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# Crown Minerals Amendment Bill

# Welcome and purpose of webinar

# Programme

Overview of the Crown minerals regime

- The Crown Minerals Act 1991 and the wider framework
- The Permitting Process

Crown Minerals Amendment Bill

- Removing the ban on new Petroleum Exploration Permits beyond onshore Taranaki
- Increasing investor confidence in New Zealand petroleum and minerals
- Amendments to the decommissioning regime
- Creation of a Tier 3 permit
- Ensuring regulatory efficiency and consistency within the CMA

Next steps

Questions

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# Overview of the Crown minerals regime

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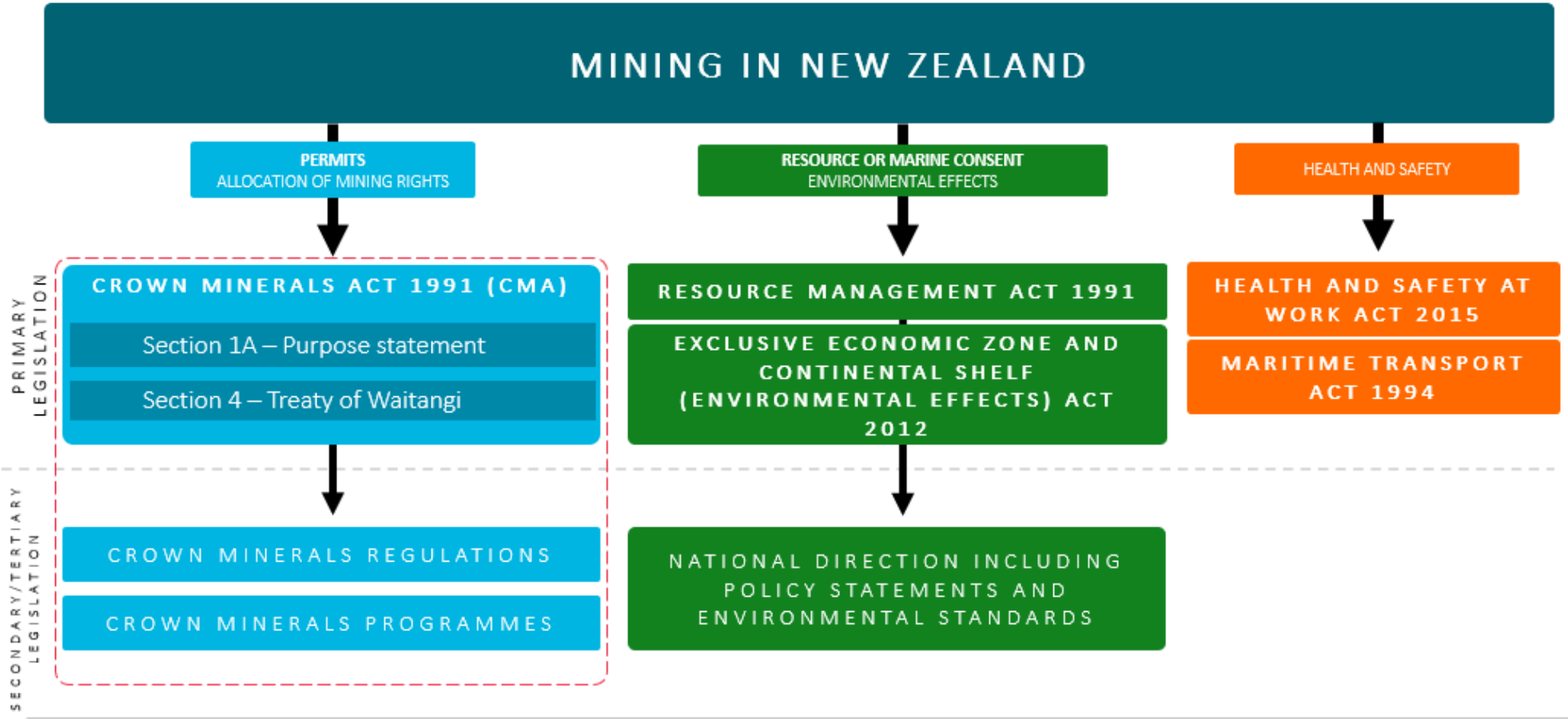
# The Crown Minerals Act 1991 and the wider framework

