

1 February 2024

**Meeting Briefing
Hon Shane Jones
Minister of Resources**

We are looking forward to meeting with you on Thursday 1 February 2024 to discuss the state of play in the upstream petroleum sector and how it can be revitalised. In advance of that meeting please find some background information to inform the discussion.

Defining the issues facing New Zealand's upstream oil and gas sector

New Zealand faces an energy security crisis. In the electricity sector, winter '24 is shaping up to be incredibly tight. Meaningful *and* urgent action is required from the Government to ensure that households and businesses, especially major gas users and electricity generators have the fuel they require when it is needed.

The demonstration pathway from the Climate Change Commission (CCC) clearly shows fossil fuels, natural gas in particular, remaining an important part of New Zealand's primary energy supply through 2050 *and beyond*. However, the business case for on-going and new investment in the sector has become increasingly challenging. This is due to a combination of reasons, including;

1. unsupportive actions from the previous government that undermined the sector's social license;
2. increasingly onerous regulatory requirements imposing unnecessarily high costs and delays; and
3. an elevated sense of sovereign risk as the development of New Zealand's petroleum estate became an increasingly divisive and partisan issue.

Opportunities to encourage investment

Changes affecting the sector over the last 6 years have unnecessarily constrained New Zealand's energy choices and has imperilled our energy security over the long term.

We welcome the repeal of the restrictions on allocating acreage for petroleum exploration, but believe further substantive attention is needed. This includes:

1. the changes to the Crown Minerals Act in relation to decommissioning should be repealed and replaced with a more fair and proportionate set of rules, including the financial assurance requirements;
2. a range of measures to improve the investment climate to encourage investment and protect property rights. If there is need, and the economics work out (including pricing carbon), investment should be allowed to proceed and be secure over its lifecycle; and
3. ensuring the consenting processes (both on and offshore) are streamlined so as to consider only the effects of undertaking a permitted activity, which is separate from the decision to allow petroleum exploration and development.

These three points will need to be reflected in a range of legislative, policy, and operational changes. Attached to this note as an appendix is a summary slide that graphically outlines the problem and the nature of the solution sets. We will speak to the detail of these at the meeting.

Ideally, we would like to see energy, including resource development, return to being an issue that reflects the intergenerational economic and social potential from secure, resilient and affordable supply, and operates within a stable, predictable investment climate that respects property rights.

Timing

Given the pressing issues facing New Zealand energy security (including but not limited to the possibility of blackouts or at least extremely high electricity prices in winter 2024), the sector seeks these issues to be resolved with urgency.

We look forward to working with you and your officials to ensure New Zealand's energy needs can be met in a safe, efficient, and secure way.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'John Carnegie', written in a cursive style.

John Carnegie
Chief Executive

Appendix One: The role of natural gas in New Zealand's low carbon future

NZ blessed with its own natural gas and it needs to be used power NZ's energy transition



- MBIE Energy in NZ 2023 Review:
 - y/e22 2P reserves down ~350 PJ to ~1,650 PJ
 - gas supply forecast to be short from 2028
- problem:
 - combination of technical, commercial and regulatory factors caused reduction in NZ's gas production and reserves
 - gas demand not being met today (e.g. Methanex)
 - likely further reserve and production reduction with y/e23 data
- solution one: protect NZ's y/e23 2P reserves
 - reset investment context by repeal of stifling CMA changes and rebalance CMA/regulations
- solution two: grow NZ's 2P reserves
 - a range of policy and operational changes that will grow economic resilience and revitalise the upstream gas market

