26 February 2025

Date:	24 February 2025	Priority:	Medium
Security classification:	Sensitive	Tracking number:	BRIEFING-REQ-0009512

Purpose

To provide background information, topics for discussion and suggested talking points (as requested by Minister Bishop's office) for the meeting between Minister Bishop and Energy Resources Aotearoa at Minister Bishop's Beehive office on 26 February 2025 from 9am-9.30am.

Recommendations

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing.

Noted

b **Agree** to forward this briefing to Minister Bishop ahead of his meeting with Energy Resources Aotearoa on 26 February 2025.

Agree / Disagree

Hannah Keat
Manager, Resources Policy
Building, Resources and Markets, MBIE

24 / 02 / 2025

Hon Shane Jones
Minister for Resources

..... / /

Meeting purpose and logistics

Date:	26 February 2025	Time:	9-9.30am
Location:	Minister Bishop's Beehive office		
Attendees:	<p>Energy Resources Aotearoa (ERA) attendees (biographies are provided at Annex One):</p> <ul style="list-style-type: none">• John Carnegie, CEO• Craig Barry, Policy Director, Upstream and Environment <p>MBIE officials:</p> <ul style="list-style-type: none">• Bruce Parkes, General Manager, Resource Markets Branch		
Agenda:	<p>ERA has provided the following agenda items they would like to discuss:</p> <ul style="list-style-type: none">• Addressing sovereign risk• Other mechanisms for attracting and encouraging investment• Aligning operational policies with the Crown Minerals Act 1991 (CMA) goals to deliver success		

1. ERA's briefing note is provided at **Annex Two**.

Background

2. ERA want to talk to you about the importance of natural gas to New Zealand's energy security and ways to restore confidence in the sector.
3. New Zealand currently has a strong pipeline of investment in new, intermittent electricity generation (e.g., renewables such as wind and solar). However, the Ministry of Business, Innovation and Employment (MBIE) has strong concerns about the need for:
 - a. more natural gas for some of our largest industrial users (e.g., Methanex) and electricity generation, and
 - b. an increased supply of firm (not intermittent) electricity generation.
4. As gas is currently an important fuel source for firming electricity generation, these two issues are intertwined.
5. Security of natural gas supply is the most pressing near-term problem. Security issues in both the electricity and industrial markets will best be addressed by increasing overall gas supply, and increased investment in firm electricity generation.
6. Methanex is a central component of the energy sector. Its presence underpins drilling incentives for gas suppliers, and it offers vital dry winter flex by reducing production and shifting gas to electricity generators.

Topics for discussion

Addressing sovereign risk

7. ERA is concerned that a future government will reverse the changes to the CMA currently before Parliament. They believe that additional policy measures are needed to manage the effects of these potential future changes to protect long-term investments beyond the electoral cycle. ERA suggest amendments to the CMA and suitable terms in permits/licences or a contractual “economic stabilisation clause” outside the CMA.

MBIE's advice

8. A potential mechanism to address sovereign risk could be through a Crown guarantee that would compensate for removal of existing exploration and mining rights. MBIE's advice is that any guarantee should be very narrow. This is unlikely to sufficiently meet sector expectations as they are also concerned about policy changes beyond the CMA e.g., ETS, resource management reforms, renewable energy targets.

9(2)(g)(i)

Attracting and encouraging investment in the upstream sector

9. ERA consider that the best way to arrest the decline in our oil and gas reserves is to encourage more drilling of mature exploration targets in existing permits/licences and appraisal drilling that turns contingent resources into reserves. They have put forward the following, non-exhaustive, list of suggestions:
 - a. Introducing flexible royalty settings, for example through a royalty holiday on a proportion of reserves or lower royalty rates;
 - b. Removing the energy resources levy (ERL).
 - c. Enhanced CAPEX depreciation for new developments or redevelopment of existing operations; and
 - d. Allowing CAPEX uplift for discoveries prior to a prescribed rate, for example a greater than 100 per cent tax credit on CAPEX (i.e., get the prescribed percentage of investment back as a full tax credit in the year of expenditure) on all activities designed to grow 2P reserves.

MBIE's advice

10. On flexible royalty settings, such as a royalty holiday, the value to permit/licence holders compared to the upfront investment in drilling (especially offshore) may be too low to spur the additional investment we need. For example, a royalty holiday on a Maui well for the duration of its production (20PJ) could be around \$10m over several years for a \$80m investment. Removing the ERL, which is used as a royalty relativity mechanism for pre-1986 licences, would only benefit two licences – Maui and McKee – and not our other major gas producers. Crown revenue from the ERL on gas in 2023-24 was \$16m.
11. On enhanced CAPEX depreciation for production expenditure (immediate deduction instead of over seven years), there would be limited ability to ensure the benefit was being used to secure additional gas supply. It also introduces differential tax treatment and Inland Revenue

considers it would be inconsistent with New Zealand's broad-based, low-rate framework. The cost to the Crown would all fall in Year 1, instead of spread over seven years. Assuming a simple \$100m in CAPEX, this would likely mean a net loss to the Crown of \$24m in tax revenue in Year 1. Allowing a CAPEX uplift e.g., a greater than 100 per cent depreciation would have the same limitations as enhanced depreciation and come with additional costs to the Crown in lost tax revenue.

12. We have an alternative that is a priority for discussion with Ministers. This would recycle the Crown's expected royalty revenue in 2024/25 from gas (\$130m) into a grant over three years. The grant would fund a percentage of approved CAPEX (e.g., 25 – 40 per cent) that would increase drilling in existing fields, over and above BAU investment. At 25 per cent, the Government's contribution would support \$520m of investment. The \$130m could be lowered to \$90m by drawing on unspent funding of \$40m from the Tui decommissioning. While drilling itself does not guarantee more gas, especially given our ageing fields, more drilling increases the likelihood of a gas find.

9(2)(g)(i)



Promoting New Zealand's petroleum sector

13. ERA is concerned that other government departments' focus on renewable and green energy risks sending confusing signals to the international market about what investment New Zealand requires. They cite New Zealand Trade and Enterprise's focus on renewable energy and the Ministry of Foreign Affairs and Trade's green energy team. They want a consistent and positive message about petroleum investment across government. ERA is also interested in the role the newly announced Invest NZ will play, and what focus petroleum will have in the upcoming global investment summit.
14. ERA is also concerned that resource consents through the Fast Track Amendment Act (FTAA) and the Resource Management (Consenting and Other System Changes) Amendment Bill strongly favour investments in renewable energy. They consider policy should be fuel and technology agnostic, and that the class of 'specified energy activities' needs to include thermal power projects that stabilise the electricity distribution system.

MBIE's advice

15. MBIE established a Resource Markets Commercial Investment Team in 2024. The team is actively engaged in opportunities-based promotion of the petroleum and minerals sector to attract foreign investment into existing fields. While this will continue, it is unlikely to have the impact we need in the short term.
16. As noted above, New Zealand's electricity market needs more firming capacity. The FTAA is intended to deliver projects with significant regional or national benefits. It can be used for thermal projects that meet that threshold, not just renewable projects.

Risks and mitigations

17. In late 2024, ERA and sector representatives expressed dissatisfaction with the late changes made to the Crown Minerals Amendment Bill around decommissioning liability, and the level of visibility they have of the policy and legislative process. MBIE is engaging with ERA as we design an alternative approach to extending liability for decommissioning to relevant controlling interests.
18. We have sought to balance sharing information with protecting Cabinet's decision-making processes. If raised, we recommend outlining the rationale for limiting the information we can provide in advance of Cabinet decisions.

Annexes

Annex One: Attendee biographies

Annex Two: 18(d) - publicly
available on ERA

Annex One: Attendee Biographies

	<p>John Carnegie – Chief Executive, ERA</p> <p>John joined ERA in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that speaks to the role of resources in the transition (specifically gas, but also other fuels).</p> <p>Prior to his role at ERA, he was the Executive Director of the Business NZ Energy Council and has nearly 30 years of experience in public policy and energy markets, specialising in energy, climate change and resource management policy. John is on the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum.</p>
	<p>Craig Barry – Policy Director, Upstream and Climate, ERA</p> <p>Craig is a chemical engineer with 25 years working in the international upstream oil and gas sector. He has an operations background and worked with MBIE as a Principal Production Advisor before joining the ERA. Craig spent 10 years with Woodside Energy, where he worked on corporate strategy and planning, exploration, and LNG projects. His time at Woodside included two years as New Zealand Country Manager.</p>

Annex Two: ERA briefing note

18(d) - publicly available on ERA website





EVENT BRIEFING

OMV's Pohokura gas well opening on 12 March

Date:	6 March 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0010416

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	<p>Note the contents of this briefing ahead of your visit to OMV's Pohokura Production Station on Wednesday 12 March.</p> <p>Note that your Office is working with officials on a press release for this event which will be provided separately to this briefing.</p>	10 March 2025	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
John Buick-Constable	National Manager, Petroleum and Minerals	9(2)(a)	✓
Charlie Hanna	Senior Technical Advisor, Regulatory Operations, Petroleum and Minerals	(04) 901 8296	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

OMV's Pohokura gas well opening on 12 March

Date:	12 March 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0010416

Purpose

To provide you with information ahead of your visit to OMV New Zealand's (OMV) Pohokura Production Station on 12 March 2025 where OMV will show you its new well – Pohokura Onshore Well Number 5 (POW-05).

In agreement with your Office, this briefing does not include talking points but does include some topics that OMV may wish to discuss with you on 12 March.

Recommendations

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Note** the contents of this briefing ahead of your visit to OMV's Pohokura Production Station on 12 March 2025.

Noted

b **Note** that your Office is working with officials on a press release for this event that will be provided separately to this briefing.

Noted

John Buick-Constable
National Manager, Petroleum and Minerals
Building, Resources and Markets, MBIE

06 / 03 / 2025

Hon Shane Jones
Minister for Resources

..... / /

Meeting purpose and logistics

Date:	Wednesday 12 March 2025	Time:	10:00am – 12:00 noon
Location:	Pohokura Production Station, Lower Otaraoa Road, Motunui 4383.		
Attendees:	<p>Main OMV contact: David Darby (Engagement and Regulatory Affairs), 9(2)(a)</p> <p>Several other OMV staff will also attend. This may include, but is not limited to:</p> <ul style="list-style-type: none">• Kevin Goulet (General Manager)• Hamish Brown (Head of Department, Project Delivery)• Tahlia Rangiwananga (Manager, Strategic Messaging)• Rochelle Youngson (Head of Legal)• Simon Elliot (Manager, Pohokura Asset)• James Hare (Head of NZ Operations). <p>Biographies for David and Kevin are included at Annex One.</p> <p>Attending from MBIE:</p> <ul style="list-style-type: none">• Bruce Parkes (General Manager, Resource Markets). <p>Media will not be present.</p>		
Agenda:	<p>10.00am: arrival time & event starts.</p> <p>10.00am – 12.00 noon will include:</p> <ul style="list-style-type: none">• Safety briefing and changing into personal protective equipment (PPE).• Short OMV Presentation about POW-05 drilling & results.• Photos at the site where new gas will flow from POW-05 to the network.• You may be asked to turn on the gas from the new well. <p>By 12.00 noon: you are due to leave Pohokura Production Station.</p>		

1. OMV has invited you to visit Pohokura Production Station and its new well POW-05.
2. This visit provides an opportunity to see OMV's expansion via this new well, and discuss matters related to your Resources and Associate Energy portfolios.

3. You may be asked to turn on the gas from POW-05, depending on the status of OMV's pre-production checks (see paragraph 28 for more information).

Background on the OMV Group and OMV NZ

4. The OMV Group is a publicly listed global petroleum company based in Vienna which produces and markets oil and gas, innovative energy, and high-end petrochemical solutions. It employs over 22,000 people worldwide, including over 400 in New Zealand.
5. The OMV Group's subsidiary, OMV (New Zealand), has been operating here since 1999 and is one of the country's largest natural gas producers. It operates and has a participating interest in three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent). It also holds three large offshore exploration permits in the Taranaki region.

Background information for your visit to Pohokura

OMV's development drilling

6. The Pohokura Production Station processes petroleum that is produced from the Pohokura gas-condensate field. The Pohokura field is located wholly offshore, with wells drilled into the structure from both offshore wells (wellheads located at the Pohokura wellhead platform) and deviated wells from two onshore well sites.¹
7. Figure 1 (next page) shows an overview of the infrastructure associated with the Pohokura Field. This permit is held by a Joint Venture (JV) comprising of OMV (74%) and Todd (26%), with OMV acting as the field operator. The permit was granted to a consortium consisting of Shell, OMV and Todd in October 2004, for a period of 32 years (current expiry date of 7 October 2036), with OMV acquiring Shell's assets and share in the permit in 2018.

¹ OMV NZ's Pohokura permit is technically an offshore permit but has been drilled from both onshore and offshore.

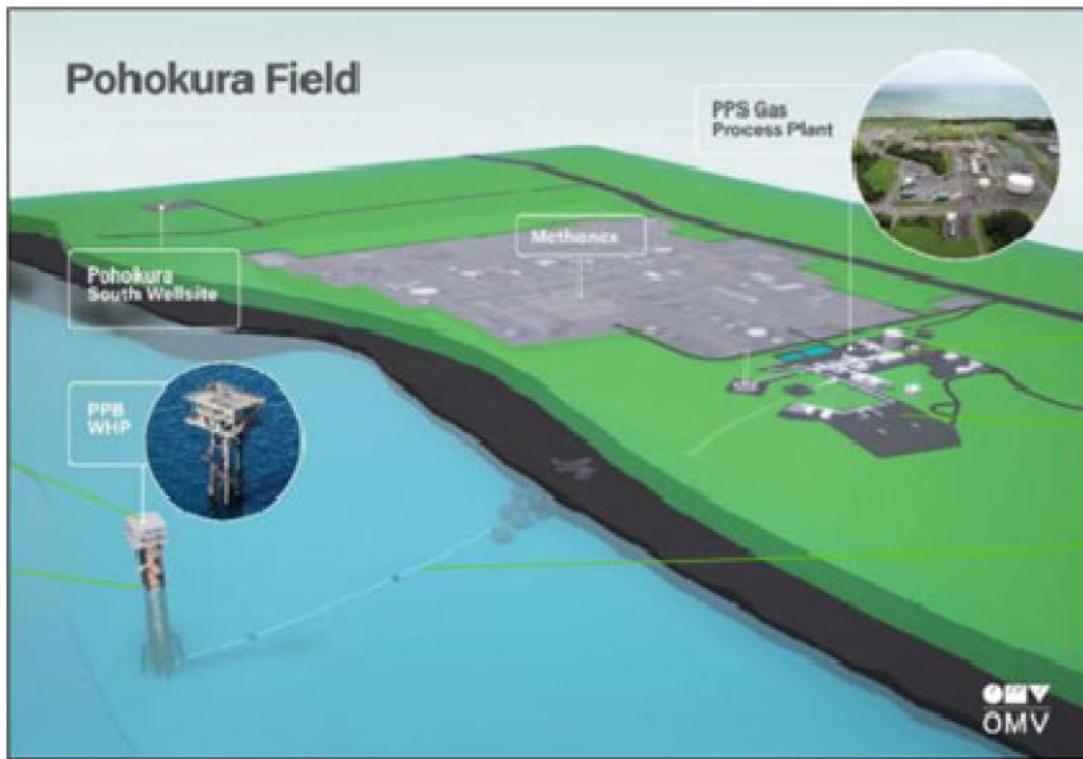


Figure 1. The Pohokura Field (from material supplied by OMV).

Preliminary reserves data for Pohokura

8. On 3 March, OMV provided MBIE officials with a preliminary update on its petroleum reserves. Final reserve reporting for the 2024 calendar year is due to MBIE by 31 March 2025.
9. OMV's production for 2024 was less than forecast, 9(2)(b)(ii)

9(2)(b)(ii)

New well (POW-05)

11. OMV started drilling the POW-05 well under its Pohokura permit in November 2024, and released the drilling rig on 4 February 2025. While the permit area is offshore, the POW-05 well originates onshore.

9(2)(b)(ii)

Topics that OMV may want to discuss with you

OMV's New Zealand plans

15. In 2024 and earlier, OMV was looking for opportunities to sell its New Zealand assets. OMV has since ceased its sale intentions and is now planning its long-term future in New Zealand.

9(2)(b)(ii)



17. OMV is also interested in exploring geothermal opportunities in New Zealand.

Update on the Crown Minerals Amendment Bill

18. You recently directed officials to prepare a Cabinet paper seeking new policy decisions for the Crown Minerals Amendment Bill 2024. The draft Cabinet paper was provided to your office on 28 February, and officials are working towards lodging the final Cabinet paper for the Cabinet Economic Policy Committee on 26 March.

19. The Cabinet paper seeks agreement to amend the decommissioning provisions in the Crown Minerals Act 1991 to provide a more flexible approach to extending decommissioning liability. It proposes Ministerial discretion, at the point of approving certain transactions, to require an outgoing interest to provide a guarantee that they will meet relevant decommissioning costs, in the event the permit holder, previous permit holder and financial security cannot meet the costs.

20. Officials have also sought your approval to include in the Cabinet paper a policy change to provide greater flexibility in the Act under the existing ministerial exemption and deferral power [BRIEFING-REQ-0010243]. This is intended to address industry concerns that financial securities are based on the cost of total removal, when that may not be appropriate or required.

21. OMV has been consulted on the option of Ministerial discretion to extend liability for decommissioning costs. While industry stakeholders generally are against the concept of trailing liability, and so against this extension, they are largely in support of this more flexible approach (compared to the current Bill). They may wish to discuss these two proposals with you and seek any information on timing for the passing of the Bill. Pending Cabinet approval of the new proposals, the intention is to have the Bill passed by mid-2025.

Energy and Electricity Security Bill

22. In August 2024, the Cabinet Economic Policy Committee (ECO) agreed to develop an enabling framework for constructing liquid natural gas (LNG) import facilities and the *Energy and Electricity Security Bill* (the Bill) to give effect to the framework [ECO-24-MIN-0172

refers]. Policy work is continuing on removing regulatory barriers to investment in dry year security, including LNG import facilities.

23. In February 2025, you and the Minister for Energy announced that the Bill will remove restrictions on electricity distribution businesses investing in generation. However, the rest of the Bill's policy have not been announced.

Carbon Capture, Utilisation and Storage (CCUS)

24. MBIE consulted on a regulatory regime for CCUS in July & August 2024. In February 2025, the Government announced key decisions on a CCUS framework to enable businesses to benefit through the Emissions Trading Scheme for storing carbon underground, and that there would be settings in place around approval, monitoring and long-term liability arrangements for carbon capture and storage activities. Policy work on these settings is ongoing, and legislation to give effect to Cabinet's decisions on the key elements of a CCUS framework is expected to be introduced this year.
25. OMV submitted on the CCUS consultation on 5 August 2024 and were broadly in favour of the proposal for a regulatory regime. Its submission noted "OMV has identified CCUS as a key opportunity for the company as we move toward our net-zero transition" and that "we are unwilling to agree any development path for the [Māui East] discovery that would involve venting CO2 into atmosphere".
26. Outside its submission, OMV noted to MBIE on 3 March 2025 that it is continuing to work on concepts for [its] new Māui East gas discovery, 9(2)(b)(ii)
[redacted]
27. 9(2)(b)(ii)
[redacted]

Risks and mitigations

28. As at 3 March, OMV were undertaking testing and engineering checks on the new POW-05 well before production starts. For your visit on the 12 March, there is a possibility that pre-production checks may still be in process, in which case you may not be able to officially turn on the gas. We do not consider this a material risk but are noting it for completeness. OMV would still plan to take a photo of you beside the pipe where the new gas will eventually flow into the network.
29. OMV are not yet sure whether your team's video equipment will be allowed on site due to health and safety protocols. If your video team cannot work on site, OMV has suggested filming just outside the site's fence. This will be confirmed on 12 March or in the days before.

Annex One: Biographies of selected attendees

 A photograph of Kevin Goulet, a man with short brown hair, wearing a red t-shirt with the text 'I-R-O-N' on it. He is smiling and looking towards the camera.	<p>Kevin Goulet – General Manager, OMV NZ</p> <p>Kevin is the General Manager of OMV NZ. He has 20 years' experience in the industry, joining OMV in 2012. Most recently Kevin has been Maari Operations Manager and the Head of Department Asset Operations. Kevin's training and experience is in petroleum engineering and upstream operations. Kevin is originally from Canada and is based in New Plymouth.</p>
 A photograph of David Darby, a man with grey hair, wearing a dark grey blazer over a white shirt. He is standing in an office setting, leaning on a wooden desk with his hands clasped.	<p>David Darby – Engagement and Regulatory Affairs, OMV NZ</p> <p>David is responsible for OMV New Zealand's stakeholder engagement and regulatory affairs. He has previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>



EVENT BRIEFING

Meeting with Brett Woods (Managing Director and CEO of Beach Energy Ltd) on 4 April 2025

Date:	2 April 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0012047

Action sought

	Action sought	Deadline
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your meeting with Brett Woods (Managing Director and CEO of Beach Energy Ltd) on Friday 4 April.	3 April 2025

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
John Buick-Constable	National Manager, Petroleum and Minerals	9(2)(a)	✓
Charlie Hanna	Senior Technical Advisor, Regulatory Operations, Petroleum and Minerals	(04) 901 8296	

The following departments/agencies have been consulted

N/A

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with Brett Woods (Managing Director and CEO of Beach Energy Ltd) on 4 April 2025

Date:	2 April 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0012047

Purpose

To provide you with information ahead of your meeting with Brett Woods (Managing Director and CEO of Beach Energy Ltd) on Friday 4 April 2025.

Recommendations

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Note** the contents of this briefing ahead of your meeting with Brett Woods (Managing Director and CEO of Beach Energy Ltd) on Friday 4 April.

Noted

John Buick-Constable
National Manager, Petroleum and Minerals
Building, Resources and Markets, MBIE

02 / 04 / 2025

Hon Shane Jones
Minister for Resources

..... / /

Meeting purpose and logistics

Date:	Friday 4 April 2025	Time:	11:30 am-12:15 pm
Location:	Depot Eatery, 86 Federal Street, Auckland Central.		
Attendees:	<ul style="list-style-type: none">Brett Woods – Managing Director & CEO, Beach Energy Ltd. <p>A biography for Mr Woods is included at Annex One.</p> <p>No MBIE officials are attending.</p>		
Agenda:	No agenda has been provided by Beach Energy Ltd.		

1. Brett Woods, Managing Director and CEO of Beach Energy Ltd (Beach), has requested a meeting with you.
2. Beach has not provided your office with advice on particular matters that Mr Woods would like to discuss.
3. This meeting provides an opportunity for Mr Woods to ask about your Resources and Associate Energy portfolios, and for you to ask about Beach's Taranaki operations and any plans it may have for its portfolio of interests.

Background on Beach and its NZ operations

4. Founded in 1961, Beach is headquartered in Adelaide, Australia. Beach operates onshore and offshore oil and natural gas facilities across Australia and in offshore Taranaki, New Zealand.
5. Mr Woods became Managing Director and CEO of Beach in January 2024.

Beach's Kupe operations

Beach considers Kupe a 'non-core' asset

6. Beach holds one petroleum mining licence in New Zealand – to operate the Kupe Gas Plant at Manaia, South Taranaki which produces gas from the offshore Kupe Field. Beach is the operator and has a 50% share in the licence, which expires on 1 July 2040.
7. In June 2024, Beach described Kupe as one of its 'non-core assets', noting that this asset category had potential for divestment and would only receive 'selective capital investment'.
8. At peak, gas produced from the offshore Kupe Field is estimated to meet 10-15% of New Zealand's annual natural gas demand and 50% of its LPG demand.
9. The Kupe Field comprises twelve wells – four of these are classified as active producers; the remaining eight are either suspended or plugged and abandoned.

10. Of the four active producers, Beach consistently produced gas from two of them (Kupe South 6 and Kupe South 7) in 2024.

Beach's most recent drilling campaign at Kupe was unsuccessful

11. Kupe South 9 development well (KS-9) is the most recent exploration well undertaken by Beach in its Kupe Field. It was drilled between October and December 2023.
12. KS-9 has not been successful. The well delivered low gas flow rates, which were not improved by well intervention.
13. Drilling results confirmed that production from previous Kupe wells has drained gas from the Kupe Field, leading to a reduction in expected recovery from KS-9.
14. As a result of the poor outcome of KS-9, at 30 June 2024 Beach reduced the value of its Kupe assets by AUD \$114.2 million via an 'impairment charge', which equates to a reduction of approximately NZD \$125.8 million (at 1 April 2025 exchange rates).

