



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.

Regulatory Impact Statement: Regulations on information requirements to support implementation of a strengthened regime for decommissioning petroleum infrastructure and wells

Coversheet

Purpose of Document	
Decision sought:	Analysis produced for the purpose of informing in-principle Cabinet decisions on policy recommendations for regulations on information requirements to support implementation of the Crown Minerals (Decommissioning and Other Matters) Amendment Bill. ¹
Advising agencies:	Ministry of Business, Innovation and Employment
Proposing Ministers:	Minister of Energy and Resources
Date finalised:	16 November 2021
Problem Definition	
<p>The Crown Minerals (Decommissioning and Others Matters) Amendment Bill proposes changes to strengthen the petroleum sector’s financial and legal responsibility for decommissioning activities. The Bill provides for regulations to be made on the information required from permit and licence holders.</p> <p>In the absence of regulations (status quo) the Minister and the regulator are likely to receive insufficient and inconsistent information to inform monitoring activities and certain decisions proposed in the Bill. Permit and licence holders would also remain uncertain about the information they are obligated to maintain.</p>	
Executive Summary	
<p>The Crown Minerals (Decommissioning and Other Matters) Amendment Bill seeks to strengthen the petroleum sector’s financial and legal responsibility for decommissioning activities</p> <p>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.</p> <p>New Zealand’s petroleum sector is maturing, and an increasing number of petroleum fields are nearing the end of their economic lives and will soon require decommissioning. The</p>	

¹ the Crown Minerals (Decommissioning and Other Matters) Amendment Bill 2021 received Royal Assent on 1 December 2021. The language in this document refers to ‘the Bill’ opposed to ‘the Act’ (as referred to in the Cabinet paper) and in principle requirements as it was assessed by the Panel at an earlier date.

costs of decommissioning activities are substantial and the environmental effects and health and safety risks of failing to decommission can be significant. There are 42 active petroleum permits and licences, 15 for exploration and 27 for mining.

In the event of a petroleum company's financial default, there is a risk that the Crown or other third parties will have to carry out and fund decommissioning.

The Crown Minerals (Decommissioning and Other Matters) Amendment Bill (**the Bill**) seeks to address this by introducing:

- a clear and consistent obligation on petroleum permit and licence holders to decommission;
- greater monitoring powers; and
- a requirement on petroleum permit and licence holders to obtain and maintain a financial security for decommissioning.

The Bill provides for regulations to be made to specify certain information requirements and when information must be provided to the Minister or Chief Executive of MBIE

The Bill provides for certain information to be provided to the Minister on request or to the Chief Executive of the Ministry of Business, Innovation and Employment (MBIE) at times prescribed in regulations. Specifically:

- Information requirements for Field Development Plans and Asset Registers
- Information and other requirements for Subpart 2 Decommissioning Plans
- Standards and other requirements for Decommissioning Cost Estimates
- Information and other requirements for Decommissioning Completion Reports
- Prescribed times for submitting Field Development Plans, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates and Decommissioning Completion Reports
- Information requirements for ongoing financial monitoring
- Information requirements for financial capability assessments

This information is required to inform a range of monitoring activities and decisions

This information is technical and financial in nature and may, or must, be used to inform a range of monitoring activities and decisions by the Minister or regulator that are proposed in the Bill as follows:

- when agreeing or specifying dates for the completion of milestones in the decommissioning process and the completion of decommissioning (new sections 89OA and 89VA)²;

² While the Bill does not provide for dates for milestones or completion to be set out in regulations, these dates are set after considering decommissioning plans and decommissioning cost estimates for which information requirements may be prescribed in regulations.

- in a decision 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 (new section 89X);
- in a decision 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 (new section 89X);
- in monitoring permit and licence holders' financial position, including in relation to financial securities (new section 89ZA);
- when deciding whether or not to carry out a financial capability assessment (new section 89ZBA);
- when carrying out a financial capability assessment (new section 89ZBB); and
- in determining the amount and kind of financial security that a permit or licence holder is obligated to obtain and maintain (new sections 89ZF and 89ZG) or in altering the amount or kind of security (new section 89ZH).

We propose regulations to create certainty and predictability, and enable the proposals in the Bill to be implemented effectively

In the absence of regulations (status quo) the Minister and the regulator are likely to receive insufficient and inconsistent information to inform monitoring activities and certain decisions proposed in the Bill. Permit and licence holders would also remain uncertain about the information they are obligated to maintain.

This analysis supports in-principle policy decisions on proposed information requirements to meet the following objectives:

- the Minister has relevant, consistent, accurate and timely information to make decisions relating to proposed decommissioning obligations under the Bill and to monitor permit and licence holders' capability to discharge those obligations;
- the regulator has relevant, consistent, accurate and timely information to monitor and enforce compliance with proposed obligations under the Bill;
- permit and licence holders have certainty on the types of records and reports that they are obligated to maintain and provide; and
- the overall purpose of the Bill is effectively met, that is, to mitigate the risk to the Crown and other third parties of having to carry out and fund decommissioning.

We compared options against the following criteria:

- **Effective:** To ensure options can effectively meet the objectives.
- **Proportionate:** To ensure that the cost of complying with the proposed requirements are proportionate to the objectives intended to be achieved.
- **Clear and predictable:** To ensure that the requirements under options are clear to provide certainty and predictability of compliance for both permit and licence holders and the regulator.

We considered individual options for the different information requirements

Prescribed information requirements

We considered options for prescribing the different types of information requirements as follows:

Type of information	Options considered	Recommended option
Field Development Plans and Asset Registers	Option 1 – Status quo (no information requirements) Option 2 – Minimum information requirements	Option 2 – Minimum information requirements
Decommissioning Plans	<i>Options 2 and 3 mutually inclusive</i> Option 1 – Status quo (no information or other requirements) Option 2 – Minimum information requirements Option 3 – External verification	Combination of Options 2 and 3 – Minimum information requirements and external verification
Decommissioning Cost Estimates	<i>Options 2 and 3 mutually inclusive</i> Option 1 – Status quo (no standards or other requirements) Option 2 – Minimum information requirements Option 3 – Minimum quality standards and external verification	Combination of Options 2 and 3 – Minimum information requirements, minimum quality standards, and external verification
Decommissioning Completion Report	Option 1 – Status quo (no requirements) Option 2 – Statement of completion and supporting information	Option 2 – Statement of completion and supporting information
Information for ongoing financial monitoring	Option 1 – Status quo (no prescribed requirements) Option 2 – Director signed, audited financial statements Option 3 – Financial statements in accordance with other requirements, with minimum information	Option 3 – Financial statements in accordance with other requirements, with minimum information

Information for financial capability assessments	<p>Option 1 – Status quo (no prescribed requirements)</p> <p>Option 2 – Categories of financial information</p> <p>Option 3 – Statement of financial capability, with supporting information</p> <p>Option 4 – Statement of financial capability, with minimum supporting information</p>	Option 4 – Statement of financial capability, with minimum supporting information
--	---	---

Prescribed times for submitting certain information requirements

We considered three options for the prescribed times in which Field Development Plans, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates, and Decommissioning Completion Reports must be submitted:

- Option 1 – Status quo (on request from the Minister)
- Option 2 – Within specified times of prescribed events
- Option 3 – At prescribed times (e.g., annually, every three years)

Option 2 is the recommended option for Field Development Plans, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates, and Decommissioning Completion Report.

A combination of Options 2 and 3 is recommended for Asset Registers.

Most of the options considered were consulted on

Most of the options above were consulted on publicly in July 2021 (see [Discussion Document: Proposed regulations to support the Crown Minerals \(Decommissioning and Other Matters\) Amendment Bill 2021](#)) (Decommissioning Regulations Discussion Document 2021), or developed or refined based on submissions.

MBIE received 15 submissions on the Decommissioning Regulations Discussion Document 2021, 10 from industry submitters and five from non-industry submitters.

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.

Industry submitters had stronger preferences for submitting information after a significant event, whereas non-industry submitters preferred regular and more frequent submissions than what was proposed.

Options for the Decommissioning Completion Report were not consulted on as the provision in the Bill requiring the Report was added during Select Committee and after consultation on the Decommissioning Regulations Discussion Document 2021 had closed.

The costs of compliance with proposed information requirements are proportionate

Many of these options will impose costs on permit and licence holders that are required to comply with the proposals in the Bill. Higher costs of compliance could impact commercial decisions and operations. As we do not have reliable quantitative information, non-monetised cost and benefit impacts have been identified by taking into account submissions and considering other information disclosure regimes.

We recommend options that we consider achieve a balance between the need to effectively meet the objectives of the Bill and the costs to permit and licence holders. We also recommend options that should provide greater certainty and predictability for permit and licence holders.

Limitations and Constraints on Analysis

The range of options considered is constrained by the regulation-making powers proposed in the Bill

Generally, the proposed regulation-making powers in the Bill enable regulations to specify the information requirements and when information must be provided to the Minister or Chief Executive of MBIE.

Information prescribed in regulations for ongoing financial monitoring and to enable a financial capability assessment, must be relevant and reasonably necessary to enable the Minister to carry out those respective monitoring roles.

Further details regarding the scope of the regulation-making powers are described in each option.

Options were assessed based on submissions on the Decommissioning Regulations Discussion Document 2021

We developed options informed by submissions on the Decommissioning Regulations Discussion Document 2021. Where submissions suggested alternative options or refinements to proposed options, we have considered or reflected them in final proposals to the extent relevant. Options for the Decommissioning Completion Report were not consulted on.

