

ORDINARY MEETING

OF

WELLINGTON CITY COUNCIL

MINUTE ITEM ATTACHMENTS

Time: 5.30 pm
Date: Wednesday, 28 October 2015
Venue: Committee Room 1
Ground Floor, Council Offices
101 Wakefield Street
Wellington

Business

Page No.

2.3 Submission on Block 2016

1. Council 28 October 2015: Item 2.3 - Report on Submission on Block Offer 2016

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28 OCTOBER 2015

**Absolutely Positively
Wellington City Council**
Me Heke Ki Pōneke

NZPAM BLOCK OFFER 2016: SUBMISSION

Purpose

1. To agree Wellington City Council's Submission to the New Zealand Petroleum and Minerals agency (NZPAM) on Block Offer 2016 – an annual competitive tender process to allocate permits for exploration of petroleum and gas in New Zealand.

Recommendations

That the Council:

1. Receive the information.
2. Note the areas proposed for Block Offer 2016 as shown in attachment 1.
3. Agree Wellington City Council's submission to New Zealand Petroleum and Minerals on Block Offer 2016 as outlined in attachment 2.
4. Agree to endorse the submission of the Greater Wellington Regional Council as outlined in attachment 3.
5. Delegate to the Mayor and the Chief Executive the authority to make any minor editorial amendments.

Background

2. New Zealand Petroleum and Minerals (NZPAM) – an agency within the Ministry of Business and Innovation – manages oil and gas exploration in New Zealand.
3. NZPAM runs an annual competitive tender process for exploration permits, and in 2016 five blocks have been identified for exploration with a combined size of 537,632 square kilometres. Two of these blocks are adjacent to Wellington. See attachment 1 for a map of the block offers for 2016.
4. NZPAM is required by the Crown Minerals Act to consult iwi and hapu before finalising the tender process, but not the wider public. NZPAM also engages with local authorities that have jurisdiction within or are located adjacent to block offers.
5. The primary purpose of the consultation is to identify sensitive areas not already protected by legislation so this can be recognised in any block offers before the tender process.
6. Consultation on Block Offer 2016 closes on 30 October 202016.
7. Permits do not allow for mining - only geological and seismic surveying and sampling. Permit holders are required to meet the conditions of any environmental consents under the Resource Management Act 1991, the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2012, and adhere to relevant health and safety legislation.
8. Permits are generally granted for up to 15 years and exploratory drilling tends to occur towards the end of that process (after surveying, sampling and analysis).
9. Before drilling exploratory wells, resource consents from the relevant local authority are required (if drilling within our territorial waters out to 12 nautical miles) or from the Environment Protection Authority (if beyond 12 nautical miles).

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10. If commercial quantities are found, further permits (mining), marine and resource consents as well as consultation with affected parties is required.

Discussion

11. The draft submission (attachment two) discusses the following:
- the importance of engaging with the wider public on Block Offers
 - the economic potential of the sector on the region
 - the need for any possible economic benefits to be more closely linked to local communities (because they are taking the risk)
 - the need to have international best practice risk and disaster management arrangements (and equipment) given any spill could have significant impact on the environment (and New Zealand's reputation)
 - that our reliance as a society on fossil fuels in the short to medium term will likely remain, but that government should do more to accelerate the transition to a lower carbon future for New Zealand.

Attachments

- Attachment 1. Map of Block Offers
Attachment 2. Wellington City Council Submission
Attachment 3. Greater Wellington Regional Council Submission

Author	Moana Mackey, Programme Manager Sustainability
Authoriser	John McGrath, Acting Director Strategy and External Relations

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SUPPORTING INFORMATION

Consultation and Engagement

Not applicable.

Treaty of Waitangi considerations

Not applicable. The Crown is consulting Iwi directly.

Financial implications

Not applicable.

Policy and legislative implications

Not applicable.

Risks / legal

The decisions required in this paper do not have any direct risk or legal impacts, however, the issues discussed in the submission are concerned in part with risk.

Climate Change impact and considerations

The decisions required in this paper do not have any direct climate change impacts or considerations, however, the issues discussed in the submission are concerned in part with climate change, and are covered in the relevant sections of the paper and attachments.