Kupe wind energy investigation

15. In its Annual Report 2024, Beach stated it was assessing project feasibility for onshore wind in the Kupe Basin and was evaluating a range of experienced developers. Beach's 2023 Sustainability Report noted that (the opportunity for) an onshore wind farm adjacent to its Kupe Gas Plant could involve up to 30 x 7.2 MW turbines, resulting in up to 216 MW capacity.
16. Beach's Annual Report 2024 also noted that investigations had been undertaken into Kupe offshore wind, which yielded useful data but was ultimately not commercially viable.

Topics that Mr Woods may want to discuss

17. Your office has not received specific topics that Mr Woods would like to talk about, so an unstructured meeting is expected.
18. Topics that may arise could include Beach's plans in New Zealand and the Crown Minerals Amendment Bill 2024.

Beach's New Zealand plans

9(2)(b)(ii)

20. MBIE does not hold further details about plans Beach may have for Kupe or its wider portfolio of interests. You may wish to ask Mr Woods about Kupe's status as a 'non-core asset', and whether Beach has intentions to divest the licence. You may also wish to ask about Beach's Kupe onshore and offshore wind development investigations.

Crown Minerals Amendment Bill

21. Beach did not make its own submission on the Crown Minerals Amendment Bill 2024.
22. Beach is a member of Energy Resources Aotearoa (ERA), which represents energy producers, distributors, sellers and users of LPG, natural gas and other resources. ERA did make a submission containing the following selected key messages:

- “The changes set out in the Bill are a positive development towards restoring investor confidence and securing our energy needs.”
- “However, we believe further measures are needed to address the substantial level of sovereign risk faced by the sector. Sufficient confidence will be required for investors to once again put their capital at risk in the inherently risky exercise of discovering, appraising, and developing New Zealand’s petroleum resources.”

Risks and mitigations

23. We have not identified any specific risks associated with this meeting.

Annexes

Annex One: Attendee biographies

Annex One: Attendee biographies

 A professional headshot of a man with short, light-colored hair, wearing a dark blue suit jacket, a white shirt, and a dark green patterned tie. He is smiling and looking directly at the camera.	<p>Brett Woods – Managing Director & Chief Executive Officer, Beach Energy Limited</p> <p>Brett began as MD and CEO in January 2024. He is a leading senior executive in the energy sector with over 25 years' experience. Previous roles include as MD & CEO of Rialto Energy (Africa) and as an executive leadership team member of Santos. He has a BSc (Hons) in Geology and Geophysics and has undertaken an Advanced Management Programme (AMP) for senior executives through Harvard.</p>
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Meeting with Energy Resources Aotearoa

To:	Hon Shane Jones, Minister for Resources		
Date:	Wednesday 7 May, 2025	Time:	11.00am-11.30am
Location:	6.4EW	Tracker number:	0013490

Background

1. You are meeting with Energy Resources Aotearoa (ERA) and oil and gas industry participants on Wednesday 7 May. Biographies are provided in **Annex One**.
2. ERA has provided a briefing (**Annex Two**), which notes they wish to discuss the following matters with you:
 - a. The current oil context for the oil and gas sector.
 - b. The Crown Minerals Amendment Bill 2024 (the Bill).
 - c. Measures to mitigate sovereign risk.
 - d. Alignment of your objectives for oil and gas and regulatory settings.
3. We consider this meeting is an opportunity to reiterate your intention to pass the Bill as soon as possible, and to realign ERA with your focus on implementation and promoting New Zealand as a place to do business following the passing of the Bill.

MBIE is currently consulting on the draft Amendment Paper

4. We recently shared the draft Amendment Paper (AP) that proposes changes to the Bill, with ERA and other key industry stakeholders for feedback. ERA may wish to discuss the draft with you.
5. The draft AP reflects the changes approved by Cabinet in April [ECO-25-MIN-0047], to take a more discretionary approach to extending liability for the costs of decommissioning. Despite opposing trailing liability in principle, ERA supports the discretionary approach being taken, seeing it as an improvement on the automatic liability applied to controlling interests currently in the Bill. However, it does not support other changes made in the AP, including additional approvals for changes of control, and the approach taken to address the presumption of total removal for decommissioning.
6. Officials have been clear that feedback should be limited to the workability of the AP and ensuring that it gives effect to Cabinet's policy decisions. If ERA raise any potential changes to the policy within the AP, we recommend you reiterate that you are focussed on getting the Bill passed as soon as possible and no further policy changes are being considered. You may also wish to invite any feedback that helps to ensure the changes to the Bill are workable from an industry perspective.

Next steps following the passing of the Bill

7. The Bill is expected to progress through the remaining House stages in June, and updated Regulations and Programmes in place by early September 2025. This will allow for new applications to be received for petroleum exploration permits via the new Open Market Application method, which allows for applications to be submitted at any point.
8. We recommend you share this timing with ERA so it can ensure any interested members are preparing to submit application with New Zealand Petroleum and Minerals (NZP&M) as soon as secondary legislation allows.
9. You may also wish to discuss that the passing of the Bill presents a significant opportunity to promote New Zealand as 'open for business'. You could ask ERA and its members what their plans are when the Bill passes, and how you could be of assistance to support promoting the sector.
10. NZP&M is also preparing to inform the sector of upcoming work to ensure financial securities for decommissioning are in place. Financial securities are the primary risk mitigation tool for ensuring decommissioning costs do not fall to the Crown, and NZP&M is intending to notify permit and licence holders of the need to put in place appropriate financial securities shortly after the passing of the Bill. 9(2)(f)(iv)
11. We recommend raising this with the sector, and outlining your expectation that financial securities are in place within a reasonable period of time.

ERA may raise the issue of sovereign risk

12. ERA continue to express its concern the Bill does not address the issue of sovereign risk associated with investment in fossil-fuel related enterprises. ERA has also noted, following the last meeting with you, it has had no visibility of work underway to address sovereign risk.
13. As you are aware, this issue is being progressed through Budget 2025. As a result, you are unable to share any information with the sector at this stage.

Annex One: Biographies of attendees

	<p>John Carnegie – Chief Executive, ERA</p> <p>John joined ERA in December 2019. Since then, he has re-orientated the industry association formerly known as PEPANZ into a broader energy resources entity that speaks to the role of resources in the transition (specifically gas, but also other fuels). Prior to his role at ERA, he was the Executive Director of the Business NZ Energy Council and has nearly 30 years of experience in public policy and energy markets, specialising in energy, climate change and resource management policy. John is on the board of the World Energy Council as interim chair of the finance and audit committee. He is the first New Zealander to hold these positions with the international energy forum.</p>
	<p>James Caldwell – Policy Director, Upstream and Climate, ERA</p> <p>James has over 20 years of experience in public policy. He has held several leadership roles in the Energy and Resources branches at the Ministry of Business, Innovation & Employment (MBIE). James has a background in regulatory stewardship, resource management, international and trade relations and dispute resolution.</p> <p>James previously worked at the Ministries of Health, Environment and Foreign Affairs & Trade. He holds a First-Class Honours degree in Law and Social Science (LLB (Hons)/BSocSci) and a Certificate in Public Policy.</p>
	<p>Evan Davies – Group Chief Executive Officer and Chief Executive Officer of Todd Capital</p> <p>Evan joined Todd as Managing Director of Todd Property in 2008 and in 2022 was appointed CEO of Todd Capital. In April 2023, Evan was appointed as Group Chief Executive Officer. Evan has multi-sector knowledge and leadership experience in a range of industries. He has previously been the Managing Director of SkyCity, growing the company from a single site to having business operations throughout NZ, South Australia, and the Northern Territory, with an enterprise value in excess of \$3 billion and more than 6,000 staff.</p>
	<p>Kevin Goulet – Managing Director, OMV NZ</p> <p>Kevin is the Managing Director of OMV NZ. He has 20 years' experience in the industry, joining OMV in 2012. Most recently, Kevin has been Maari Operations Manager and the Head of Department Asset Operations. Kevin's training and experience is in petroleum engineering and upstream operations. Kevin is originally from Canada and is based in New Plymouth.</p>

	<p>Mark McFarlane – Chief Executive, Upstream Energy, Todd Energy</p> <p>Mark completed a Bachelor of Mechanical Engineering (Hons) at the University of Melbourne in 1987 and joined ExxonMobil in Victoria. Over the next 10 years, Mark held a number of roles in projects, operations, planning and sub-surface in both Australia and Malaysia. Immediately prior to joining Todd Energy, Mark held the role of COO and was responsible for Tullow Oil's HSE, exploration, operated and non-operated businesses, and commercial activities.</p>
	<p>David Darby – Engagement and Regulatory Affairs, OMV NZ</p> <p>David Darby is responsible for OMV NZ's stakeholder engagement and regulatory affairs. He has previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>
	<p>Paul Roberts, Production Manager, Beach Energy</p> <p>Paul is responsible for all production related activities in the Kupe and Rimu, Kauri and Manutahi gas and oil fields in Taranaki. Prior to this, he has held various roles at Origin Energy, including Operations Manager for New Zealand Onshore and Acting Production Manager, overseeing significant oil and gas production facilities in onshore Taranaki.</p>
	<p>Richard Beament – Managing Director/CEO, Horizon Oil</p> <p>Richard has been the CEO of Horizon Oil since July 2022. He has also held Chief Financial Officer and Finance Manager roles in Horizon Oil.</p> <p>Richard has over 20 years' experience in accounting and finance. Prior to joining Horizon, Richard held senior positions with PwC in Sydney and London.</p>
	<p>Josh Adams – NZ Corporate and Government Relations representative, Westside Corporation</p> <p>Josh is a Business Development Specialist with clients in multiple industries, including oil and gas exploration and production, new energy generation projects, forestry and wood processing, environmental technology, software development, onshore fisheries, lithium brine field management, and venture capital.</p> <p>Josh began his career as a Petroleum Geologist and has experience in exploration and development to commercial gas</p>

	<p>pipeline operations, and crude oil marketing and shipping. Josh has worked with various oil and gas companies in Australia and New Zealand, including Fletcher Challenge Energy, Santos, Greymouth Petroleum, Contact Energy, Maui Development Limited, Todd Corporation, Concept Consulting, Hale and Twomey, Firstgas and Rockgas. Josh was National Manager, Petroleum at MBIE between 2015 and 2019. Josh also runs the Secretariat function for MGUG.</p>
	<p>Brendan Madden – Chief Executive Officer, Westside Corporation</p> <p>Brendan is a Chartered Accountant with more than 15 years of experience. He held a range of financial positions including at an ASX listed minerals processing company, Australia's largest retain travel organisation and Deloitte.</p> <p>Brendan brings a wealth of experience in capital management, investor and stakeholder management and financial reporting.</p>

Annex Two: ERA Briefing: Meeting with Energy Resources Aotearoa on 7 May 2025



Hon Shane Jones

Minister for Resources

Meeting with Energy Resources Aotearoa on 7 May 2025

Key messages

- *while not entirely happy with where things have landed on the CMA Amendment Bill, particularly around the new change of control measures and retention of the presumption of complete removal, we are pleased to see changes to the trailing liability regime and signalled future work on possible exemptions for petroleum infrastructure as relating to financial security setting*
- *we are grateful to you for the opportunity to review the new changes to the Bill and to provide feedback on the workability of the proposals from an industry perspective*
- *we had by now expected to have worked with officials on possible measures to mitigate sovereign risk associated with future investments in natural gas, but we are still waiting for this and would appreciate an update on this, and any other measures being considered*
- *we welcome the opportunity to discuss how policy and operational settings are aligning (or not, as the case may be) to deliver on the Government's oil and gas objectives*

Current context for the sector

1. The sector is keenly aware of the impact of declining gas supply and the other challenges that it faces to address New Zealand's energy security, and the challenges faced by gas users.
2. Our members continue to invest significantly to maintain gas production, including the recent POW-05 well from the OMV/Todd joint venture and Todd Energy has a drilling programme underway. However, as you know, investment timeframes are long in this industry, fields are ageing, and sovereign risk for fossil fuel investments remains a major concern. It is through the lens of this context that we view the following issues.

The Crown Minerals Act Amendment Bill 2024

3. We are pleased that some of the concerns of the sector on the decommissioning provisions have been heard, and that the resulting liability provisions are more reasonable and proportionate than were introduced to the Select Committee and Committee of the Whole stages.
4. We support the amendment to expressly provide greater flexibility with regard to trailing liability and consideration of exemptions for either the whole, or parts of, particular items of infrastructure as relating to financial security. These changes make the decommissioning regime more balanced, risk adjusted, and less punitive.
5. We have already started thinking about potential class exemptions for petroleum infrastructure and will work with MBIE officials on the details, including finalising consequential changes required to the Petroleum Programme and any other regulations. We are hopeful that this pragmatic approach to exemptions may yet address our key concerns about the CMA requirements for full removal of infrastructure.
6. We are grateful to you for the opportunity to review the proposed changes to the draft Bill though at the time of drafting we have yet to see an exposure draft. We will continue to work with MBIE to provide our feedback on the workability of the proposals from an industry perspective.
7. However, we still consider that the changes signalled have not shifted the dial far enough to provide stimulus for investment in the petroleum sector in New Zealand. In particular, we do not believe that the following are consistent with the Government's goal to accelerate investment in growing our reserves and revitalising our upstream gas sector:
 - a. new approval of changes of control of all permit participants (i.e. those required to notify under section 41A now requiring Ministerial approval before the transaction occurs);

- b. requirement for prior Ministerial approval where a person ceases to have control; and
- c. new pecuniary penalty for the outgoing interest if a change of control goes ahead without Ministerial approval.

Measures to mitigate sovereign risk

- 8. Regardless of where the Bill lands, we have consistently noted that investment will not be unlocked in growing our reserves (especially from new entrants) without measures to mitigate the *massive* sovereign risk now associated with investment in fossil fuel-related enterprises.¹ You have frequently and publicly leaned into this issue, talking most recently about the possibility of the Crown taking equity stakes in new permits.
- 9. At our last meeting it was agreed that officials would work with us as they shaped up policy to address sovereign risk, but to date we have had no visibility of this work. We would appreciate an update on this work, or indeed any other measures that the Government may be contemplating to derisk future investment intentions.

Alignment of your objectives for oil and gas and regulatory settings

- 10. Once the legislative and other changes are publicly announced, it will be important to ensure that they land well in the bureaucracy who will be required to give effect to them.
- 11. We still consider that there are questions about how policy and operational settings are aligning (or not, as the case may be) to deliver on the Government's oil and gas objectives. You are a great champion of the sector, but your support is not always reflected in the approaches taken by other departments and agencies responsible for promoting investment in New Zealand or policy initiatives.
- 12. In our view, this misalignment manifests itself in a couple of ways:
 - a. your policy that the oil and gas sector needs to be actively promoted is not yet being reflected on the ground. The purpose of the CMA is being changed back to reflect this objective, and MBIE has staff whose role is to promote New Zealand's minerals resources. However, this voice will be drowned out by other agencies (MFAT, NZTE, Invest NZ etc.) if they retain their *sole focus* on renewable energy.

Because of this, we urge you to speak to their responsible Ministers to ensure that they are all tasked with conveying the message that New Zealand is 'open for business' not only for renewables but also for the exploration and development of Crown-owned petroleum resources, and that we need inward investment. All relevant government agencies need to be directed to deliver this clear and consistent message; and

¹ It is important to reiterate that this risk is ***not exclusive*** to natural gas but also to the development of gas-fired peaking power stations and the importation of LNG.

b. our enduring and firmly held view is that policy settings should be neutral in terms of support from the Government for *all energy sources*. However, what we are increasingly seeing is, at best, policy incoherence and, at worst, entrenched bias against oil and gas. For example, suggested amendments to the RMA explicitly offer preferred consenting status to renewables, but this also permeates policies in less obvious ways such as the recently released proposals for a Carbon Capture Utilisation and Storage (CCUS) regime. This seems to treat geothermal energy differently on the basis that geothermal emissions occur naturally and therefore do not contribute to New Zealand's emission inventory.

We urge you and your Cabinet colleagues to be conscious of this bias, which may be inadvertent or even unconscious, and try to ensure that all energy policies are (unless specifically justified) agnostic in terms of fuel and technology. The sector has, for too long, existed under oppressive and direct policy settings and we look to this Government to be more even handed (if not openly supportive) in its approach. We will also continue to call out policies that seem to reflect this bias.



EVENT BRIEFING

Meeting with OMV on 21 May 2025

Date:	19 May 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0013906

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing ahead of your meeting with OMV.	21 May 2025	
Hon Simon Watts Minister for Energy			

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resource Policy	[REDACTED]	✓
Dominic Kebbell	Manager, Gas and Fuel Policy	04 896 5297	
Sophie Ford	Policy Advisor	09 928 2981	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



EVENT BRIEFING

Meeting with OMV on 21 May 2025

Date:	19 May 2025	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0013906

Purpose

To provide you with background information ahead of your meeting with OMV on Wednesday, 21 May 2025.

Recommendations

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the contents of this briefing ahead of your meeting with OMV on Wednesday, 21 May 2025.

Noted

Lena MacCarthy
Manager, Resource Policy
Building, Resources & Markets, MBIE

19 / 05 / 2025

Hon Shane Jones
Minister for Resources

..... / /

Dominic Kebbell
Manager, Gas & Fuel Policy
Building, Resources & Markets, MBIE

19 / 05 / 2025

Hon Simon Watts
Minister for Energy

..... / /

Meeting purpose and logistics

Date:	21 May 2025	Time:	3.30pm to 4.00pm
Location:	Minister Jones' Beehive office, 6.4EW		
Attendees:	<p>Erwin Kroell, incoming General Manager, OMV NZ Kevin Goulet, outgoing Acting General Manager, OMV NZ David Darby, Engagement and Regulatory Affairs, OMV NZ Attendees' biographies are included at Annex One.</p>		
Agenda:	<p>The meeting is an opportunity for you to meet the incoming General Manager and discuss OMV's current and future opportunities for addressing gas supply issues, the energy transition and security trends in Europe, and OMV's global strategy including the role of geothermal and carbon capture, utilisation and storage.</p>		

Background

1. OMV is a publicly listed petroleum company based in Vienna which produces and markets oil and gas, innovative energy, and high-end petrochemical solutions. OMV employs over 22,000 people worldwide, including over 400 in New Zealand.
2. OMV's subsidiary, OMV NZ, has been operating here since 1999 and is one of New Zealand's largest natural gas producers. It operates and has a participating interest in three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent). It also holds one large offshore exploration permit in the Taranaki region.
3. On 23 March 2025, OMV applied to surrender two offshore petroleum exploration permits, 57075 and 60097. The surrender applications were granted on 22 April 2025.
4. 9(2)(b)(ii) 9(2)(ba)(i)


Potential topics for discussion

Meeting OMV NZ's incoming General Manager

5. This meeting is an opportunity to be introduced to OMV's incoming General Manager, Erwin Kroell. Erwin is currently visiting New Zealand for two weeks in advance of taking up the General Manager role. He is expected to be permanently in New Zealand in July 2025, but this is dependent on his visa application process. Until Erwin is in the seat, Kevin Goulet remains as Acting General Manager.

Crown Minerals Amendment Bill 2024

6. The Crown Minerals Amendment Bill 2024 (CMA Bill) is currently awaiting third reading. On 7 April 2025, Cabinet approved changes to the framework for petroleum decommissioning responsibilities under the Crown Minerals Act 1991 (CMA).
7. The changes remove automatic liability for former permit holders in statute and introduce a discretionary approach to applying liability for decommissioning costs, when an interest exits a permit or licence. As part of approving certain transactions under the CMA, the Minister for

Resources and Minister of Finance could require an outgoing interest or related party to provide a guarantee that they will meet relevant decommissioning costs (an ‘outgoing guarantee’), in the event the current permit holder defaults on their obligations and any financial securities are insufficient.

8. Officials have recently shared, in confidence, the draft Amendment Paper (AP) with a group of industry stakeholders, including OMV. Feedback was sought from industry on the workability of the AP and ensuring that it gives effect to Cabinet’s policy decisions.
9. Feedback from OMV raised a concern from the draft AP that any outgoing guarantee, if required at the point of transfer or change of control, would be unlimited. Officials consider that the drafting is clear that any outgoing guarantee is limited to:
 - a. The costs to decommission infrastructure and wells that were in place at the time of the relevant transaction, and
 - b. Any costs not met by any financial securities in place.
10. This aligns with the existing trailing liability, where what a former permit holder may be liable for is defined but the actual costs are not known until they are called upon, due to the potential for costs to inflate over time. We are currently working through if any changes are required to the drafting to allow for more certainty when warranted.
11. OMV was encouraged by the changes made in the AP to allow for an exemption for part of an item of petroleum infrastructure and indicated its willingness to work with officials on exemptions going forward.
12. The CMA Bill is currently scheduled to progress through its remaining stages in July 2025, though we understand agreement is being sought from the Leader of the House to allow this to occur in June. OMV have said they intend to convey their thanks for the changes to the CMA.

Work underway on geothermal strategy

13. The Government is developing a holistic geothermal strategy to unlock the potential of New Zealand’s geothermal resources across a range of applications, including tourism, mineral resources, regional and Māori economic development, energy generation (both supercritical and conventional geothermal resources), and the use of low temperature geothermal resources as direct heat in industrial, horticultural/agricultural and residential applications.
14. The intention is to release a draft Geothermal Strategy for public consultation during Geothermal week at the end of July 2025. Following public feedback, the Government anticipates the final Geothermal Strategy will be released by the end of 2025. Resource and Energy Policy officials are working together to ensure that the Geothermal Strategy and the Energy Strategy objectives are aligned where appropriate.
15. Officials met with OMV on 13 May 2025, to understand their international experience with geothermal development and to introduce them to the Government’s work to develop a holistic geothermal strategy. OMV highlighted the transferable nature of the skills required for both oil and gas drilling and geothermal, and described OMV’s experience with geothermal energy in Europe.
16. While OMV has been focused on the petroleum sector in New Zealand, we understand that OMV globally has set a global target of generating 4 TWh of geothermal energy per annum. This meeting provides an opportunity to ask OMV about what they see as the differences between New Zealand and the countries in which they already have geothermal operations, and whether they see any barriers for new entrants to the geothermal sector in New Zealand.

European energy transition and security trends

17. OMV has indicated that they wish to discuss the energy transition and security trends in Europe. Europe is undertaking an energy transition as part of its ambition to achieve net zero 2050 targets. The Russian invasion of Ukraine has also accelerated this transition as Europe seeks to improve its energy security, by reducing its reliance on fossil fuel imports.
18. You may wish to ask OMV about their perspective on the European transition and security trends, and what lessons they think they may have for New Zealand.

Carbon capture, utilisation and storage (CCUS)

19. Cabinet agreed a high-level policy approach for the CCUS regime in late 2024 [ECO-24-MIN-0305 refers]. This included decisions on ETS treatment of CCUS activities and high-level decisions on approval, monitoring and ongoing liability arrangements. This approach was announced earlier this year and relevant Cabinet papers, and associated analyses have since been proactively released.
20. We are working with the Ministry for the Environment (MfE) on the detailed design of the regime. MfE officials now consider that the most straightforward way to enable CCUS (including from the applicant's perspective) is to use the new resource management regime being developed, rather than establishing a bespoke regime. MfE will brief you further on this option and how it would work, later in May 2025.
21. We are engaging with the oil and gas sector to provide reassurance that work on the regime is proceeding at pace. We are meeting with OMV on 29 May 2025, to provide an update on the status of the CCUS work, and to find out the latest on OMV's CCUS plans.

Hydrogen

22. Internationally, OMV has interests in the production of hydrogen. OMV Group has recently begun operation of large-scale green hydrogen production facilities in Austria and Romania. However, in April 2025, it announced it intended to close its Austria-based network of vehicle refuelling stations due to high costs and low demand.
23. In New Zealand, OMV submitted during the development of the Hydrogen Action Plan. It noted that large amounts of cheap renewable energy and large industrial off takers would be needed to underpin a hydrogen supply chain in New Zealand.

Gas Security Response Group

24. OMV NZ was a member of the Gas Security Response Group (GSRG). Last week, you announced the refocusing of the group at the GSRG meeting. This more focused group will not include OMV. You may wish to thank OMV for their contributions to the GSRG.

