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Ministry of Business, Innovation & Employment  
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Dear sir/madam,

The IAGC welcomes the opportunity to provide a submission on the discussion document for the Review of the Crown Minerals Act 1991 that is being undertaken by the New Zealand Government (Government). The IAGC understands that the Review is one of the actions the Government is undertaking to realise the vision in the 10-year Resource Strategy of a world-leading environmentally and socially responsible minerals and petroleum sector that delivers affordable and secure resources, for the benefit of current and future New Zealanders.

IAGC has engaged constructively on behalf of its members with the New Zealand Government on matters related to Crown Minerals legislation in recent times and our feedback on the discussion document for the Review of the Crown Minerals Act 1991 is framed in a similar vein. In the comments below, the IAGC responds on matters material to its members.

The Review of the Crown Minerals Act alongside the 2018 legislation the Crown Minerals (Petroleum) Amendment Bill that banned new offshore exploration permits crystallises a loss of an estimated NZ\$104 million for our members. As the Minister says in the foreword to the discussion document 'we are committed to a just transition'. The stated principle of the review include:

Fairness – we want to make sure the legislative settings are fair for all affected parties.

In the view of the IAGC, the ongoing legislative changes are neither just, nor fair, to IAGC's members or New Zealanders. Simply deciding to end exploration and place further legislative restrictions on energy development does not negate reliance on oil and gas by citizens in New Zealand for years to come.

At the highest level the question is, 'Where will New Zealand get its oil and gas and how much will it cost?'. Oil and gas will play a significant role in providing the world, and New Zealand, affordable sources of energy for many decades to come. According to the International Energy Agency oil and gas will still make up about half of the world's energy resources in 2040.

At the practical, level the question is, 'How do IAGC members receive a return for the investment made, in good faith, in New Zealand's seabed?'.

#### **Background to IAGC and its interests in New Zealand**

The IAGC's members are sophisticated researchers of the world's seabed. IAGC's members invest significantly in countries with stable regulatory regimes and uncover the nature of what is beneath the world's oceans. As a result, IAGC represents the majority of the world's data acquisition capacity and the majority of owners of non-exclusive data in libraries today.

Over many years IAGC's members have obtained and interpreted data relating to the nature of New Zealand's seabed. They have done so by acquiring multi-client seismic data for an area of approximately 74,665 km<sup>2</sup> in offshore New Zealand under non-exclusive prospecting permits which provide the right, over a 15-year period, to licence and market data to the petroleum industry.

In New Zealand, the data that IAGC's members collect is typically licensed to entities which used it to identify areas to bid on for exploration permits through the Government's former Block Offer process.

As a result of the cessation of the Block Offer process, no new petroleum permits will be available in New Zealand (beyond onshore Taranaki). Consequently, both domestic and international companies will have no choice but to write off millions of dollars of investment in offshore multi-client seismic data made in expectation and anticipation of future leasing and exploration activities, which will now never be realised. The Government has not provided any compensation or transitional mitigation packages to these companies for this regime change, declining the IAGC's previous request for fair treatment of companies that have invested extensively in New Zealand. This has resulted in a loss of more than NZ\$104 million since 2013 in unrealised investment by IAGC's members in New Zealand's oil and gas industry. This investment relates to data collected for an offshore area of approximately 74,665 km<sup>2</sup> (Figure 1-3).

Specifically, addressing the Review of the Crown Minerals Act 1991 (CMA).

IAGC will respond to 5 of the 41 questions posed in the discussion document:

Question #2:

*Should the purpose statement be amended from promoting the prospecting for, exploration for, and mining of Crown-owned minerals for the benefit of New Zealand?*

The IAGC considers that the purpose statement set out in section 1A of the CMA adequately describes the purpose of the CMA and it should not be amended.

