

Hon Shane Jones

Minister for Resources

Meeting with Energy Resources Aotearoa on 7 May 2025

Key messages

- *while not entirely happy with where things have landed on the CMA Amendment Bill, particularly around the new change of control measures and retention of the presumption of complete removal, **we are pleased to see changes to the trailing liability regime and signalled future work on possible exemptions for petroleum infrastructure as relating to financial security setting***
- *we are **grateful to you for the opportunity to review** the new changes to the Bill and to provide feedback on the workability of the proposals from an industry perspective*
- *we had by now expected to have worked with officials on **possible measures to mitigate sovereign risk associated with future investments in natural gas**, but we are still waiting for this and **would appreciate an update** on this, and any other measures being considered*
- *we welcome the opportunity to discuss **how policy and operational settings are aligning (or not, as the case may be) to deliver on the Government's oil and gas objectives***

Current context for the sector

1. The sector is keenly aware of the impact of declining gas supply and the other challenges that it faces to address New Zealand's energy security, and the challenges faced by gas users.
2. Our members continue to invest significantly to maintain gas production, including the recent POW-05 well from the OMV/Todd joint venture and Todd Energy has a drilling programme underway. However, as you know, investment timeframes are long in this industry, fields are ageing, and sovereign risk for fossil fuel investments remains a major concern. It is through the lens of this context that we view the following issues.

The Crown Minerals Act Amendment Bill 2024

3. We are pleased that some of the concerns of the sector on the decommissioning provisions have been heard, and that the resulting liability provisions are more reasonable and proportionate than were introduced to the Select Committee and Committee of the Whole stages.
4. We support the amendment to expressly provide greater flexibility with regard to trailing liability and consideration of exemptions for either the whole, or parts of, particular items of infrastructure as relating to financial security. These changes make the decommissioning regime more balanced, risk adjusted, and less punitive.
5. We have already started thinking about potential class exemptions for petroleum infrastructure and will work with MBIE officials on the details, including finalising consequential changes required to the Petroleum Programme and any other regulations. We are hopeful that this pragmatic approach to exemptions may yet address our key concerns about the CMA requirements for full removal of infrastructure.
6. We are grateful to you for the opportunity to review the proposed changes to the draft Bill though at the time of drafting we have yet to see an exposure draft. We will continue to work with MBIE to provide our feedback on the workability of the proposals from an industry perspective.
7. However, we still consider that the changes signalled have not shifted the dial far enough to provide stimulus for investment in the petroleum sector in New Zealand. In particular, we do not believe that the following are consistent with the Government's goal to accelerate investment in growing our reserves and revitalising our upstream gas sector:
 - a. new approval of changes of control of all permit participants (i.e. those required to notify under section 41A now requiring Ministerial approval before the transaction occurs);

- b. requirement for prior Ministerial approval where a person ceases to have control; and
- c. new pecuniary penalty for the outgoing interest if a change of control goes ahead without Ministerial approval.

Measures to mitigate sovereign risk

- 8. Regardless of where the Bill lands, we have consistently noted that investment will not be unlocked in growing our reserves (especially from new entrants) without measures to mitigate the *massive* sovereign risk now associated with investment in fossil fuel-related enterprises.¹ You have frequently and publicly leaned into this issue, talking most recently about the possibility of the Crown taking equity stakes in new permits.
- 9. At our last meeting it was agreed that officials would work with us as they shaped up policy to address sovereign risk, but to date we have had no visibility of this work. We would appreciate an update on this work, or indeed any other measures that the Government may be contemplating to derisk future investment intentions.

Alignment of your objectives for oil and gas and regulatory settings

- 10. Once the legislative and other changes are publicly announced, it will be important to ensure that they land well in the bureaucracy who will be required to give effect to them.
- 11. We still consider that there are questions about how policy and operational settings are aligning (or not, as the case may be) to deliver on the Government's oil and gas objectives. You are a great champion of the sector, but your support is not always reflected in the approaches taken by other departments and agencies responsible for promoting investment in New Zealand or policy initiatives.
- 12. In our view, this misalignment manifests itself in a couple of ways:
 - a. your policy that the oil and gas sector needs to be actively promoted is not yet being reflected on the ground. The purpose of the CMA is being changed back to reflect this objective, and MBIE has staff whose role is to promote New Zealand's minerals resources. However, this voice will be drowned out by other agencies (MFAT, NZTE, Invest NZ etc.) if they retain their *sole focus* on renewable energy.

Because of this, we urge you to speak to their responsible Ministers to ensure that they are all tasked with conveying the message that New Zealand is 'open for business' not only for renewables but also for the exploration and development of Crown-owned petroleum resources, and that we need inward investment. All relevant government agencies need to be directed to deliver this clear and consistent message; and

¹ It is important to reiterate that this risk is **not exclusive** to natural gas but also to the development of gas-fired peaking power stations and the importation of LNG.

- b. our enduring and firmly held view is that policy settings should be neutral in terms of support from the Government for *all energy sources*. However, what we are increasingly seeing is, at best, policy incoherence and, at worst, entrenched bias against oil and gas. For example, suggested amendments to the RMA explicitly offer preferred consenting status to renewables, but this also permeates policies in less obvious ways such as the recently released proposals for a Carbon Capture Utilisation and Storage (CCUS) regime. This seems to treat geothermal energy differently on the basis that geothermal emissions occur naturally and therefore do not contribute to New Zealand's emission inventory.

We urge you and your Cabinet colleagues to be conscious of this bias, which may be inadvertent or even unconscious, and try to ensure that all energy policies are (unless specifically justified) agnostic in terms of fuel and technology. The sector has, for too long, existed under oppressive and direct policy settings and we look to this Government to be more even handed (if not openly supportive) in its approach. We will also continue to call out policies that seem to reflect this bias.