Risks and mitigations

25. 9(2)(g)(i)


Annexes

Annex One: Biographies

Annex One: Biographies

	<p>Erwin Kroell – General Manager, OMV NZ</p> <p>Erwin is the incoming permanent General Manager for OMV NZ. He has been appointed following OMV's decision to remain in New Zealand, and succeeds Acting General Manager Kevin Goulet. Erwin has previously held roles as Chief Operating Officer for the JV Sapura OMV in Kuala Lumpur, and Senior Vice President for Middle East and Africa for OMV, based in Abu Dhabi. Before moving to United Arab Emirates he has been responsible for the Middle East & Caspian Region. He has also worked as General Manager for Wintershall in Qatar. Erwin is a petroleum engineer by background and has an MSc in Petroleum Engineering from Mining University Leoben in Austria.</p>
	<p>Kevin Goulet – Acting General Manager, OMV NZ</p> <p>Kevin is the outgoing Acting General Manager of OMV NZ. He has 20 years' experience in the industry, joining OMV in 2012. Most recently Kevin has been Maari Operations Manager and the Head of Department Asset Operations. Kevin's training and experience is in petroleum engineering and upstream operations. Kevin is originally from Canada and is based in New Plymouth.</p>
	<p>David Darby – Engagement and Regulatory Affairs, OMV NZ</p> <p>David is responsible for OMV NZ's stakeholder engagement and regulatory affairs. He has previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>



EVENT BRIEFING

Meeting with OMV on 1 July 2025

To:	Hon Shane Jones, Minister for Resources		
Date:	Tuesday, 1 July 2025	Time:	9.00-9.45am
Location:	Auckland Policy Office	Tracking number:	BRIEFING-REQ-0015943

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resource Policy	[REDACTED]	✓
Sophie Ford	Policy Advisor	09 928 2981	

Lena MacCarthy
Manager, Resource Policy
Building, Resources & Markets, MBIE

30 / 06 / 2025

Hon Shane Jones
Minister for Resources

..... / /

Meeting purpose and logistics

Date:	Tuesday, 1 July 2025	Time:	9.00-9.45am
Location:	Auckland Policy Office, Level 7, 167b Victoria Street, Auckland		
Attendees:	<p>Henrik Mosser (Senior Vice President for Operated Assets, OMV Group) Erwin Kroell (General Manager, OMV NZ) David Darby (Engagement and Regulatory Affairs, OMV NZ)</p> <p>Attendees' biographies are included at Annex One.</p> <p>MBIE Resource Markets officials: Katherine Macneill (General Manager), Susan Hall (Policy Director)</p>		
Agenda:	<p>The meeting is an opportunity to discuss:</p> <ul style="list-style-type: none">• OMV NZ's recent activities and future plans,• the cornerstone investment fund,• OMV's international strategy, including geothermal,• changes to the Crown Minerals Act 1991 (CMA), and• gas reserves and energy security.		

Background

1. OMV is a publicly listed petroleum company based in Vienna which produces and markets oil and gas, innovative energy, and high-end petrochemical solutions. OMV employs over 22,000 people worldwide, including over 400 in New Zealand.
2. OMV's subsidiary, OMV NZ, has been operating here since 1999 and is one of New Zealand's largest natural gas producers. It operates and has a participating interest in three offshore fields: Maui (100 per cent), Maari (69 per cent) and Pohokura (74 per cent). It has one large offshore exploration permit in the Taranaki region, Toutouwai (70 per cent, with Total Energies holding the remaining 30 per cent).
3. On 23 March 2025, OMV applied to surrender two offshore petroleum exploration permits, 57075 and 60097. The surrender applications were granted on 22 April 2025.

Topics for discussion

OMV NZ's recent activities and future plans [Commercially sensitive]

4. Officials met with OMV on Friday, 27 June. 9(2)(b)(ii), 9(2)(f)(iv)



Cornerstone investment fund

13. The Government has set aside, through Budget 2025, \$200 million over four years for Crown co-investment in new domestic gas field developments. The structure of investments is still being worked through and will be subject to Cabinet consideration, but the intention is that any investment:

- a. Be in the region of a 10 to 15 per cent stake in the field, either through becoming a permit participant or purchasing shares in a permit participant.
- b. Be made on a fully commercial basis (for example, the Crown should participate on the same basis as other investors and would not be offering concessionary financing).
- c. Target new fields that will bring gas to the domestic market - but that this could include fields that produce both petroleum as well as gas.
- d. Not involve the Crown becoming a permit operator or have responsibility for running day-to-day operations of the development.
- e. Be limited to investment at the exploration or mining permit stage rather than prospecting, on the basis that prospecting is generally a lower risk, less costly activity and so does not require Crown investment.

- f. Be entered into with the aim of selling down at an appropriate time if the investment proves successful. This would enable either the recycling of funds into other projects or return of funds to the Crown.

14. You have said publicly you intend to announce the final details of the approach to co-investment in September once a business case has been considered by Cabinet.

15. 9(2)(f)(iv)

OMV international strategy (including geothermal)

European energy transition and security trends

16. Europe is undertaking an energy transition as part of its ambition to achieve net zero 2050 targets. The Russian invasion of Ukraine has also accelerated this transition as Europe seeks to improve its energy security, by reducing its reliance on fossil fuel imports.

9(2)(g)(i)

Work underway on geothermal strategy

17. The Government is developing a comprehensive geothermal strategy to harness New Zealand's geothermal resources across energy generation (including supercritical), tourism, minerals, and regional and Māori economic development. It also includes direct heat use in industrial, agricultural, and residential sectors.

18. A draft Geothermal Strategy will be released for public consultation during Geothermal Week (late July 2025), with final release planned by year-end. Resource and Energy Policy officials are working together to ensure that the Geothermal Strategy and the Energy Strategy objectives are aligned where appropriate.

19. On 13 May 2025, officials met with OMV to discuss their international geothermal experience and our intention to develop the Geothermal Strategy. OMV noted the overlap in skills between oil/gas and geothermal drilling and shared insights from their European operations. Although OMV New Zealand's focus has been petroleum, they aim to generate 4 TWh of geothermal energy globally per annum.

9(2)(g)(i)

Crown Minerals Amendment Bill 2024

20. The Crown Minerals Amendment Bill 2024 (CMA Bill) is currently awaiting third reading. On 7 April 2025, Cabinet approved changes to the framework for petroleum decommissioning responsibilities under the CMA.

21. An Amendment Paper (AP) to the CMA Bill was considered by the Cabinet Legislation Committee on Thursday 26 June; once confirmed by Cabinet, the AP will be released ahead of the CMA Bill returning to the House in July.

22. The AP removes automatic liability for former permit holders in statute and introduces a discretionary approach to applying liability for decommissioning costs, when an interest exists a permit or licence. As part of approving certain transactions under the CMA, the Minister for Resources and Minister of Finance could require an outgoing interest or related party to provide a guarantee that they will meet relevant decommissioning costs (an 'outgoing guarantee'), in the event the current permit holder defaults on their obligations and any financial securities are insufficient.

23. Ahead of Cabinet consideration, officials shared, in confidence, the draft AP with a group of industry stakeholders, including OMV. Feedback was sought from industry on the workability of the AP to ensure that it gives effect to Cabinet's policy decisions. OMV provided valuable technical feedback, which has helped to improve the AP.
24. As noted, initial feedback from OMV raised a concern that any outgoing guarantee, if required at the point of transfer or change of control, would be unlimited [BRIEFING-REQ-0013906 refers]. The AP has subsequently been amended to clarify that any outgoing guarantee could be required to cover any unmet costs of decommissioning (beyond the current permit holder's obligations and any financial securities in place) or a proportion of those unmet costs. OMV consider that, despite these changes, further flexibility could be provided.
25. The CMA Bill is currently scheduled to progress through its remaining stages in July 2025.

Gas reserves and energy security

26. There are ongoing challenges with gas supply that impact the security and affordability of our energy system. Gas supply has been declining due to aging fields that are underperforming, and poor drilling results.
27. The Government is progressing work to improve gas security of supply, such as:
 - a. the CMA Bill,
 - b. exploring the removal of regulatory barriers to an LNG import facility,
 - c. considering measures such as enabling energy precincts, and
 - d. creating an enabling regulatory regime for carbon capture, utilisation and storage (CCUS) - Cabinet has agreed to a high-level approach for the regime, including how CCUS would be treated under the New Zealand Emissions Trading Scheme.

9(2)(g)(i)

Risks and mitigations

28. We have not identified any specific risks associated with this meeting.

Annexes

Annex One: Biographies

Annex One: Biographies

	<p>Henrik Mosser – SVP for Operated Assets, OMV Group</p> <p>Henrik is the Senior Vice President for Operated Assets at OMV's headquarters as of 1 August 2024. Prior to this, he was OMV New Zealand's General Manager since early 2020.</p> <p>Before joining OMV in 2014, Mosser spent the first 17 years of his career working for RAG Austria AG, a Shell-Mobil unit in Central and Eastern Europe. He has a degree in petroleum engineering from the University of Leoben, Austria's university for mining, petroleum and metallurgy.</p>
	<p>Erwin Kroell – General Manager, OMV NZ</p> <p>Erwin is the General Manager for OMV NZ. He has been appointed following OMV's decision to remain in New Zealand, and succeeds Acting General Manager Kevin Goulet.</p> <p>Erwin has previously held roles as Chief Operating Officer for the JV Sapura OMV in Kuala Lumpur, and Senior Vice President for Middle East and Africa for OMV, based in Abu Dhabi. Before moving to United Arab Emirates he has been responsible for the Middle East & Caspian Region. He has also worked as General Manager for Wintershall in Qatar. Erwin is a petroleum engineer by background and has an MSc in Petroleum Engineering from Mining University Leoben in Austria.</p>
	<p>David Darby – Engagement and Regulatory Affairs, OMV NZ</p> <p>David is responsible for OMV NZ's stakeholder engagement and regulatory affairs. He has previously held management positions with MBIE, Maersk, GNS Science and British Gas. He has a PhD in Petroleum Geology from the University of Glasgow.</p>



EVENT BRIEFING

Meeting with BusinessNZ Energy Council (BEC) on 5 June 2025

To:	Hon Shane Jones Minister for Resources Associate Minister for Energy		
Date:	Thursday 5 June 2025	Time:	11:00 am-11:30 am
Location:	Your office, 6.4EW	Tracker number:	0014939

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resource Policy	9(2)(a)	✓
Dominic Kebbell	Manager, Gas and Fuel Policy		
Magnus Abraham-Dukuma	Senior Policy Advisor, Resources Policy	04 901 2032	
Bertrand Ngai	Senior Policy Advisor, Gas and Fuel Policy	04 901 1295	

Lena MacCarthy
Manager, Resource Policy
Building, Resources and Markets, MBIE

03 / 06 / 2025

Hon Shane Jones
Minister for Resources
Associate Minister for Energy

..... / /

Dominic Kebbell
Manager, Gas and Fuel Policy
Building, Resources and Markets, MBIE

03 / 06 / 2025

Meeting with BusinessNZ Energy Council (BEC) on 5 June 2025

To:	Hon Shane Jones Minister for Resources Associate Minister for Energy		
Date:	Thursday 5 June 2025	Time:	11:00 am-11:30 am
Location:	Your office, 6.4EW	Tracker number:	0014939

Background

1. You are meeting with Tina Schirr, Executive Director of the BusinessNZ Energy Council (BEC) on Thursday, 5 June 2025. This is your regular quarterly meeting with BEC. Tina's biography is provided at **Annex One**.
2. The meeting agenda includes the following items:

Out of scope

4. This briefing provides some background information on the agenda items and Out of scope [redacted].

Management of declining gas reserves

5. There are ongoing challenges with gas supply that impact the security and affordability of our energy system. Gas supply has been declining due to aging fields that are underperforming and poor drilling results.
6. The Government is progressing work to improve gas security of supply, such as:

Out of scope

- b. the Crown Minerals Amendment Bill, which will reverse the ban on new petroleum exploration outside onshore Taranaki and adjust the decommissioning regime requirements for petroleum infrastructure. The Bill is expected to progress through the remaining House stages in July 2025, and updated Regulations and Programmes in place by early September 2025.

Out of scope

7. You may wish to reiterate to BEC that ensuring security of gas supply is a key priority for the Government. You could also share the timing of the Crown Minerals Amendment Bill and the associated regulatory update with BEC, and ask BEC what their plans are following the Bill's passage.

Crown stake in new gas fields

8. BEC might raise the issue of sovereign risk associated with investment in fossil-fuel related enterprises and how the Bill does not address this risk. If raised, you may wish to reiterate the Government's Budget 2025 initiative on co-investment in new gas fields.
9. The Government has set aside a tagged contingency of \$200m to fund commercial co-investment in new gas fields. The structure of investments is still being worked through and will be subject to Cabinet consideration, but the intention is that any investment:
 - a. Be in the region of a 10 to 15 per cent stake in the field, either through a becoming a permit participant or purchasing shares in a permit participant.
 - b. Be made on a fully commercial basis (for example, the Crown should participate on the same basis as other investors and would not be offering concessionary financing).
 - c. Target new fields that will bring gas to the domestic market - but that this could include fields that produce both petroleum as well as gas.
 - d. Not involve the Crown becoming a permit operator or have responsibility for running day-to-day operations of the development.
 - e. Be limited to investment at the exploration or mining permit stage rather than prospecting, on the basis that prospecting is generally a lower risk, less costly activity and so does not require Crown investment.
 - f. Be entered into with the aim of selling down at an appropriate time if the investment proves successful. This would enable either the recycling of funds into other projects or return of funds to the Crown.
10. This reflects a strong commitment to support the domestic gas market and allay investors' fears about sovereign risk.

Out of scope

Out of scope

Out of scope

Out of scope

Risks and mitigations

25. We have not identified any risks associated with this meeting.

Annexes

Annex One: Attendee biography

Out of scope

Annex One: Attendee biography

	<p>Ms Tina Schirr, Executive Director BEC</p> <p>Tina Schirr is the Executive Director of the BusinessNZ Energy Council (the New Zealand member committee of the World Energy Council). She is responsible for the development of policy on matters relating to energy, transport and innovation. Her work includes the management of BEC's cross-sector energy scenarios and the World Energy Council's tools such as the Energy Trilemma Index, Energy Issue Maps and other energy innovation projects.</p> <p>Tina is a member of Transpower's Consumer Advisory Panel, part of the Start-Up Energy Transition Jury and the advisor to New Zealand's Young Energy Professional Network.</p> <p>Tina holds a Master of Science (M.Sc.) Value Chain Management from the University of Technology, Chemnitz in Germany and a Bachelor of Arts (B.A.) Management of Energy Utilities from the University of Applied Sciences, Zwickau in Germany. Her fields of specialisation include the energy industry, energy technology, energy policy and marketing.</p>
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Out of scope

Out of scope



BRIEFING

Work programme for the proposed Crown Minerals Amendment Bill

Date:	25 January 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1599

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Agree to the proposed work programme and draft timelines for a Crown Minerals Amendment Bill.	2 February 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resources Policy Team	04 897 5032	✓
Nayana Islam	Senior Policy Advisor, Resources Policy Team	09 928 2678	

The following departments/agencies have been consulted			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Work programme for the proposed Crown Minerals Amendment Bill

Date:	25 January 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1599

Purpose

To provide you with advice on the timelines and deliverables for a Crown Minerals Amendment Bill to remove the ban on offshore oil and gas exploration and improve investor confidence.

Recommended actions

The Ministry of Business, Innovation and Employment recommends that you:

a **Agree** to the work programme and draft timelines for a Crown Minerals Amendment Bill.

Agree / Disagree

b **Agree** to meet with officials regarding the scope and timing for engagement as part of the work programme.

Agree / Disagree

Lena MacCarthy
Manager, Resources Policy
Building, Resources and Markets, MBIE

25/1/24

Hon Shane Jones
Minister for Resources

..... / /

Background

1. We have briefed you on options for changes to the Crown Minerals Act 1991 (the CMA) to remove the ban on offshore oil and gas exploration and onshore exploration outside Taranaki [Briefing 2324-1386 refers].
2. You indicated your preference for a Bill that goes beyond just removing the ban to include selected limited changes to the regime, relating to decommissioning, investor confidence and other regulatory matters. Officials advised that, with a focussed work programme, a Bill could be passed into legislation by the end of 2024, subject to Parliamentary Counsel Office (PCO) and parliamentary constraints.
3. This briefing:
 - advises you of our policy work programme and the briefings you can expect to receive on key policy decisions
 - advises you to meet with officials in relation to engagement for the project
 - s 9(2)(f)(iv)
 - provides you with a timeline for the project, and highlights key risks.

We will provide you with a series of briefings on key policy decisions leading to a Cabinet paper at the end of March

4. To have the best chance of a Bill passing by the end of 2024, you will need Cabinet decisions by early May. We will provide you with a draft Cabinet paper by the end of March. A full timeline for the Bill process is set out below in the *Timeline and Deliverables* section.
5. To achieve the timeline, we will send you a series of briefings this quarter on key policy areas for your decisions and feedback. The decisions you make on these areas will influence the scope of the Bill. The rest of this section sets out the key policy areas and the advice you can expect to receive.

Briefing 1: Removing the ban

6. This briefing will advise you on the key CMA changes required to remove the ban on offshore oil and gas exploration and onshore exploration outside Taranaki. The paper will also consider whether transitional arrangements are required for existing privileges that were established in 2018. We will brief you on this by mid-February 2024.

Briefing 2: Petroleum infrastructure decommissioning

7. In recent years, changes to the CMA were made to reduce the risks associated with the management of New Zealand's maturing petroleum fields. For example, in 2019 changes were made to require the Minister of Energy and Resource's consent for a change of control of a permit operator, to prevent a new entrant from taking control of a permit operator that may not be financially sound. In 2021, changes were made to strengthen the financial and legal obligation of petroleum licence and permit holders to decommission petroleum infrastructure and wells at the end of their productive life. These changes aimed to reduce the risk of the Crown having to fund and carry out decommissioning, such as with the Tui oil field.
8. We have heard from the industry that aspects of the decommissioning regime lack flexibility and pose high regulatory burden and costs which can discourage new and existing investment. There is the opportunity to amend certain parts of the regime to reduce

regulatory burden and cost without undermining the intended policy outcome of reducing Crown financial risk related to decommissioning.

9. The policy areas where there are options for change include: the flexibility of financial securities, the need for residual liability¹ payments, liability settings for directors, trailing liability² settings, and the level of information requirements for permit holders. We will present you with policy options on these topic areas in March 2024.

Briefing 3 and 4: Increasing investor confidence and improving regulatory efficiency

10. There will be opportunities for other amendments to the CMA to improve investor confidence and create a more attractive investment environment for oil and gas exploration. Progressing a Bill on the CMA also provides an opportunity to make minor/technical improvements to the regulatory regime.
11. We understand that investor confidence in oil and gas exploration in New Zealand is low for several reasons. We have previously indicated that regulatory measures related to multi-client data provisions of seismic data, the CMA purpose statement, permit allocation process, commercial measures and operational enhancements are potential options to consider, to improve investor confidence.
12. However, we need to better understand the key reasons for low investor confidence to develop targeted and effective policy options to further improve investor confidence. These may include regulatory or non-regulatory options. We will provide you with options by mid-March 2024.
13. We will also advise you on the options for improving regulatory efficiency. As part of that, we are currently exploring changes to the minerals permitting system, to re-structure the Tier system and enable more efficient processing of permit applications. We will provide you with an initial paper in late-February to test this with you, and determine whether to include it as part of the Bill.
14. To meet the end of year timeline, any amendments to the CMA to improve investor confidence or regulatory efficiency, including any minor/technical amendments, will need to be limited to relatively simple changes or where the policy work is already well advanced.

Briefing 5: Cabinet paper and regulatory impact statement

15. Based on the policy decisions you make on the above matters, we will prepare a draft Cabinet paper and regulatory impact statement that reflects your decisions by end of March 2024. We will refine the Cabinet paper following feedback from you, your Ministerial colleagues and Coalition partners in April 2024, and expect the final Cabinet paper to be ready for Cabinet approval by early May 2024. We will start the Bill drafting process following Cabinet approval.
16. Further detail on the timelines and key deliverables related to the Bill is outlined in the *Timelines and Deliverables* section below.

Engagement as part of the policy process

17. The proposed timeline will not allow for a formal discussion document/public consultation process on policy matters and officials will have very limited capacity to engage with stakeholders prior to the end of March when the draft Cabinet paper is due to you. However,

¹ Liability following decommissioning being completed.

²Trailing liability refers to former permit and licence holders retaining decommissioning obligations after exiting.

we recommend some limited targeted consultation with iwi, environmental groups and industry prior to the introduction of a Bill.

18. As a Treaty partner, engagement with iwi/Māori is particularly important as it reflects the importance of the Crown/Māori relationship and there are risks in it not being done.
19. Engaging with iwi is also important to comply with Treaty settlement commitments and Treaty obligations. Several hapū and iwi have been issued Crown Minerals Protocols³ as part of their Treaty settlements. These govern the way the Crown will consult with them over matters relating to Crown-owned minerals and permits within a defined area. Each protocol differs. A number of protocols have a wider consultation clause stating that the Minister and Secretary [of MBIE] will consult on any policy and legislative development or review in relation to the administration of Crown-owned minerals, which may affect [iwi] interests in relation to Crown-owned minerals in the Crown Minerals Protocol Area and the Crown Minerals Protocol. Where there is an obligation to consult on policy and legislative developments and no consultation is done, the position is generally that unless there is good cause, this would be a breach of the protocols. There are also Accords and Relationship agreements in place with iwi. These may also have consultation obligations.
20. It is likely most iwi will oppose removing the ban. Targeted engagement with iwi on removing the ban and the other proposed changes would provide an important opportunity to explain the Government's objectives and understand their concerns and feedback.
21. It is fairly certain some environmental groups will strongly oppose removing the ban on offshore oil and gas exploration. However, some targeted engagement may be beneficial to s 9(2)(g)(i) provide an opportunity to explain the rationale behind the policy.
22. Comparatively, industry is likely to welcome changes that remove the ban and reduce regulatory burden and costs. Industry is likely able to provide insightful feedback and technical knowledge on measures to improve investor confidence. Targeted engagement with key industry players on these topics during the development of policy advice may help us develop more effective policy measures from a user perspective.
23. We would appreciate a meeting with you to discuss your preferences in relation to MBIE-led engagement with iwi, environmental groups and industry. It would also be useful to understand your preferences in relation to Ministerial-led engagement.

s 9(2)(f)(iv)

³ The Crown has 39 Minerals Protocols.

s 9(2)(f)(iv)

Timelines and deliverables

27. The table below outlines the key deliverables and draft timelines for the work programme to deliver your preference of a Bill enacted this year.

Key deliverable/milestone	Draft timeline (2024)
Briefing 1: Policy settings for enabling offshore oil and gas exploration	Mid-February
Briefing 2: Improvements to the decommissioning regime	Early-March
Briefing 3: Options for reviewing permit tiers	Late-February
Briefing 4: Options to further improve investor confidence in offshore oil and gas	Mid-March
Briefing 5: Cabinet paper seeking policy decisions for a Crown Minerals Amendment Bill (provides a draft Cabinet paper)	Late-March
Refinement of the Cabinet paper, including consultation with Ministerial colleagues, Coalition partners, etc.	April
Final Cabinet paper/Cabinet approval	Early May
Development of drafting instructions for the Bill	June
Drafting of the Bill by Parliamentary Counsel Office	Late-June – Late-September
Legislation and Cabinet committee approval of Bill introduction	Mid-October
Bill introduction	Mid-October
Select Committee process	Mid-October – Late-November
Report back from Select Committee	Late-November
Date of Bill enactment and commencement	December

Key risks in relation to the timeline

28. There is limited flexibility in the timeline for delays at any part of the policy process. Factors that are likely to impact the timeline and cause delays include:

- significant issues to work through following consultation with Ministerial colleagues/Coalition partners

- delays in the drafting of the Bill by PCO due to competing priorities
- the need for substantive Amendment Papers to the Bill
- timing constraints in the House due to a busy legislative programme, particularly towards the end of the year.

29. If these factors arise, the Bill will likely not be able to be passed in 2024. In addition, the timeline does not provide for the development of more complex or wide-ranging legislative changes in relation to decommissioning or investor confidence. Any changes that are not fairly straightforward will need to be deferred ~~s 9(2)(f)(iv)~~

30. A truncated Select Committee process will be required to meet the 2024 timeline. There are risks with a truncated process (six weeks versus a four-to-six month process) as this Bill will be controversial, with strong views from iwi, environmental groups and industry. Some of these groups will likely question the need for a truncated process, as it will provide less time for engagement and feedback. As there is likely to be limited time to engage with iwi and stakeholders prior to Cabinet decisions on the policy, and the Bill will be controversial, a full Select Committee process could be valuable, but it would push out timeframes to 2025.

31. There is also limited House time between Select Committee and other parliamentary stages, meaning the Bill would need to be prioritised (or progressed through urgency) to get all stages completed by the end of the year.

32. The feasibility of delivering on the timelines for the development of the Bill, as outlined above, is subject to PCO feedback. We have prepared a draft legislative bid for the Bill for the 2024 Legislation Programme, which we are consulting with PCO on. You will receive this legislative bid for review in the coming weeks.

Next steps

33. We look forward to discussing this work programme and draft timelines, including the scope and timing for engagement with iwi, environmental groups and industry as part of the policy process.