Question #3

*Do you think that the current non-interference zone (NIZ) provisions fairly balance the ability of marine users (including permit holders) to undertake their lawful activities, with the ability of other individuals and groups to exercise their lawful right to protest and oppose these activities?*

*If the NIZ provisions do not achieve this balance, which of the following aspects should the NIZ provisions prioritise?:*

*a) individuals and permit holders to be kept safe from injury and harm in the sea?*

*b) permit holders to have freedom of movement to conduct their legal activities in the sea?*

*c) individuals to have freedom of movement in the sea?*

*d) individuals to have freedom of expression and peaceful assembly?*

*Do you think that the NIZ provisions should be removed? If so, why?*

*Do you think that the NIZ provisions should be retained in their current form? If so, why?*

The NIZ provisions are of critical importance to IAGC members. Safety of our member's employees is of paramount importance. The safe acquisition of geophysical data by our members without unnecessary risk to people (those involved in the operation or otherwise) and the environment requires that that non-essential vessels or people are restricted from entering the immediate vicinity of the geophysical operations. As stated in paragraph 61 of the discussion document, these restrictions are like those in place for civil aviation facilities, commercial port or fixed offshore installations. While all citizens have the right to dissent and air grievances, the NIZ rightly ensures that those rights do not infringe on the safety of people carrying out permitted activities offshore.

#### *Question #5*

*Do you consider the current consequences for breaching a NIZ appropriate? If not:*

*a) should breaching a NIZ remain a criminal offence? If breaching a NIZ remains a criminal offence do you consider the current level of fines to be appropriate?*

The consequences for breaching a NIZ should be comparable to those in place to deter entry to civil aviation facilities, commercial ports or a fixed offshore installation. The risk to people and the environment of the breach of the NIZ is material. For example, breaching of an NIZ during a geophysical operation could result in a collision between the vessel breaching the NIZ and moving submersed geophysical equipment. The recovery of a damaged vessel and any of the geophysical equipment will extend the operation, could result in the discharge of material to the environment from the damaged vessel and require personnel to be deployed to undertake the recovery of the vessel and damaged geophysical equipment.

The current level of fines is inadequate. The fine should be comparable to the commercial cost of the breach or the clean-up to the environment of the breach of the NIZ. The commercial cost of the breach of a NIZ is likely to be in excess of US \$100,000 per day.

#### *Question #7*

*Do you think the current settings concerning offshore petroleum permits fully contribute to the Government's goals, including transitioning to a low emissions economy that is productive, sustainable and inclusive and providing secure and affordable energy?*

The IAGC considers that the current settings concerning offshore petroleum permits will not fully contribute to the Government's goals. In particular, the goals of:

A productive economy – The current settings have been put in place in the knowledge that there will be no economic benefit for the country and no proven environmental benefit.

Secure and affordable energy – The IAGC notes that, 60% of New Zealand's gas (a clean-burning fuel, with significantly lower environmental impact than burning coal) is produced from offshore fields (paragraph 81).

The IAGC has stated previously<sup>1</sup>, even as the world moves to expanding the use of renewable energy sources, the fact remains that oil and gas will play a significant role in the world's economy for many decades to come, and according to the International Energy Agency, will still make up about half of the energy resources by 2040. Because the country will still need these affordable sources of energy, the question is, 'Where will New Zealand get its oil and gas and how much will it cost?'

#### Question #8

*If not, how might we alter the settings to fully provide for this goal to be realised?*

The settings might be altered to realise the goal effectively by:

- Retaining the largest possible area within the existing permits by:
  - Removing the requirement for partial permit area relinquishments (paragraph 93)
  - Resolve the inconsistency between the amended CMA and the Petroleum Program (Paragraphs 95-100) to allow the extension of a permit boundary if a credible case could be put forward to extend a permit boundary to facilitate the type of activities that could provide for a drill ready prospect (Paragraph 96)
  - Amending the CMA to allow the retention of sub-commercial discovered resources that may become commercial to develop under a future technology or price scenario.
  - Apply flexibility to applications to change the work program conditions of a permit (paragraph 113). A framework should be developed that allows:
    - The entry and exit of permit holders
    - The substitution of 'key' and 'secondary' work program commitments where the substituted program meets the goals of exploration for secure and affordable energy
  - Opening the Block Offer process or a return to a priority in time system for offshore exploration permits allowing applications to be made for exploration permits rather than be restricted to an annual release system to enable exploration for secure and affordable energy and a productive economy.
- Incorporating the remedies proposed by IAGC in the submission<sup>2</sup>, dated 11 October 2018, to Environment Committee on the review CROWN MINERALS (PETROLEUM) AMENDMENT BILL

In conclusion, the IAGC welcomes the opportunity to provide a submission on the discussion document for the Review of the CMA being undertaken by the Government.

