



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Energy and Resources
Title of Cabinet paper	Regulations under the Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021 relating to technical and financial information requirements	Date to be published	18/03/22

List of documents that have been proactively released

Date	Title	Author
December 2021	Regulations under the Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021 relating to technical and financial information requirements	Office of the Minister of Energy and Resources
15 December 2021	Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021: Proposed Regulations Relating to Technical and Financial Information Requirements DEV-21-MIN-0269	Cabinet Office
16 November 2021	Regulatory Impact Statement: Regulations on information requirements to support implementation of a strengthened regime for decommissioning petroleum infrastructure and wells	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.

- Constitutional conventions.

In Confidence

Office of the Minister of Energy and Resources
Cabinet Economic Development Committee

Regulations under the Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021 relating to technical and financial information requirements

Proposal

- 1 This paper seeks your agreement to:
 - 1.1 several policy proposals relating to regulations on information requirements to support implementation of the Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021 (the Amendment Act);
 - 1.2 issue drafting instructions to the Parliamentary Counsel Office (PCO); and
 - 1.3 release an exposure draft of the regulations for public consultation.

Relation to government priorities

- 2 We have set a low-emissions target for 2050, an aspirational target for 100 per cent renewable electricity by 2030, and to prohibit further offshore exploration permits in New Zealand. The proposals in this paper support the implementation of the Crown Minerals (Decommissioning and Other Matters) Amendment Bill (the Bill) which received Royal Assent on 1 December 2021. The proposed regulations are part of the regulatory framework for strengthening the petroleum sector's financial preparedness as this transition occurs.
- 3 The proposals are also part of the wider work programme the Government is undertaking in the 10-year Resource Strategy 'Responsibly Delivering Value – A Minerals and Petroleum Resource Strategy for Aotearoa New Zealand: 2019-2029' (the Strategy). The Strategy is designed to drive a shift towards a *'world leading environmentally and socially responsible petroleum and minerals sector that delivers affordable and secure resources, for the benefit of current and future New Zealanders'*. The proposals in this paper contribute to achieving this vision.

Executive Summary

- 4 Decommissioning is the process of taking petroleum infrastructure and wells out of service, which may include removing the infrastructure, plugging and abandoning wells, and undertaking necessary site restoration activities.
- 5 Decommissioning costs can be significant and, in the case of a permit or licence holder defaulting, there is a risk that the Crown or other third parties will have to undertake and fund decommissioning and any needed post-decommissioning work.
- 6 The Amendment Act seeks to address this risk by introducing:

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- 6.1 a clear and consistent obligation on petroleum permit and licence holders to decommission;
 - 6.2 greater monitoring powers; and
 - 6.3 a requirement on petroleum permit and licence holders to obtain and maintain a financial security for decommissioning.
- 7 The Amendment Act provides for regulations to be made which would set the detail of information and other requirements. On 7 July 2021, the Cabinet Economic Development Committee (DEV) agreed to the release of a consultation document on options for regulations to support the Bill [DEV-21-MIN-0158].
- 8 To create certainty and predictability, and enable the proposals in the Amendment Act to be implemented effectively, I now seek decisions on the following proposals to be included in regulations:
- 8.1 minimum information requirements for Field Development Plans¹ (FDP) and Asset Registers;²
 - 8.2 minimum information requirements and external verification for Decommissioning Plans to be provided under Subpart 2 of the Amendment Act;
 - 8.3 minimum information requirements, minimum quality standards and external verification for Decommissioning Cost Estimates;
 - 8.4 statement of completion and supporting information for Decommissioning Completion Reports;
 - 8.5 FDPs, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates, and Decommissioning Completion Reports to be submitted within specified times of an event;
 - 8.6 the annual disclosure of financial statements that are prepared in accordance with other enactments and other prescribed information to enable ongoing financial monitoring; and
 - 8.7 statement of financial capability and minimum supporting information required to enable financial capability assessments.
- 9 I also seek agreement to release an exposure draft of the regulations, for public consultation. This is to test the clarity of the drafting, obtain technical feedback, and ensure that the regulations can work as intended.

¹ The Field Development Plan details the planned development of the field over its anticipated productive life, including all anticipated decommissioning work and includes estimates of the cost of planned work.

² A complete and accurate list of petroleum infrastructure and wells provided by a permit or licence holder.

Background

- 10 There are currently 27 active petroleum mining permits and licences in New Zealand. At the end of their operational life over the next decades, these fields will require decommissioning, which involves permanently taking petroleum wells and infrastructure out of service. A review of the CMA in 2019 identified gaps related to decommissioning.
- 11 In June 2020, Cabinet agreed to amend the CMA to strengthen legal and financial responsibility for decommissioning petroleum sector infrastructure and expand the current enforcement toolbox under the CMA [DEV-20-MIN-0092]. Additional policy decisions were approved by Cabinet in April 2021 [DEV-21-MIN-0058, CAB-21-MIN-0111].
- 12 On 14 June 2021, Cabinet agreed to introduce the Crown Minerals (Decommissioning and Other matters) Amendment Bill (the Bill) [LEG-21-MIN-0086], which received its first reading on 6 July 2021 and was referred to the Economic Development, Science and Innovation Committee (the Committee). The Committee reported back to the House on 5 November 2021 and the Bill received Royal Assent on 1 December 2021.
- 13 On 12 July 2021, Cabinet agreed to the release of a Discussion Document '*Proposed Regulations to Support the Crown Minerals (Decommissioning and Other Matters) Amendment Bill 2021*' [CAB-21-MIN-0267]. The regulations could not be made until the Bill was enacted.