BRIEFING

CMA Amendment Bill: Policy settings to enable petroleum exploration beyond onshore Taranaki

Date:	15 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1761

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Agree to direct officials to draft a Cabinet paper to amend the Crown Minerals Act 1991 to remove the ban that was introduced in 2018 on new petroleum prospecting, exploration and mining permits beyond onshore Taranaki.	23 February 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resources Policy Team	04 897 5032	✓
Georgia Banks	Senior Policy Advisor, Resources Policy Team	04 896 5882	

The following departments/agencies have been consulted			
Department of Conservation, Ministry of Foreign Affairs and Trade, Crown Law Office			

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

CMA Amendment Bill: Policy settings to enable petroleum exploration beyond onshore Taranaki

Date:	15 February 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-1761

Purpose

On 25 January 2024, we briefed you on the work programme for the proposed Crown Minerals Amendment Bill (the Bill) [2324-1599 refers]. This is briefing one (of five) under that work programme. It sets out the key Crown Minerals Act 1991 (the CMA) changes required to remove the ban on offshore petroleum exploration and onshore exploration outside the Taranaki region.

Executive summary

The Government's coalition agreement commits to repealing the ban on offshore petroleum exploration and to future-proof the natural gas industry by restarting offshore exploration. In 2018, the previous Government's policy to ban offshore (and onshore beyond Taranaki) petroleum prospecting, exploration and mining (the ban) was written into the CMA. Removing it requires legislative change and can be achieved through relatively straight-forward amendments. Removing the ban will not impact the rights of existing permit holders, so we do not recommend any special provisions in relation to those permit holders.

Changes made in 2018 also introduced restrictions on accessing conservation land in Taranaki for petroleum exploration activities, over and above the existing protections provided to land listed in Schedule 4 of the CMA. These restrictions were introduced in support of the previous Government's 'no new mines on conservation land' policy. Removing these restrictions would allow the relevant Minister to consider applications for access to public conservation land (outside of land specified in Schedule 4) for petroleum-related activities.

There are several risks identified with removing the ban, including that it could negatively affect New Zealand's international reputation. [Legally privileged] 9(2)(h)

9(2)(h)

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** that to remove the ban that was introduced in 2018 on new petroleum prospecting, exploration and mining permits beyond onshore Taranaki, the Crown Minerals Act 1991 must be amended;
Noted
- b **Note** that removing the ban raises consideration of access restrictions for conservation land in onshore Taranaki for petroleum exploration activities;
Noted

s 9(2)(h)

e **Note** that we will provide you with advice in February and March on additional policy options to include in a Crown Minerals Amendment Bill, including options to improve investor confidence and attract investment into New Zealand's petroleum sector; and

Noted

f **Agree** to direct officials to draft a Cabinet paper to amend the Crown Minerals Act 1991 to:

- a. allow petroleum prospecting, exploration and mining offshore and beyond onshore Taranaki; and

Agree / Disagree

- b. remove the restrictions on accessing conservation land in onshore Taranaki for petroleum exploration activities.

Agree / Disagree



Lena MacCarthy
Manager, Resources Policy
Building, Resources and Markets, MBIE

15 / 02 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background and scope of this advice

1. The Government's coalition agreement commits to repealing the ban on offshore petroleum exploration (the ban) and to future-proof the natural gas industry by restarting offshore exploration.
2. In December 2023 [BR 2324-1386 refers], you confirmed that your primary objectives for removing the ban are to:
 - a. Ensure we have a secure and affordable supply of gas as we move to a lower emissions economy and reduce New Zealand's reliance on coal.
 - b. Provide a strong signal that New Zealand wishes to attract international petroleum investment as part of a wider Government push that the country is open for business.
3. In 2018, the previous Government made the following changes to the Crown Minerals Act 1991 (CMA):
 - a. limited the area available for petroleum prospecting, exploration and mining permits to onshore Taranaki only
 - b. prohibited surface access to conservation land for permits in onshore Taranaki except for minimum impact activities
 - c. explicitly restricted applications for Petroleum Exploration Permits (PEPs) to only the Block Offer process
 - d. preserved the rights of existing permit holders, including the right of an exploration permit holder to apply for a subsequent mining permit.
4. This briefing presents the changes required to enable new petroleum prospecting, exploration and mining beyond onshore Taranaki, and remove the restrictions on Taranaki conservation land.
5. Other matters that were covered by the 2018 amendments, such as the exclusive use of Block Offer for Petroleum Exploration Permits (PEP) applications, will be covered in the future briefing on improving investor confidence and attracting investment into New Zealand's petroleum sector (to be provided mid-March).

Changes required to allow applications for new petroleum prospecting, exploration and mining beyond onshore Taranaki

6. Removing the ban is the only option to allow for further petroleum exploration. In 2018, the previous Government's policy to ban offshore and most onshore petroleum prospecting, exploration and mining was written into the CMA. Removing it requires legislative change. This could be approached through relatively straight-forward amendments to the CMA, such as removing:
 - the limitation on the area for new petroleum permits to a defined 'Onshore Taranaki Region'
 - the restriction on extending the land of an existing petroleum permit outside onshore Taranaki
 - the requirement that the responsible Minister must not grant a petroleum permit outside onshore Taranaki.

7. These changes will allow the responsible Minister to receive and assess applications for new PEPs outside onshore Taranaki through the existing regulatory framework.¹ Following Cabinet approval, we will work with the Parliamentary Counsel Office on drafting a Bill that will best achieve the policy.
8. Removing the ban will not impact the rights of existing permit holders, including permits issued since 2018, so we do not recommend any special provisions in relation to those permit holders. We also do not anticipate needing any significant transitional provisions, but we will confirm this during the drafting process.
9. The CMA's purpose statement was not amended when the ban was introduced, and it is not necessary to change the purpose statement to remove the ban. We will advise you further on the purpose statement in our briefing on improving investor confidence (mid-March).

We recommend the removal of access restrictions for Taranaki conservation land, because they would be arbitrary without the ban

10. The 2018 CMA amendments also prevented permit holders from accessing Taranaki conservation land² for petroleum exploration activities other than for minimum impact activities³. This restriction was limited to petroleum permits granted after the amendment; other mineral permits were not affected.
11. These restrictions were introduced in support of the previous Government's 'no new mines on conservation land' policy. It was an interim measure to prevent surface access to conservation land for certain activities, for Block Offer 2018, 2019 and 2020, while the 'no new mines on conservation land' policy was being developed.

These restrictions further limit access to areas in onshore Taranaki for petroleum exploration activities

12. Schedule 4 of the CMA identifies specific areas,⁴ including some conservation areas, that are subject to access and use restrictions. These are in place to protect New Zealand's most significant biodiversity assets (for example, Egmont National Park). The relevant Minister⁵ can only enter into an access arrangement for areas listed in Schedule 4 under certain circumstances.
13. The 2018 amendment restricts this further by only allowing minimum impact activities (for petroleum exploration) on any conservation land in Taranaki, including public conservation land that is not Schedule 4 land.

¹ Following the introduction of the ban, other legislative instruments have placed additional limits on what areas can be mined. For example, in 2020 marine mammal sanctuaries were varied to prohibit seismic surveying activities within the sanctuaries. This change was implemented to protect Hector's and Māui dolphins from the impact of seismic surveying any seabed mining. This is outside the scope of your portfolio but is described here so you are aware of broader restrictions on petroleum exploration that exists. However, only 0.4% of New Zealand's total marine environment is protected by marine mammal sanctuaries. As a result, we consider the restriction will have only a minor impact on future permitting applications.

² Taranaki conservation land, defined in the CMA as land in the onshore Taranaki region that is held or managed under the Conservation Act 1987, or an Act listed in Schedule 1 of the Conservation Act.

³ Minimum impact activities include for example geological, geochemical, and geophysical surveying, taking samples by hand or handheld methods, taking small samples offshore by low-impact mechanical methods and aerial surveying.

⁴ Areas listed in Schedule 4 include national parks, nature and scientific reserves, wildlife sanctuaries, marine reserves, and some conservation areas.

⁵ Being the 'appropriate Minister' (the Minister charged with administration of the land), and the Minister responsible for the CMA (if related to a Tier 1 permit).

14. There are two options to consider:
 - remove the ban, and retain the access restrictions for Taranaki conservation land, OR
 - remove the ban, and remove the 2018 access restrictions for Taranaki conservation land (other than Schedule 4 land).
15. Retaining the access restrictions for Taranaki conservation land would continue to limit the areas in onshore Taranaki that are available for petroleum exploration, beyond constraints that already existed in the CMA. It would also mean greater restrictions for this region compared to the rest of the country. Without the ban, the restriction on conservation land in Taranaki becomes arbitrary, and we do not consider there is sufficient justification for this.
16. We therefore recommend removing the access restriction for Taranaki conservation land. This would allow permit holders to seek access arrangements for Taranaki conservation land and for the relevant Minister to make decisions as per the requirements outlined in the CMA. It would also ensure access to conservation land for petroleum-related activity is treated consistently across New Zealand.
17. We do not propose any changes to the land listed in Schedule 4, or the restrictions placed on that land.

Impact of removing the restrictions on accessing Taranaki conservation land for petroleum-related activities

18. The majority of conservation land that could be accessed by removing this restriction⁶ is located outside of the areas known for having petroleum potential. However, there may be some existing permit or licence holders who may be interested in conservation land. Seven per cent of permitted areas (82 square kilometres, see Annex One) in onshore Taranaki already intersect with conservation land. Of the land that intersects, there is some conservation land that goes beyond existing permits/licences which may be of interest, given its proximity.

Treaty of Waitangi considerations

19. Any changes to CMA policy will need to comply with MBIE's Treaty settlement commitments and the Crown's Treaty obligations. In our 25 January briefing to you [BR 2324-1599 refers], we noted several hapū and iwi have been issued Crown Minerals Protocols as part of their Treaty settlements, some of which have an obligation to consult on wider policy and legislative developments related to Crown-owned minerals. 9(2)(h)
9(2)(h)
20. We consider iwi engagement will be valuable to ensure their interests are understood and considered. 9(2)(h)
9(2)(h)
21. There are also Deeds of Recognition with several iwi in Taranaki, that place obligations on the Department of Conservation (DOC) and specify the nature of input the relevant iwi has into the management of identified areas. We are seeking advice from DOC as to what impact, if any, removing the restriction on access to conservation land has to these Deeds of Recognition.

⁶ Approximately 29 per cent of conservation land in onshore Taranaki falls under land covered by Schedule 4. This means that even if the restriction on access to conservation land is removed, there would still be protections in place for 29 per cent.

Risks and mitigations associated with progressing removal of the ban

Reputational risks

22. The Government's declared intention to remove the ban has attracted some international criticism. We anticipate any steps to give effect to this policy will trigger further criticism.

23. 6(a)

9(2)(h)

Next steps

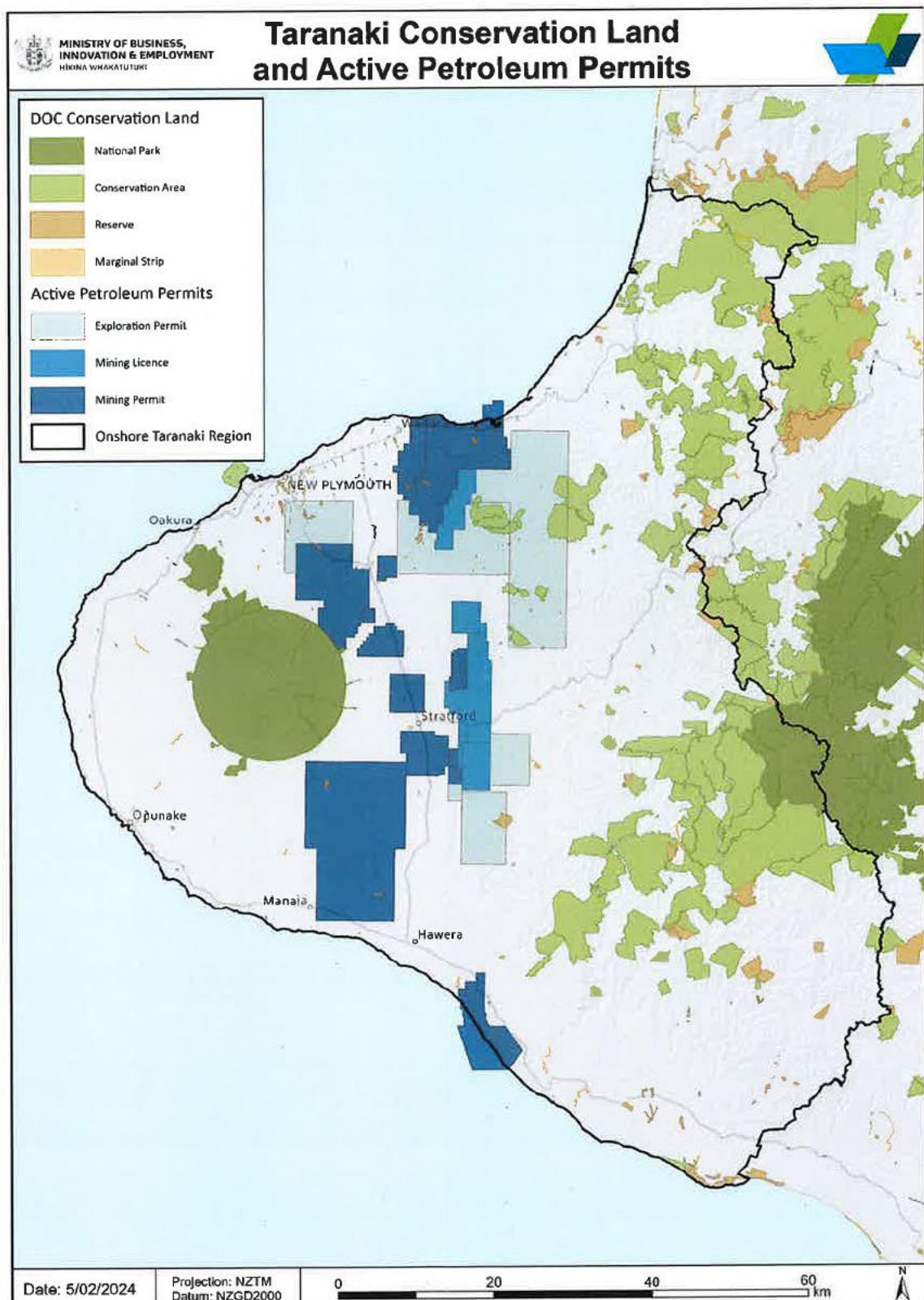
28. If you agree, we will prepare a draft Cabinet paper that reflects your policy decisions by the end of March 2024. MBIE will provide a RIS with the Cabinet paper. This will include analysis on the impacts of removing the ban, including the costs and benefits of the proposal.
29. You can expect four more briefings under this work programme seeking policy decisions on different aspects:

Upcoming briefings	To be delivered by
CMA Amendment Bill: Improving regulatory efficiency through restructuring the permit Tier system	Late-February
CMA Amendment Bill: Changes to the petroleum decommissioning regime	Early-March
CMA Amendment Bill: Options to improve investor confidence in petroleum exploration	Mid-March
Draft Cabinet paper seeking policy decisions for a Crown Minerals Amendment Bill	Late-March

Annexes

Annex One: Taranaki Conservation Land and Active Petroleum Permits

Annex One: Taranaki Conservation Land and Active Petroleum Permits





BRIEFING

Crown Minerals Act Amendment Bill: Draft Cabinet paper

Date:	18 April 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2217

Action sought			
	Action sought		Deadline
Hon Shane Jones Minister for Resources	Provide feedback on the draft Cabinet paper for officials to update in preparation for Ministerial consultation; Agree to circulate the draft Cabinet paper for Ministerial consultation from 1 May to 8 May; and Agree to lodge the attached Cabinet paper on 16 May, subject to any changes from Ministerial feedback, for consideration by the Economic Policy Committee on 22 May, and Cabinet on 27 May 2024.		24 April 2024

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Susan Hall	Policy Director, Building, Resources and Markets	s 9(2)(a)	✓
Sophie Ford	Policy Advisor, Resource Policy	09 928 2678	

The following departments/agencies have been consulted
The Treasury, the Ministry of Foreign Affairs and Trade, the Ministry for the Environment, and the Department of Conservation were consulted on the draft Cabinet paper. The Department of the Prime Minister and Cabinet have been informed.

Minister's office to complete:	<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
	<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
	<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
	<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Crown Minerals Act Amendment Bill: Draft Cabinet paper

Date:	18 April 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2324-2217

Purpose

The purpose of this briefing is to seek your feedback on a draft Cabinet paper for a Crown Minerals Amendment Bill, prior to Ministerial consultation.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Provide** feedback on the attached draft Cabinet paper by 24 April 2024;

Agree / Disagree

b **Agree** to circulate the draft Cabinet paper (subject to any amendments following your feedback) for consultation with your Ministerial colleagues on 1 May 2024, for feedback by 8 May 2024; and

Agree / Disagree

c **Agree** to lodge the attached Cabinet paper on 16 May 2024, subject to any changes from Ministerial consultation, for consideration by the Economic Policy Committee on 22 May 2024, and Cabinet on 27 May 2024.

Agree / Disagree

9(2)(a)



Susan Hall
Policy Director
Building, Resources and Markets, MBIE

18 / 04 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. In February and March this year, we provided you with a suite of briefings seeking policy decisions on matters to include in a Crown Minerals Amendment Bill (the Bill) [BR-2324-1761, BR-2324-2303, BR-2324-2138, BR-2324-2509 and BR-2324-2510 refer]. We also provided you with further information on petroleum investment and decommissioning settings in comparable jurisdictions [AM 2324-2774 and AM 2324-2971 refer].
2. We have prepared a draft Cabinet paper (Annex One) that seeks agreement to a package of proposed changes to the Crown Minerals Act 1991 (CMA), and to prepare drafting instructions for the Bill.

Draft Cabinet paper

Overview of the draft Cabinet paper

3. The draft Cabinet paper proposals include your decisions to date on removing the offshore exploration ban, improving investor confidence, decommissioning changes, increasing regulatory efficiency, and Tier 3 permits.
4. The draft Cabinet paper is structured as follows:
 - a. A focus on targeted changes to immediately improve the economics of petroleum investments, particularly for incumbent investors to maximise recovery from existing fields and increase gas supply:
 - i. Reversing the ban and associated amendments, including restoring the 15-year confidentiality period for speculative prospectors impacted by the ban;
 - ii. Aligning New Zealand's decommissioning regime with comparable jurisdictions, while providing more flexibility and clarity s 9(2)(f)(iv)
[REDACTED]
 - iii. Undertaking a review of petroleum royalties and seeking Cabinet decisions in Q3 of 2024; and
 - iv. Signalling that New Zealand is 'open to business' by amending the CMA's purpose statement, introducing an optional Government Policy Statement, and allowing for different and faster permit allocation methods.
 - b. Drawing connections with related work programmes that would also reduce costs for upstream gas investments, such as carbon capture, storage and utilisation (CCUS) opportunities led by the Minister for Energy.
 - c. Improving regulatory efficiency and consistency within the CMA:
 - i. Creating a Tier 3 permit for gold hobby mining to streamline processes, and improve the regulator's administrative efficiency and, over time, help reduce the ongoing backlog of applications; and
 - ii. Other changes to improve regulatory efficiency by addressing known issues currently impacting the Crown minerals regulatory system.
5. Note that we have drafted the Cabinet paper to reflect the proposed Tier 3 changes for now, subject to your confirmation of your preferred policy direction.

The draft Cabinet paper signals complementary work underway to help reduce costs for investors

Petroleum royalty review

6. The draft Cabinet paper signals that MBIE will undertake a review of the petroleum royalty regime. The review will consider how the royalty regime can incentivise more gas exploration and production and ensure New Zealand's rates are internationally competitive for our commercial risk profile, while providing the Crown with a fair financial return.
7. We will brief you further on a timeline for the review and next steps. We expect that you can seek Cabinet decisions on the outcome of the review in Q3 of 2024.

Carbon capture, utilisation, and storage opportunities

8. CCUS activities can reduce emissions costs 9(2)(f)(iv)
[REDACTED]
9. The Minister for Energy is progressing work to deliver improved security of supply and reliability for the gas market through enabling investment, reducing emissions, and enhancing reliability [refer 2324-1976 which was forwarded to your office]. One of the workstreams to deliver the outcomes is to investigate enabling CCUS. A discussion document on the issues and broad options for CCUS is planned for public consultation in Q3 of 2024.

The draft Cabinet paper reflects consultation with other agencies

10. The following agencies were provided opportunity to comment on the draft Cabinet paper: the Treasury, the Ministry of Foreign Affairs and Trade (MFAT), the Ministry for the Environment (MFE) and the Department of Conservation. We have addressed their feedback in the draft Cabinet paper.
11. s 6(a)
[REDACTED]
12. s 9(2)(h)
[REDACTED]
13. MFE provided feedback on including the impact that the proposals will have on emissions. We discuss this further at paragraphs 34-40 and 45-51 below. Specifically, MFE note that an increase in emissions beyond New Zealand's allocated emissions budget over the next decade would mean additional reduction measures would be necessary in other sectors of the economy as a counterbalance. Emerging carbon capture and storage technologies could provide a means to neutralise surplus emissions from gas extraction. However, increasing emissions in the interim will complicate our path to fulfilling New Zealand's commitments under the international Nationally Determined Contributions (NDCs).

Decommissioning decisions needed

The Cabinet paper is drafted based on your initial decisions, but there are outstanding policy matters to be confirmed

14. We have drafted the Cabinet paper based on your initial decisions made in March 2024 [BR 2324-2138 refers]. You agreed to:
 - a. Advance work to finalise regulations and guidance on information requirements;
 - b. Make technical amendments to the provisions that govern how securities must be held to allow more flexibility;
 - c. Limit trailing liability to only the party who held the permit immediately before the transfer of the interest in the permit; and
 - d. Retain the current criminal offence provision.

Limiting trailing liability is inconsistent with international practice

15. In our discussions with you, you enquired whether other jurisdictions limit trailing liability. The jurisdictions we examined, the United Kingdom and Australia, do not. They also have trailing liability provisions that are much broader than ours in that they can target parent companies and associates, including non-permit holders [AM 2324-2971 refers]. However, New Zealand sector participants have expressed a view that the combination of broader trailing liability with change of control provisions and the requirement for a financial security make New Zealand's regime onerous and may be a deterrent to investment.
16. If you want, we can amend the draft Cabinet paper to be consistent internationally and retain New Zealand's current trailing liability provisions with no changes.

We are seeking your decision on post-decommissioning liability

17. You did not make decisions on post-decommissioning liability, but we have included an option in the draft Cabinet paper that is consistent with comparable jurisdictions. This option would:
 - a. Replace the current requirement to provide a payment or financial security to cover post-decommissioning costs with perpetual liability for any decommissioning costs that may arise; and
 - b. Require permit holders who decommission to inform the regulator about changes to company structure or domicile.
18. Additionally, you have a choice on one matter:
 - a. Who is liable in the post-decommissioning phase? Either:
 - i. Just the permit holder/participants who decommissioned, OR
 - ii. The permit holder/participants, its parents and associates. This offers more choices for who might be held liable if the permit holder/participant ceases to exist.
19. Currently, post-decommissioning monitoring may be required through environmental consenting processes. We are looking further into whether any other legislative changes might be necessary to make requirements clear and certain. Any changes, if needed, could be progressed through Cabinet Legislation Committee.

The draft Cabinet paper also signals a proactive approach to decommissioning

20. Decommissioning New Zealand's fields, based on current estimates, would cost approximately s 9(2)(b)(ii)

It is in the Crown's interest to support early planning and certainty around scope and costs because of (a) the potential costs that may fall to the Crown and other third parties if a permit holder fails, and (b) the potential value of the tax and royalty refunds that permit holders can claim (up to 48 per cent of eligible costs).¹

21. The draft Cabinet paper signals a more transparent approach to planning early for decommissioning and providing certainty around scope. It proposes working with the Minister for the Environment to investigate ways of providing greater and earlier certainty about what infrastructure needs to be removed, and what can be left in situ. It also signals a desire to work with industry to voluntarily make decommissioning plans public so they can receive feedback from local communities and serve as advance notice to local supply chains. It is an approach followed in the United Kingdom.

Consultation

Reversal of the ban

22. We have engaged with industry to help develop these proposals. Industry are supportive of the changes to reverse the ban, and all changes to signal the Government is 'open to business'.

Decommissioning proposals

Industry support continuing to develop regulations on information provision

23. They consider it important for permit holders to be clear on what information needs to be provided. They have cautioned about ensuring the triggers for regular updates are reasonable and do not add costs.

Industry would likely support changes to allow more flexibility in how financial securities are held

24. These technical amendments would allow parent company guarantees as financial securities. It would also allow permit holders, such as OMV and Todd, to provide a single security for interests they hold across many permits, reducing duplication and additional costs.

