

Submission from Straterra To the Environment Select Committee Crown Minerals (Petroleum) Amendment Bill

October 2018

Introduction

1. Straterra is the industry association representing the New Zealand minerals and mining sector (not oil and gas). Our membership is comprised of mining companies, explorers, researchers, service providers, and support companies.
2. We welcome the opportunity to make this submission on the Crown Minerals (Petroleum) Amendment Bill and would like to be heard by the Select Committee.

Executive Summary

3. Straterra opposes this Bill because it will do nothing to reduce fossil fuel use and associated carbon emissions but instead will have detrimental impacts on the New Zealand economy.
4. The Bill applies a blanket ban on oil and gas exploration on Taranaki conservation land. We are concerned that this pre-empts consultation due to occur on mining generally on conservation land.
5. This proposed blanket ban would undermine the existing, highly-regarded environmental regulations that apply on a case-by-case basis to all mining applications.
6. We believe decisions on whether mining applications should proceed are better made by the Environment Court than by politicians.

Submission

7. This Bill gives effect to the April announcement of no new exploration for offshore oil and gas. Straterra opposes the Bill on both process and policy grounds.

Process

8. Firstly we consider the process adopted for the decision making and the passage of the Bill to-date not up to the usually high standard expected of the government. This is in terms of the decision making leading up to the April announcement and not being taken to Cabinet, the regulatory impact statement being written post-decision, the urgency with which this Bill is being considered and the truncated submission period.

Policy

9. We also consider the policy behind the Bill to be flawed in that it will *not* have the environmental benefits its supporters claim, but instead, have detrimental impacts on the New Zealand economy particularly in Taranaki.
10. We acknowledge the imperative to reduce CO2 emissions but note ending offshore exploration in New Zealand will not, in itself, reduce demand for oil and gas in New Zealand or offshore. In fact, given competing countries typically have lower environmental standards and less regulatory oversight than New Zealand, environmental impacts could worsen as investment moves to other countries. We believe more can be achieved if New Zealand acts in concert with global progress on this issue.
11. We presume the objective of this policy is to reduce fossil fuel use and associated carbon emissions. It is significant that at the time of writing fuel prices are at record highs and that has drawn a strong political reaction, aimed in part at censuring fuel companies. We note that higher prices reduce demand, and that is the purpose of the emissions trading scheme.
12. In terms of the economy, MBIE has estimated the fiscal cost alone at between \$1.2 billion and \$23.5 billion. The cost to the economy will be much greater. For example, New Zealand's exports will suffer as a result of this decision. Not only does New Zealand export oil and gas directly, high levels of energy are used to produce heat for industrial processes. The dairy and steel sectors for instance are dependent on New Zealand's competitive advantage in energy. Without cost-effective energy sources production costs in our export sectors would be higher and New Zealand less competitive in the international markets in which we compete. If New Zealand does not take advantage of its energy reserves, investment and business will shift offshore, our export receipts will suffer and New Zealand workers, regions and government would lose out in terms of employment and revenues. As a back up to renewable sources, fossil fuels also play an essential role in providing energy security in New Zealand.
13. The decision to ban new petroleum and gas exploration, particularly in the way that it has been done, has implications beyond the sector as it signals to overseas investors that New Zealand is a risky place to do business.
14. For these reasons Straterra **opposes** the Bill and recommends it **not proceed**.

Specific Comments

15. If the Bill does proceed, we have the following comments to make.

Purpose

16. We support the decision to effect the changes without amending the existing purpose of the Act. The purpose of the Act is to promote prospecting for, exploration for, and mining of Crown owned minerals for the benefit of New Zealand. There is a large variety of Crown-owned minerals covered by the Act and it is important non-petroleum minerals are not unintentionally caught by the changes.
17. New Zealand has a wide range of mineral deposits offering a great deal of potential - including high tech or green minerals as well as the existing minerals currently being prospected, explored and mined.

Conservation Land

18. The Bill prevents future access to conservation land to explore onshore for petroleum in the Taranaki region (New section 50A). This provision is a surprise when applied to oil and gas although the government has (outside the scope of this Bill) proposed a blanket ban on conservation land for new mining generally which is due to be consulted on shortly.
19. We are concerned that decisions relating to oil and gas and conservation land pre-empt that consultation.
20. We oppose a blanket ban on all conservation land because there are already a series of robust environmental regulations that are applied on a case-by-case basis to any application. We think decisions on whether mining applications should proceed are better made by the Environment Court than by politicians. We also note that National Parks make up only 35% of the conservation estate. A blanket ban rules out the ability to access minerals important for New Zealand - including green minerals which will be used for the technologies of the future – without providing any additional conservation or environmental benefit or safeguard.

Preservation of Existing Rights

21. We strongly support the Bill preserving existing rights of prospecting and exploring permits. It is important that the existing process applies to current prospecting and exploring permits, in terms of the ability to convert both exploration permits to mining permits and prospecting permits to exploration permits. This means while drilling won't be guaranteed if exploration is successful, the Bill will not expunge existing property rights associated with the permits. This provision is important to alleviate negative signals sent to investors (overseas and domestic) about New Zealand as an investment destination. It is of course also important for the other crown-owned minerals covered by the Act which operate under the same permitting system.

Undecided Applications

22. Under the Bill undecided applications being processed when the new law comes into effect have to be resubmitted. We consider such applications, especially those that are in the pipeline at this time, should be considered under the existing law given the process has already started.

Conclusion

We do not support this Bill because we do not think it is the best way to achieve the government's policy objective of reducing fossil fuel use and associated carbon emissions. It will have significant unintended consequences of shifting production offshore without having any impact on local consumption and will have significant detrimental impacts on regional New Zealand.

It also pre-empts forthcoming consultation around mining on conservation land and through its proposed blanket ban undermines existing, highly-regarded environmental regulations which aim to assess environmental impacts on a case by case basis.