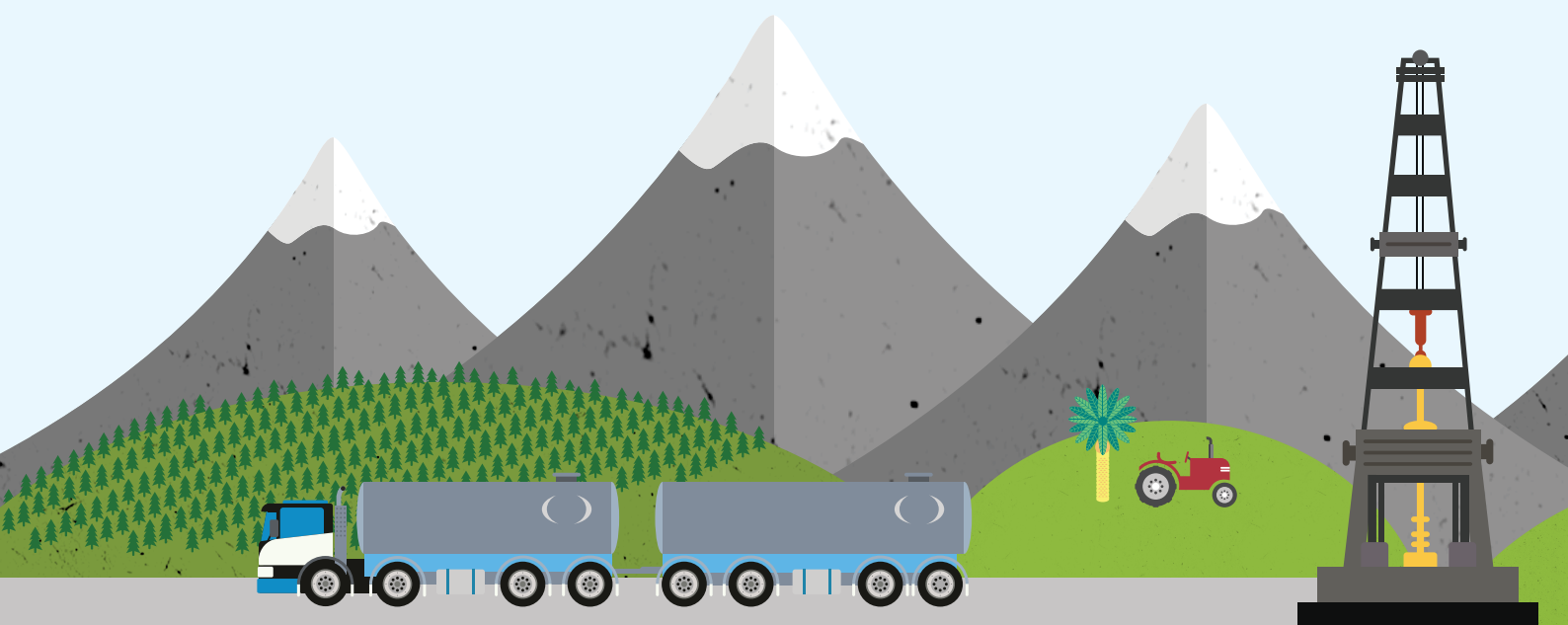


YEAR IN REVIEW 2017



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FOREWORD

Tēnā koutou katoa.

While 2017 was a relatively quiet year for new activity in our industry, there is optimism and interesting times ahead.



The 2017 election year saw a new Coalition Government elected with a strong focus on reducing net carbon emissions and growing the economy to benefit all New Zealanders. Clearly our industry has a key role to play in this.

PEPANZ has always strived to build good relationships with all political parties so the new Minister of Energy and Resources Hon Dr Megan Woods is no stranger to us, having been the guest speaker at a Members business breakfast earlier this year.

We have publicly released our briefing to the new Minister and also written to new MPs and relevant Ministers as part of our advocacy and education roles.

This reflects the value of having an industry association like ours that can talk to Governments, both local and central, with a united and respected voice on behalf of our members on the issues that are important to them.

The world price of oil has been relatively stable over the past 18 months in the range of \$US50 – \$64 a barrel which is helping improve confidence.

A report into the offshore Barque prospect near Oamaru this year by New Zealand Oil and Gas provoked a lot of discussion and

excitement over the benefits new exploration could deliver, especially in regional areas.

This is why the exploration work happening in New Zealand is so important with a number of seismic survey projects underway this year. It clearly reflects confidence in New Zealand and our prospects.

At a personal level I want to thank our Members and Board for the support they have given to the PEPANZ team and myself over the last year. I look forward to working closely with you all in the year ahead.

Cameron

“
**PEPANZ HAS ALWAYS
STRIVED TO BUILD GOOD
RELATIONSHIPS WITH ALL
POLITICAL PARTIES.**
”



PEPANZ – WHO WE ARE

PEPANZ is the industry association of the upstream oil and gas sector.

Established in 1972, PEPANZ works with local and central government to ensure New Zealand's regulatory and commercial framework promotes quality investment, and that the return from the country's oil and gas resources is maximised for industry, government and the community.