Communications Plan

Not applicable.

Block Offer 2016 – Wellington City Council Submission

Introduction

1. Wellington City Council thanks New Zealand Petroleum and Minerals (NZP&M) for the opportunity to submit on the proposed Block Offer 2016. Given that the Crown Minerals Act only requires consultation with hapu and iwi, we appreciate that affected local authorities are also being given the opportunity to comment on the current proposal.
2. The Wellington City Council submits that:
 - Block Offers should be subject to wider consultation because of their significance
 - the possible economic benefits from oil and gas extraction should partially accrue to the local communities adjacent to it (because they are taking the risk)
 - permits should only be granted to those companies that have exceptional track records and follow international best practice risk and disaster management arrangements
 - that our reliance as a society on fossil fuels in the short to medium term will likely remain, but that government should do more to help accelerate the transition to a lower carbon future for New Zealand.
3. Wellington City Council supports the submission from Greater Wellington Regional Council (GWRC).

Background

4. Wellington City Council places a strong focus on economic development. Our recently adopted Long Term Plan 2015-2025 includes a substantial economic investment programme designed to unleash the untapped potential that exists within the local economy.
5. A stronger economy means jobs, prosperity and more opportunities for all Wellington residents. The petroleum industry has made, and continues to make, an enormous contribution to the New Zealand economy. Oil is our 4th largest export with oil and gas contributing over \$2 billion a year to GDP as well as \$300 million in

company tax and around \$400 million in royalties per annum. The industry also provides approximately 7,500 FTEs nationwide. The potential economic impact of the petroleum sector is evident in Taranaki where it delivers high levels of labour productivity and some of the highest household incomes in the country.

6. However increasing public concern about climate change and sustainability, health and safety, and the potential impact on coastal communities in the wake of the Rena grounding and Gulf of Mexico spill has seen community opposition to deep sea oil exploration increase.
7. Wellington's remarkable marine and coastal environment is a significant contributor to the city's economy and Wellingtonians' sense of identity and quality of life. With this in mind Wellington City Council has identified the following areas of concern.

Submission points

Need for greater public engagement

8. Wellington City Council would like to see greater engagement with the public during Block Offer processes. The New Zealand Petroleum and Minerals website states that *"The Act does not provide for NZP&M to consult with individual members of the public¹."* While this is technically correct it is also true that there is nothing in the Crown Minerals Act that would prevent this from happening if New Zealand Petroleum and Minerals decided to do so.
9. Companies who are successful in the Block Offer process who wish to proceed to exploratory drilling will subsequently have to apply to Greater Wellington Regional Council for a resource consent if the activity is within New Zealand's territorial waters, or apply to the Environmental Protection Authority for a marine consent if the activity is in our exclusive economic zone (EEZ). As nearly all of the proposed Block Offer area is in the EEZ this submission focuses on the latter.
10. Marine consents are issued by the Environmental Protection Authority (EPA) under the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act (The EEZ Act). When the Block Offer process was first introduced in 2012 the EEZ Act required public consultation whenever a company applied for a marine consent to carry out exploratory drilling. It was therefore not deemed necessary to allow for public consultation in the Block Offer process as the EEZ Act provided a mechanism to ensure public engagement occurred before any drilling took place.

¹ <http://www.nzpam.govt.nz/cms/investors/permits/block-offers/block-offer-2016>

11. However the EEZ Act was amended in October 2013 to introduce a new category of “non-notified marine consent applications” which included exploratory drilling for oil and gas. This change means the public are not able to have any input until the production phase of a well. Given there are risks associated with exploratory drilling Wellington City Council believes this is no longer appropriate and would urge New Zealand Petroleum and Minerals to include consultation with affected communities in the Block Offer process as they have done for affected councils.
12. Wellington City Council supports the submission of Dunedin City Council which requests that New Zealand Petroleum and Minerals conducts formal, full public consultation on subsequent Block Offers going forward and that applications for marine consent be publically notified by the Environmental Protection Authority.