Non-monetised cost and benefit impacts were used

No formal cost-benefit analysis was conducted for any proposals. In the absence of reliable quantitative information, non-monetised cost and benefit impacts have been identified by considering information contained in submissions and other information disclosure regimes.

Responsible Manager(s)

Michelle Schulz

Manager Resource Markets Policy

Energy and Resource Markets

Ministry of Business, Innovation and Employment

Quality Assurance

Reviewing Agency: Ministry of Business, Innovation and Employment

Panel Assessment & Comment: 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.

Section 1: Diagnosing the policy problem

What is the context behind the policy problem?

New Zealand's petroleum fields are maturing and will require decommissioning

1. The Crown Minerals Act 1991 (CMA) regulates the allocation of rights to prospect, explore and mine Crown-owned minerals in New Zealand and New Zealand's Exclusive Economic Zone. The CMA is supported by regulations and two Minerals Programmes. Prior to the CMA, the Petroleum Act 1937 regulated the allocation of rights, and licences granted under this Act remain in existence today.
2. There are currently 42 active petroleum permits and licences in New Zealand, 15 for exploration, and 27 for mining. Thirteen of these permits and licences are for offshore fields and 29 are for onshore fields. Some of these fields may be nearing the end of their operational life over the next decade, and will require decommissioning, which involves permanently taking petroleum wells and infrastructure out of service. The timing of decommissioning will depend on ongoing field development work that may be undertaken by permit or licence holders.

The CMA does not explicitly provide for decommissioning responsibilities and the Minister and regulator are currently unable to monitor preparedness for decommissioning

3. A review of the CMA in 2019 (see [Discussion Document: Review of the Crown Minerals Act 1991](#)) identified gaps in the CMA related to decommissioning. The CMA does not currently explicitly provide for petroleum permit and licence holders' decommissioning responsibilities, the length of time for which they are responsible, and the consequences for failing to carry out decommissioning. Existing requirements for decommissioning under the CMA have largely evolved on a case-by-case basis, and are defined in individual permit conditions. Reliance on permit conditions to establish legal and financial responsibility for decommissioning means that the requirements may not necessarily be worded and applied consistently across permit and licence holders and time.
4. The CMA currently does not have specific information requirements relating to decommissioning. Information on planned field development, decommissioning plans, and decommissioning costs are generally provided at a high-level and agreed at the commencement of operations. But there is no consistent requirement across permit and licence holders to provide information on these critical aspects to the Minister and

regulator over the life of the field. This means that the Minister and the regulator have limited visibility over the nature and expected cost of decommissioning obligations over time.

5. Finally, the CMA also does not currently enable the Minister or regulator to undertake financial capability assessments for the purposes of ongoing monitoring of a permit or licence holder's financial preparedness for decommissioning. Financial capability assessments are currently conducted on applicants for new exploration or mining permits, or changes to permit/licence operators. These are aimed at ensuring permit and licence holders can give effect to the permit work programme, including decommissioning. But financial capability can change over the 26 to 48 years that, on average, permits and licences are valid for.

The Crown Minerals (Decommissioning and Other Matters) Amendment Bill proposes to clarify decommissioning obligations and introduce greater monitoring abilities

6. In June 2020, the Government announced proposals to strengthen the petroleum sector's financial and legal responsibility for decommissioning activities. In April 2021, Cabinet approved additional proposals to further strengthen the provisions. In June 2021, the Crown Minerals (Decommissioning and Others Matters) Amendment Bill (the Bill) was introduced in Parliament.
7. This Bill introduces a number of new provisions to mitigate the risk to the Crown and other third parties of having to carry out and fund decommissioning. It seeks to introduce a regime based on three pillars:
 - a clear and consistent obligation on petroleum permit and licence holders to decommission;
 - greater monitoring powers; and
 - a requirement on petroleum permit and licence holders to obtain and maintain a financial security for decommissioning.

Regulations may be made to support implementation

8. The Bill proposes several regulation-making powers to support implementation. This includes regulations on the information required from permit and licence holders.
9. MBIE publicly consulted on some proposed regulations considered necessary in July 2021 (see [Discussion Document: Proposed regulations to support the Crown Minerals \(Decommissioning and Other Matters\) Amendment Bill 2021](#)). These proposals included technical and financial information requirements and the timeframes in which the information must be submitted.

How is the status quo expected to develop and what is the policy problem or opportunity?

Without regulations, permit and licence holders would remain uncertain about their obligations relating to information retention and relevant older wells

10. Without regulations that prescribe information requirements (the status quo), the Minister or regulator must rely on the permit or licence holder's subjective interpretation of the high-level descriptions of the information in the Bill where those exist, for example, that a Subpart 2 Decommissioning Plan 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". Permit and licence holders would be required to submit the information to the Chief Executive of MBIE on request from the Minister, which is likely to be at *ad hoc* times.
11. In this scenario, the Minister and the regulator are likely to receive insufficient and inconsistent information to inform monitoring activities and certain decisions proposed

in the Bill. Permit and licence holders would also remain uncertain about the information they are obligated to maintain.

12. The status quo is also administratively inefficient to implement and may lead to more compliance costs for permit and licence holders from follow-up requests to ensure the Minister and regulator receive necessary and consistent information.

What objectives are sought in relation to the policy problem?

13. We consider regulations are necessary to enable certain monitoring activities and certain Ministerial decisions under the proposals in the Bill as follows:
 - when agreeing or specifying dates for the completion of milestones in the decommissioning process and the completion of decommissioning (new sections 89OA and 89VA);
 - in a decision 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 (new section 89X);
 - in a decision 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 (new section 89X);
 - in monitoring permit and licence holders' financial position, including in relation to financial securities (new section 89ZA);
 - when deciding whether or not to carry out a financial capability assessment (new section 89ZBA);
 - when carrying out a financial capability assessment (new section 89ZBB); and
 - in determining the amount and kind of financial security that a permit or licence holder is obligated to obtain and maintain (new sections 89ZF and 89ZG) or in altering the amount or kind of security (new section 89ZH).
14. The main objectives are to ensure that:
 - the Minister has relevant, consistent, accurate and timely information to make decisions relating to proposed decommissioning obligations under the Bill and to monitor permit and licence holders' capability to discharge those obligations;
 - the regulator has relevant, consistent, accurate and timely information to monitor and enforce compliance with proposed obligations under the Bill;
 - permit and licence holders have certainty on the types of records and reports that they are obligated to maintain and provide; and
 - the overall purpose of the Bill is effectively met, that is, to mitigate the risk to the Crown and other third parties of having to carry out and fund decommissioning.

Section 2: Deciding upon an option to address the policy problem

What criteria will be used to compare options to the status quo?

15. The following criteria will be used to compare options to the status quo:
 - **Effective:** To ensure options can effectively meet the objectives described in paragraphs 13 and 14 above.
 - **Proportionate:** To ensure that the cost of complying with the proposed requirements are proportionate to the objectives intended to be achieved.
 - **Certain and predictable:** To ensure that the requirements under options are clear to provide certainty and predictability of compliance for both permit and licence holders and the regulator.

What scope will options be considered within?

16. All options, except for those relating to the proposed Decommissioning Completion Report, were consulted on between July and September 2021 through a [Discussion Document](#)³. Annex 1 includes the questions asked in the Discussion Document.
17. In response to submissions, we have either modified options that were consulted on or where submissions provided alternative options, we have considered or reflected them in final proposals.
18. Proposals for all options have also been informed by engagement with the regulator and relevant experience from countries with mature oil and gas industries such as the United Kingdom and Norway.
19. The scope of the options is also constrained by the regulation-making powers in the Bill. Under each option below, we outline what regulations can be made under the Bill.

What options are being considered?

20. For each of the different regulations proposed, we set out the considered options and an analysis of the recommended option under the following sub-headings:
 - i. Information requirements for Field Development Plans and Asset Registers
 - ii. Information and other requirements for Subpart 2 Decommissioning Plans
 - iii. Standards and other requirements for Decommissioning Cost Estimates
 - iv. Information and other requirements for Decommissioning Completion Reports
 - v. Prescribed times for submitting Field Development Plans, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates and Decommissioning Completion Reports
 - vi. Information requirements for ongoing financial monitoring
 - vii. Information requirements for financial capability assessments

(I) Information requirements for Field Development Plans and Asset Registers

21. Under the proposals in the Bill, FDPs and Asset Registers may inform the following Ministerial activities and decisions:
 - when deciding, on application or on their own initiative, 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 (new section 89X);

- when deciding, on application or on their own initiative, 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 (new section 89X);
- when deciding whether or not to carry out a financial capability assessment (new section 89ZBA); and
- when carrying out a financial capability assessment (new section 89ZBB).

Field Development Plans

22. Field Development Plans (FDPs) are focused on the manner in which the permit or licence holder intends to develop the field. In New Zealand, FDPs are required to be submitted as part of permit applications (see [Schedule 3](#) of the Crown Minerals (Petroleum) Regulations 2007).
23. FDPs are usually updated when there is a significant planned redevelopment of the field beyond what was first agreed at permit or licence grant. Any planned redevelopment will impact on the scope of decommissioning and associated costs, and the timing of decommissioning if the redevelopment extends the field's life. However, only some permits and licences contain conditions requiring permit or licence holders to submit updated FDPs.
24. New section 42B of the Bill proposes that FDPs must:
 - (a) detail the planned development of the field over its anticipated productive life; and
 - (b) be accurate as at the date of submission to the chief executive; and
 - (c) contain the prescribed information (if any); and
 - (d) meet any further prescribed requirements.
25. Regulations may elaborate on (a) and prescribe information and other requirements under (c) and (d).

