

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.

See chapter seven of the Minerals Programme for Petroleum or [Contact us](#).