



COVERSHEET

Minister	Hon Dr Megan Woods	Portfolio	Energy and Resources
Title of Cabinet paper	Additional proposals for the Crown Minerals (Decommissioning and Other Matters) Amendment Bill and Tui project update	Date to be published	23 June 2021

List of documents that have been proactively released

Date	Title	Author
7 April 2021	<i>Additional proposals for the Crown Minerals (Decommissioning and Other Matters) Amendment Bill and Tui project update</i>	<i>Office of the Minister of Energy and Resources</i>
7 April 2021	<i>Residual liability for petroleum wells and infrastructure following decommissioning</i>	<i>MBIE</i>
7 April 2021	<i>Impact Summary: Additional options to address limitations with petroleum infrastructure decommissioning regime under the Crown Minerals Act 1991</i>	<i>MBIE</i>
7 April 2021	<i>Additional proposals for the Crown Minerals (Decommissioning and Other Matters) Amendment Bill and Tui project update – Minute of decision</i>	<i>Cabinet Office</i>

Information redacted

YES / NO [select one]

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Some information has been withheld for the reasons of Confidentiality, Free and Frank advice, Legal professional privilege and commercial sensitivity.



Cabinet Economic Development Committee

Minute of Decision

This document contains information for the New Zealand Cabinet. It must be treated in confidence and handled in accordance with any security classification, or other endorsement. The information can only be released, including under the Official Information Act 1982, by persons with the appropriate authority.

Crown Minerals (Decommissioning and Other Matters) Amendment Bill: Additional Proposals and Update on Tui Project

Portfolio Energy and Resources

On 7 April 2021, the Cabinet Economic Development Committee (DEV):

Part A: Crown Minerals (Decommissioning and Other Matters) Amendment Bill

- 1 **noted** that on 17 June 2020, DEV agreed to strengthen legal and financial responsibility for decommissioning petroleum sector infrastructure, and to expand the current enforcement toolbox under the Crown Minerals Act 1991 (the CMA) [DEV-20-MIN-0092];
- 2 **noted** that a category 3 priority is being sought for the Crown Minerals (Decommissioning and Other Matters) Amendment Bill (the Bill) on the 2021 Legislation Programme (to be passed if possible in 2021);
- 3 **noted** that there are a number of outstanding policy issues that should be included in the Bill to further strengthen the proposed decommissioning regime;

Additional proposals for inclusion in the Bill

- 4 **noted** that on 17 June 2020, DEV agreed to empower the regulator to require petroleum permit and licence holders to establish and maintain adequate financial security to discharge their decommissioning obligations, if and when and of a type and a financial value the regulator deems necessary, based on individual circumstances and risk profiles [DEV-20-MIN-0092, paragraph 21];
- 5 **agreed to recommend** that Cabinet rescind the decision referred to paragraph 4 above, and instead agree that the Bill provide that it be a mandatory requirement for permit and licence holders, and applicants for transfers, to provide a financial security;
- 6 **agreed** that the Bill enable the Minister of Energy and Resources to mandate timeframes earlier than the end of the permit or licence within which decommissioning of petroleum infrastructure or plugging and abandonment of a well must take place;
- 7 **agreed** that a criminal sanction be available for circumstances where permit holders knowingly failed to make adequate provision for and undertake decommissioning, with penalties of:
 - 7.1 up to two years' imprisonment for individuals and/or a fine of up to \$1 million;
 - 7.2 up to \$10 million, or up to three times the cost of decommissioning, for businesses;

- 8 **agreed** that the permit acquisition provisions provide that the decision-maker must be satisfied that there is a higher level of confidence that the proposed permit holder will comply with the work programmes/permit conditions;
- 9 **agreed** that:
- 9.1 the Bill allow the regulator to collect payments (i.e. cash funds) from permit and licence holders to contribute to the risk of well failure and associated infrastructure after decommissioning has completed;
- 9.2 the payments will be held in a pooled, central government account, and accessed at the discretion of the Minister of Energy and Resources;
- 10 **agreed** that amendments are able to be made to the minerals programmes that are consequential to the changes made by the Bill without complying with the public notice and submission process that would otherwise apply;
- 11 **noted** that the Ministry of Business, Innovation and Employment (MBIE) officials will work with other agencies, including the Ministry for the Environment, the Environmental Protection Authority, the Ministry of Transport and Maritime New Zealand, to understand how the proposed regime interacts with existing requirements and might be aligned;