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[https://www.iagc.org/uploads/4/5/0/7/45074397/iagc\\_newsrelease\\_iagc\\_20denounces\\_20nz\\_20decision\\_20to\\_20end\\_20exploration\\_20180411\\_final.pdf](https://www.iagc.org/uploads/4/5/0/7/45074397/iagc_newsrelease_iagc_20denounces_20nz_20decision_20to_20end_20exploration_20180411_final.pdf)

<sup>2</sup> <https://www.iagc.org/asia-pacific.html> and <https://securisync.intermedia.net/us2/s/tOs68455Y2zPjiZi7514u3003d33b6>

In its submission the IAGC upholds the principle of 'Fairness' as stated in the foreword of the discussion document. The responses to questions #2, #3, #5 and #8 seek to achieve fairness by:

- (i) Making changes to the offshore offshore petroleum permits to ensure that New Zealanders have long-term access to low-cost, clean energy from offshore fields and exploration opportunities.
- (ii) Ensuring that IAGC members lawful permitted marine activities can be safely undertaken.
- (iii) Allowing IAGC members to achieve an economic return on their post-2013 investments in New Zealand.

The IAGC looks forward to the Government taking our feedback into account through the CMA Review. In order to work through some of the technical issues raised in our response to Question #8 the IAGC asks for the opportunity to discuss these matters in-person with the Ministry of Business, Innovation and Employment.

Kind regards

Dr Simon Molyneux

IAGC Asia-Pacific Representative

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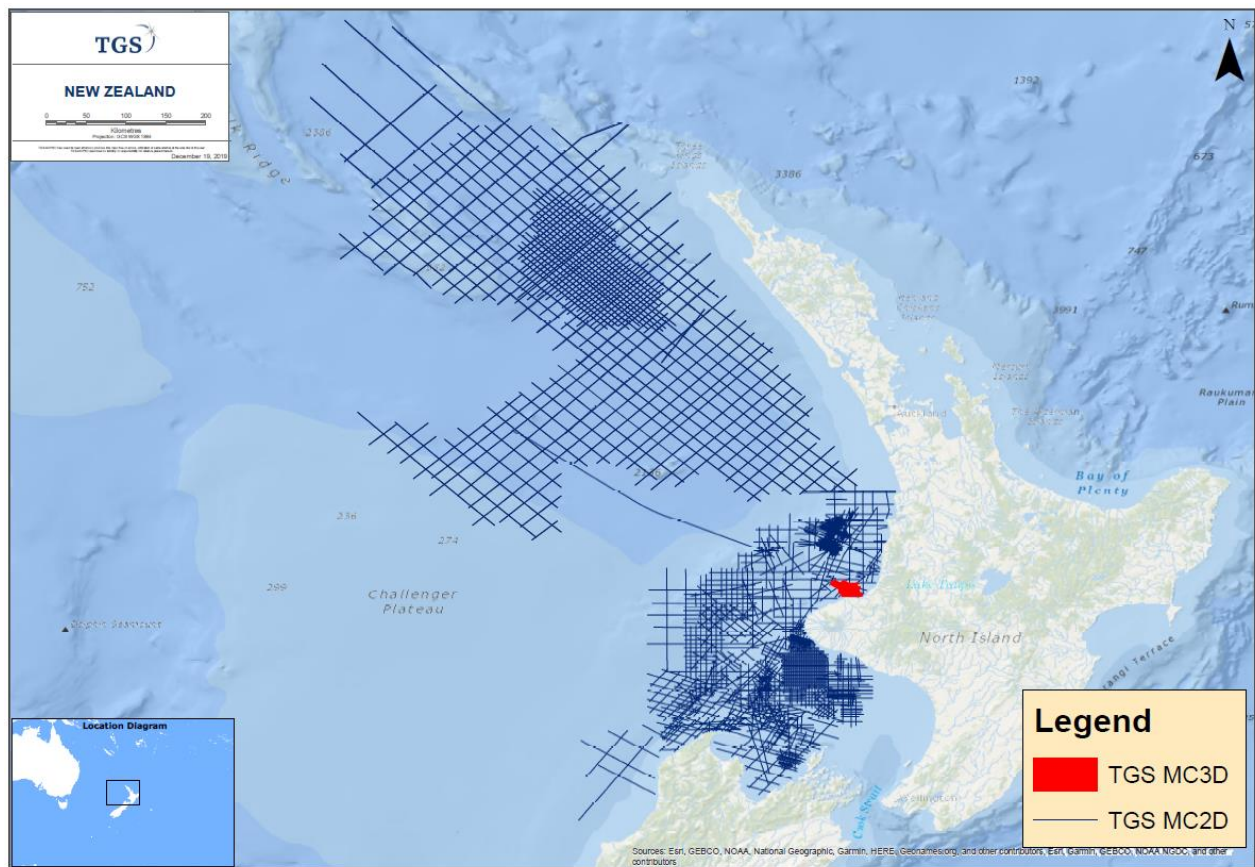


