



COVERSHEET

Minister	Hon Shane Jones	Portfolio	Resources
Title of Cabinet paper	Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency	Date to be published	10 July 2024

List of documents that have been proactively released		
Date	Title	Author
May 2024	Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency	Office of Minister for Resources
22 May 2024	Crown Minerals Act 1991: Ensuring security of gas supply and regulatory efficiency ECO-24-MIN-0077 Minute	Cabinet Office
15 May 2024	Regulatory Impact Statement: Amendments to the Crown Minerals Act 1991 relating to petroleum exploration and mining	MBIE
16 May 2024	Regulatory Impact Statement: Amendments to the Crown Minerals Act 1991 relating to small-scale non-commercial gold mining	MBIE
14 May 2024	Climate Implications of Policy Assessment disclosure sheet	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.

- Legal professional privilege
- Confidential advice to Government
- Commercially sensitive information
- Confidential information entrusted to the Government
- International relations



Cabinet Economic Policy Committee

Minute of Decision

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

Crown Minerals Act 1991: Ensuring Security of Gas Supply and Regulatory Efficiency

Portfolio

Resources

On 22 May 2024, the Cabinet Economic Policy Committee:

Background

- 1 **noted** that in 2018, the previous Government introduced a ban on new petroleum exploration outside onshore Taranaki (the 2018 ban) by making changes to the Crown Minerals Act 1991 (the CMA) [CAB-18-MIN-0417];
- 2 **noted** that New Zealand faces risks to the supply of gas, which is critical to New Zealand's energy security;
- 3 **noted** that the National-NZ First coalition agreement includes a commitment to 'future-proof the natural gas industry by restarting offshore exploration', and that the National-ACT coalition agreement includes a commitment to 'repeal the offshore oil and gas exploration ban';
- 4 **noted** that reversing the ban on new petroleum exploration is the first step in encouraging investments in existing gas fields, but that further work is required to attract new investment;

Signalling New Zealand's commitment to transition away from fossil fuels

- 5 **noted** that gas plays a critical role as a transition fuel to support New Zealand's transition to Net Zero by 2050;
- 6 **directed** officials to prepare advice on an energy transition plan to transition New Zealand away from fossil fuels;

Removing the ban

- 7 **agreed** to reverse the amendments to the CMA made by the Crown Minerals (Petroleum) Amendment Act 2018;

Decommissioning obligations

- 8 **noted** that the CMA was amended in 2021 to introduce requirements for financial securities to decommission oil and gas fields, to reduce the risk of decommissioning costs falling to the Crown;

- 9 **noted** that the majority of current permits are set to expire in the next 25 years, with an estimated total decommissioning cost of almost Commercial Information
- 10 **noted** that New Zealand’s decommissioning regime is internationally comparable, with differences that account for New Zealand’s different industry context;
- 11 **noted** that New Zealand’s decommissioning regime uses trailing liability, as a last resort after other safeguards, including any financial securities, fail or are insufficient;
- 12 **noted** that in Australia and the United Kingdom, trailing liability is applied more broadly than in New Zealand;
- 13 **noted** that amendments can be made to the decommissioning obligations to reduce costs for investors, while still minimising risk to the Crown;
- 14 **agreed** to amend the CMA to allow for greater flexibility in obtaining financial security, by allowing:
- 14.1 for joint ventures, where two or more parties hold a permit together, either directly or through a joint venture company, allowing these parties to provide securities separately and split as agreed between the parties;
 - 14.2 where a party holds an interest in a number of permits, allowing a financial security as security for obligations across all permits;
 - 14.3 security arrangements between related parties both within a single permit and across permits;
 - 14.4 securities from permit participants where the permit participant and/or the permit holder is not a party to the financial security;
- 15 **noted** that to further increase certainty, the Minister for Resources has asked officials to prioritise working with industry to develop clear and consistent guidelines for how financial security amounts and kinds should be determined;
- 16 **noted** that trailing liability is an important backstop, to be used when other safeguards fail, and is consistent with the ‘polluter pays’ principle that it is appropriate for a party who benefited from a permit to continue to carry liability to decommission;
- 17 **agreed** to retain trailing liability within the CMA, but to limit it to the person who last transferred their participating interest;
- 18 Confidential advice to Government
- 19 **agreed** to align New Zealand’s post-decommissioning requirements with other countries, by making the following amendments to the CMA:
- 19.1 remove the requirement to pay an amount and/or provide a financial security for any decommissioning liabilities;
 - 19.2 introduce perpetual liability for permit holders for wells and infrastructure left in situ;

- 19.3 require permit holders who decommission to notify the regulator of any changes to company structure and domicile;

Signalling New Zealand is 'open for business'