PEPANZ works to increase community and government understanding of the industry by publishing information about the sector's activities and importance to the nation.

As representatives of New Zealand's oil and gas industry, PEPANZ also provides its members with strong representation and advocacy, leadership for industry-wide issues, while engaging openly and honestly with New Zealanders.

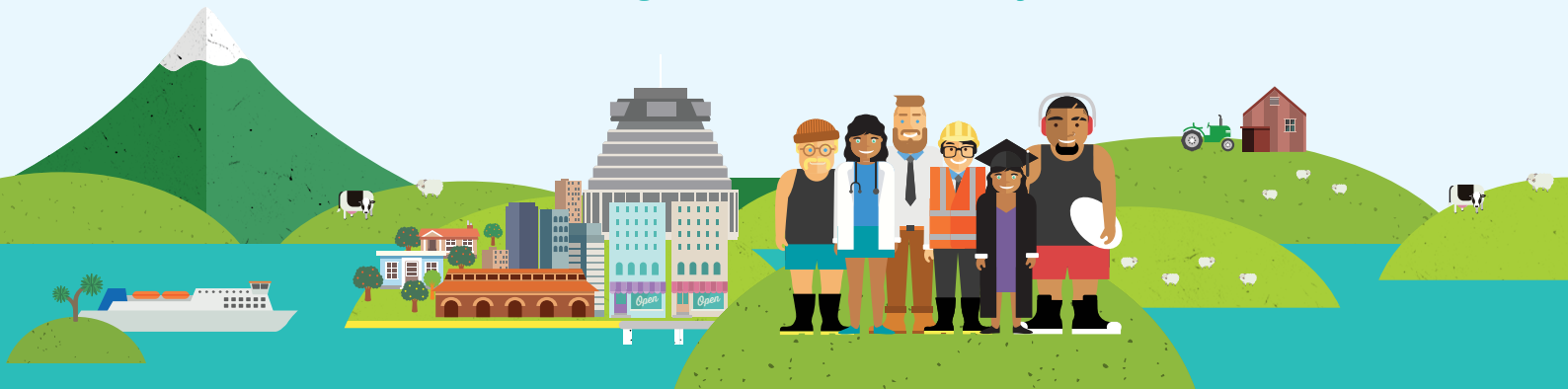
PEPANZ members currently account for an estimated 95 percent of New Zealand's petroleum production. We also represent more than 50 associate member companies that provide a range of goods and services to the industry.

PEPANZ believes that developing New Zealand's oil and gas sector can enrich the future of member companies, communities and the economic future of New Zealand's regions, and help in New Zealand's transition to a net-zero emissions economy.



OUR PRIORITIES

Our 2017 business plan had three key themes: Advocate, Engage and Support. These themes aimed to create for the industry a fair, transparent and workable regulatory environment, to position the industry as one which is trusted by New Zealanders and to ensure that PEPANZ is an organisation that is valued by its Members.



Advocate

Fair, transparent and workable regulatory environment



Policies needed to responsibly advance the sector are understood and advanced

Specific issues resolved (e.g. Decommissioning regulations, EEZ regulations and guidance to Maritime Transport Rules)

Sensible district plans

Effective relationships with key stakeholders

Educate

Trusted by New Zealanders



Regarded as an authoritative and reasonable voice in the debate about the future of energy and the environment

Increase public knowledge, favourability and trust in the sector

Effective relationships with key stakeholders

Support

Valued by Members



Increased networking opportunities for Members

Responsible and responsive to Members

Relevant and regular communication with Members

Outstanding conference

Effective relationships with Members

ADVOCATE

Fair, Transparent & Workable Regulatory Environment



Our Briefing to New Ministers

Following the formation of the new Government this year, PEPANZ provided the new Minister of Energy and Resources Hon Dr Megan Woods with a briefing setting out some key opportunities and challenges ahead for the sector.

It sets out the role our industry can play in helping the new Government achieve its goals of tackling emissions and growing the economy to benefit all New Zealanders.

Our briefing also covers important regulatory priorities for the industry such as decommissioning of facilities and consistency of marine consents.



Advancing New Zealand's Petroleum Sector

In March this year PEPANZ released our detailed policy manifesto setting out 18 actions the Government could take to help our sector maximise its contribution to national prosperity, regional economic growth, and global energy sustainability.

The actions include a review of fiscal policy settings, investing in further geological studies and establishing a dedicated royalties fund to allow future generations to benefit from New Zealand's petroleum wealth.



South Taranaki District Plan

PEPANZ has been representing the upstream sector through the important review of the South Taranaki District Plan since 2015.

In January we joined appeals to the Environment Court that were made by various parties. Throughout June and September PEPANZ actively participated in mediation with other parties that led to the resolution of many matters of appeal.

PEPANZ is now preparing to be involved in an Environment Court hearing in the first half of 2018 for the remaining relevant appeal against the plan.

Our Submissions

Changes to the rules around financial assurance for offshore exploration and production have finally been signed off by Government after nearly four years of work. This included a comprehensive submission on a draft rule of the revisions to Maritime Rules Part 102.