Figure 2 TGS multi-client seismic datasets in New Zealand

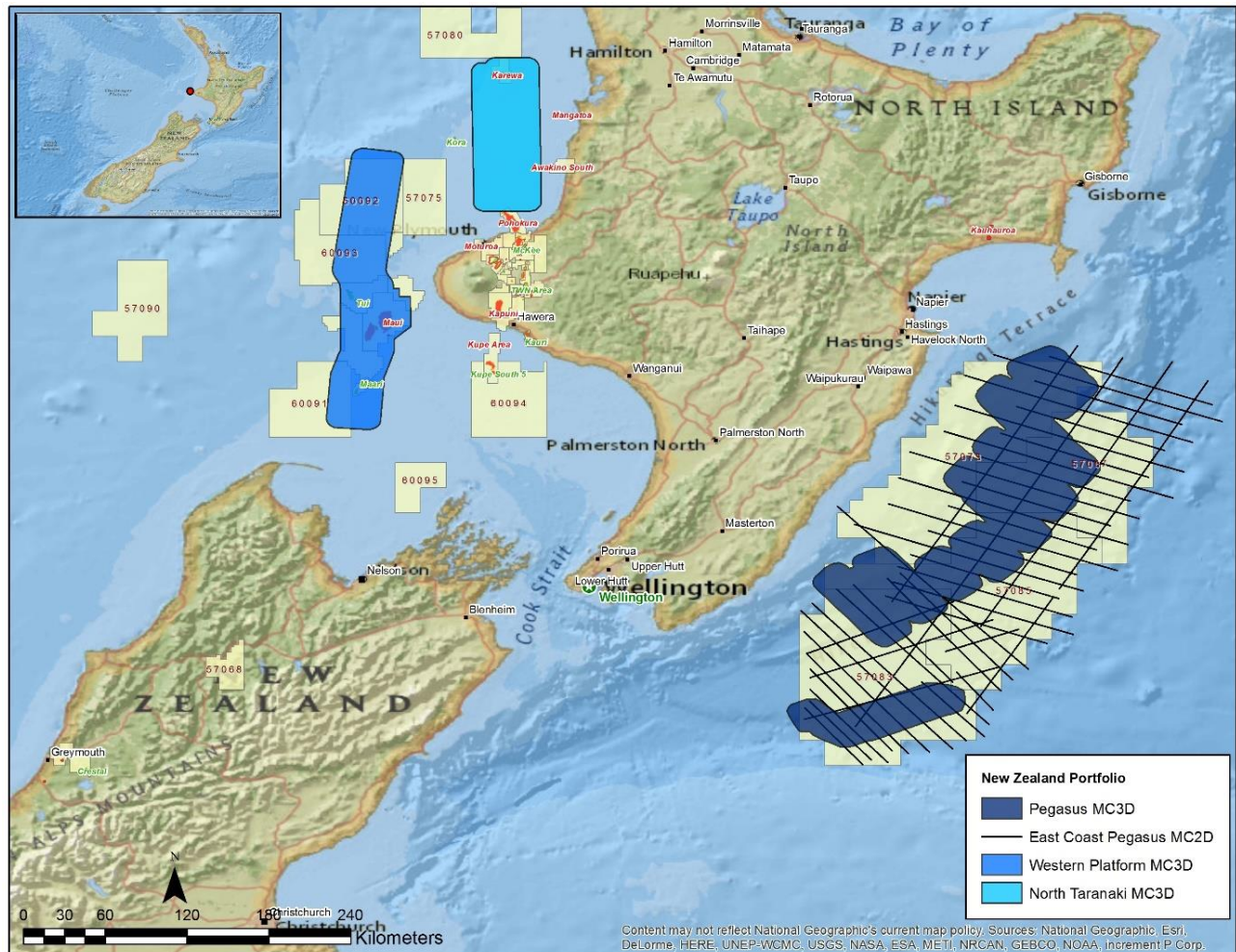


Figure 3 Schlumberger multi-client seismic datasets in New Zealand