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To: Resources Policy Group
Ministry of Economic Development
PO Box 1473
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20th April 2012

SUBMISSION ON REVISION OF THE CROWN MINERALS ACT 1991

The Pacific Institute of Resource Management is an incorporated society with over 400 members, actively engaged in matters related to the interaction of human activities and the natural world. We publish a periodical magazine "Pacific Ecologist" distributed in New Zealand and internationally and regularly make submissions to government and related authorities. Relevant to the present Review, we have previously submitted on both the New Zealand Energy Strategy and the Exclusive Economic Zone and Continental Shelf (Environmental Effects) Bill. This submission maintains the position expressed in those earlier submissions.

Addressing the specific questions asked in the review document:

1. Assessment of the Health, Safety and Environment (HSE) policies of Applicants
We agree that assessment of applicant's HSE policies, capability and record should be included early in the permit allocation process and prefer Option 2 where the assessment can include matters specific to each application. The presence of such a process would ensure that any entities wishing to obtain a permit would be certain before engagement that their HSE arrangements were adequate, thus achieving the same effect as Option 1 without the need for involvement of government agencies.
2. We support the establishment of an annual review meeting once permits have been granted. The degree of oversight required for technically complex and hazardous activities typical of mining and petroleum exploration warrants such meetings as well as the probability that there will be significant changes in circumstances, perceptions and government regulations and policies over the short term. The ability to include a wider range of interested parties in such meetings is also advantageous.

3 to 6) The Institute believes that rapid transition from fossil energy to renewable energy sources is imperative for the purpose of mitigating climate change that results from greenhouse gases emitted by burning fossil fuels. Active encouragement of activities leading to burning of fossil fuels is contrary to this imperative. For this reason we oppose introducing incentives for non-exclusive geophysical survey activity including surveys over areas subject to existing permits. In any event, if these surveys are sufficiently valuable, they will not require government activity to promote them. Proposals to enhance geophysical surveys as part of the target of increasing petroleum extraction are completely at odds with our country's expressed intention to be part of international efforts to mitigate climate change.

7 and 8) Health and safety considerations are equally important for all petroleum-related operations and should be part of the evaluation of permit applications.

9 and 10) There are particular environmental and health and safety issues associated with offshore oil exploration. The risks associated with these activities are of such magnitude that they should not be entertained in New Zealand waters. The exploitation of these more

technically difficult oil and gas fields is part of a desperate and doomed effort to sustain fossil fuel use. We oppose the issuing of exploration and extraction permits in offshore areas.

11 and 12) Already answered in 1 and 2 above.

13 and 14) We have no comment on work programme issues given our general opposition to expanding petroleum extraction.

15 and 16) No comment, as above

17) We agree with the proposal to regularly review production permits if significant changes, for example the intention to use techniques such as injection and hydraulic fracturing, are fully considered with regard to their potential environmental effects and health and safety issues. As oil and gas extraction represents the depletion of a non-renewable resource, it is essential that the maximum long-term benefit is obtained from the exploitation of this resource and that production permit specifications should ensure this is the case. Wasteful activities that can follow from production rates that do not respect these matters should be precluded. The past history of oil and gas production in New Zealand is not good in terms of resource conservation and efficiency of use.

18) We agree with the proposal to have separate parts within new minerals programmes to accommodate distinct mineral types. If there is to be exploitation of such resources as methane hydrates – and we contend that any expansion into such resources would be yet another retrograde step for climate change mitigation – it is essential that issues particular to the resource are addressed.

19 to 21) No opinion on these administrative details.

22 and 23) In common with the response to questions 1 and 2, we favour consideration of HSE matters at the time of consideration of permits and that these considerations should apply to all Tier 1 minerals given the scale and nature of effects that mining of these minerals involves.

24 to 28) No opinion on these administrative matters.

29) Underground coal gasification (UCG) bears a greater resemblance to petroleum extraction than to traditional coal mining but requires assessment under the same special considerations as would be applied to, for example, methane hydrate exploitation. This follows from the nature of the product stream; fluid rather than solid and from the form of access to the resource which is remote rather than direct. These are major and fundamental differences from traditional coal mining. The unique features of UCG – controlled underground combustion and hydraulic or other fracturing methods – compel its consideration as a special category of fossil fuel exploitation. As the process represents another means of extending fossil fuel extraction from otherwise inaccessible sources, the Institute opposes the development of this resource for the same reasons as our opposition to oil and gas extraction from offshore sources. It maintains and enhances our dependence on fossil fuels as an energy source, and contributes to the continued rise of long-lived atmospheric CO₂ (to which methane rapidly oxidises). Hence it accelerates the trend towards dangerous climate change. This is unacceptable.

30 to 39) No opinion on these matters.

40) As revenue to the Government can form only a small part of the means by which maximum long term value can be obtained from exploitation of non-renewable resources, the structure of a royalties regimen should reflect this. Maximising financial return to the government should not be the sole or primary aim. Money received will only be one element of the overall contribution to present and future welfare of the population and natural environment of New Zealand that minerals legislation should ensure.

41) No opinion on this matter.

42) The purpose of the legislation should be broadened to encompass the principle that non-renewable resources should be used only as required to advance the transition to renewable substitutes or to at least express this principle as a goal. Minerals cannot be excluded from the overall transformation of economic activity that is required if civilised human existence is to be sustained.

43) The concerns of the Institute regarding mining and petroleum extraction in the EEZ have been expressed in our submission on the EEZ and Continental Shelf (Environmental Effects) Bill.

44 to 46) No opinion on these matters

47) Failure to comply with conditions of permits and other transgressions related to minerals and petroleum may result in significant damage to the local, regional or global environment. This damage is often beyond price and payment of a fine does nothing to rectify the damage. The requirement to rectify any damage that has occurred would be a strong disincentive to bad behaviour with some chance of the damage actually being repaired. Forfeiting in kind any material advantage gained through non-compliant activity is another direct way of getting meaningful recompense. If effectiveness is measured by reversal of the ill effects of the misdemeanour, these approaches are more effective than fines.

48 and 49) No opinion on these matters.

50) We agree that details of any long term gas sales agreements should be submitted to the Ministry. As these form an important element of the use of a non-renewable energy resource, it is important that they are monitored and controlled to ensure that use maximises long term welfare and the transition to renewable energy sources.

51 and 52) No opinion on these matters

53 and 54) We agree with extending reporting requirements for minerals reserves and resources for the same reasons as previously stated: their utility in maximising welfare and promoting transition to sustainability. For the same reason we disagree with the proposal of 54.

55 onward) No opinion on these matters.

Thank you for the opportunity to make this submission. The Pacific Institute of Resource Management wishes to remain engaged in the development of minerals legislation and to appear at any Select Committee or other hearings on the legislation.

Yours sincerely,

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