

21 March 2016

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Tēnā kōrua Ngāhiwi and Dr Whyte

BLOCK OFFER 2016 CONSULTATION OUTCOMES

On 3 September 2015, New Zealand Petroleum & Minerals (NZP&M) invited you to provide a response on behalf of your iwi or hapū on the proposal for the Block Offer 2016 tender. The Minister of Energy and Resources, Hon Simon Bridges, has considered the responses received and announced the final areas to be included in Block Offer 2016 on 21 March 2016.

I would like to update you on the outcome of consultation and the next steps for Block Offer 2016.

Summary of Block Offer 2016 consultation

Consultation for Block Offer 2016 closed on 30 October 2015. We invited responses from iwi and hapū and local authorities. The Government acknowledges the role of iwi and hapū as kaitiaki, and that kaitiakitanga is an active process shared by all, including central and local government.

We received 33 responses on the Block Offer 2016 proposal – 17 from affected iwi and hapū and 16 from local authorities (including regional, district and city councils). In addition, five responses were received from individuals. In the case of individual responses NZP&M notes the matters raised but only considers iwi and hapū matters towards the final outcome. We have reviewed the responses and made recommendations to the Minister.

Response to the matters you raised

Thank you for your response of 30 October 2015. You raised a number of matters, including:

Permit holder engagement with iwi

- Any petroleum company who is granted a block in 16PEG-R1 must make contact with the iwi and other organisations that represents the interests of Ngāti Kahungunu immediately;
- Any applicants considering 16PEG-R1 should be provided with the document “Kahungunu ki Uta, Kahungunu ki Tai Marine and Freshwater Fisheries Strategic Plan”;
- To be informed and involved in all stages of prospecting, exploration and mining of petroleum or minerals in the Ngāti Kahungunu rohe;
- The petroleum industry should apply a precautionary approach to offshore activity;

Potential impacts on the environment

- A contingency fund be established in case something goes wrong to be used immediately while waiting for insurance claims;
- While avoidance of any oil and gas activity is preferable, as a second option is to ensure acceptable mitigation and remediation takes place;
- Iwi have Customary Fishing and Aquaculture interests in the area and do not want to see these diminished by petroleum activity;
- Any drilling incident that impacts iwi fishing interests would be considered a breach of settlement rights;
- That the Crown be held responsible to ensure it is adequately prepared for any potential incident;

Customary rights and decision making

- Would like the Treaty of Waitangi claim against the Crown regarding interests to petroleum and customary rights resources recognised and provided for allowing the exercise of tino rangātiratanga and kaitiakitanga;
- Disputes the sole Crown ownership and assertion that final decisions rest with the Crown;

Crown Minerals Act reform

- Support the Waitangi Tribunal recommendations that the Crown Minerals Act be reformed and that a percentage of Crown royalties from petroleum be available to fund iwi and hapū participation;

PCE report

- Would like to see the Minister of Energy and Resources address the findings of the PCE report “Drilling for oil and gas in NZ: Environmental oversight and regulation”.

Permit holder engagement with iwi

In response to the first four matters, we encourage permit holders to make contact with iwi and hapū and can assist to facilitate engagement, which should provide an opportunity for Ngāti Kahungunu Iwi Incorporated to inform permit holders of the “Kahungunu ki Uta, Kahungunu ki Tai Marine and Freshwater Fisheries Strategic Plan” and to be kept informed of exploration activities as well as the approach permit holders take towards offshore activity. To reiterate, the Crown Minerals Act 1991 (CMA) requires that permit holders provide an annual report to the Ministry on their engagement with iwi and hapū whose rohe includes some or all of the permit area or who may otherwise be directly affected by the permit. We remain committed to engaging with iwi and hapū and local authorities on the Block Offer process, as well as on wider issues relating to the sector. We also help facilitate constructive relationships between petroleum companies, relevant iwi and hapū, and local authorities. This may include passing on information received to permit holders, with the permission of the providers of the information. Although a number of iwi and hapū responses granted us the permission to pass on such information it’s clear that iwi and hapū expect permit holders to engage directly with them.

Potential impacts on the environment

Regarding the contingency fund, mitigation and remediation, potential impacts on aquaculture and iwi fishing interests, and responsibility for potential incidents, we are of the view that the health, safety and environmental impacts of petroleum activity must be managed effectively, and that petroleum operators must be subject to rigorous regulatory requirements. In our view, implementation of a number of initiatives over the past years has created a robust framework which allows appropriate regulation of the expected increase in petroleum exploration and production activity in high risk environments. These changes include regulation for deep-water and beyond the 12 nautical mile limit (the Exclusive Economic Zone and continental shelf), where previously no environmental regulation existed, and guidelines for seismic surveying in New Zealand waters.

Regarding capacity to deal with oil spills, we consider that adequate marine environmental protection is already generally provided for, by virtue of the Resource Management Act (RMA) 1991 in the territorial sea (out to 12 nautical miles from shore), and the Exclusive Economic Zone and Extended Continental Shelf (EEZ Act) 2013 in the Exclusive Economic Zone (from 12 to 200 nautical miles from shore). In addition, operators are required to plan what they would do if an oil spill occurs before they are able to commence drilling. An operator needs to apply for approval from Maritime New Zealand (MNZ) for their oil spill contingency plan. This will show that the operator of the oil or gas facilities has (1) minimized the risk of an accidental spill and (2) detailed emergency response plans in place if a spill does occur, including a Well Control Contingency Plan in case of a well blow-out. Operators must also develop Discharge Management Plans (DMPs) which complies with the Discharge and Dumping Regulations (2015). Any planned drilling fluids or substances that are to be discharged to the marine environment require a discharge consent approved by the Environmental Protection Agency (EPA). EPA must be satisfied that an operator has in place the necessary measures, and has the necessary capability, to manage any event.