Industry consider financial securities should only cover the costs of plugging and abandonment

25. We have previously advised against limiting financial securities to only the costs of plugging and abandoning wells [BR 2324-1704 refers]. International jurisdictions do not take this approach and the potential risk to the Crown increases if a permit holder fails.

26. Our initial analysis of decommissioning plans suggests that for offshore fields, approximately 35 per cent of costs are for plugging and abandonment, and for onshore fields, approximately 70 per cent. In a scenario where the Crown only accepts financial securities for plugging and abandonment, the potential risk to the Crown from failure is between 30 and 65 per cent of total costs, depending on the field.

¹ For tax, the refund is up to 28 per cent of eligible decommissioning costs, provided the permit holder has paid that amount of taxes in previous years. For royalties, it is up to 20 per cent of decommissioning costs, provided the permit holder has paid that amount in accounting profit royalties, in excess of the minimum ad valorem royalties, in previous years.

Industry consider the CMA should not require “total removal” of petroleum infrastructure and financial securities should not be calculated on this basis

27. The requirement to totally remove infrastructure in the CMA is a backstop in case no other regulation or regulator sets a requirement or standard. There is therefore flexibility within the regime for decommissioning to require less than total removal. However, we acknowledge that this creates some uncertainty for the sector about their potential liability.
28. Annex Two includes more information on what the requirements are for decommissioning infrastructure in the Exclusive Economic Zone (EEZ), territorial sea, and on land. Requirements are variable and, in some cases, non-existent.
29. The draft Cabinet paper signals two pieces of work to address industry's concern:
 - a. Investigating guidelines and/or standards to provide permit holders with certainty on what infrastructure they may need to completely remove and what can be partially or fully abandoned in situ. For the EEZ and continental shelf, these requirements and standards are based on New Zealand's international obligations; and
 - b. Clear and consistent guidelines on how the financial security under the CMA would be calculated, including how the uncertainty around infrastructure removal will be dealt with.

Industry will likely oppose retaining any form of trailing liability, criminal penalties, and post-decommissioning liability

30. From conversations with Energy Resources Aotearoa, industry are unlikely to support retaining trailing liability as they consider a mandatory financial security together with Crown approval of transfer and change of control sufficient to mitigate risk. As noted previously [AM 2324-2971 refers], the jurisdictions we have investigated all provide for financial requirements, transfer/change of control approval, and trailing liability. The only difference is in whether a financial security is mandatory² and this difference can be attributed to our different industry contexts, with majority lower-risk, internationally significant companies operating overseas.
31. Industry consider criminal penalties, which only apply in the most egregious circumstances, to be unjustified. They consider it will be difficult to attract skilled directors. As noted, comparable jurisdictions include criminal penalties in their decommissioning regime [AM 2324-2971 refers] and there is domestic precedent for it (for example, in the financial markets conduct and health and safety at work contexts).
32. Industry consider any form of post-decommissioning liability unnecessary as the risks are low to very low. Their concern with the current post-decommissioning fund is that there is no indication what the cost of the payment might be or how it will be calculated. Regulations to implement this have not yet been made. As noted, both the UK and Australia hold permit holders liable in perpetuity for any risks and impacts from wells and infrastructure [AM 2324-2971 refers]. We advise aligning with this international practice instead of a post-decommissioning fund, which could reduce up-front costs for permit holders but still appropriately mitigate risk for the Crown.

Upcoming consultation and further changes

33. The draft Cabinet paper includes placeholders in relation to iwi consultation. We are working with your office and Minister Potaka's office to organise a meeting with iwi in early May. Officials intend to meet with environmental NGOs after the hui with iwi and before Cabinet decisions.

² It is mandatory in New Zealand, with flexibility as to amount and kind based on risk. It is discretionary and risk-based in the UK, and yet to be determined in Australia.

Emissions implications

The proposal is projected to result in higher emissions as compared with the Climate Change Commission (CCC) demonstration pathway

34. MBIE is required to estimate and disclose the greenhouse gas emission implications of policy proposals that go to Cabinet in a CIPA (climate impacts of policy assessment).
35. We are working to finalise the CIPA and provide it to you. We expect finalised modelling to show that the proposals will be projected to result in an increase in CO₂ emissions compared to the CCC demonstration pathway through an increase in gas use.³ Gas use declines over time in both scenarios as part of the wider shift towards renewable technology and investment.
36. However, we are also seeking to understand how the emissions in this proposal compare to emissions budgets and a counterfactual of increased reliance on coal for peaking and firming. Also relevant is the full range of potential emissions reductions that may result from increased renewable energy generation, stabilised by a secure supply of gas, and increased electrification (for example, EV uptake).
37. Emerging CCUS technologies could also provide a means to offset surplus emissions from gas extraction.

9(2)(h)



38. The Climate Change Response Act 2002 (CCRA) sets a system of legally binding emissions budgets that cap the amount of net greenhouse gas emissions that are permitted across successive five-year periods (or four years in the case of the first emissions budget).
39. These budgets are binding across the Crown and are not specific to a particular portfolio. The ban on oil and gas was enacted prior to the first Emissions Reduction Plan (2022-2025) and so is not an action under that plan. The second Emissions Reduction Plan (ERP2) will be for the 2026-2030 period and is the Crown's opportunity to set policy to achieve emissions budgets.

40. s 9(2)(h)



Risks and mitigations

There is a risk if timing is delayed for iwi consultation ahead of Cabinet decisions

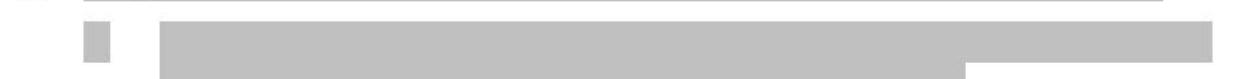
41. If consultation does not occur ahead of Cabinet decisions, there is reputational risk, s 9(2)(h) [BR 2324-2554 refers].
42. Planning is underway for this engagement to take place in advance of the lodgement of the Cabinet paper.

³ We are working to understand the impact as compared to emissions budgets, which are slightly lower than the Climate Change Commission's demonstration pathway.

There will likely be a strong reaction from iwi on the Bill

43. Many iwi have openly opposed the ban reversal, most notably iwi and hapū from Taranaki. These iwi will all likely oppose the Bill.
44. Early and meaningful engagements will provide an opportunity to hear their concerns and explain the Government's objectives around security of energy supply and economic development. It will be important that the conversations between iwi and the Crown are conducted at the right level. As planned, you are due to lead this engagement with Minister Potaka, supported by MBIE and Te Arawhiti.

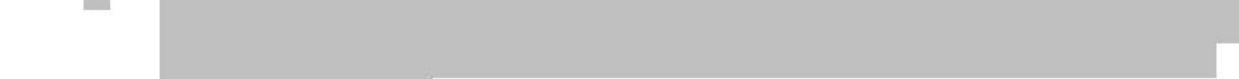
s 6(a)



47. s 6(a)



48. s 6(a)



Next steps

52. Following your feedback (if any), we will update the draft Cabinet paper in preparation for Ministerial consultation.
53. Subject to any changes proposed by your Ministerial colleagues, we seek your agreement to lodge the Cabinet paper on 16 May to be considered by the Economic Policy Committee on 22 May, and Cabinet on 27 May.
54. The table below summarises the proposed next steps for seeking Cabinet decisions.
55. To meet the timeframes set out in the table below, Ministerial consultation would need to commence by 1 May, and responses received by close of business on 8 May. If there are any delays to the timeframe, this could delay Cabinet consideration. Depending on the length of the delay, we would still look to manage immediate next steps to enable the Bill's introduction by the end of the year.

Step	Timing
Provide Minister with draft Cabinet paper for review	18 April
Feedback from Minister on draft Cabinet paper	24 April
Provide Minister with draft Cabinet paper for Ministerial consultation	1 May
Ministerial consultation concludes	8 May
Revised Cabinet paper provided to Minister	15 May
Lodgement for Cabinet Economic Policy Committee	16 May
Economic Policy Committee	22 May
Cabinet confirms Economic Policy Committee decision	27 May
PCO draft Crown Minerals Amendment Bill	End of June
Introduction of Crown Minerals Amendment Bill	October
Amendments commence	End of 2024

Annexes

Annex One: Draft Cabinet paper – Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency

Annex Two: What infrastructure permit holders are required to decommission and how

Annex One: Draft Cabinet paper – Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency

18(d) - publicly available



IN CONFIDENCE

Annex Two: Proposed changes to the Crown Minerals Act 1991 to improve regulatory efficiency

18(d) - publicly available

IN CONFIDENCE

IN CONFIDENCE

Annex Three: Regulatory Impact Statement: Crown Minerals Act 1991

18(d) - publicly available

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IN CONFIDENCE

Annex Four: Regulatory Impact Statement: Tier 3 permits

18(d) - publicly available

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IN CONFIDENCE

IN CONFIDENCE

Annex Five: Climate Implications of Policy Assessment disclosure sheet

18(d) - publicly available

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IN CONFIDENCE

Annex Two: What infrastructure permit holders are required to decommission and how

1. The Crown Minerals Act 1991 (CMA) requires petroleum permit and licence holders to decommission all wells (the process is called “plugging and abandoning”) and all infrastructure.⁴ Infrastructure is defined in the CMA as everything used for exploring, mining or processing petroleum up until the point it enters a distribution or transportation system.⁵
2. “Decommissioning” is also defined in the CMA. A definition was needed to be clear about what the obligation on permit and licence holders entailed, and because there are legal consequences associated with non-compliance. “Decommissioning” is defined as an activity undertaken under any other enactment, like the Resource Management Act 1991 (RMA), the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act), and the Health and Safety at Work Act 2015 (HSWA), and in accordance with requirements/standards set by or under that enactment or imposed by a regulatory agency to permanently take petroleum infrastructure or a well out of service.⁶ It includes removing petroleum infrastructure, plugging and abandoning a well, undertaking site restoration, and any other prescribed activity.
3. Specifically in relation to decommissioning petroleum infrastructure, the CMA includes a “backstop”, that is, if no other enactment, standard or requirement by a regulatory agency contains any requirements for how petroleum infrastructure should be decommissioned, the infrastructure must be decommissioned by totally removing it. This “total removal” backstop is in contrast to partial removal or total abandonment in-situ. It was required, once again, for reasons of clarity in the event other regulatory regimes or regulators did not have a decommissioning requirement or standard for less than total removal.

Depending on what the petroleum infrastructure is and where, there are international obligations for what must be removed and domestic processes to follow

4. Petroleum infrastructure in New Zealand’s Exclusive Economic Zone (EEZ) and Continental Shelf is regulated by the Environmental Protection Authority (EPA). In the Coastal Marine Area (our territorial sea up to 12 nautical miles) and on land, petroleum infrastructure is regulated by regional and district councils through the RMA.
5. Infrastructure for a single permit can be located in multiple areas – EEZ, Coastal Marine Area, and on land.

Location of infrastructure	Decommissioning requirement/standard	Regulator and legislative authority
EEZ and Continental Shelf	<p><u>For infrastructure other than a submarine pipeline:</u></p> <ul style="list-style-type: none">• Complete removal, OR• Best practicable environmental outcome <p>International Maritime Organisation (IMO) Guidelines and Standards are relevant for offshore installations other than a pipeline.</p>	<p>EPA under the:</p> <ul style="list-style-type: none">• Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, and• Exclusive Economic Zone and Continental Shelf (Environmental Effects—Decommissioning Plans) Regulations 2021

⁴ See section 89J, 89K, 89R and 89S of the CMA for these primary obligations.

⁵ See section 89F of the CMA.

⁶ See section 89E of the CMA.

	<p><u>For a submarine pipeline:</u></p> <ul style="list-style-type: none"> • Best practicable environmental option 	
Coastal Marine Area	<p>As set out in individual coastal permits.</p> <p>Existing coastal permits in Taranaki appear to require that all structures are removed and the site reinstated, unless agreed otherwise with the Chief Executive of the Taranaki Regional Council.⁷</p>	Regional Councils under the RMA
On land	<p>As set out in individual consents (if any) and private land access agreements (if any).</p>	Regional and District Councils under the RMA

New Zealand has specific international obligations for infrastructure in the EEZ, Continental Shelf and Territorial Sea

6. For New Zealand's EEZ, Continental Shelf, and Territorial Sea our international obligations under the United Nations Convention on the Law of the Sea (UNCLOS) apply. UNCLOS presumes removal of abandoned or disused infrastructure, taking into account generally accepted international standards established by a competent international organisation, such as the IMO. The Convention on the Prevention of Marine Pollution by Dumping of Wastes and Other Matter 1972 (the London Convention) and its 1996 Protocol (London Protocol) also prohibits all dumping of waste at sea except for certain types that are subject to a permit granted by the coastal state.
7. In 1989, the IMO adopted Guidelines and Standards setting out a general requirement that all abandoned or disused offshore installations or structures in the EEZ and Continental Shelf be removed, except where non-removal or partial removal is consistent with the IMO's guidelines and standards. The guidelines state the decision to allow an offshore installation or parts of it to remain on the seabed should be based on a case-by-case evaluation by the coastal State taking into account a range of matters and the following standards:
 - a. All abandoned or disused installations or structures standing in less than 75m of water and weighing less than 4,000 tonnes in air (excluding the deck and superstructure) should be entirely removed.
 - b. All abandoned or disused installations or structures emplaced on the seabed on or after 1 January 1998 standing in less than 100m of water and weighing less than 4,000 tonnes in air (excluding the deck and superstructure) should be entirely removed.
8. Notwithstanding the above standards, the IMO guidelines state that where entire removal is not technically feasible or would involve extreme cost or an unacceptable risk to personnel or the marine environment, the coastal State can determine that installations are not entirely removed.

Why did the Tui project remove all infrastructure and leave a clear seabed?

9. The Tui field, prior to its decommissioning, was New Zealand's fifth offshore field and was located in approximately 120m of water. The total mass of infrastructure on and above the

⁷ See coastal permits in:

Pohokura - <https://www.trc.govt.nz/assets/Documents/Environment/Monitoring-OGproduction/MR19-PohokuraPS.pdf>

Kupe - <https://www.trc.govt.nz/assets/Documents/Environment/Monitoring-OGproduction/2021/MR21-KupePS.pdf>

Maui - <https://www.trc.govt.nz/assets/Documents/Environment/Monitoring-OGproduction/2021/MR21-MauiPS.pdf>

seabed was in excess of 7,000 tonnes. The Tui Project opted to remove all infrastructure and leave a clear seabed for the following reasons:

- a. The Tui field used a floating vessel (FPSO) to process and store oil, with associated subsea infrastructure sitting on the seabed, rather than a fixed production platform like Maui. This removed the need to dismantle, deconstruct or leave in place platform topsides, jacket or piles.
- b. The Tui field used flexible flowlines, gas lift lines and umbilicals, and not rigid steel pipelines on or under the seabed (which can be costly and environmentally disruptive to remove and recover). This meant recovery was feasible and cost effective.
- c. Full removal of subsea infrastructure and recovery of subsea Xmas trees and wellheads was consistent with good industry practice for decommissioning (for example, the UK's decommissioning guidelines for the North Sea), and removed potential obstructions to fisheries.
- d. Full removal was consistent with the desires of the local community, particularly iwi, and compared with partial abandonment, did not pose negative long-term risks to the environment.

10. As this was New Zealand's first offshore decommissioning project, the Tui Project worked closely with Te Kāhui o Taranaki Iwi (Taranaki Iwi) to plan and execute decommissioning.

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BRIEFING

CMA Amendment Bill: Options to increase investment in petroleum exploration

Date:	11 March 2024	Priority:	High
Security classification:	Restricted	Tracking number:	2324-2303

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	<p>Agree to include a range of changes in the Crown Minerals Amendment Bill that will clearly signal the Government's intention to promote petroleum exploration.</p> <p>Agree to review New Zealand's petroleum royalty regime.</p> <p>Discuss options to address New Zealand's sovereign risk and reduce costs for investors.</p> <p>Forward this briefing to the Minister for Energy for his information.</p>	22 March 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Lena MacCarthy	Manager, Resources Policy	9(2)(a)	✓
Ayesha Myra Amin	Principal Policy Advisor		

The following departments/agencies have been consulted			
Treasury, the Ministry of Foreign Affairs and Trade, Crown Law Office			
9(2)(f)(iv)	Inland Revenue and the Ministry for the Environment		

Minister's office to complete:	<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
	<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
	<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
	<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

CMA Amendment Bill: Options to increase investment in petroleum exploration

Date:	11 March 2024	Priority:	High
Security classification:	Restricted	Tracking number:	2324-2303

Purpose

We briefed you on 25 January 2024 about a work programme for the proposed Crown Minerals Amendment Bill [BR 2324-1599 refers]. This is briefing three (of five) under that work programme. It sets out, for your consideration, a range of legislative and non-legislative measures to attract more investment into New Zealand's petroleum sector.

Executive summary

Globally, investment in upstream petroleum exploration has been declining since 2014 as oil and gas firms navigate the energy transition and pursue lower-cost reserves. Against this context, New Zealand is starting from a position of relative disadvantage. While we may have great potential in our frontier basins, exploration is expensive. The 2018 ban on petroleum exploration outside onshore Taranaki has also introduced a perception of sovereign risk. To attract more international petroleum investment, especially in our existing fields to secure our gas supply, we need to address New Zealand's risk and cost profile.

The following options can be included in the Crown Minerals Amendment Bill. They would clearly signal or support the Government's intent to promote petroleum exploration:

- Amending the purpose of the Crown Minerals Act 1991 (CMA) from "to manage" to "promote prospecting for, exploration for, and mining of Crown owned minerals" and re-instating the Minister's functions to attract investment.
- In addition to amending the purpose statement, introducing a mechanism for an optional Government Policy Statement in the CMA to set long-term objectives for petroleum, minerals, or both.
- Amending the CMA to broaden the types of allocation methods for petroleum exploration permits to include tender and non-tender methods. This offers the flexibility to adapt based on investment conditions and other objectives.
- Extending the statutory 15-year confidentiality period by 6 years for certain offshore data acquired by speculative prospectors who were most impacted by the ban. This would support the activities that these speculative prospectors undertake, which promotes New Zealand's petroleum sector.

There are a range of options currently outside the Crown Minerals Amendment Bill that could address New Zealand's perceived sovereign risk and decrease costs for investors.

9(2)(g)(i)

Another could be a compensation mechanism in legislation or contract. A mechanism of this kind is novel and complex to develop 9(2)(h)

If you want to explore it further, we can come back to you with more advice.

To reduce exploration costs, New Zealand could investigate changes to the petroleum royalty regime, 9(2)(f)(iv) 9(2)(h)

We recommend reviewing our royalty regime as a first step. If you agree, we will provide more advice and seek decisions by June 2024. 9(2)(f)(iv)

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** that the global oil and gas upstream landscape has been shifting over the past decade and that New Zealand faces headwinds in attracting new investment;

Noted

b **Agree** to seek Cabinet decisions to include the following changes in the Crown Minerals Amendment Bill:

- i. Change the purpose statement of the Crown Minerals Act 1991 (CMA) to reflect the Government's promotional intent and make associated changes to the Minister's functions;

Agree / Disagree / Discuss

- ii. Introduce the ability for the Government to issue a Government Policy Statement covering all or part of the Crown minerals estate;

Agree / Disagree / Discuss

- iii. Broaden the possible methods of allocating new petroleum exploration permits to include tender and non-tender methods;

Agree / Disagree / Discuss

- iv. Extend the confidentiality period by six years for data collected by speculative prospectors impacted by the 2018 ban on petroleum exploration permits outside onshore Taranaki;

Agree / Disagree / Discuss

c **Discuss** our advice on options to address New Zealand's sovereign risk and reduce exploration costs for petroleum investors;

Discuss

d **Agree** to review the petroleum royalty regime to secure New Zealand's gas supply and increase petroleum exploration;

Agree / Disagree / Discuss

e **Note** that if you agree to recommendation (d) we will provide you with further advice and seek decisions by June 2024; and

Noted

f **Forward** this briefing to the Minister for Energy for his information.

Agree / Disagree



Lena MacCarthy
Manager, Resources Policy
Building, Resources and Markets, MBIE

11 / 03 / 2024

Hon Shane Jones
Minister for Resources

..... / /

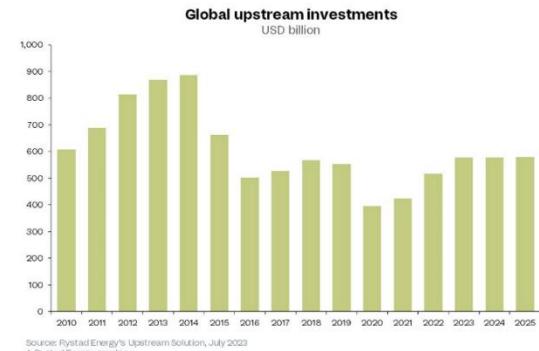
Background

1. In December 2023, we briefed you on options for removing the prohibition on new petroleum exploration outside of onshore Taranaki (the ban) [BR 2324-1386 refers]. You indicated your objectives for removing the ban are to:
 - Ensure we have a secure and affordable supply of gas as we move to a lower-emissions economy and reduce New Zealand's reliance on coal.
 - Provide a strong signal that New Zealand wishes to attract international petroleum investment as part of a wider Government push that the country is open for business.
2. To achieve both objectives, we need more petroleum exploration to extend the life of existing fields and to discover and develop new fields. We indicated that even if the ban were removed, our discussions with the sector suggest that New Zealand faces considerable barriers to attracting investment in new petroleum exploration.
3. This briefing sets out legislative and non-legislative interventions to address the risk of policy uncertainty, to reduce costs for investors, and to signal the Government's policy intent to attract more investment into New Zealand's petroleum sector.

The petroleum investment landscape

Globally, investment in upstream oil and gas has been shifting since 2014

4. 2014 was a turning point for oil and gas. Globally, upstream investments peaked at around US\$900 billion in that year, prior to the oil-price crash in 2015. In 2023, investments were around US\$500 billion.
5. In New Zealand, interest in our national block offers also peaked in 2014 and was further dampened by the 2018 ban.
6. There are many reasons for this decade-long trend. Productivity has increased; supply is still stable, but at reduced costs. Climate change considerations (following the adoption of the Paris Agreement in 2015 by 195 countries) and the uncertainty of the timing of the energy transition has introduced a degree of caution by oil and gas companies and traditional lenders. Oil and gas firms have also prioritised their cash flow towards debt reduction, share buybacks and dividend payouts.
7. Firms are still growing, but differently. 2023 saw significant acquisitions as firms bought out smaller producers with lower-cost reserves. While firms are reinvesting, it is not at high rates. This is despite record revenues in 2022. According to the International Energy Agency, between 2010 and 2019 companies invested three-quarters of cash outflows into new supply, but it is now less than half.
8. The Ministry of Foreign Affairs and Trade (MFAT) notes that the trend of decreasing fossil fuel investment is expected to continue. At the 2023 UN climate talks (COP28), countries agreed to a global transition away from fossil fuels, which was intended as an important investment signal to international markets. 6(a)

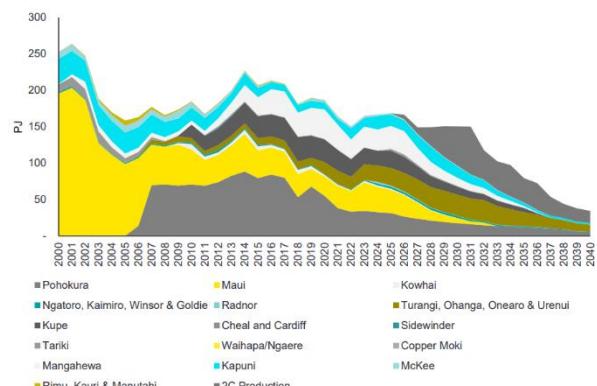


To attract petroleum investment, New Zealand needs to improve its risk and cost profile

9. Against these global trends, New Zealand is starting from a position of relative geographical and geological disadvantage. We are relatively unexplored, far from export markets, and with a shallow (and closed) domestic gas market.
10. Although there have been some significant discoveries offshore and onshore Taranaki, and there is potential off the East Coast, Canterbury and in the Great South Basin¹, New Zealand does not rank internationally as a world-class petroleum province. We are remote from supply chains making exploration and development relatively expensive from a global perspective (for example, the high cost of mobilising rigs and supply vessels). Until or unless a commercial oil discovery is made in our frontier offshore basins, investors have more attractive opportunities in other regions of the world.
11. The 2018 ban further impacted our attractiveness. New Zealand's policy settings are now seen not just as unfavourable, but as unstable. The ban also led to a downturn in exploration activity and consequently a structural increase in costs for existing operators, an example being the decrease in frequency of drilling rig visits to New Zealand. The ban put a cap on the ability to maximise return by obtaining new acreage in the future, making it difficult for existing explorers to attract farm-in partners to share exploration costs. And some discoveries are simply not economic to produce unless they are developed with other accumulations, which was harder or impossible to do when no new exploration permits were being granted.

