

YEAR IN REVIEW 2019



CONTENTS

Foreword	3
Advocate	4
Educate	6
Support	8
2019: The Year That Was	10
Celebrating Great Achievements	12
PEPANZ: Our Priorities	13
Our Board	14
Our Staff	15
Our Members	16
The Year Ahead	18



FOREWORD

Tēnā koutou katoa.

It's been another busy and eventful year for PEPANZ and the wider industry.



Last year was dominated by the Government's shock decision around new exploration permits, but this year has been more about looking ahead.

A number of Government policies will potentially have big impacts on our sector including the Zero Carbon Act, the Minerals and Petroleum Resources Strategy and planned reform to the Crown Minerals Act.

We have seen progress on offshore financial assurance after many years, and income tax exemption for offshore rigs renewed again.

These regulatory issues have kept us busy and reinforced the need for a strong industry body speaking with one voice.

Educating the wider public on our industry has also been a priority. We have featured widely in the media, released a range of new publications and our 'Energy Voices' campaign reaches hundreds of thousands of New Zealanders every week via social media.

2019 has seen a number of corporate changes and transitions with Tamarind purchasing TagOil's New Zealand assets and OMV completing their acquisition of Shell New Zealand. We've also farewelled explorers including Chevron and Equinor from New Zealand.

I believe the industry has an exciting future. As we transition to a lower emissions world we will have a major role to play in both the journey and the destination, delivering the energy that creates better lives for billions of people around the world.

This is also my last year as CEO of PEPANZ. It has been a privilege to work on your behalf over the last five years and I remain very proud of what we have achieved.

I want to thank the PEPANZ members, board and staff who have been very supportive of me – especially over the eventful last couple of years.

All the best for a great holiday period and for the exciting challenges ahead.

A stylized black ink signature of Cameron Madgwick.

Cameron Madgwick
PEPANZ CEO 2014 – 2019

“

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ADVOCATE

Fair, Transparent & Workable Regulatory Environment



Our Submissions

PEPANZ has made a wide range of submissions to central and local Government this year on issues affecting our members. We also regularly meet with MPs and officials to discuss these issues in person.

It is pleasing to see progress on offshore financial assurance after many years of discussion with proposals being consulted on that are broadly acceptable. A full list of our submissions is available on the PEPANZ website and includes:

- Climate Change Response (Zero Carbon) Amendment Bill
- Oil Pollution Levy
- Taranaki 2050 Roadmap
- Hydrogen Green Paper
- Petroleum and Minerals Resource Strategy
- Maui and Hector's Dolphins threat assessment and seismic survey rules
- Proposed Taranaki Regional Coastal Plan
- Proposed New Plymouth District Plan

Change in Government Direction for Petroleum and Minerals

PEPANZ has engaged with the Government on two important pieces of work that will set the long-term future direction for the sector.

In November a 'Minerals and Petroleum Resource Strategy' was released by the Ministry of Business, Innovation and Employment (MBIE). This sets out a 10-year vision for "A world-leading environmentally and socially responsible minerals and petroleum sector that delivers affordable and secure resources, for the benefit of current and future New Zealanders."

A discussion document proposing major reforms to the Crown Minerals Act has also recently been released. This is the biggest reform to the legislation in decades and affects nearly every area of how the upstream sector operates.

PEPANZ has been talking to officials and politicians about these important pieces of work to ensure the industry's view is well understood.



Gas Disclosure

PEPANZ, along with gas producers, has been developing a code to ensure disclosure of information about outages at natural gas production facilities.

This industry-led framework is intended to ensure that accurate and timely information about planned and unplanned outages is made publicly available to all interested parties.



Tax Exemption for Offshore Rigs

An important five-year tax exemption for offshore vessels and rigs was renewed by Parliament this year.

PEPANZ advocated for this provision which avoids creating an artificial incentive for vessels to leave New Zealand and be replaced before the threshold of 183 days expires. Government officials agree this is sound tax policy and not a 'subsidy'.



Opposing the 2018 Exploration Decision

The year started with a bang for the Energy Voices campaign as we ran television advertising highlighting the impacts of the 2018 exploration decision.