Asset Registers

26. While the regulator maintains a database of petroleum wells associated with each permit or licence, there is currently no equivalent for petroleum infrastructure. The proposed Asset Register in the Bill is a useful tool to monitor and verify that a permit or licence holder is complying and has complied with decommissioning obligations proposed in the Bill.
27. New section 89ZAAC of the Bill proposes that Asset Registers must:
 - (a) be a complete and accurate list of the petroleum infrastructure and wells that A must decommission under sections 89K, 89L, 89R, and 89S; and
 - (b) contain the prescribed information (if any); and
 - (c) meet any further prescribed requirements.
28. Regulations may elaborate on (a) and prescribe information and other requirements under (b) and (c).

³ See <https://www.mbie.govt.nz/dmsdocument/15575-discussion-document-proposed-regulations-to-support-the-crown-minerals-decommissioning-and-other-matters-amendment-bill-2021>.

29. We considered the following options for regulations that prescribe the information to be contained in FDPs and Asset Registers:

- **Option 1** – Status quo (no information requirements), OR
- **Option 2** – Minimum information requirements

Option 1 – *Status quo*

30. Under the status quo, there would be no prescribed information on the content of FDPs or Asset Registers. Therefore, the information required would be the permit/licence holder's subjective interpretation of the high-level descriptions of FDPs and Asset Registers proposed in the Bill as follows:

- FDPs that “detail the planned development of the field over its anticipated productive life” and are “accurate as at the date of submission”.
- Asset Registers that are “a complete and accurate list of the petroleum infrastructure and wells that A [the permit/licence holder] must decommission under sections 89K, 89L, 89R and 89S”.

Option 2 – *Minimum information requirements*

31. Under Option 2, regulations would prescribe the minimum information to be contained in FDPs and Asset Registers. The detail for each is set out in Annex 2.

32. For FDPs, this information is similar to that required as part of mining permit applications (see [Schedule 3](#) of the Crown Minerals (Petroleum) Regulations 2007) and is consistent with international practice (see the UK Oil and Gas Authority's [guidance](#) on the preparation of FDPs⁴). This option was consulted on as part of the Decommissioning Regulations Discussion Document 2021.

33. For Asset Registers, the Bill provides that they must be a complete and accurate list of the petroleum infrastructure and wells that permit/licence holders must decommission under the proposed obligations in the Bill. Submissions on the Decommissioning Regulations Discussion Document 2021 expressed preferences for detail that is not more onerous than existing information requirements and recommended that information requirements consider the unique characteristics of offshore versus onshore fields. One submission sought more clarification about what is and is not captured, that is, the boundary of assets. This feedback is reflected in the proposed minimum information requirements in Annex 2.

34. The proposed requirements relate to identification, location, functional and technical information on all assets that a permit/licence holder is required to decommission under proposals in the Bill. For petroleum infrastructure, the information requirements are broken down by the major categories of infrastructure such as production stations and pipelines, with differences for offshore and onshore fields.

35. The proposed requirements also include ownership details for assets, which was not consulted on. However, we consider this information necessary as it is one of the matters that the Minister may consider when granting an exemption from the obligation to decommission a particular item of petroleum infrastructure or a well under proposals in the Bill.

⁴ UK Oil & Gas Authority, *Guidance on the preparation and content of offshore oil and gas field development plans*, May 2018, <https://www.ogauthority.co.uk/media/4868/fdp-guidance-may-2018.pdf>.

How do the options compare to the status quo?

	Option 1 – Status quo	Option 2 – Minimum information requirements
Effective	0	++
Proportionate	0	+
Certain and Predictable	0	++
Overall assessment	0	5

Key:

- ++ much better than the status quo
- + better than the status quo
- 0 about the same as the status quo
- worse than the status quo
- much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

- 36. **Option 2** would provide a significant improvement to the status quo (Option 1) and is **the recommended option**. In the absence of clear and certain information requirements in regulations, the permit or licence holder would be left to subjectively interpret the high-level requirements proposed in the Bill. In this scenario, the regulator is likely to receive inconsistent information across permit and licence holders. The information received may also be insufficient or excessive for the purposes of the monitoring activities and certain decisions proposed in the Bill, imposing unnecessary production and analysis costs on the permit/licence holder and the regulator respectively.
- 37. In relation to FDPs, Option 2 is much more effective and certain than the status quo, as the minimum information considered necessary for the purposes of the monitoring functions proposed in the Bill will be made clear in regulations.
- 38. As the information largely reflects that which is already required in permit applications, we consider the cost of generating updated FDPs over the life of the permit or licence to be low. Compared to the status quo, where information requirements would be interpreted subjectively by each permit or licence holder, Option 2 is considered more proportionate.
- 39. In relation to Asset Registers, Option 2 is much more effective and predictable than the status quo, as the minimum information considered necessary for the purposes of the monitoring functions proposed in the Bill will be made clear in regulations.
- 40. The detail set out in Annex 2 reflects submissions on the Decommissioning Regulations Discussion Document 2021 and should provide much more certainty to permit and licence holders. Specifically, submitters sought explicit clarity on the aspects of the petroleum production system that are captured and that the list exclude

items that are not always required to be decommissioned or removed (for example, drill cuttings).

41. In response to feedback, the proposed information requirements relate to identification, location, functional, and technical information on all assets. They specify the major categories of petroleum production infrastructure for both onshore and offshore fields, and only include items that must be decommissioned or removed under proposals in the Bill.
42. The details listed in Annex 2 are considered no more onerous than existing regulatory information requirements. For example, the information required in a safety case (see [Schedule 5](#) of the Health and Safety at Work (Petroleum Exploration and Extraction) Regulations 2016) includes scaled diagrams of production installations, details on the location of installations, and the dimensions and layout of pipelines.
43. We consider the cost of generating and maintaining an Asset Register is proportionate to the needs for which the information is required, that is, monitoring and verifying that permit/licence holders are complying and have complied with proposed decommissioning obligations in the Bill. Compared to the status quo, where information requirements would be interpreted subjectively and may result in inconsistent, incomplete or excessive information, Option 2 is considered more proportionate.

(II) Information and other requirements for Subpart 2 Decommissioning Plans

44. 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. Currently, the regulator receives high-level information on decommissioning from new permit applicants at the time of application. There is no requirement to submit updates.
45. Under the proposals in the Bill, Subpart 2 Decommissioning Plans may or must inform the following Ministerial activities and decisions:
 - agreeing or specifying dates for the completion of earlier milestones in the decommissioning process and completion of decommissioning (new sections 89OA and 89VA);
 - when deciding whether or not to carry out a financial capability assessment (new section 89ZBA);
 - when carrying out a financial capability assessment (new section 89ZBB); and
 - when determining the amount and kind of financial security that permit and licence holders are obligated to obtain and maintain (new sections 89ZF and 89ZG) or altering the amount or kind of security (new section 89ZH).
46. New section 89ZAAA(2) of the Bill proposes that Subpart 2 Decommissioning Plans must:
 - (a) *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; and*
 - (b) *be accurate as at the date of submission to the chief executive; and*
 - (c) *contain the prescribed information (if any); and*
 - (d) *meet any further prescribed requirements.*
47. Regulations may elaborate on (a) and prescribe information and other requirements under (c) and (d).
48. We considered the following options for regulations that specify information and other requirements for Subpart 2 Decommissioning Plans. Options 2 and 3 are mutually inclusive since they could be progressed together or individually:

- **Option 1** – Status quo (no information or other requirements), OR
- **Option 2** – Minimum information requirements, AND
- **Option 3** – External verification

Option 1 – *Status quo*

49. Under the status quo, there would be no prescribed information or other requirements for Subpart 2 Decommissioning Plans. Therefore, the information required would be the permit/licence holder’s subjective interpretation of the high-level description of a Subpart 2 Decommissioning Plan proposed in the Bill. Subpart 2 Decommissioning Plans 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” and “be accurate as at the date of submission to the chief executive”.

Option 2 – *Minimum information requirements*

50. Under Option 2, regulations would prescribe minimum information requirements for Subpart 2 Decommissioning Plans. This detail is set out in Annex 3.
51. The key information listed are those that relate to the scope, solution, timing and approval of decommissioning, and planned engagement with iwi and hapū and is partly informed by good international practice ([UK](#)⁵).
52. Submitters to the Decommissioning Regulations Discussion Document 2021 broadly agreed with the proposed requirements, recommending that the focus be on decommissioning technicalities and timelines. Industry submitters stressed that requirements should not supplant or exceed the Ministry for the Environment’s (MfE) [proposed decommissioning regulations](#)⁶ under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012.
53. Some submitters did not consider information on marine/resource consents or interdependencies with fields to be relevant for the purposes of the proposals in the Bill. However, the conditions in consents can impact on the scope of decommissioning and the costs, and any shared infrastructure with other fields may impact on timing. Therefore, they are included in the proposed information requirements.
54. Iwi submitted that Subpart 2 Decommissioning Plans should include any planned engagement with iwi and hapū on decommissioning. This would be consistent with the current requirement on permit and licence holders to provide the regulator with an annual summary of any engagement with iwi and hapū (see section 33C of the CMA). Meaningful engagement with iwi and hapū is also a requirement of the proposed MfE decommissioning regulations. Therefore, this information has been included in the proposed requirements.

