



## Office of Hon Simon Bridges

MP for Tauranga  
Minister of Energy and Resources  
Minister of Labour  
Associate Minister for Climate Change Issues

14 NOV 2013

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Shane Ardern  
Member of Parliament for Taranaki-King Country  
Parliament Buildings  
WELLINGTON 6011

Dear Shane

Thank you for your letter of 7 November 2013 regarding concern from your constituents about petroleum exploration off the west coast of the North Island.

I acknowledge that some members of the public find petroleum exploration challenging. The Government is committed to developing oil, gas and mineral resources in a sensible, safe and environmentally responsible way.

I do not consider that the location of the permit has been kept secret or is deliberately misleading. It is located in the Taranaki Petroleum Basin, which runs north-west offshore from the Taranaki coastline.

My officials advise me that Anadarko has met all of the regulatory requirements to undertake their exploratory drilling activity in permit 38451 in the offshore Taranaki Basin. This includes:

- Being granted an exploration permit on 1 October 2006
- Lodging an impact assessment with the Environmental Protection Authority (EPA) on 13 September 2013. The EPA accepted this as complete on 26 September 2013
- Submitting a notice of well operations to the High Hazards Unit (HHU) on 25 October 2013. Noble Drilling, the operators of the well, also submitted a safety case to the HHU on 27 June 2013
- Providing a Discharge Management Plan (DMP), including a Well Control Contingency Plan (WCCP), to Maritime New Zealand (MNZ) on 10 September 2013. It is expected to be approved by MNZ in the next week before any petroleum related activity commences.

More details on these regulatory steps are below.

### *Impact Assessment*

Under the current transitional provisions, an operator is required to lodge an impact assessment with the EPA that complies with section 39 of the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Act 2013 (EEZ Act).

An impact assessment must describe the activity, the effects of the activity on the environment and existing interests, and how the operator intends to avoid, remedy or mitigate those effects. The EPA has to decide whether an impact assessment complies with section 39 of the EEZ Act before an operator can commence their activity.

Officials advise me that Anadarko lodged an impact assessment with the EPA to drill an exploratory well in the Deepwater Taranaki Basin on 13 September 2013. The EPA accepted the impact assessment as complete on 26 September 2013. Note that the decision not to return the impact assessment as incomplete does not constitute an endorsement by the EPA of the merits of the activity.

Anadarko provided the EPA with an impact assessment and three appendices. All of the information supplied to the EPA has been made available on the EPA website. Anadarko supplied the EPA with an overview of their DMP as an appendix to the impact assessment.

#### *Safety case and notice of well operations*

Anadarko submitted on 25 October 2013 a notice of well operations that sets out the information required by Schedule 7 of the Health and safety in Employment (Petroleum Exploration and Extraction) Regulations 2013.

This notice requires a detailed description of the well operation and the programme of work associated with it, including any drilling activity. It must also include a description of the design of the well, including any standards that have been applied to its design and the safe limits on its operation and use. It also requires verification by an independent and competent person (as part of the well examination scheme) of the well design and procedures, and any material change to the well design or procedures.

Noble Drilling, who are operating the well on behalf of Anadarko, also submitted a safety case, which is a document prepared by the operator of an installation. It identifies any hazards having the potential to cause fatalities of persons on or near the installation; describes how the hazards are, or will be, controlled; and describes the safety management system in place to ensure that the controls are effectively and consistently applied.

Noble Drilling submitted a safety case on 27 June 2013 for permit 38451 and the HHU has expressed no objection to it.

The HHU Petroleum and Geothermal Team is responsible for improving safety outcomes in the upstream petroleum sector through the effective administration of the Health and Safety in Employment Act 1992, Health and Safety in Employment (Petroleum Exploration and Extraction) Regulations 2013, and other relevant legislation.

The team contains members with experience of working in the drilling industry both onshore and offshore. In addition, the HHU has invested in extensive training for its inspectors on drilling technology, auditing management systems, and regulatory principles.

#### *Discharge Management Plan and Well Control Contingency Plan*

All offshore oil and gas installations, including exploration drilling and production facilities, must have a Discharge Management Plan (DMP). This is required under the Marine Protection Rules Part 200.

The DMP establishes procedures and practices aimed at reducing the environmental impacts from discharges of harmful substances, including oil and chemicals, from offshore activities.

A DMP includes a Well Control Contingency Plan (WCCP), which is focussed on blow-out control and recovery (through use of blow-out preventers, capping devices and/or relief wells, for example).

The WCCP will be used by the operator and responding agencies in the event that well control is lost and oil is released into the marine environment. The operator, as the party responsible for stopping the release of oil at its source, must demonstrate that they have prepared for a worst-case scenario and that they have the means to resolve the situation, no matter how unlikely it might be.

Operators must receive approval from Maritime New Zealand for a DMP before they can carry out any exploratory or production drilling. Maritime New Zealand must be satisfied that an operator has in place the necessary measures, and have the necessary capability, to manage any event. In addition MNZ must be satisfied that a company has adequate financial resources to execute their DMP plans.

Anadarko lodged a DMP with MNZ on 10 September 2013 who is in the final stage of approving it. It is expected to be approved by MNZ in the next week before any petroleum related activity commences

#### *Insurance and liability*

I note that your constituents have raised questions about who is liable in the event of an oil spill, and about how clean-up activities will be funded.