In February we released a report prepared by NZIER into the economic impacts of the decision which modelled it could cost the economy \$28 billion by 2050. This attracted widespread media coverage and comment.

Engagement on Local RMA Plans

This year we have focussed on strong and well-resourced engagement on local RMA plans in the Taranaki region. It is crucial that we work to preserve sound and workable rules in the Taranaki region, especially given it is the only area in which new permits can be granted under current legislative settings.

For this reason, we have continued the appeal on the South Taranaki District Plan and engaged closely at the hearings on the Taranaki Regional Council's proposed Regional Coastal Plan. We will be involved in the New Plymouth District Plan's hearing following our submission in November.

Thank you to relevant petroleum operators who have supported this important work.



EDUCATE

Trusted by New Zealanders



New Publications in 2019

In October PEPANZ published our policy platform *"Building a Richer and More Sustainable New Zealand: A Policy Plan for the Upstream Petroleum Sector."* This sets out our recommendations for policies to help the sector deliver major economic, environmental and social benefits for New Zealanders.

This year we also published *Powering to 2050: A Vision for Natural Gas in New Zealand* which outlines our vision for the long-term role of our sector.

Upstream Online is our monthly 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

This year PEPANZ has spoken on behalf of the industry in over 160 articles in print, radio, TV and online.

Major public issues have included new exploratory drilling, climate change, the potential of hydrogen, and insurance requirements and tax rules for the industry.



Energy Voices Campaign

Our Energy Voices campaign has changed focus in 2019 to concentrate on telling the story of natural gas and its importance to New Zealand. We are using social media to explain how it keeps energy prices down, creates jobs and powers better lives.

Our educational graphics and videos have been appearing hundreds of thousands of times per week and generating excellent engagement.



Taranaki Tours

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

In February this year we hosted officials from the Ministry of Business, Innovation and Employment on a two-day tour of industry sites throughout Taranaki. Seeing how we work first-hand is always a valuable experience for regulators normally based in Wellington.

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FIRST-HAND IS ALWAYS A
VALUABLE EXPERIENCE FOR
REGULATORS NORMALLY
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”



SUPPORT

Valued by Members



New Zealand Petroleum Conference 2019

This year's conference was held in Queenstown from 30 September to 1 October and had a strong focus on the role of our sector in a lower-emissions world.

Around 200 industry leaders, international experts, senior government officials, regulators and service providers enjoyed a range of outstanding presentations and events.

Highlights included presentations from:

- Video address from Hon Dr Megan Woods, Minister of Energy and Resources
- New Zealand industry leader's address by Andrew Jefferies, CEO New Zealand Oil & Gas

- International address "The future is not what it used to be" by Chris Graham, Vice President Wood Mackenzie
- Cam Hosie and Murray Gribben from 8 Rivers on the proposed Allam cycle development in Taranaki
- John Kidd from Enerlytica on the role of the sector in lowering global emissions
- Paul Rangiwhia on the need for a 'mental warrant of fitness' and responding to change
- John Carnegie, BusinessNZ Energy Council on making better energy policy decisions
- Laurence Kubiak, NZIER on the economic impacts of last year's exploration decision





Members Events

Five members events have been held by PEPANZ this year, including farewell functions for outgoing CEO Cameron Madgwick in Wellington and New Plymouth.

In April we held a function with the National Party's then Climate Change spokesman Todd Muller who outlined the party's thinking on policies including the Zero Carbon Bill and the exploration ban.

In July we attracted a large audience for the launch of our new publication *Powering to 2050: A Vision for Natural Gas in New Zealand*.

Joint Petroleum Operators and Regulators Forum

PEPANZ runs this quarterly forum for operators and regulators to meet in person and discuss issues of common interest. Officials from both central and local Government attend these meetings in New Plymouth.



New PEPANZ CEO Appointed

PEPANZ is delighted to have John Carnegie begin as our new Chief Executive in December.

John was previously the Executive Director of the BusinessNZ Energy Council with nearly three decades experience in public policy and energy markets, specialising in energy, climate change and resource management policy.