Option 3 – *External verification*

55. Under Option 3, Subpart 2 Decommissioning Plans would need to be developed by or verified by an independent third party.
56. This option was consulted on for Decommissioning Cost Estimates but not for Subpart 2 Decommissioning Plans. However, a submitter on the Decommissioning Regulations Discussion Document 2021 suggested that decommissioning plans provide an explanation of why the proposed end state for petroleum assets, for example partial

⁵ See *Decommissioning Programmes* in Department for Business, Energy & Industrial Strategy, ‘Guidance Notes: Decommissioning of Offshore Oil and Gas Installations and Pipelines’, November 2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760560/Decom_Guidance_Notes_November_2018.pdf

⁶ See *Final policy recommendations for decommissioning plans under the EEZ Act, 2019*, <https://environment.govt.nz/assets/Publications/Cabinet-papers-briefings-and-minutes/2019-c-05406-final-policy-recommendations-for-decommissioning-plans-under-eez-act.pdf>

removal or leaving infrastructure in-situ, was considered reasonable. Another submitter suggested that an independent third party should review the proposed method and process for the decommissioning to ensure it is up to standard.

57. We consider this important, particularly when plans are produced decades prior to decommissioning. We propose that assurance as to the reasonableness of proposed decommissioning solutions is provided by independent third parties through the verification requirement.

How do the options compare to the status quo?

	Option 1 – Status quo	Option 2 – Minimum information requirements	Option 3 – External verification
Effective	0	+	++
Proportionate	0	+	0
Certain and Predictable	0	+	+
Overall assessment	0	3	3

Key:

- ++ much better than the status quo
- + better than the status quo
- 0 about the same as the status quo
- worse than the status quo
- much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

58. Option 2 is considered to be better than the status quo (Option 1). It is more certain and predictable than the status quo, as the minimum information necessary for the purposes of the proposals in the Bill will be made clear in regulations. In the absence of clear and certain information requirements in regulations, the permit or licence holder would be left to subjectively interpret the high-level requirements proposed in the Bill. In this scenario, the regulator is likely to receive inconsistent information across permit and licence holders. The information received may also be insufficient or excessive for the purposes of the monitoring activities and certain decisions proposed in the Bill, imposing unnecessary production and analysis costs on the permit/licence holder and the regulator respectively. As the information requirements do not exceed that of MfE's proposed decommissioning regulations, we consider the costs of compliance would not be greater and would be proportionate to the purposes for which the information is required.
59. Option 3 is also considered to be better than the status quo. Permit and licence holders would have more certainty and predictability as to what is required. However, external verification does come at a cost. While this may be proportionate for larger and more complex fields, it may not be for smaller fields.
60. Finally, Option 3 is the most effective option considered. As the Subpart 2 Decommissioning Plan could be relied on by the Minister to undertake monitoring

activities and make certain decisions proposed in the Bill, the Minister would need assurance as to the reasonableness of assumptions underpinning the plan. Only Option 3 provides for such assurance.

61. We **recommend a combination of Options 2 and 3**. This will ensure a solution that is much more certain, predictable and effective than the status quo. Although it may be seen as less proportionate for some permit and licence holders, we consider that verification is necessary for the purposes for which Subpart 2 Decommissioning Plans are proposed to be used. Furthermore, any concerns about proportionality may be mitigated by the recommended option below for the frequency in which Subpart 2 Decommissioning Plans are submitted to the regulator (see (V) Timing for submitting FDPs, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates and Decommissioning Completion Report below).

(III) Standards and other requirements for Decommissioning Cost Estimates

62. Under the proposals in the Bill, Decommissioning Cost Estimates may or must inform the following Ministerial activities and decisions:
- agreeing or specifying dates for the completion of earlier milestones in the decommissioning process and completion of decommissioning (new sections 89OA and 89VA);
 - when deciding, on application or on their own initiative, 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 (new section 89X);
 - when deciding, on application or on their own initiative, 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 (new section 89X);
 - when deciding whether or not to carry out a financial capability assessment (new section 89ZBA);
 - when carrying out a financial capability assessment (new section 89ZBB); and
 - when determining the amount and kind of financial security that permit and licence holders are obligated to obtain and maintain (new section 89ZF) or altering the amount or kind of security (new section 89ZH).
63. New section 89ZAAB(2) of the Bill proposes that Decommissioning Cost Estimates must:
- (a) *comply with the standards prescribed (if any) for developing that estimate; and*
 - (b) *meet any further prescribed requirements.*
64. Regulations may prescribe standards and other requirements in (a) and (b).
65. We considered the following options for regulations that specify the standards and other requirements for Decommissioning Cost Estimates. Options 2 and 3 are mutually inclusive since they could be progressed together or individually:
- **Option 1** – Status quo (no standards or other requirements), OR
 - **Option 2** – Minimum information requirements, AND
 - **Option 3** – Minimum quality standards and external verification

Option 1 – *Status quo*

66. Under the status quo, there would be no prescribed standards or other requirements for Decommissioning Cost Estimates and there is no guidance in the Bill as to the detail or other requirements for Decommissioning Cost Estimates.

Option 2 – Minimum information requirements

67. Under Option 2, regulations would prescribe minimum information requirements for Decommissioning Cost Estimates. This detail is set out in Annex 4.
68. The Decommissioning Regulations Discussion Document 2021 proposed that Decommissioning Cost Estimates should be aggregated to the level of and linked to the decommissioning phases detailed in the decommissioning plan. The list in Annex 4 specifies the major phases and cost components of decommissioning that the Minister and regulator would need, and the assumptions underpinning the costs. These were informed by international good practice (UK and Norway's '[Decommissioning Work Breakdown Structure Handbook](#)'⁷). 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 be useful for the Minister to make better informed decisions under certain proposals in the Bill such as setting the kind and amount of financial security for permit and licence holders.
69. Some submitters suggested that Decommissioning Cost Estimates should quantify the costs of environmental impacts. The proposals in the Bill as they relate to Decommissioning Cost Estimates are concerned with the costs of *undertaking* decommissioning, rather than its impacts. However, the proposed post-decommissioning obligations in the Bill will consider the environmental impacts of any failure after decommissioning, and any information needed for assessments around costs may be required and requested in that context. Regulations relating to post-decommissioning obligations proposed in the Bill are expected to be made separately. Therefore, detail on environmental costs are excluded from the proposed information requirements for Decommissioning Cost Estimates in Annex 4.

Option 3 – Minimum quality standards and external verification

70. This option would require Decommissioning Cost Estimates to meet specific standards as detailed in Annex 4 and be developed or verified by an independent third party.
71. The Association for the Advancement of Cost Engineering (AACE) publishes internationally recognised guidance for applying the general principles of estimate classification to project cost estimates. AACE class estimates are linked to the maturity level of the project. Cost estimates can range from Classes 1 to 5, with Class 1 estimates having higher certainty and accuracy than Class 5 estimates, although the unique complexities of the project will drive the specific accuracy ranges.
72. This option proposes that where decommissioning is three or less years away, permit and licence holders submit Class 3 or better estimates. This was informed by submissions received on the Decommissioning Regulations Discussion Document 2021. Submitters indicated that requiring Class 3 or better estimates any earlier would be unrealistic and disproportionate as producing a Class 3 estimate requires an upfront investment to obtain technical and other information. This proposal is also aligned with UK practice, where the annual survey of decommissioning costs targets Class 3 or better estimates for expenditure planned in the next three years.
73. For decommissioning that is more than three but less than 10 years away, this option proposes that permit and licence holders submit Class 4 or better estimates. This was not consulted on. However, we consider this requirement necessary to ensure that the

⁷ See Decommissioning Work Breakdown Structure Handbook, Norsk olje&gass, August 2020, <https://www.norskoljeogass.no/contentassets/9c8d99d009a04989be2ef32f9fcc0985/wbs-handbook-r1.pdf>.

Minister and regulator receive more developed estimates for the purposes of monitoring activities and certain decisions proposed in the Bill.

74. The Decommissioning Regulations Discussion Document 2021 proposed that Decommissioning Cost Estimates be developed or verified by an independent third party, but only for offshore petroleum fields due to the complexity of the decommissioning involved and the unique variables that could impact costs. A majority of submitters agreed, but suggested verification also extend to onshore fields. One submitter suggested that onshore decommissioning is also complex because of the potential risks to human health and safety, and the change in land use and ownerships. Another submitter indicated that its cost estimates are already developed or verified by an independent third party, and that AACE Class 3 estimates require independent peer review. This option reflects this feedback and proposes that Decommissioning Cost Estimates for *all* fields are developed or verified by an independent third party when they are submitted.

How do the options compare to the status quo?

	Option 1 – Status quo	Option 2 – Minimum information requirements	Option 3 – Minimum quality standards and external verification
Effective	0	0	+
Proportionate	0	++	++
Certain and Predictable	0	+	+
Overall assessment	0	3	4
<p>Key:</p> <p>++ much better than the status quo</p> <p>+ better than the status quo</p> <p>0 about the same as the status quo</p> <p>- worse than the status quo</p> <p>-- much worse than the status quo</p>			

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

75. Option 2 is considered to be better than the status quo (Option 1). It is more certain and predictable than the status quo, as the minimum information necessary for the proposed activities and certain decisions in the Bill will be made clear in regulations. As the list of minimum information is based on international practice, permit and licence holders would be familiar with the requirements, and cost estimates for many of the activities would not be required if the proposed Subpart 2 Decommissioning Plan does not anticipate such activities. Therefore, we consider the overall cost of compliance to be low, and to be proportionate to some of the purposes for which the information may

be used, that is, to monitor financial capability to decommission and make decisions proposed in the Bill relating to financial securities.