I propose regulations to set out information requirements to create certainty and predictability, and enable the proposals in the Amendment Act to be implemented effectively

The Amendment Act proposes new information requirements for permit and licence holders

- 14 The Amendment Act empowers the Minister of Energy and Resources (the Minister) and the regulator to request information from permit and licence holders³ that is technical and financial in nature. This information must or may inform the following monitoring activities and decisions in the Amendment Act:
 - 14.1 agreeing or specifying dates for the completion of milestones in the decommissioning process and the completion of decommissioning;
 - 14.2 deciding to exempt a permit or licence holder from the requirements to decommission a particular item of petroleum infrastructure or to plug and abandon a particular well;
 - 14.3 deciding to defer the time for a permit or licence holder to comply with an obligation to decommission a particular item of petroleum infrastructure or to plug and abandon a particular well;

³ Along with permit and licence participants where appropriate or relevant.

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- 14.4 monitoring permit and licence holders' financial position, including in relation to financial securities;
 - 14.5 deciding whether or not to carry out a financial capability assessment;
 - 14.6 carrying out a financial capability assessment; and
 - 14.7 determining the amount and kind of financial security that a permit or licence holder is obligated to obtain and maintain, or altering the amount or kind of security.
- 15 I consider that regulations are necessary to create certainty, predictability, and enable the Amendment Act to be implemented effectively.
- 16 In the absence of regulations on technical and financial information requirements, *ad hoc* requests would create uncertainty for permit and licence holders as to the information they are obligated to maintain and when they might be expected to submit it to me, as the Minister or the Chief Executive of the Ministry of Business, Innovation and Employment (MBIE).
- 17 Implementing the monitoring proposals in the Amendment Act and making certain decisions in the Amendment Act would also be administratively burdensome, with the decision-maker and regulator potentially receiving insufficient and inconsistent information across permit and licence holders at the time it is needed.
- 18 I therefore propose regulations to meet the following objectives:
- 18.1 the decision-maker has relevant, consistent, accurate and timely information to make decisions relating to decommissioning obligations under the Amendment Act and to monitor permit and licence holders' capability to discharge those obligations;
 - 18.2 the regulator has relevant, consistent, accurate and timely information to monitor and enforce compliance with obligations under the Amendment Act;
 - 18.3 permit and licence holders have certainty on the types of records and reports that they are obligated to maintain; and
 - 18.4 the overall purpose of the Amendment Act is effectively met – to mitigate the risk to the Crown and other third parties of having to carry out and fund decommissioning.

I propose minimum information requirements for a Field Development Plan (FDP) and Asset Register

- 19 I have set out the minimum information I propose to be included in FDPs and Asset Registers in Appendix One.
- 20 FDPs are focused on the manner in which the permit or licence holder intends to develop the field over its life. FDPs are already required as part of mining permit applications (Schedule 3 of the Crown Minerals (Petroleum) Regulations 2007). The obligation in the Amendment Act would require updates throughout the life of the

permit or licence. The minimum information requirements I propose are similar to those in existing regulations and are consistent with international best practice such as in the United Kingdom (UK).

- 21 Asset Registers are a complete and accurate list of the petroleum infrastructure and wells that permit and licence holders must decommission under the obligations in the Amendment Act. The minimum information requirements I propose relate to the identification, location, function, and technical descriptions for such assets. They are no more onerous than existing information requirements across the petroleum regulatory system. They also provide the clarity on scope and specificity for onshore and offshore fields.

I propose minimum information requirements and external verification requirements for Subpart 2 Decommissioning Plans

- 22 Decommissioning plans are necessary to understand the planned methodology for decommissioning, the proposed solution for each asset, and the timing of decommissioning, including any dependencies such as regulatory or other processes.
- 23 I propose that a Subpart 2 Decommissioning Plan must include the following information, at minimum:
- 23.1 a summary of the proposed decommissioning solution for each asset or group of assets that correspond with those listed in the Asset Register;
 - 23.2 the proposed end state for petroleum infrastructure (removed, partially removed, or dumped/abandoned);
 - 23.3 a schematic of field layout that identifies all assets to be decommissioned;
 - 23.4 any proposed post-decommissioning monitoring and/or maintenance;
 - 23.5 expected timing of cessation of production;
 - 23.6 timing of decommissioning:
 - 23.6.1 details of any assets that are expected to be decommissioned earlier than end-of-field life, including timing; and
 - 23.6.2 likely timescale for undertaking decommissioning, including when various stages of decommissioning are expected to start and finish.
 - 23.7 details of any interdependencies in decommissioning scope and/or timeframes with other petroleum fields;
 - 23.8 conditions of any land access agreements as they relate to decommissioning;
 - 23.9 scope and conditions of relevant current marine or resource consents, including details of any items required to be decommissioned that are not captured in the permit or licence holder's Asset Register;

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- 23.10 any plans to acquire marine or resource consents including timeframes in which they will be acquired; and
- 23.11 a summary of any planned engagement with iwi and hapū whose rohe includes some or all of the permit/licence area or who otherwise may be directly affected by the permit/licence on proposed decommissioning activities, and timeframes for engagement.
- 24 These requirements do not exceed those required under the wider petroleum regulatory system, such as the proposed decommissioning regulations under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012.
- 25 Additionally, I propose that Subpart 2 Decommissioning Plans must be developed, or verified, by an independent third party; including verification as to whether assumptions relating to infrastructure removal are reasonable. This ensures that the decision-maker and regulator receive information that is of a high-standard and can be relied on to make certain decisions required in the Amendment Act.