To secure gas supply, New Zealand needs to support the economics of investment in existing fields

12. Our gas fields are in decline (see graph). In our December briefing on gas security of supply [BR 2324-1056 refers], we noted that in the Gas Industry Company's very conservative modelled scenario, gas demand would exceed supply around 2025. In optimistic scenarios, this would be around 2027.
13. A focus on addressing our short-to-medium-term (< 10 years) gas security of supply risk would therefore mean supporting investment to extend the life of existing fields and bring contingent reserves online (discovered gas that is technically recoverable, but not yet commercially viable).
14. Investment in our existing fields is declining for many reasons. Our gas market is closed; there is no option to export, because we lack the infrastructure and therefore, demand must match supply. But demand is uncertain; it is dominated by a handful of industrial users using 60 per cent of supply (Methanex, Ballance Agri-Nutrients, NZ Steel, Fonterra, and Oji Fibre) and any reduction in their demand would have a significant cooling effect on investment.
15. Demand is also becoming more variable, particularly as electricity generators move gas from baseload to peaking and dry-year cover. This variable demand is also likely to keep increasing as new intermittent renewable generation comes online. As noted above, offshore exploration costs in New Zealand are already high. And they are even higher for fields that are nearing their end of life. Finally, policy uncertainty is also driving reduced investment,



¹ 132 wells have been drilled in our frontier offshore basins (17 in Canterbury, 18 in the Great South and 97 on the East Coast) but none have found hydrocarbons or commercial quantities of hydrocarbons.

namely, the uncertainty around the role of natural gas in New Zealand’s future energy system.

16. The Minister for Energy’s gas security of supply work programme seeks to address demand-side uncertainty, and reduce production and end-of-life costs for suppliers through exploring long-term flexibility mechanisms for gas supply, and enabling carbon capture, utilisation, and storage, with possible changes to New Zealand’s Emissions Trading Scheme.
17. The changes you are pursuing through the Crown Minerals Amendment Bill should also help increase investment in existing fields. This includes reversing the 2018 ban and reducing the compliance costs and burden of New Zealand’s petroleum decommissioning regime, while still protecting the Crown [upcoming BR 2324-2138 refers].
18. This briefing considers whether and what further measures are needed to positively signal and support the economics of investment in upstream petroleum to secure gas supply.

Changes to include in the Crown Minerals Amendment Bill

19. The following options would clearly signal or support the Government’s intent to promote petroleum exploration and result in quicker permit allocation processes.

Amending the CMA’s purpose statement

20. The purpose of the Crown Minerals Act 1991 (CMA) is currently “to manage prospecting for, exploration for, and mining of Crown owned minerals for the benefit of New Zealand.”
21. The Government’s coalition agreement commits to updating the CMA to clarify its role as promoting the use of Crown minerals. The sector considers there might be positive signalling benefits to reinstating the word “promote” in the purpose statement.
22. The purpose statement was amended in 2023 and the word “promote” was replaced with the word “manage”. Related changes were made, specifically to the section on the functions of the Minister. The function to “attract permit applications, including by way of public tender” was replaced with “from time to time offer permits for application by way of public tender”.
23. The purpose statement constrains decisions under the CMA – decisions that are inconsistent with the scheme and purpose of the Act would be unlawful. The purpose statement is interpreted in the Petroleum and Minerals Programmes 2013 (the Programmes) (secondary legislation) and “benefit of New Zealand” is seen as increasing New Zealand’s economic wealth through maximising the economic recovery of New Zealand’s Crown-owned mineral resources.
24. You could seek Cabinet approval to re-instate the word “promote” in the CMA’s purpose statement (and amend the Minister’s functions). As we indicated in December, we do not think it is a necessary change to keep the economic focus of the CMA, nor is it needed to restart the Government’s and/or officials’ international promotional activities. However, it would send a strong signal and remove any risk that the word “manage” is interpreted by the Courts inconsistently with the Government’s policy.

Introducing a Government Policy Statement for the CMA

25. In addition to amending the purpose statement, you could also introduce a mechanism for an optional Government Policy Statement (GPS) in the CMA to signal the Government’s policy direction. The Gas Act 1991 (section 43ZO) has such a provision, but for the governance of the gas industry. GPSs are also used to guide investment in areas where there are competing objectives, such as land transport.

26. Currently, the Programmes include this policy signalling, but they are technical documents with operational guidance for the industry. A GPS would separate strategic policy from operational policy, providing a long-term statement of objectives for the sector. It provides a broader canvas to signal policy intent than the CMA's purpose statement. It could cover petroleum, minerals, or both; set targets for each; and connect to broader strategies about security of supply, economic development, critical minerals, and the transition to a lower-emissions economy. If the Government is open to it, a GPS may also provide a vehicle for cross-party agreement.

Allowing for faster allocation of petroleum exploration permits

27. An annual, competitive tender or block offer is currently the only way to allocate petroleum exploration permits (PEPs). Given the investment headwinds in New Zealand's petroleum sector, this might not be the best approach to signal the Government's desire for more and quicker investment.

28. Energy Resources Aotearoa (ERA) has suggested bringing back the Priority in Time (PIT) method of allocation, which is a type of non-competitive allocation method. Before 2013, New Zealand used block offers and the PIT method. The regulator publicly reserved blocks for future block offers well in advance. For non-reserved blocks, prospective investors could apply for a PEP at any time through PIT. Applications for minerals uses a similar form of allocation as PIT called "acceptable work programme offer".

29. There are pros and cons to both methods:

- The block offer tender process is a proactive method of attracting and managing interest in our resources from high-quality explorers. Depending on how it is implemented, it offers a predictable and regular opportunity for investors to build or enhance a New Zealand-wide portfolio. A proactive process also allows the government to strategically manage its offshore areas where there are competing uses, such as offshore wind, minerals, and petroleum, especially in Taranaki. While tenders are ideal where investment interest is high, they are inefficient when interest is low. Engagement on block offers can also be of potentially limited value to local communities and iwi as there is no actual bidder or work programme to engage on before the tender opens.
- A non-tender method like PIT offers benefits to smaller operators, who can more rapidly evaluate an opportunity and execute investments. However, consultation with local communities and iwi could be burdensome and inefficient for them because the timing and number of applications would make engagement unpredictable. A non-tender method also limits competition (depending on how it is designed), which means the government may not see and therefore cannot necessarily choose the best work programme for a particular block. PIT tends to focus on accepting offers that meet a minimum standard of an acceptable work programme. It risks allowing less established companies to secure the best acreage, but then not being able to optimise it.

30. For the CMA Amendment Bill, you only need to decide if you want to keep a tender method for allocation, move to a non-tender method, or keep both options open. The actual detail of each method can be designed to suit different objectives and with input from industry. The Petroleum Programme will have to be updated.

31. We recommend amending the Act to allow for a choice between competitive and non-competitive allocation methods in the CMA as this offers the flexibility to adapt based on investment conditions and other objectives. In practice, it might mean the regulator reserves certain blocks for future tenders and leaves other areas open to an immediate application.

Extending the exclusive-use timeframe for existing, specialist speculative prospectors

32. Seismic and other data acquired by specialist speculative prospectors currently has a 15-year confidentiality period under the CMA, after which MBIE can release the data publicly. During this 15-year period, speculative prospectors on-sell this data to interested explorers. They also market the data at international trade shows and other events and can play a useful role in New Zealand's international promotional activities.
33. When the ban was introduced in 2018, there were seven sets of offshore data collected by three different speculative prospectors with public release dates from 2028 to 2033.² A total of around 9(2)(b)(ii) was spent on acquiring these datasets.
34. While the 2018 ban preserved the rights of speculative prospectors to exclusively on-sell their offshore data, in practice the ban extinguished demand for their data because New Zealand stopped issuing exploration permits over blocks for which they had collected data. These prospectors have lost at least six years of their confidentiality period. 9(2)(b)(ii)
[redacted]
[redacted]
35. We recommend extending the 15-year confidentiality period by 6 years for these data sets. This would support the activities that these speculative prospectors undertake, which promotes New Zealand's petroleum sector.

Options outside the CMA Amendment Bill

We have looked at a range of options, which need to be considered together

36. Feedback from industry is that New Zealand's policy instability will be the key deterrent to investment in petroleum exploration, either in existing or new fields. This is therefore the primary issue to address.
37. Outside of reducing New Zealand's policy 'risk premium', our fiscal regime will also determine how attractive we are relative to other countries. This includes 9(2)(f)(iv) royalties.
38. Beyond any risk reduction 9(2)(f)(iv) and royalty changes, there is also a spectrum of options 9
[redacted]
[redacted]
39. We recommend you consider these three categories together for the following reasons:
 - They can be designed at an individual and/or cumulative level to target different objectives. For example, ensuring short-to-medium-term security of gas supply, which would require targeting investment to extend the life of existing gas fields in Taranaki, versus broader and longer-term economic development objectives, which would focus on developing frontier basins like the Great South Basin.
 - Some options interact with each other (royalties 9(2)(f)(iv)), and some may be alternatives (an investor-state compensation scheme 9(2)(f)(iv)).
 - For the Crown, each option will have different costs, at different times, and with varying degrees of uncertainty, 9(2)(h)

9(2)(b)(ii)
[redacted]

Fossil fuel subsidy reform

43. Since 2010, New Zealand has been an advocate for more specific rules on fossil fuel subsidies.

6(a)

45. A key feature of New Zealand's trade policy is its long-standing principled position against subsidies generally, and fossil fuel subsidies in particular. We have advocated for fossil fuel subsidy reform in trade and climate agreements, at the WTO, and in other international environmental and economic fora. New Zealand's role as a leading advocate of fossil fuel subsidy reform dates to the launch of the Friends of Fossil Fuel Subsidy Reform in 2010, and the Fossil Fuel Communiqué led by then-Prime Minister Key in 2015. Our international position on fossil fuel subsidies was reinforced in December 2023 at COP28⁵ and as recently as the thirteenth WTO Ministerial Conference (MC13) on 27 February 2024.⁶

46. New Zealand has secured fossil fuel subsidy reform commitments in its recent EU and UK Free Trade Agreements. New Zealand has also been leading negotiations for the Agreement on Climate Change, Trade and Sustainability (ACCTS), which are close to conclusion. 9(2)

47. 9(2)(h)

⁵ COP28 called on parties to contribute to phasing out inefficient fossil fuels subsidies that do not address energy poverty or just transition. Pacific countries were among those that pushed for a strong decision at COP28 to phase out all fossil fuel subsidies. Pacific partners regularly raise Australia's fossil fuel subsidies and push for it to move away from these subsidies. 6(a)

⁶ New Zealand co-ordinates the fossil fuel subsidy reform initiative at the WTO. Alongside 47 other economies, including the European Union and United Kingdom, New Zealand launched a plan to rationalise, phase out or eliminate fossil fuel subsidies at the 13th WTO Ministerial Conference on 27 February 2024.

9(2)(h)

Addressing New Zealand's perceived sovereign risk

48. As we indicated in December [BR 2324-1386 refers], the perception of sovereign risk will be challenging to overcome 9(2)(g)(i)

An alternative 9(2)(g)(i) is a compensation mechanism for investors

51. ERA has suggested that the Government introduce a clear disputes and compensation mechanism for petroleum permit and licence holders in the CMA to ensure investments made under current policy settings are honoured.

52. You have also asked for advice on whether oil and gas companies can be offered 'guarantees' or 'bonds' or something similar that would protect investors from a potential change in policy.

53. We note that the 2018 amendments were prospective only, that is, they preserved the rights of existing permit/licence holders and only applied to future permit/licence holders. While there is no reason to assume any future amendment would operate retrospectively given the presumption against retrospective legislation in New Zealand, it cannot be ruled out.

9(2)(h)

9(2)(h)

A compensation mechanism may be considered a guarantee, which is captured under the Public Finance Act 1989

57. **[Treasury comment]** If a compensation scheme were essentially providing a Crown guarantee, it would be captured by the provisions of the Public Finance Act 1989. The Minister of Finance would need to agree to provide the guarantee, which must be in the public interest. If the Crown's contingent liability exceeds \$10 million, the Minister must notify the House of Representatives.

9(2)(h)

9(2)(h)

9(2)(h)

9(2)(h)

Compensation would set a precedent and carries significant fiscal risk

65. Given the nature and scale of the types of investments that could fall under a compensation scheme 9(2)(h) there could be considerable fiscal implications.
66. A mechanism of this kind, in legislation or contract, would also set a precedent for investments in related or other industries in New Zealand. 9(2)(h) The Crown can always refuse to provide such arrangements, noting the need for investment certainty specific to petroleum exploration for New Zealand's energy security, 9(2)(g)(i)

We can investigate this option further

67. At this early stage, a compensation mechanism appears possible. 9(2)(h) . The details of the scheme will impact the magnitude and likelihood of any risks and will also determine how effective it is. We would therefore need to design it in a way that manages the risks to the Crown in proportion to the benefits, while still making it attractive to investors.
68. If you want to pursue this option, we can provide further advice over the coming months.

Changing 9(2)(f)(iv) royalty settings

69. In 2018, the last year in which we have global data available, New Zealand's 9(2)(f)(iv) royalty regime for petroleum was perceived positively compared with global competitors.¹² We were ranked 28 out of 80 regions on our petroleum royalty regime, s 9(2)(f)(iv)

9(2)(h)

¹² Fraser Institute, "Global Petroleum Survey 2018," <https://www.fraserinstitute.org/sites/default/files/global-petroleum-survey-2018.pdf>. The Fraser Institute has not conducted a global petroleum survey since 2018.

9(2)(f)(iv)

70.

Changes to our petroleum royalty regime

71. The royalty regime is set out in regulations, enabled under the CMA. Petroleum permit/licence holders pay one of two types of royalties (whichever is greater), the rates of which depend on when the permit/licence was issued. The current rates are 5 per cent ad valorem royalty (AVR) and 20 per cent for accounting profits royalty (APR). Annex One has an overview of our royalty regime.

72. 9(2)(f)(iv)

73. New Zealand's petroleum royalty regime was last reviewed in 2012. That review found that apart from the mildly regressive effect of the AVR on marginal fields, New Zealand's rates were highly competitive with other jurisdictions and appropriate given our geological and commercial risk profile (relatively unexplored, far from export markets, perceived as gas-prone, and a shallow domestic gas market).

74. We recommend another review given the changes to New Zealand's commercial risk profile since the 2018 ban. A review would be quick and targeted to your objectives of securing gas supply. This has been done before. Between 2004 and 2009, the royalty rate for gas was amended as there was a perceived risk that New Zealand's gas supply was insufficient to meet projected future demands.

75. 9(2)(f)(iv)

76. If you agree to a review, we will provide further advice and seek decisions by June 2024.

77. Whether or not royalty changes need to be included in the CMA Amendment Bill depends on the nature of the changes. If you wanted to apply any changes to existing permits, this would need transitional provisions in the CMA and changes to the previous Programmes (in addition to changing regulations). We can allow for this during drafting.

9(2)(f)(iv)

9(2)(f)(iv)

9(2)(h)

80.

9(2)(f)(iv)

Sharing the costs of petroleum exploration

82. The Government could consider directly supporting the costs of petroleum exploration.
83. The government has in the past contributed to some types of exploration costs. Between 2004 and 2011 the government spent \$46 million on directly acquiring seismic data by conducting surveys. This was before the 2013 CMA review, which created a market for speculative seismic data, eliminating the need for direct government involvement in seismic surveys. 9(2)(f)(iv)
84. You could also consider ways to directly share the risk of petroleum exploration. This is high risk and high cost. Offshore wells can cost around \$100 million or more to drill and the probability of an exploration well turning into a commercial discovery is in the range of one in ten.
85. Given New Zealand's long-standing commitment to fossil fuel subsidy reform, any grants would need to be consistent with our trade obligations.
86. If you are open to considering this general category of options, we can give you more advice.

International travel and attraction campaign

87. We understand you want to begin promoting commercial investment in New Zealand's resources sectors. We are working on a Promotion and Investor Attraction Strategy and work programme to support this. The work programme will include multi-level outreach engagements for you and senior officials. At the same time, we are working with New Zealand Trade & Enterprise (NZTE) and MFAT to identify opportunities for a trip to Australia in May.
88. By the end of March, we will brief you with more details on the Australia trip and in April we will provide you with the draft Promotion and Investor Attraction Strategy for your approval.

Risks and mitigations

89. For proposed changes to the CMA, the most controversial is likely to be the change to the purpose statement and the Minister's functions that will re-introduce a promotional intent. Most iwi and non-governmental environment organisations were supportive of the change from "promote" to "manage" when it was made in 2023. It may impact the six-week Select Committee timeframe for the Bill.
90. For options outside the Crown Minerals Amendment Bill, 9(2)(h) Should you want to pursue them, our subsequent advice will canvass individual risks and mitigations.

Next steps

91. Subject to your direction, we will include the following changes in the draft Cabinet paper seeking policy decisions on the CMA Amendment Bill:
 - Change the CMA's purpose statement;
 - Introduce a Government Policy Statement mechanism;
 - Broaden the possible methods of allocating petroleum exploration permits; and
 - Extend the data confidentiality period by six years for speculative prospectors impacted by the 2018 ban.
92. For the options outside the CMA Amendment Bill, depending on your preferences, we can develop a package of proposals to take to Cabinet for an announcement at the time of the Bill's introduction in mid-October.

Annexes

Annex One: New Zealand's petroleum royalty regime

9(2)(f)(iv)

Annex One: New Zealand's petroleum royalty regime

New Zealand has a hybrid royalty regime that specifies the payment of either an ad valorem royalty (AVR) or an accounting profits royalty (APR) – whichever is the greater. The royalty rates are:

- **five per cent AVR:** This is five per cent of the net sales revenues. Net sales revenues are defined as the sum of total gross sales of petroleum plus the value of petroleum not sold, but on which royalty is payable (e.g., own-use fuel), minus any allowable netbacks (or plus any net forwards). Netbacks (net forwards) means that portion of the sale price that represents the cost of transporting and/or storing and/or processing the petroleum between the point of valuation and the point of sale.
- **20 per cent APR:** This is 20 per cent of the accounting profit of petroleum production. In calculating the accounting profit, the same net sales revenues are used as for the AVR. Deductions (as set out in the regulations) are then made to determine the accounting profit.

Legacy royalty provisions

New Zealand's royalty regime has changed over the years. Each change only applies to new permits.

Seven petroleum mining licences granted under the 1937 Petroleum Act are still in force. For fields developed under these licences, the royalty rates are:

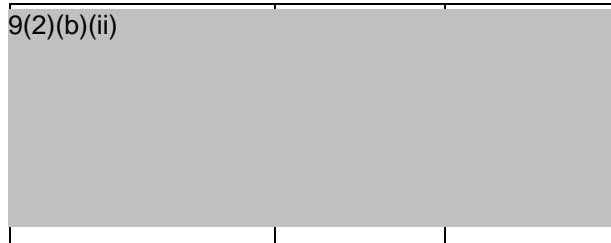
- five per cent APR for licences issued before 1975
- 10 per cent and 12.5 per cent APR for licences issued between 1975 and 1985
- 12.5 per cent APR for licences issued between 1986 and 1995¹⁴

Fields permitted under the 1995 Minerals Programme for Petroleum (are subject to the same hybrid royalty regime as fields permitted under the current 2005 Minerals Programme for Petroleum (five per cent AVR or 20 per cent APR, whichever is higher).

In addition, for gas discoveries made before 1 January 1986, the Energy and Resources Levy (ERL) is payable. The ERL is \$0.45 for every GJ produced and it is paid by the field owners of 9(2)(b)(ii)

Between 2004 and 2009, the royalty rate for gas was amended as there was a perceived risk that New Zealand's gas supply was insufficient to meet projected future demands. Between 2004 and 2009, the royalty rate for gas discoveries was one percent AVR or 15 percent APR – depending on which one was higher. The 15 per cent APR component applied for the first \$250 million of gross sales (cumulative) for onshore discoveries as well as for the first \$750 million (cumulative) of gross sales for offshore discoveries that were made during the five-year permitting period. The 9(2)(b)(ii) fields are the only fields that benefitted from this lower royalty rate.

The majority of our current fields are on the 5 per cent AVR and 20 per cent APR rates, except for these:



¹⁴ There was also an 11 percent carried contributory interest on exploration activity. The total effective royalty take was estimated at 25 percent for smaller onshore projects and 24 percent for larger offshore projects.

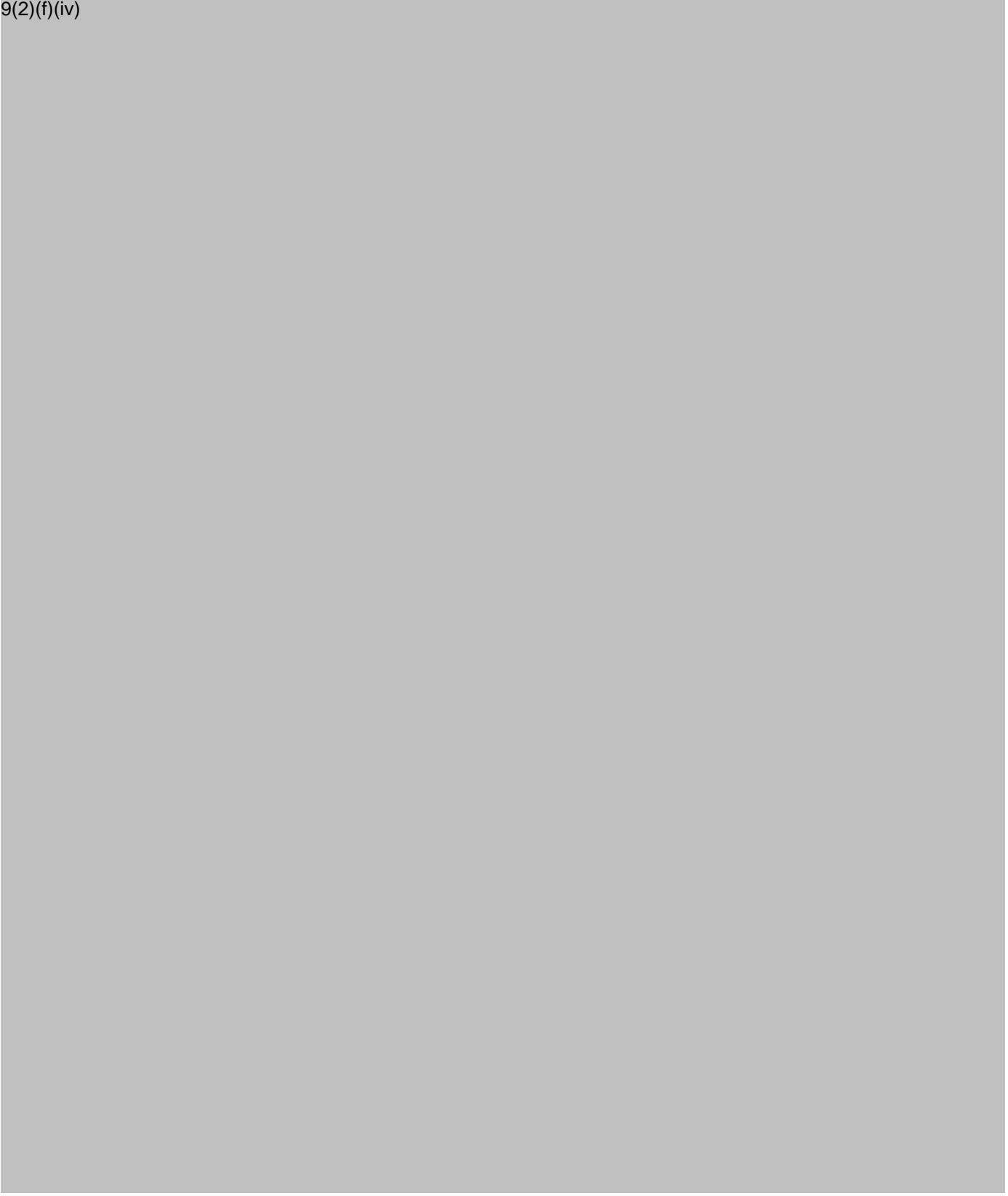
9(2)(b)(ii)



9(2)(f)(iv)

9(2)(f)(iv)

9(2)(f)(iv)





BRIEFING

Climate Impacts of Policy Assessment impacts of Crown Minerals Act Amendment Bill

Date:	15 May 2024	Priority:	Medium
Security classification:	Confidential	Tracking number:	2324-3295

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Note the contents of this briefing Agree to forward this briefing to the Minister of Climate Change.	15 May 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Susan Hall	Director, Energy Markets	s 9(2)(a)	✓
Mark Pickup	Principal Policy Advisor	s 9(2)(a)	

The following departments/agencies have been consulted

The Treasury, Ministry for the Environment (in relation to the Cabinet paper text and CIPA).

