



Office of Hon Simon Bridges

MP for Tauranga
Minister of Energy and Resources
Minister of Labour
Associate Minister for Climate Change Issues

16 MAY 2014

ERSB1314-674

Alex Harris
fyi-request-1602-7b5d327f@requests.fyi.org.nz

Dear Alex

I refer to your Official Information Act 1982 (OIA) request received 9 April 2014, seeking:

All advice on the West Coast Basin release area of the 2014 Block Offer. I am particularly interested in advice (if any) on the conservation values of the land being opened up for exploration.

I have interpreted your request as seeking all official advice, including, briefings, cabinet papers, reports, and aide memoires, received by my office and intended for me. The following documents have been identified as within the scope of your request, and are attached:

- Briefing: Release of areas for consultation for Block Offer 2014 – 8 August 2013
- Cabinet Paper: Release of areas for consultation for Block Offer 2014
- Briefing: Meetings with council and iwi on Block Offer 2014 – 22 August 2013
- Briefing: Briefing on release of Block Offer 2014 – 13 February 2014
- Cabinet Paper: Release of Block Offer 2014
- Aide Memoire: Release of Block Offer 2014 – 11 March 2014

Some information in these documents has been withheld in accordance with s 9(2)(a) of the OIA to protect the privacy of natural persons. In addition, information has been withheld where it is outside the scope of your request.

Another document, 'Report consultation in relation to proposed Block Offer 2014', has been identified as within the scope of your request. This has been withheld in accordance with s 18(d) of the OIA as it is publicly available. You can access it here: <http://www.nzpam.govt.nz/cms/pdf-library/block-offers/2014/block-offer-2014-taranaki-surrender-recommendations-2.7-mb-pdf>

You have the right to ask the Ombudsman to investigate and review my decision to withhold information.

One of the documents I have released, refers to the inclusion of small areas of Schedule 4 land in the proposed consultation areas for Block Offer 2014 “to maintain the integrity of the release areas for the tender process” (Briefing: Release of areas for consultation for Block Offer 2014 – 8 August 2013, paragraphs 11 and 12). I wish to clarify that following my review of this briefing, I instructed officials to remove all Schedule 4 land and World Heritage Areas from the proposed consultation areas.

I note that your request has been made in the context of recent public interest about the inclusion of some of the Victoria Forest Park within the West Coast release area of Block Offer 2014.

Once the initial nomination areas for Block Offer 2014 were defined, land which comprises part of Schedule 4 (land to which access restrictions apply) of the Crown Minerals Act 1991 was removed. Schedule 4 areas include all national parks, nature reserves, scientific reserves, wildlife sanctuaries and marine reserves, among others. All World Heritage Areas and any land which falls under clause 3.1 of the Minerals Programme for Petroleum 2013 were also removed. These areas were removed due to a previous policy direction that no mining should occur in Schedule 4 or World Heritage Areas.

The approach historically has been that other parts of the conservation estate should be included in the block offer process. This is because their status as part of the conservation estate is not necessarily incompatible with petroleum activity, subject to this activity meeting other regulatory requirements. Victoria Forest Park is not a national park, and is not within Schedule 4. For this reason it was not excluded from the block offer process.

The Department of Conservation (DOC) provides the Ministry of Business, Innovation and Employment (MBIE) with a full list of all the conservation areas in New Zealand, of which there are about 20,000, which MBIE analyses in order to remove Schedule 4 and World Heritage areas from Block Offer areas. Outside of Schedule 4 land, DOC does not provide advice on a hierarchy of other conservation land.

I note that 28 per cent of the proposed West Coast release area was removed during the consultation process before it was finalised for Block Offer 2014.

It is also important to remember that a block offer is a call for exploration bids, and that exploration itself is just the first step in a long process that may or may not lead to production. Any operator wanting to undertake exploration activity within the conservation estate would first need to meet all of the regulatory requirements, including gaining an exploration permit and securing an access arrangement from DOC.

Any drilling activity would also likely require a resource consent under the Resource Management Act 1991 from the relevant territorial authority. You can read more about New Zealand's regulatory framework for petroleum at <http://www.nzpam.govt.nz/cms/pdf-library/petroleum-publications/petroleum-guide>

Thank you for taking the time to write to me about this issue.

Yours sincerely

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

Hon Simon Bridges
Minister of Energy and Resources

In Confidence

8 August 2013

Release of areas for consultation for Block Offer 2014

Purpose

The purpose of this briefing is to seek your agreement to release for consultation with iwi and hapū the proposed areas for the Block Offer 2014 competitive tender, and to update you on the consultation process. It also seeks your agreement to inform your Cabinet colleagues that this consultation will soon be underway.

Action Sought

	Action Sought	Deadline
Minister of Energy and Resources	Agree to the recommendations	15 August 2013

Ministry Contacts

Name	Position and Unit	Telephone		1 ST Contact
		Work	After Hours	
David Binnie	General Manager, New Zealand Petroleum and Minerals			✓
Kevin Rolens	Director - Petroleum, New Zealand Petroleum and Minerals			

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Ministry of Business,
Innovation & Employment

8 August 2013

Minister of Energy and Resources

Release of areas for consultation for Block Offer 2014

Executive Summary

The period for industry and other interested parties to nominate areas for inclusion in Block Offer 2014 closed on 28 June 2013.

The Ministry of Business, Innovation and Employment (MBIE) received 21 nominations from 11 companies for a range of both onshore and offshore areas. Interest in areas has also been registered from multi-client speculative agencies and through petroleum prospecting permit applications (PPPs).

The release areas MBIE officials have proposed for inclusion in Block Offer 2014 covers a range of mature and frontier acreage to appeal to a diverse range of operators. These areas build upon those offered in Block Offer 2013, but also include new, highly prospective areas not previously offered. In total the proposed available acreage for Block Offer 2014 is 432,915km², which is more than double the total area offered for Block Offer 2013.

MBIE officials recommend that you release these proposed areas for consultation with affected iwi and hapū, as well as affected local authorities for their information. A map showing the proposed Block Offer 2014 release areas is available in Annex 1.

Block Offer 2014 will also feature a full, New Zealand wide graticular model for the first time, with the use of a graticular format for both onshore and offshore acreage. This will allow for smaller, more targeted blocks, which reflect the areas of greatest commercial interest.

The proposed release areas also contain acreage that is currently being offered through the Block Offer 2013 process. Any permit areas awarded as part of Block Offer 2013 would therefore be unavailable for Block Offer 2014.

Out of scope

A series of regional visits with affected iwi and hapū and local authorities will be undertaken from 30 August to 13 September prior to the start of formal consultation. These meetings are an opportunity to provide information to affected group on the proposed areas for inclusion in the Block Offer 2014 and to answer any questions they may have.

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You have previously agreed to participate in these regional visits. The venues and invitees for these regional visits are currently being finalised and a full briefing will be provided to you on 20 August.

Formal consultation with iwi and hapū starts on 17 September 2013 and continues for forty working days, ending on 12 November 2013. This consultation informs iwi and hapū about the block offer process and outlines their ability to request that certain areas or sites of significant should not be included in the proposed release areas, or that activities within certain areas be subject to additional requirements.

Any submissions from iwi and hapū will be analysed, along with any requests for exclusion, and a recommendation on the shape of the final release areas will be made prior to the formal bidding period opening on 1 April 2014.

Although the decision on the shape of the areas released for consultation for Block Offer 2014 rests with you as Minister of Energy and Resources, a Cabinet paper noting your decision to release the proposed areas for consultation is attached.

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Recommended Action

We recommend you:

- a **Note** that officials have selected the proposed release areas for Block Offer 2014 based on received nominations and registered interest from industry
- b **Note** that these release areas contain blocks in both well-explored areas and frontier regions where little to no exploration has taken place
- c **Note** that these release areas contain acreage that is currently being offered through the Block Offer 2013 process

e **Agree** to release the proposed areas for consultation with affected iwi and hapū, and to provide this material to affected local authorities for their information

g **Note** that six regional meetings are planned with affected iwi and hapū and local authorities on the proposed areas for inclusion in the Block Offer 2014 competitive tender

David Blinnie
General Manager

New Zealand Petroleum & Minerals

Hon Simon Bridges
Minister of Energy and Resources

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Release of areas for consultation for Block Offer 2014

Background

1. Block Offer 2014 was launched on April 29 2013 and invited nominations from industry and other interested parties for areas for inclusion in the 2014 competitive tender. The nomination period closed on 28 June 2013.
2. The proposed release areas for inclusion in Block Offer 2014 are currently being finalised. Once this is completed, a process of regional engagement with affected iwi and hapū and local authorities will be undertaken prior to the launch of formal consultation in September. The current timing for these stages is as follows:

Stage	Date
Industry nominations	29 April 2013 – 28 June 2013
Minister's regional visits (pre-consultation)	30 August – 13 September 2013
Consultation with affected iwi and hapū	17 September 2013 – 12 November 2013
Analysis of submissions and final sign-off on areas for inclusion	12 November 2013 – 3 February 2014
Bidding period for Block Offer 2014 opens	1 April 2014 – 22 September 2014
Evaluation of bids	22 September 2014 – 10 November 2014
Award of permits	December 2014 and March 2015

Selection of areas

3. The purpose of the industry nominations process is to ensure that there is alignment between the areas that are included in a competitive tender and those areas in which industry has expressed interest in order to attract bids. At the same time it is necessary to constrain the total area offered for tender in order to ensure there is sufficient competition for acreage.

4. MBE received 21 nominations from 11 companies for a range of both onshore and offshore areas. These nominations contained a mixture of both mature and frontier acreage and represent considerable interest in New Zealand petroleum resources.
5. Interest in areas has also been registered from multi-client speculative agencies and through petroleum prospecting permit applications (PPPs).
6. The proposed areas for inclusion in Block Offer 2014 were selected on the basis of their prospectivity and anticipated commercial interest so as to offer a range of mature and frontier acreage to appeal to a diverse range of operators.
7. Officials have also sought to ensure the release areas span 'appraisal' blocks in well-explored areas containing previously drilled wells with flowing hydrocarbons to the surface, through to large blocks in frontier regions where little to no exploration has taken place.

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8. As a result of these considerations, officials recommend the following areas are released for consultation with iwi and hapū:

Area	Location	Available Acreage (km ²) ¹
14ECT-R1	Onshore East Coast Basins	3,142.79km ²
14GSC-R1	Great South and Canterbury Basins	154,293.88km ²
14NCD-R1	New Caledonia Basin	49,051.79km ²
14PEG-R1	Pegasus and Offshore East Coast Basins	76,084.97km ²
14RNL-R1	Northland and Reinga Basins	85,000.38km ²
14TAR-R1	Offshore Taranaki Basin	54,908.00km ²
14TAR-R2	Onshore Taranaki Basin	554.37km ²
14WEC-R1	West Coast Basin	9,870.60km ²
Total acreage		432,915.77km²

A map showing the proposed Block Offer 2014 release areas is available in Annex 1.

9. These proposed release areas have been selected to build upon previous block offers by expanding on basins offered as part of Block Offer 2013, such as the Northland-Reinga Basins, offshore Taranaki Basin and the Great South and Canterbury Basins.
10. In addition, new basins are also proposed for inclusion in Block Offer 2014, including the highly prospective Pegasus Basin, the New Caledonia Basin and the West Coast Basin. In total the proposed area for Block Offer 2014 is more than double that for Block Offer 2013.
11. Consideration has also been given to the sensitivity of the areas proposed for release. As a result, land within Schedule 4 of the Crown Mineral Act 1991, World Heritage sites, and marine reserves (including the Tapuae Marine Reserve, the Parininihi Marine Reserve and the proposed Kaikoura Marine Reserve) have been largely removed from the areas proposed for consultation.
12. While some small areas of Schedule 4 land have been included the release areas, this has been done so to maintain the integrity of the release areas for the tender process. No permits will be awarded over Schedule 4 land, World Heritage site or marine reserves. Maps of these areas are available in Annex 2.
13. In addition, any land which falls under section 3.1 of the Petroleum Programme has also been removed due to its importance to Māori.
14. MBIE officials also sought views from other government agencies in determining the proposed blocks. Agencies did note that some of the areas proposed for release overlap sensitive marine environments.

¹ Note that these figures include the areas currently being offered for competitive tender through the Block Offer 2013 process.

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15. While some of the proposed release areas do intersect marine mammal sanctuaries, as petroleum exploration activities are not incompatible with these sanctuaries, they have been included in the proposed release areas. Similarly, seamount closures and Benthic Protection Areas have also been included in the release areas as their restrictions only apply to fishing related activities.
16. In addition, the environmental effects of petroleum related activities are considered by different parts of the regulatory framework (such as the Resource Management Act 1991 and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012) from those that are concerned with the allocation of rights through the issuing of permits.
17. Block Offer 2014 will also see the use of a graticular format for both onshore and offshore acreage for the first time, so that there will be a full, New Zealand wide graticular model. This will allow for smaller, more targeted blocks, which reflect the areas of greatest commercial interest.
18. Onshore and within the territorial sea (12 nautical miles), individual blocks will be approximately 62.5 km², while offshore beyond the territorial sea individual blocks will be approximately 250 km² in size. Operators will be able to bid on a single block or a combination of contiguous blocks within a release area. Limits on the maximum size of a permit in each release area will be defined in the invitation for Bid document. Maximum permit size will be smaller onshore and in mature offshore areas. Larger permit sizes will be allowed in the frontier offshore areas.

Inclusion of Block Offer 2013 acreage

19. It is worth noting that the proposed release areas contain acreage that is currently being offered through the Block Offer 2013 process. Some of this 2013 acreage will be awarded in December 2013, after the formal consultation period Block Offer 2014 closes, so will therefore be unavailable for inclusion.

Out of scope

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Regional visits

26. In March you agreed to participate in five regional pre-consultation meetings prior to the start of the formal consultation period (briefing 12-13/1196 refers). After consultation with your office, a further meeting has also been added for Wellington.
27. The purpose of these meetings is to provide information to affected iwi/hapū and local authorities on the proposed areas for inclusion in Block Offer 2014 and to answer any questions they may have about the submissions process. It also allows for a more open and informal dialogue between those affected groups and MBIE, and this approach has been well received in the past.
28. It is also proposed that meetings are held with community based industry organisations with an economic focus, including economic development managers from local authorities and chambers of commerce.
29. Senior MBIE officials from New Zealand Petroleum & Minerals (NZP&M) will also attend these regional visits to provide technical and stakeholder support.
30. These visits are scheduled from 30 August to 13 September. Below is a list of proposed meeting dates and locations:

Date	Location
Friday 30 August	Napier
Tuesday 3 September	New Plymouth
Thursday 5 September	Wellington
Thursday 12 September	Whangarei
Friday 13 September	Christchurch
Friday 13 September	Dunedin

31. The venues and invitees for these meetings are currently being finalised and a full briefing containing a detailed outline of the meeting schedule, talking points, questions and answers and specific background information will be provided to your office on 20 August.

Consultation with iwi/hapū

32. Once the regional visits have been completed, formal consultation with iwi and hapū starts on 17 September 2013 and continues for forty working days, ending on 12 November 2013. Consultation with iwi and hapū whose rohe includes some or all of the permit area, or who may be directly affected by the permit, is required under clause 2.2 of the Petroleum Programme 2013.

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33. The purpose of this consultation is to inform iwi and hapū about the block offer process and to identify any concerns they may have with the proposed release areas. Iwi and hapū have the ability to request that certain areas or sites of significance should not be included in the proposed release areas, or that activities within certain areas be subject to additional requirements.
34. Letters outlining the Block Offer 2014 consultation process will be sent to relevant iwi on 17 September 2013 seeking their submissions on the proposed areas for release by the end of the consultation period on 12 November 2013.
35. As part of the formal consultation process, face-to-face meetings with officials can be held at the request of iwi within the allocated timeframe of 40 working days.
36. Submissions from iwi and hapū will be analysed, along with any requests for exclusion, and a final recommendation for the areas available for bidding will be made prior to the formal bidding period opening on 1 April 2014.
37. Although there is no formal requirement for consultation with groups other than iwi and hapū under the Petroleum Programme, MBIE intends to also supply information on Block Offer 2014 to local authorities during the consultation period where their regional or district boundaries lie within or across the proposed release areas.
38. This is consistent with the approach taken in the 2012 and 2013 block offers to ensure a robust and informed consultation process and to assist with building relationships with councils over the lifecycle of a permit.
39. An indicative list of iwi and hapū, and local authorities for consultation is attached in Annex 3.

Risks

40. On 17 September 2013 the proposed blocks for Block Offer 2013 will be made public. It is possible that the increased size of the proposed release areas relative to Block Offer 2013 may raise some concern amongst stakeholders.
41. Stakeholder comments on the proposed blocks are likely to focus on health and safety, and environmental concerns, as they did following the release of the proposed areas for Block Offer 2012 and Block Offer 2013. Stakeholders may also raise concerns about deepwater drilling and the proximity of the proposed blocks to the Marlborough Sounds, Kaikoura and Stewart Island.
42. To mitigate this risk, a communications strategy is being prepared to respond to queries from stakeholders and other affected group once formal consultation is launched. Officials will liaise with your office to deal with any media requests following the release of the proposed areas for consultation.
43. Further material on potential risks and mitigation for your regional visits will be provided in the relevant briefing.