76. However, Option 2 is considered to be no more effective than the status quo. As Decommissioning Cost Estimates are a consideration in the setting of the kind and amount of the proposed financial security in the Bill, the Minister would need assurance as to the consistency and reliability of the estimates across small and large permit and licence holders. Option 2 does not provide for this assurance.
77. Option 3 is considered to be better than the status quo (Option 1). It is more certain and predictable, and more effective because the application of AACE standards and external verification would provide consistent and reliable estimates from permit and licence holders. While there are costs involved in producing and verifying more accurate estimates, for example an investment in front-end engineering for Class 3 or better estimates, the option would only require such investments when necessary. In the case of engineering to produce a Class 3 estimate, this would be when decommissioning is three or less years away. We therefore consider it proportionate to the objective of monitoring and ensuring financial capability for decommissioning.
78. A **combination of Options 2 and 3 is recommended** as it would be the most certain and predictable, and the most effective for informing the proposed financial capability monitoring activities and financial security decisions in the Bill. We consider that any concerns around the proportionality of verification costs, for example with permit or licence holders with small fields, may be mitigated by the recommended option below for the frequency in which Decommissioning Cost Estimates are submitted to the regulator (see (V) Timing for submitting FDPs, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates and Decommissioning Completion Report below).

(IV) Information and other requirements for the Decommissioning Completion Report

79. New section 89ZAAD of the Bill proposes that the Decommissioning Completion Report must:
- (a) *contain the prescribed information (if any); and*
 - (b) *meet any further prescribed requirements.*
80. We considered the following options for regulations that specify requirements for the Decommissioning Completion Report:
- **Option 1** – Status quo (no requirements), OR
 - **Option 2** – Statement of completion and supporting information

Option 1 – Status quo

81. Under the status quo, there would be no prescribed regulations for Decommissioning Completion Reports and there is no guidance in the Bill as to the detail or other requirements for Decommissioning Completion Reports.

Option 2 – Statement of completion and supporting information

82. Under Option 2, regulations would prescribe the requirements for a statement of completion and supporting information.
83. A statement would need to:
- a. confirm that the permit or licence holder has met its decommissioning obligations as proposed in the Bill; and
 - b. be signed by each permit and licence participant:

- i. if the permit or licence participant is a company, on behalf of all the directors by at least 2 directors, or if the company has only 1 director by that director; or
 - ii. if the permit or licence participant is not a company, by a person responsible for the management of the permit or licence holder.
84. The requirements in (b) above are identical to those required for changes of control of permit participants (see section 41A of the CMA).
85. In addition to a statement, this option would require the following supporting information:
 - a final and complete Asset Register; and
 - a summary of the following information:
 - i. a description of the decommissioning activities undertaken including the removal of infrastructure, plugging and abandonment of wells and site remediation; and
 - ii. the outcome of the decommissioning programme as a whole including “as left” information; and
 - iii. any measures taken to manage potential risks from wells and infrastructure left in-situ; and
 - iv. 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.
86. MBIE already receives Well Abandonment Reports (see clause 47 of the Crown Minerals (Petroleum) Regulations 2007) for wells that are decommissioned during the life of the field or at the end. These reports are required to be submitted to the Chief Executive of MBIE no later than 40 working days after the well is abandoned.
87. Under Option 2, existing requirements for Well Abandonment Reports would be amended to require the following additional information:
 - 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
88. This information will serve as a record for the regulator of how decommissioning was undertaken, and what assets remain in the field and their status, particularly if intervention is required in the future.

How do the options compare to the status quo?

	Option 1 – Status quo	Option 2 – Statement of completion and supporting information
Effective	0	++
Proportionate	0	++
Certain and Predictable	0	++
Overall assessment	0	6

Key:

- ++ much better than the status quo
- + better than the status quo
- 0 about the same as the status quo
- worse than the status quo
- much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

- 89. **Option 2**, which requires a statement of completion and supporting information, is overall considered much better than the status quo (Option 1), and **is the recommended option**.
- 90. It is much more effective and proportionate than the status quo because the Minister and the regulator would be assured that the permit or licence holder has discharged its obligations proposed in the Bill, and that the decommissioning has been completed in accordance with requirements set by other legislation and/or regulators. Although this option details requirements, it is more proportionate than the status quo as it will enable the regulator to determine when the obligation to decommission has been satisfied. This could avoid a situation whereby a financial security is held for longer than necessary.
- 91. Supporting information would serve as a record for the regulator. Finally, the requirement would be much more certain and predictable for permit and licence holders.

(V) Prescribed times for submitting FDPs, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates and the Decommissioning Completion Report

92. FDPs, Asset Registers, Subpart 2 Decommissioning Plans and Decommissioning Cost Estimates may or must inform the following Ministerial activities and decisions:
- agreeing or specifying dates for the completion of earlier milestones in the decommissioning process and completion of decommissioning (new sections 89OA and 89VA);
 - when deciding whether or not to carry out a financial capability assessment (new section 89ZBA);
 - when carrying out a financial capability assessment (new section 89ZBB); and
 - when determining the amount and kind of financial security that permit and licence holders are obligated to obtain and maintain (new section 89ZF) or altering the amount or kind of security (new section 89ZH).
93. When such activities may be conducted or when certain decisions may be made varies:
- The Bill does not specify timeframes for agreeing or specifying dates for the completion of decommissioning or earlier milestones. However, it can be assumed that the best approach would be to agree or specify dates and milestones as early as possible, and ensure they are updated if and when dates and milestones change.
 - The Minister may carry out a financial capability assessment at any time while the relevant permit or licence is in force (new section 89ZB).
 - The Bill does not specify timeframes in which the Minister must determine or alter the amount and kind of financial security that permit and licence holders are obligated to obtain and maintain.
94. A Decommissioning Completion Report is a one-off requirement and does not inform any monitoring activities or Ministerial decisions proposed in the Bill.
95. For FDPs, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates, and the Decommissioning Completion Report, new sections in the Bill require submission (see new sections 42B, 89ZAAC, 89ZAAA, 89ZAAB, and 89ZAAD of the Bill):
- (a) at the prescribed times (if any); and*
 - (b) within a specified time of the occurrence of prescribed events (if any); and*
 - (c) on request from the Minister, within any reasonable time specified in the request.*
96. Regulations may prescribe times under (a) and (b).
97. We considered the following options for when updated submissions would be required:
- **Option 1** – Status quo (submission on request from the Minister), OR
 - **Option 2** – Submission within a specified time of prescribed events, OR
 - **Option 3** – Submission at regular intervals (e.g., annually, every three years)
98. Annex 5 sets out the options in detail, which differ for the various kinds of information requirements.

Option 1 – *Status quo*

99. Under this option, submission would always be on request from the Minister, within any reasonable time specified in the request.

Option 2 – Submission within a specified time of prescribed events

100. Under this option, submission would be required within a specified number of months of prescribed events. These are events such as the completion of the final milestone of decommissioning for the Decommissioning Completion Report, or other events that are likely to result in material changes to FDPs, Asset Registers, Subpart 2 Decommissioning Plans, and Decommissioning Cost Estimates. Regulations would list the events considered significant, that is, those that may trigger or inform any of the proposed monitoring activities or decisions described above, as well as the required timing for submission.
101. A majority of submitters to the Decommissioning Regulations Discussion Document 2021 preferred this option, however, they suggested refinements to the list of events that are considered significant. Annex 5 contains the list of events, which differ for the various kinds of information and reflects feedback from submitters. Events include additions to, or removal of, wells or infrastructure, certain changes to infrastructure, and applications for, or approvals of, decommissioning-related consents.
102. This option means that permit and licence holders would be more certain about when updates are required; that updated information would only be generated and received when necessary; and that any costs associated with updates (on both the permit/licence holder and the regulator) are only incurred when necessary.

Option 3 – Submission at regular intervals

103. Under this option, submission would be required at regular intervals of time for FDPs, Asset Registers, Subpart 2 Decommissioning Plans, and Decommissioning Cost Estimates. Annex 5 lists proposed intervals for each set of information, which ranges from annually to every five years. This option was not considered for the Decommissioning Completion Report as only one submission is required.
104. Submitters considered that any certainty or predictability generated by this option would be undermined by the costs associated with regular submission. It may mean that submissions are required when no updates have occurred and where there is no need for the information to undertake monitoring activities and make decisions proposed in the Bill.

How do the options compare to the status quo?