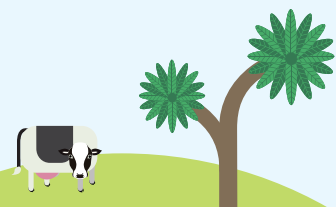
Other key topics PEPANZ made submissions on included:

- The Productivity Commission's Low Emissions Economy inquiry.
- Changes to the tax treatment of decommissioning costs for upstream petroleum assets.
- A discussion document released by MBIE on managing historical risks from onshore petroleum wells.

All of these submissions are available on our website.

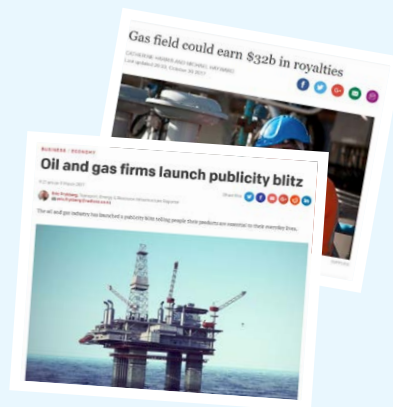


FOLLOWING THE FORMATION OF THE NEW GOVERNMENT, PEPANZ PROVIDED THE NEW MINISTER WITH A BRIEFING SETTING OUT SOME KEY OPPORTUNITIES AND CHALLENGES AHEAD FOR THE SECTOR.



EDUCATE

Trusted by New Zealanders



New Publications in 2017

An Introduction to the New Zealand Oil and Gas Industry is a simple guide to our industry and the role we play in the 21st century. It sets out the basics of how we operate, the regulatory environment, and how we are tackling big issues like climate change.

Upstream Online is our new e-newsletter for members and stakeholders. It gives a brief, entertaining monthly update on what PEPANZ has been up to and news and events of interest.

PEPANZ in the Media

In 2017 PEPANZ was a regular voice in the media speaking on behalf of our industry with over 120 mentions in print, radio, TV and online.

The big issues covered this year include the Petroleum Conference in March, seismic surveys near Wairarapa and Taranaki, and the exciting potential of the Barque prospect near Oamaru.

- **121 media mentions**
- **8 media releases**



EnergyMix Website

Our educational website EnergyMix had a public launch in March this year. It provides an accessible, honest and easy to understand guide to the oil and gas industry.

The site has had over 4,000 visits this year and features videos, graphics and background information. It will continue to be a key tool for us in educating and engaging with the wider public.

Social Media


PEPANZ has launched Facebook and Twitter pages this year to directly communicate our messages with New Zealanders.

Social media has unique potential to reach targeted audiences and tell the story of our industry.

Our content is a mixture of fun facts, views and insights into topical issues. Come and follow our pages at:

 @PEPANZ1

 facebook.com/EnergyMixNZ

 linkedin.com/in/cameronmadgwick

Did you know?

- **90% of all New Zealanders aged over 15 have an active Facebook account.**
- **2.3 million New Zealanders check Facebook every day.**
- **The average person checks Facebook 14 times per day.**

Taranaki Tour

Our 'Taranaki Tours' are a great way of showing important stakeholders our industry in action.

In October this year we hosted a team of officials from the Ministry for the Environment and MBIE on a two-day tour of the oil and gas industry around Taranaki.

We visited a Mangahewa wellsite, the McKee, Pohokura and Rimu productions sites and met with the Taranaki Regional Council and South Taranaki District Council.



“

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”



SUPPORT

Valued by Members



New Zealand Petroleum Conference 2017

This year's conference was held in New Plymouth for the first time, the home of the oil and gas industry in New Zealand.

Around 500 delegates attended from around the world, despite challenges initially posed by protestors and weather on the first day. Senior Government officials, regulators, industry leaders and international experts were among the attendees.

Highlights included a keynote presentation from Professor Iain Stewart, Director of the Sustainable Earth Institute at Plymouth University and presenter of the BBC series "Planet Oil".

Other speakers included Sverre Planke, Chief Executive of Norway's Volcanic Basin Petroleum Research, and Amit Bhandari from the India Council on Global Relations.

The Government's 2017 Block Offer was officially launched by Minister of Energy and Resources Hon Judith Collins.



Business Breakfasts

Two important politicians for our industry were hosted for breakfast meetings with our members this year.

In March we hosted the Minister of Energy and Resources at the time, Hon Judith Collins in Wellington.

In June we hosted Labour MP Hon Dr Megan Woods who was at the time her party's spokesperson on Energy and Resources, and is now of course the responsible Minister.

These events give PEPANZ members a great chance to meet with politicians, hear their views and give direct feedback.



Colin James in New Plymouth

In September we hosted well-known political commentator Colin James for a members event in New Plymouth.

Colin provided an enlightening and insightful perspective on the lead up to the election and how the outcome could impact the oil and gas industry.

“

THESE EVENTS GIVE PEPANZ MEMBERS A GREAT CHANCE TO MEET WITH POLITICIANS, HEAR THEIR VIEWS AND GIVE DIRECT FEEDBACK.