John replaces Cameron Madgwick who has taken up a role as CEO of law firm Gibson Sheat.

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2019: THE YEAR THAT WAS

January

- Coal-fired electricity generation reaches five year high

May

- Zero Carbon Bill introduced to Parliament
- Government announces funding for 'National New Energy Development centre' to be based in Taranaki

July

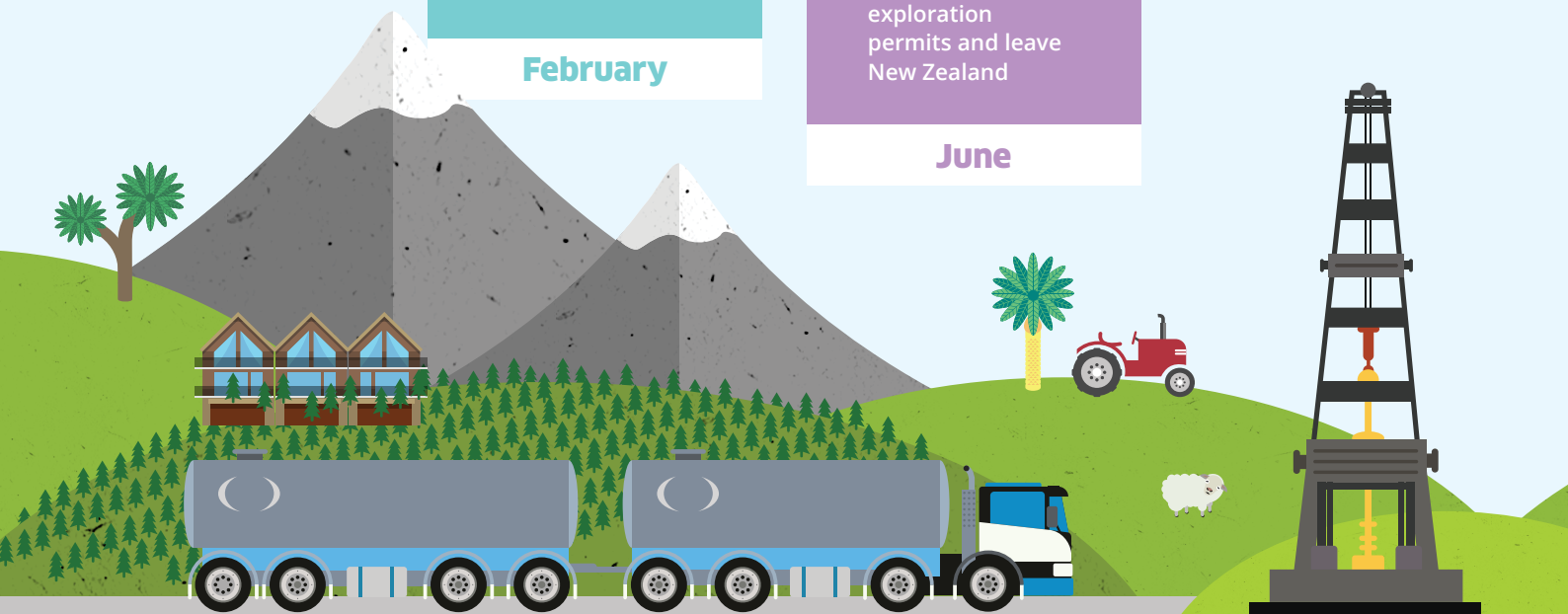
- Interim Climate Change Committee recommends against pursuing target of 100% renewable electricity, highlighting role of natural gas
- PEPANZ releases "Powering to 2050: A Vision for Natural Gas in New Zealand"
- EPA hearing into OMV application for Great South Basin discharge activity
- Five-year tax exemption for offshore vessels and rigs renewed by Parliament.