Communications

44. MBIE will issue a media statement when the formal consultation period with iwi and hapū commences on 17 September 2013. We will provide you with a draft of this media statement ahead of this announcement.
45. Details of Block Offer 2014 will also be made publicly available on the NZP&M website.

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46. MBIE will also ensure that other interested parties, including relevant government agencies and industry, are informed about the iwi consultation and local government engagement process.

Consultation

47. Officials have consulted with the following agencies on the proposed release area: The Office of Treaty Settlements, Te Puni Kōkiri, The Department of Conservation, the Ministry for the Environment, The Ministry for Primary Industries, Maritime New Zealand, the Environmental Protection Authority, The Treasury, Land Information New Zealand and MBIE's Labour and Commercial Environment Group. The Department of Prime Minister and Cabinet has also been informed.

Next steps

48. The decision on the shape of the areas released for consultation for Block Offer 2014 rests with you as Minister of Energy and Resources. However, your office has advised us that you wish to take a paper to Cabinet noting your intention to release the areas for Block Offer 2014 for consultation with iwi and hapū.
49. A Cabinet paper noting this decision is attached in Annex 4. Subject to your agreement to release these areas, MBIE officials recommend that you lodge this Cabinet paper with Cabinet office by 10am on Thursday 15 August for consideration at Cabinet Economic Growth and Infrastructure Committee on Wednesday 21 August.
50. Officials would welcome the opportunity to discuss their recommendations with you prior to your final decision. If you agree to this, a time for this meeting will be made with your office.
51. As noted above, a full briefing on your regional visits will be provided to your office on 20 August.

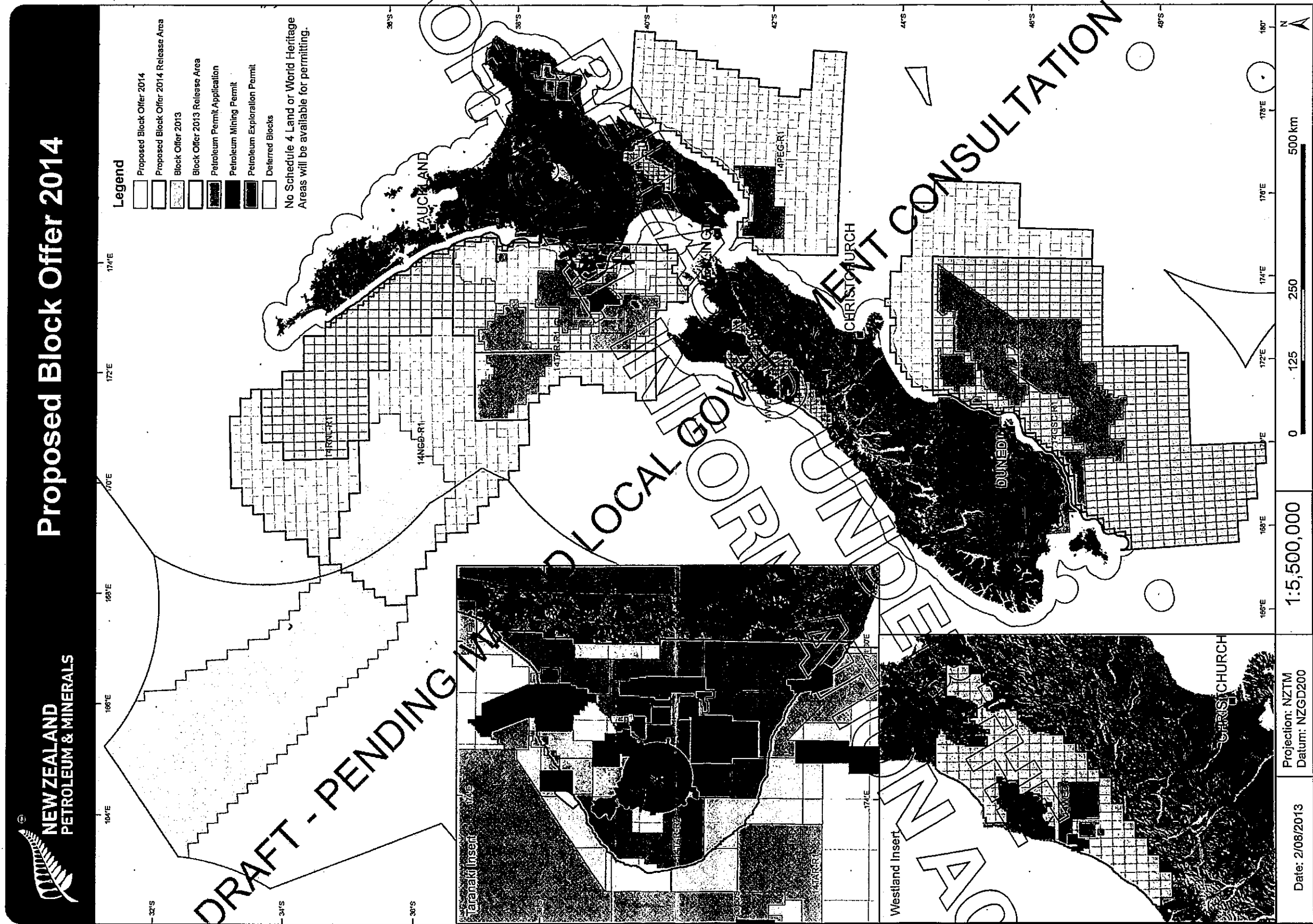
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Annex 1. Percentage changes to the Block Offer 2014 consultation areas and comparisons with Block Offer 2013

Block Offer 2014 Submission Changes				
Proposed Release Areas	Original Area (SQKM)	New Area (SQKM)	Difference (SQKM)	% Change
14ECT-R1	3,142.79	2142.5	-1,000.29	-23%
14TAR-R2	3,440.47	3254.35	-186.32	-5%
14WEC-R1	11,317.73	8199.44	-3,118.29	-28%
14GSC-R1	203,432.81	202,383.62	-1,049.19	-0.52%
14PEG-R1	82,221.15	82,094.37	-126.78	-0.15%
TOTAL	303,554.95	298,074.08	-5,480.87	-2%

Release Area (2013)	Release Area (2014)	Open onshore Blocks / Offshore / Tender Area (SQKM) for Block Offer 2013	Consultation Area (SQKM) for Block Offer 2014
13EC1	14ECT-R1 (New acreage)	429.60	2,142.50
13EC2		891.00	
13GSC-R1	14GSC-R1	111,084.59	141,756.94
13RNL-R1	14RNL-R1	53,746.89	75,190.50
13TAR1		79160	
13TAR4	14TAR-R2	11.81	1,159.03
13TAR5		150.74	
13TAR-R1	14TAR-R1	24,224.16	54,920.92
n/a	14NCD-R1 (New acreage)	n/a	49,051.79
n/a	14PEG-R1 (New acreage)	n/a	75,010.20
n/a	14WEC-R1 (New acreage)	n/a	6,752.24
Offshore Total		189,055.55	395,930.34
Onshore Total		1,562.75	10,053.77
Totals		190,618.30	405,984.11





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OFFICE OF THE MINISTER
OF ENERGY AND RESOURCES

The Chair
Cabinet Economic Growth and Infrastructure Committee

Release of areas for consultation for Block Offer 2014

Proposal

- 1 I have selected the proposed release areas for Block Offer 2014. This selection is based on formal nominations received from industry and other interested parties.
- 2 These areas contain a range of mature and frontier acreage to appeal to a diverse range of operators. These areas build upon those offered in Block Offer 2013, but also include new, highly prospective areas not previously offered. In total the proposed area for Block Offer 2014 is 432,915km², which is more than double the total area offered for Block Offer 2013.
- 3 I intend to release these areas to affected iwi and hapū on 17 September for consultation as required under the provisions of the Crown Minerals Act 1991 regime. This information will also be provided to relevant local authorities. I will consider their respective views before making a final decision on the areas for release once bidding opens on 1 April 2014.
- 4 Prior to this I will undertake a series of regional visits with affected iwi and hapū and local authorities in order to better inform them about the block offer process and to gain an understanding of their preliminary views of the proposed release areas.

Background to Block Offer 2014

- 5 A block offer is defined as a method of allocation by public tender, resulting in the grant of permits to the industry bidders evaluated as most effective and efficient at prospecting, exploring and developing the petroleum resource.
- 6 By using the block offer approach exclusively, the government has more control over the areas open for exploration, can deliver a more transparent process and can more proactively engage with iwi and councils on areas proposed for future exploration tendering.
- 7 This approach is consistent with the priorities outlined in the Business Growth Agenda as a way to encourage environmentally responsible development in New Zealand energy and mineral resources.
- 8 Block Offer 2012 was the first year when an annual approach was used. Twenty-three blocks were tendered last year, with 10 petroleum exploration permits awarded in December 2012. The bidding period is currently open for Block Offer 2013 and further permits are anticipated to be awarded in December.
- 9 The Block Offer 2013 tender was launched on 29 April 2013. Bids are due in September, with permits to be awarded in December 2013.

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- 10 As part of the Block Offer 2013 launch, nominations from industry and other interested parties were invited for areas for inclusion in the 2014 competitive petroleum tender. The nomination period closed on 28 June 2013.
- 11 The purpose of the industry nominations process is to ensure that there is alignment between the areas that are included in the block offer and those areas in which industry has expressed interest in order to attract bids.
- 12 The Ministry of Business, Innovation and Employment (MBIE) received 21 nominations from 11 companies for a range of both onshore and offshore areas. These nominations contained a mixture of both mature and frontier acreage and represent considerable interest in New Zealand petroleum resources.
- 13 Interest in areas has also been registered from multi-client speculative agencies and through petroleum prospecting permit applications (PPPs).

Selection of areas for inclusion in Block Offer 2014

- 14 The proposed areas for inclusion in Block Offer 2014 were selected on the basis of their prospectivity and anticipated commercial interest so as to offer a range of mature and frontier acreage to appeal to a diverse range of operators.
- 15 These proposed release areas have been selected to build upon previous block offers by expanding on basins offered as part of Block Offer 2013, such as the Northland-Reinga Basins, offshore Taranaki Basin and the Great South and Canterbury Basins.
- 16 In addition, new basins are also proposed for inclusion in Block Offer 2014, including the highly prospective Pegasus Basin, the New Caledonia Basin and the West Coast Basin.
- 17 I therefore intend to release the following areas for consultation with affected iwi and hapu:

Area	Location	Available Acreage (km²)¹
14ECT-R1	Onshore East Coast Basins	3,142.79km ²
14GSC-R1	Great South and Canterbury Basins	154,293.88km ²
14NCD-R1	New Caledonia Basin	49,051.79km ²
14PEG-R1	Pegasus and Offshore East Coast Basins	76,084.97km ²
14RNL-R1	Northland and Reinga Basins	85,009.38km ²
14TAR-R1	Offshore Taranaki Basin	54,908.00km ²
14TAR-R2	Onshore Taranaki Basin	554.37km ²
14WEC-R1	West Coast Basin	9,870.60km ²
Total acreage		432,915.77km²

¹ Note that these figures include the areas currently being offered for competitive tender through the Block Offer 2013 process.

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- 18 A map showing the proposed Block Offer 2014 release areas is available in Annex 1.
- 19 Although a significant amount of acreage is proposed for inclusion in the release areas for consultation, the total area permitted will be much less. By comparison, 43,503.98km² was released for bidding as part of Block Offer 2012, and a total of 18,854.76km² was awarded in permits.
- 20 Operators will be able to bid on a single block or a combination of contiguous blocks within a release area. Limits on the maximum size of a permit in each release area will be defined in the Invitation for Bid document. Maximum permit size will be smaller onshore and in mature offshore areas. Larger permit sizes will be allowed in the frontier offshore areas.
- 21 Is it also worth noting that petroleum related activities undertaken by an operator typically involves a much smaller area than the area of the awarded permit.
- 22 Consideration has also been given to the sensitivity of the areas proposed for release. As a result, all land within Schedule 4 of the Crown Minerals Act 1991 (including national parks, nature reserves, wildlife sanctuaries and marine reserves) and World Heritage sites have been removed from the proposed release areas. No permits will be awarded over any Schedule 4 land or World Heritage sites.
- 23 In addition, any land which falls under section 3.3 of the Petroleum Programme has also been removed due to its importance to Māori, such as Mount Taranaki and the Pouakai, Pukeiti and Kaitake Ranges.
- 24 MBIE officials also sought views from other government agencies in determining the proposed blocks. Agencies did note that some of the areas proposed for release overlap sensitive marine environments.
- 25 While some of the proposed release areas do intersect marine mammal sanctuaries, as petroleum exploration activities are not incompatible with these sanctuaries, they have been included in the proposed release areas. Similarly, seamount closures and Benthic Protection Areas have also been included in the release areas as their restrictions only apply to fishing related activities.
- 26 In addition, the environmental effects of petroleum related activities are considered by different parts of the regulatory framework (such as the Resource Management Act 1991 and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012) from those that are concerned with the allocation of rights through the issuing of permits.
- 27 Block Offer 2014 will also see the use of a graticular format for both onshore and offshore acreage for the first time, so that there will be a full, New Zealand wide graticular model. This will allow for smaller, more targeted blocks, which reflect the areas of greatest commercial interest.
- 28 The proposed release areas contain acreage that is currently being offered through the Block Offer 2013 process. Some of this 2013 acreage will be awarded in December 2013 after the formal consultation period on Block Offer 2014 closes, so will therefore be unavailable for inclusion in Block Offer 2014.

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29 Depending on the number of permits granted through the Block Offer 2013 process, further adjustments to reduce the total area available for Block Offer 2014 may be made to ensure there is sufficient competition for acreage.

30

out of scope

out of scope

Consultation with affected iwi and hapū

31 Before the release areas for Block Offer 2013 can be finalised, consultation with iwi and hapū whose rohe includes some or all of the permit area, or who may be directly affected by the permit, is required under the provisions of the Crown Minerals Act 1991 regime.

32 The purpose of this consultation is to inform iwi and hapū about the block offer process and to identify any concerns they may have with the proposed release areas. Iwi and hapū have the ability to request that certain areas or sites of significance should not be included in the proposed release areas, or that activities within certain areas be subject to additional requirements.

33 Although there is no formal requirement for consultation with groups other than iwi and hapū, I also intend to supply information to local authorities on Block Offer 2014 during the consultation period, where their regional or district boundaries lie within or across the proposed release areas, to keep them informed of the process.

34 The consultation period opens on 17 September 2013 and continues for forty working days, ending on 12 November 2013. Submissions from iwi and hapū will be analysed, along with any requests for exclusion. I will make a final decision on the areas available for bidding and inform Cabinet prior to the formal bidding period opening in April 2014.

Regional visits

35 Prior to the beginning of consultation on 17 September 2013, I intend to undertake a series of regional visits with my officials to centres near the proposed release areas.

36 The purpose of these visits is to provide information to affected iwi and hapū and local authorities on the proposed areas for inclusion in Block Offer 2014 and to answer any questions they may have about the submissions process.

37 In addition to the above groups, I also intend to hold meetings with community based industry organisations with an economic focus, including economic development managers from local authorities and chambers of commerce.

38 These regional visits allow for a more open and informal dialogue with those affected groups to proactively address their concerns before the formal consultation period begins.

39 Regional visits were also carried out by the former Minister of Energy and Resources prior to the start of consultation on Block Offer 2013 and these were well received by stakeholders.

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Consultation

- 40 My officials have consulted with the following agencies on the proposed release area: The Office of Treaty Settlements, Te Puni Kōkiri, The Department of Conservation, the Ministry for the Environment, The Ministry for Primary Industries, Maritime New Zealand, The Environmental Protection Authority, The Treasury, Land Information New Zealand and MBIE's Labour and Commercial Environment Group. The Department of Prime Minister and Cabinet has also been informed.

Publicity

- 41 My officials New Zealand Petroleum and Minerals (a business unit in the Ministry of Business, Innovation and Employment) will issue a media statement when the formal consultation period with iwi and hapū and local authorities commences on 17 September 2013.
- 42 Details of Block Offer 2014 will also be made publicly available on the New Zealand Petroleum & Minerals website.
- 43 My officials will also ensure that other interested parties, including relevant government agencies and industry, are informed about the iwi consultation and local government engagement process.

Recommendations

I recommend that the Committee:

- 1 **Note** the proposed areas for inclusion in Block Offer 2014 have been selected on the basis of their prospectivity and anticipated commercial interest so as to offer a range of mature and frontier acreage to appeal to a diverse range of operators;
- 2 **Note** that I intend to release these areas to affected iwi and hapū on 17 September to seek their views on them as required under the Petroleum Programme 2013. This information will also be provided to relevant local authorities;
- 3 **Note** that prior to the beginning of the consultation period I intend to undertake a series of regional visits with my officials to centres near the proposed release areas.
- 4 **Note** that I intend making a final decision on the areas available for bidding in Block Offer 2014 and will inform Cabinet prior to the formal bidding period opening in April 2014.