I propose minimum information requirements, minimum quality standards and external verification for Decommissioning Cost Estimates

- 26 I propose a Decommissioning Cost Estimate must include the following information, at minimum:
 - 26.1 all assumptions, including market rates and escalation;
 - 26.2 estimated project management costs;
 - 26.3 estimated post-cessation of production OPEX;
 - 26.4 estimated costs of preparatory activities;
 - 26.5 estimated well decommissioning costs, including any estimates for different scenarios;
 - 26.6 estimated costs of infrastructure decommissioning, including any estimates for different scenarios;
 - 26.7 estimated costs of infrastructure disposal;
 - 26.8 estimated costs of site remediation;
 - 26.9 estimated costs of post-decommissioning monitoring and/or maintenance; and
 - 26.10 proposed contingency levels to reflect the uncertainty in the maturity of the above estimates.
- 27 This list was informed by international best practice from the UK and Norway along with industry experience. Assumptions and proposed contingency levels are particularly relevant as costs can vary in their accuracy when decommissioning is not imminent. Understanding the magnitude of potential variance would also be useful for the decision-maker to make better informed decisions under certain requirements

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in the Amendment Act such as setting the kind and amount of financial security for permit and licence holders.

- 28 In addition, I propose that a Decommissioning Cost Estimate must meet the following minimum standards and requirements:
- 28.1 if decommissioning is more than three but less than 10 years away, be Association for the Advancement of Cost Engineering Class 4 or better estimates;
 - 28.2 if decommissioning is three or less years away, be Association for the Advancement of Cost Engineering Class 3 or better estimates; and
 - 28.3 all cost estimates must be developed by or verified by an independent third party.
- 29 For decommissioning that is three or less years away, requiring permit and licence holders submit Class 3 or better estimates aligns with UK practice. I consider this requirement necessary to ensure that the decision-maker and regulator receive more developed estimates for the purposes of monitoring activities and certain decisions required in the Amendment Act.

I propose requiring a statement of completion and supporting information as part of a Decommissioning Completion Report

- 30 I propose requiring a statement of completion that would need to:
- 30.1 confirm that the permit or licence holder has met its decommissioning obligations as required in the Amendment Act; and
 - 30.2 be signed by each permit and licence participant:
 - 30.2.1 if the permit or licence participant is a company, on behalf of all the directors by at least two directors, or if the company has only one director by that director; or
 - 30.2.2 if the permit or licence participant is not a company, by a person responsible for the management of the permit or licence holder.
- 31 The signature requirements are identical to those currently required for changes of control of permit participants in the CMA.
- 32 In addition to the statement of completion, I propose requiring supporting information as follows:
- 32.1 a final and complete Asset Register; and
 - 32.2 a summary of the following information:
 - 32.2.1 a description of the decommissioning activities undertaken including the removal of infrastructure, plugging and abandonment of wells and site remediation;

- 32.2.2 the outcome of the decommissioning programme as a whole including “as left” information;
- 32.2.3 any measures taken to manage potential risks from wells and infrastructure left in-situ; and
- 32.2.4 actual costs and an explanation of any difference against previously estimated costs, as well as any observations on how costs were minimised in the decommissioning programme.

33 The Crown Minerals (Petroleum) Regulations 2007 (clause 47) require well abandonment reports no later than 40 working days of abandonment. I propose requiring the following additional technical information in a well abandonment report:

<ul style="list-style-type: none"> • Cement plug position(s) within the well • Cement plug length(s) • Annulus cement position(s) within the well • Annulus cement length(s) • Fluid left below and between plugs in the well • Fluid left in all annulus 	<ul style="list-style-type: none"> • All evaluation logs performed during plugging and abandonment • All pressure test records • Cement pumping and displacement records • As left schematic of well showing all depths, equipment left in hole, outside diameter and inside diameter • Daily operations reports • Any as-left remote operated vehicle survey video
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34 Together, the information contained in the Decommissioning Completion Report and well abandonment reports will serve as a record for the regulator of how decommissioning was undertaken, what assets remain in the field and their status, particularly if intervention is required in the future.

I propose that FDPs, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates, and the Decommissioning Completion Report must be submitted within specified times of prescribed events

35 I propose that FDPs, Asset Registers, Decommissioning Plans, Decommissioning Cost Estimates, and the Decommissioning Completion Report must be submitted within specified times of a prescribed event. Appendix Two sets out the times and events for the different categories of information.

36 The proposed events are those that are likely to require or result in a revision of information that may inform or trigger monitoring activities and certain decisions required in the Amendment Act. They include, for example, the addition of a petroleum well or plugging and abandoning of an existing well that would change the scope of decommissioning and associated costs.

