



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Energy and Resources
Title of Cabinet paper	Future of Petroleum Block Offer Announcement	Date to be published	10 March 2023

List of documents that have been proactively released

Date	Title	Author
November 2022	Future of Petroleum Block Offer Announcement	Office of the Minister of Energy and Resources
9 November 2022	Future of Petroleum Block Offer Announcement DEV-22-MIN-0254 Minute	Cabinet Office

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 confidential advice entrusted to the Government and legal professional privilege.

In Confidence

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

Future of petroleum block offer announcement

Proposal

- 1 This paper notifies Cabinet of my intention to announce a deferral of decisions on future petroleum block offers following Block Offer 2020 until early in the next parliamentary term, at which time I will have a better evidence base of future levels of demand for fossil fuels and other resources.

Relation to government priorities

- 2 Proposed changes as part of the Tranche Two Review of the Crown Minerals Act 1991 that I also intend to announce relate to the Government's 10-year resource strategy '*Responsibly Delivering Value – A Minerals and Petroleum Resource Strategy for Aotearoa New Zealand: 2019-2029*' (the Resource Strategy). The Resource 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'.

Background

In 2018, the Government committed to holding three further petroleum block offer rounds

- 3 In 2018, the Government announced its intention to end future offshore petroleum exploration and confine any future onshore development to the Taranaki region only. Tranche One of the Crown Minerals Act 1991 Review gave effect to these policy decisions.
- 4 Alongside this announcement, the Government agreed to hold three further petroleum block offer rounds in onshore Taranaki in 2018, and again in 2019 and 2020, and committed to a wider Tranche Two review of the Crown Minerals Act 1991 (the CMA Tranche Two Review) [CAB-18-MIN-0306.1 refers].

Block Offers 2018 and 2019 are now complete, and Block Offer 2020 remains in progress

- 5 Block offers take an average of two years from preparation to the award of permits, as they involve engagement with iwi and hapū and complex analysis.

- 6 In 2020, Block Offer 2018 concluded with the award of one 10-year exploration permit. In 2021, Block Offer 2019 concluded with the award of two 10-year exploration permits. The Block Offer 2019 decisions were judicially reviewed by Students for Climate Solutions Incorporated. On 24 August 2022, the High Court released its decision, finding the decisions to grant two exploration permits were lawfully made, and the proceeding was dismissed. The High Court's decision has been appealed.
- 7 Work on Block Offer 2020 is currently underway. Nominations of land have been invited and received from industry and the Ministry of Business, Innovation and Employment (MBIE) has engaged with iwi and hapū. The next step is for officials to brief me on work relating to the proposed release areas and the outcomes of consultation with iwi and hapū. Following that, I expect that a statutory decision will be made within the next few months on whether or not to open the tender by issuing an invitation for bids.

I intend to clarify my position on future petroleum block offers

- 8 I intend to announce a deferral of decisions on future petroleum block offers following Block Offer 2020 until early in the next parliamentary term, at which time I will have a better evidence base of future levels of demand for fossil fuels and other resources. I wish to signal my intention to defer future decision-making on block offers now so as to provide as much certainty as possible for the petroleum industry, iwi and hapū, and other stakeholders.
- 9 It is a time of great uncertainty for the energy sector globally, with increasing efforts to transition to low emissions economies being one contributing factor. Russia's invasion of Ukraine has also created energy supply disruption and price implications that are flowing across international energy markets.
- 10 Domestically, there is inherent uncertainty about making predictions about future gas supplies. While our best estimate is that there are around ten years of commercially viable gas supply remaining in ground at current levels of demand, this production is not guaranteed, as it relies on continued investment in field development activities to unlock.
- 11 Against this rapidly changing and uncertain environment, I consider it prudent to defer decision-making on future petroleum block offers until I have a better evidence base of future levels of demand for petroleum resources. I consider I will have better evidence by early in the next parliamentary term, as work progresses on an Aotearoa New Zealand Energy Strategy and the Gas Transition Plan, which is intended to establish transition pathways specifically for the fossil gas sector.
- 12 This evidence base will support my consideration of the most efficient approach to petroleum exploration permit allocation. Factors relevant to this consideration will include how future exploration can assist in sustaining the investment needed to support New Zealand's transition to renewable alternatives and contribute to the ongoing energy transition in international markets.