February

- NZIER report into economic impacts of exploration decision released
- Energy Voices advertisements on television

June

- Energy data shows 11 years of natural gas reserves at current levels of demand
- Chevron and Equinor surrender exploration permits and leave New Zealand





September

- New Zealand Petroleum Conference in Queenstown
- PEPANZ Policy Plan released
- Government releases 'green hydrogen' discussion paper

November

- Government releases discussion document on a major review of the Crown Minerals Act 1991
- Zero Carbon Act passes into law
- International Energy Agency releases World Energy Outlook 2019, showing strong demand growth for natural gas expected over coming decades



- Draft Minerals and Resources Strategy released by Government
- Beach Energy confirms plan to drill Wherry prospect in the Canterbury Basin in 2021

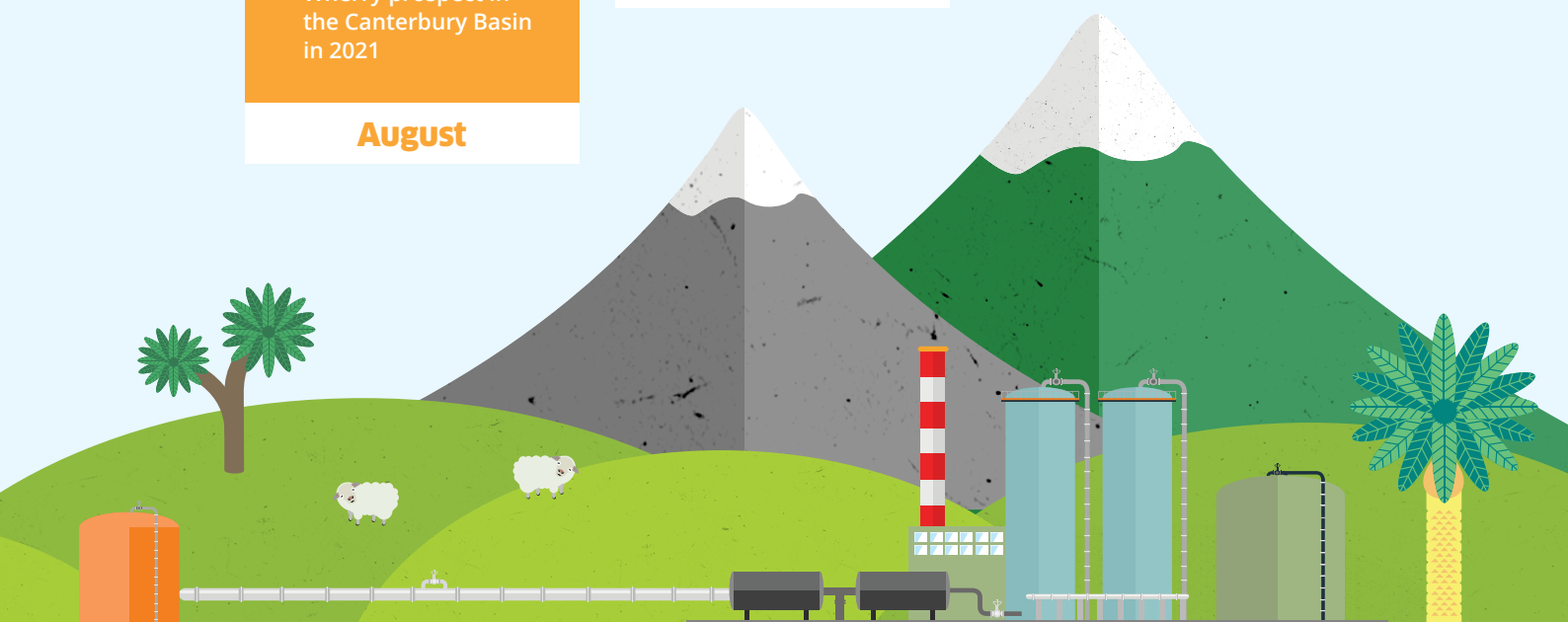
August

- PEPANZ CEO Cameron Madgwick finishes after five years in role

October

- New PEPANZ CEO John Carnegie starts role

December



CELEBRATING GREAT ACHIEVEMENTS



The PEPANZ Hall of Fame is a lifetime achievement award presented for outstanding contribution to the oil and gas sector. This year's recipient is Dr Mac Beggs.

