



10 August 2010

Draft Energy Strategy
Ministry of Economic Development
PO Box 1473
Wellington

Dear Sir

Submission: Petroleum Exploration and Production Association of New Zealand (PEPANZ)

1. This submission is made by PEPANZ on the Draft New Zealand Energy Strategy 2010. The Association represents companies involved in petroleum exploration and production in New Zealand, and services companies offering technical and other business support to the sector.
2. The Association generally supports the Draft New Zealand Energy Strategy. We welcome a strategy which recognises that the responsible development of petroleum resources is a priority for New Zealand, one which has the potential to lead to a transformation of the economy.
3. The strategy states a desirable long term goal for the development of our petroleum resources:

New Zealand's major petroleum basins have been surveyed and areas with potential have been explored, developed and fully utilised. Significant discoveries of oil and gas resources have boosted New Zealand's foreign earnings and domestic gas supplies.

This is an excellent way of stating the issue, because it implies that the Government will indeed take a number of steps to see this outcome achieved.

4. PEPANZ supports the Government objective of ensuring that New Zealand is a highly attractive global destination for petroleum exploration and production investment. This will be essential if the necessary capital is to be available to adequately explore our extensive Exclusive Economic Zone. PEPANZ suggests that one way of determining whether that objective is being achieved is by measuring the number of companies actively exploring in New Zealand.
5. PEPANZ supports the recognition by Government that there needs to be a focus on developing a better understanding of our petroleum basins. While some new investment has recently been made with GNS Science, a greater commitment to long term geological research funding is required. More extensive seismic surveys in frontier basins would also assist in encouraging competitive bidding for exploration blocks.
6. PEPANZ welcomes the review of the various regulatory settings that will be required to give effect to this strategy. In particular we look forward to engagement on the settings that will maximise the benefits to New Zealand, and which will deliver an environmentally responsible outcome.

7. Two further strategies should be included in the document. The first of these should be to phase out the generation of electricity by the remaining coal fired power station at Huntly. New Zealand could make significant steps toward meeting its Kyoto obligations if the Huntly coal fired boilers were replaced with modern combined cycle gas turbines. The emphasis in 10 below on incentivising gas exploration should allow such a strategy to be achieved.
8. The second strategy which should be considered is to consider introducing a licensing regime for geothermal development. The absence of clear property rights is considered to be a disincentive to development of the geothermal resource. A model exists in the petroleum licensing regime.
9. PEPANZ supports the priority recognition given in the strategy to the concept of energy security, a glaring omission from the 2007 strategy.
10. Under Area of Focus 6: Reliable Electricity Supply, PEPANZ supports the intention by Government to incentivise gas exploration and development and to improve the quality of information on gas reserves. We look forward to discussing with Government how these objectives can be achieved.
11. The Association supports the establishment of the new Environmental Protection Authority (EPA) which will be responsible for processing resource consents of national significance. We look forward to dialogue with Government on the new health, safety and environmental rules that will apply to petroleum development operations in the EEZ which are to be administered by the EPA.

Sincerely

John Pfahlert

Executive Officer