	Option 1 – Status quo	Option 2 – Submission within a specified time of prescribed events	Option 3 – Submission at regular intervals
Effective	0	++	+
Proportionate	0	++	+
Certain and Predictable	0	++	++
Overall assessment	0	6	4
Key:			
++ much better than the status quo			

+	better than the status quo
0	about the same as the status quo
-	worse than the status quo
--	much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

FDPs, Subpart 2 Decommissioning Plans and Decommissioning Cost Estimates

105. **Option 2**, which requires submissions within a specified time of prescribed events, is overall considered better than the status quo (Option 1) and **is the recommended option**.
106. Option 2 is much more effective than the status quo because the Minister and the regulator would be assured of regularly updated information that could inform decisions on proposed monitoring activities, such as financial capability assessments or reviews of financial securities. It also mitigates the risk that the Minister may not have visibility of significant events to issue a request.
107. Option 2 is more proportionate than the status quo. While the list of significant events is likely to be the same as those that would trigger an *ad hoc* request from the Minister under the status quo, the administrative cost of consistently monitoring for such events and issuing individual requests would be inefficient under the status quo. Finally, Option 2 is much more certain and predictable for permit and licence holders than *ad hoc* requests generated under the status quo.
108. Option 3 is also considered better than the status quo but worse than Option 2. It is not as effective as Option 2 as, if time intervals are too far apart, the Minister and regulator would not have updated information that can be relied on. Finally, it is less proportionate than Option 2 because regardless of time intervals (too far apart or too frequent) submissions may be out-of-date when required, or impose unnecessary generation and analysis costs on the permit/licence holder and the regulator, respectively.

Asset Registers

109. A **combination of Options 2 and 3 is recommended**. In addition to the benefits of Option 2 as noted above, we consider that an annual check-in for Asset Registers would be appropriate through the current Annual Summary Report process (see [Schedule 6](#) of the Crown Minerals (Petroleum) Regulations 2007). This would ensure that any amendments not captured by prescribed events are accounted for and ensure that the Minister and regulator have sight of the full scope of decommissioning. However, instead of providing a complete Asset Register annually, permit and licence holders would be required to confirm in their Annual Summary Reports whether their Asset Registers have changed. If the Asset Register has changed, it would trigger a full update.

Decommissioning Completion Report

110. **Option 2** is considered better than the status quo (Option 1) and **is the recommended option**. A Decommissioning Completion Report is only required once, at the end of full-field decommissioning. Prescribing a specified time in regulations would provide permit and licence holders with certainty and predictability. The proposed six-month submission timeframe after decommissioning is considered reasonable for the information and other requirements to be gathered and therefore proportionate.

(VI) Information requirements for ongoing financial monitoring

111. The 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. A financial capability assessment is a comprehensive analysis of a permit or licence holder's financial position, to determine whether they are 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.
112. Any regulations should apply to permit and licence participants, who are the individual entities that make up permit and licence holders (however, in some cases there is only one permit participant that holds a permit or licence). This is because these individual entities could have significantly different financial positions, which could impact the permit or licence holder's financial capability to carry out and meet the costs of decommissioning.
113. One industry member suggested that financial statements should be provided at regular periods in line with FDPs and Asset Registers. We disagree and continue to consider that financial statements should be provided annually since the financial position of companies can vary from year to year. Annual information will enable the Minister to determine whether it is appropriate to carry out a financial capability assessment. Financial capability assessments must be conducted soon after a change in financial circumstance to be effective.
114. New section 89ZA provides that:
- (1) a permit or licence holder who is, or will be, obliged to carry out and meet the costs of decommissioning must keep a record of any information prescribed by regulations as relevant and reasonably necessary to enable the Minister to monitor their financial position.*
115. New section 89ZA(2) of the Bill also proposes that the permit or licence holder must submit a copy of the information to the Minister:
- (a) at the prescribed times (if any); or*
(b) on request from the Minister, within any reasonable time specified in the request.
116. Regulations may prescribe information and times under (1) and (2)(a).
117. In addition to this, the Minister may, by written notice, require any further information that the Minister considers relevant and reasonably necessary. We consider that this power could be used to require further information when the information previously provided raises concerns regarding the financial health of the permit or licence holder. If the Minister considers it relevant and reasonably necessary, further itemised financial information could be required, or the permit or licence holder's financial model.
118. We considered three options for information to enable ongoing monitoring:
- **Option 1** – Status quo (no prescribed requirements), OR
 - **Option 2** – Director signed, audited financial statements, OR
 - **Option 3** – Financial statements in accordance with other requirements, with minimum information.

Option 1 – Status quo

119. This option would see publicly available information being used by the Minister for ongoing financial monitoring.
120. Publicly available information includes financial statements published on the Companies Register and annual reports published on permit and licence participant's

websites. However, most permit and licence participants do not publish this information publicly, so there would be a significant information gap.

Option 2 – Director signed audited financial statements

121. This option would see the following information disclosure by permit or licence participants on an annual basis:

- Each permit or licence participant's most recent audited financial statements (and/or group financial statements for multi-tiered corporate structures) that comply with New Zealand Generally Accepted Accounting Practices (NZ GAAP), or that comply with a foreign accounting standard if permitted by applicable financial reporting legislation in New Zealand.
- These financial statements should be signed by one or more director and be audited by a qualified auditor in accordance with auditing and assurance standards. This will provide assurance that the financial statements have been carefully prepared.

122. This is the option that was consulted on in the Decommissioning Regulations Discussion Document 2021 and submitters were generally supportive. However, some suggested refinements that are incorporated into Option 3.

Option 3 – Financial statements in accordance with other requirements, with minimum information

123. This option would prescribe regulations that require licence participants or their parent company to disclose financial statements that they are already required to prepare under the Companies Act 1993, being:

- financial statements in accordance with s 6 of the Financial Reporting Act 2013; or
- group financial statements in accordance with s 7 of the Financial Reporting Act 2013.

124. However, if the permit or licence participants are not required to prepare financial statements under the Companies Act 1993, permit or licence participants would be required to prepare financial statements as provided for the under the Tax Administration (Financial Statements) Order 2014.

125. This option would also see the following information disclosed, 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.

126. This information would enable the Minister to monitor whether the permit or licence holder is likely to have sufficient funds to carry out the cost of decommissioning.
127. Significant investments and disinvestments and security over assets are all matters that will impact upon the level of risk associated with a permit or licence participant.
128. The cumulative amount of company tax that would be eligible for a decommissioning tax credit in the future could help the Minister assess the level of risk of failure to meet the costs of decommissioning.

How do the options compare to the status quo?

	Option 1 – Status quo	Option 2 - Director signed, audited financial statements	Option 3 – Financial statements in accordance with other requirements, with minimum information
Effective	0	+	++
Proportionate	0	0	+
Certain and Predictable	0	+	+
Overall assessment	0	2	5

Key:

- ++ much better than the status quo
- + better than the status quo
- 0 about the same as the status quo
- worse than the status quo
- much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

129. **Option 3 is the recommended option** as it is the most effective to ensuring financial capability assessment occur in a timely manner, which is necessary as the outcome could affect the Minister’s security decision. Option 3 also ensures financial capability assessments are not carried out more frequently than reasonably necessary as the minimum information would be required to be disclosed.
130. Carrying out financial capability assessments more frequently than is reasonably necessary will cause uncertainty for permit and licence holders since, as mentioned above, the outcome of the assessment may cause the Minister to revisit a security decision and would increase the resources that the regulator requires to undertake the assessments.
131. Several permit and licence holders submitted that there should be no requirement for additional director signature beyond the existing legal requirements already in place. One permit or licence holder 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.

132. Option 3 addresses these concerns and is more proportionate than option 2, as it avoids placing any significant regulatory burden, such as director certification or audit requirements, as the disclosure requirement will, in part, align with existing applicable financial reporting requirements. Although option 3 would require minimum financial information, we consider that this is still proportionate since this minimum financial information should be readily assessable by permit and licence holders.
133. We consider that both options 2 and 3 improve certainty and predictability compared to the status quo, as information would be set out in regulations.
134. The status quo is not effective as it would result in inadequate information for ongoing monitoring. This would make it difficult for the Minister to determine whether it is appropriate to carry out a financial capability assessment.

(VII) Information requirements for financial capability assessments

135. Financial capability assessments have been proposed in the Bill, to 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.
136. Consistent with the ongoing monitoring options, we consider that any regulations prescribing information requirements to enable financial capability assessments should apply to permit and licence participants.
137. There are four key categories of information that may inform a financial capability assessment:
 - a. **Scope of decommissioning:** This includes details on what needs to be decommissioned and how.
 - b. **Timing of decommissioning:** This is an estimated date for when production is expected to cease and when decommissioning will start.
 - c. **Decommissioning cost estimates:** This is the estimated costs for all decommissioning activities. We expect cost estimates to be in accordance with the proposed requirements set out in regulations.
 - d. **Financial information:** This includes details of how the permit or licence holder intends to fund decommissioning and details on the financial security.
138. The options discussed in this section relate to financial information to inform a financial capability assessment. The information on the scope of decommissioning will be provided through the Asset Register and Subpart 2 Decommissioning Plan, information on the timing of decommissioning will be provided by the notice of expected cessation. We have also proposed options for Decommissioning Cost Estimates.
139. The proposals in the Bill do not require the Minister to carry out assessments at particular times or intervals. Instead, the Bill proposes that the Minister may, at any time while the petroleum mining permit or licence is in force, assess whether a permit or licence holder is highly likely to have the financial capability to carry out and meet the costs of decommissioning.
140. The proposed approach to implementation is for the Minister to carry out an initial financial capability assessment for all permit and licence holders within a certain period after the proposed changes in the Bill and regulations being made. Thereafter, the Minister can take a risk-based approach to assessing financial capability.
141. Under a risk-based approach, the Minister can establish an adequate monitoring timetable, where higher-risk projects would be subject to higher levels of oversight. This may be appropriate for permits or licences that are scheduled to decommission

sooner than others; for permits or licences with a lower value financial security; or where permit or licence holders do not demonstrate adequate planning for decommissioning. The intention is to allow the Minister to tailor requirements and carry out more frequent monitoring where necessary.