Mac began his career with a PhD in Geological Science at the University of California and then worked as an exploration geologist and reservoir specialist with Sohio Petroleum Company in Texas.

In 1988 he returned to New Zealand and has been manager of petroleum geoscience research with GNS Science, co-founder and general manager of New Zealand exploration consultancy GeoSphere, and exploration manager for New Zealand Oil & Gas Ltd.

Mac is currently a consultant petroleum geologist and an Adjunct Professor in the Department of Geological Sciences, University of Canterbury. He is also a former Deputy Chair of PEPANZ.

Beach Energy and Todd Energy were also winners at the New Zealand Petroleum Conference Awards this year:

- Excellence in Community Partnership and Engagement: Beach Energy for "It's time to talk Taranaki", a unique community wellbeing collaboration between Beach Energy and local Maori artist Paul Rangiwahia which has reached more than 3000 people.

- Outstanding Innovation in Oil and Gas: Todd Energy for their initiative to minimise flaring activity which has greatly reduced emissions and impacts on their neighbours.

Previous winners of the PEPANZ Hall of Fame include:

- Rob Jager 2018
- Dennis Washer 2017
- Richard Tweedie 2016
- Sir John Todd 2015
- Barry Dineen 2014
- Peter Vause 2013



PEPANZ: OUR PRIORITIES

We aim to secure conditions that enable Member companies to operate safely, sustainably and profitably.

We work with central and local government to ensure the country's regulatory and commercial framework promotes investment and maximises the return to both industry and the community from developing the nation's oil and gas resources.

We also seek to increase community and government understanding of the industry by publishing information about the sector's activities and its economic importance to

New Zealand, while also working on delivering direct value to our Members.

Our work is focused on three key themes: Advocate, Educate and Support. Through these themes, we aim to create for the industry a fair, transparent and workable regulatory environment, the trust and confidence of New Zealanders and tangible value for our 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

Evidence-based, consistent, fair and stable policy settings for marine use and protection

Economically and environmentally reasonable and rational framework for emissions reduction

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

Promote evidence-based discussions about the sector and its role in providing energy and reducing emissions