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Climate Impacts of Policy Assessment impacts of Crown Minerals Act Amendment Bill

Date:	15 May 2024	Priority:	Medium
Security classification:	Confidential	Tracking number:	2324-3295

Purpose

To provide you with a draft Climate Impacts of Policy Assessment (CIPA) for the Crown Minerals Act Amendment Bill proposals, and advise you on the emissions impacts estimated in that CIPA.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

a **Note** the estimated emissions impact of the proposals are significant (14.2 Mt CO₂e over and above a counterfactual without new gas exploration and development);

Noted

b **Note** that the modelled emissions cover direct emissions impacts of additional gas mining and combustion only, and do not include indirect impacts, including those which might displace other emissions from sources such as coal;

Noted

c **Note** that process for the second Emissions Reduction Plan is the government's opportunity to look across the economy and ensure that proposed measures are sufficient to meet emissions budgets; and

Noted

d **Agree** to forward this briefing to the Minister of Climate Change.

Agree / Disagree



Susan Hall
Director, Energy Markets
Energy Resources & Markets, MBIE

15 / 05 / 2024

Hon Shane Jones
Minister for Resources
Associate Minister for Energy

..... / /

Background

1. You are taking a paper to Cabinet on 27 May 2024, proposing changes to the Crown Minerals Act to repeal the offshore oil and gas exploration ban and improve investor confidence and regulatory efficiency.
2. When we provided the draft Cabinet paper to you on 18 April 2024 we advised you that:
 - a. MBIE is required to estimate and disclose the greenhouse gas emission implications of policy proposals that go to Cabinet in a CIPA; and
 - b. We would finalise the CIPA and provide it to you [briefing 2324-2217 refers].
3. This briefing provides you with the CIPA for the Cabinet paper and an analysis of the emissions assessment undertaken.

The estimated emissions impacts of the proposal are significant

The CIPA is attached

4. The draft CIPA is attached for your consideration as Annex 1. Emissions in the CIPA were estimated for the proposed amendments in relation to removing the ban, investor confidence and decommissioning ("the factual") against a counterfactual without new gas exploration and development ("the counterfactual"). Further information about the counterfactual is included in this briefing from paragraph 16.
5. We have also drafted updated text for the Cabinet paper as Annex 2.
6. A CIPA for the Tier 3 and regulatory efficiency changes will be provided to you with the full Cabinet paper.

Emissions are estimated at 14.2 MtCO₂e cumulative to 2035

7. The cumulative emissions to 2035 in the factual as compared with the counterfactual is estimated at 14.2 million tonnes of CO₂ out to 2035.
8. In both the factual and the counterfactual, gas use declines over time. This is part of a wider global shift to renewable technology and investment. The 14.2 Mt difference arises because in the factual gas use decreases less steeply than in the counterfactual.
9. This assessed emissions increase is significant. To give you a sense of the magnitude of these emissions compared with emissions budgets, the current sub targets from ERP1 for the energy and industry sector over each budget period are shown in the table below.

Sector	First Emissions Budget (2022-25)	Second Emissions Budget (2026-30)	Third Emissions Budget (2031-35)
Energy and Industry	70.1 MtCO ₂ e ¹	72.8 MtCO ₂ e	63.3 MtCO ₂ e

10. The emissions are highly impacted by the fact that industrial production and economic activity reduce in the counterfactual, due to lack of supply of gas. What is not taken into account is that this industrial activity would be substituted by production offshore, so is unlikely to reduce emissions globally. This suggests that ensuring a stable supply of gas could lead to more stable outcome for the economy and for emissions globally.

¹ Emissions in this table are quoted as Millions of tonnes of CO₂e for the emissions period (ie these are not annual figures). Emissions may also in some publications be quoted in kilotonnes. 1 Mt = 1,000 kt, so that 70.1 MtCO₂e = 70,100 ktCO₂e.

Modelling represents direct impacts only

11. Based on MfE advice, the CIPA estimates direct emissions impacts only. This covers direct gas use and production in the energy and industry sector. It does not cover secondary effects such as coal emissions (which gas could help displace). Neither does it factor in the full range of potential emissions reductions that may result from increased renewable energy generation, stabilised by a secure supply of gas, and increased electrification (for example, process heat electrification, EV uptake due to price effects).
12. These effects could mean that the actual emissions impact of the proposals could be lower than estimated. Based on MfE advice, we have included a qualitative assessment covering secondary effects.
13. Coal use displacement is a secondary effect that could have a significant effect on emissions. In 2023, electricity generation coal emissions were 2.7 Mt CO₂e, with an average of 3.5 Mt CO₂e, over the last 5 years and a peak of 6.4 Mt CO₂e in 2012.
14. However, these impacts are difficult to predict, and are very dependent on when coal is phased out. For example, if Huntly was used at the average levels over the last 5 years until 2035, this would result in considerably more emissions than if Huntly is closed in 2025 (as was assumed in the 2021 CCC demonstration pathway assumptions). Each extra year of operation would add 3.5 Mt, so that 10 years of additional operation would add 35 Mt.
15. Given the magnitude of these emissions, a change in Huntly's generation emissions can easily shift the predicted emissions outcome in any emissions budget period.

Estimated emissions are compared with a counterfactual in which gas supply is constrained

We have chosen a factual and counterfactual that are as realistic as possible

16. The CIPA guidance requires emissions in the factual to be estimated against a baseline, or counterfactual. We consider that the chosen factual and counterfactual are as realistic as was possible given the short time available for modelling.

The factual

17. For the factual, MBIE commissioned a new scenario for the Gas Industry Company's (GIC) Demand and Supply model, which was developed by Ernst and Young. This scenario assumes a greater, but realistic, level of development of existing and contingent reserves to ensure continued supply for gas using industries until new exploration or technologies are available.
18. The factual was based on the GIC's 'Industry focus' scenario that assumed higher industry gas demand. The two key assumption changes made to this scenario were:
 - a. The repeal and associated policies would increase the development level of contingent gas reserves from 50 per cent to 60 per cent
 - b. Gas for peaking generation would continue until 2045.

The counterfactual

19. For the counterfactual, the GIC's 'Supply Headwinds' scenario, published in December 2023, was used. Officials consider this the best available counterfactual as it forecasts a future where current gas supply is challenged and future gas supply is not able to be developed to a great extent. Under this counterfactual:
 - a. additional supply from global markets (e.g. LNG) is not available in quantity, though a strong biogas sector is assumed from 2030

- b. demand from the industrial, commercial, and residential sectors sharply reduces from 2024 onwards, Methanex does not reopen its Waitara valley plant, and gas use at Motunui-1 and Motunui-2 remains at a reduced level (i.e. does not return to full production and significantly reduces after 2034).
- c. demand from gas-fired electricity generators is phased out early for both baseload and cogeneration but gas use for peaking and dry year reserve continues under a reducing profile until 2050.

Assumptions for the counterfactual are different from the assumptions for interim projections for ERP2

- 20. The assumptions for the counterfactual are different from the assumptions underlying the interim projections for ERP2, which are best estimates of “how we are tracking” towards emissions budgets.
- 21. The interim projections for ERP2 are underpinned by the Emissions in New Zealand model (ENZ), a whole of economy model for emissions. ENZ models interdependencies between sectors such as energy and transport. In contrast, the GIC model covers gas only.
- 22. One key difference between the two models is that ENZ makes assumptions based on the government’s understanding of expected gas supply as at 1 January 2023 and does not reflect recent developments. For example, it does not take in to account the most recent reserves estimates, which are expected to be lower than previously estimated. In comparison, gas supply is constrained in the counterfactual by assuming that only 30% of reserves are developed and then increases this level to 60% in the factual.
- 23. Due to the timing of this Cabinet paper relative to the work being undertaken to support development and socialisation of the interim projections, it was not possible to align the modelling work in time for the Cabinet paper. We are continuing to engage with MfE on how to incorporate our updated understanding of gas supply into ENZ and future projections of how we are tracking using that model.

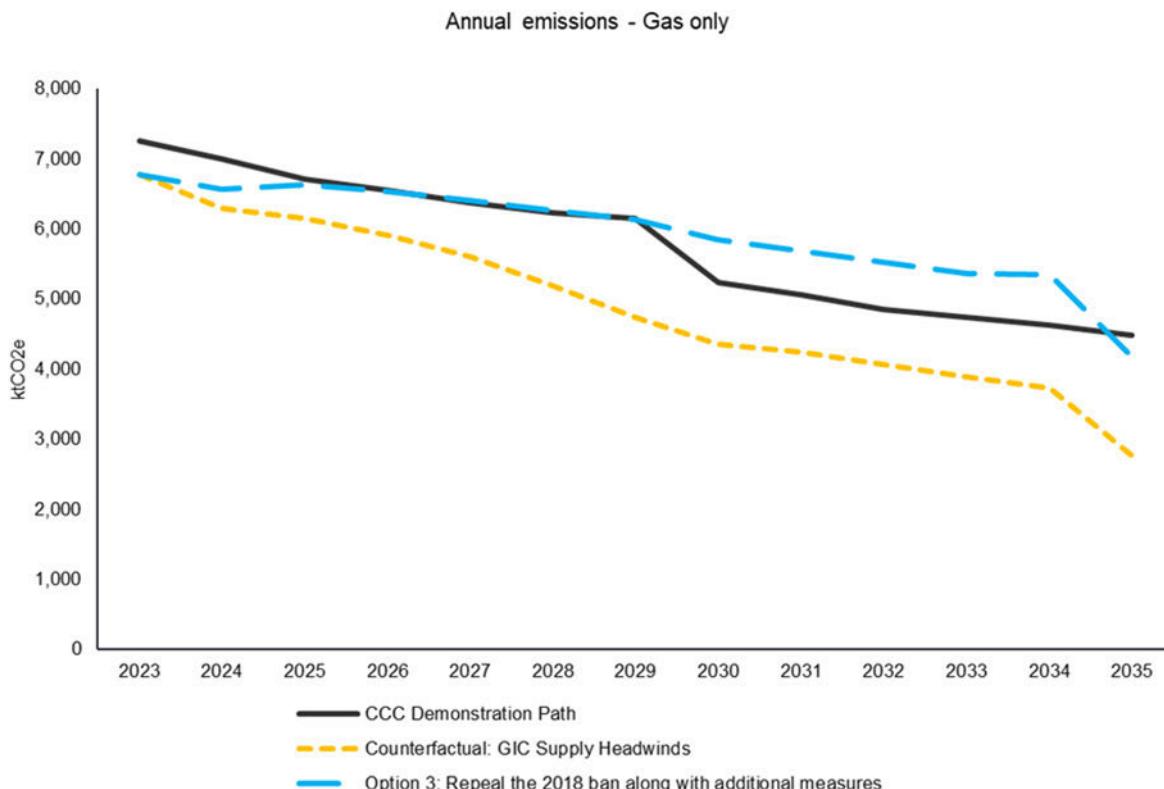
We have not used the Climate Change Commission’s 2022 demonstration path as a counterfactual

- 24. The counterfactual has a steeper decline in gas use/supply as compared with the Climate Change Commission’s demonstration path (“CCC demonstration path”).
- 25. The CCC demonstration path is a modelled pathway and can be considered aspirational. It is not a projection or what we expect will happen. However, it is often used as a baseline, given its alignment with the sector sub-targets for ERP2.
- 26. Officials chose not to use the CCC demonstration path in this case because:
 - a. Officials consider the gas assumptions in the CCC demonstration path do not realistically reflect the seriousness of the gas security of supply situation. Gas production has fallen by 51 petajoules between the years 2018 and 2023, and some large gas consumers are expressing concern about their ability to secure gas contracts; and
 - b. The CCC demonstration pathway has differing assumptions underlying its modelling (compared to the GIC model), making like for like comparisons difficult with the modelled factual.
- 27. If the CCC demonstration path was used as a counterfactual, modelled emissions impacts in the factual would be much lower. However, we consider that lower figure may be misleading, primarily because of the higher commercial and industrial gas usage in the CCC demonstration path. We are aware of public commentary that the Climate Change Commission’s modelling may not realistically reflect the current gas security situation. We

are waiting to see how this may be reflected in the Commission's advice on settings for the fourth emissions budget.

Graph shows emissions estimate for the policy against counterfactual and CCC demonstration path

28. The graph below provides an illustration of emissions in the factual, as compared to the counterfactual and the CCC demonstration path. The predicted policy outcome is very close to the CCC demonstration path over the period 2025 to 2030 but has higher emissions after 2030, largely due to higher commercial and industrial gas use. Changes in slope in the factual and counterfactual around 2035 reflect an assumption that Carbon Capture, Utilisation and Storage (CCUS) is effective for some industrial use around this time.



Implications for emissions budgets

Assessed emissions impacts are likely to have significant impact on current emissions budgets

29. This assessed emissions increase of approximately 14.2 million tonnes of CO₂ would have significant impacts on the next two emissions budgets. It includes a potential increase in the factual of 5.4 MtCO₂e in the second emissions budget period (2026-2030), which should be considered as part of the development of the second Emissions Reduction Plan (ERP2) as part of broader considerations around the sufficiency of the plan to achieve the second emissions budget.

30. The emissions analysis for the counterfactual reflects the current situation where our annual natural gas production is expected to peak this year and undergo a sustained decline, creating a pressing security of supply issue.

31. ERP2 (due at the end of 2024) provides an opportunity to develop a system-wide package of options that collectively contribute to the Government's long-term objectives for the energy transition and for meeting our climate change targets. We recommend forwarding this

briefing to Minister Watts for his information on the potential emissions implications of this policy.

Risks and mitigations

Model has been developed by the Gas Industry Company

32. The model used for the CIPA was developed for the gas co-regulator, the GIC. It was the best available with time and resources available. There is a risk, however, that some may perceive this as an industry perspective and hence biased.
33. Communications can stress that the GIC is a joint government and industry co-regulator and that MBIE is the monitoring agency for this regulator.

Legal risk

34. The Climate Change Response Act 2002 (CCRA) sets a system of legally binding emissions budgets that cap the amount of net greenhouse gas emissions that are permitted across successive five-year periods (or four years in the case of the first emissions budget).
35. These budgets are binding across the Crown and are not specific to a particular portfolio. The ban on oil and gas was enacted prior to the first Emissions Reduction Plan (2022-2025) and so is not an action under that plan. The second Emissions Reduction Plan (ERP2) will be for the 2026-2030 period and is the Crown's opportunity to set policy to achieve emissions budgets.
36. s 9(2)(h)

37. s 9(2)(h)

Communications and media

38. Media attention may focus on the high emissions impact relative to the counterfactual.
39. Communications can emphasise that:
 - a. this proposal is important in order to address a pressing security of supply issue
 - b. the alternative, until other options are identified for electricity generation, is that we would expect to see a continuing and potentially growing reliance on the burning of coal, which produces considerably greater emissions.
40. We consider the counterfactual to represent a more realistic assessment of a stressed gas future where industry is curtailed. These assumptions and the fact that the CIPA estimates only focus on direct effects mean that the estimated emissions impact could be higher than realised in reality.
41. We will provide your office with talking points.

Next steps

42. Officials are available to discuss the implications of this emissions analysis.
43. Officials will include material on emissions impacts in the talking points you will receive for Cabinet discussions.
44. The current timeline for the remaining process is:

Step	Timing
Revised Cabinet paper (including CIPA and RIS) provided to Minister	15 May
Lodgement for Cabinet Economic Policy Committee	16 May
Economic Policy Committee	22 May
Cabinet confirms Economic Policy Committee decision	27 May
PCO draft Crown Minerals Amendment Bill	End of June
Introduction of Crown Minerals Amendment Bill	October
Amendments commence	End of 2024

Annexes

Annex One: s 18(d)

Annex Two: s 18(d)

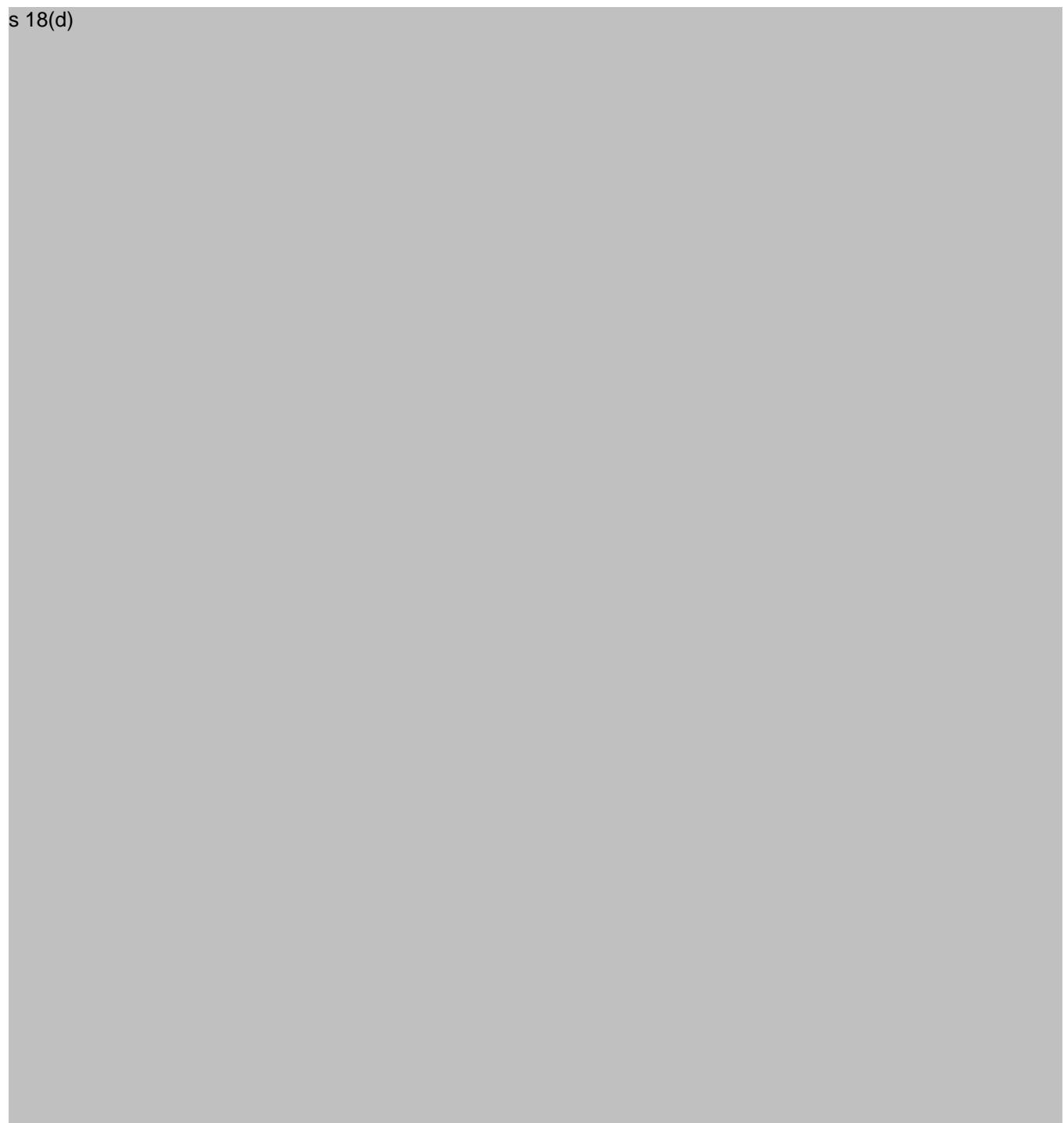
Annex One: ^{s 18(d)}

Annex Two: S 18(d)

s 18(d)



s 18(d)





BRIEFING

Timing for commencement and implementation of the CMA Amendment Bill

Date:	28 August 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2425-0642

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	Agree to the proposed timings for commencement and implementation of the CMA Amendment Bill.	3 September 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resource Policy	9(2)(a)	✓
Sophie Ford	Policy Advisor	09 928 2678	

The following departments/agencies have been consulted
N/A

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Timing for commencement and implementation of the CMA Amendment Bill

Date:	28 August 2024	Priority:	Medium
Security classification:	In Confidence	Tracking number:	2425-0642

Purpose

To seek your agreement to the timeline for commencement and implementation of the CMA Amendment Bill (the Bill).

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Note** that the recommended timings for commencement and implementation of the Bill, associated Regulations, and Programmes provide for a staggered implementation of the Bill.

Noted

b **Note** that timing for progressing the Regulations associated with the Bill will be subject to available Parliamentary Counsel Office (PCO) resource.

Noted

c **Agree** to the recommended timings for commencement and implementation of the Bill, associated Regulations, and Programmes.

Agree / Disagree

d **Agree** to the late lodgement of the Cabinet paper *Crown Minerals Amendment Bill - Approval for Introduction* with the Cabinet Office.

Agree / Disagree

9(2)(a)

Manager, Resource Policy
Building, Resources and Markets, MBIE

28 / 08 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. In May 2024, Cabinet confirmed the policy proposals to amend the Crown Minerals Act 1991 (CMA) to repeal the offshore oil and gas exploration ban and make changes to improve investor confidence and regulatory efficiency [ECO-24-MIN-0077 refers].
2. You have indicated publicly that the Bill will be introduced in the second half of 2024. We have advised you that it would be possible to pass the Bill by the end of 2024 subject to PCO and parliamentary constraints [BR 2324-1599 refers].
3. On 21 August 2024, Cabinet agreed to progress a range of measures to address energy security [ECO-24-SUB-0172 refers]. As part of these measures, Cabinet agreed to reprioritise the CMA Bill from Category 3 to Category 2 (must be passed by end of 2024).
4. This briefing advises you on the remaining work needed to implement the Bill and seeks your decisions regarding the timing for that work.

Workstreams needed to implement the Bill

5. MBIE has the following workstreams to give effect to the Bill:

Product / workstream	What is needed and why
Tier 3 Regulations	<p>The Bill provides for a new class of permits for small-scale, non-commercial gold mining.</p> <p>The Regulations will clarify how applications for these permits will be assessed (for example, fees, reporting requirements, and change procedures).</p>
Regulations for priority in time allocation	<p>The Bill enables priority in time (PIT) permit applications.</p> <p>The Regulations will clarify the requirements for these permit applications.</p>
Amendments to Petroleum Programme	<p>The Programmes are a form of secondary legislation that set out how the Minister and Chief Executive will exercise their powers or interpret and apply specific provisions in the CMA, and provide general guidance on the CMA and associated Regulations.</p>
Amendments to Minerals Programme	<p>These require updating to reflect changes made to the Act and Regulations since 2013.</p> <p>Aligning the Programmes with the updates to the Act further strengthens the regulator's decision-making and operationalisation abilities.</p>
Guidelines for financial securities	<p>Guidelines are needed to provide clarity to the sector regarding the financial securities that will be required and how financial capability assessments will be carried out under the decommissioning regime.</p>
Operational and IT changes for Tier 3, allocation methods, and decommissioning	<p>Updates to internal operational policies, processes and systems are needed. To operationalise the new Tier 3 permit, new systems are needed.</p>

6. Additional workstreams supporting the aims of the Bill are being progressed in parallel:

Product / workstream	Summary
9(2)(f)(iv)	
Fees review	MBIE's regulatory functions relating to the management of the Crown Mineral Estate are partially funded through third party revenue collected through permit fees. The fees review work will provide the robust process needed to set fees and implement Tier 3 permits. This will streamline processes and reduce regulatory requirements for non-commercial gold mining operations alongside the Tier 3 regulation workstream.
Petroleum royalties review	A review of New Zealand's petroleum royalty settings and options to incentivise petroleum development to address our gas security of supply issues.

Timing for passing the Bill this year

7. The table below is an indicative timeline for the passage of the Bill to ensure we pass the Bill this year. We recommend that you agree to these timings.

8. The Office of the Leader of the House has advised that the Bill must have a first reading by 26 September to be passed this year. On this basis, the Bill must go to Cabinet Legislation Committee on 19 September. This timing is faster than we previously indicated in earlier briefings to you.

9. This revised timeline is compressed; it requires undertaking agency and ministerial consultation concurrently (and for less than the standard timeframe) and will require requesting late lodgement of the Cabinet paper with the Cabinet office. Your office must email the Cabinet Office seeking approval to do so by filling out a form detailing why the paper needs to be lodged late. Officials are available to assist with this process.