142. New section 89ZC of the Bill proposes that

(2) a person must keep a record of any information prescribed by regulations as relevant and reasonably necessary to enable the Minister to carry out a financial capability assessment.

143. New section 89ZC(3) of the Bill further proposes that the persons must provide of copy of the information to the Minister

(a) on or before the prescribed time (if any); or

(b) on request from the Minister, within any reasonable time specified in the request.

144. Regulations may prescribe information and times under (2) and (3)(a).

145. We consider that any information should be provided at times specified in a request, instead of prescribing times in regulations, as this aligns with the risk-based approach to setting and monitoring financial securities that the Bill proposes.

146. In addition to this the Minister may, by written notice, require the person to provide any further information that the Minister considers relevant and reasonably necessary to carry out the financial capability assessment. Consistent with the ongoing monitoring section, if the Minister consider it relevant and reasonably necessary, further itemised financial information could be required, or the permit or licence holders' financial model.

147. We consider there are four options regarding information requirements for financial capability assessments:

- **Option 1** – Status quo (no prescribed requirements), OR
- **Option 2** – Categories of financial information, OR
- **Option 3** – Statement of financial capability, with supporting information, OR
- **Option 4** – Statement of financial capability, with minimum supporting information.

Option 1 – Status quo

148. In the absence of any regulations, the Minister may rely on publicly available information for ongoing monitoring.

Option 2 – Categories of financial information

149. This option was presented as option 2 in the Decommissioning Regulations Discussion Document 2021.

150. Under this option, regulations would specifically set out the types of financial information that the Minister will require for a financial capability assessment. We proposed that permit and licence participants would provide:

- Audited financial statements (see 'Regulations on types of information for ongoing financial monitoring' above).
- Annual corporate reports and supporting material for the past two years.
- Profit after tax and amortisation in the last financial year.
- Details of existing debt obligations and security provided.

- Forecast earnings for the next three years and assumptions underpinning those forecasts.
- Details, including costs and scheduling, of any current or known future financial commitments (New Zealand and international) and a statement on whether these are likely to affect their ability to meet decommissioning costs in New Zealand.

Option 3 – *Statement of financial capability, with supporting information*

151. This option was presented as option 1 in the Decommissioning Regulations Discussion Document 2021.
152. Under this option we proposed that regulations would specify that the permit or licence participant would be asked to provide similar information to what is currently required during a permit transfer or change of control.
153. Under section 41 of the CMA, if requested by the Minister, parties transferring into a permit must provide a statement, signed by or on behalf of the transferee, in which the person signing the statement must confirm that the transferee has the financial capability to meet its obligations under the permit (a statement of financial capability). See sections 29A and 41AE of the Crown Minerals Act 1991.
154. For the purposes of the decommissioning financial capability assessment, we proposed in the Decommissioning Regulations Discussion Document 2021, that permit and licence participants could provide:
- A statement, 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.
 - Any sufficient supporting information.

Option 4 – *Statement of financial capability, with minimum supporting information*

155. We consider this option is a hybrid of options 2 and 3 above, which were consulted on in the Decommissioning Regulations Discussion Document 2021.
156. Therefore, under this option, regulations would prescribe that permit or licence participants must provide:
- A statement, 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.
 - Sufficient supporting information, including at minimum, the permit or licence participant's:
 - i. Forecast operating expenditure for the next 3 years;
 - ii. Forecast capital expenditure for the next 3 years;
 - iii. Dividend policy;
 - iv. Details of future funding for the next 3 years;
 - v. Details of insurance policies; and
 - vi. 1P production profile.
157. We consider the information listed in i-vi would be the minimum information required to carry out a financial capability assessment, as it provides a more forward-looking view of the financial health of the permit or licence holder.
158. Although forecast capital expenditure and 1P production profile information may also be provided through an FDP, it is appropriate that this option would require it, as it may

not be proportionate to require an updated FDP, just to have the most up to date forecast of capital expenditure and 1P production profile.

How do the options compare to the status quo?

	Option 1 – Status quo	Option 2 - Categories of financial information	Option 3 – Statement on financial capability, with supporting information	Option 4 – Statement of financial capability, with minimum supporting information
Effective	0	+	+	++
Proportionate	0	+	++	+
Certain and Predictable	0	+	+	++
Overall assessment	0	3	4	5

Key:

- ++ much better than the status quo
- + better than the status quo
- 0 about the same as the status quo
- worse than the status quo
- much worse than the status quo

What option is likely to best address the problem, meet the policy objectives, and deliver the highest net benefits?

159. **Option 4 is the recommended option** as it brings together the benefits of both options 2 and 3 by having certainty on the minimum amount of information that would be required to conduct a financial capability assessment, which would lead to more effective assessments. This option is also proportionate as it enables the permit and licence participant to tailor the specific information to their circumstance.
160. Option 4 is also certain and predictable as the minimum information requirements should reduce the need for further information requests.
161. Although option 4 would go beyond the information requirements for existing financial capability assessments in the CMA, this may be justified by the fact that, once a financial security has been set, a financial capability assessment is only likely to be conducted when the Minister has concerns about the permit or licence holders' financial capability to carry out and meet the costs of decommissioning, based on information provided from ongoing monitoring. Therefore, minimum information requirements can help alleviate or bring to light concerns in a timely manner.
162. Option 2 was non-industry submitters preferred as they consider the information specified in regulations will provide the Minister with more oversight compared to just a

statement of financial capability. We agree that minimum information requirements would lead to more effective oversight, which is why it has been included in option 4.

163. One permit or licence holder supported the status quo and argued that other parts of the regime would provide the Minister with relevant information (financial statements, decommissioning cost estimates and financial security), and some of the information listed in option 2 is in some cases highly confidential to permit and licence holders. Although we agree that other parts of the regime would provide useful information to enable the Minister to conduct a financial capability assessment, this information is unlikely to be effective by itself, as financial capability assessments are likely to be comprehensive and require further forward-looking financial details that financial statements do not provide.
164. Industry submitters preferred option 3 and considered that option 2 unnecessarily increases the regulatory burden and a one size fits all approach will not achieve the desired benefit since relevant financial information will be different for each permit and licence holders.
165. Option 3 is the most proportionate as it gives the permit and licence holders the flexibility to provide the information they consider most relevant. The onus would be on the permit and licence holder to demonstrate that they are financially planning to meet decommissioning costs. The Minister will have the power to request further targeted information if needed. The disadvantage is that this might result in an iterative approach decreasing the effectiveness, certainty and predictability.

What are the marginal costs and benefits of all the preferred options?

166. We consider the non-monetised costs and benefits of all the preferred options is medium.
167. In the absence of reliable quantitative information, non-monetised cost and benefit impacts have been identified by taking into account submissions and considering other information disclosure regimes.
168. We have assumed that options that require more information to be provided to the regulator and at more frequent intervals, would lead to more quantitative compliance costs for permit and licence holders. With this in mind, we have sought to ensure that these compliance costs are proportionate to the objectives for which the information is required. Where possible, options are no more burdensome than current requirements and the impact of costs has been mitigated by the frequency with which information is proposed to be submitted.
169. In response to the Bill, Energy and Resources Aotearoa submitted a cost-benefit analysis calculated over a 40-year period, which included the cost of complying with the proposed information requirements consulted on in the Decommissioning Regulations Discussion Document 2021. It estimated that the new information keeping requirements would produce costs with a net present value of \$26.6 million across all 42 active petroleum permits and licences. This was based on the assumption of permit and licence holders requiring an additional 0.5 to 1.5 FTE employed at the average wage in the petroleum sector of \$105,000 and a 60 per cent overhead.
170. This analysis was based on proposals that have since been refined as a result of submissions. It was also based on the premise that these information keeping requirements are substantially different than what is already required in the wider petroleum regulatory system or overseas. However, we consider that many of the

requirements are no more onerous than existing domestic requirements, align with overseas requirements and reflect industry best practice.

Affected groups <i>(identify)</i>	Comment <i>nature of cost or benefit (eg, ongoing, one-off), evidence and assumption (eg, compliance rates), risks.</i>	Impact <i>\$m present value where appropriate, for monetised impacts; high, medium or low for non-monetised impacts.</i>	Evidence Certainty <i>High, medium, or low, and explain reasoning in comment column.</i>
Additional costs of the preferred option compared to taking no action			
Petroleum permit and licence holders obligated to decommission under the proposals in the Bill	We expect participants and licence holders to incur medium one-off costs in setting up systems to retain and disclose information.	Medium.	Low.
The regulator (New Zealand Petroleum & Minerals in MBIE)	The regulator will incur medium costs from monitoring and enforcing the obligations to retain and disclose information.	Medium.	Low.
New Zealand public	n/a	n/a	n/a
Total monetised costs	Without accurate quantifiable evidence, it is not possible to provide an estimate.	Unknown.	Unknown.
Non-monetised costs	We anticipate a medium increase in overall costs, mainly from compliance and enforcement.	Medium.	Low.
Additional benefits of the preferred option compared to taking no action			
Petroleum permit and licence holders obligated to decommission under the proposals in the Bill	Improve their decommissioning planning and demonstrate that they are highly likely to carry out and meet the costs of decommissioning.	Medium.	Low.
The regulator (New Zealand Petroleum & Minerals in MBIE)	The regulator will have better information to monitor the decommissioning activity which will enable more effective intervention in the future, if necessary.	Medium.	Low.