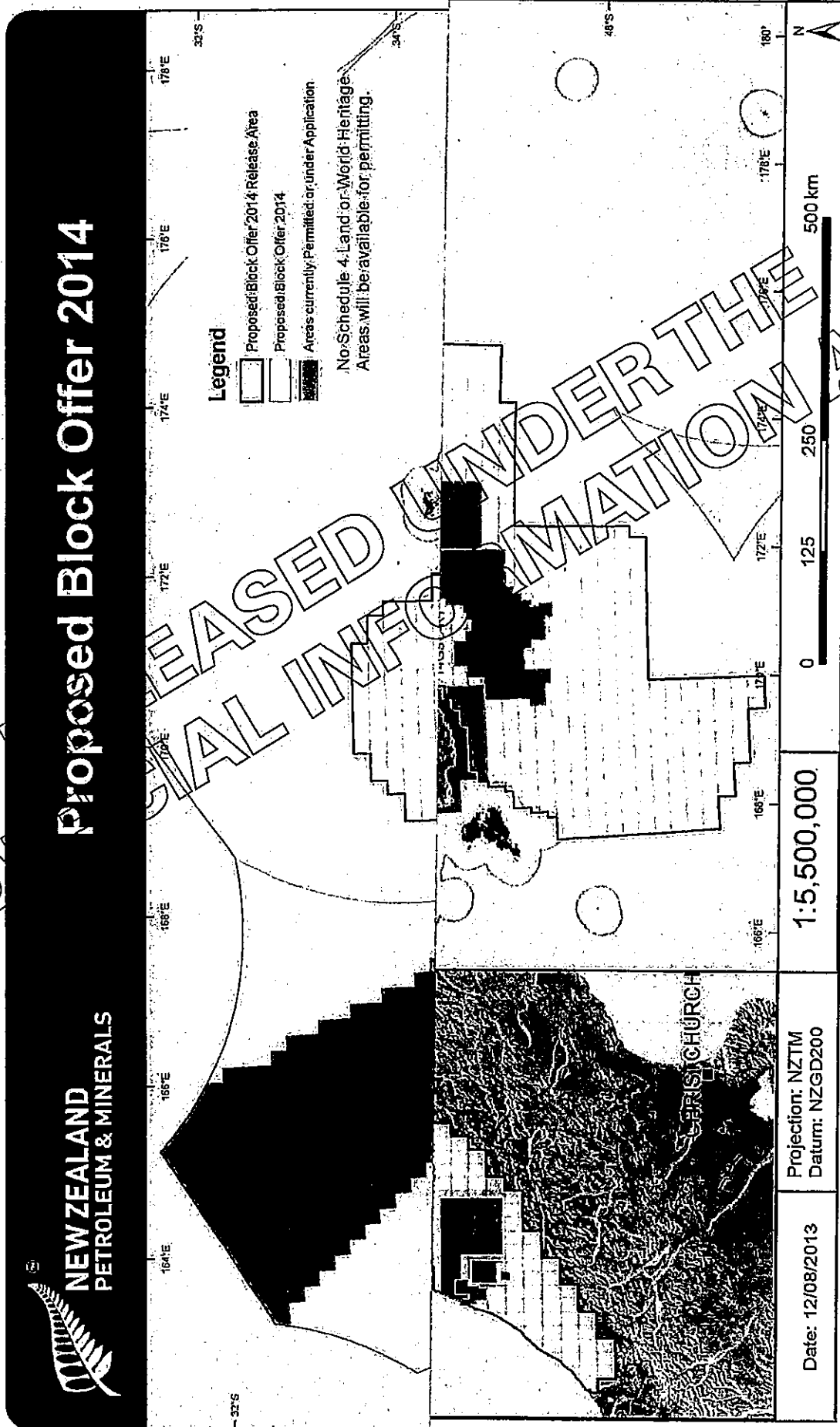


Hon Simon Bridges
Minister of Energy and Resources

13/8/2013

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ANNEX 1: National map showing proposed



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All out of scope except where indicated.

Meetings with councils and iwi on Block Offer 2014

To Hon Simon Bridges	Priority Medium
Date Thursday 22 August 2013	Deadline Thursday 22 August 2013

Purpose

- 1 This briefing provides information and talking points for your programme of meetings with selected councils, iwi and community business leaders to discuss Block Offer 2014. Information to specifically support your scheduled meetings in Whangarei, New Plymouth, Napier, Wellington, Christchurch and Dunedin is also provided.

Recommendation

- 2 We recommend that you:
 - a. Note the contents of this briefing.

Yes / No

Meetings schedule and logistics

7
ape

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Section out of scope plus pages 2-27, plus 29, 34, 36, 37, 38, 39-47, 49-50

Out of Scope

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out of scope

Block Offer 2014

Onshore West Coast Release Area

1. The proposed onshore West Coast Release Area comprises approximately 11,318 square kilometres.
2. The Murchison and Westland Basins remain prospective and are considered lightly explored
3. No onshore blocks are offered in Canterbury, Otago or Southland.

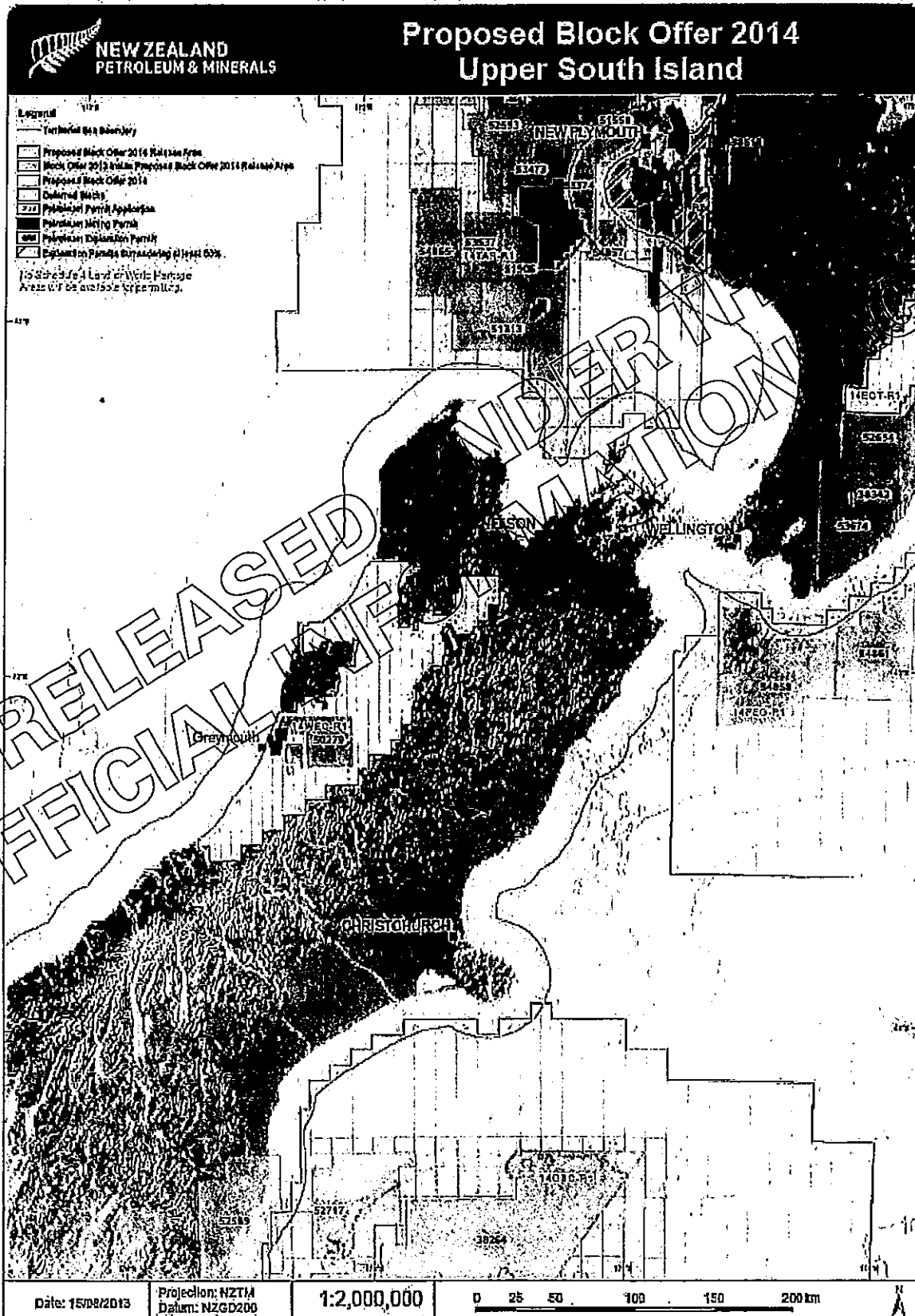
in scope.

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out of scope

Appendix 6: Regional briefing – Christchurch, Friday 13 September (pm)

Map



in scope

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In scope.

Appendix 7: Talking points for council and iwi meetings

General messages and timeframes

- Block Offer 2014 comprises a mix of onshore and offshore areas around New Zealand where NZP&M propose seeking exploration interest next year.
- Before finalising blocks for the 2014 permitting round, NZP&M will undertake formal consultation with affected iwi and councils. This approach is consistent with previous Block Offers in 2012 and 2013.
- The formal consultation period for Block Offer 2014 is from 17 September 2013 to 12 November 2013. This is an opportunity for iwi and councils to make submissions on the proposed Block Offer 2014 areas. (More information on the proposals and how to make submissions will be sent to iwi and councils when consultation begins).
- Feedback/submissions from the consultation will inform the final make-up of the Block Offer 2014 tender.
- NZP&M expect to announce the competitive tender in April 2014.

Block Selection

- Between 29 April and 28 June 2013 the government invited the oil and gas industry to nominate areas they are interested in exploring. This process helps highlight areas of high prospectivity and of commercial interest.
- The nominations phase has informed the proposed Block Offer areas, and is now a regular feature of the annual Block Offer process. The areas nominated are not automatically included in a Block Offer, though.
- The selection of onshore and offshore blocks takes into account technical and commercial interest, and options for collaborative commercial arrangements for seismic acquisition and drilling facilities.
- A mixture of exploration, appraisal and frontier acreage has been selected to appeal to a diverse range of operators, and promote a stable path to oil and gas production.
- The total proposed offshore area is approximately 419,348 square kilometres; and the total onshore area is 13,567 square kilometres.
- In 2014 the method of identifying prospective areas and overlaying a mesh of smaller blocks (called graticules) will be New Zealand wide for both on- and offshore.
- Offshore, each graticule is approximately 250 square kilometres. Onshore each graticule is approximately 62.5 square kilometres.
- Companies will be able to bid for one or more of these smaller blocks (and may bid for a combination of adjacent blocks):
 - Offshore - up to a limit of 10,000 square kilometres in offshore frontier areas and up to 2,500 square kilometres in the offshore Taranaki Basin.
 - Onshore - up to a limit of 250 square kilometres for onshore Taranaki; and up to 1,000 square kilometres for other areas (onshore West Coast and East Coast).
- This approach to determining offshore permit size is consistent with other jurisdictions worldwide.

In scope.

Appendix 7: Talking points for council and iwi meetings

- NZP&M would not expect all these smaller blocks to be taken up in 2014, and some areas could be made available in future Block Offers.
- The proposed offshore areas, excluding current permits, are:
 - Taranaki Basin offshore release area
 - Reinga-Northland Basin offshore release area
 - New Caledonia Basin offshore release area
 - Pegasus-East Coast Basin offshore release area
 - Great South-Canterbury offshore release area
 - West Coast Basin onshore release area (South Island)
 - East Coast Basin onshore release area (North Island)
 - Taranaki Basin onshore release area
- Note that some of the proposed areas contain acreage that is currently being offered through the Block Offer 2013 process. Some of this will be awarded in December 2013 after the formal consultation period Block Offer 2014 closes, so will therefore be unavailable for inclusion at that stage.
- The proposed areas will be available for future permitting rounds, except to the extent that permits have already been granted.
- Land listed within Schedule 4, World Heritage sites and marine reserves have been removed from the proposed areas and no permits will be awarded over those areas.

Engagement and consultation with iwi and councils

- Under the Crown Minerals Act and the minerals programmes for petroleum and minerals, the Crown has an obligation to consult with all iwi in relation to certain permit activity. NZP&M is consulting with 75 iwi with an interest in the exploration areas proposed before finalising blocks for the 2014 tender.
- There is no legal requirement to consult with local authorities, however they have been notified and kept informed about Block Offer to ensure a robust and informed process, and to assist with building relationships with local authorities over the lifecycle of a permit.
- Those iwi and local authorities include:
 - Those where a proposed block is in their rohe or area of jurisdictional control
 - Those where their rohe or jurisdictional area abuts the coast within 100 kilometres of a proposed offshore block.
- This approach is consistent with what has been previously done for Block Offers 2012 and 2013.
- The blocks for Block Offer 2014 will be confirmed following formal consultation with affected iwi and councils. NZP&M expect to announce confirmed blocks available for competitive tender in April 2014.
- Iwi and councils with an interest in Block Offer 2014 are being contacted now ahead of formal consultation commencing on 17 September 2013. The focus on this early engagement is on information sharing and to discuss the approach to consultation.

Appendix 7: Talking points for council and iwi meetings

- In scope*
- NZP&M encourage iwi and councils to participate in the formal consultation process (between 17 September and 12 November 2013) and to make submissions.
 - NZP&M is also available to meet face-to-face about the Block Offer process, the proposed blocks and oil and gas matters generally.
 - Iwi: Meetings and submissions provide an opportunity to identify any concerns with the proposed blocks, including requests that areas of particular importance and sensitivity be excluded from Block Offer 2014.
 - Councils: Meetings and submissions are an opportunity for councils to provide views on the proposed 2014 Block Offer.
 - Of particular interest to NZP&M in submissions will be:
 - How you consider and protect wāhi tapu and other sites of significance, for example in your district plan.
 - Any information you might usefully provide a successful bidder about the areas proposed in the 2014 Block Offer.
 - What do you class as discretionary activities?
 - Do you have any management plans lodged by iwi in your region?

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Out of scope

out of scope

4. How are blocks selected?

Areas are initially selected based on their prospectivity and anticipated commercial interest, so as to offer a range of exploration, appraisal and frontier acreage to appeal to a diverse range of operators and to promote a stable path to oil and gas production.

The final selection also takes into account feedback received from Iwi and councils on areas proposed to be included in a Block Offer, and automatically excludes areas listed as unavailable for mining in Schedule 4 of the Crown Minerals Act 1991.

In 2014 the method of identifying prospective areas and overlaying a mesh of smaller blocks (graticular sections) will be New Zealand wide for both on- and offshore areas. An offshore graticular section is approximately 250 square kilometres and an onshore graticular section is approximately 62.5 square kilometres.

Companies will be able to bid for one or more graticular sections in a release area (and may bid for a combination of adjacent graticular sections).

- Up to a limit of 2,500 square kilometres, or ten 250 km² graticular sections, in the offshore Taranaki Basin release area.
- Up to a limit of 10,000 square kilometres, or forty 250 km² graticular sections, in the offshore Northland/Reinga, New Calédonia, Pegasus and the Canterbury/Great South Basin release areas.
- Up to a limit of 250 square kilometres or four 62.5 km² graticular sections whichever is greater, for onshore Taranaki.
- Up to a limit of 1,000 square kilometres or sixteen 62.5 km² graticular sections whichever is greater, for onshore West Coast (South Island) and East Coast (North Island).

out of scope

Appendix 9: Block Offer 2013 timeline and key actions

Phase	Period
Industry nominations and block selection	April – August 2013
Minister's engagement with iwi, councils and community business leaders	30 August – 13 September 2013
Formal consultation with iwi and engagement with councils	17 September – 12 November 2013
Analyse and respond to submissions from iwi and councils	13 November 2013 – 3 February 2014
Bidding open and Block Offer 2014 promotion	1 April 2014 – 22 September 2014
Evaluation of bids	23 September – 10 November 2014
Award permits	December 2014

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BRIEFING

Briefing on release of Block Offer 2014.

Date:	13 February 2014	Priority:	Routine
Security Classification:	In Confidence	Tracking number:	1811 13/14

ACTION SOUGHT		
	Action sought	Deadline
Hon Simon Bridges Minister of Energy and Resources	Note the attached	6 March 2014

CONTACT FOR TELEPHONE DISCUSSION (IF REQUIRED)			
Name	Position	Telephone	1st contact
Andrew Crisp	DCE, Infrastructure and Resource Markets		
David Binnie	General Manager, New Zealand Petroleum and Minerals		✓
Andrew Millar	Acting Manager, Resource Markets Policy		

THE FOLLOWING DEPARTMENTS/AGENCIES HAVE BEEN CONSULTED

<input type="checkbox"/> MSD	<input type="checkbox"/> NZTE	<input type="checkbox"/> Treasury	<input type="checkbox"/> COMU	<input type="checkbox"/> TEC	<input type="checkbox"/> MoE
<input type="checkbox"/> MFAT	<input type="checkbox"/> DOC	<input type="checkbox"/> MfE	<input type="checkbox"/> MoH	<input type="checkbox"/> TPK	<input checked="" type="checkbox"/> Other

OTS

Minister's Office to Complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

COMMENTS

COMMENTS

EXECUTIVE SUMMARY

Block Offer 2014 was launched on 29 April 2013 when nominations from industry and other interested parties were sought for inclusion in the Block Offer 2014 competitive petroleum tender. These nominations were evaluated to take into account geological prospectivity and anticipated commercial interest. A range of exploration and frontier acreage was sought for inclusion to appeal to a diverse range of operators and to promote a stable path to New Zealand's oil and gas production.