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## Permitting process

**PROSPECTING PERMIT**

Gives the right to look for Crown owned minerals using survey activities to assess the area

**EXPLORATION PERMIT**

Gives the right to explore for Crown owned mineral deposits and evaluate the feasibility of mining

**MINING PERMIT**

Gives the right to mine Crown owned minerals once a discovery has been made

## Permit tiers

### TIER1

The following permits are Tier 1 under section 2B of the CMA:

- **all petroleum permits**
- permits relating to underground mining and permits relating to mining more than 50 metres offshore
- exploration permits with estimated expenditure over $1,250,000
- gold, silver and platinum group metal mining permits that are estimated to have to pay royalties over $50,000
- coal, ironsand and metallic minerals mining permits which are expected to exceed annual production of 200,000 tonnes, 500,000 tonnes and 500,000 tonnes respectively.

### TIER2

Tier 2 permits are all other permits.

37 Tier 1 petroleum permits

43 Tier 1 minerals permits

800 Tier 2 minerals permits

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# Crown Minerals Amendment Bill

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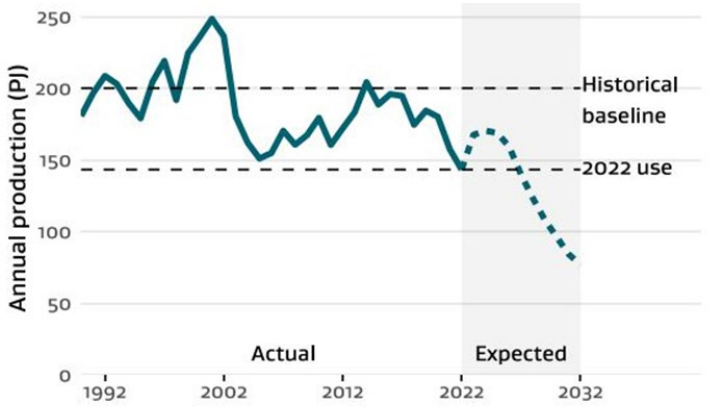
# Rationale for change

- Coalition agreement commitments to:
  - “Repeal the ban on offshore oil and gas exploration”
  - “Future-proof the natural gas industry by restarting offshore exploration”
- Increase investor confidence by making it clear that New Zealand is “open for business”
- Enable investment in oil and gas exploration, to increase domestic gas production and address gas security of supply
  - All natural gas produced in New Zealand is used in New Zealand.
  - Our current fields are in decline, risking energy security and affordability.
  - New Zealand needs to invest in exploring new fields and getting the most out of our existing fields to sustain current levels of use.

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# What the Bill does (1)

- Remove the 2018 ban on new petroleum exploration outside onshore Taranaki
- Adjust petroleum decommissioning settings
- Allow different ways to apply for petroleum exploration permits
- Change the purpose statement and signal the Government's intent that New Zealand is 'open for business'
- Create a new category of permits for small-scale non-commercial gold mining, and make other changes to improve regulatory efficiency



# What the Bill does (2)

- It does not amend the consultation obligations with iwi and hapū in the Act or Programmes.

- It lays the groundwork for the implementation work that is underway – including through the Petroleum Programmes consultation.