Effective relationships with key stakeholders

Support

Valued by Members



Increased networking opportunities for Members

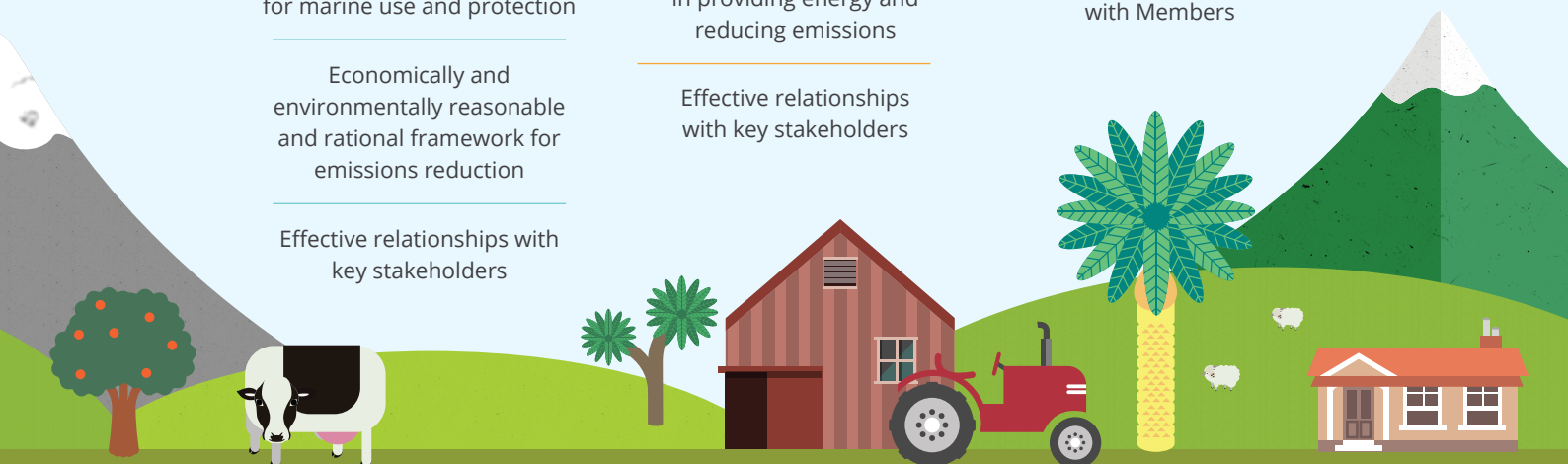
Responsible and responsive to Members

Relevant and regular communication with Members

Outstanding conference

More guidelines developed

Effective relationships with Members



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.



Joanna Breare

Chair
Todd Energy



David Coull

Deputy Chairman
Bell Gully



Gabriel Selischi

Representing Large Producers
OMV



Mat Quinn

Representing Large Producers
Beach Energy



Andrew Jefferies

Representing Medium Producers
New Zealand Oil & Gas



Nick Jackson

Representing Associate Members
Elemental Group



BELL GULLY



NEW ZEALAND
OIL & GAS



OUR STAFF > Meet our team of professionals



John Carnegie Chief Executive

John is the Chief Executive of PEPANZ, a role he took up in December 2019. He was previously the Executive Director of the BusinessNZ Energy Council and has nearly three decades experience in public policy and energy markets, specialising in energy, climate change and resource management policy. He leads PEPANZ's advocacy for evidence-based policies to make New Zealand a better place, ensuring we have sustainable, affordable and reliable energy.



Joshua O'Rourke Policy Manager

Josh leads PEPANZ's policy programme, working with members and other stakeholders to promote policies that are fair and reasonable for the oil and gas sector. Josh has a strong public policy background and understanding of the key regulatory matters relevant to the oil and gas sector. Previously Josh worked on petroleum policy at the Ministry for the Environment, the Environmental Protection Authority, and at the Ministry of Business, Innovation and Employment. He joins PEPANZ most recently from Straterra, the industry association for the New Zealand minerals sector.