As a result, a mixture of both onshore and offshore petroleum acreage was identified for possible release, including:

- three defined onshore blocks in Taranaki, the East Coast (North Island) and the West Coast (South Island)
- five offshore release areas in the Reinga-Northland Basin, the New Caledonia Basin, the Taranaki Basin, the Pegasus-East Coast Basin, and the Canterbury-Great South Basin.

Under clause 2.4 of the Minerals Programme for Petroleum 2013 (MPP), the Ministry of Business, Innovation and Employment (MBIE) must give relevant iwi and hapū notice in writing of every proposal for a Petroleum Exploration Permit Round. This consultation is carried out by New Zealand Petroleum and Minerals (NZP&M), a business group within MBIE. Consultation is undertaken in accordance with the consultation principles and procedures set out in the MPP and any agreed Crown Minerals Protocol. To better reflect community views, NZP&M also extended consultation to local authorities where consultation areas lay within or across regional or district council boundaries.

Officials notified 99 iwi or hapū groups and 63 local authorities who were potentially affected by the proposed blocks, and invited them to submit their views on the areas for possible tender. The number of groups and entities potentially affected was higher than in Block Offer 2013, when 74 relevant iwi and hapū and 42 local authorities were consulted with. Formal consultation was carried out between 18 September 2013 and 14 November 2013.

Officials also used the consultation process to further investigate the geological prospectivity and commercial viability of the consultation areas to ensure acreage was suitable for inclusion in Block Offer 2014.

A total of 36 submissions were received on the proposed Block Offer 2014: 16 from iwi and hapū and 20 from local authorities. A report analysing these submissions is attached as Annex 1.

A number of general themes were evident from the submissions. These were:

- Concern around the management of health and safety and environmental risks
- The importance of early and on-going engagement on resource matters
- A desire for economic benefits to be seen at the regional/local level
- The need for awareness of sites of local, cultural and historical significance
- The need for resources to enable iwi and hapū to engage effectively on these issues

- Comments on the relationship between the Crown and iwi and hapū over the Crown's management of the petroleum regime

A total of 22 requests to protect certain areas or amendments to the consultation areas were received. These include 11 requests from iwi and hapū, and 11 from local authorities.

Officials have analysed these requests and, with regard to the majority of sites of sensitivity identified, officials consider that the best way to address concerns is to include sites within Block Offer 2014 and to then encourage and facilitate engagement between iwi and hapū and petroleum companies to find their own solutions for avoiding or minimising any impacts of petroleum exploration activities on or near sites of significance.

Officials also consider that the broader framework of legislative, regulatory and operational provisions, which protect sites of cultural sensitivity, in most cases provide for the active protection of sites of significance, and addressed many of the concerns that submitters raised about the potential adverse environmental effects of petroleum exploration activity.

However as a result of submissions and further consideration of the geological prospectivity and commercial viability of the consultation areas, officials are also recommending that the following amendments be made, and conditions apply, to the consultation areas:

- Amend consultation area 14TAR-R2 (onshore Taranaki Basin) to:
 - exclude those sites of significance identified by the Taranaki Iwi Trust which overlap with the New Plymouth District Council district boundaries, until such a time as it will be possible to make a more informed decision regarding the balance of providing active protection and appropriate resource development, once the council led project map to sites of sensitivity to iwi in this area has progressed, and
 - exclude the area known as Parihaka Pā due to its importance to the Taranaki Iwi
- Add a condition to consultation area 14TAR-R2 requiring any operator undertaking petroleum exploration activity within 200 metres of the Tangahoe, Patea and Whenuakura Rivers to give written notification to Te Rūnanga o Ngāti Buanui at least 20 working days before the activity is undertaken
- Amend consultation area 14ECT-R1 (onshore East Coast Basin) to better reflect a more precise assessment of the likely distribution of the resource
- Amend consultation area 14WEC-R1 (onshore West Coast Basin) to better reflect a more precise assessment of the likely distribution of the resource
- Amend consultation area 14PEG-R1 (offshore Pegasus Basin) to remove as part of Block Offer 2014 the overlap with the proposed Kaikōura marine mammal sanctuary due to the Government's intention to implement the Kaikōura Marine Strategy.

The consultation areas that officials recommend are released as the final areas for Block Offer 2014 are shown on the map in Annex 2.

The intention is to announce the areas Block Offer 2014 during the *Advantage NZ: 2014 Geotechnical Petroleum Forum* on 2 April 2014. This will allow for maximum promotional impact and will coincide with the launch of the Block Offer 2015 industry nominations.

Officials believe it will be most suitable if you announce the areas during your speech on April 2 at the Forum. This announcement will be supported by a full communications plan and a media release.

Officials welcome the opportunity to discuss their recommendations with you prior to your final decision. If you agree to this, a convenient time for this meeting will be made with your office.

RECOMMENDED ACTION

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the issues raised by iwi and hapū and local authorities during consultation

Noted

- b **Agree** that the onshore blocks and offshore release areas shown on the map in Annex 3 be released for tender as part of Block Offer 2014

Agree / Disagree

- c **Agree** that the attached *Report on consultation in relation to the proposed Block Offer 2014* will be made publicly available following the launch of Block Offer 2014

Agree / Disagree

- d **Note** that the Ministry will send letters to all those who were consulted with on the proposed Block Offer on the outcome of the consultation process, regardless of whether they submitted or not

Noted

- e **Agree** to lodge the attached Cabinet paper with the Cabinet Office by 6 March noting your intention to release the finalised blocks for Block Offer 2014

Agree / Disagree

- f **Agree** to launch the finalised areas for tender for Block Offer 2014 on April 2 2014 at the *Advantage NZ: 2014 Geotechnical Petroleum Forum*

Agree / Disagree

- g **Agree** to discuss these recommendations with officials prior to your final decision

Agree / Disagree



David Binnie
General Manager, New Zealand Petroleum and Minerals

13 / 02 / 14

Hon Minister Simon Bridges
Minister of Energy and Resources

..... / /

Background

1. A block offer is defined as a method of allocation by public tender, resulting in the grant of permits to the industry bidders evaluated as most effective and efficient at prospecting, exploring and developing the petroleum resource.
2. By using the block offer approach exclusively, the government has more control over the areas open for exploration, can deliver a more transparent process and can more proactively engage with iwi and hapū and local authorities on areas proposed for future exploration tendering.
3. This approach is consistent with the priorities outlined by Business Growth Agenda Ministers in the *Building Natural Resource Business Growth Agenda Progress Report* as a way to encourage environmentally responsible development of New Zealand's energy and mineral resources.
4. While historic block offer approaches were focused on a single 'regional' basin, the current annual block offer approach offers a wider range of onshore and offshore areas across multiple regions in New Zealand.
5. Block Offer 2012 was the first round to use the current approach and was followed by Block Offer 2013 last year. Ten petroleum exploration permits across ten areas were awarded in December 2013 as part of Block Offer 2013.
6. The use of annualised block offers has included a strategic revision as to how permit blocks are allocated. Instead of defining individual blocks in offshore basins, prospective offshore consultation areas were comprised of multiple graticular blocks of approximately 250 km² each. For Block Offer 2014, this approach has been applied more broadly with graticular blocks of approximately 6.25 km² being applied to onshore consultation areas.

Block and offshore release area selection

7. The selection of areas for competitive tender is carried out by officials at the beginning of the block offer process. The areas selected for competitive tender comprise areas nominated by industry participants as being of high commercial interest, and which are also prospective for oil and gas.
8. Officials sought to ensure the areas for tender range from smaller 'appraisal' blocks in well-explored areas containing previously drilled wells through to large blocks in frontier regions where little to no exploration has taken place.
9. During selection of areas for tender, officials sought views from other government agencies¹ in deciding which areas are available for tender and gave consideration to areas of sensitivity in determining the proposed blocks, including Schedule 4 land, World Heritage Sites, marine mammal sanctuaries, and marine reserves. In addition, any which land that fell under clause 3.1 of the MPP was removed.²

¹ Officials sought views from: the Office of Treaty Settlements, Te Puni Kōkiri, the Department of Conservation, the Ministry for the Environment, The Ministry for Primary Industries, Maritime New Zealand, the Environmental Protection Authority, the Treasury, Land Information New Zealand and MBIE's Labour and Commercial Environment Group.

² Clause 3.1 of the MPP lists areas of land which is unavailable for permitting on request on iwi due to its particular importance to their mana.

Areas for proposed tender

10. For Block Offer 2014, a mixture of both onshore and offshore petroleum acreage was identified for possible release, including:
 - a three defined onshore blocks in Taranaki, the East Coast (North Island), and the West Coast (South Island)
 - b five offshore release areas in the Reinga-Northland Basin, the New Caledonia Basin, the Taranaki Basin, the Pegasus-East Coast Basin, and the Canterbury-Great South Basin.
11. The total area identified for possible release was 14,509 km² onshore and 397,129 km² offshore.

Consultation on the proposed Block Offer

12. Clause 2.4 of the Minerals Programme for Petroleum 2013 (MPP) states that New Zealand Petroleum and Minerals (NZP&M) must give relevant iwi and hapū notice in writing of every proposal for a Petroleum Exploration Permit Round. The MPP requires that a period of no less than forty working days be provided to iwi and hapū to comment on the proposal.
13. There is no formal requirement to consult with the public on areas for inclusion in a competitive petroleum tender under the MPP. However to better reflect community views, the views of local authorities were sought as part of Block Offers 2012 and 2013. Their views were also sought as part of the Block Offer 2014 process.
14. Officials identified 99 iwi and hapū and 63 local authorities as being potentially affected by the proposed blocks, and these iwi and hapū were invited to submit their views on the areas for possible tender.
15. Details of the proposed Block Offer were emailed and mailed-out to iwi and hapū authorities and local authorities geographically associated with the proposed blocks on 18 September 2013 to begin the formal consultation period. This information noted that consultation would close on 14 November 2013. Details of the proposal were also made publicly available on the NZP&M website on 18 September 2013.
16. Before formal consultation started, iwi, hapū and local authorities were invited to five regional meetings to preview the proposed consultation areas in Block Offer 2014. During the consultation period officials also responded to a number of requests for face-to-face meeting with iwi, hapū and local authorities.
17. Officials also used the consultation process to further investigate the geological prospectivity and commercial viability of the consultation areas to ensure acreage was suitable for inclusion in Block Offer 2014.

Out of scope.

Summary of submissions

21. A total of 36 submissions were received on the proposed Block Offer: 16 from iwi and hapū and 20 from local authorities. A report analysing these submissions is attached as Annex 1.
22. A number of general themes were evident in the submissions received for Block Offer 2014. These reflected similar themes that were raised during block offers in 2012 and 2013. These were:
 - a Concern around the management of health and safety and environmental risks
 - b The importance of early and on-going engagement on resource matters
 - c A desire for economic benefits to be seen at the regional/local level
 - d The need for awareness of sites of local, cultural and historical significance
 - e The need for resources to enable iwi and hapū to engage effectively on these issues
 - f Comments on the Crown relationship with iwi and hapū over the Crown's management of the petroleum regime
23. A detailed analysis of these themes is attached in Annex 2.

Requests to protect certain land

24. Clause 2.6 of the MPP states that where iwi and hapū have requested that certain areas not be included in a Petroleum Exploration Permit Round or a permit, or that activities within certain areas be subject to additional requirements, they should provide an accurate description of the areas and set out the reasons for their request to assist the Minister to consider the request effectively.
25. The matters that should be covered include, but are not limited, to:
 - a What it is about the area that makes it important to the mana of iwi and hapū
 - b Whether the area is a known wāhi tapu site
 - c The uniqueness of the area; for example, whether it is one of a number of mahinga kai (food gathering) areas or the only waka tauranga (the landing places of the ancestral canoes)
 - d Whether the importance of the area to iwi and hapū has already been demonstrated, for example by Treaty claims and settlements and objections under other legislation
 - e Any Treaty claims which may be relevant and whether granting a permit over the land would impede the prospect of redress of grievances under the Treaty
 - f Any customary rights and/or interests granted under the Marine and Coastal Area (Takutai Moana) Act 2011
 - g Any iwi management plans in place in which the area is specifically mentioned as being important and should be excluded from certain activities.
26. Clause 2.7 of the MPP states that when considering requests by iwi and hapū to exclude any land from a Petroleum Exploration Permit Round or to subject activities in certain areas to additional requirements, the Minister must take into account:
 - a the matters raised by iwi and hapū (including, but not limited to, the matters raised above)
 - b The exercise of customary marine title or of protected customary rights under the Marine and Coastal (Takutai Moana) Act 2011

- c Whether the area is already adequately protected under other legislation
 - d The size of the area and the value of the potential resource affected if the area is excluded
 - e The impact on the viability of undertaking work under a permit if activities within certain areas are subject to additional requirements.
27. Under the Crown Minerals Act 1991 (CMA), the Crown must have regard to the principles of the Treaty of Waitangi when making decisions on block offers. These principles are referred to in the MPP and include the principle of active protection of areas of particular importance to iwi and hapū.
28. For Block Offer 2014, 22 requests for exclusions or amendments to blocks and offshore release areas were received. This includes 11 requests from iwi and hapū and 11 from local authorities. These requests are analysed in full in the report attached in Annex 1.
29. Officials have analysed these requests using the above considerations. With regard to the majority of these sites, officials also consider that the broader framework of legislative, regulatory and operational provisions, which protect sites of cultural sensitivity, provide for the active protection of sites of significance and addressed many of the concerns that submitters raise about the potential adverse environmental effects of petroleum exploration activity. These provisions are discussed in more detail below and in Annex 2.
30. Officials also believe that the best way to address requests is to include important sites in the block offer and to then encourage and facilitate engagement between iwi and hapū and petroleum companies to find their own solutions for avoiding or minimising any impacts of petroleum exploration activities on or near sites of significance.
31. However as a result of submissions and further consideration of the geological prospectivity and commercial viability of the consultation areas, officials are also recommending that the following amendments be made, and conditions apply, to the consultation areas:
- a Amend consultation area 14TAR-R2 (onshore Taranaki Basin) to:
 - i. exclude those sites of significance identified by the Taranaki Iwi Trust which overlap with the New Plymouth District Council district boundaries, until such a time as it will be possible to make a more informed decision regarding the balance of providing active protection and appropriate resource development, once the council led project map to sites of sensitivity to iwi in this area has progressed, and
 - ii. exclude the area known as Parihaka Pā due to its importance to the Taranaki Iwi
 - b Add a condition to consultation area 14TAR-R2 requiring any operator undertaking petroleum exploration activity within 200 metres of the Tangahoe, Patea and Whenuakura Rivers to give written notification Te Rūnanga o Ngāti Ruanui at least 20 working days before the activity is undertaken
 - c Amend consultation area 14ECT-R1 (onshore East Coast Basin) to better reflect a more precise assessment of the likely distribution of the resource
 - d Amend consultation area 14WEC-R1 (onshore West Coast Basin) to better reflect a more precise assessment of the likely distribution of the resource
 - e Amend consultation area 14PEG-R1 (onshore Pegasus Basin) to remove as part of Block Offer 2014 the overlap with the proposed Kaikōura marine mammal sanctuary due to the Government's intention to implement the Kaikōura Marine Strategy 2012: Sustaining our Sea in full

32. The consultation areas that officials recommend are released for competitive tender are shown on the map in Annex 2. This comprises a total of 10,489 km² onshore and 394,154 km² offshore.
33. The following sections contain a more detailed analysis of the recommended amendments for each consultation area.

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Consultation area 14WEC-R1 (onshore, West Coast Basin)

51. Officials have also given further consideration to the geological prospectivity and commercial viability of consultation area 14WEC-R1, and have amended the consultation area to reflect a more precise assessment of the likely distribution of the petroleum resource and the nominations received for this area. This includes removing any area which is only prospective for coal seam gas.
52. As part of this amendment the portion of consultation area 14WEC-R1 that overlaps with the Buller coal plateaux has been removed due to a lack of geological prospectivity for conventional petroleum deposits and due to the ongoing negotiations over the future coal development of the area.

out of scope

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Active protection of sites of sensitivity

63. As noted above, officials recognise the importance attached to areas of local, cultural (including wāhi tāpu) and historical significance and the responsibility to ensure they are actively protected from development where appropriate. The exclusion of defined areas of land of particular importance to the mana of iwi from a block offer is one mechanism to achieve this.

