



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Energy and Resources
Title of Cabinet paper	<i>Update on the decommissioning of the Tui oil field and the liquidations of Tamarind Taranaki Limited and its associated companies</i>	Date to be published	11 October 2022

List of documents that have been proactively released		
Date	Title	Author
August 2022	<i>Update on the decommissioning of the Tui oil field and the liquidations of Tamarind Taranaki Limited and its associated companies</i>	<i>Office of the Minister of Energy and Resources</i>
10 August 2022	<i>Decommissioning of the Tui Oil Field and the Liquidations of Tamarind Taranaki Limited and its Associated Companies: Update DEV-22-MIN-0177 Minute</i>	<i>Cabinet Office</i>

Information redacted

YES

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

Some information has been withheld for the reasons of Commercial information, Confidential information entrusted to Government, and Negotiations.

In-Confidence

Office of the Minister of Energy and Resources

Cabinet Economic Development Committee

Update on the decommissioning of the Tui oil field and the liquidations of Tamarind Taranaki Limited and its associated companies

Proposal

- 1 This paper provides an update on:
 - 1.1 the Ministry of Business, Innovation and Employment's progress towards decommissioning the Tui oil field, including associated costs; and
 - 1.2 the status of the liquidations of Tamarind Taranaki Limited and its associated companies.

Relation to government priorities

- 2 The decommissioning of the Tui oil field intersects with the Government's broader work on implementing Responsibly Delivering Value – A Minerals and Petroleum Strategy for Aotearoa New Zealand: 2019-2029. The Strategy is designed to drive a shift towards a 'world leading environmentally and socially responsible petroleum and minerals sector that delivers affordable and secure resources, for the benefit of current and future New Zealanders'.
- 3 In 2021, we introduced and passed the Crown Minerals (Decommissioning and Other Matters) Amendment Act to strengthen legal and financial responsibility for decommissioning petroleum sector infrastructure in New Zealand. The changes are designed to help mitigate the risk to the Crown and other third parties of having to undertake and fund decommissioning. This risk had materialised in the context of the Tui oil field, when its operator went into liquidation in late 2019 and Cabinet decided to fund decommissioning.
- 4 In 2021, we also introduced new decommissioning-related regulations under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 to strengthen New Zealand's decommissioning framework for oil and gas installations in our Exclusive Economic Zone (EEZ). The regulations require operators to plan for decommissioning and engage early with iwi, stakeholders, the Environmental Protection Authority and the public. The Tui oil field is the first field in New Zealand's EEZ to be decommissioned and, since 2020, the Tui Project has proceeded in the spirit of these regulations.

Executive Summary

- 5 In February 2020, Cabinet agreed to fund the decommissioning of the Tui oil field (Tui field) after its operator, Tamarind Taranaki Limited (Tamarind), went into liquidation [CBC-20-MIN-0008]. Since then, the Ministry of Business, Innovation and Employment (MBIE) has been decommissioning the Tui field in three phases:
- 5.1 Phase One: Demobilising the floating production, storage and offloading (FPSO) vessel from the field.
 - 5.2 Phase Two: Removing all subsea infrastructure.
 - 5.3 Phase Three: Plugging and abandoning the wells.
- 6 In Budget 2021, Cabinet agreed additional funding to complete the decommissioning of the Tui field and invited me to report back on progress and associated costs [CAB-21-MIN-0116].

Operational and budget updates

- 7 Phase One, demobilising the FPSO, was completed in May 2021.
- 8 Over the course of 2021, MBIE conducted a two-stage competitive procurement process to identify suppliers for Phases Two and Three, and applied for necessary marine consents from the Environmental Protection Authority. A contract for Phase Two, removal of subsea infrastructure, was awarded to Shelf Subsea Services Pte. Ltd. and the contract for Phase Three, plugging and abandonment of wells, to Helix Offshore Services Ltd. In February 2022, MBIE was granted a marine consent and marine discharge consent subject to conditions.
- 9 Phase Two began in March 2022 and was completed in July. MBIE has also begun planning for Phase Three, which is expected to commence in the summer of 2022/23.
- 10 Decommissioning costs are currently forecast to be within budget, but commercial, technical and COVID-19-related risks remain.

