

Attachment B: Block Offer Background (process, consultation, and regulatory framework for oil and gas exploration)

Block Offer Process

1. Since 2012 the government has run an annual Block Offer tendering process to coordinate allocation of permits to explore for petroleum (and gas hydrates). Petroleum exploration is administered by New Zealand Petroleum and Minerals (NZP&M), a part of the Ministry of Business Innovation and Employment, under the Crown Minerals Act 1991 (CM Act). Large areas on offer are subdivided into a grid of 'blocks' (roughly 15x18 km) so prospective bidders can identify the combination of blocks they are interested in. Onshore (land) and offshore (sea) areas may be included. Areas for release are selected to appeal to exploration companies based on their likelihood of containing oil or gas deposits and upon the level of commercial interest.
2. Prior to releasing proposed block offer areas for tender, NZP&M carry out consultation with iwi and hapu (as set out in the *Minerals Programme for Petroleum 2013*). The government has also chosen to consult with potentially affected local authorities although this is not a requirement of the Act.
3. Consultation on Block Offer 2017 proposed release areas started on 17 October and closes on 18 November 2016.
4. The final decision on areas to be released for tender each year is made by the Minister of Energy and Resources. The Minister may respond to submissions received to the Block Offer consultation round by removing proposed areas or by placing conditions on permits to protect areas.
5. Block Offer tenders are normally let in April of the offer year and are open for six months. Assessment of bids follows, then final decisions are made by the Minister. Successful bidders are publically notified of the granting of exploration permits in December. Permits granted for each Block Offer round will generally commence in April of the following year. Offshore exploration permits are granted for a term of 12 years in the Taranaki basin and 15 years elsewhere.

Regulatory framework for oil and gas exploration

6. An exploration permit granted under the CM Act gives a permit holder the rights to search for commercially recoverable reserves of oil and gas in a specific area. The activities allowed encompass sampling, aeromagnetic surveys, geological studies, compiling reports, seismic surveys and drilling exploratory wells to establish if oil or gas is in the area.
7. Before any exploratory drilling takes place the operator must also obtain a consent that manages the potential environmental effects. A marine consent must be obtained from the Environmental Protection Authority (EPA) under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act) for exploratory drilling in the EEZ (i.e. beyond territorial waters that extend 12 nautical miles offshore). A resource consent under the Resource Management Act 1991 (RMA) must be obtained from the relevant local authority if drilling is on land or in territorial waters (from mean high water spring tide level to 12 nautical miles offshore, also known as the Coastal Marine Area).
8. The EPA must receive a detailed Environmental Impact Assessment (EIA) before approving any marine consent. The EIA will specifically address the value and vulnerability of the environment, the threats potentially posed by the drilling operations, and set out measures proposed to prevent or mitigate the resultant risks.

9. The government broadly supports the industry position that technological advances and management requirements can reduce the probability of well blow out as far as practicable. Available prevention and mitigation measures include (amongst others); contingency planning, training and monitoring, blockage with drilling muds and cement, installing specialized blow-out preventers, sourcing and using a capping stack, and drilling a relief well.
10. In the event that an exploration permit was granted by the Ministry that included areas of Auckland's coastal marine area, any activities would need to comply with Auckland Council's RMA documents. The principal RMA documents are the operative Auckland Council Regional Plan: Coastal and the Auckland Unitary Plan. Under these documents seabed disturbance associated with oil or gas exploration would be a permitted activity provided various size and area controls are met. However, well drilling activities would exceed these controls; and would be a restricted discretionary activity. Oil and gas wells would be a discretionary activity in terms of their construction and occupation by a structure and related discharges. The various consent requirements associated with a potentially complex activity like oil and gas exploration are generally 'bundled' together and would be processed as a discretionary activity as a whole.
11. Other matters are managed by various other government departments. Worksafe New Zealand manages any health and safety concerns. The Department of Conservation manages guidelines for minimising disturbance to marine mammals from seismic surveys and seismic surveying regulations in marine mammal sanctuaries. Maritime New Zealand (MNZ) manages the oil spill response preparedness of operators and is responsible for coordinating the response to any major oil spills.
12. Before drilling can start MNZ must also approve a Discharge Management Plan (DMP) which sets out how the environmental impacts from discharges including oil will be managed. The DMP covers similar topics to the assessment submitted to the EPA in support of a marine consent application but provides more specific information, such as a Well Control Contingency Plan, to deal with a well blow-out and other potential oil spill risks.
13. MNZ works in partnerships with regional councils, the oil industry, and overseas agencies to develop and maintain a national oil spill response capability. The Ministry produces and periodically reviews a national marine oil spill risk assessment and develops and maintains the national oil spill response strategy, and contingency plan.
14. In the event that commercially viable deposits of oil or gas are found, the operator has a right to apply to NZP&M for a petroleum mining permit. Consents must also be obtained from the relevant local authority under the RMA for activities within the territorial sea, or from the EPA for activities beyond the territorial sea, before production drilling could take place.