64. However, balanced against this, the Crown also needs to consider the relative prospectivity of the area, as well as any other legislative and regulatory protections that exist for these areas. It is worth noting that the areas selected for Block Offer 2014 were made on the basis of commercial interest and geological prospectivity.
65. A key consideration for officials when considering exclusion requests is what other legislative, regulatory and operational provisions also exist which offer sites of sensitivity a degree of protection.
66. For example, it is important to note that actual activity undertaken by an operator typically involves a much smaller area than the area of the permit block. Therefore, in many cases the best stage to address the sensitivity of specific sites, or the potential for adverse environmental impacts for exploratory activity, is at the point prior to activity occurring under the appropriate legislation. The environmental impact of petroleum exploration activity is managed through the Resource Management Act 1991 (RMA) on land and within 12 nautical miles of the coastline, and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012 (EEZ Act) offshore beyond that point.
67. The RMA requires all decision makers to take into account the principles of the Treaty of Waitangi and to have particular regard to kaitiakitanga. Planning documents such as District Plans also afford protection to taonga and wāhi tapu sites, though some iwi and hapū have expressed concern that the provisions of the RMA do not offer sufficient protection.
68. The EEZ Act provides that the Environmental Protection Authority's (EPA) existing Māori Advisory Committee will advise the Environmental Protection Authority so that decisions made under the Act may be informed by a Māori perspective. The EEZ Act also requires the EPA to notify iwi authorities, customary marine title groups, and protected customary rights groups directly, of consent applications that may affect them.
69. The CMA facilitates a long-term, productive relationship between permit holders and iwi, and in particular requires petroleum permit holders to submit an annual report on iwi engagement to NZP&M.
70. Officials also note that the Ministry has a role in supporting successful engagement between iwi and hapū, and successful Block Offer 2014 bidders. This includes actively facilitating their relationship by providing introductions where appropriate, and continuing to engage directly with iwi, so they have an opportunity to provide further information to companies operating in their rohe in relation to particular sites of local, cultural (including wāhi tapu) and historical significance.
71. The Ministry is also mindful that the information provided by iwi and hapū during the consultation is provided to all parties involved in the resource consent process. With the submitter's permission, the Ministry will write to the relevant regional and district planning authorities to notify them of relevant information from the submissions received through this process, and will provide successful bidders with the information supplied to the Ministry with regard to areas of sensitivity.
72. Officials consider that these legislative, regulatory and operational provisions allow for submitters' concerns to be addressed while also allowing these areas to be included in Block Offer 2014.

Relevant Treaty claims and settlements

73. As per clause 2.3(1)(c) of the MPP, the Crown is required to consider whether a decision will impede the prospect of redress of any Treaty Claims. The Ministry has consulted with the Office of Treaty Settlements (OTS) in relation to this requirement.
74. Block offers need to be considered as part of Treaty settlement negotiations, as there is the potential that land which the Crown offers a permit over could be classified as Maori land. This could mean that clause 51 of the CMA³ would apply to that land, which would provide iwi with the ability to restrict access to it, even if only for minimal impact activities. The implications for both permit holders and affected iwi need consideration.
75. Officials note that the granting of a petroleum permit gives the holder a right to explore for Crown-owned petroleum. However, according to clause 92 of the CMA, it does not constitute the creation of an interest in land. In order to commence exploration activity, a permit holder must obtain permissions from the land owner for access. While this is normally agreed following negotiations between parties, if an agreement cannot be reached, the permit holder has the right to go to arbitration to establish terms of access, except for land set out in clause 55(2) of the CMA.
76. However officials consider that the grant of a petroleum permit under the CMA will not affect the Crown's ability to return land as part of a Treaty settlement or otherwise impede or be prejudicial to the prospect of any redress under the Treaty.

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Out of scope

Risks and issues

80. Officials note that there are potential relationship risks in not excluding areas as a result of submissions from particular iwi, hapū and local authorities.

³ Clause 51 of the CMA outlines the process for entering on Maori owned land for minimum impact activities
MBIE-MAKO-14471689
BRIEFING: RELEASE OF BLOCK OFFER 2014
IN CONFIDENCE

81. By not acting on the concerns of particular iwi or hapū, there is the potential that they may consider that the process is not genuine or that their concerns have not been sufficiently addressed. They may also perceive an inconsistency of approach if the concerns of some iwi and hapū are addressed through the consultation process, but others are not.
82. It could cause them to become disillusioned with broader engagement on issues of petroleum development, which could further impacts on sites of a sensitive nature within their rohe. Iwi may also express their frustration during settlement negotiations if they feel that their submissions have not been taken into account during the Block Offer process. This may impact the time needed to complete settlement negotiations.
83. Officials intend to address this risk by writing to those iwi whose amendment or exclusion requests have not been acted on to explain to them how this decision has been reached. Officials will also continue to work with iwi and hapū to ensure an appropriate dialogue is established between them and any successful bidders so that iwi and hapū concerns can be discussed in that context.
84. Officials acknowledge these concerns and will continue to work with iwi and hapū directly to discuss how they can best be addressed. As noted above, officials will facilitate engagement between iwi, hapū and permit holders, and will provide permit holders with information they have on sites of sensitivity within the boundaries of the permit where appropriate.
85. Officials are also currently preparing guidance material for operators in collaboration with Te Rūnanga o Ngāti Ruanui on expectations for engagement with iwi. This engagement is likely to be a feature of the required annual meeting between permit holders and NZP&M.

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out of scope

consultation

90. Officials have consulted with the Office of Treaty Settlements on this briefing.

Next steps

Finalising the blocks

91. As noted above, officials recommend that all 5 onshore blocks and 5 offshore release areas be put up for tender as part of Block Offer 2014, subject to the recommended amendments and additional conditions outlined above.
92. The decision to finalise the blocks to be offered for competitive tender rests with you as Minister of Energy and Resources⁴. However, officials understand you wish to take a paper to Cabinet noting your intention to release the finalised blocks. A draft Cabinet Paper is attached in Annex 4.
93. Should you agree the recommendations of officials on the final release areas for Block Offer 2014, officials recommend you lodge the attached paper by 6 March 2014.

Letters to submitters

94. The MPP requires that any iwi or hapū who has requested that land be excluded from a Petroleum Exploration Permit Round, or that activities within certain areas be subject to additional requirements, shall be informed in writing of the Minister's decision, and reasons provided if the request is declined.
95. The Ministry will write to all iwi, hapū and local authorities who have been consulted with as part of Block Offer 2014 on the outcome of the submissions process, irrespective of whether they submitted or not, shortly before the formal announcement of the area for competitive tender in late April. In accordance with the MPP an explanation will be provided to those submitters whose requests for exclusions or conditions were declined.

Launch date

96. The intention is to announce the areas for Block Offer 2014 during the Advantage NZ: 2014 Geotechnical Petroleum Forum on 2 April 2014. This will allow for maximum promotional impact and will coincide with the launch of the Block Offer 2015 industry nominations.
97. Launching on this date will provide six months for promotional activities and for companies to submit their bids. The bidding period will close in September 2014 with the intention to announce the successful bidders in March 2015.
98. Officials will provide you with a full briefing on your involvement with the Advantage NZ: 2014 Geotechnical Petroleum Forum in due course.
99. Officials welcome the opportunity to discuss their recommendations with you prior to your final decision. If you agree to this, a convenient time for this meeting will be made with your office.

⁴ Clause 5.4.12 of the MPP states that the location and area of any petroleum exploration permit block offered for bid shall be determined by the Minister.

Annex 1 Report on consultation in relation to the proposed Block Offer 2013

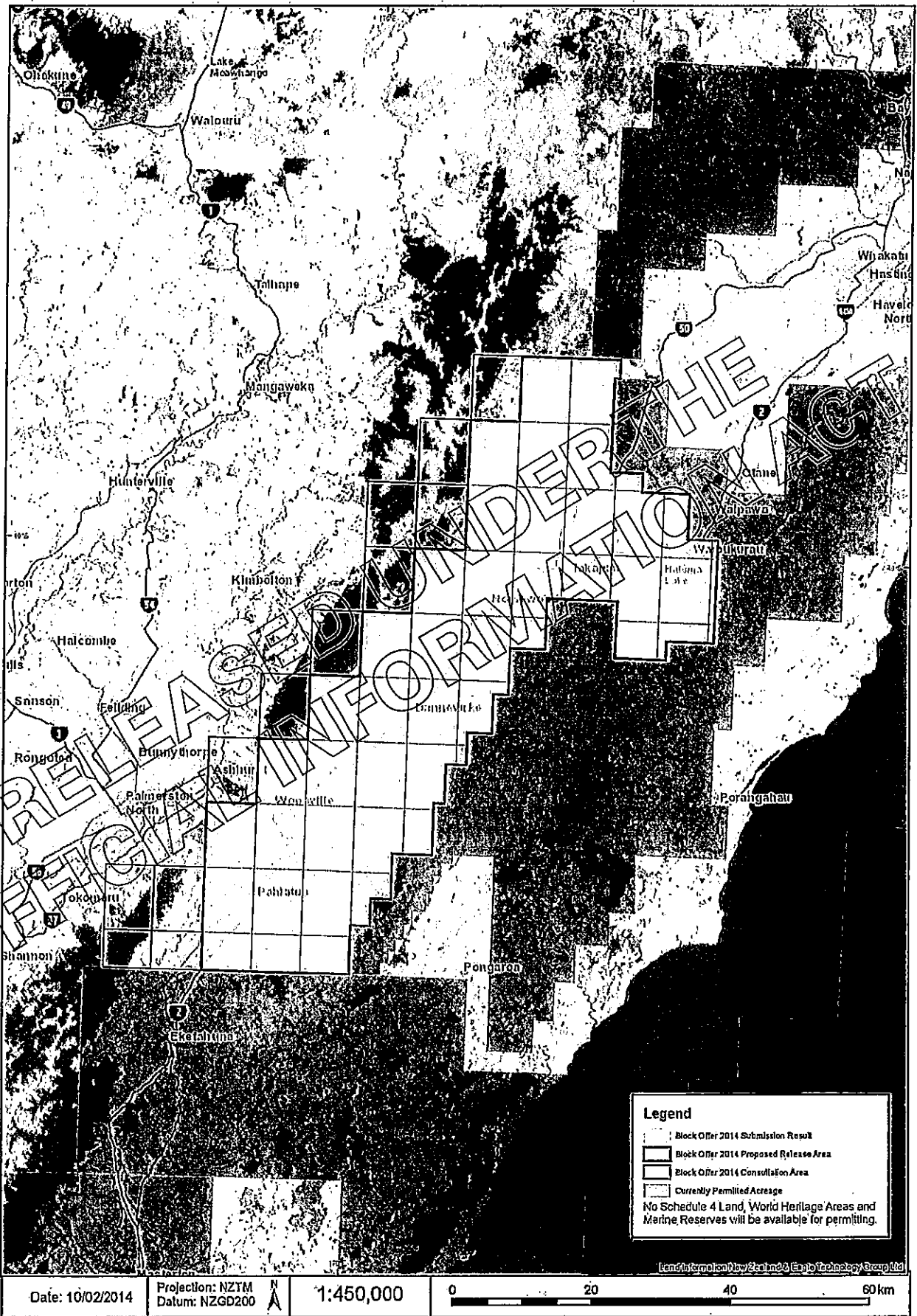
SEE ATTACHED DOCUMENT

Next six (6) pages out of 5 pages

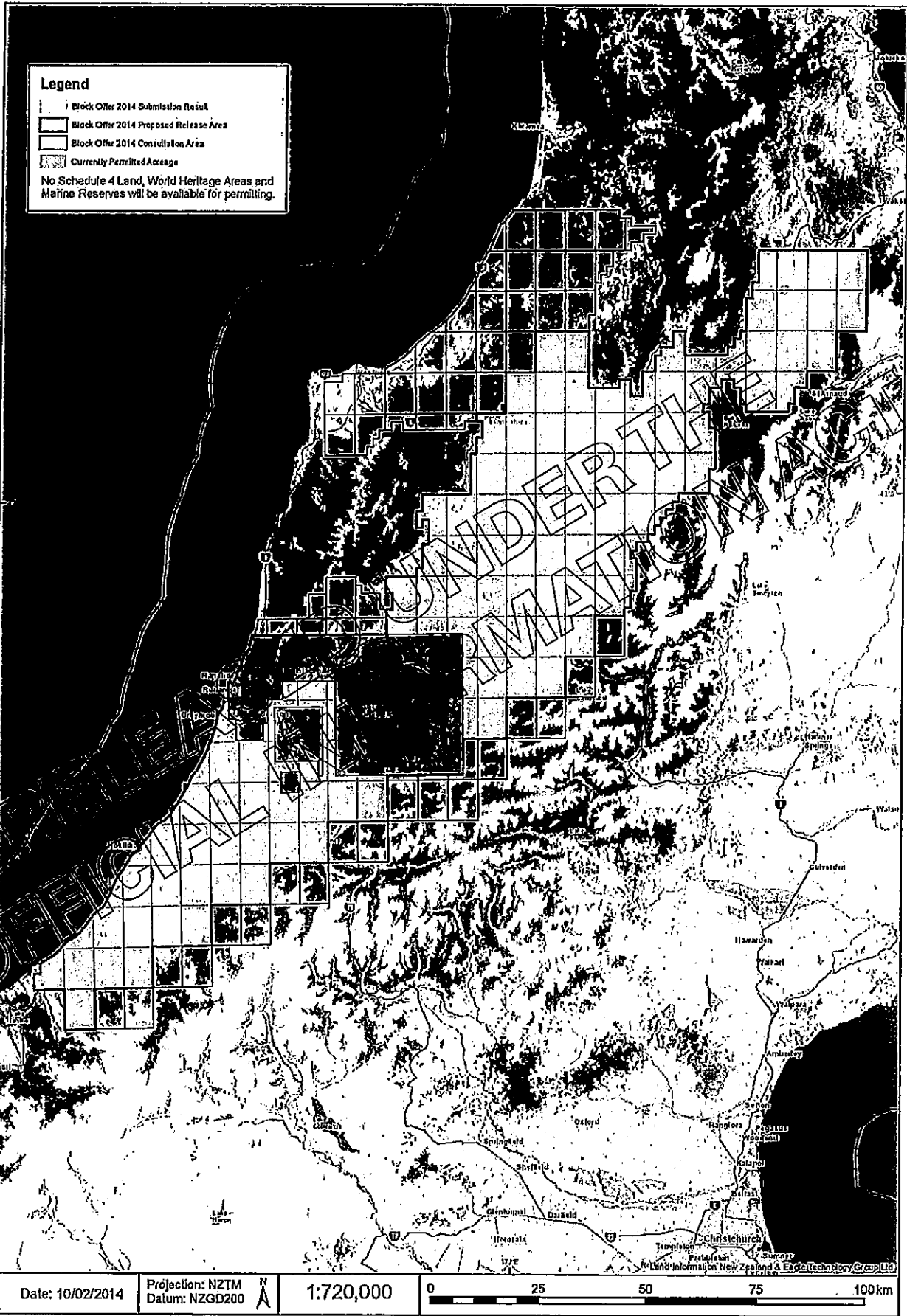
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Consultation Area 14TAR-R2 (onshore Taranaki Basin)

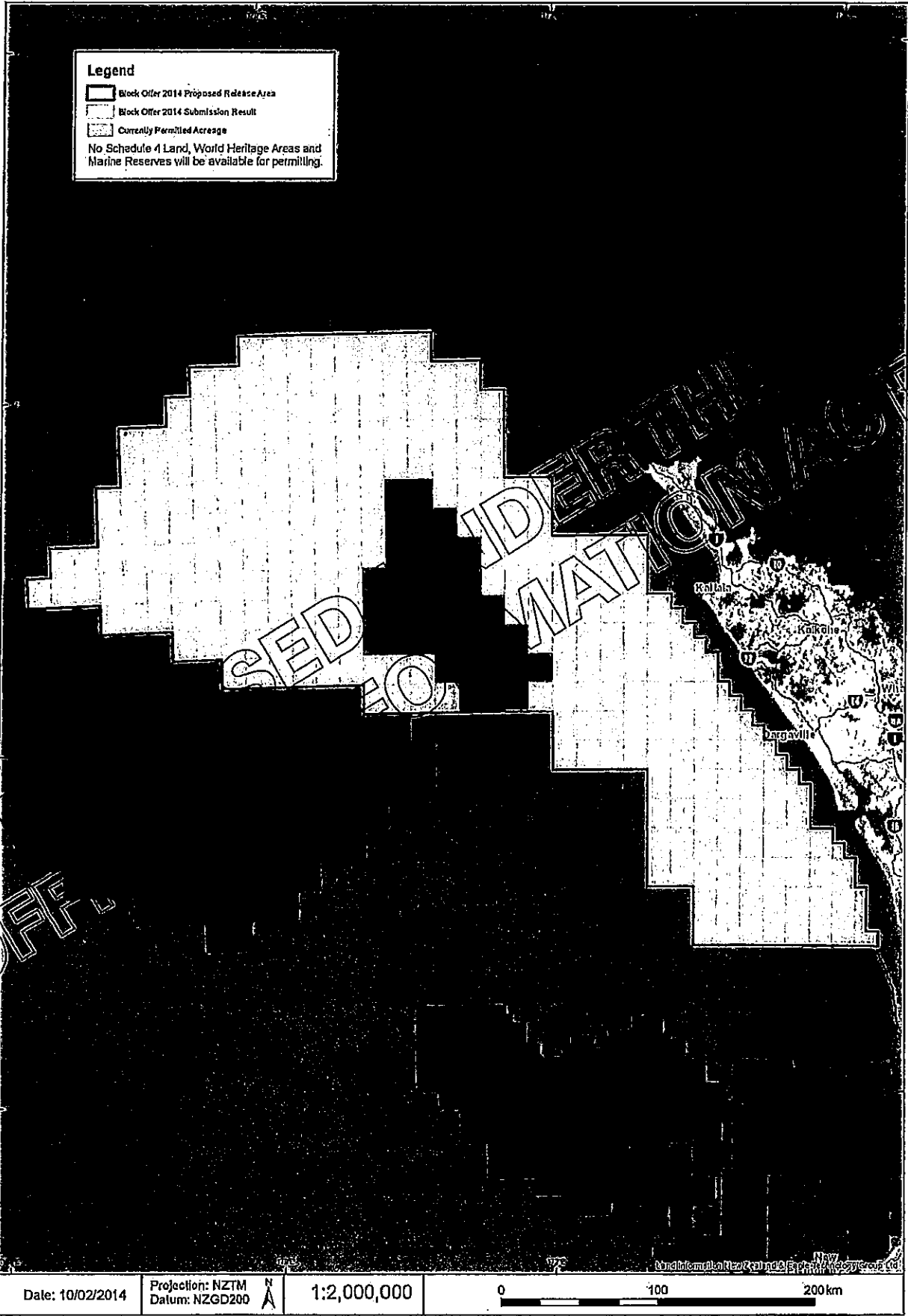


Consultation Area 14ECT-R1 (onshore East Coast Basin)