I propose the annual disclosure of financial statements that are prepared in accordance with other enactments and other prescribed information are disclosed to enable ongoing financial monitoring

- 37 My intention is for ongoing monitoring to be light-touch monitoring in-between financial capability assessments, to determine whether a full financial capability assessment is necessary. Publicly available information could be used for ongoing financial monitoring. However, many permit and licence participants do not publish financial statements, so there would be a significant information gap.
- 38 I propose making regulations that require permit and licence participants or their parent company to disclose financial statements that they are already required to prepare under the Companies Act 1993(the Companies Act), being:
- 38.1 financial statements in accordance with section 6 of the Financial Reporting Act 2013 (the FPA); or
- 38.2 group financial statements in accordance with section 7 of the FPA.
- 39 However, if the permit or licence participant is not required to prepare financial statements under the Companies Act, they would be required to prepare financial statements as provided for under the Tax Administration (Financial Statements) Order 2014.
- 40 This would also see the information listed in appendix four disclosed where this information is not disclosed in a financial statement.
- 41 In making this proposal, I considered permit and licence holders' views that there should be no requirement for additional director signature beyond the existing legal requirements already in place. One permit or licence holder also noted that some corporate structures may mean that a subsidiary may not be able to provide audited accounts without incurring additional costs and there should be some flexibility to accommodate different corporate structures.
- 42 I consider that this proposal addresses these concerns as it avoids placing these additional regulatory burdens.
- 43 Non-industry groups submitted that the Minister needs a reasonable degree of oversight. Therefore, in addition to financial statements, I recommend the disclosure of the information listed in Appendix Four.
- 44 This is necessary as ongoing monitoring can help to determine whether to carry out a financial capability assessment which could affect the Minister's security decision. Effective ongoing monitoring can help to ensure financial capability assessments are not carried out more frequently than reasonably necessary. This would cause uncertainty for permit and licence holders since the outcome of the assessment may cause the Minister to revisit a security decision. This could also increase the resources MBIE require to undertake the assessments.

I propose that a statement of financial capability and minimum supporting information be required to enable financial capability assessments

- 45 Financial capability assessments provide the Minister with the ability to proactively and periodically assess whether a permit or licence holder is highly likely to have the financial capability to carry out and meet the costs of decommissioning. The outcome of this assessment can be taken into account when the Minister sets the amount and kind of financial security.
- 46 There are four key categories of information that may inform a financial capability assessment:
- 46.1 scope of decommissioning: this includes details on what needs to be decommissioned and how;
 - 46.2 timing of decommissioning: this is an estimated date for when production is expected to cease and when decommissioning will start;
 - 46.3 decommissioning cost estimates: this is the estimated costs for all decommissioning activities. I expect cost estimates to be in accordance with the proposed requirements set out in regulations; and,
 - 46.4 financial information: this includes details of how the permit or licence holder intends to fund decommissioning and details on the financial security.
- 47 For financial information, in the absence of any regulations, the Minister may rely on publicly available information, information provided for ongoing monitoring, or any further information that the Minister considers relevant and reasonably necessary to carry out the financial capability assessment and that was requested by written notice.
- 48 I propose a signed statement of financial capability and the following minimum supporting information be provided by permit or licence participants:
- 48.1 forecast operating expenditure for the next three years;
 - 48.2 forecast capital expenditure for the next three years;
 - 48.3 dividend policy;
 - 48.4 details of future funding for the next three years;
 - 48.5 details of insurance policy; and
 - 48.6 the 1P production profile⁴.
- 49 I consider the information listed above would be the minimum information required to carry out a financial capability assessment, as it provides a forward-looking view of the financial health of the permit or licence holder.

⁴ Oil and gas reserves can be proven, probable or possible, known as 1P, 2P and 3P respectively.

- 50 Having certainty on the minimum amount of information that would be required to conduct a financial capability assessment would lead to more effective assessments.

In July 2021, I consulted on the majority of these proposals through a Discussion Document

- 51 As noted above, on 12 July 2021, Cabinet agreed to the release of a consultation document [CAB-21-MIN-0267] on proposed regulations to support the Amendment Act. MBIE received 15 submissions on the proposed regulations, 10 from industry submitters and five from non-industry submitters.
- 52 Industry submitters generally preferred information requirements that were clear and proportionate to the need for which they were required. In some instances, this meant more high-level information than what was proposed or refinements to proposals, and in other instances it meant a more granular level of detail than what was proposed. Non-industry submitters, such as non-government organisations and iwi, preferred more detail to enable a greater degree of monitoring. They also suggested different types of information such as on environmental and social impacts.
- 53 Industry submitters had stronger preferences for submitting information after a material change, whereas non-industry submitters preferred regular and more frequent submission than what was proposed.
- 54 I note that the proposals that relate to the Decommission Completion Reports were not able to be consulted on through the Discussion Document. This is because the provisions in the Amendment Act requiring the Decommission Completion Reports were added during Select Committee and after consultation on the Discussion Document had closed.

A summary of the proposed regulations was communicated with iwi prior to the release of the Discussion Document

- 55 MBIE officials communicated a summary of the proposed regulations consulted on in the Discussion Document prior to its release. This was to the 39 iwi which MBIE has Treaty settlement commitments with.
- 56 MBIE have engaged with a number of iwi in Taranaki including Te Rūnanga o Ngāti Ruanui Trust, Te Korowai o Ngāruahine, Te Atiawa and Te Kāhui o Taranaki Trust. To date, feedback from iwi has focused on the importance of improving petroleum sector regulation and has been supportive of the Government's proposals to introduce a statutory obligation for permit and licence holders to decommission and strengthen decommissioning regulations.
- 57 Through previous engagement with iwi and submissions received on the Discussion Document, iwi indicated it was their preference for information requirements that were more detailed and enabled a higher degree of monitoring.