- 20 **agreed** to amend the purpose statement of the CMA to replace the word 'manage' with 'promote';
- 21 **agreed** to amend associated provisions in the CMA that reflect the change in purpose statement, such as section 5 (functions of the Minister);
- 22 **agreed** to amend the CMA to allow a mechanism for an optional Government Policy Statement to cover petroleum and minerals;
- 23 **agreed** to amend the CMA to allow for both competitive (Block Offer) and limited-competition methods (Priority in Time) of applying for and allocating petroleum exploration permits;
- 24 **noted** that prior to 2013, the Priority in Time method was one of two ways that Petroleum Exploration Permits were allocated;
- 25 **agreed** that the Petroleum Programme will set out the design of alternative Petroleum Exploration Permits allocation methods and how they will work together;
- 26 **noted** that the CMA currently provides speculative prospectors with a 15-year confidentiality period for the seismic data collected, after which MBIE can release the data publicly;
- 27 **noted** that the 2018 ban largely removed the demand for seven existing datasets that have public release dates of between 2028 and 2033;
- 28 **agreed** to amend the CMA to extend the exclusive-use timeframe by six years for the seven datasets that were impacted by the 2018 ban;

Further changes to support investor confidence in petroleum exploration and production

- 29 **noted** that the Minister for Resources intends to undertake a review of the petroleum royalty regime, to consider how a royalty regime can incentivise more gas exploration and production, and ensure New Zealand's rates are internationally competitive and provide the Crown with a fair financial return;
- 30 **noted** that the Minister for Resources intends to return to Cabinet in Quarter Three 2024 to seek decisions based on the outcome of the review;
- 31 **noted** that the Minister for Resources intends to progress regulations that will clarify the type of decommissioning-related information permit holders are required to provide and how frequently;
- 32 **noted** that the Minister for Resources intends to work with the Ministry for the Environment to investigate ways of providing greater and earlier certainty for industry on what infrastructure they may need to completely remove, and what can be partially or fully abandoned in situ;

33 **noted** that the Minister for Resources is working with the Minister for Energy to explore potential carbon capture, utilisation and storage opportunities to reduce costs for upstream gas production;

Improving regulatory efficiency and consistency within the CMA

34 **noted** that further changes to the CMA are required to improve regulatory efficiency and fix inconsistencies or drafting errors;

35 **agreed** to amend the CMA to reflect the changes detailed in Annex Two to the paper under ECO-24-SUB-0077;

36 **agreed** to the creation of a new Tier 3 permit for small-scale, non-commercial gold mining operations;

37 **agreed** that the CMA include a definition of what a Tier 3 permit is, which would require:

37.1 a duration of no longer than 10 years;

37.2 an area no greater than 50 hectares;

37.3 the target mineral of gold (only);

37.4 using equipment that can only be hand tools and suction dredge(s) of 10 horsepower or less (in rivers), or hand tools and a riffle box (on beaches);

38 **agreed** that the Tier 3 permit will have the same key features and rights of Tier 2 permits, except for the following reduced requirements:

38.1 for Tier 3 applications, the regulator must be satisfied the applicant could:

38.1.1 comply with the obligations under the Act and regulations;

38.1.2 pay the necessary fees;

38.1.3 meet reporting requirements;

38.2 reporting requirements for Tier 3 will include providing information on:

38.2.1 where they have mined;

38.2.2 how many days they have mined;

38.2.3 how much mineral they have obtained;

39 **agreed** that the Tier 3 permit will be subject to the same offences and penalties as Tier 2 permits where relevant;

40 **agreed** that the Tier 3 permit will be subject to fees, to be set in regulations;

41 **agreed** that other elements of the new Tier 3 will be covered in regulations, including application and reporting requirements, and royalty thresholds;

42 **authorised** the Minister for Resources to make further decisions on implementation and transition for the regime, including operational decisions for the new Tier 3, consistent with good industry and regulatory practice;

Legal professional privilege

Financial implications

46 **noted** that there are no direct financial implications as a result of the proposals outlined above;

Legislative implications

47 **agreed** that the above proposals be given effect through the Crown Mineral Amendment Bill, which has a category 3 priority on the 2024 Legislation Programme (to be passed by the end of 2024);

48 **noted** that the CMA currently binds the Crown, and that the Amendment Bill will also bind the Crown;

49 **invited** the Minister for Resources to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above paragraphs;

50 **authorised** the Minister for Resources to take further decisions, in line with the policy decisions agreed by Cabinet, on any minor or technical issues that arise during the drafting of the legislation and its passage through the House.

Rachel Clarke
Committee Secretary

Present:

Hon David Seymour
Hon Chris Bishop (Chair)
Hon Brooke van Velden
Hon Shane Jones
Hon Simeon Brown
Hon Paul Goldsmith
Hon Todd McClay
Hon Tama Potaka
Hon Simon Watts
Hon Penny Simmonds
Hon Andrew Bayly
Hon Andrew Hoggard
Hon Mark Patterson
Simon Court MP

Officials present from:

Office of the Prime Minister
Office of Hon Andrew Bayly
Ministry of Business, Innovation and Employment
Officials Committee for ECO