OMV New Zealand is planning to drill a single exploration well in the Great South Basin in early 2020. This factsheet explains what it's all about.

Who is OMV?
OMV New Zealand is an oil and gas explorer and producer that has operated in New Zealand for 20 years. The company runs both the New Zealand and Australian operations from New Zealand. It currently employs over 400 staff. Most are New Zealanders, and are largely based in Taranaki, where OMV runs the Māui and Pohokura gas fields and the Maari oilfield. The two gas fields contain about a third of the country's gas reserves, and are very important in meeting New Zealand's energy needs and maintaining its standard of living.

OMV’s parent company is based in Vienna, Austria, and is partly owned by the Austrian Government. On the world stage OMV is a mid-sized energy company, or about 6% of the size of Shell. Locally, OMV New Zealand is approximately twice the size of Meridian Energy.¹

Since 1999, OMV has invested over $3 billion New Zealand Dollars in New Zealand oil and gas exploration and production, and currently pays the Government about $200 million New Zealand Dollars a year in tax and royalties, making it one of the country’s largest taxpayers.

What is the Great South Basin permit?
A permit is a license to explore a specific area for gas and oil. Permits are issued by the Government and come with strict conditions.

OMV’s Great South Basin (GSB) permit covers an area of the seabed off the coast of the South Island. Its closest point is about 140 km south-east of Dunedin. A condition of the permit required by the Government is that OMV must drill one exploration well before July 10, 2021.

If the company wants to hold onto the permit after that time, it can only do so on condition it drills two further exploration wells by July 10, 2022.

In 2018 the Government announced it would not issue any new offshore oil and gas exploration permits. But the Government also made it clear that existing permits would not be affected by the new policy, and that existing commitments must be met by permit-holders like OMV.

So what’s down there and what’s planned?
The GSB exploration permit was first awarded to a group of companies, led by OMV, in 2007. Over the following decade, OMV has helped undertake many detailed seismic surveys to see if there is any potential oil or gas in the permit area.

Those surveys have found a few possible sites. However, until an exploration well is drilled, we can’t be sure what is there, if anything, or how much. OMV is planning to bring a rig to the area in the first part of next year to find out and to honor its commitment to the Government.

The drilling rig contracted by OMV is the most capable drilling rig to ever work in New Zealand waters. It is only

¹ By Market Capitalization July 2019 for the three country stock exchanges they are listed on.
The rig has drilled several wells in many similar locations, including several in similar water depths in the South China Sea. Since its departure from Norway, there has been extensive training of New Zealand crew. The rig will drill a number of wells off the Taranaki coast before coming to the GSB so the crew will be very experienced in New Zealand waters by then.

The rig will not operate alone. All the time it is in the GSB it will be accompanied by specialist ocean-going support vessels and also supported by onshore services.

The well will be drilled in water that’s about 1,300 meters deep. This is not the country’s deepest, as two wells were drilled in deeper water off Taranaki, and wells have been drilled in Canterbury and the Great South Basin at similar depths in the past. The well will be drilled to about 1,700 meters below the sea floor, which is not deep by local standards. Many offshore Taranaki wells have been drilled to 4,000 meters below the sea floor.

The rig will be on location for up to 50 days, about 20 of which will involve drilling. Most of that time will be spent drilling through approximately 1,600 meters of sea bed to reach the prospective area indicated by the seismic surveys. Once we know what is (or isn’t) there, the well will be simply filled in and cemented to completely seal it. The result will be publicly released at some stage after that time.

There are strict Government safety and environment laws covering drilling operations. Before anything can happen, detailed reviews are undertaken by the Environment Protection Agency (EPA), Maritime New Zealand and WorkSafe.

The rig also has to be cleared by biosecurity inspectors before coming into New Zealand waters. The rig’s insurance companies also have very stringent checking processes.

**What environmental checks have been done?**

Safety and protecting the environment are OMV’s top priorities, and we have done a lot of work to make sure everything will be done right.

In March this year we contracted the National Institute of Water and Atmospheric Research (NIWA) to undertake an extensive baseline environmental survey using their research ship RV Tangaroa, covering an area of 1,500 km².

