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Environmental Protection Authority
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PEPANZ Submission: Application of OMV GSB Limited for marine consent

Introduction

1. The Petroleum Exploration and Production Association of New Zealand ("PEPANZ") represents private sector companies holding petroleum exploration and mining permits, service companies and individuals working in the industry.
2. This document constitutes the PEPANZ's submission in support of the application of OMV GSB limited for marine consent¹, which closes for consultation on 27 May 2019.
3. This submission:
 - i. provides context about the New Zealand petroleum sector,
 - ii. explains our support for the marine consent application.

Submission

Part 1. Background to the New Zealand petroleum sector

What is oil and natural gas used for in New Zealand?

4. Oil and natural gas provide 54% of New Zealand's total energy (natural gas 21% and oil 33%).²
5. Natural gas provides 12% of our electricity supply, acting as a crucial backup and enabler of renewable sources which can have variable supply.³ In this way it avoids blackouts and keeps electricity prices much lower than would otherwise be the case.
6. Major industrial users of natural gas include milk plants, timber processing, fertiliser production and methanol production. For most of these heat processes there is no viable alternative apart from coal.
7. New Zealand's oil is high quality (low sulphur content) and is nearly all exported overseas. It requires less processing (and therefore produces fewer emissions) than other global sources of oil.

Part 2. Support for the application

8. PEPANZ supports the application and considers the Decision-Making Committee should grant marine consent. We are aware that public submissions can only be made in relation to the scope of the notified activity – namely deck drainage discharges – but clearly the activity is intrinsically related to the core activity of Great South Basin

¹ <https://www.epa.govt.nz/public-consultations/open-consultations/omv-gsb-limited/>

² <http://www.mbie.govt.nz/info-services/sectors-industries/energy/energy-data-modelling/publications/energy-in-new-zealand/documents-images/energy-balances.xlsx>

exploratory drilling which will be sought under a separate non-notified marine consent application.

9. We therefore support this current discharge consent application on the basis of its benefits of the broader activity to which it relates, and note that without this consent the exploratory drilling cannot take place.
10. As outlined in the context section, domestically produced petroleum provides domestic energy security and is valued on the international market because of its excellent properties. This operation, especially if developed upon successful discovery of commercial petroleum resources, would continue the substantial economic contribution of the sector to New Zealand. These benefits are outlined below.

Employment

11. The industry creates employment for up to 11,720 jobs, including 7,070 in Taranaki.⁴
12. The average salary in the petroleum and minerals sector is \$105,000 - twice the New Zealand average of \$50,000.⁵
13. Taranaki (currently the only region in New Zealand producing petroleum) has the second highest regional GDP per person in New Zealand of \$68,427, compared to a national average of \$58,778.⁶

Economic benefits

14. On average the Government receives around \$500 million per year in royalties and taxes from the oil and gas sector.⁷
15. 42% of all profit from most producing fields are returned to the New Zealand government in the form of royalties and levies and corporate tax.⁸
16. Over \$2.5 billion contributed to New Zealand's GDP each year.⁹

Environmental considerations

17. The Key Issues report¹⁰ "find[s] that the potential adverse environmental effects will be negligible". We draw specific attention to the following points:
 - i. The Stantec report¹¹ states on page 14 that "*I conclude that the potential adverse effects of the discharges sought by the current application are not irreversible or significant and, as such, for this application I do not consider that the DMC needs to "favour caution and environmental protection" as directed by section 61(2) of the EEZ Act.*"
 - ii. The OGS report¹² states on page 14 that "*Based on a review and analysis of the information provided by OMV, it is my opinion that there are no perceived residual risks that cannot be mitigated or managed*".
 - iii. The Key Issues report states on page 11 that "*The standard of the deck drain system, harmful substance storage and handling protocols, and emergency response procedures outlined in OMV's IA align with industry best practice.*"
 - iv. The Key Issues report also states on page 11 that "*Worst case modelling has shown that the concentration and volumes of harmful substances potentially*

⁴ *The Wealth Beneath our Feet*, (Venture Taranaki) March 2015

⁵ <https://www.nzpam.govt.nz/our-industry/value-benefits/>

⁶ Stats NZ <https://www.stats.govt.nz/information-releases/regional-gross-domestic-product-year-ended-march-2018>

⁷ Over the last 10 years the average royalty per year alone has been \$324,423,353. Source: New Zealand Petroleum and Minerals and <https://www.radionz.co.nz/news/business/316602/oil-and-gas-royalties-plummet>

⁸ <https://www.nzpam.govt.nz/our-industry/value-benefits/>

⁹ <https://www.energystream.co.nz/news/2015/mar/20/wealth-beneath-our-feet-value-of-the-og-industry-to-nz>

¹⁰ <https://www.epa.govt.nz/assets/FileAPI/proposal/EEZ100018/Applicants-proposal-documents-Application-documents/95e9f50ab9/Marine-Discharge-Consent-Application-Deck-Drainage-GSB-EEZ100018.pdf>

¹¹ https://www.epa.govt.nz/assets/FileAPI/proposal/EEZ100018/External-advice-and-reports-External-reports/46204a7205/Stantec_Uncertainty_Report_3-07-18_EEZ100017.pdf

¹² https://www.epa.govt.nz/assets/FileAPI/proposal/EEZ100018/External-advice-and-reports-External-reports/3724a6d903/OGS_Technical_Review_EEZ100018_8_May_2019.pdf

discharged into the marine environment will be rapidly diluted to below ecotoxic levels within a highly localised area around the point of discharge."

- v. The above Key Issues report also states on page 11 that *"Any substance discharged into the marine environment will immediately undergo rapid dilution, significantly reducing the exposure time for any marine species that come into contact with the discharge."*
- vi. The Key Issues report states on page 12 that *"The potential adverse environmental effects will be negligible."*