



## COVERSHEET

<b>Minister</b>	Hon Dr Megan Woods	<b>Portfolio</b>	Energy and Resources
<b>Title of Cabinet paper</b>	<b>The Crown's Approach to Decommissioning the Tui Oil Field in Response to Operator Tamarind Liquidation</b>	<b>Date to be published</b>	26 June 2020

<b>List of documents that have been proactively released</b>		
<b>Date</b>	<b>Title</b>	<b>Author</b>
24 February 2020	Cabinet Paper: The Crown's Approach to Decommissioning the Tui Oil Field in Response to Operator Tamarind Liquidation	Office of the Minister of Energy and Resources
24 February 2020	Minute of Decision: The Crown's Approach to Decommissioning the Tui Oil Field in Response to Operator Tamarind Liquidation	Cabinet Office
24 February 2020	Addendum: responses to questions raised at DEV on 19 February 2020 and additional information to support decision making	MBIE

### **Information redacted**

**YES**

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the following reasons:

- Legal professional privilege
- Commercial information



# Cabinet Business Committee

## Minute of Decision

*This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.*

### The Crown's Approach to Decommissioning the Tui Oil Field in Response to Operator Tamarind Liquidation

Portfolio Energy and Resources

On 24 February 2020, the Cabinet Business Committee, having been authorised by Cabinet to have Power to Act [CAB-20-MIN-0055]:

- 1 **noted** that Tamarind Taranaki Limited (Tamarind), the operator of the Tui oil field (Tui), is in liquidation and receivership and lacks the assets necessary to meet costs necessary to decommission Tui's infrastructure;
- 2 **noted** that failure to decommission Tui risks harm to the marine environment;
- 3 **noted** Legal professional privilege [REDACTED]
- 4 **noted** that under section 92A(2) of the Crown Minerals Act 1991, the Tui permit will vest in the Crown once Tamarind is removed from the Companies Register, upon completion of liquidation and receivership, which could occur in 2020;
- 5 **noted** that due to the International Public Sector Accounting Standard 19 (PBE IPSAS 19), the Crown faces a constructive obligation to meet Tui decommissioning costs, Legal professional [REDACTED]
- 6 **noted** that while the decommissioning costs will be spread over several years, PBE IPSAS 19 requires the provision of the full expected liability to be recognised immediately;
- 7 **noted** that if appropriations are not provided to meet this constructive obligation, the Crown will be unappropriated, which is prohibited under the Public Finance Act 1989;
- 8 **noted** that the Public Finance Act allows the Auditor-General to stop payments out of bank accounts for unlawful spending (section 65ZA), and has indicated a willingness to do this in the past;
- 9 **noted** that the total decommissioning cost is currently estimated at approximately \$154.641 million, which consists of:
  - 9.1 \$151.841 million non-departmental expense to meet the cost of planning, demobilising and decommissioning the Tui oil field;

9.2 \$2.800 million departmental expense to meet the Ministry of Business, Innovation and Employment’s (MBIE) project management and oversight costs until 2021/22;

10 **noted** that the figures in paragraph 9 above represent the best estimate of costs at this time, and that the actual cost may differ depending on factors including decommissioning mechanisms available, rig or vessel availability, weather conditions, and foreign exchange movements;

11 **noted** that funding for MBIE’s project management and oversight costs from 2022/23 onwards will be sought through a future Budget process;

12 **noted** that officials will seek ways to minimise the fiscal impact to the Crown through negotiation with decommissioning service providers;

13 **noted** Legal professional privilege

[Redacted text block]

**Financial implications**

14 **agreed** to fund the Tui decommissioning noted in paragraph 9 above;

15 **agreed** to establish the following new appropriation:

<b>Vote</b>	<b>Business, Science and Innovation</b>
Appropriation Minister	Minister of Energy and Resources
Title	Oil Field Decommissioning
Type	Non-Departmental Other Expense
Scope	This appropriation is limited to the costs associated with the demobilisation and decommissioning of New Zealand oil fields

16 **approved** the following changes to appropriations to give effect to the policy decision in paragraph 14 above, with a corresponding impact on the operating balance and net core Crown debt:

Vote Business, Science and Innovation Minister of Energy and Resources	\$m – increase/(decrease)				
	2019/20	2020/21	2021/22	2022/23	2023/24 & Outyears
Non-Departmental Other Expense: Oil Field Decommissioning	\$151.841	-	-	-	-
Departmental Output Expenses: Energy and Resources: Management of the Crown Mineral Estate (funded from revenue Crown)	\$0.800	\$1.200	\$0.800	-	-

17 **agreed** that the changes to appropriations for 2019/20 above be included in the 2019/20 Supplementary Estimates and that, in the interim, the increase be met from Imprest Supply;

- 18 **agreed** that the expenses incurred under paragraph 16 above will represent a decrease in OBEGAL and an increase in net core Crown debt;
- 19 **noted** that since the constructive obligation and the provision expense occurred before approval by Parliament, it is likely to result in \$151.841 million of unappropriated expenditure, which will be validated at the end of the financial year through the process outlined in section 26C of the Public Finance Act, if necessary;

### Further reports

- 20 **invited** the Minister of Energy and Resources to report back to Cabinet once decommissioning planning is completed and updated estimated cost figures are made;
- 21 **invited** the Minister of Energy and Resources to report back to Cabinet by December 2020 on:
- 21.1 a plan to manage the Crown's future petroleum liabilities associated with tax and royalty rebates for decommissioning of petroleum installations;
  - 21.2 the plugging and abandonment of historic and orphaned wells;
  - 21.3 wider petroleum decommissioning risks to the Crown.

Janine Harvey  
Committee Secretary

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**Present:**

Rt Hon Jacinda Ardern (Chair)  
Rt Hon Winston Peters  
Hon Kelvin Davis  
Hon Grant Robertson  
Hon Phil Twyford  
Hon Dr Megan Woods  
Hon Carmel Sepuloni  
Hon Dr David Clark  
Hon David Parker  
Hon Tracey Martin  
Hon James Shaw

**Officials present from:**

Office of the Prime Minister  
Department of the Prime Minister and Cabinet

**Hard-copy distribution:**

Minister of Energy and Resources