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Study shows commercial potential for South Island discovery

Commercial potential exists to create a gas market in the South Island if a discovery is made in the Barque prospect offshore from Canterbury, a new study shows. Development associated with piping gas to shore could be an economic game-changer.

Development of Barque could double New Zealand's current oil and gas production. Up to \$15 billion in GDP and \$32 billion in royalties and taxes could be generated over the life of the field. In total, up to 5,740 FTE jobs per year could be created during construction, and around 2,000 enduring jobs in the region.

New Zealand Oil & Gas is the operator of the Clipper joint venture, where the Barque prospect is located. Chief executive Andrew Jefferies says world-class safety and environmental performance would be a bottom-line in delivering the project's economic and environmental benefits.

"We work closely with local communities through formal relationships and community panels. [<http://southern.communitypanel.org.nz>] One issue that has been raised repeatedly is how the community benefits from a discovery.

"While the scenarios explored in the study are conceptual, the study finds that piping gas to shore and a commercial gas market in the South Island have realistic potential to produce jobs, exports, and considerable government royalties and taxes.

"The commercial outcomes from either piping gas to shore or processing offshore are similar. While both are economically significant, much greater economic gains could be realised by the wider community if it got behind a gas-to-shore option.

"Natural gas from New Zealand has environmental benefits as an ideal energy source for the transition to renewables. For example, carbon emissions would drop if dairy plants transitioned from coal to natural gas. The study shows that fertiliser and methanol plants could be built here instead of overseas – if that occurred, we believe natural gas from New Zealand would be better for the globe than alternative energy sources such as Canadian tar sands, Venezuelan bitumen or coal-bed methane from Australia," Andrew Jefferies said.

The study was co-funded by the permit joint venture and New Zealand Trade & Enterprise. It was undertaken by consultancy MartinJenkins, which drew on data from Beca, Methanex, Coogee, Ravensdown, Fonterra, PrimePort Timaru and others.

The joint venture has until April 2018 to decide whether to drill a well. If a decision to drill is made, the well would need to be drilled by 2020. The historic chances of a commercial discovery sit at around 20 per cent. The joint venture is actively seeking international partners with the capability to operate an exploration well.

The Barque prospect is in the Clipper exploration permit in the Canterbury basin, about 60 kilometres east of Oamaru in about 800 metres of water. The permit to explore is held by a 50-50 joint venture between New Zealand Oil & Gas and Beach Energy.