- 13 Taking this approach will also give me further time to undertake engagement with hapū and iwi in the Taranaki region on the future of the block offer process. Hapū and iwi have already expressed some level of objection to part or all of the block offer process, including in regards to engagement with them and their capability to input into the process. Confidential information entrusted to the Government

[Redacted]

Legal professional privilege

- [Redacted]

- [Redacted]

- [Redacted]

- [Redacted]

I intend to announce the outcome of the Crown Minerals Act 1991 Review at the same time

- 18 On 4 July 2022, Cabinet agreed to policy proposals as part of the CMA Tranche Two Review to [CAB-22-MIN-0256]:

- 18.1 enable a more flexible approach to the management and allocation of rights to Crown-owned minerals, including increasing discretion as to

the timing and frequency of future block offers for allocating petroleum exploration permits in onshore Taranaki; and

- 18.2 improve permit/licence holder and permit applicant engagement with hapū and iwi.
- 19 Announcements on the CMA Tranche Two Review are likely to attract questions about the future of block offers. I therefore consider it may be best to make these announcements alongside any announcement on the future of block offers.

Financial Implications

- 20 There are no direct financial implications in relation to the proposals in this paper.

Legislative Implications

- 21 There are no direct legislative implications in relation to the proposals in this paper.

Impact Analysis

Regulatory Impact Statement

- 22 There are no regulatory proposals in this paper, and therefore Cabinet's impact analysis requirements do not apply.

Climate Implications of Policy Assessment

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

Population Implications

- 24 There are no population implications arising from the proposals in this paper.

Human Rights

- 25 The proposals in this paper are consistent with the New Zealand Bill of Rights Act 1990 and the Human Rights Act 1993.

Consultation

- 26 No departments were consulted on the proposals in this paper.

Communications

- 27 I intend to make announcements on policy decisions as part of the CMA Tranche Two Review alongside my intended announcement on future block offers.

Proactive Release

- 28 Following public announcements on these policy decisions, I intend to release this paper proactively, subject to redaction as appropriate and consistent with the Official Information Act 1982.

Recommendations

The Minister of Energy and Resources recommends that the Committee:

Background

- 1 **note** that on 2 July 2018, Cabinet agreed to hold a block offer for onshore blocks in Taranaki for 2018, and again in 2019 and 2020 [CAB-18-MIN-0306.1 refers];
- 2 **note** that Block Offers 2018 and 2019 were concluded in 2020 and 2021 respectively, and that Block Offer 2020 remains in progress;
- 3 **note** that as the next step for Block Offer 2020 I will be briefed on work relating to the proposed release areas and the outcomes of engagement with iwi and hapū. Following that, I expect that a statutory decision will be made on whether or not to open the tender by issuing an invitation for bids;

Announcement on the future of block offer

- 4 **note** I intend to announce a deferral of decisions on future petroleum block offers following Block Offer 2020 until early in the next parliamentary term, at which time I will have a better evidence base of future levels of demand for fossil fuels and other resources;
- 5 **note** this evidence base will support my consideration of the most efficient approach to petroleum exploration permit allocation, which will include the how future exploration can assist in sustaining the investment needed to support New Zealand's transition to renewable alternatives and contribute to ongoing energy transition in international markets;
- 6 **note** taking this approach will also give me further time to undertake more robust consultation with hapū and iwi in the Taranaki region on the future of the block offer process;

Legal professional privilege

Announcements on the Crown Minerals Act 1991 Review

- 8 **note** that in July 2022 Cabinet agreed to policy proposals as part of the Crown Minerals Act 1991 Tranche Two Review (the CMA Tranche Two Review) [CAB-22-MIN-0256] to:

I N C O N F I D E N C E

- 8.1 enable a more flexible approach to the management and allocation of rights to Crown-owned minerals, including increasing discretion as to the timing and frequency of future block offers for allocating petroleum exploration permits in onshore Taranaki; and
 - 8.2 Improve permit/licence holder and permit applicant engagement with hapū and iwi.
- 9 **note** that these changes have a category four priority on the 2022 Legislation Programme (to be referred to a select committee in the year);
- 10 **note** announcements on the CMA Tranche Two Review are likely to attract questions about the future of block offer;
- 11 **note** that I may make announcements on the CMA Tranche Two Review alongside the block offer announcement.

Authorised for lodgement

Hon Dr Megan Woods

Minister of Energy and Resources