I propose releasing a public exposure draft of the regulations on information requirements

- 58 I seek approval to release an exposure draft of the regulations, once drafted, to the public. This is to test the clarity of the drafting, obtain technical feedback, and ensure that the regulations can work as intended. Any exposure draft will be released in accordance with the Attorney-General's Protocol for Release of Draft Government Legislation outside the Crown (CO (19) 2).
- 59 I also seek authorisation to make any minor policy changes to the regulations following feedback on the exposure draft before submitting the regulations to the Cabinet Legislative Committee for approval.

Financial Implications

Proposals may impose additional costs on petroleum companies

- 60 Many of these regulations will impose costs on permit and licence holders who are required to comply with the regulations. Higher cost of compliance could impact commercial decisions and operations. However, I consider they balance the need for effective monitoring and the costs to permit and licence holders. I also consider these regulations should provide greater certainty and predictability for permit and licence holders.

Proposals may also result in additional administration, monitoring, enforcement, and litigation costs

- 61 In June 2020, Cabinet noted that in strengthening the decommissioning regime under the CMA, MBIE, as the regulator, will incur additional administration, monitoring, enforcement, and litigation costs to implement the new requirements provided for in the Amendment Act and associated regulations. The scope of MBIE's new regulatory functions is being developed based on these new requirements.

- 62 Constitutional conventions

Legislative Implications

- 63 I am seeking Cabinet approval to instruct PCO to draft regulations that reflect the policy recommendations set out in this paper. The policy decisions in this paper will require legislative change.
- 64 I am also seeking Cabinet approval to release an exposure draft of the regulations once drafted. This will be released in accordance with the Attorney-General's Protocol for Release of Draft Government Legislation outside the Crown (CO (19) 2).

Impact Analysis

Regulatory Impact Statement

65 MBIE's Regulatory Impact Analysis Review Panel has reviewed the attached Impact Statement prepared by MBIE. The Panel considers that the information and analysis summarised in the Impact Statement meets the criteria necessary for Ministers to make informed decisions on the proposals in this paper.

Climate Implications of Policy Assessment

66 The Climate Implications of Policy Assessment (CIPA) team has been consulted and confirms that the CIPA requirements do not apply to this proposal as the threshold for significance is not met.

Population Implications

67 There are no population implications in regards to the proposals in this paper.

Human Rights

68 This paper is not inconsistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

69 MBIE officials have consulted publicly on the majority of policy proposals in this paper in a Discussion Document: "*Proposed Regulations to Support the Crown Minerals (Decommissioning and Other Matters) Amendment Bill*". However, options for the Decommissioning Completion Report have not been consulted on, as the provisions in the Amendment Act were added at the Select Committee stage after public consultation through the Discussion Document closed.

70 The following agencies were consulted with on these proposed regulations: the Inland Revenue Department, Maritime New Zealand, the Environmental Protection Authority, Ministry for the Environment, Ministry of Foreign Affairs and Trade, Ministry of Transport, Ministry of Justice, Department of Conservation, The Treasury, and WorkSafe New Zealand. The Department of Prime Minister and Cabinet were informed.

71 Agencies were supportive of proposals in this paper. As part of consultation MfE raised again that during implementation the challenges related to the fragmented legislative system will need to be clarified. Officials will continue to work with agencies during the implementation phase.

72 In addition, I intend to release an exposure draft of the regulations to test the clarity of the drafting, obtain technical feedback, and ensure that the regulations can work as intended.

Communications

- 73 I do not intend to publicly announce decisions on this paper following Cabinet approval.

Proactive Release

- 74 I intend to proactively release a copy of this paper within 30 business days of decisions being confirmed by Cabinet with appropriate redactions under the Official Information Act 1982.

Recommendations

The Minister for Energy and Resources recommends that the Committee:

- 1 **note** that the Crown Minerals (Decommissioning and Other Matters) Amendment Bill 2021 (the Bill) received Royal Assent on 1 December 2021;
- 2 **note** that the Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021 (the Amendment Act) provides for regulations to be made which would set the information requirements in respect of a range of information relating to decommissioning monitoring:
 - 2.1 Field Development Plans (which the Amendment Act provides must detail the planned development of the field over its anticipated productive life);
 - 2.2 Asset Registers, which the Amendment Act provides must be a complete and accurate list of the petroleum infrastructure and wells that permit and licence holders must decommission under the Amendment Act;
 - 2.3 Subpart 2 Decommissioning Plans, which the Amendment Act provides must describe the planned decommissioning activities and the processes to be used to carry out those activities, and set out a proposed schedule for those activities;
 - 2.4 Decommissioning Cost Estimates;
 - 2.5 Decommissioning Completion Report, which is a record of how sites were left and provides evidence that everything listed on the Asset Register has been decommissioned;
 - 2.6 information that is relevant and reasonably necessary to enable the Minister to monitor the financial position of a permit or licence holder; and
 - 2.7 information that is relevant and reasonably necessary to enable the Minister to carry out a financial capability assessment;
- 3 **note** that the Amendment Act provides for regulations to be made which require the information described in recommendation 2 to be submitted at prescribed times and/or within a specified time of the occurrence of prescribed events;