Risk to Wellington's marine and coastal environment

13. Promoters of offshore oil exploration often refer to the risk of an oil spill occurring as being extremely low. However risk is the product of the probability of a hazardous event taking place and the consequences of that event. In the case of deep sea oil drilling while it is true that the likelihood of an accident occurring is extremely low, according to the Ministry for the Environment, the impact on New Zealand's coastline would be “catastrophic” and have “huge economic consequences”². We also note that relying on historical data for risk modelling has its limitations given the marine areas being opened up for exploration are becoming progressively more challenging in terms of depth and operating conditions.
14. Wellington's economy and quality of life is inexorably linked with the health and wellbeing of our harbour and coastal environment. Even a relatively minor event could have a significant impact on our economy and environment. Maritime New Zealand's Marine Oil Spill Response Strategy 2015-2019 said of the impact of the Rena spill in 2011:

Although this incident had a relatively small oil spill (about 350 tonnes), it had a significant impact on the local environment and community. The Rena response involved agencies and individuals from throughout New Zealand and the rest of the world. It was complex, was lengthy, and demonstrated the challenges of responding to an offshore event.³

² Cabinet paper Ministry for the Environment to Hon Amy Adams – “EEZ Act Regulations – classifying exploratory drilling.” 12 October 2012.

³ <http://www.maritimenz.govt.nz/Environmental/Responding-to-spills-and-pollution/Response-strategy.asp>

15. As such Wellington City Council supports the position of Greater Wellington Regional Council that oil and gas exploration “should not proceed unless it is clear that this activity will not result in adverse environmental impacts.”
16. The Rena event also raised concerns about the ability of Maritime New Zealand to respond in the event of an oil spill. Wellington City Council understands that while the three oil response vessels owned by Maritime New Zealand are appropriate for activities in sheltered waters they are not designed for the open ocean.
17. Maritime New Zealand maintains a stated response capability of sufficient size to counter an oil spill of 3,500 tonnes. If the scale of an incident is beyond this capability, provision of the required equipment and support would need to be negotiated and brought in from overseas. This could take weeks given our distance from other drilling operators who would be approached to provide that support.
18. While we understand Maritime New Zealand has taken lessons from the Rena experience and implemented operational changes Wellington City Council would want absolute assurances that New Zealand’s response capability is adequate to deal with any oil spill off the Wellington Coast and that the cost of any cleanup would be borne by the company responsible and not ratepayers or taxpayers.
19. We note that despite growing concerns about the environmental safety of petroleum exploration the sector is well regulated and there have been no significant oil spills or accidents in the history of the industry in New Zealand. As exploration and production operations move into deeper water and more challenging environments Wellington City Council would urge New Zealand Petroleum and Minerals to only award Block Offer petroleum exploration permits to those companies that have exceptional track records and follow international best practice risk and disaster management arrangements.

Economic benefits

20. There is no doubt that the petroleum industry makes a significant contribution to the New Zealand economy. The Government earns on average roughly \$400 million a year in royalties (not including revenue from taxes) from the petroleum industry.
21. New Zealand Petroleum and Minerals website states:

Oil and the products derived from it are a major export earner for New Zealand and jobs in the industry are highly-skilled and highly-paid.⁴

22. What is less clear however are the direct economic benefits to the Wellington region of Block Offer 2016 given there is no requirement for local procurement or employment policies to be considered despite regional economic growth being one of the arguments most commonly put forward in support of oil and gas exploration.
23. Wellington City Council believes exploration companies should be required to provide a detailed breakdown of the direct benefits to affected regions before they are granted access to this publicly owned resource. This would allow communities and councils to more accurately compare the economic benefits and the environmental risks. Where jobs are to be created it also allows time to provide training to ensure locals are work-ready for these “highly-skilled” jobs when they come on-stream.
24. Wellington City Council also believes that consideration should be given to devolving some of the royalties gained by central government through royalties on oil and gas exploration back to regional economies given it is these communities who are being asked to take on the risk of exploration activities.

