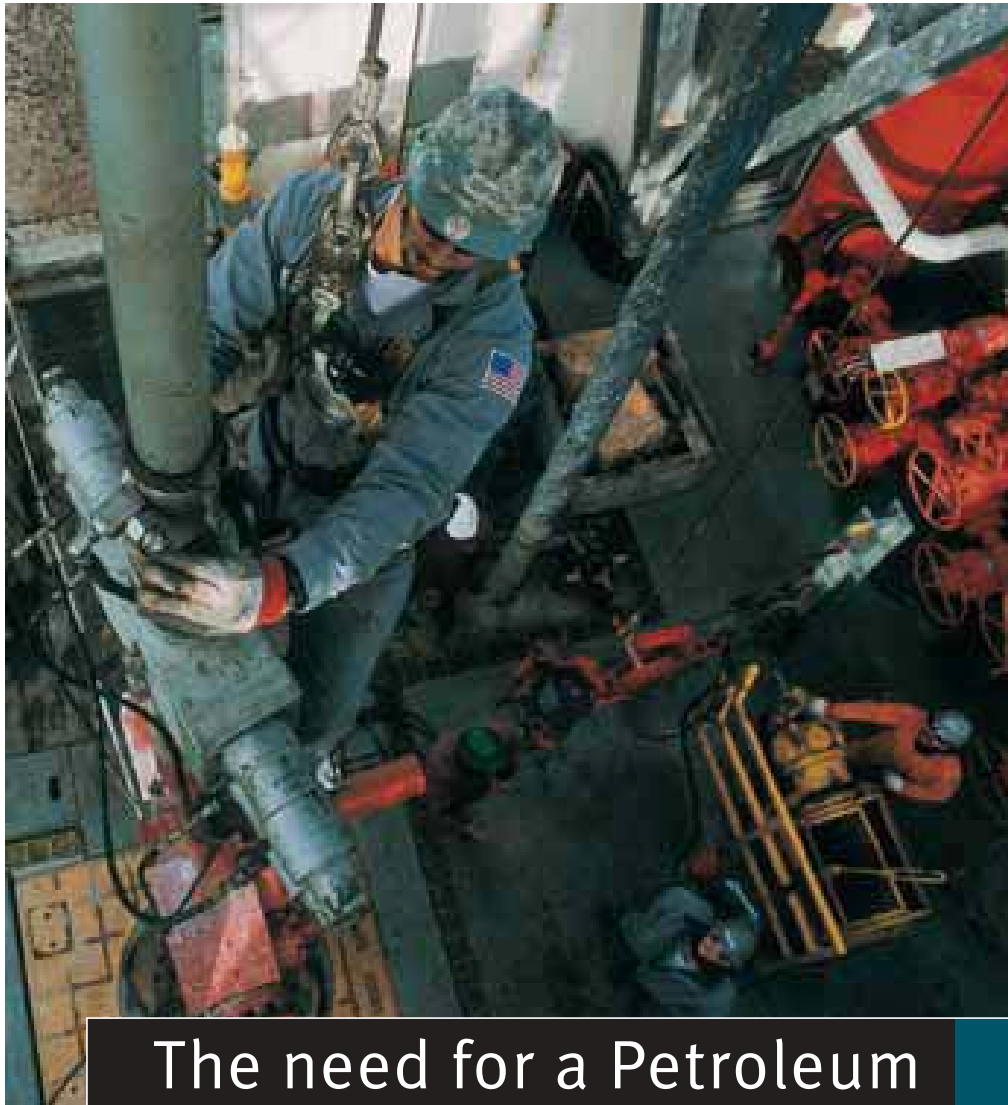


Petroleum

Investment Strategy





The need for a Petroleum Investment Strategy

New Zealand faces rapidly improving market conditions, increased government interest and participation in exploration issues, and changing international perceptions of us as a destination. These circumstances demand a strategy to reposition New Zealand in terms of investment and exploration.

Improving electricity security of supply

Ensuring the long term security of New Zealand's electricity supply is a key objective for effectively managing our infrastructure. Gas is a critical component of electricity production, contributing approximately 25% towards total electricity generation. However, New Zealand's proven gas reserves have steadily declined since the Maui field commenced production in 1976. Subsequent discoveries have failed to off-set this decline and significant new discoveries are needed to meet projected electricity demands.

Focus of the Strategy

New Zealand needs to encourage more aggressive petroleum exploration over the next few years. While onshore and near-shore Taranaki reserves are declining, prospectivity data suggests that there remain significant untapped opportunities in frontier basins. The immature state of exploration in these basins is such that committed and sustained exploration programmes will be required. Accordingly, while we seek to encourage greater numbers of explorers generally, there is a particular need to attract companies with strong capital bases and proven technical capabilities.

The desired outcome of this strategy is, therefore, increased successful exploration, particularly in frontier areas.

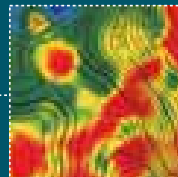
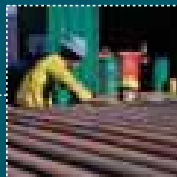
Challenges for New Zealand

There are a range of critical exploration factors that need to be considered, including:

- Good prospectivity.
- A “user friendly” administrative regime.
- A competitive fiscal regime.
- Low sovereign risk.
- Ready access to land and infrastructure.
- Good market conditions.