”





BLOCK OFFER

The New Zealand Government allocates petroleum exploration permits in an annual tender process called a Block Offer.

The Block Offer process has been undertaken annually since 2012, and the selection of areas for inclusion in a Block Offer is based on their prospectivity and commercial interest. It has provided important certainty the sector requires to help meet New Zealand's lower emissions energy production potential, and has helped send a positive signal to international investors about New Zealand as an international investment destination.

As part of the process, New Zealand Petroleum and Minerals asks the industry to nominate areas to include in the allocation, consults with iwi and hapū in the proposed areas, and discusses the proposed areas with local government. Information gathered during this consultation process guides the Minister of Energy and Resources' decision on the final make-up of the Block Offer.

The release areas are announced annually at the New Zealand Petroleum Conference, with applications for permits closing approximately six months later. Permit awards are made several months after that.

Bids are assessed on their proposed work programme, and criteria including the applicant's technical and financial capability and capability to meet expected health, safety and environmental requirements.

Recent uptake has been lower due to the low global price for oil, but like all markets, this will change as supply decreases and demand increases. The sector is seeing increasing interest in New Zealand as an investment destination via the Block Offer.



Block Offer 2014

15 new petroleum exploration permits were granted for Block Offer 2014, with a combined acreage of 47,690 square kilometres. At the time of bidding oil price reached a peak of \$US112 per barrel.



Block Offer 2015

Nine new oil and gas exploration permits were granted in December 2015, all in the Taranaki Basin. The successful permits included three onshore permits and six offshore permits. Collectively the permits included a committed work programme expenditure of \$4.4 million, with the potential of more than \$364 million if all contingent work is realised. The oil price was around \$US50 a barrel at the time of bidding.



Block Offer 2016

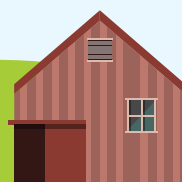
Block Offer 2016 was launched at the New Zealand Petroleum Conference in March 2016, with a successful bid announced on 15 December 2016. One onshore Taranaki permit was granted to Todd Energy. Interest in Block Offer 2016 was subdued due to the world oil price which was around \$US43 per barrel at the time of bidding, the lowest since 2004. At the start of 2016 it fell to just \$US28.



Block Offer 2017

Block Offer 2017 was launched at the New Zealand Petroleum Conference in March 2017 and included two onshore, five offshore and one offshore/onshore release areas. Successful bids are expected to be announced in December.

The oil price at the time of bidding was around \$US50 per barrel and has since risen to \$US64. More importantly, it has remained stable in the range of \$US50 – \$64 over the last 18 months.



**Current
Exploration
Blocks**



PEPANZ HALL OF FAME

The PEPANZ Hall of Fame is a lifetime achievement award presented to a long serving individual for their outstanding contribution to the oil and gas sector. This year's recipient is Dennis Washer.



Dennis found his way into the petroleum sector almost by chance after striking up a conversation in a pub with a driller.

Over a few beers and a game of pool, Dennis was convinced to meet at the front doors of the pub at 6am the following morning to start work as a roughneck on a drilling rig.

This began an incredibly long and illustrious career in the oil and gas industry that took him around the world – from Singapore, to the Philippines, the North Sea and the Red Sea.

In 1995 Dennis was appointed Drilling Manager and then Operations Manager at Petrocorp.

He later joined Fletcher Challenge Energy as General Manager Onshore Taranaki before moving to Shell in 2001, where he was principally involved in commercial and business continuity management roles.

In 2006 Dennis joined AWE as Operations Manager, before becoming General Manager where he was responsible for the establishment of the New Zealand business arm and the operation of the Tui Field.

In 2010 he was appointed AWE's Chief Operating Officer, a role he performed with distinction.