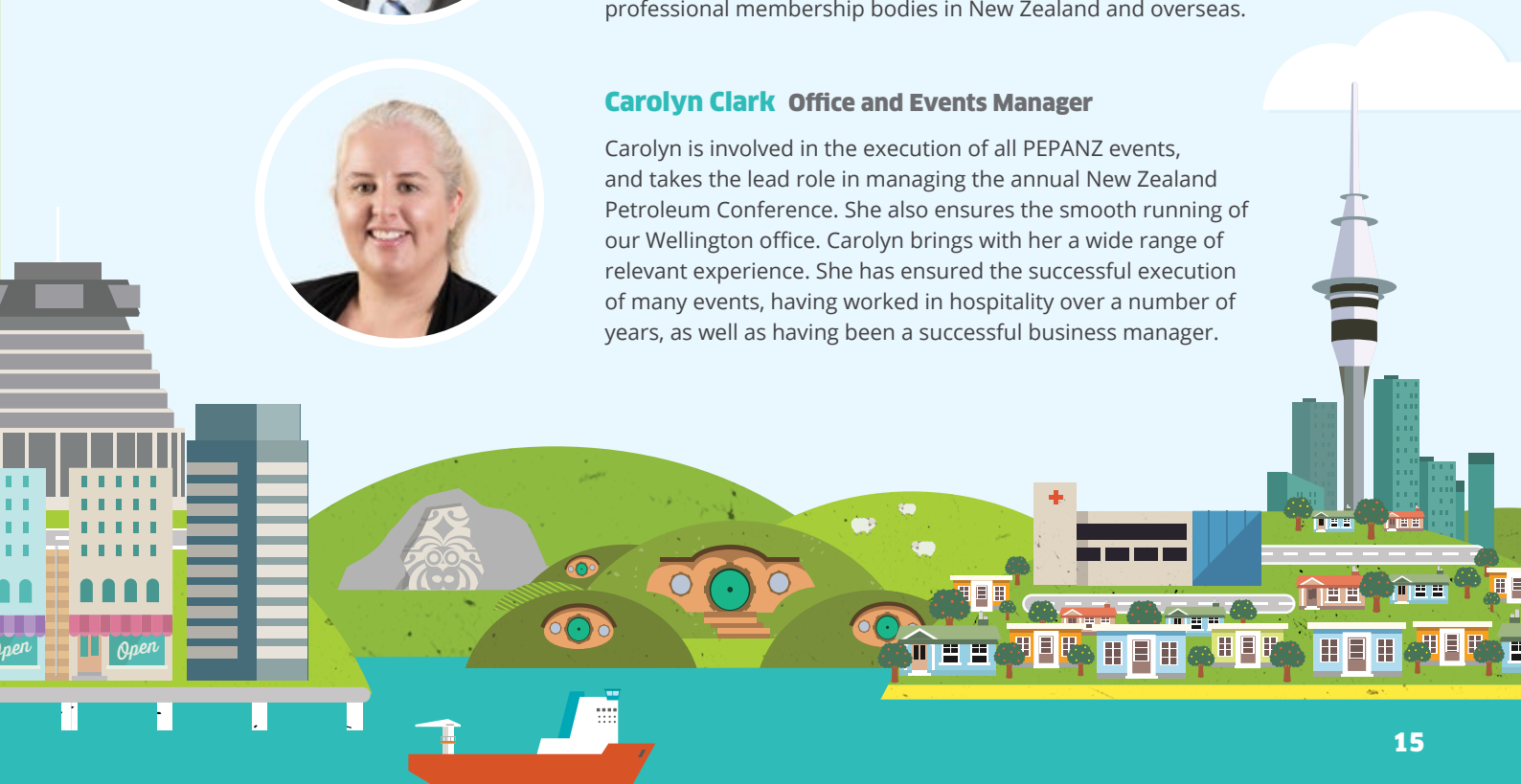
Phil Rennie Communications Manager

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 nearly 50 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



Large Explorers



Medium Producers



Field Operations Service Providers



Non-field Service Providers

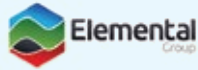
BELL GULLY

btw company
surveys, planners, engineers, land & gas services

**CHAPMAN
TRIPP**



Deloitte.



**BUDDLE
FINDLAY**



**MinterEllison
RuddWatts**
LAWYERS

AECOM

Govett Quilliam
THE LAWYERS



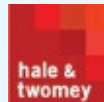
GreenwoodRoche

**Russell
McAugh**

**anderson
lloyd.**



Others



Longbay
Petroleum Associates Ltd.



Dr. Peter Kamp



THE YEAR AHEAD

2020 is going to be a major year for our industry.



Next year we will see crucial development and exploration work happening in Taranaki and off the Otago coast. It's no exaggeration to say the outcome of this and how we respond as a sector will help shape the long-term future of the industry in New Zealand.

There will also be important issues for us to deal with through the review of the Crown Minerals Act, the establishment of the Climate Change Commission and a general election in second half of the year.

I will be a strong and collaborative advocate for the industry. I will advocate for evidence-based policies that will make New Zealand a better place for us all, ensuring we have sustainable, but also affordable and reliable energy.

The energy our sector provides powers the economy and is critical to the prosperity and wellbeing of all New Zealanders.

As a sector we have faced challenges before and overcome them. Once again we need to rise to the occasion through openness and transparency, and respectful and evidenced-based debate. We have a major long-term role to play in the transition to a lower emissions world.

We also have much to be proud of in this sector in terms of skills, employment, health and safety, environmental performance and economic contribution.

So together let's build on this. To paraphrase the words of singer Neil Young, *"what lies ahead of us are fields of opportunity; it's ploughing time again."*

Thanks for your support of PEPANZ this year and I look forward to working with you in 2020.

John Carnegie
Chief Executive

“
**WHAT LIES AHEAD OF US
ARE FIELDS OF OPPORTUNITY;
IT'S PLOUGHING TIME AGAIN.**
”



THANKS

to all our Members
for the support you
have given PEPANZ
during 2019.

– PEPANZ Team