Relationship with iwi and opportunities for individuals and businesses

- 11 In planning for and undertaking work across the three phases, MBIE has worked closely with Te Kāhui o Taranaki Trust (TKoT, representing Taranaki Iwi), with whom it has a funding agreement to support engagement capability. I met with TKoT and other iwi in Taranaki in January 2022 and was encouraged to hear about the positive way in which the relationship on the Tui field decommissioning is developing.
- 12 Decommissioning of the Tui field and other petroleum fields in the future is expected to bring a range of opportunities for individuals and businesses in the Taranaki region and New Zealand. I have instructed my Just Transitions

officials to work with iwi to explore what support and resourcing can be provided to ensure iwi are able to engage in and take advantage of these opportunities.

Update on Tamarind-related liquidations

- 13 The Crown is an unsecured creditor in the liquidations of Tamarind and its associated companies registered in Singapore and Australia. This means that should any money become available, the Crown could only receive a distribution (along with other unsecured creditors) once the secured creditor has been paid.

Background

- 14 The Tui oil field (Tui field) is located 50 km off the Taranaki coast in New Zealand's Exclusive Economic Zone and was operated by Tamarind Taranaki Limited (Tamarind) since 2017. Tui is a subsea development, featuring eight wells and associated infrastructure on the seafloor that was connected to a floating production, storage and offloading vessel (FPSO), the *Umuroa*. The FPSO was owned by BW Umuroa Pte. Ltd. (BWU).
- 15 At the time of Tamarind acquiring operatorship, the Tui field was nearing the end of its life. After a drilling campaign failed to find additional resources, Tamarind entered into voluntary administration in November 2019 and was placed into liquidation and receivership in December 2019.
- 16 In February 2020, Cabinet agreed to fund the decommissioning of the Tui field to protect the marine environment at an estimated cost of approximately \$154.641 million [CBC-20-MIN-0008]. This figure represented the best estimate of costs at the time and comprised both departmental support costs and non-departmental costs.
- 17 The Tui Project was established within the Ministry of Business, Innovation and Employment (MBIE) in early 2020 to plan and execute decommissioning activities. Offshore activities are planned across three phases:
- 17.1 **Phase One:** Demobilising the FPSO *Umuroa* from the Tui field.
- 17.2 **Phase Two:** Removing all subsea infrastructure.
- 17.3 **Phase Three:** Plugging and abandoning the wells.
- 18 I reported back to Cabinet in April 2021 on progress across the three phases of work and on estimated costs, which were updated following the execution of a demobilisation agreement with BWU in November 2020 and further planning for Phases Two and Three [DEV-21-MIN-0058].
- 19 In Budget 2021, Cabinet agreed an additional \$288.076 million in non-departmental and departmental funding required to complete the decommissioning of the Tui field and invited me to report back on the progress of the Tui Project and associated costs [CAB-21-MIN-0116].

Since April 2021, there has been significant progress on decommissioning the Tui field

Phase One, demobilisation of the FPSO, was completed in May 2021

- 20 Under MBIE's demobilisation agreement with BWU (signed in November 2020), demobilisation was supposed to be completed by June 2021, although the agreement was valid until June 2022 if demobilisation was delayed.
- 21 Offshore work to demobilise the FPSO began in January 2021 and was completed in May 2021. It involved re-instating the FPSO systems, ensuring the flowlines and control lines were clean and lowered safely to the sea floor for Phase Two retrieval, disconnecting and removing the FPSO, and retrieving the anchors. BWU mobilised specialist construction and anchor-handling vessels from Southeast Asia to undertake this work.
- 22 Phase One saw up to 19 sub-contracts with New Zealand suppliers and approximately 200 FTEs employed, the majority of whom would have been employed offshore.