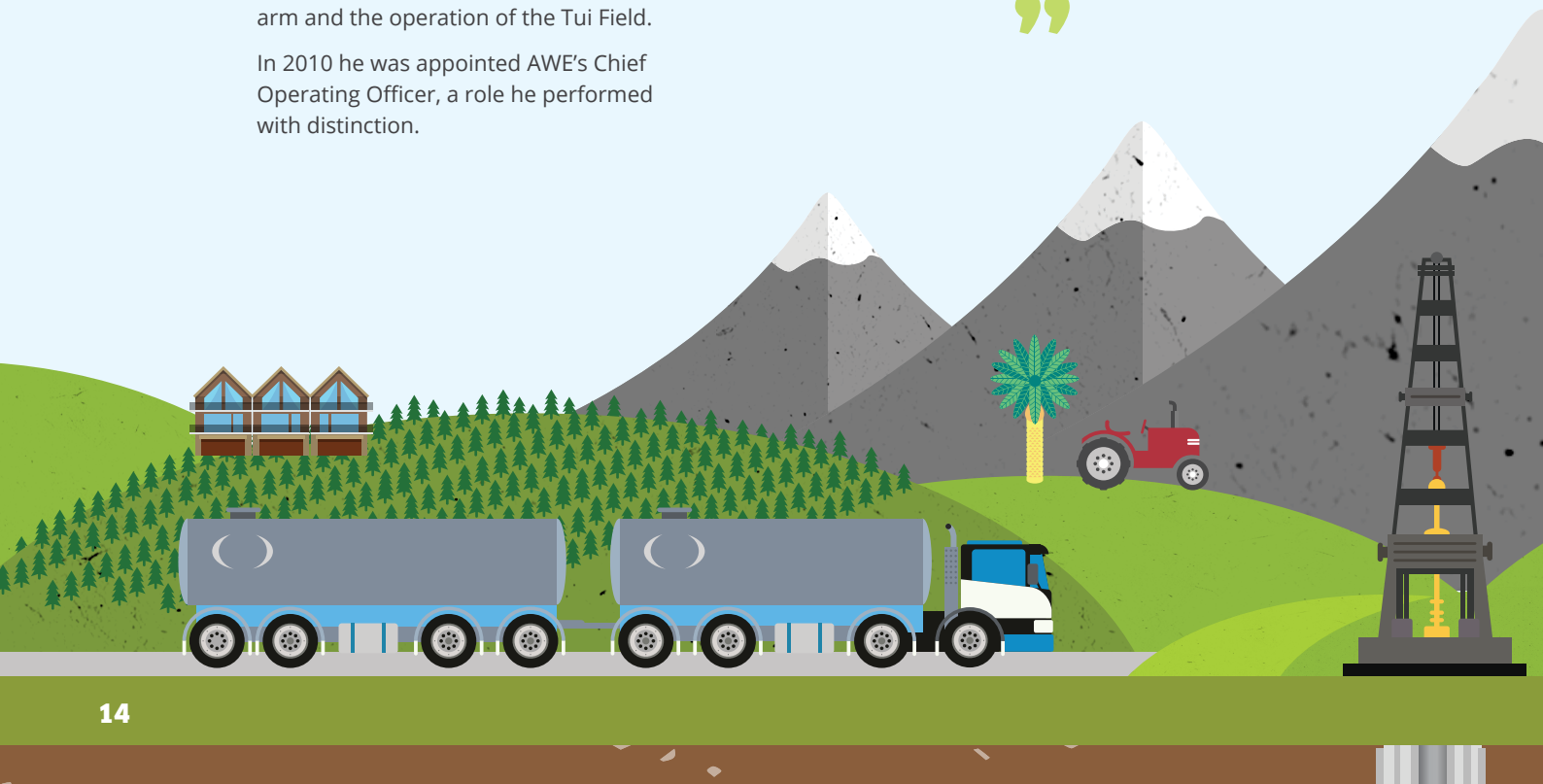
Dennis is well known as a humble person who cares deeply about people. This has earned him incredible loyalty from all those who have worked for him, as well as the respect of his colleagues and all those involved in the industry.

He is a deserving inductee into the Hall of Fame, joining earlier inductees Richard Tweedie, Sir John Todd, Peter Vause, Barry Dineen and Ian Browning.

“

DENNIS IS WELL KNOWN AS A HUMBLE PERSON WHO CARES DEEPLY ABOUT PEOPLE. THIS HAS EARNED HIM INCREDIBLE LOYALTY FROM ALL THOSE WHO HAVE WORKED FOR HIM, AS WELL AS THE RESPECT OF HIS COLLEAGUES AND ALL THOSE INVOLVED IN THE INDUSTRY.

”



2018 NEW ZEALAND PETROLEUM CONFERENCE

The 2018 New Zealand Petroleum Conference will be held in Wellington from 26 to 28 March 2018.

The Conference provides a unique opportunity to showcase the industry in action. It will attract around 500 delegates from New Zealand and around the world, bringing together senior government officials, regulators, industry leaders, international experts and service providers.

Next year's Conference will consist of three concurrent streams: Geoscience; Technology and Engineering; and Community, Commercial and Regulatory. It will also feature a number of international keynote speakers including:

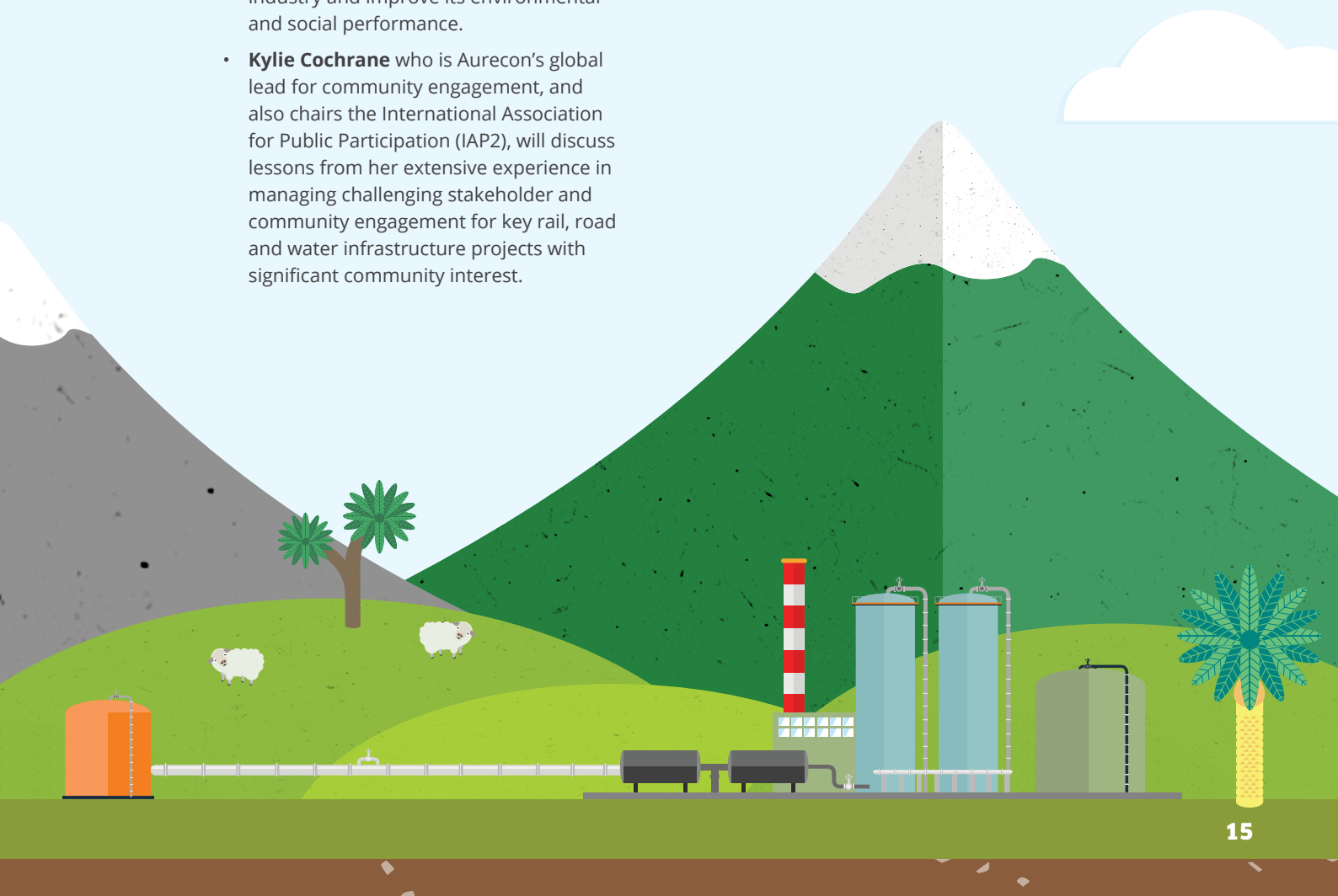
- **Brian Sullivan**, the Executive Director of IPIECA, which has a 40-year history of developing, sharing and promoting good practice and knowledge to help the industry and improve its environmental and social performance.
- **Kylie Cochrane** who is Aurecon's global lead for community engagement, and also chairs the International Association for Public Participation (IAP2), will discuss lessons from her extensive experience in managing challenging stakeholder and community engagement for key rail, road and water infrastructure projects with significant community interest.

- **Rob Gardner**, Manager of the Economics & Energy Division Corporate Strategic Planning Department at Exxon Mobil Corporation, will speak widely on the future of energy demand and supply across the world.

The Conference will also feature an Environment Leaders Panel featuring:

- Vicky Robertson, Chief Executive of the Ministry for the Environment
- Brian Sullivan, Executive Director of IPIECA
- Liv Esterhazy, CEO of WWF New Zealand.

Register for the conference and see the full line-up of speakers at www.petroleumconference.nz.



Our Industry – A Summary



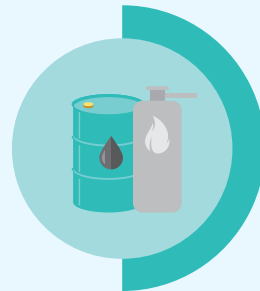
**A GROWING WORLD
POPULATION MEANS WE WILL NEED
MORE ENERGY FROM ALL SOURCES**



**OUR INDUSTRY
CREATES
11,000
JOBS**

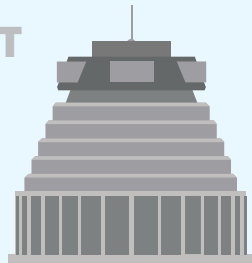


**NATURAL GAS POWERS
268,000
HOMES, BUSINESSES AND
COMMUNITY FACILITIES**



**HALF OF
OUR ENERGY
COMES FROM
OIL & GAS**

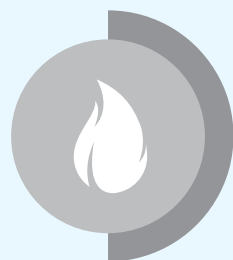
**THE GOVERNMENT
COLLECTS
APPROX. \$500m
IN ROYALTIES
AND INCOME TAX**