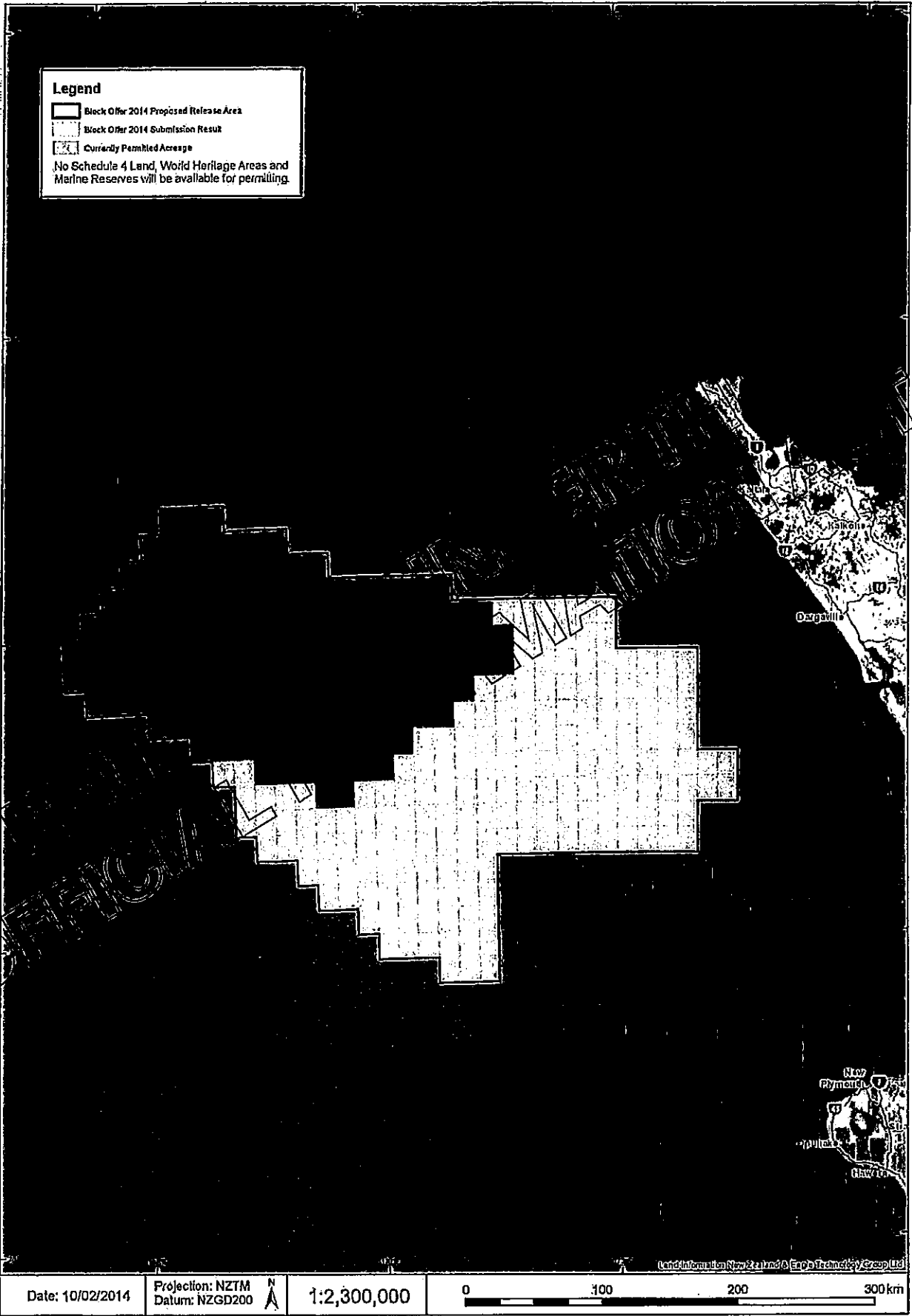


Consultation Area 14WEG-R1 (onshore West Coast Basin)

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 IN CONFIDENCE

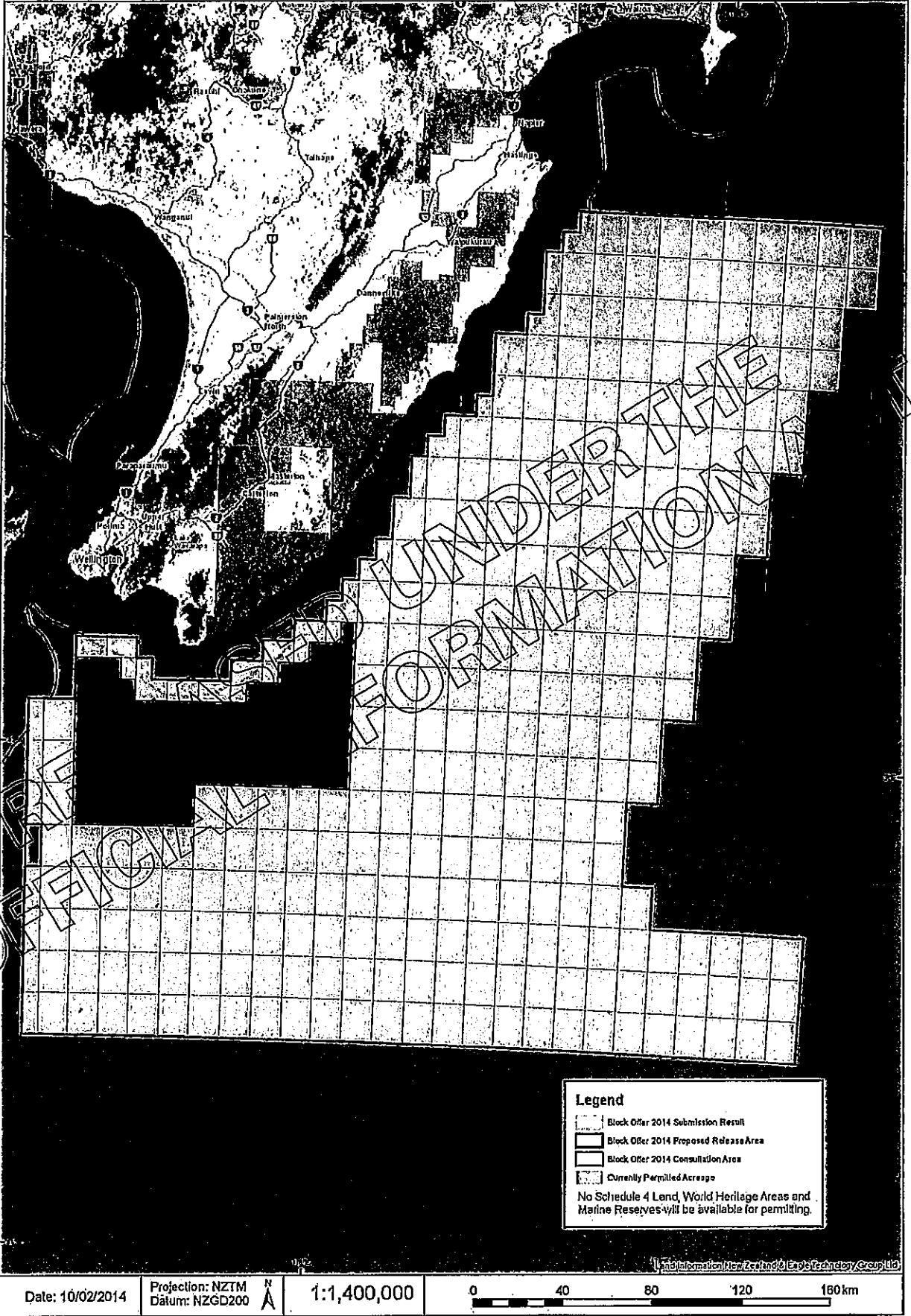


Consultation Area 14RNL-R1 (offshore Reinga Basin)

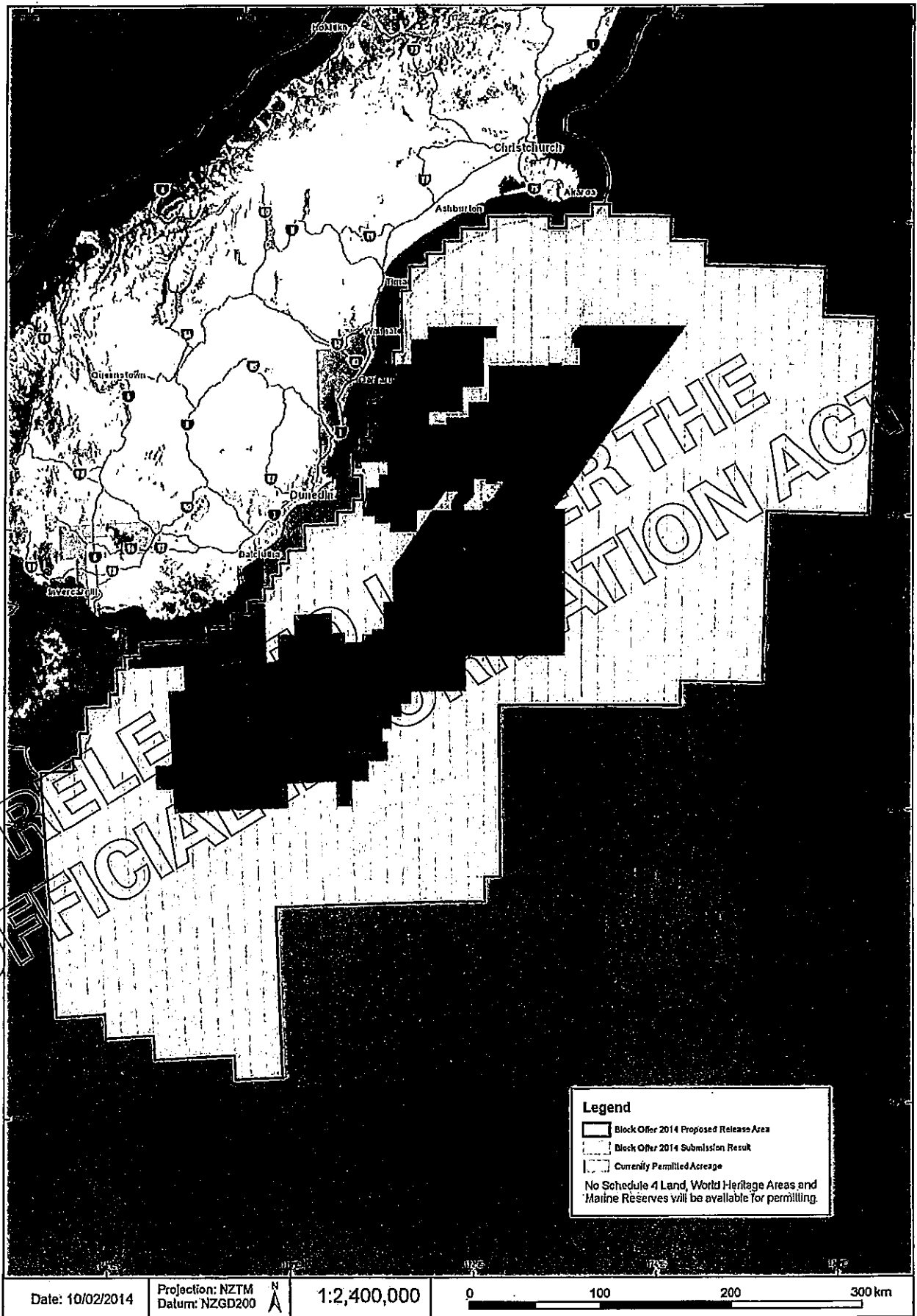


Consultation Area 14NCD-R1 (offshore New Caledonia Basin)

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BRIEFING: RELEASE OF BLOCK OFFER 2014
IN CONFIDENCE



Consultation Area 14PEG-R1 (offshore Pegasus Basin)



Consultation Area 14GSB-R1 (offshore Great South-Canterbury Basin)

Annex 4 Cabinet paper noting the final release areas for Block Offer 2014

[SEE ATTACHED PAPER]

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The Chair
Cabinet Economic Growth and Infrastructure Committee

Release of Block Offer 2014

Proposal

1. This paper notes that I have selected the final areas for the Block Offer 2014 competitive petroleum tender now that consultation with iwi and hapū, and local authorities, on the proposed areas has been undertaken.
2. This process builds on the successes of block offers in 2012 and 2013. Most recently Block Offer 2013 saw ten new petroleum permits awarded in all of the areas available for tender, including three new international companies (StatOil, Woodside and Mont 201). The total area I am recommending for release in Block Offer 2014 is 405,984 km². This represents continued growth in New Zealand's development as a destination for petroleum exploration and production.
4. I intend to launch these areas on 2 April 2014 at the *Advantage NZ: 2014 Geotechnical Petroleum Forum*. The release of these areas will be accompanied by an invitation for Bids (IFB) document and the bidding period will run until September 2014.
- Background to Block Offer 2014
5. A block offer is defined as a method of allocation by public tender, resulting in the grant of permits to the industry bidders evaluated as being the most effective and efficient at prospecting, exploring and developing the petroleum resource.
6. By using the block offer approach exclusively, the government has more control over the areas open for exploration, can deliver a more transparent process, and can more proactively engage with iwi and hapū and territorial authorities on areas proposed for future exploration tendering.
7. This approach is consistent with the priorities outlined by Business Growth Agenda Ministers in the *Building Natural Resource Business Growth Agenda Progress Report* as a way to encourage environmentally responsible development of New Zealand's energy and mineral resources.
8. Block offers have been used successfully in both 2012 and 2013 to award petroleum exploration permits. Ten permits were awarded for both Block Offer 2012 and 2013, representing a collective committed exploration spend of \$144 million.
9. The selection of areas for competitive tender is carried out by Ministry of Business, Innovation and Employment (MBIE) officials at the beginning of the block offer process. The areas selected for competitive tender comprise areas nominated by industry participants as being of high commercial interest, and which are also prospective for oil and gas.

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10 Officials sought to ensure the areas selected for tender ranged from smaller 'appraisal' blocks in well-explored areas containing petroleum titles with a high probability of large blocks in frontier regions where little to no exploration has taken place.

- 11 A mixture of onshore and offshore areas were considered for possible release, including:
- a. three defined onshore blocks in Taranaki, the East Coast (Main Island), and the West Coast (South Island)
 - b. five offshore release areas in the Rangia-Northland Basin, the New Caldera Basin, the Taranaki Basin, the Pegasus-East Coast Basin, and the Canterbury-Great South Basin.

Consultation as part of Block Offer 2014

12 The Minerals Programme for Petroleum 2013 (MPP) states that before a recommendation on a block offer is made to the Minister of Energy and Resources, consultation with appropriate hapū and iwi is required.

13 There is no formal requirement to consult with the public on proposed release areas for a petroleum block offer. However, to better reflect community views, local authorities were included in this process for Block Offer 2014. Where consultation areas lie within or across regional or district council boundaries, this approach was also taken for Block Offer 2012 and Block Offer 2013.