# Removing the ban on new Petroleum Exploration Permits beyond onshore Taranaki

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# Removing the ban

- In 2018 the CMA was amended to introduce a ban on new petroleum exploration beyond onshore Taranaki.
- The Crown Minerals (Petroleum) Amendment Act 2018 made the following amendments:
  - Limiting the area available for petroleum prospecting, exploration and mining permits to onshore Taranaki only
  - Restricted surface access to Taranaki conservation land for purposes in connection with permits for petroleum other than minimum impact activities
  - Explicitly restricted applications for Petroleum Exploration Permits to only public tender (eg Block Offer) processes
  - Preserved the rights of existing permit holders, including the right of an exploration permit holder to apply for a subsequent mining permit.
- The Bill reverses these changes, lifting the ban and allowing the responsible Minister to receive and assess applications for new Petroleum Exploration Permits outside onshore Taranaki, through the existing regulatory framework.

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# Increasing investor confidence

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# Increasing investor confidence

**1. Change to the purpose statement**

- The purpose statement was introduced in 2013, to include an explicit promotional intent, to increase investment. The purpose of the CMA was to ‘promote prospecting for, exploration for, and mining of Crown owned minerals for the benefit of New Zealand’
- The Crown Minerals Amendment Act 2023 changed the purpose statement, replacing ‘promote’ with ‘manage’. It also amended the Minister’s functions to align with the change in purpose.
- The Bill reverses these changes, replacing ‘manage’ with ‘promote’, and reverting the Minister’s functions to align.

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## 2. Allowing for alternative methods for permit allocation

- The Bill removes the restriction on applications for Petroleum Exploration Permits to only public tender (ie Block Offer)
- This change will allow for the use of other methods to allocate Petroleum Exploration Permits
- Through the Petroleum Programmes we are currently consulting on two other allocation methods:
  - as a subsequent right to a petroleum prospecting permit
  - via “open market applications” at any time over unpermitted land and not otherwise reserved for a Block Offer”
- The proposal is for OMAs to be notified on NZP&M’s website, with a 3 month window for competing applications to be received
- competing applications will then be ranked based on proposed work programmes (similar to Block Offers).
- Amendments to existing regulations are also underway to implement “OMA”

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## 3. Introducing a mechanism to allow for an optional Government Policy Statement

- The Bill makes a change to allow the Minister to issue one or more GPSs. The purpose of a GPS is to state the Government's objectives and priorities in relation to the mining of Crown owned minerals.
- A GPS could be issued for Petroleum or other Minerals
- The Bill includes a provision that the Minister may consult relevant individuals and organisations before issuing a GPS.

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# Amendments to the decommissioning regime

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# Current regime

- Decommissioning generally involves plugging and abandoning wells, removing or leaving infrastructure in place, and restoring a site if required. For offshore wells, this can cost hundreds of millions of dollars.
- The Crown Minerals (Decommissioning and Other Matters) Amendment Act 2021 introduced a decommissioning regime to mitigate the risk of the Crown having to carry out and fund decommissioning. It includes
  - An explicit statutory obligation to decommission petroleum wells and infrastructure
  - Ongoing monitoring of financial capability and field development
  - An obligation to obtain and maintain financial securities for decommissioning
  - Liability on former permit holders to meet decommissioning costs if the current permit or licence holder is unable or unwilling to (trailing liability)
  - Civil penalty and criminal offence regime for non-compliance with decommissioning obligations
  - A post-decommissioning fund or financial security to cover any future risks and costs from wells and infrastructure left in situ after decommissioning is complete.

# Rationale for change

- The decommissioning regime needs to strike an appropriate balance between mitigating risk to the Crown, and regulatory costs to permit holders.

- The Bill proposes changes to the decommissioning regime to increase flexibility, while not  materially increasing the risk of the Crown needing to step in and carry out or fund decommissioning.

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# Changes to financial security provisions

- The Bill provides greater flexibility on the types of financial securities that can be accepted. For example, allowing
  - bank securities or parent guarantees
  - operators who have multiple permits to provide one security to cover all their obligations
- The Bill amends the decommissioning provisions to require that a permit or licence holder must ensure that an “acceptable financial security arrangement” “is in place and maintained”. The acceptable financial security arrangement is still determined by the Minister.
- The Bill provides greater flexibility, as it ensures that the acceptable financial security arrangement can be made up of one or more individual securities, held by one or more parties, across one or more permits.