**NZ MAKES UP 0.2%
OF GLOBAL EMISSIONS**



**OUR INDUSTRY
CONTRIBUTES
\$2.5b
TO NEW ZEALAND'S
ECONOMY**



**NATURAL GAS HAS
HALF THE
EMISSIONS
OF COAL**



NEW ZEALAND
NATURAL GAS 
CAN HELP THE WORLD

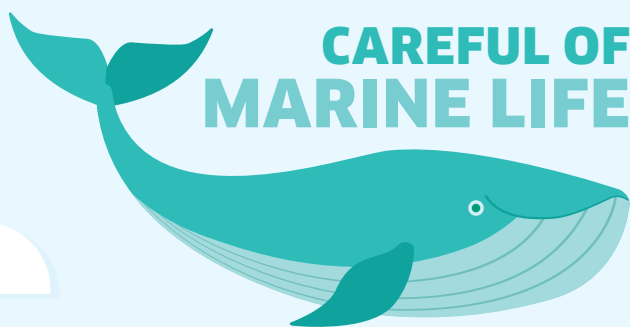
LOWER
ITS EMISSIONS



READY TO
DEAL WITH
UNLIKELY
SPILLS



A SMALL, MODEST
ENVIRONMENTAL
FOOTPRINT



CAREFUL OF
MARINE LIFE



STRONGLY REGULATED FOR
HEALTH, SAFETY
& ENVIRONMENT
BY GOVERNMENT AGENCIES

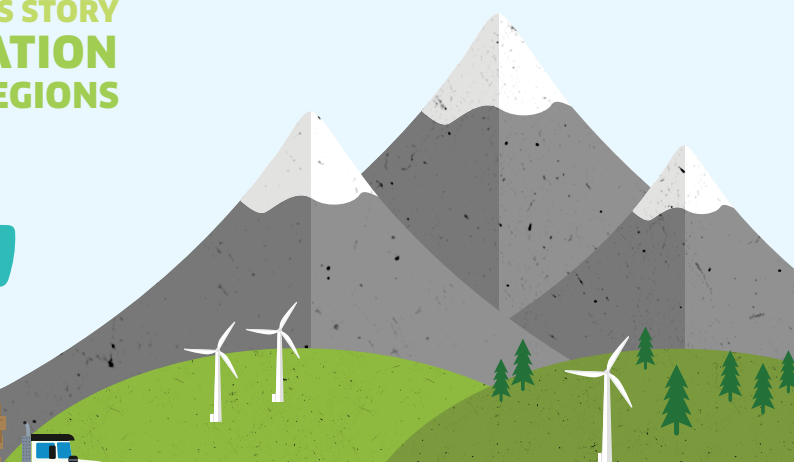
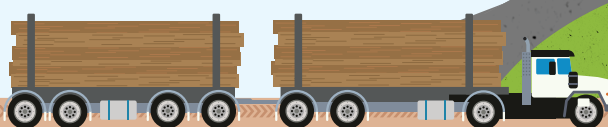


HALF OF
OUR EMISSIONS
COME FROM
ANIMALS



TARANAKI
A GREAT SUCCESS STORY
AN INSPIRATION
FOR OTHER REGIONS

EXCELLENT
TRACK RECORD



OUR BOARD

PEPANZ is governed by a Board that is elected annually from our membership base. The Board meets quarterly, and sets the strategy for the organisation as well as monitoring the delivery of our Business Plan.



Rob Jager

Chairman
Shell New Zealand



David Coull

Deputy Chairman
Bell Gully



Gabriel Selischi

Representing Large Producers
OMV



Maceon Cooper

Representing Large Producers
Lattice Energy



Joanna Breare

Representing Large Producers
Todd Energy



Max Murray

Representing Medium Producers
TAG Oil



Andrew Jefferies

Representing Medium Producers
New Zealand Oil & Gas



Alan Seay

Representing Exploration Companies
Anadarko Petroleum Corporation



Jason Peacock

Representing Small Producers /
Small Exporters AWE



Nick Jackson

Representing Associate Members
Elemental Group

TAG Oil

BELL GULLY

AWE



OMV

**Lattice
Energy**



**NEW ZEALAND
OIL & GAS**

Anadarko

Elemental

OUR STAFF > Meet our team of professionals



Cameron Madgwick Chief Executive

Cameron is the Chief Executive of PEPANZ, a role he took up in September 2014. Cameron's interest in the oil and gas industry started at an early age. Growing up in Taranaki he saw first-hand how a strong and robust oil and gas industry can truly benefit a community – both their financial and social well-being. Cameron is committed to ensuring New Zealanders have access to factual, honest and transparent information about the oil and gas industry.



Andrew Saunders Policy Manager

Andrew leads the PEPANZ Policy and Regulatory Work Programme and works closely with both central and local government, ensuring the industry's views are strongly represented. Andrew joined PEPANZ from the Ministry of Economic Development, where he developed an in-depth understanding of all aspects of policy development and its resulting implementation, including engagement with Ministers, select committees and stakeholders.



Phil Rennie Communications Manager

Phil leads PEPANZ's communications work, helping engage with and tell the story of the industry to stakeholders, the public and media. He is the first point of contact for any media enquiries. Before joining PEPANZ, Phil worked as a Press Secretary to a Government Minister for eight years and has also worked in communications roles for professional membership bodies in New Zealand and overseas.