Requirements relating to Field Development Plans

- 4 **agree** that the regulations will set out minimum information requirements for Field Development Plans that substantially correspond to the existing application requirements for new mining permits in the Crown Minerals (Petroleum) Regulations 2007;
- 5 **agree** that the regulations will require Field Development Plans to be submitted six months prior to the occurrence of prescribed events that would lead to any departure from the planned development of the field, including additions, changes, or removal of petroleum wells and infrastructure, and any changes to the production strategy of the field;

Requirements relating to Asset Registers

- 6 **agree** that the regulations will set out minimum identification, location, functional, and technical information requirements for Asset Registers;
- 7 **agree** that the regulations will require Asset Registers to be submitted three months after the occurrence of prescribed events including additions to, plugging and abandoning of, or removal of petroleum wells and infrastructure, and any change of asset ownership;
- 8 **agree** that regulations will amend the requirements in existing regulations relating to annual reports on mining activities and production operations to require permit and licence holders to state whether there have been any changes to the assets in the Asset Register in the preceding year;

Requirements relating to Subpart 2 Decommissioning Plans

- 9 **agree** that regulations will set out minimum information requirements for Subpart 2 Decommissioning Plans, including:
 - 9.1 the proposed decommissioning solution for assets;
 - 9.2 the proposed end state for petroleum infrastructure;
 - 9.3 field layout;
 - 9.4 any proposed post-decommissioning monitoring and/or maintenance;
 - 9.5 timing of decommissioning, including expected cessation of production;
 - 9.6 any interdependencies in scope or timeframes;
 - 9.7 relevant conditions of any land access agreements;
 - 9.8 scope and conditions of any relevant marine or resource consents or applications; and
 - 9.9 any planned engagement with iwi and hapu;

- 10 **agree** that regulations will require Subpart 2 Decommissioning Plans to be developed by or verified by an independent third party;
- 11 **agree** that the regulations will require Subpart 2 Decommissioning Plans to be submitted six months after the occurrence of prescribed events including additions, plugging and abandoning, or removal of petroleum wells and infrastructure, any change of asset ownership, any change in proposed decommissioning methodology, and applications and authorisations for plans or activities under relevant health, safety and environment legislation;

Requirements relating to Decommissioning Cost Estimates

- 12 **agree** that regulations will set out minimum information requirements for Decommissioning Cost Estimates, including the cost of all project management, operational expenditure, plugging and abandoning, infrastructure decommissioning, disposal, remediation, and any monitoring and maintenance, and any contingency levels and assumptions;
- 13 **agree** that regulations will require Decommissioning Cost Estimates to meet minimum quality standards in accordance with the Cost Estimate Classification System published by the Association for the Advancement of Cost Engineering;
- 14 **agree** that regulations will require Decommissioning Cost Estimates to be developed by or verified by an independent third party;
- 15 **agree** the regulations will require Decommissioning Cost Estimates to be submitted six months after the occurrence of prescribed events including additions, plugging and abandoning, or removal of petroleum wells and infrastructure, any change of asset ownership, any change in proposed decommissioning methodology, any significant change in the estimated decommissioning cost, and applications and authorisations for plans or activities under relevant health, safety and environment legislation;

Requirements relating to Decommissioning Completion Reports

- 16 **agree** that regulations will require a Decommissioning Completion Report to include a statement of completion that confirms that the permit or licence holder has met its decommissioning obligations as proposed in the Amendment Act, and is signed by each permit or licence participant;
- 17 **agree** that the regulations will require a Decommissioning Completion Report to contain supporting information including a final and complete Asset Register, and a summary of the decommissioning activities undertaken, the outcome of the decommissioning programme, any measures to manage potential risks from wells and infrastructure left in-situ, actual costs versus estimated costs, and observations on cost-minimisation;
- 18 **agree** that regulations will amend the requirements in existing regulations relating to well abandonment reports to require permit and licence holders to include additional technical information and reports of a nature specified in Appendix Three;

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- 19 **agree** that regulations will require the Decommissioning Completion Report to be submitted six months after the completion of decommissioning;

Requirements relating to monitoring financial position

- 20 **agree** that regulations will require permit and licence participants to disclose financial statements that they are already required to prepare under the Companies Act 1993, or if the permit or licence participants are not required to prepare financial statements under the Companies Act 1993, any financial statements as provided for under the Tax Administration (Financial Statements) Order 2014;
- 21 **agree** that the regulations will require further information of a nature specified in Appendix Four to be disclosed, where this information is not already disclosed in a financial statement;
- 22 **agree** that if the regulations require permit or licence participants to disclose financial statements in accordance with the Companies Act 1993, this information must be disclosed at times consistent with the filing of financial statements under the Companies Act 1993;
- 23 **agree** that where the permit or licence participant is not required to prepare financial statements under the Companies Act 1993, these permit and licence participants are required to disclose financial statements in accordance with Tax Administration (Financial Statements) Order 2014, within five months of their balance date (as defined under the Companies Act 1993);
- 24 **agree** that obligations come into effect after the first balance date following commencement of the regulations;

Requirements relating to financial capability assessments

- 25 **agree** that regulations will require permit and licence participants to provide a statement of financial capability signed by or on behalf of the permit or licence participant, in which the person signing the statement must confirm that they have and will maintain the financial capability to meet their obligation to carry out and fund decommissioning;
- 26 **agree** that regulations will require permit and licence participants to provide minimum supporting information, including forecast operating and capital expenditure, dividend policy, future funding details, insurance policy details, and 1P (proven) production profile;

Release of exposure draft of regulations and other recommendations

- 27 **agree** to the release of an exposure draft of the regulations;
- 28 **invite** the Minister of Energy and Resources to issue drafting instructions to the Parliamentary Counsel Office to give effect to the recommendations in this paper (including, if required, issuing updated drafting instructions after considering any submissions on the exposure draft of the regulations);

- 29 **authorise** the Minister of Energy and Resources to make minor or technical changes to the policy decisions in this paper, consistent with the general policy intent, on issues that arise in drafting; and
- 30 **authorise** the Minister of Energy and Resources to make additional policy decisions, consistent with the general policy intent, on issues that arise in drafting, or after considering submissions on the exposure draft of the regulations.