Other matters to note

- 12 **noted** that it is proposed to include in the Bill that:
- 12.1 for the purposes of defining the obligation to decommission, all wells must be plugged and abandoned;
- 12.2 in relation to petroleum infrastructure, complete removal is required if, in relation to a specific permit and licence holder, there are no requirements set under other enactments as to how decommissioning must be undertaken;
- 13 **noted** that it is also proposed that the Bill provide that, for the purposes of estimating costs, permit and licence holders must use ‘complete removal’ of infrastructure as a benchmark unless it is known at the time of estimating these costs that requirements under other enactments provide otherwise;
- 14 **noted** that it is proposed that the Bill provide the regulator with the ability to grant exemptions to the obligation to decommission on a case-by-case basis;
- 15 **noted** that it is proposed that:
- 15.1 all petroleum mining permit and licence holders will be required to submit a Field Development Plan at a prescribed time after the Bill commences, and subsequently if/when material changes are made, and/or in any event at regular time intervals;
- 15.2 permit and licence holders will be required to provide an Asset Register that meets the satisfaction of the regulator, and that this requirement may also extend to exploration permit holders if necessary;
- 16 **noted** that:
- 16.1 some elements of the proposed decommissioning regime may not be consistent with New Zealand’s international investment obligations;

- 16.2 the Ministry of Foreign Affairs and Trade has assessed each of the proposed changes and has also identified ways to mitigate this risk;

Legislative implications

- 17 **invited** the Minister of Energy and Resources to issue drafting instructions to the Parliamentary Counsel Office to give effect to the above paragraphs;
- 18 **authorised** the Minister of Energy and Resources to make decisions consistent with the above paragraphs, and on any minor or technical matters that may arise during the legislative drafting process;

Part B: Update on decommissioning the Tui oil field

- 19 **noted** that on 24 February 2020, the Cabinet Business Committee:
- 19.1 approved expenditure of \$154.641 million to meet estimated departmental and non-departmental costs associated with the decommissioning of the Tui oil field;
- 19.2 invited the Minister of Energy and Resources to report back once decommissioning planning is completed and updated estimated cost figures are available;
- [CBC-20-MIN-0008]
- 20 **noted** that decommissioning will take place in three stages, and that Stage One is complete and Stage Two is underway;
- 21 **noted** that MBIE has submitted emergency response plans to the regulators, and has obtained insurance to cover pollution liability in relation to offshore installations;
- 22 **noted** that in November 2020, MBIE signed a reimbursable contract with BW Umuroa Pte Ltd to complete demobilisation of the floating production, storage and offloading vessel, the *Umuroa*, connected to the Tui subsea assets, by June 2022 at the latest;
- 23 **noted** that MBIE has started planning for Stage Three of decommissioning, which includes obtaining environmental approval and procuring service providers to plug and abandon the wells and remove the remaining subsea infrastructure;
- 24 **noted** that the estimated costs for decommissioning Tui have been updated following the execution of the Demobilisation Agreement with BW Umuroa Pte Ltd and further planning;
- 25 **noted** that a Budget 2021 cost pressure bid has been submitted for the additional non-departmental and departmental appropriation required to complete the decommissioning of Tui.

Gerrard Carter
Committee Secretary

Present: (see over)

Present:

Hon Grant Robertson (Chair)
Hon Dr Megan Woods (Deputy Chair)
Hon David Parker
Hon Nanaia Mahuta
Hon Poto Williams
Hon Damien O'Connor
Hon Stuart Nash
Hon Kris Faafoi (part of item)
Hon Willie Jackson
Hon Michael Wood
Hon Dr David Clark
Hon Phil Twyford
Rino Tirikatene, MP
Deborah Russell, MP

Officials present from:

Office of the Prime Minister
Office of the Chair
Officials Committee for DEV

Hard-copy distribution:

Minister of Energy and Resources