Carolyn Clark Office and Events Manager

Carolyn is involved in the execution of all PEPANZ events, and takes the lead role in managing the annual New Zealand Petroleum Conference. She also ensures the smooth running of our Wellington office. Carolyn brings with her a wide range of relevant experience. She has ensured the successful execution of many events, having worked in hospitality over a number of years, as well as having been a successful business manager.

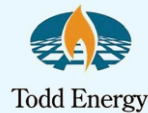


OUR MEMBERS

We are proud to both represent and advocate on behalf of our 68 Members, who through their activities are helping grow the New Zealand economy and secure New Zealand's long-term energy security.

Our membership is made up of a wide range of companies in the oil and gas sector – from some of the world's largest multinationals, right through to local companies who provide a range of essential services. Together, our membership is responsible for an estimated 95 percent of New Zealand's petroleum production and this scale allows us to advocate successfully on their behalf.

Large Producers



Medium Producers



Large Explorers



Small Producers/Small Explorers



Field Operations Servicer Providers



Non-field Service Providers



Others



THE YEAR AHEAD

2018 promises to be another year of challenges and opportunities for our industry.

The new Government has a goal of reaching net-zero carbon emissions by 2050 and our industry has an important role to play in that. This means that building relationships and working constructively with regulators will be a key focus of PEPANZ's work in 2018.

The New Zealand Petroleum Conference returns to Wellington next year and will be a highlight of the calendar again. We are looking forward to hosting a world-class line-up of speakers and over 500 delegates from around the world.

Confidence is returning to the industry and there are good grounds for optimism. We know that demand for oil and gas – and all energy sources – is going to keep growing in the decades ahead.

In particular, a new report by the International Energy Agency (IEA) predicts demand for natural gas will increase 45% by 2040, opening up a big opportunity for New Zealand. With half the greenhouse emissions of coal and benefits over other international gas sources, it has a major role to play in helping reduce emissions both in New Zealand and around the world.

In total, the IEA estimates \$US8.6 trillion of investment is needed in global gas supply to 2040 to ensure a secure and reliable supply. It also forecasts that oil and gas together will still account for more than half of all global energy consumption in 2040.

Clearly, oil and gas is an essential part of the energy mix and helps make our way of life possible. We are proud of how we operate and the contribution we make, and there is great potential for this to grow and benefit all New Zealanders.

These are some of the messages PEPANZ will be sharing with key stakeholders and the wider public in 2018. We will continue to be a confident and proactive voice helping inform a rational, reasonable debate on these big issues.

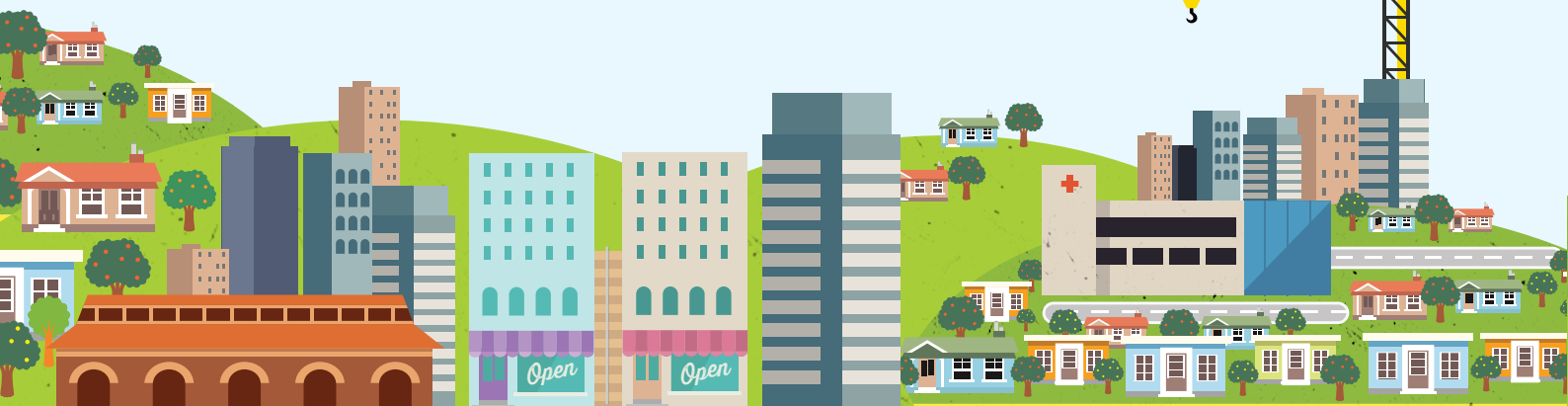
We will also support our members throughout the year, creating networking opportunities and advocating and communicating on the important issues of interest.

Thank you for your support and we look forward to keeping up the good work in 2018.

Nāku i runga i aku mihi ki a koe.



Cameron



THANKS

to all our Members
for the support you
have given PEPANZ
during 2017.

- PEPANZ Team



