

Press Release
Fossil Fuels Aotearoa Research Network (FFARN)

19 October 2018

Urgent need to close loopholes in the Government's exploration ban legislation

Last Wednesday it was announced that Austrian oil company OMV had been granted a two-year extension to its exploration permit to 'assess geological data' in the Great Southern Basin off the Otago Coast before deciding whether and where to drill an exploratory well.

It's known in the industry as a 'drill or drop' decision.

The announcement comes barely nine months after New Zealand Oil and Gas was granted a second extension for their Barque prospect off South Canterbury, ostensibly for further data analysis. The extension was granted by officials in record time over the Christmas holiday because the drill or drop deadline was in April. Market analysts point out that NZOG has been struggling to find a farm-in partner to share the costs of an exploratory well.

Both extensions appear to be examples of 'gaming the system' which FFARN warned about in its submission on the CMA (Petroleum) Amendment bill last Wednesday.

The ban and this bill could provide an incentive for oil companies to ramp up their exploration activities. An example of what some economists have termed the 'green paradox', where government climate policy measures spark accelerated emissions-producing behaviour from the petroleum companies.

At present 15 more exploration permits are facing drill or drop decisions in the next 18 months

Sections 35 and 36 of the CMA provide that the Minister may change a permit at any time under specified conditions. An exploration permit extension may *only* be granted in accordance with Section 35A for purposes of 'appraisal of a discovery.'

According to the ODT (10 October 2018), OMV's application letter stated the extension would enable the company to "become significantly better informed about the underlying geology before commencing drilling under the work programme. This reduces the prospect of unnecessary drilling taking place." That doesn't appear to be grounds for an extension under the Act.

Minister Woods told Parliament she would treat extensions on a case by case. In practice decision-making is devolved to New Zealand Petroleum and Mining officials who are also responsible for *promoting* O&G development.

FFARN recommended to the Select Committee that if the Government is serious about phasing out fossil fuels, the regulations around extensions should be tightened by allowing oil companies only one extension for one year, placing the decision-making back in the hands of the Minister and adding a provision that the Minister be advised by an 'independent expert'.

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