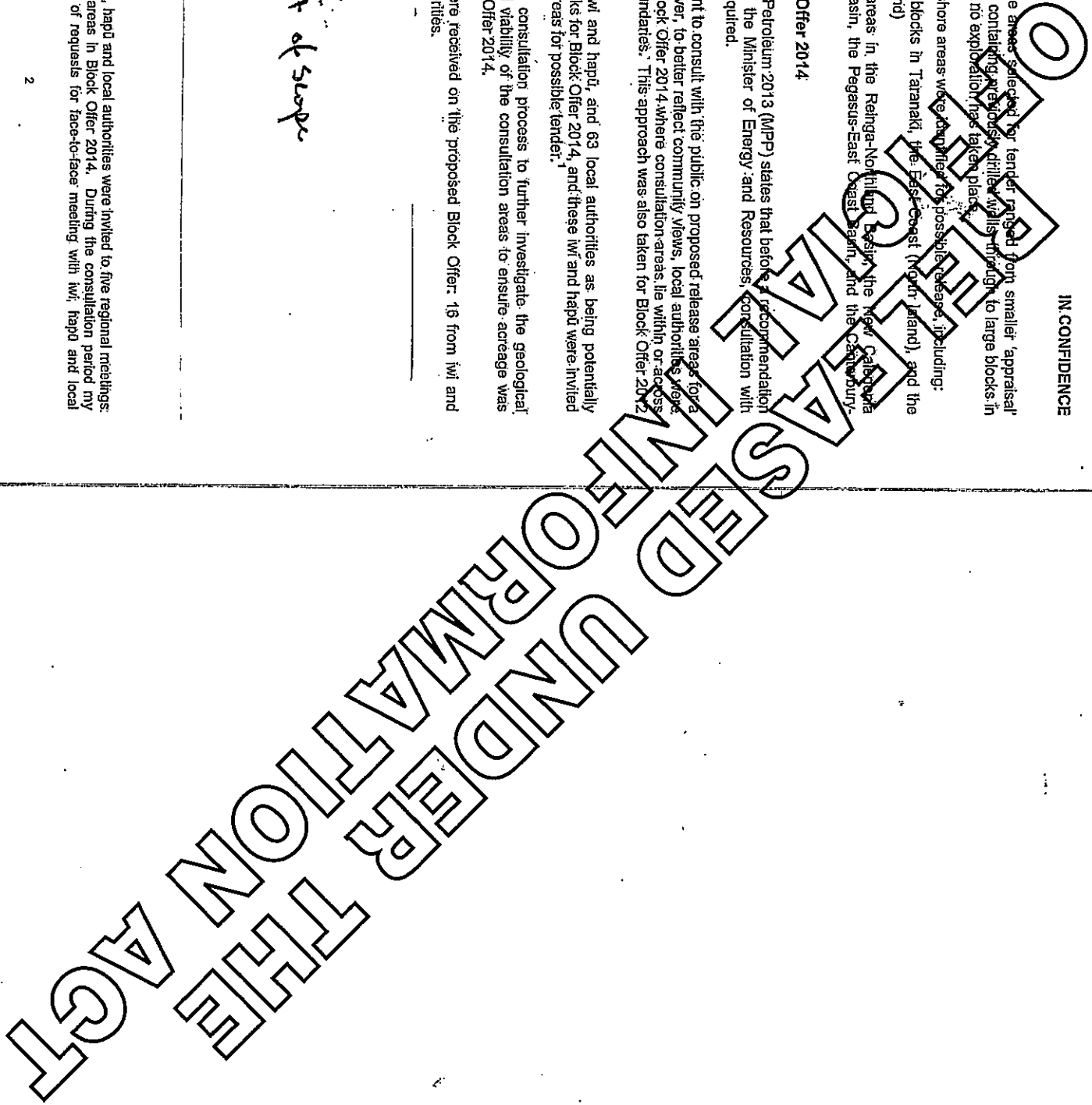
14 MBE officials identified 99 iwi and hapū, and 63 local authorities as being potentially affected by the proposed blocks for Block Offer 2014, and these iwi and hapū were invited to submit their views on the areas for possible tender.¹

15 MBE officials also used the consultation process to further investigate the geological prospectivity and commercial viability of the consultation areas to ensure acreage was suitable for inclusion in Block Offer 2014.

16 A total of 36 submissions were received on the proposed Block Offer: 16 from iwi and hapū, and 20 from local authorities.

out of scope

¹ Before formal consultation started, iwi, hapū and local authorities were invited to five regional meetings to preview the proposed consultation areas in Block Offer 2014. During the consultation period my officials also responded to a number of requests for face-to-face meetings with iwi, hapū and local authorities.



Requests for exclusion

- 18 Under the MMP, an iwi or hapū can request that certain areas should not be included in a Petroleum Exploration Permit Round or a permit on the terms of the conditions within certain areas be subject to additional requirements.
- 19 For Block Offer 2014, 22 requests for exclusions of certain areas to the consultation areas were received. This includes 11 requests from iwi and hapū and 11 from local authorities.
- 20 MBE officials have analysed these requests and have provided me with their recommendations in accordance with the requirements in the MMP.
- 21 When considering requests for exclusion of sites of sensitivity, I note the importance of iwi and hapū attach to areas of local, cultural (including wāhi tapu) and historical significance. I also note the responsibility of the government to ensure they are actively protected from development where appropriate. The exclusion of defined areas of land of particular importance to the mana of iwi and hapū from a block offer is one mechanism to achieve this.
- 22 However, balanced against that, the Crown also needs to consider the relative prospectivity of the area, as well as what other legislative and regulatory protection exists for these areas. It is worth noting that the areas selected for Block Offer 2014 were done so on the basis of commercial interest and geological prospectivity.
- 23 With regard to the majority of the requests for exclusion, I consider that the broader framework of legislative, regulatory and operational provisions, which protects sites of cultural sensitivity, provides for their active protection. These provisions include:
 - a. the Resource Management Act 1991, which manages the environmental effects of petroleum development activity on land and within the coastal marine area (out to 12 nautical miles offshore)
 - b. the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, which manages the environmental effects of petroleum development activity from 12 nautical miles offshore
 - c. the recently updated Health and Safety in Employment (Petroleum Exploration and Extraction) Regulations 2013, which govern workplace safety in petroleum exploration and extraction
 - d. the Crown Minerals Act 1991, which requires permit holders to obtain an access arrangement with landowners before any prospecting, exploration or mining takes place. The Crown Minerals Act also encourages long term productive relationships between permit holders and iwi, and in particular requires Tier 1² permit holders to submit an annual report on iwi engagement to New Zealand Petroleum and Minerals (NZP&M)
 - e. the operational role of NZP&M in supporting the successful engagement between iwi/hapū and successful Block Offer 2014 bidders. This includes actively facilitating their relationship by providing introductions where appropriate so that iwi and hapū have an opportunity to provide further information to companies operating in their role in relation to particular sites of local, cultural (including wāhi tapu) and historical significance.

² Tier 1 permits include all petroleum permits.

24 It is also important to note that a recent activity undertaken by an operator typically involves a much smaller area than the area of the permit block. Therefore in many cases the best stage to address the sensitivity of specific sites is at the point when the permit holder seeks an access arrangement from the landowner and resource consent from the relevant local authority, prior to activity occurring. This is when there is greater specificity around the area that is proposed to be affected.

Proposed amendments:

25 As a result of submissions and further consideration of the geological prospectivity and commercial viability of the consultation areas, I am making the following amendments to the areas for final release for Block Offer 2014:

- a. Amend consultation area 14TAR-R2 (onshore Taranaki Basin) to:
 - i. exclude those sites of significance identified by the Taranaki Iwi Trust which overlap with the New Plymouth District Council district boundaries, until the council led project to map sites of sensitivity to iwi in this area has progressed and
 - ii. exclude the area known as Parihaka Pa due to its strong cultural importance to the Taranaki iwi.
- b. Add a condition to consultation area 14TAR-R2 requiring any operator undertaking petroleum exploration activity within 200 metres of the Tangaroa, Palea and Whenuakura Rivers to give written notification to Te Rūnanga o Ngāiwi Ruanui at least 20 working days before the activity is undertaken.
- c. Amend consultation area 14ECT-R1 (onshore East Coast Basin) to remove, as part of Block Offer 2014, the area over the Ruataniwha aquifer system. This area is also amended to better reflect a more precise assessment of the likely distribution of the petroleum resource
- d. Amend consultation area 14WEC-R1 (onshore West Coast Basin) to better reflect a more precise assessment of the likely distribution of the petroleum resource.
- e. Amend consultation area 14GSC-R1 (offshore Canterbury/Great South Basin) to remove the overlap with the Banks Peninsula Marine Mammal Sanctuary
- f. Amend consultation area 14PEG-R1 (offshore Pegasus Basin) to remove, as part of Block Offer 2014, the overlap with the proposed Kaikōura whale sanctuary due to the Government's intention to implement a similar package of measures in the Kaikōura Marine Strategy 2012: Sustaining our Sea through special legislation in 2014.³

out of susp

³ The Kaikōura Marine Strategy 2012: Sustaining our Sea, developed by Te Korowā o Te Tai o Wairarapa (the Kaikōura Coastal Marine Guardians), proposes restrictions on seismic surveying for petroleum within the area of the proposed Kaikōura whale sanctuary.

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out of scope

30 I consider that these amendments provide an appropriate balance between addressing concerns raised by submitters and offering prospective petroleum resource

31 As a result of these considerations, I intend to release the areas shown on the map in Annex 1 for bids for Block Offer 2014, which comprise a total of 405,984 km²

32 I consider that offering this acreage will continue to show the government's desire to encourage the development of New Zealand's petroleum resources in both areas of established production and frontier basins.

out of scope

Consultation:

36 The following departments and agencies have been consulted on this paper: the Office of Treaty Settlements, Te Puni Kōkiri, the Department of Conservation, the Ministry for the Environment, the Ministry for Primary Industries, Maritime New Zealand, the Environmental Protection Authority, Worksafe New Zealand, the Treasury and MBIE's Labour and Commercial Environment Group. The Department of Prime Minister and Cabinet has been informed.

Publicity

37 I intend to announce the areas for Block Offer 2014 during the Advantage NZ: 2014 Geotechnical Petroleum Forum on 2 April 2014. This will allow for maximum promotional impact and will coincide with the launch of the Block Offer 2015 Industry nominations.

38 The announcement of the release areas for Block Offer 2014 will be accompanied by an Information for Bidders (IFB) document, maps and other technical information which will allow companies to prepare their tenders before the close of bidding in September 2014.

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out of scope

- 30 I consider that these amendments provide an appropriate balance between addressing concerns raised by submitters and offering prospective petroleum acreage.
- 31 As a result of these considerations, I intend to release the areas shown on the map in Annex 1 for Block Offer 2014, which comprise a total of 405,987 ha.
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out of scope

Consultation

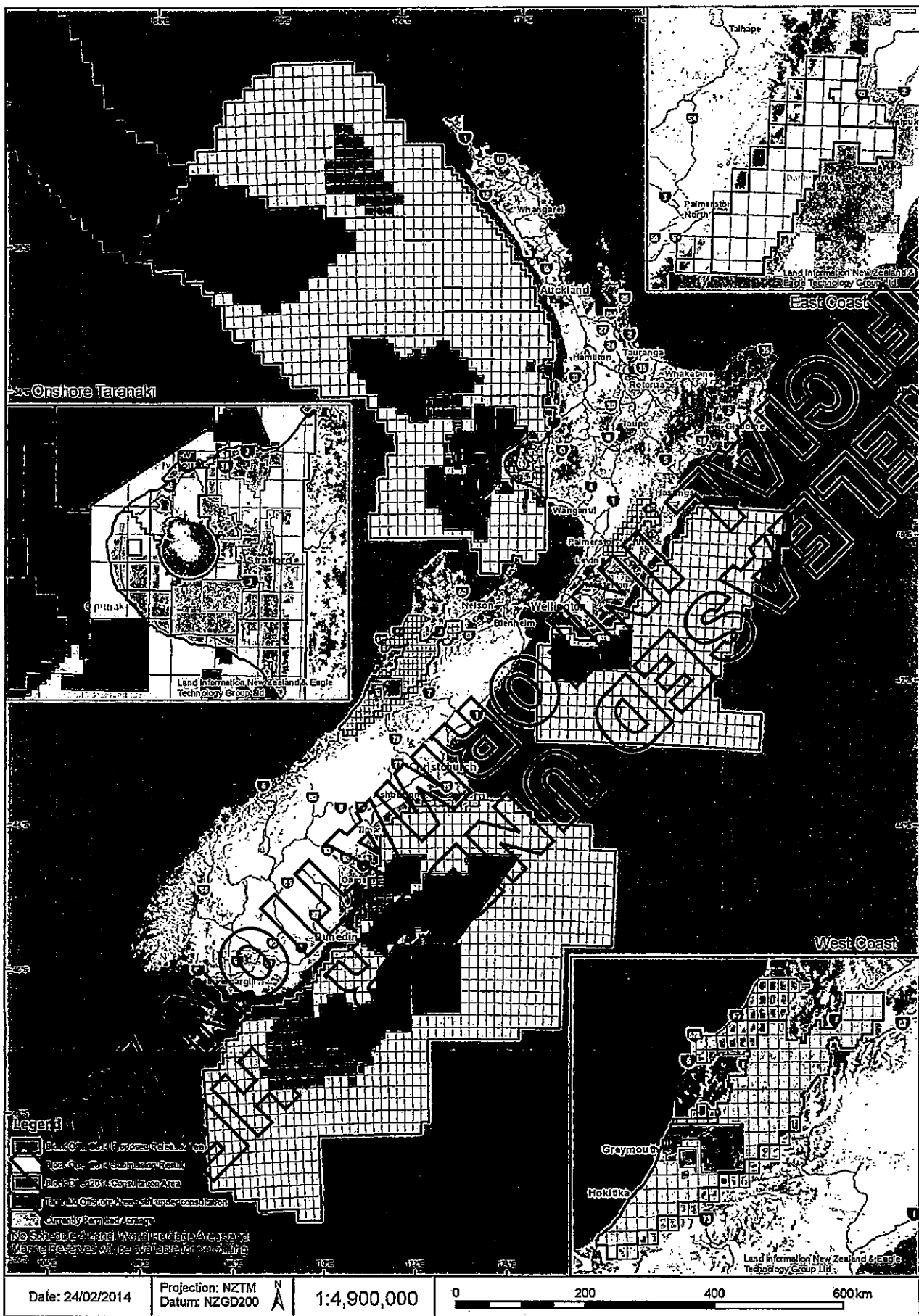
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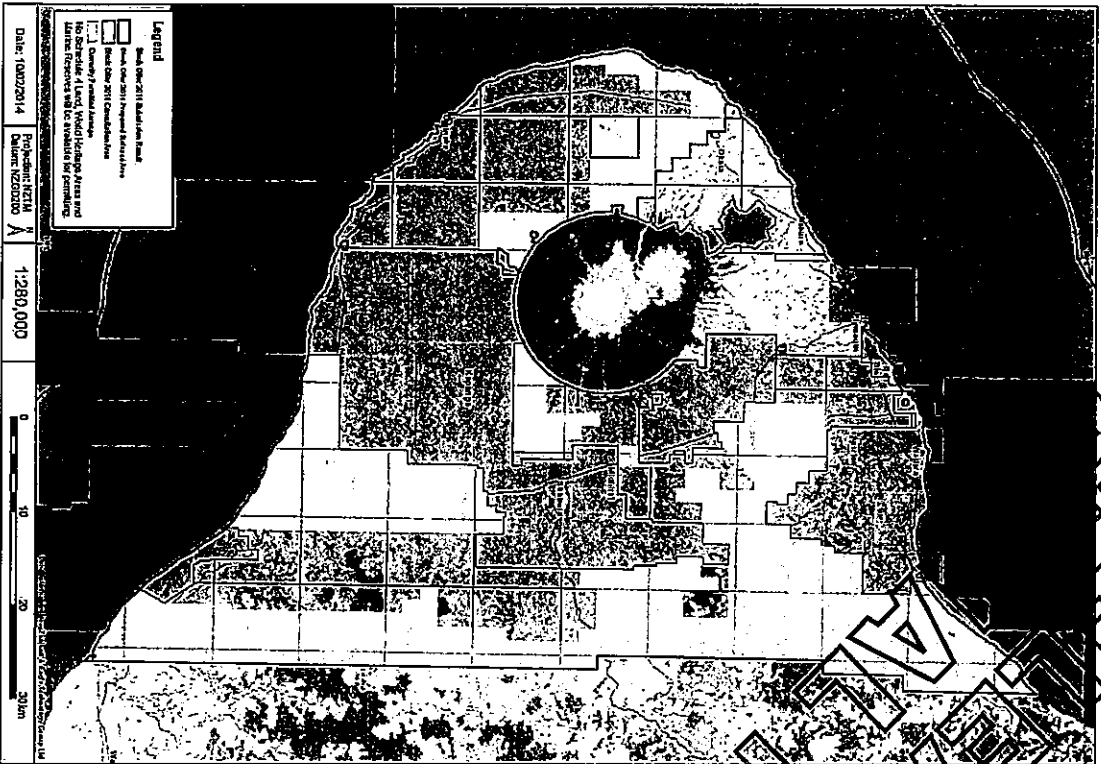
Annex 1 National map showing final release areas for Block 1101 2014



