

Planning for the future – Q&As

Question: What will this announcement mean for existing jobs in the oil and gas sector?

Answer:

- We have been crystal clear that existing permits will not be touched by this decision – existing jobs are not affected.
- In fact, our Government will invest hundreds of millions of dollars in new infrastructure and clean energy projects in regions that currently rely on fossil fuels, meaning that as we transition away from these fuels, regions that currently rely on them for their economy will see new jobs created.
- This change is actually about protecting people's ability to enjoy good jobs with decent incomes – we know that these jobs are in danger as the world transitions away from fossil fuels. That's why we are planning and investing now to ensure there are still good jobs in our regions in years to come.
- We have already invested \$20 million in Taranaki through the Provincial Growth Fund.
- New Zealanders want a Government that thinks beyond just the three year election cycle and gets us ahead of the curve.
- This is all part of having a long term economic plan.

Question: What happens to existing permits?

Answer:

- We've been crystal clear that existing permits are not affected. People who have made investment decisions in New Zealand have nothing to worry about.
- Their existing permits will not change – nor will the application process for moving from exploration to production if a discovery is made.
- The Government is protecting existing permit holder rights. This was a point New Zealand First advocated for strongly.

Question: What will this mean for New Zealand's security of energy supply?

Answer:

- This Government is very aware of the need to provide security of investment as well of security of our energy supply.
- There are currently 31 active exploration permits in New Zealand, with 22 of them being offshore. These permits cover an area over 100,000 square kilometres, nearly the size of the North Island. If new supply is discovered in this average, mining permits on it could last up to 40 years.

Question: Won't this mean job losses and damage to the Taranaki economy?

Answer:

- This is actually about protecting jobs and incomes in regions like Taranaki which are currently very reliant on fossil fuels. We know that the world is transitioning away from fuels like this and if we don't act to manage that transition, regions like this are going to be left high and dry. Instead if we have a long term economic plan now we can get ahead of the curve and make sure people still have jobs in the years to come.
- Our Provincial Growth Fund and Green Jobs fund will invest hundreds of millions of dollars into new jobs and industries in regions like this that currently rely on fossil fuels.
- And it's worth remembering no one is talking about making abrupt change overnight – we aren't changing anything about existing permits or the right to develop permits if a discovery is found. No jobs are under threat and no current operations will be affected. That means these are twenty and thirty year timeframes we are talking about. What this Government is doing is making sure we are investing in the regions throughout the transition rather than sitting on the sidelines and leaving the regions high and dry as the world changes.
- We have already invested \$20 million in Taranaki through the Provincial Growth Fund.

Question: Isn't this decision a lose-lose – it will mean jobs go and because New Zealand's natural gas has less than half the carbon emissions of coal gas that we could be exporting offshore to places like China to help them transition away from coal fired power plants will not be able to be used. That will mean more emissions will actually be pumped into the atmosphere because New Zealand's cleaner fuels will not be burned.

Answer:

- New Zealand currently does not export liquid natural gas – and the infrastructure costs that would be required to sustain a major market like that are eye watering, such as the \$45 billion plant recently developed by Chevron in Australia. Also, the world is actually transitioning away from fossil fuels – in 2017 for the first time global investment in electric energy outpaced investment in oil and gas. In years to come, demand for oil and gas will be much lower and it's worth remembering we are talking about twenty and thirty year timeframes here.
- Also it's worth remembering that we have been very clear we aren't changing any existing permits or taking away people's right to apply to develop towards production if a current exploration permit makes a discovery. That means if billions of dollars' worth of gas were to be discovered through an existing permit, that supply could be accessed.

Question: What will this Government do about fracking?

Answer:

- We will ensure fracking has robust environmental health and safety regulations in line with PCE's recommendations.

Question: What work has been done on assuring a just transition?

Answer:

- The Government is establishing an independent Climate Commission and has tasked MBIE to work on our plans to transition to a low carbon economy.
- We are making these decisions today so that we have a smooth transition which isn't jarring for industry or consumers.

Question: Does this not make it harder for dairy manufacturers (such as Fonterra) to power their plants if they can't use gas?

Answer:

- In the North Island natural gas accounts for 79% of the energy used to generate process heat in the dairy manufacturing sector.
- The South Island does not have natural gas available, and so primarily uses coal.
- We have around ten years of natural gas from existing reserves, some existing fields have additional supply which may be able to be extracted, and many more years of supply are possible from gas discovered in existing exploration permits.
- Dairy manufacturers in the North Island can still use gas, but may look to alternatives (such as electrification, or geothermal direct heat) as they receive prices signals about future gas supply.
- Dairy manufacturers looking to build future gas plants will make commercial decisions based on a number of things, which could include an assessment of available gas reserves, gas prices, and the potential for stranded assets as we move to a low emissions future.
- Fonterra has already partnered with government to develop a roadmap to a low emissions future, including transitioning to a low emission, 100% renewable energy future in a cost effective manner.
- How long the existing reserves last will be highly dependent on a few large users that consume over 90 per cent of total natural gas. Residential consumers currently use a very small proportion of natural gas (about 3.5 percent).

Question: What does protecting the rights of permit holders mean?

Answer:

- Oil and gas permit holders have a number of existing rights under law which will continue following today's announcement including:
 - Royalties based on rates at the time of initial investment
 - Exclusive rights to explore and mine within the permit area
 - Right of an exploration permit holder to be granted a mining permit where they have made a commercial discovery and met the legal tests
 - Permit information not to be released before legislative timeframes
 - Subject to conditions, right to apply for:
 - Changes to work programme conditions
 - Extensions of duration
 - Extensions of land to which the permit relates
 - Transfers/changes of permit holders and operators.

- This is about making the policy decisions now for the future we will face in 20-30 years' time.
- Significant work is going into the development of alternatives.