In many respects New Zealand has a favourable environment for investment. We offer low sovereign risk, our administrative regime is low-cost, our fiscal regime has recently been amended to be even more internationally competitive, and domestic gas prices are rising.

However, we lack international prominence, and suffer from insufficiently positive perceptions about our prospectivity. While junior explorers play a vital role in laying the foundations for exploration (in terms of local knowledge and initial risk taking), greater diversity is needed to help exploit opportunities in frontier areas.



Priorities for Action

There are a range of things that are needed to improve New Zealand's investment environment, including incremental improvements to our administrative regime. However, given the challenges outlined above, we are focusing our attention on two priorities:

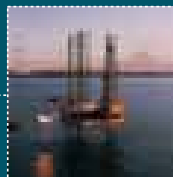
- Improving knowledge about our frontier prospectivity.
- Improving marketing and communications to key explorers and investors.

1. Enhanced prospectivity knowledge

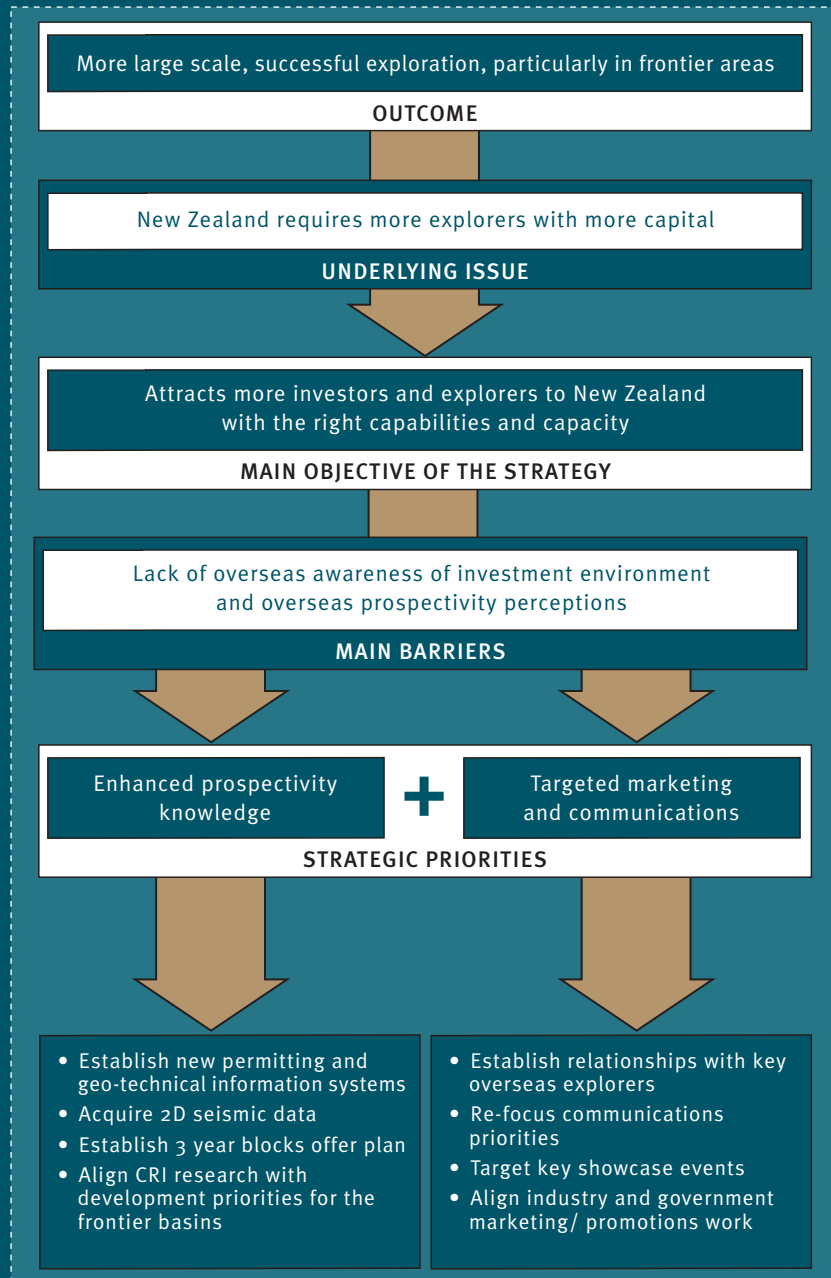
Improving our knowledge about New Zealand's prospectivity will allow us to actively market investment opportunities to those who can best maximise the commercial opportunities in New Zealand. We will therefore develop a programme for data acquisition to increase the level and quality of participation in basin blocks offers, and ensure that this data is readily available to all explorers.

2. Targeted marketing and communications

We need to target the right information, at the right persons, in a manner that gives them confidence about making an investment in New Zealand. We share a common interest with industry in promoting New Zealand. We will therefore maintain strong relationships with existing domestic explorers and downstream stakeholders. In addition, however, we will actively raise our international profile with selected international explorers. The New Zealand Petroleum Conference will continue to be a showcase event, but other local and international events will be targeted. In addition, we will also initiate direct communication with overseas explorers with the potential and track records suited to contributing to New Zealand's exploration future.



The Petroleum Investment Strategy





Ministry of Economic
Development

Manatu Ohanga

Crown Minerals