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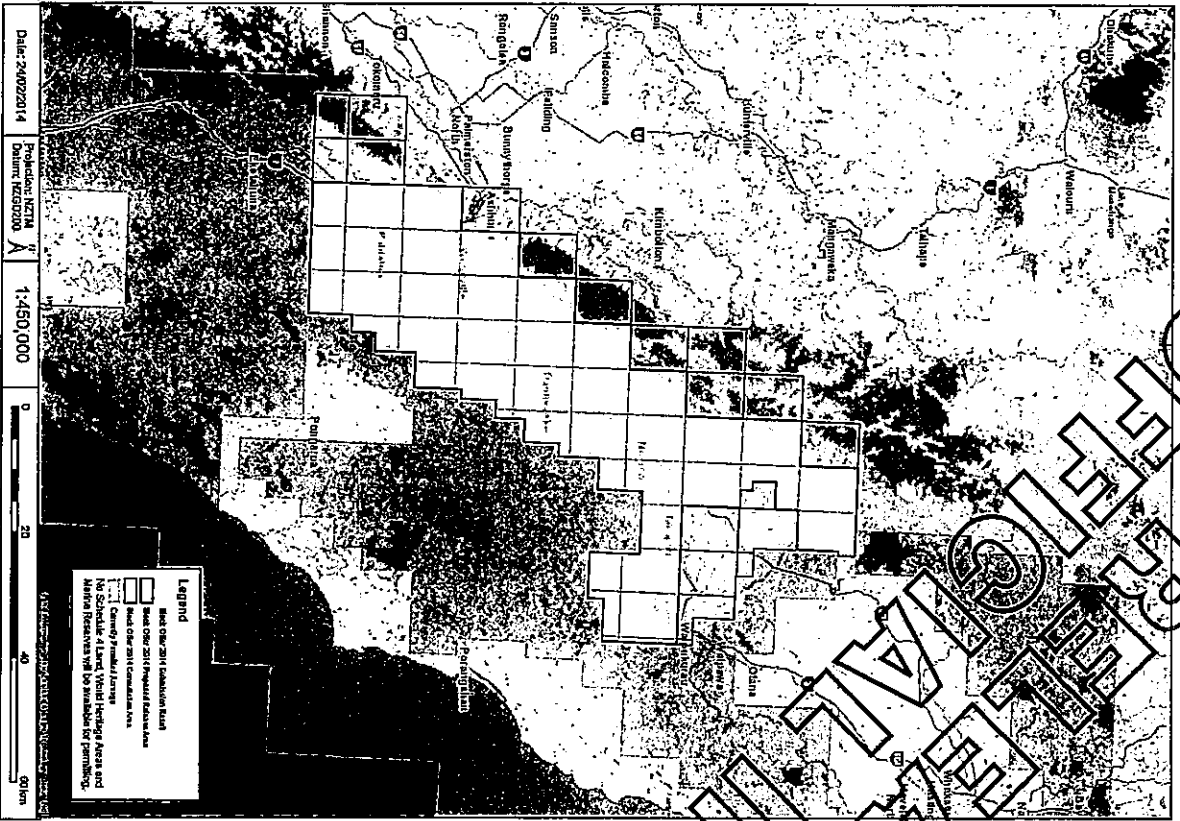
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Annex 2 Maps of the consultation areas appended as a result of submissions and further consideration of the geological prospectivity and commercial viability of the consultation areas



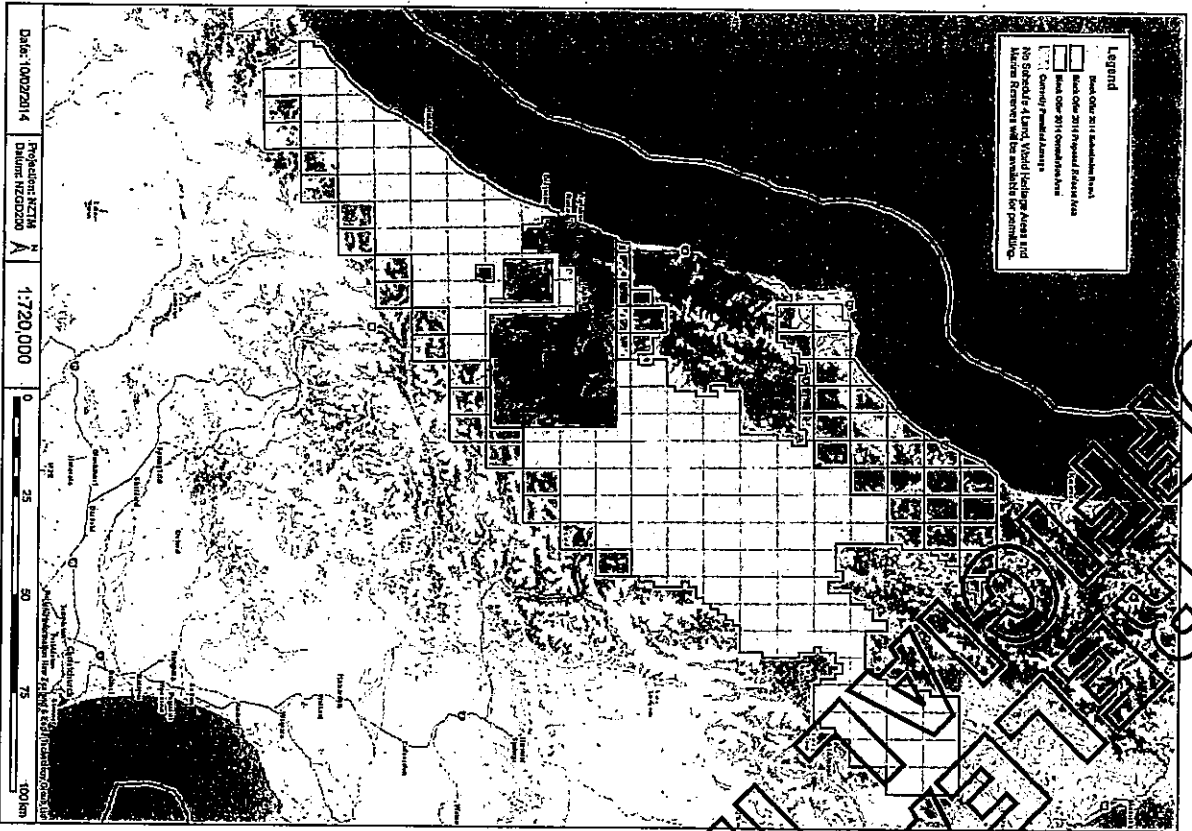
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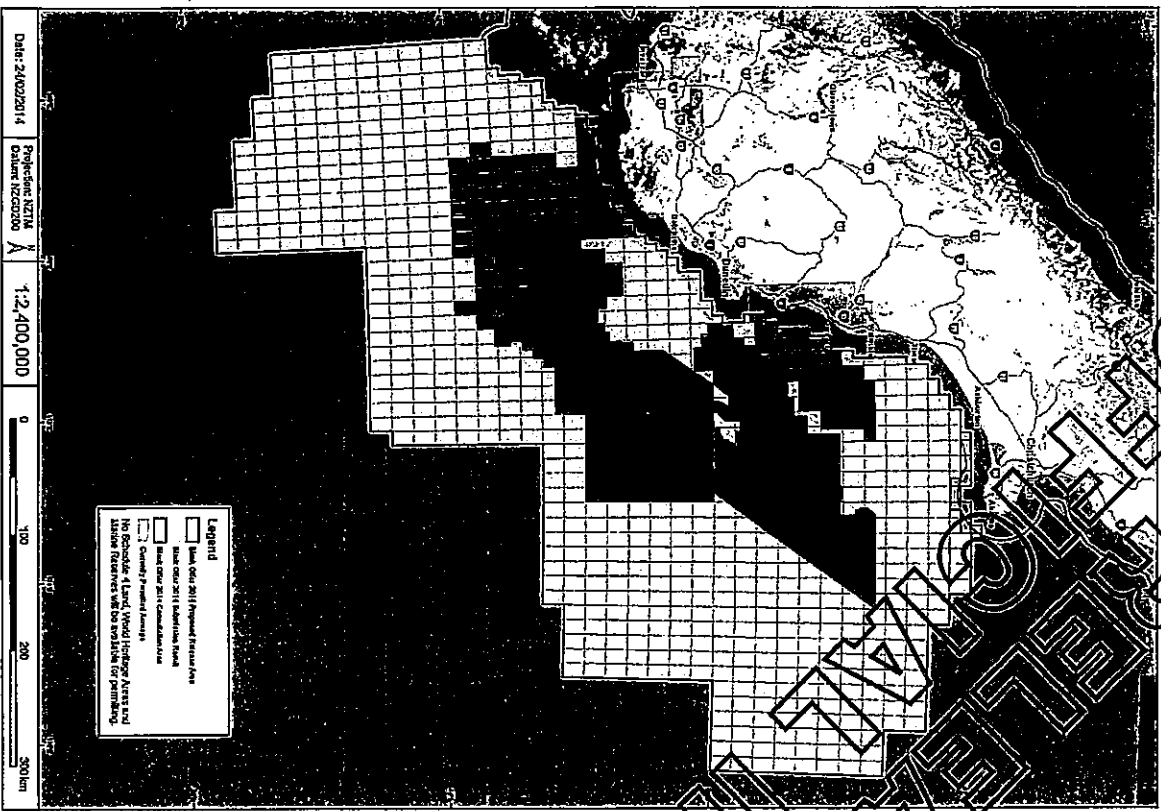
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Consultation Area 14WEC-R1 (onshore West Coast Basin)

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Consultation Area 14GSC-R1 (offshore Great South-Canterbury Basin)

In Confidence

Aide-Mémoire: Release of Block Offer 2014

To	Hon Simon Bridges	Priority	High
Date	11 March 2014	Deadline	12 March 2014

Purpose

- 1 The purpose of this aide-mémoire is to provide you with information in support of your decision to release areas for Block Offer 2014 at the Cabinet Economic Growth and Infrastructure Committee (EGI) meeting on 12 March 2013.

Background

- 2 The decision to finalise the release areas to be offered for competitive tender rests with you as Minister of Energy and Resources¹, however you have signalled your intention to take a background paper to Cabinet noting your recommendation to announce the finalised release areas.

Inclusion of areas for Block Offer 2014

- 3 The areas selected for Block Offer 2014 were included on the basis of a high degree of commercial interest and strong prospectivity.
- 4 MBIE received 21 nominations from 11 companies for a range of both onshore and offshore areas. These nominations contained a mixture of both mature and frontier acreage and represent considerable interest in New Zealand petroleum resources.
- 5 During the selection of areas for consultation, officials considered the importance of sites of sensitivity to iwi/hapu:
 - a. As a result, all land within Schedule 4 of the Crown Minerals Act 1991 (including national parks, nature reserves, wildlife sanctuaries and marine reserves) and World Heritage sites have been removed from the proposed release areas. No permits will be awarded over any Schedule 4 land or World Heritage sites.
 - b. Any land that fell under clause 3.1 of the Mineral Programme for Petroleum 2005 (MPP) was removed;²
 - c. MBIE officials also sought views from other government agencies in determining the proposed blocks.
- 6 While some of the proposed release areas did intersect marine mammal sanctuaries, as petroleum exploration activities are not incompatible with these sanctuaries, they were included in the proposed consultation areas. Similarly, seamount closures and Benthic Protection Areas were also included in the release areas as their restrictions only apply to fishing related activities.

¹ Section 5a of the Crown Minerals Act 1991.

² Clause 3.1(1) of the MPP lists areas of land which are unavailable for permitting on request on iwi due to its particular importance to their mana, including Mount Taranaki and the Pouākai, Pukeiti and Kitake Ranges, and the Titi Islands.

In Confidence

Block Offer 2014 Consultation

- 7 Officials identified 99 iwi and hapū, and 63 local authorities, as being potentially affected by the proposed release areas for Block Offer 2014, and invited them to submit their views on the areas for possible tender.
- 8 For Block Offer 2014, submissions were sought on:
 - a. three onshore release areas in Taranaki, the North Island's East Coast and the South Island's West Coast
 - b. five offshore release areas in the Northland/Reinga Basins, the New Caledonia Basin, the Taranaki Basin, the Pegasus Basin, and the Canterbury/Great South Basins.
- 9 A total of 36 submissions were received on the proposed Block Offer 2014: 16 from iwi and hapū, and 20 from local authorities.
- 10 Officials received 22 requests for exclusions or amendments to release areas. This includes 11 requests from iwi and hapū, and 11 from local authorities.
- 11 MBIE officials also used the consultation process to further investigate the geological prospectivity and commercial viability of the consultation areas to ensure acreage was suitable for inclusion in Block Offer 2014.

Analysis of requests for exclusion

- 12 The government has a responsibility to ensure that sites of significance to iwi/hapū are actively protected from development where appropriate. The exclusion of defined areas of land of particular importance to the mana of iwi and hapū from a block offer is one mechanism to achieve this.
- 13 However, balanced against that, the Crown also needs to consider the relative prospectivity of the area, as well as what other legislative and regulatory protections exist for these areas. It is worth noting that the areas selected for Block Offer 2014 were done so on the basis of commercial interest and geological prospectivity.
- 14 With regard to the majority of the requests for exclusion, the broader framework of legislative, regulatory and operational provisions, which protects sites of cultural sensitivity, provides for their active protection.
- 15 However, as a result of submissions and further consideration of the geological prospectivity and commercial viability of the consultation areas, you are making the following amendments to the areas for final release for Block Offer 2014:

- a. Amend consultation area 14TAR-R2 (onshore Taranaki Basin) to:
 - i. exclude those sites of significance identified by the Taranaki Iwi Trust which overlap with the New Plymouth District Council district boundaries, until the council led project map to sites of sensitivity to iwi in this area has progressed, and
 - ii. exclude the area known as Parihaka Pā due to its strong cultural importance to the Taranaki Iwi

In Confidence

- b. Add a condition to consultation area 14TAR-R2 requiring any operator undertaking petroleum exploration activity within 200 metres of the Tangahoe, Patea and Whenuakura Rivers to give written notification Te Rūnanga o Ngāti Ruarui at least 20 working days before the activity is undertaken
- c. Amend consultation area 14ECT-R1 (onshore East Coast Basin) to remove as part of Block Offer 2014 the area over the Ruataniwha aquifer system. This area is also amended to better reflect a more precise assessment of the likely distribution of the petroleum resource
- d. Amend consultation area 14WEC-R1 (onshore West Coast Basin) to better reflect a more precise assessment of the likely distribution of the petroleum resource
- e. Amend consultation area 14GSC-R1 (offshore Canterbury/Great South Basin) to remove the overlap with the Banks Peninsula Marine Mammal Sanctuary
- f. Amend consultation area 14PEG-R1 (offshore Pegasus Basin) to remove as part of Block Offer 2014 the overlap with the proposed Kaikōura whale sanctuary due to the Government's intention to implement a similar package of measures to the Kaikōura Marine Strategy 2012: Sustaining our Sea through special legislation in 2014.³

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out of scope

out of scope

out of scope

21 Consequently the total area proposed for release is approximately 405,984 km², which is roughly double that which was released as part of Block Offer 2013.

³ The Kaikōura Marine Strategy 2012: Sustaining our Sea, developed by Te Korowā o Te Tai o Mārokurā (the Kaikōura Coastal Marine Guardians), proposes restrictions on seismic surveying for petroleum within the area of the proposed Kaikōura whale sanctuary.

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- 22 See Annex 1 for a further breakdown of the consultation areas and a comparison with Block Offer 2013.

Out of scope.

Announcement of areas for tender

- 25 You have agreed to announce the areas for Block Offer 2014 during the *Advantage NZ: 2014 Geotechnical Petroleum Forum* on 2 April 2014. This will allow for maximum promotional impact and will coincide with the launch of the Block Offer 2015 industry nominations.
- 26 This announcement will be accompanied by an IFB, maps and other technical information which will allow companies to prepare their tenders before the close of bidding in September 2014. A report detailing the results of consultation will be made available on the NZP&M website and redacted version of the submissions will also be made available.
- 27 In addition, just prior to the announcement, MBIE officials will write to all those iwi, hapū and local authorities who were consulted with as part of Block Offer 2014, irrespective of whether they submitted or not, on the outcome of the submissions process.

Comparison with Block Offer 2013

- 28 Block Offer 2013 was the second annual Block Offer undertaken in New Zealand. It comprised of five defined onshore blocks (in Taranaki and the East Coast) totalling 1,562.7km² and three offshore release areas totalling 189,000km².
- 29 Ten petroleum exploration permits were awarded for Block Offer 2013, including five onshore permits and five offshore permits.
- 30 Collectively the permits represent NZ\$62 million in committed expenditure on initial exploration which, if successful, could lead to further exploration work worth NZ\$720 million.
- 31 This process resulted in three new entrants to the New Zealand oil and gas industry: Norway-based Statoil, Australia-based Woodside Petroleum, and Singapore-based Mont D'Or.

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