Procurement for Phases Two and Three was completed in October 2021

- 23 MBIE began a two-stage, competitive procurement process for Phases Two and Three in February 2021. As the vessels and rigs required to undertake the two phases of work are only available outside New Zealand, early engagement with the global market for offshore oil and gas services was necessary to secure contracts at competitive prices.
- 24 On 30 September 2021, MBIE awarded Shelf Subsea Services Pte. Ltd. (Shelf) the contract for Phase Two infrastructure removal. Shelf is an Australian company with international operations and experience in subsea decommissioning.
- 25 On 12 November 2021, MBIE awarded Helix Offshore Services Ltd. (Helix) a contract for Phase Three plugging and abandoning the wells. Helix, an American company with regional offices in the United Kingdom, Singapore, Brazil and Australia, is one of the world's premier suppliers of well intervention and abandonment services.
- 26 Respondents were evaluated on their capability (management systems, prior experience and financial robustness), capacity to deliver on time, and their plans to meet the Government's broader procurement outcomes, such as increasing access for New Zealand businesses. More information on the expected regional and national economic opportunities from Phases Two and Three is provided below.

MBIE received marine consents from the Environmental Protection Authority in February 2022

- 27 On 21 July 2021, MBIE submitted an application for a marine consent and a marine discharge consent to the Environmental Protection Authority to

authorise activities and discharges associated with Phases Two and Three of decommissioning the Tui field.


- 28 The application was accompanied by a Cultural Impact Assessment conducted by Te Kāhui o Taranaki Trust (TKoT, representing Taranaki Iwi) under the MBIE-funded agreement. MBIE also submitted a Decommissioning Plan drafted in accordance with the requirements of the then-proposed decommissioning regulations under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2021, which took effect in October 2021.
- 29 The Minister for the Environment appointed an Independent Board of Inquiry (the Board) to consider and decide MBIE's application, which was publicly notified. The Board received three submissions in support from Muaūpoko iwi (located in the Levin area), TKoT, and the Ministry of Transport.
- 30 On 11 February 2022, the Board granted MBIE's marine consent and marine discharge consent subject to conditions. These conditions included the development of an environmental monitoring plan with TKoT.

Phase Two, removal of the subsea infrastructure, was completed in July 2022

- 31 After MBIE was granted marine consents, Shelf began offshore work in March 2022 to retrieve all infrastructure from the seabed. Phase Two was completed in July 2022 and involved divers inspecting and preparing the subsea assets for recovery, and retrieving the subsea equipment, including steel structures and 40 kms of flexible flowlines and umbilicals.
- 32 MBIE and Shelf focused on the safe and efficient completion of Phase Two offshore work. Key risks that were managed included COVID-19 disruptions, health, safety and environmental issues, and delays due to weather or technical issues.

Planning for Phase Three has commenced

- 33 Phase Three is planned for the summer of 2022/23. MBIE is working closely with Helix on the detailed engineering, contracting and procurement of services and materials for the campaign. The plug and abandonment operations are planned to commence in Q1 2023 with a specialist Heavy Well Intervention Vessel, which will be brought in from Southeast Asia for the work.

- 34 Commercial Information
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MBIE has developed a waste disposal approach for Tui's assets

- 35 Almost 3,600 tonnes of flexible flowlines and metal structures are expected to be recovered from the Tui field in Phase Two. The Tui Project is progressing a

three-pronged approach to disposing of the material recovered from the Tui field that includes recycling, re-use, and disposal. This approach is intended to achieve the following objectives:

- 35.1 maximising the volume of materials that are recycled (targeting over 95 per cent of materials by weight);
 - 35.2 maintaining visibility of the final destinations of materials;
 - 35.3 recycling and selling materials within New Zealand wherever possible;
 - 35.4 minimising the environmental impact of transporting materials;
 - 35.5 creating employment for New Zealanders;
 - 35.6 improving access to feedstock materials for New Zealand businesses; and
 - 35.7 promoting the development of future New Zealand decommissioning capability with technology which is also applicable to other industries.
- 36 Over 97 per cent of the waste from the Tui field is expected to be recycled in New Zealand or overseas, and only a small amount (less than three per cent) is expected to be disposed of in landfills.
- 37 Some equipment, such as the 'Christmas trees' (a technical term for the valves on top of a well that regulate the flow of oil and gas), could be re-used and MBIE is actively investigating such opportunities.

MBIE has entered into a contract with Hayes Metals in Auckland to establish a new recycling capability in New Zealand

- 38 In April 2022, MBIE entered into an agreement with Hayes Metals (Hayes) to recycle the flexible flowlines and the structures. Hayes, established in 1927, is based in Onehunga, Auckland and is an ingot manufacturer and metal recycler.
- 39 As part of the agreement, Hayes has committed to purchasing specialised separating equipment from Europe. This equipment will have uses beyond the recycling of Tui material and represents important new capability for New Zealand.

Decommissioning is expected to increase opportunities for businesses and individuals in Taranaki and New Zealand

Shelf and Helix have committed to maximising local procurement and employment

- 40 Through MBIE's procurement process, both Shelf and Helix committed to maximising the use of local businesses and individuals in Phases Two and Three.

41 In Phase Two, a significant number (approximately 70 to 80 per cent) of the offshore roles and at least a further 50 support roles onshore were made available to New Zealanders. The offshore roles include divers, crew and riggers, and onshore roles include engineering, fabrication and logistics.

42 Commercial Information

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Partnering with Taranaki Iwi

44 In March 2021, MBIE entered into a funding agreement with TKoT (representing Taranaki Iwi whose rohe lies adjacent to the Tui field). The agreement is designed to support TKoT's capability to engage with the Tui Project and ensure its cultural values and interests are recognised, understood and responded to. The agreement funds a full-time engagement lead from TKoT and oversight by its Kaitiaki Forum.

45 I met with iwi in Taranaki in January 2022 and was pleased to hear that the partnership with MBIE on the Tui Project is developing positively with the creation of some good opportunities for iwi. There are useful lessons to learn from the relationship that we can take forward for all future Crown partnerships with iwi.

46 Highlights from the partnership over the past year include:

46.1 Strong collaboration on the development of MBIE's marine consents application. This includes TKoT's development of the Cultural Impact Assessment, the development of the environmental monitoring plan and nomination of marine mammal observers during offshore activity.

46.2 Good engagement with TKoT hapū and other iwi in the Taranaki region. TKoT and MBIE also work together on engagement with local stakeholders such as the Taranaki Chamber of Commerce and Venture Taranaki.

46.3 Regular dialogue with TKoT's Kaitiaki Forum on decommissioning plans and progress, with a particular focus on TKoT's cultural and environmental concerns.

46.4 Introductions to Phases Two and Three contractors, including their cultural induction and the blessing of vessels.

46.5 The creation of a youth internship opportunity.

- 47 On 17 May 2022, the funding agreement was renewed for a further year. Progress under the funding agreement and lessons learned are monitored through a steering group comprising TKoT, MBIE and external representatives.

Exploring future opportunities for iwi

- 48 When I met with iwi in Taranaki, they also raised capacity issues that prevent them from participating in opportunities that the future pipeline of petroleum decommissioning is expected to create.
- 49 I have instructed my Just Transitions officials to work with iwi to explore what support and resourcing can be provided to ensure iwi are able to engage in and take advantage of the opportunities the transition away from oil and gas present. This work is primarily focussed on how we can best support iwi capacity and capability needs, and will be developed in partnership with iwi.