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# Changes to trailing liability

- The Act currently provides for previous permit holders to meet decommissioning costs if the current permit or licence holder fails to do so. This is a backstop to the financial security requirements.

- The Bill amends the trailing liability provisions, by limiting the liability for decommissioning (if the current permit holder fails to decommission) to the former permit or licence holder who most recently transferred out.

- The Bill also extends trailing liability to:
  - A person with a controlling interest in a permit holder
  - The immediately previous person that had a controlling interest in the current permit holder, and
  - A person with a controlling interest in the immediately former permit holder

- This change ensures that current and former controlling shareholders have liability even after they dispose of a permit, regardless of whether that is by a permit transfer or by way of share sale.

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# Changes to post-decommissioning settings

**Post-decommissioning obligations**

- Post-decommissioning work means any work to monitor or remedy wells or infrastructure after decommissioning has been completed, or to remedy environmental damage or health and safety risks caused by a failure of the decommissioning

- The Bill removes the existing obligations to either pay an amount that will be held in a fund by the Crown, or to maintain financial securities to meet the cost of any post-decommissioning work that may be required

- The Bill introduces perpetual liability for permit holders who decommission, for any risks that may arise from decommissioned wells and infrastructure left in situ
- This liability continues indefinitely

- The Bill also requires any person who is obliged to carry out and meet the cost of post-decommissioning work, to notify the chief executive after:
  - Change of control
  - Change to where the body corporate is registered/location of head office

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# Creation of a Tier 3 permit for small-scale non-commercial gold mining operations

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# New tier of mineral permitting (Tier 3)

- For non-commercial, small scale gold mining activities currently considered to be Tier 2 ‘hobby permits’
- The work programme for Tier 3 permits is set out in the legislation – essentially limited to:
  - gold (only)
  - rivers/beaches; an area no greater than 50 hectares
  - hand tools or low-power machinery
  - no longer than 10 years.
- This will reduce the regulatory burden on hobby or recreational gold mining operations, with different application processes and reporting requirements
- Additionally, it will be efficient for the regulator enabling more effort and resources to be concentrated in the higher value and larger commercial permit requests
- We are looking at transitional processes that will allow current ‘hobby’ permit miners to move to the Tier 3 structure.

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# Ensuring regulatory efficiency and consistency within the CMA

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# Regulatory changes

The Bill makes several changes to improve the administrative efficiency of the Crown Minerals regime, including:

- Allowing permit duration to be extended for activities related to mine closure activities, and not just rehabilitation work
- Allow geophysical surveys to be undertaken on adjacent land where a non-exclusive permit exists
- Clarifying how a notice or other documentation is to be served on permit holders and others
- Removing the 90-day grace period for permit revocations for non-payment
- Correcting minor drafting errors within the CMA, including incorrect cross-references to sections within the Act.

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# Next steps

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# Process from here / timeframes

- Once the Bill is passed, most of the changes will take effect immediately but others will be staged over the first half of 2025.
- Regulations to enact the changes will be in place in the first few months of 2025.
- We are also currently consulting on updates to the Programmes:
  - The Programmes are secondary legislation that sets out how the Minister and chief executive will exercise their powers and interpret and apply provisions under the CMA and regulations
  - They were last updated in 2013 and do not reflect legislative changes since that time
  - Public consultation on the Programmes runs from **20 November 2024 – 11 February 2025.** You can find the consultation document on the MBIE website and we encourage you to provide feedback.
- Providing guidance on the changes – over the next 3 to 6 months.
- We will be in touch with ‘hobby’ permit miners separately on transition to Tier 3.

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# Questions

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# Thank you

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