Authorised for lodgement

Hon Dr Megan Woods

Minister of Energy and Resources

Appendix One: Minimum information requirements relating to Field Development Plans and Asset Registers

Minimum information requirements for Field Development Plans

An executive summary of the information supplied below, including —

- a summary of the in-place and recoverable reserves (including calculations of the assigned probabilities of the reserves);
- a description of any existing and proposed facilities to extract, treat, and transport the petroleum; and
- the expected annual and cumulative field production.

A discussion of the permit history, including —

- exploration results (including any geophysical or geochemical survey results); and
- appraisal results (including any drilling and well testing results).

A statement of the geology of the permit area, including its regional setting, geological history, and regional stratigraphy.

A geophysical analysis and interpretation of the permit area, including —

- a database and maps showing seismic coverage and discussion of seismic data quality;
- the seismic ties to wells and a discussion of the accuracy of the ties;
- the seismic interpretation techniques and results;
- the techniques and results of depth conversion (including any velocity analysis and any discussion of the sensitivity of depth mapping to variations in velocity fields);
- Any maps of average and interval velocity fields used in depth conversion, including uncertainty maps;
- structural maps and models in time and depth for reservoir units;
- any geophysical analysis of seismic attributes and modelling, including seismic inversion; and
- a discussion of reservoir structure and uncertainties that could affect reserves (including analysis of faulting, alternative fault correlations, and fault seals).

A geological interpretation covering the following:

- description of stratigraphy, including a table of formation tops, thicknesses, and cored intervals (all in measured depth and true vertical depth);
- sedimentological analysis and facies interpretation;
- stratigraphic and structural correlations of reservoir units;
- any reservoir net sand and net pay maps; and

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- a geological model, including description of the petroleum system and its constituent parts on which the mining permit is based.

A petrophysical evaluation, including —

- a database containing wireline data, logging while drilling data, core, and sidewall core measurements, and any other subsurface measurements;
- formation temperature measurements;
- a petrophysical interpretation that covers —
 - lithology, porosity, permeability; and
 - connate water saturation and water salinity; and
 - the cut-off criteria used to determine net reservoir and net pay; and
 - comparisons of laboratory analyses and log-derived data.
- any petrographic and core analyses of reservoir rocks.

Reservoir engineering data, including —

- results and interpretation of all subsurface pressure measurements, wireline data, logging while drilling and well test data (open and cased hole);
- the interpreted position of gas–oil, oil–water, gas–water contacts, including an electric log analysis over the reservoir interval;
- desorption data and gas content maps for any coal seam gas field;
- a description of aquifer extent and strength; and
- details of reservoir fluid parameters, including —
 - pressure, volume, and temperature analysis of gas, condensate, and oil (including dew point and bubble point); and
 - the oil and gas volume factors and the gas to oil and condensate to gas ratios with depth; and
 - chemical analysis of any gas, oil, condensate or water samples; and
 - a discussion of any significant differences between the results from different wells or intervals within a well.

Reserves information, in accordance with the Petroleum Resource Management System, including —

- structure maps, cross sections, or models showing the areal and vertical extent of the field and the hydrocarbon contacts;
- a statement of the hydrocarbons-in-place, including —
 - a description of the methodologies used to calculate their volume and distribution; and

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- the assigned probabilities for oil, gas, and condensate (with details for each production layer or zone); and
- the field totals.
- recoverable hydrocarbon estimates, including their assigned probabilities, and production forecasts for individual wells and field totals (irrespective of any gas sales contracts);
- any reservoir model or models;
- information in relation to any contingent resources; and
- an explanation of why any contingent resources are classified as such, and the conditions that might allow reclassification as reserves.

A development plan, including —

- a structure map for each reservoir showing interpreted hydrocarbon contacts and the surface and down-hole location of existing and proposed exploration, production and injection wells;
- an estimate and range of field life, including annual forecast production profiles for oil, water, gas and condensate (and the assumptions on which the profiles are based) and any forecast annual injection profiles;
- information on all existing and proposed wells (including locations and reservoir completion depths), pipelines, production and reinjection facilities, treatment facilities, and transportation and storage facilities including but not limited to —
 - a summary of the plan for field development including a description of the phases of drilling, the production infrastructure and the conditions controlling the timing of each element of the development.
 - a development timeline showing the development phases, sequence of drilling, installation of facilities, production start-up, cessation of production and decommissioning dates; and
 - a discussion of well locations, design, stimulation and completion philosophy supported by diagrams; and
 - the proposed reservoir monitoring programmes for the duration of the field's life (with particular emphasis on resolving field uncertainties and improving dynamic performance); and
 - any proposed pressure maintenance, compression, assisted recovery, artificial lift, or enhanced recovery; and
 - the proposed location of meters to be used for the metering of oil, condensate, and gas that is produced, consumed, and flared; and
 - details of produced petroleum to be used to fuel any of the operations or to be flared, and a discussion of other methods considered for petroleum utilisation; and

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- a description of the existing and proposed development (including diagrams) and a description of the related processing facilities (including flow diagrams); and
- the reasons for selecting the development; and
- a discussion of the proposed abandonment of wells and facilities; and
- details of forecast capital expenditure over the life of the field.