Decommissioning activities are currently forecast to be within budget

- 50 The total amount appropriated for the Tui Project is \$442.882 million. This includes \$11.064 million in departmental support costs and \$84.344 million in a project contingency to cover a combination of risks that could emerge during execution of the offshore phases of work.

51 Commercial Information

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Commercial Information

53 The contract for Phase Two is a lump sum and is anticipated to cost between \$40 million and \$52 million. Although the contract is for a lump sum, there are certain costs that contractually must be met by MBIE, for example, delays due to adverse weather and COVID-19.

54 Phase Three is the most complex phase of decommissioning as it is subject to more technical risks and will occur over a longer period in the summer of 2022/23. Commercial Information

55 Commercial Information

Update on the status of the liquidation of Tamarind and its associated companies

56 Tamarind was placed in receivership and liquidation in December 2019. Its parent, Tamarind Resources Pte Limited (registered in Singapore) and ultimate holding company, Tamarind Resources Limited (registered in Australia), are also in receivership and liquidation.

57 Negotiations

58 The Crown is an unsecured creditor in these liquidations, which means that should any money become available, the Crown could only receive a distribution (along with other unsecured creditors) once the secured creditor (OCP) has been paid.

59 Confidential advice entrusted to the Government; Negotiations

60 Confidential advice entrusted to the Government

61 Confidential advice entrusted to the Government

Financial Implications

62 There are no financial implications associated with this Cabinet paper.

Legislative Implications

63 There are no legislative implications associated with this Cabinet paper.

Impact Analysis

Regulatory Impact Statement

64 No regulatory impact statement is required as the update does not include any policy proposals.

Climate Implications of Policy Assessment

65 The Climate Implications of Policy Assessment requirements do not apply as the update includes no policy proposals.

Population Implications

66 There are no population implications.

Human Rights

67 There are no implications for human rights.

Consultation

68 MBIE consulted with The Treasury on this paper and Crown Law Office on the status of the Tamarind liquidations. The Department of the Prime Minister and Cabinet was informed.

Communications

69 Regular updates on MBIE's progress with decommissioning the Tui field are publicly available on the MBIE website.

Proactive Release

70 I propose to proactively release this Cabinet paper and minutes within 30 business days, subject to redaction as appropriate consistent with the Official Information Act 1982.

Recommendations

The Minister of Energy and Resources recommends that the Committee:

IN CONFIDENCE

- 1 **note** that in April 2021, Cabinet agreed an additional \$288.076 million in non-departmental and departmental funding required to complete the decommissioning of the Tui field and invited the Minister of Energy and Resources to report back on the progress of the Tui decommissioning project and associated costs [CAB-21-MIN-0116];
- 2 **note** that offshore activities to decommission the Tui oil field are expected to proceed in three phases and that Phase One, demobilisation of the floating production, storage and offloading vessel, was completed in May 2021;
- 3 **note** that in September 2021, the Ministry of Business, Innovation and Employment awarded Shelf Subsea Services Pte. Ltd. the contract for Phase Two infrastructure removal and in November 2021 awarded Helix Offshore Services Ltd. the contract for Phase Three plugging and abandoning the wells;
- 4 **note** that in February 2022, the Ministry of Business, Innovation and Employment received a marine consent and a marine discharge consent from the Environmental Protection Authority that authorises activities and discharges associated with Phases Two and Three of decommissioning and allows offshore work to commence;
- 5 **note** that Phase Two infrastructure removal activities was completed in July 2022 and that planning for Phase Three, plugging and abandonment of wells, in the summer of 2022/23 is advanced;
- 6 **note** that decommissioning activities are currently forecast to be within budget but that commercial, technical and COVID-19-related risks remain; and
- 7 **note** that the Crown is an unsecured creditor in the liquidations of Tamarind Taranaki Limited, its parent, Tamarind Resources Pte Limited (Singapore) and ultimate holding company, Tamarind Resources Limited (Australia).

Authorised for lodgement

Hon Dr Megan Woods

Minister of Energy and Resources