

16 February 2018

Submission on the Overseas Investment Amendment Bill  
Finance and Expenditure Select Committee  
Parliament Buildings  
Wellington

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## PEPANZ Submission: Overseas Investment Amendment Bill

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### Introduction

This document constitutes the Petroleum Exploration and Production Association of New Zealand's (PEPANZ) submission in respect of the Overseas Investment Amendment Bill, which was introduced to the House of Representatives on 14 December 2017. PEPANZ represents private sector companies holding petroleum exploration and mining permits, service companies and individuals working in the industry.

### Summary

- PEPANZ does not express a view on limiting foreign speculators from purchasing residential property, but draws attention to the broad application of the law and how it affects non-speculative businesses.
- The restrictions on overseas purchase of residential property would affect overseas oil and gas companies which may, from time to time, seek to purchase property.
- Property purchases by oil and gas companies are not for speculative purposes. Any such purchases would be for either the development of infrastructure, or to manage amenity effects on householders not wishing to be subject to possible effects (e.g. noise) of nearby operations.
- It is important that the legislation focuses on its primary purpose of managing foreign property speculators without unintentionally preventing other legitimate, non-speculative economic activity.
- Petroleum operations near residences are not typical, however we seek policy that caters for future potential without undue restriction on property acquisition for the mutual benefit of the company and property vendor.
- The Committee should ensure the exemptions in the legislation provide adequate and reasonable pathways for non-speculative overseas persons to purchase residential property.

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## Submission

### Introduction

1. PEPANZ welcomes the opportunity provide a submission on the Overseas Investment Amendment Bill. We note the original deadline of 23 January, and support the Committee extending consultation on out to 16 February 2018.
2. We wish to be heard by the Finance and Expenditure committee in support of this submission.

### The Bill and its potential relevance to overseas oil and gas companies

3. The Overseas Investment Amendment Bill would limit foreign persons from acquiring residential land, by classifying it as 'sensitive' and thereby bringing it under the ambit of the Overseas Investment Act 2005.
4. Overseas oil and gas companies may, on occasion, wish to purchase properties for their economic activities. Although unlikely and infrequent, this may also include residential properties from time to time.
5. We acknowledge that petroleum operations near residences are not typical and are subject to a comprehensive regime to manage effects. For the Committee's general information, we also note that access arrangements are required for access to land in accordance with the Crown Minerals Act 1991.
6. Nonetheless in the case of purchases being pursued, we seek overseas investment policy that caters for future potential without undue restriction on property acquisition. Accordingly, PEPANZ's submission intends to draw attention to potential unintended consequences of the proposed legislation, noting that Labour Party manifesto is to simply "*...ban foreign speculators from buying existing New Zealand homes. This will remove from the market foreign speculators who are pushing prices out of reach of first home buyers*".<sup>1</sup>
7. From the Labour Party's manifesto commitment, we presume the focus should be on foreign speculators (a policy that PEPANZ does not express a view on), and that implications for other foreign companies should be carefully considered by the Committee and managed through practical exemptions. Foreign oil and gas companies make significant economic contributions at both a national and regional level, frequently through joint venture arrangements with New Zealand companies. These foreign firms currently meet the *benefit to New Zealand test* under the Overseas Investment Act 2005.

### Potential issues with the legislation

8. It is important that the legislation allows the Overseas Investment Office to exempt non-speculative buyers from the proposed restrictions with minimal bureaucracy. We note the Regulatory Impact Statement's comment that the Overseas Investment Office currently screens around 150 applications per year, but that is expected to increase to around 4,700 per year under the proposed regime.<sup>2</sup>
9. We acknowledge that the Bill includes tests that allow foreign buyers to acquire residential land, and it is important these cater for non-speculative buyers including overseas oil and gas companies.

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<sup>1</sup> Source: <http://www.labour.org.nz/housing>.

<sup>2</sup> Source: p26, Regulatory Impact Statement, <http://www.treasury.govt.nz/publications/informationreleases/ria/pdfs/ria-tsy-srl-dec17.pdf>.

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10. We understand that the Bill, in new section 16F, proposes extra conditions (in addition to the typical *benefit to New Zealand* test) that must be imposed if residential land is to be sold to overseas persons. We comment on aspects of two tests that pose potential issues:
- New section 16F(2)(b) is relevant, in that it potentially enables foreign acquisitions with “*a condition that, within a specified period, the relevant overseas person retains no relevant interest in the residential land.*” For this to be workable for oil and gas companies, it must be understood and acknowledged that petroleum mining permits can be extended in duration or renewed, which means any “specified period” must be able to account for extensions of duration to permits.
  - New section 16F(2)(c) may have the unintended consequence of in fact reducing the available housing stock. The subsection contemplates “*a condition that, for so long as the relevant overseas person has a relevant interest in the residential land, the residential land will not be used for residential dwellings or long-term accommodation facilities.*” In the event that a company purchased a property because a householder nearby to oil and gas activity considered the amenity effects too great, this rule would prevent the company from leasing the house to another individual who was willing to accept the amenity effects.