Minimum information requirements relating to Asset Registers

- **Details of petroleum wells** including type, permit or licence drilled under, unique well identifier, depth, purpose, status, and location co-ordinates.
- **Details of onshore well sites or well pads** including the areal extent, number of wells, whether or not the site is connected to the production station, location co-ordinates, areal extent, and location description.
- **Details of onshore production stations** including location co-ordinates, areal extent, and descriptions of any processing facilities, structures, tanks and equipment.
- **Details of fixed offshore production installations** including location co-ordinates, weight, and functional description.
- **Details of floating offshore production installations** including class, weight, capacity, mooring location co-ordinates, and a description of the mooring system.
- **Details of subsea equipment** including location co-ordinates, weight, and functional description.
- **Details of offshore substructures** including location co-ordinates, weight, and a description of how the structure is affixed to the seabed.
- **Details of tie-in locations for export pipelines into third-party transmission systems** including location co-ordinates and functional description.
- **Details relating to equipment that is attached to, or used in connection with, a structure, vessel, or site** (including cables, pipelines, flow-lines, gas lift lines, umbilicals, manifolds, midwater arches and moorings) including construction material, diameter, length, start and end point locations, service, burial status, and for subsea pipelines any stabilization, armouring or rock cover.
- **Details of any other items not covered above that require decommissioning** including identification, location, function and technical descriptions.
- **Ownership details** of all items listed.

Appendix Two: Requirements relating to Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates, and Decommissioning Completion Reports

Type	Submission times and events
FDPs	<p>Six months prior to any departure from the planned development of the field including:</p> <ul style="list-style-type: none"> • the addition, re-purposing or abandonment of petroleum wells; or • the addition of or changes to petroleum infrastructure; or • any change to the production strategy of the field, including a move to condensate stripping, a move to storage or sequestration, a move to flaring gas, re-routing product through third-party facilities.
Asset Registers	<p>Within three months of one or more of the following:</p> <ul style="list-style-type: none"> • Any addition of a petroleum well • Any plugging and abandonment of an existing petroleum well • Any addition of petroleum infrastructure • Any removal of petroleum infrastructure • Any change of asset ownership <p>In addition, annual confirmation through the Annual Summary Report about whether there have been any changes to the assets in the Asset Register in the preceding year.</p>
Subpart 2 Decommissioning Plans	<p>Within six months of one or more of the following:</p> <ul style="list-style-type: none"> • Any addition of a petroleum well • Any plugging and abandonment of an existing petroleum well • Any addition of petroleum infrastructure • Any removal of petroleum infrastructure • Any change of asset ownership • Any changes in proposed decommissioning methodology • Application for plan or activity authorised by the Resource Management Act 1991 or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 • Authorisation of plan or activity under the Resource Management Act 1991 or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012
Decommissioning Cost Estimates	<p>Within six months of one or more of the following:</p> <ul style="list-style-type: none"> • Any addition of a petroleum well • Any plugging and abandonment of an existing petroleum well • Any addition of petroleum infrastructure • Any removal of petroleum infrastructure • Any changes in proposed decommissioning methodology

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	<ul style="list-style-type: none">• A +/- 20 per cent change in the estimated decommissioning cost• Application for plan or activity authorised by the Resource Management Act 1991 or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012• Authorisation of plan or activity under the Resource Management Act 1991 or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012
Decommissioning Completion Report	Within six months of the date agreed with or specified by the Minister (under the Amendment Act) on which decommissioning is required to be completed.

Appendix Three: Additional information requirements for well abandonment reports

The following additional technical information in a well abandonment report (as already required in the Crown Minerals (Petroleum) Regulations 2007):

- Cement plug position(s) within the well
- Cement plug length(s)
- Annulus cement position(s) within the well
- Annulus cement length(s)
- Fluid left below and between plugs in the well
- Fluid left in all annulus
- All evaluation logs performed during plugging and abandonment
- All pressure test records
- Cement pumping and displacement records
- As left schematic of well showing all depths, equipment left in hole, outside diameter and inside diameter
- Daily operations reports
- Any as-left remote operated vehicle survey video

Appendix Four: Information requirements for monitoring of financial position

Disclosure of the following information where this information is not disclosed in a financial statement:

- details of total debt obligations, and debt obligations the permit or licence holder is expected to undertake over the next year;
- interest payable over the next year;
- details of significant investments and disinvestments not subject to Ministerial approval (i.e., including assets beyond the CMA regime) upcoming over the next year;
- details of all security (i.e., charge over claim etc.) over assets and any further security that has been proposed; and
- dividends paid or announced over the past year;
- the cumulative amount of company tax paid, that would be eligible for a decommissioning tax credit in the future; and
- a description of any obligations, or contingent obligations (including legal claims), not disclosed above, that could impact the permit or licence participants' ability to carry out and meet the costs of decommissioning.