Under the Maritime Transport Act 1994 (MTA), owners and operators of offshore installations are liable for the full costs related to oil pollution damage to third parties, and clean-up costs to public agencies (including any preventative measures undertaken) without the need to prove fault. This is supported by a requirement in the MTA for operators of offshore installations to hold liability insurance, or other financial security, that covers the operator's potential liability under the MTA.

The current insurance requirement is around NZ\$26 million. The Government has directed that this amount be increased. It is expected that a new minimum will be in place early in the New Year. Please note that the insurance requirement does not limit liability, as there is no limitation of liability in respect of installations.

MNZ issues a Certificate of Insurance, following verification that the operator has provided evidence of insurance or other financial security that meets the requirement set in the Maritime Rules Part 102. This Certificate enables a claim to be made directly against the insurer or party providing the guarantee, bypassing the owner/operator. This means that even if a company operating in New Zealand has a limited liability arrangement, a claim could be made against the party providing the guarantee (such as the insurance company).

MNZ approved two Certificates of Insurances for Anadarko on 14 November 2013 (one for it as a vessel and one for it as a drill installation) after receiving evidence that Anadarko possessed the minimum level of insurance. As I noted above, MNZ must also be satisfied a company has adequate financial resources to execute their DMP plans before they can be approved.

As there is no limitation of liability in respect to offshore installations, the operator will still be liable for any clean-up costs or pollution damage above the amount secured by a Certificate of Insurance. To enforce a claim beyond the amount secured, proceedings could be brought against the owner/operators through the court process.

Any company with a presence in New Zealand is required to pay tax. Should Anadarko find oil or gas and it becomes a viable production well, then Anadarko would be required to pay tax on this like any other New Zealand company.

In addition, the government has the ability to impose a fine of up to \$10 million under section 133 of the EEZ Act against a company that commits any offences listed under section 132 of the EEZ Act. These offences include breaching an enforcement order made by the Environmental Protection Authority or failing to comply with an abatement notice. Examples of these could include notice to cease an activity should the person undertaking it not have the necessary marine consent.

In support of this, the EPA has the ability to impose conditions on a marine consent holder to provide a bond and/or maintain public liability insurance. There is also scope for a director or another person involved in the management of the company to be held liable for the offence under section 135(5) of the EEZ Act.

#### *Consultation*

I am advised by my officials that consultation with iwi was undertaken in accordance the Minerals Programme for Petroleum 2005 in place at the time.

During the application process, Crown Minerals officials (now New Zealand Petroleum and Minerals, a business unit in the Ministry of Business, Innovation and Employment) forwarded details of the application to the affected relevant iwi governance entities. This included the Waikato Raupatu Lands Trust and Waikato Raupatu Trustee Company Ltd. Four submissions were received from the Reweti Marae Trust, Ngāti Tamaoho Trust, Tūrangawaewae Board of Trustees and the Taranaki Māori Trust Board.

#### *Oil spill response, booms and crude oil*

In the unlikely situation where an oil spill occurs that the operator cannot bring under control itself, the Regional/National On-Scene Commander of the Marine Pollution Response Service (MPRS) is granted extensive powers under the MTA. Possible measures available to the On-Scene Commander including the ability to: direct the owner of any New Zealand ship or offshore installation to undertake, or refrain from, any activity related to the oil spill response; remove any persons or vessels obstructing the oil spill response; and require the owner or controller of any land, building, vehicle, or any other real or personal property to place that property under his or her control and direction for the purposes of response to the spill.

Primary responsibility for oil spill response rests with the operator of the well in question, who are heavily equipped for all such scenarios. Information about this is contained in an operator's DMP. Also, under the Regional or National On-Scene Commander, the MPRS has access to any vessels and/or installations deemed necessary for the response.

New Zealand's capability to respond to oil spills is maintained through partnerships between MNZ, regional councils, the oil industry, and overseas agencies. In the unlikely event that a spill does occur, MNZ's MPRS is the lead national oil spill response agency. MNZ oversees the National Response Team of more than 400 trained personnel throughout New Zealand's 16 regions, and also has access to international oil spill response capabilities (both personnel and equipment).

The New Zealand Marine Oil Spill Response Strategy provides the overall framework to mount an efficient and effective response to marine oil spills. You can find more information here: <http://www.maritimenz.govt.nz/Publications-and-forms/Environmental-protection/Oil-spill-response-strategy.pdf>

Regarding the questions of why booms are not out in place as a precautionary measure, officials from MNZ advise me that as permit 38451 is over 100 km from the shore, in the unlikely event of a spill it would be several days before any oil reached the coastline. This would provide enough time for shore protection booms to be put in place.

With regards to special preparation for crude oil, MNZ also advises me that any oil spill response will take account the type of oil involved, and the suitability of any particular response option, as well as issues around human safety and environmental effect.

I hope that this response address the concerns of your constituents. Please assure your constituents that the Government is committed to ensuring that all petroleum and minerals activities have rigorous environmental and safety controls. It is also committed to ensuring that these activities provide real economic benefits for all New Zealanders.

Thank you again for taking the time to write.

Yours sincerely

A handwritten signature in black ink, appearing to read 'S Bridges', with a long horizontal flourish extending to the right.

Hon Simon Bridges  
**Minister of Energy and Resources**