This survey formed part of OMV’s application to drill to the Environmental Protection Authority, and it will be repeated afterwards to make sure no damage has been done to the marine environment. OMV will share survey reports with local communities.

We have also worked to ensure any concerns about seabirds, whales and other marine mammals are addressed. Using the seismic survey ships, more than 7,500 hours of marine mammal observations have been conducted in the area over the past 12 years. The most recent observations were done by the RV Tangaroa during its survey, during which it encountered very few marine mammals.

OMV has also collected extensive data on sea conditions in the area.
Finally, the assessment submitted to the NZ Environmental Protection Authority found that potential environmental impacts from OMV’s GSB drilling will be, at worst, minor. Any potentially harmful discharges will have a very localized and temporary effect in the immediate area of the well bore.

What about drilling safety?
As noted, safety and protecting the environment are OMV’s top priorities. We keep our well operations safe by using highly competent people, strict international safety procedures and insisting on rigorous design, construction and maintenance standards for all equipment.

We also set rigorous standards for any rigs that we contract. The rig going to the GSB has a multi-layered well control system in place to minimize risks, so if any one system or device fails it is covered by back-up systems. The rig must also check and recheck its systems and processes before work is allowed to start, and will have 24/7 monitoring in place. Both WorkSafe and Maritime New Zealand officials have already inspected and cleared the rig for operations in New Zealand, including sign-off of all safety and emergency plans.

What about climate change?
While it will not be issuing any more permits in the future, the Government has also said it will honor permits, like the GSB one, that are already in the system. This is because supplies of gas will still be needed for some time until alternative energy sources are developed.

The Interim Climate Change Commission (ICCC), which the Government set up, has stated that gas is an essential component of New Zealand’s transition to a greener future. In its 2019 report ‘Accelerated Electrification,’ it says that “using natural gas in the electricity system may be an effective mechanism to minimize emissions and achieve security of supply until 2035.”

OMV supports the Government’s 2050 zero carbon goal, and is also actively pursuing its own worldwide carbon reduction strategy. Since 2011, OMV has been providing data to CDP to aid transparency and track how well it is performing. CDP is a UK-based not-for-profit charity that runs a global system that measures environmental impacts. At the end of January 2019, CDP published the results of its latest analysis of nearly 7,000 companies worldwide in the climate change category, and OMV was awarded a ‘Leadership A–’ ranking for the third time in a row, making it one of the top companies in its sector.

OMV globally is investing NZ $840 million in innovative energy solutions until 2025 to reduce CO2 emissions. In New Zealand we are working closely with businesses and communities to explore how we may support new energy sources, while providing the natural gas the country needs to ensure a just and uninterrupted transition. Our New Zealand sustainability goals are far reaching and we invest in numerous initiatives with a positive impact on the environment and the community.

What about consultation?
OMV has consulted extensively amongst Otago and Southland communities over the past 12 months, and has provided draft documents and EPA applications for review by iwi, regional councils, Department of Conservation and fisheries organizations prior to submission to the EPA. OMV has a dedicated community engagement team for its exploration projects and will continue to involve groups in forward-planning, even though some consents do not require public consultation.

If successful, what next?
There is no guarantee that this one well will find anything. The success rate for exploration wells averages about one in six. Even if a discovery was made, it would still take more exploration work to confirm if it was economically viable to develop, and that cannot be guaranteed.

However, if a significant find was made, it could be important to New Zealand. Gas is used in electricity generation, in industry, in restaurants and cafes, and also for home cooking and heating. Gas supplied by producers such as OMV currently provides over 20% of the country’s energy needs. It’s also worth noting that New Zealanders currently use about 50 million barrels of oil per year, or about 1,600 liters per person. Much of this is diesel for buses, trains, trucks, tractors and utes; fuel for planes, ferries, fishing boats and ships; and petrol for the three million cars on New Zealand’s roads. Most of this oil is imported from the Middle East, Russia and Asia. The cost and risks that come with these imports could be reduced if New Zealand was able to meet more of its own oil needs during the transition to more renewable energy sources.

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