New Zealand public	Increased monitoring to help determine the likelihood of permit and licence holders meeting the costs of decommissioning.	Medium.	Low.
Total monetised benefits	Without accurate quantifiable evidence, it is not possible to provide an estimate	Unknown.	Unknown.
Non-monetised benefits	We anticipate a medium level of benefits from improved decommissioning planning and monitoring of the sector over the long term.	Medium.	Medium.

Section 3: Delivering an option

How will the new arrangements be implemented?

171. This Regulatory Impact Statement has been developed for an in-principle decision. Implementation is therefore contingent on the outcome of the Bill.
172. The preferred options would be operationalised and enforced by New Zealand Petroleum & Minerals (NZP&M) in MBIE as the regulator. NZP&M has existing systems (such as templates and guidance) and processes in place to receive regular information from permit and licence holders under current regulations. The same systems and processes can be adapted for the proposed new regulations.
173. In June 2020, Cabinet noted that in strengthening the decommissioning regime under the CMA, MBIE, as the regulator, will incur additional administration, monitoring, and enforcement costs. Constitutional conventions
[REDACTED]
174. Proposed new regulations would come into effect as soon as regulations are made, likely towards the end of 2022. Affected permit and licence holders will be notified of the new requirements via email, any prescribed forms that must be used, and any additional guidance.
175. For technical information, as submissions are triggered by events, the preparation time for permit and licence holders will vary.
176. As most of these options were consulted on publicly in mid-2021, permit and licence holders will be familiar with the proposals. MBIE will continue to engage with affected parties through the development of the regulations.

How will the new arrangements be monitored, evaluated, and reviewed?

177. MBIE has a responsibility in its regulatory stewardship role to monitor, review and report on regulatory systems.
178. Any new functions related to decommissioning would be monitored, evaluated and reviewed as part of the wider Crown Minerals Act 1991 framework. This includes determining whether new functions are producing the benefits envisaged and addressing any unintended costs and other impacts. In the context of proposed technical and financial information regulations, monitoring and evaluation would focus on whether they continue to be fit-for-purpose for MBIE and workable for permit and licence holders.

Annex 1: List of consultation questions in the Decommissioning Regulations Discussion Document 2021

- What information do you think petroleum mining permit and licence holders should include in an FDP to give the Minister sufficient detail to assess financial capability to meet decommissioning obligations?
- Do you envisage any issues arising because of potential overlaps between these proposed regulations and other proposed changes such as under the EEZ Act?
- Do you have any other feedback on FDPs and their content?
- Is the level of detail we are proposing sufficient to provide a comprehensive view of the assets that need to be decommissioned in a particular field? If you think there should be less detail, why? If you think there should be more detail, why and what further information do you suggest?
- Do you consider that requiring initial FDPs and Asset Registers six months after the regulations take effect provides permit and licence holders with enough time to comply with the new regulations? Why or why not?
- Which option do you prefer for FDPs and Asset Registers and why? Your answer can be different for the FDP and Asset Register.
- Do you agree with the impact analysis of these options? If not, why not? Please provide evidence to support your answer.
- If we were to require FDPs and Asset Registers at regular intervals, how frequent should it be and why? Your answer can be different for the FDP and Asset Register.
- Are there any other circumstances that you think the regulations should include as a 'significant change'?
- Do you consider that requiring permit and licence holders to provide audited accounts is appropriate to carry out ongoing financial monitoring? If no, what information do you propose we seek and why?
- Do you agree that financial information should be required to be signed by at least one director and audited?
- Do you agree with our proposed requirements? Do you think they are sufficient to generate cost estimates that can be relied on for the scope of decommissioning activities and costs required? Why or why not? Are there any other requirements that you think cost estimates should meet?
- Which option do you prefer for offshore decommissioning cost estimates and why? Are there alternative options that we should consider and why?
- Do you agree with the impact analysis of these options? If not, why not? Please provide evidence to support your answer.
- Which option do you prefer for financial information requirements and why?
- Do you agree with the impact analysis of these options? If not, why not? Please provide evidence to support your answer.

- Are there other types of financial information that could or should be used to assess financial capability? If yes, what are they and why should we consider them?

Annex 2: Information requirements for Field Development Plans and Asset Registers

Field Development Plans

Option 1 – *Status quo*

No prescribed regulations on information and other requirements.

Option 2 – *Minimum information requirements*

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); and
- 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; and
- the seismic ties to wells and a discussion of the accuracy of the ties; and
- the seismic interpretation techniques and results; and
- 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); and
- any maps of average and interval velocity fields used in depth conversion, including uncertainty maps; and
- structural maps and models in time and depth for reservoir units; and
- 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); and
- sedimentological analysis and facies interpretation; and

- stratigraphic and structural correlations of reservoir units; and
- any reservoir net sand and net pay maps; and
- 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; and
- formation temperature measurements; and
- 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; and
- 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); and
- the interpreted position of gas–oil, oil–water, gas–water contacts, including an electric log analysis over the reservoir interval; and
- desorption data and gas content maps for any coal seam gas field; and
- 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; and
- a statement of the hydrocarbons-in-place, including —
 - a description of the methodologies used to calculate their volume and distribution; and

- the assigned probabilities for oil, gas, and condensate (with details for each production layer or zone); and
- the field totals; and
- recoverable hydrocarbon estimates, including their assigned probabilities, and production forecasts for individual wells and field totals (irrespective of any gas sales contracts); and
- any reservoir model or models; and
- 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; and
- 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; and
- 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
 - 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.

Asset Registers

Option 1 – *Status quo*

No prescribed regulations on information and other requirements.

Option 2 – *Minimum information requirements*

- **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.

Annex 3: Information and other requirements for Subpart 2 Decommissioning Plans

Option 1 – *Status quo*

No prescribed regulations on information and other requirements.

Option 2 – *Minimum information requirements*

Subpart 2 Decommissioning Plans must contain the following minimum information:

- A summary of the proposed decommissioning solution for each asset or group of assets that correspond with those listed in the Asset Register.
- The proposed end state for petroleum infrastructure (removed, partially removed, or dumped/abandoned).
- A schematic of field layout that identifies all assets to be decommissioned.
- Any proposed post-decommissioning monitoring and/or maintenance.
- Expected timing of cessation of production.
- Timing of decommissioning:
 - Details of any assets that are expected to be decommissioned earlier than end-of-field life, including timing.
 - Likely timescale for undertaking decommissioning, including when various stages of decommissioning are expected to start and finish.
- Details of any interdependencies in decommissioning scope and/or timeframes with other petroleum fields.
- Conditions of any land access agreements as they relate to decommissioning.
- 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.
- Any plans to acquire marine or resource consents including timeframes in which they will be acquired.
- 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.

Option 3 – *External verification*

Subpart 2 Decommissioning Plans must be developed by or verified by an independent third party, including verification as to whether assumptions relating to infrastructure removal are reasonable.

Annex 4: Standards and other requirements for Decommissioning Cost Estimates

Option 1 – *Status quo*

No prescribed regulations on information and other requirements.

Option 2 – *Minimum information requirements*

Decommissioning Cost Estimates must be based on the proposed Subpart 2 Decommissioning Plan and include the following minimum information:

- All assumptions, including market rates and escalation
- Estimated project management costs
- Estimated post-cessation of production OPEX (if any)
- Estimated costs of preparatory activities (if any)
- Estimated well decommissioning costs, including any estimates for different scenarios
- Estimated costs of infrastructure decommissioning, including any estimates for different scenarios
- Estimated costs of infrastructure disposal (if any)
- Estimated costs of site remediation (if any)
- Estimated costs of post-decommissioning monitoring and/or maintenance (if any)
- Proposed contingency levels to reflect the uncertainty in the maturity of the above estimates

Option 3 – *Minimum quality standards and external verification*

Decommissioning Cost Estimates must meet the following minimum standards:

- 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.
- If decommissioning is three or less years away, be Association for the Advancement of Cost Engineering Class 3 or better estimates.
- All cost estimates must be developed by or verified by an independent third party.

Annex 5: Proposed times for submitting FDPs, Asset Registers, Subpart 2 Decommissioning Plans, Decommissioning Cost Estimates and the Decommissioning Completion Report

	Option 1 – Status quo	Option 2 - Submission within a specified time of prescribed events	Option 3 – Submission at regular intervals
FDPs	On request from the Minister	<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. 	Every five years
Asset Registers	On request from the Minister	<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; and • any change of asset ownership 	Annual confirmation through the Annual Summary Report

Subpart 2 Decommissioning Plans	On request from the Minister	Within six months of one or more of the following: <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; and • authorisation of plan or activity under the Resource Management Act 1991 or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012. 	<p>Every three years, when decommissioning is five or more years away.</p> <p>Every 24 months when decommissioning is less than five but more than three years away.</p> <p>Every 12 months when decommissioning is less than three years away.</p>
Decommissioning Cost Estimates	On request from the Minister	Within six months of one or more of the following: <ul style="list-style-type: none"> • any addition of a petroleum well; • any plugging and abandonment of an existing petroleum well; 	

		<ul style="list-style-type: none"> • any addition of petroleum infrastructure; • any removal of petroleum infrastructure; • any changes in proposed decommissioning methodology; • a +/- 20 per cent change in the estimated decommissioning cost; • application for activity authorised by the Resource Management Act 1991 or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012; and • authorisation of activity under the Resource Management Act 1991 or the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012. 	
Decommissioning Completion Report	On request from the Minister	Within six months of the date agreed with or specified by the Minister (under new sections 89O and 89V of the Bill) on which decommissioning is required to be completed.	Not considered.