Customary rights and decision making

In response to your comments on the recognition of customary rights, exercise of tino rangātiratanga and kaitiakitanga, and dispute against Crown ownership, under the Petroleum Act 1937 petroleum resources were declared to be property of the Crown, and this ownership is retained by the Crown under the CMA. In addition, the granting of a permit does not constitute the creation of an interest in land (section 92 of the CMA). Accordingly, we consider that the granting of a petroleum permit under the CMA through Block Offer 2016 will not affect the Crown's ability to return land as part of a Treaty settlement or otherwise impede the prospect of any redress or recognition of customary rights under the Treaty.

We acknowledge the important role that iwi and hapū have regarding the natural resources in their rohe. This is why we are working to strengthen engagement between iwi and hapū and petroleum companies operating in their rohe and is reflected in section 33C of the CMA, which requires operators to provide us with annual iwi engagement reports. In recent years, NZP&M has strengthened its resource capabilities with an increased focus on engagement between iwi, hapū and operators. We have staff members specifically dedicated to proactively engaging with iwi and hapū on petroleum and minerals issues, as well as reaching out to iwi and hapū in areas where the industry is expanding. This ensures that iwi and hapū are able to make informed decisions around the future development of petroleum and mineral resources.

Crown Minerals Act reform

In respect to CMA reform and Crown royalties you may be aware that the Government receives approximately 42 per cent of a petroleum company's accounting profit, which is a combination of taxes, royalties and levies. These taxes and royalties help pay for infrastructure and services that benefit all New Zealanders, such as hospitals, schools, roads, and broadband. As Crown minerals are owned by, and administered on behalf of, the people of New Zealand, it is appropriate that these royalties are collected and used at a national level. Also, there are already considerable regional benefits from oil and gas activities, which include job creation and training, community investment, and infrastructure development – depending on what is found, where it is found, and how it is processed. Taranaki, the only region producing oil and gas in New Zealand, is an example of the significant regional benefits that this industry can produce.

PCE report

In regards to the PCE report "Drilling for oil and gas in NZ: Environmental oversight and regulation" it included six recommendations, five for Crown ministers and one for regional councils. As a final government response to recommendation six, in July 2015 the Ministry for Primary Industries issued guidance covering what is commonly referred to as land farming, which the PCE has publicly endorsed. The Ministry for the Environment and the Ministry of Business, Innovation and Employment are continuing to work on the four remaining recommendations that were directed to central government and are monitoring any local government response to recommendation two.

In general, the purpose of consultation is to identify any culturally significant areas that need to be protected (for example, areas that are not protected by other legislation). These sites may be removed or, conditions may be put on activities in the areas to protect them. Any potential environmental impact will be managed by existing health, safety and environmental regulatory processes, such as the Resource Management Act consent process. Exclusion requests should identify areas that need to be protected because they are not already provided for within the broader framework of legislative, regulatory and operational provisions for sites of cultural sensitivity. This ensures that the potential impact of oil and gas exploration on these areas is managed. If an area of land is already adequately protected by existing legislation, for example, the Resource Management Act 1991, the Conservation Act 1987 or the Historic Places Act 1993 the Minister may keep that area of land in the Block Offer.

There are a number of general themes that were evident in the responses received following consultation for Block Offer 2016. NZP&M considers that the broader legislative and regulatory framework actively protects sites of cultural significance and addresses the concerns about the health, safety and environmental impacts of petroleum exploration activity.

NZP&M has also committed to engaging with iwi, hapū and local authorities during the block offer process. Permit holders are encouraged to engage with iwi and hapū through their annual engagement report. The wider public is consulted later in the process, when permit holders apply for resource or marine consents.

Under the Crown Minerals Act and the minerals programmes for petroleum and minerals, we consult with all relevant iwi and hapū in relation to certain permit activity.

In addition to statutory commitments, NZP&M officials seek to be available to meet with iwi affected by permit activity, to listen to their concerns and interests, and, where appropriate, to raise these with permit holders. The engagement process is not to intend to end at the completion of the block offer process but instead to be an ongoing process that sees active participation by both government and industry.

The Crown Minerals Act 1991 states all Tier One permit holders need to report annually on their engagement with iwi/hapū whose rohe includes some or all of their permit area, or who otherwise may be directly affected by their permit. The purpose of the report is to encourage permit holders to engage with relevant iwi/hapū in a positive and constructive manner and to enable NZP&M to monitor progress in this regard.

Responses from iwi, hapū and councils also indicated a desire for more direct benefits from petroleum activity to local communities and economies. The Government uses taxes, royalties and levies to help pay for infrastructure and services that benefit all New Zealanders.

Block Offer 2016

A number of areas were selected for Block Offer 2016, the final map is below. You can click on our permit webmaps for more details.

- [Proposed Block Offer 2016 release areas](#)

Block Offer 2016 was launched on 21 March 2016 and petroleum companies have until 7 September 2016 to submit a bid, or bids, for an exploration permit. Permits are expected to be granted from December 2016.

More information about the Block Offer consultation and the Minister's announcement, including maps of each release area and the Invitation for Bids, is available on our website www.nzpam.govt.nz.

If you have questions or concerns please feel free to contact us:

Freephone: 0508 263 782

Email: contactNZPAM@mbie.govt.nz

Heoi anō,

A handwritten signature in black ink, appearing to read 'J Adams', with a long horizontal flourish extending to the right.

Josh Adams

**National Manager Petroleum
New Zealand Petroleum & Minerals**