New Zealand’s energy future

25. Wellington City Council believes the future for Wellington, and New Zealand, is in transitioning away from a heavy reliance on fossil fuels to cleaner more efficient forms of energy production as well as reducing our energy use overall.
26. We believe New Zealand is uniquely poised to take advantage of significant economic opportunities in a world where there is growing demand for low-carbon goods and services by leveraging our clean green brand and expertise in renewable energy generation.
27. We agree with the statement by Energy Minister Simon Bridges that “*We should be excited about the renewable possibilities or as I call it the renewable advantage that we have - it is immense*”⁵ and would like to see a stronger focus placed on developing alternatives to fossil fuels.

⁴ <http://www.nzpam.govt.nz/cms/investors/our-resource-potential/petroleum>

⁵ http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=11425254

28. However climate change is not a factor being considered in either the Block Offer or marine consenting processes. This is despite increasing evidence that in order for the world to avoid catastrophic levels of warming by the end of this century we must accept that not all petroleum reserves can be exploited.
29. We do note however that not all fossil fuels are created equal and that gas is likely to be an important transition fuel given it has a better emissions profile than liquid or solid fossil fuels when burnt, producing around 60-80% of the emissions of coal and oil products respectively.
30. Wellington City Council believes that greater consideration should be given to the impacts of increased petroleum production on climate change. Given the evidence it seems appropriate that climate change should be one of the factors considered when determining whether or not to scale up oil and gas production. Wellington City Council believes that consideration should also be given to how any subsequent increase in greenhouse gas emissions resulting from any new production might be offset.

11 September 2015

File No: E/07/12/01

1. BlockOffer2016@mbie.govt.nz

Josh Adams
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2. Ministry of Business, Innovation & Employment

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Dear Josh

Block Offer 2016 – Submission from the Greater Wellington Regional Council (GWRC)

Thank you for your email dated 3 September 2015 outlining onshore and offshore areas which the government has started consultation for Block Offer 2016.

Please find enclosed GWRC's submission on the 2016 Petroleum Exploration Permitting Round – Block Offer 2016.

Yours sincerely



Chris Laidlaw
Chair

Attachment: GWRC submission

Greater Wellington Regional Council: Submission

To:	3. BlockOffer2016@mbie.govt.nz
Date:	11 September 2015
Submission on:	Block Offer 2016 – Submission from the Greater Wellington Regional Council (GWRC)

Thank you for the opportunity to submit on the 2016 petroleum exploration permitting round – Block Offer 2016.

GWRC has a strong interest in and a legislative responsibility for the management of the environmental impacts of activities being undertaken in the region, including in the Coastal Marine Area (CMA). We also have an interest in ensuring the economic future of our region and as far as possible reaping for the region any benefits that might follow from oil and gas exploration. However, there is a clear public expectation that natural resources are managed in a sustainable manner and to this end we would expect the government to have a robust and comprehensive regulatory framework to cover deep water oil and gas exploration.

We note that the 2016 block offer appears to include an area directly in the jurisdiction of GWRC. There is significant public interest in the issue of oil and gas exploration and much debate around the environmental risks associated with these activities. It is important that we engage with the local community and interest groups at the earliest possible opportunity and in this regard we would strongly support further actions that reinforce the Ministry's formal processes with relevant regional councils. We ask you to ensure that information flows around the progress of the block offers remain open and that a collaborative approach is maintained around discussing any issues regarding the Block Offer process.

Regardless of whether or not any of the 2016 block offers are in areas within our jurisdiction, it is highly likely that if there were any environmental issues associated with any exploration activity adjacent to the coast of the Wellington region (including off the coast of neighbouring regions), we would be involved in the management of any environmental incidents and the implementation of associated mitigation measures. The potential environmental and economic impacts of any serious environmental incident could be significant to the region. In this regard it is essential that we have knowledge of the most up-to-date information available, to be able to respond to queries and to any issues that may arise.

Fundamentally, it is our strong view that any oil or gas exploration should not proceed unless it is clear that this activity will not result in adverse environmental impacts.

We appreciate the efforts that have been made by the Ministry to consult with Councils over the 2014, 2015 and 2016 Block offers and will continue to follow the 2016 block offer process as an interested party.



Chris Laidlaw
Chair