Table: Timeframes for passing the CMA Bill

Step	Timing
Cabinet confirmed Economic Policy Committee decision	27 May
PCO draft the CMA Amendment Bill	until early September
Bill sent to you as Minister for Resources	6 September
Ministerial and agency consultation (concurrent)	9 - 11 September
Lodgement for Cabinet Legislation Committee (late)	13 September
Cabinet Legislation Committee	19 September
Cabinet confirms Legislation Committee decision	23 September
Introduction of Bill into the House	23 September
First Reading	26 September
Select Committee	October - November
Second Reading, Committee of the Whole and Third Reading	Mid - late November
Royal Assent	Late November
Commencement (we are proposing staggered commencement)	TBC

because of the necessary implementation steps - see discussion below)

Proposed timings for commencement and implementation

10. In addition to enactment of the Bill itself, there are a number of implementation steps underway, involving the making of regulations, updating our Minerals and Petroleum Programmes and getting operational processes in place. Accommodating this requires a staggered commencement and implementation of the Bill. This has been designed to enable the earliest possible implementation of the Bill in light of workstream interdependencies.
11. Under the recommended timelines for commencement and implementation:
 - a. The Bill would be passed by the end of the year, and announcements made accordingly. The ban reversal, priority-in-time, and decommissioning provisions of the Bill would commence immediately.
 - b. Regulations to enable PIT and Tier 3 permits would be developed in parallel to the Bill this year, and gazetted in January 2025.
 - c. The Minerals Programme and Petroleum Programme are also being developed concurrently with the Bill. The Programmes can only be finalised based on the final PIT and Tier 3 Regulations. Following consultation and your decision-making, the Programmes would come into effect in mid-April 2025.
 - d. Once the Programmes are in effect, PIT applications can be accepted in mid-April 2025.
 - e. Once the Tier 3 Regulations are passed, work will commence to transition existing permit holders to the new permits. This will ensure that new permits can commence from the new permitting year on 1 July 2025. This date ensures that we can align the changes with the end of the financial year.
12. Separately, this year officials are progressing Cabinet decisions on 9(2)(f)(iv) [REDACTED], the royalties review, the fees review, and guidelines for financial securities.

Other matters of note in relation to timeframes for the implementation of the Bill

13. We also note the following in relation to the timeframes in Annex One:
 - a. The feasibility of delivering on the timelines for the development of the Regulations are subject to available time from PCO. We are currently in discussions with PCO regarding this. PCO has agreed to the timeframes for the Bill.
 - b. The timeframes for the Regulations are also subject to getting an exemption from the requirement to provide a regulatory impact statement. If a statement is required, the Regulations will take longer.

9(2)(g)(i)

Risks and mitigations

Timing risks for passing the Bill

14. There are timing risks for passing the Bill before the end of the year including:
 - a. whether any significant issues arise through consultation with Ministerial colleagues/Coalition partners;
 - b. delays in the drafting of the Bill by PCO due to competing priorities;
 - c. the need for any substantive Amendment Papers to the Bill through the parliamentary process; and
 - d. timing constraints in the House due to a busy legislative programme, particularly towards the end of the year.
15. There is also limited House time between Select Committee and other parliamentary stages, meaning the Bill would need to be prioritised (or progressed through urgency) to get all stages completed by the end of the year.
16. Since Cabinet has agreed to upgrade the Bill to Category 2, we expect PCO will prioritise drafting the Bill and the Bill will receive time in the House.

Consultation risks for the programmes

17. The planned consultation window for the Programmes is from November to January. Consulting this close to the Christmas break may impact the quality and number of submissions received. The mitigation for this is to provide clear and comprehensive supporting material with the draft Programmes when they are released for consultation.

Risk of PIT applications not being accepted after the Bill is passed but before PIT is enabled in the Programmes and Regulations

18. There is a risk that someone applies for a permit (via PIT) in the short time before the Regulations and the Programmes have been amended. If an application is received before that occurs, the necessary legislative process (as set out in the Programmes) would not be in place to accept such an application. Officials intend to mitigate this risk through clear public communication about when PIT applications can be accepted.

Next steps

19. The next step for you is to agree to the proposed timings for commencement and implementation of the Bill.
20. The next stages for each area of work are:
 - a. **Bill:** PCO is finalising drafting of the Bill. We are preparing a Cabinet paper for the Bill for approval for introduction. We will send you the draft Cabinet paper and Bill on 6 September for your feedback so that ministerial and agency consultation can take place between 9 - 11 September.
 - b. **Programmes:** We will prepare the draft Programmes and begin consultation in November (subject to your agreement).

9(2)(f)(iv)

- d. **PIT and Tier 3 Regulations:** We are working with PCO to finalise the timing for these Regulations. Given the timeframes, agency consultation might also need to be undertaken alongside Ministerial consultation. Subject to that, we are preparing a Cabinet paper for you to seek Cabinet agreement to the Regulations and to issue drafting instructions to PCO to draft the Regulations. We will send you the draft Cabinet paper by 5 September for your feedback and so that Ministerial consultation can take place between 10 - 16 September.
- e. **Engagement:** Engagement and consultation on the Bill, Programmes and Regulations as needed continues through to May 2025.
- f. **Operational/implementation:** Updates to internal operational policies, processes and systems and the new Tier 3 permit are being developed as needed through to June 2025.

Annexes

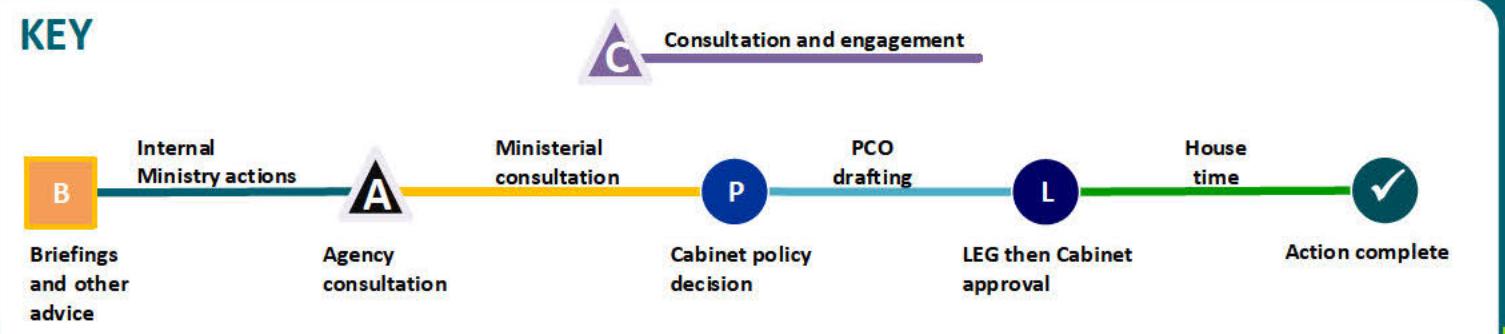
Annex One: Proposed timings for commencement and implementation

Annex One: Proposed timings for commencement and implementation

Crown Minerals Act Amendment 2024: Output Plan

August 2024 to December 2024

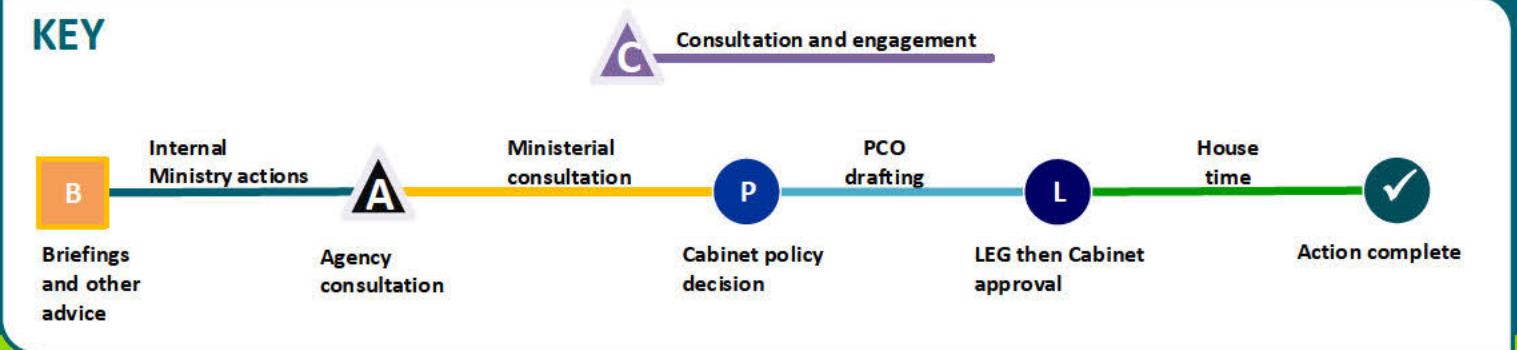
As at 20 August 2024 - Timing Subject to PCO approval



Crown Minerals Act Amendment 2024: Output Plan

January 2025 to 1 July 2025

As at 20 August 2024 - Timing subject to PCO approval





BRIEFING

Draft Cabinet Paper: Amendments to regulations under the Crown Minerals Act 1991

Date:	6 September 2024	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2425-0834

Action sought			
	Action sought	Deadline	
Hon Shane Jones Minister for Resources	<p>Agree to provide feedback on the draft Cabinet paper by 9 September 2024.</p> <p>Agree, subject to your feedback, to circulate the draft Cabinet paper for Ministerial consultation from 11 to 16 September 2024; and</p> <p>Agree to lodge the attached Cabinet paper by 10 am on 19 September 2024, subject to any changes from Ministerial feedback, for consideration by the Economic Policy Committee on 25 September 2024, and Cabinet on 30 September 2024.</p>	9 September 2024	

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resource Policy	s 9(2)(a)	✓
Nayana Islam	Senior Policy Advisor	09 928 2678	

The following departments/agencies have been consulted	

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Draft Cabinet Paper: Amendments to regulations under the Crown Minerals Act 1991

Date:	6 September 2024	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	2425-0834

Purpose

To provide you with the draft Cabinet paper: Amendments to regulations under the Crown Minerals Act 1991 for your feedback and Ministerial consultation.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

a **Provide feedback on the attached draft Cabinet paper by 9 September 2024;**

Agree / Disagree

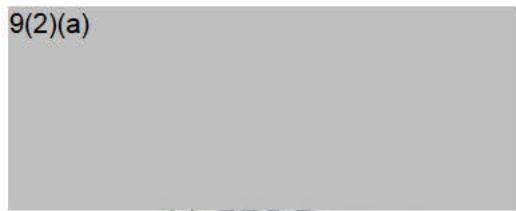
b **Agree to circulate the draft Cabinet paper (subject to any amendments following your feedback) for consultation with your Ministerial colleagues on 11 September 2024, for feedback by 16 September 2024; and**

Agree / Disagree

c **Agree to lodge the attached Cabinet paper on 19 September 2024, subject to any changes from Ministerial consultation, for consideration by the Economic Policy Committee on 25 September 2024, and Cabinet on 30 September 2024.**

Agree / Disagree

9(2)(a)



Hannah Keat
Manager, Resource Policy
Building, Resources and Markets, MBIE

06 / 09 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. In May 2024, Cabinet agreed to make changes to the Crown Minerals Act 1991 (CMA) [CAB-24-MIN-0181]. The Bill is set to be introduced late this month and is prioritised as Category 2 – to be passed by the end of this year.
2. Among other things, the Bill allows for petroleum exploration permits (PEPs) to be applied for through methods other than public tender and creates a new Tier 3 permit category for small-scale non-commercial gold mining operations.
3. To implement these changes, amendments to existing regulation under the CMA will be needed, specifically the following regulations:
 - Crown Minerals (Petroleum) Regulations 2007;
 - Crown Minerals (Minerals Other than Petroleum) Regulations 2007; and
 - Crown Minerals (Royalties for Minerals other than Petroleum) Regulations 2013.
4. We have prepared a draft Cabinet paper (Annex One) that seeks Cabinet agreement to the proposed amendments to these regulations and to prepare drafting instructions to the Parliamentary Counsel Office to draft the regulations.

Draft Cabinet paper

The Cabinet paper proposes regulations that are required to support the implementation of application methods other than public tenders for PEPs

5. The Cabinet paper proposes amendments to the Crown Minerals (Petroleum) Regulations 2007 to specify application and information requirements for application methods for PEPs other than public tender.
6. Clear information requirements are important as they provide clarity and certainty to an applicant about the information required from them as part of the application process. The information requirements also ensure the regulator can assess an application effectively and efficiently against the required legislative tests.
7. We propose setting the following information requirements for PEPs under regulations:
 - The identity of the proposed permit holder;
 - The proposed permit area and the proposed duration of the proposed permit;
 - The proposed work programme;
 - The proposed permit holder's understanding of the geology and petroleum resource potential of the proposed permit area;
 - The proposed permit holder's technical capability, financial capability, record of compliance with petroleum/mineral permit or licence obligations, and health and safety and environmental capabilities and systems.

The Cabinet paper proposes regulations that are required to implement the new Tier 3 permit category

8. The new Tier 3 permit category proposes a proportionate and risk-appropriate approach to small-scale non-commercial gold mining operations, often called 'hobby' or 'recreational' mining, which are currently permitted under the Tier 2 requirements.

9. The Cabinet paper proposes amendments to the existing regulations covering permit applications, reporting and royalties required to implement the new permit tier.
10. We propose to give effect in the regulations to the *Mapping standards for minerals permit applications* developed by MBIE for Tier 3. This will ensure all Tier 3 applications related to permit land area are accompanied by a map and digital plot that meets the standards.
11. The amended regulations will set out the information that applicants are required to provide for new Tier 3 applications, but also for applications to change the permit conditions (for 'land area' or 'duration'). These application requirements will be simpler than what is currently required for Tier 2 permits.
12. The reporting requirements for Tier 3 permit holders will also be less onerous than for Tier 2 in the regulations. They will only have to provide information annually on: where they have mined; for how many days, and; how much gold was recovered, and they will be exempted from many of the requirements for the other tiers to provide reports and other documentation.
13. We do not expect many hobby operations to produce enough gold to pay royalties, but the regulations will ensure royalties can be collected in line with the existing thresholds in place for Tier 2. The Cabinet paper proposes to make the royalty rate the same for Tier 3 as it currently is for new Tier 2 permits, which is an ad valorum royalty of one per cent of the net sales revenue of the minerals obtained under the permit.

Consultation

14. Officials consulted with the Treasury, the Ministry of Foreign Affairs and Trade, Te Arawhiti, the Department of Conservation and the Ministry for the Environment on the draft Cabinet paper. Only Te Arawhiti came back with a minor suggestion to clarify which relevant iwi and hapū MBIE intends to target its engagement towards for consultation on the draft regulations. This has been clarified in the paper. No other comments were received.

Next steps

15. Following your feedback (if any), we will update the draft Cabinet paper in preparation for Ministerial consultation.
16. Subject to any changes proposed by your Ministerial colleagues, we seek your agreement to lodge the Cabinet paper on 19 September 2024 to be considered by the Economic Policy Committee on 25 September 2024, and Cabinet on 30 September 2024.
17. The table below summarises the proposed next steps for seeking Cabinet decisions.
18. To meet the timeframes set out in the table below, Ministerial consultation would need to commence by 11 September, and responses received by close of business on 16 September. If there are any delays to the timeframe, this could delay Cabinet consideration. Depending on the length of the delay, this would delay the finalisation of the regulations by the end of this year and introducing other application methods for PEPs as early as possible in 2025.

Step	Timing
Provide Minister with draft Cabinet paper for review	6 September 2024
Feedback from Minister on draft Cabinet paper	9 September 2024
Provide Minister with draft Cabinet paper for Ministerial consultation	11 September 2024
Ministerial consultation concludes	16 September 2024
Revised Cabinet paper provided to Minister	17 September 2024

Lodgement for Cabinet Economic Policy Committee	19 September 2024
Economic Policy Committee	25 September 2024
Cabinet confirms Economic Policy Committee decision	30 September 2024
Parliamentary Counsel Office drafts regulations	1 October – 15 November 2024
Cabinet Legislative Committee considers regulations	Late November/Early December 2024
Cabinet confirms Cabinet Legislative Committee decision	December 2024
Regulations are notified in the New Zealand Gazette	January 2025
Regulations for application methods for PEPs outside of public tenders to come into force 28 days after regulation is notified in the New Zealand Gazette	Mid-February 2025
Petroleum programmes updated so that application methods for PEPs outside of public tenders can be received	Mid-April 2025
Tier 3 permit regulations come into force on the commencement date for the new permit category in the Crown Minerals Amendment Bill.	1 July 2025

Annexes

Annex One: Cabinet Paper – Amendments to regulations under the Crown Minerals Act 1991

Annex One: Cabinet Paper – Amendments to regulations under the Crown Minerals Act 1991

18(d) publicly available





BRIEFING

Departmental Report on Crown Minerals Amendment Bill

Date:	10 October 2024	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0004373

Action sought

	Action sought	Deadline
Hon Shane Jones Minister for Resources	Note that the Departmental Report is due to the Economic Development, Science and Innovation Committee by Sunday 13 October 2024.	11 October 2024

Contact for telephone discussion (if required)

Name	Position	Telephone	1st contact
Hannah Keat	Manager, Resource Policy	9(2)(a)	✓
Georgia Banks	Senior Policy Advisor	04 896 5882	

The following departments/agencies have been consulted

The Parliamentary Counsel Office has been consulted on the draft Departmental Report

Minister's office to complete:

<input type="checkbox"/> Approved	<input type="checkbox"/> Declined
<input type="checkbox"/> Noted	<input type="checkbox"/> Needs change
<input type="checkbox"/> Seen	<input type="checkbox"/> Overtaken by Events
<input type="checkbox"/> See Minister's Notes	<input type="checkbox"/> Withdrawn

Comments



BRIEFING

Departmental Report on Crown Minerals Amendment Bill

Date:	10 October 2024	Priority:	Urgent
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0004373

Purpose

The purpose of this briefing is to provide you with a copy of the draft Departmental Report on the Crown Minerals Amendment Bill (the Bill), on a no-surprises basis.

Recommended action

The Ministry of Business, Innovation and Employment (MBIE) recommends that you:

- a **Note** the Departmental Report on the Bill is due to the Economic Development, Science and Innovation Committee by Sunday 13 October 2024;
Noted
- b **Note** that a draft of the Departmental Report will be provided to the Economic Development, Science and Innovation Committee Secretariat on Friday 11 October to assist them with starting to draft the Committee's report, but that it will not be shared Committee members;
Noted
- c **Note** that officials will brief the Committee on the Departmental Report on Monday 14 October 2024 from 8am to 10am;
Noted
- d **Note** that the Departmental Report includes analysis of submissions received and MBIE's recommended changes to the Bill;
Noted
- e **Note** that if the Committee agree to the recommendations, we will work with Parliamentary Counsel Office to determine the best drafting to give effect to these in the Bill;
Noted
- f **Indicate** if you would like to discuss this report with officials.

Yes / No

9(2)(a)



Hannah Keat
Manager, Resource Policy
Building, Resources & Markets, MBIE

10 / 10 / 2024

Hon Shane Jones
Minister for Resources

..... / /

Background

1. The Crown Minerals Amendment Bill (the Bill) was introduced to the House and had its first reading on 24 September 2024¹. It is currently before the Economic Development, Science and Innovation Committee (the Committee), with a report back date of 31 October 2024.
2. On 27 September 2024, officials presented the Initial Briefing (BRIEFING-REQ-0003279) to the Committee. The Committee accepted 5,524 written submissions on the Bill and held oral hearings on 4 and 7 October.
3. The final Departmental Report is due with the Committee on Sunday 13 October 2024 for presentation on Monday 14 October. It is due in draft to the Clerk of the Committee tomorrow for their purposes only (not for provision to the Committee).
4. This briefing provides you with the draft text of the Departmental Report at Annex 1 and 2 to this briefing (not yet combined into one document), on a no-surprises basis.

The Departmental Report

Overview of submissions

5. The Departmental Report (Annex 1 and 2) includes an overview of submissions received on the Bill. Most submissions came from individuals (5,385). There were 46 submissions from conservation groups and 24 from iwi and Māori groups. Seven were received from the upstream oil and gas sector, and three from the minerals sector.
6. It notes that almost all submitters (5,219, or 94.5 per cent) oppose the Bill. There were 190 submissions in support. It also notes that almost a quarter of submissions (1,351 or 24.5 per cent) commented on the process and timeframe for the Bill, including concern that there was insufficient time for the select committee process.

Submitters largely opposed removing the ban and measures to increase investor confidence

7. Almost all submitters (5,158, or 93.4 per cent) expressed opposition to removing the ban and/or measures to increase investment in oil and gas exploration. Most submitters were concerned about the negative effect on the environment and for New Zealand's climate goals. Submissions raised concerns that removing the ban is inconsistent with scientific evidence, will harm the environment, will increase greenhouse gas emissions and increase global warming, and impact on future generations.
8. Submitters also raised concerns about changing the purpose statement from 'manage' to 'promote', with some iwi and Māori group submitters stating they considered it undermined the Crown's obligations under the te Tiriti o Waitangi. There was also opposition to the lack of a consultation requirement for any Government Policy Statement, and opposition to extending the confidentiality period for speculative prospectors.

Some submitters considered removing the ban is necessary to ensure energy security

9. 176 submitters expressed support for removing the ban and/or other measures to increase investment in oil and gas exploration. Many of these indicated they thought this change is necessary to address energy security concerns and energy costs for businesses and households. Many of these submitters also considered that removing the ban would be positive for the New Zealand economy, by increasing royalties and jobs. Some submitters viewed gas as a necessary transition fuel until viable alternatives to gas can be found.

¹ The first reading took place on 25 September, however as the House was in urgency on 24 September, and urgency carried over to the next day, the recorded date for the first reading is 24 September 2024.

10. Many upstream oil and gas businesses submitted that the Bill did not go far enough, and that further changes were warranted to increase the investment needed to address New Zealand's energy security issues.

The changes to rebalance the decommissioning regime were not well supported

11. There were 1,157 submissions on the proposed changes to the decommissioning regime. Of these, most supported retaining a strong decommissioning regime to ensure companies who benefit from oil and gas exploration and mining remain accountable and prevent the high costs of decommissioning from falling on the Crown.
12. Upstream industry submitters noted support for the changes but did not think the decommissioning amendments went far enough. Some recommended additional changes including removing trailing liability from the Crown Minerals Act.

The creation of a Tier 3 permit raised concerns over environmental impacts

13. The majority of submissions received on the new Tier 3 permit for small-scale non-commercial gold mining expressed concern at the potential impacts on the environment, if it resulted in an increase in mining activity. However, submissions received from prospective Tier 3 permit holders and the minerals sector were supportive.

Iwi and Māori submissions raised concerns with the Bill and the process

14. Iwi and Māori groups raised concerns that the Bill procedurally and substantively breaches the Crown's obligations under te Tiriti o Waitangi and does not reflect the principles of active protection, partnership and tino rangatiratanga.
15. Almost all iwi and Māori submitters considered that there has been inadequate engagement and consultation with Māori during policy development and the legislative process, and that this undermines the legitimacy of the proposed amendments.
16. Submitters were concerned that proposals in the Bill fail to protect/promote iwi and Māori rights, interests and aspirations under te Tiriti o Waitangi, specific Treaty settlement legislation and the Marine and Coastal Area (Takutai Moana) Act 2011.

Recommended changes to the Bill

17. The Departmental Report recommends changes to the Bill based on issues identified in submitter feedback, and further analysis undertaken by officials. The recommended changes include amendments to:
 - a. the financial security provisions within the decommissioning regime, to ensure they provide for the flexibility in the financial securities regime intended by Cabinet
 - b. the provisions relating to increasing regulatory efficiency within the Crown Minerals Act 1991
 - c. fix minor grammatical or typographical errors identified in the Bill.
18. Detail of the recommended changes are provided in Annex 2 to this briefing (not yet combined into the Departmental Report at Annex 1). Officials are available to discuss any of the proposed recommendations with you.

Responses to questions asked by the Committee

19. The Committee has asked officials a series of questions relating to the Bill, with responses to be provided in the Departmental Report. The questions and answers are in Appendix Three of the Departmental Report, at Annex 1 to this briefing.

20. The questions relate to a range of topics, including:
 - a. Liability requirements for petroleum infrastructure
 - b. Historical data on permits and transfers
 - c. Ministerial decision-making under the Act
 - d. Conservation land
 - e. Petroleum and Minerals royalties
 - f. The emissions impact of removing the ban.
21. Questions have also been asked of officials in the legislative scrutiny memorandum provided to the Committee by the secretariat. Responses to these questions are included in Appendix Three of the Departmental Report (Annex 1 of this briefing).

Next steps

22. Given the tight timeframes for the select committee process, please indicate as soon as possible on Friday 11 October if you would like to discuss the Departmental Report with officials.

Annexes

Annex One: Draft Departmental Report on the Crown Minerals Amendment Bill

Annex Two: Appendix 1 of the Departmental Report (table of issues raised in submissions and recommendations from officials).

Annex One: Draft Departmental Report on the Crown Minerals Amendment Bill

18(d) publicly available



Annex Two: Appendix 1 of the Departmental Report (table of issues raised in submissions and recommendations from officials)

18(d) publicly available