

Legislation

The Crown owns the in-ground petroleum resource and any company wanting to prospect, explore or mine petroleum in New Zealand must obtain a permit from Crown Minerals under the Crown Minerals Act 1991. This includes petroleum on the New Zealand continental shelf and coal seam gas.

The [Crown Minerals Act 1991](#) governs the allocation of rights to and the management of all petroleum in its natural state.

The Crown Minerals Act 1991 is accompanied by other important pieces of legislation:

- The [Minerals Programme for Petroleum 2005 \[1.4 MB PDF\]](#) establishes the policies, procedures and provisions to be applied under the Crown Minerals Act 1991. This includes details of the permitting and royalty regimes.
- The [Crown Minerals \(Petroleum\) Regulations 2007](#) specify information permit/licence holders must supply and includes forms for applying for, transferring and surrendering permits. For more information relating to reporting requirements, please view the [Petroleum Digital Data Submission Standards \[104 kB PDF\]](#) document.
- The [Crown Minerals \(Petroleum Fees\) Regulations 2006](#) outline fees payable for matters specified under the Crown Minerals Act 1991 for petroleum.

Permits granted under the Crown Minerals Act 1991 before 1 January 2005 are, in most cases, subject to the [Minerals Programme for Petroleum \(1 January 1995\) \[295 kB PDF\]](#).

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Petroleum royalty regime

New Zealand has developed an internationally competitive royalty regime stipulating the payment of either an ad valorem royalty (AVR) or an accounting profits royalty (APR), whichever is the greater in any given year.

The royalty rates are either:

- 5% AVR, that is 5% of the net revenues obtained from the sale of petroleum, or
- 20% APR, that is 20% of the accounting profit of petroleum production.

If a discovery is made between 30 June 2004 and 31 December 2009:

- Ad Valorem Royalty (AVR) will be 1% for natural gas
- Accounting Profits Royalty (APR) will be 15% on the first NZ\$750 million cumulative gross (offshore) or 15% on the first NZ\$250 million cumulative gross (onshore).

In calculating the accounting profit deductions are made and may include associated production costs, capital costs (exploration costs, development costs, permit acquisition costs and feasibility cost), indirect costs, abandonment costs, operating and capital overhead allowance, operating costs and capital costs carried forward and abandonment costs carried back.

Other legislation

Environmental management

The New Zealand system of environmental management is intended to be integrated, consistent, and effects-based. The Resource Management Act 1991 (RMA) is the core of the legislation intended to help achieve environmental sustainability. The Act's purpose is to promote the sustainable management of natural and physical resources by setting out the management of the environment, including air, water, soil, biodiversity, the coastal environment, noise, and land use planning in general. The Ministry for the Environment is responsible for administering the RMA. The Act applies onshore and offshore out to a 12 nautical mile boundary.

The Maritime Transport Act 1994 provides for the management of the marine environment beyond the 12-nautical mile boundary out to the 200-nautical mile boundary, as well as providing for health and safety matters to seafarers and obligations to international maritime agreements and

conventions. The Act is administered by the Maritime Safety Authority.

Health and safety

The Health and Safety in Employment (Pipelines) Regulations 1999, made under the Health and Safety in Employment Act 1992, replace the Petroleum Pipelines Regulations 1984. These regulations concern matters relating to health and safety in the operations of pipelines and typically apply to pipelines carrying gas or oil from production facilities to distribution points.

The Health and Safety in Employment (Petroleum Exploration and Extraction) Regulations 1999, made under the Health and Safety in Employment Act 1992, concern health and safety issues in the operation of installations for petroleum exploration and extraction, both onshore and offshore.

The Occupational Safety and Health Service, within the Department of Labour administer the Health and Safety in Employment Regulations.

For further information contact:

Occupational Safety and Health Service
Department of Labour
PO Box 342
New Plymouth

www.osh.dol.govt.nz

[Royalty Regime](#)

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