



Drilling for oil and gas in New Zealand Q & A - 4 June 2014

1. What is this report about?

This report follows from the Commissioner's 2012 report on fracking, which was focused on the environmental effects of oil and gas drilling and fracking. The Commissioner's new report assesses whether government oversight and regulation are adequate to ensure drilling and fracking will be done safely.

2. What problems were found?

The report concludes that New Zealand's oversight and regulation is not currently adequate for managing the environmental risks of oil and gas drilling. This is particularly so given the potential for rapid expansion of the industry into the shale rocks of the North Island east coast. In New Zealand there is an opportunity to 'get ahead of the game' by planning ahead and filling the gaps identified by the Commissioner.

3. Is drilling and fracking for oil and gas safe?

The Commissioner has found no evidence of major environmental problems from onshore oil and gas drilling in New Zealand. The risks of a major problem are low, if best practice is used. If not, the risk is greater and can cause serious environmental damage. It is therefore essential that New Zealand's laws and regulatory agencies are adequate.

4. What are the main issues?

To date most oil and gas extraction has been in Taranaki using conventional techniques. Fracking enables a rapid expansion into new types of rocks in other parts of the country, such as the shales of the North Island's east coast. Rapid expansion of the industry overseas has often left regulators scrambling to catch up, but New Zealand has the opportunity to improve oversight and regulation and 'get ahead of the game'.

5. Why hasn't the Commissioner recommended a moratorium?

The Commissioner has identified a number of problems that need to be fixed by Government and councils. The Commissioner has found that a moratorium is not justified because New Zealand has laws in place that can be used to prepare for a rapid expansion of the industry.

6. What has the Commissioner recommended?

a. Providing national direction

Oil and gas drilling on land has been largely confined to Taranaki, but is now expanding into other parts of the country less familiar with the industry. Drilling and fracking are highly technical activities, so there is value in clear national direction on policy goals and the necessary technical guidance to achieve them. This can be achieved through a National Policy Statement and associated standards.

b. Improving regional council plans

Providing national direction is very important but will take time. There are clear things that councils can remedy as they revise their plans, such as identify areas where oil and gas drilling can and cannot take place. This is also a chance to involve the public and other industries in suitable 'ground-rules'. This is particularly important in the east coast of the North Island where drilling for oil may soon expand rapidly.

c. Assessing well integrity to protect the environment

Ensuring the well does not leak or blow out is crucial to protecting the environment. There is a large overlap between the design and construction of a well to protect workers, and to protect the environment. However, the rules governing well integrity are designed to protect health and safety only, and do not guarantee that the well will protect freshwater. They also do not require nearby groundwater be monitored to detect any leaks. The Commissioner has recommended this gap is closed.

d. Paying when something goes wrong

Wells can leak and accidents can happen. The Commissioner has recommended that the Government routinely check that companies have sufficient public liability insurance to cover the cost of clean-up. In the case of abandoned wells, a different method is needed to ensure that companies cover the costs of detecting and fixing leaks that might happen over time. One potential method is to levy the industry to create a monitoring and remediation fund.

e. Enforcing the controls on hazardous substances

Many hazardous substances are stored and used at oil and gas sites, and spills and leaks are the most likely cause of pollution. The Commissioner has identified that there is inadequate enforcement of controls put on handling these substances. She has recommended that regional council staff be required to check these controls when they visit sites for other purposes.

f. Dealing with solid waste from oil and gas wells

Drilling creates a large volume of contaminated solid waste that must be disposed of safely. The Commissioner recommends that Ministers convene a working group to scrutinise the most common methods – including landfarming – particularly in areas where the industry is set to expand. The working group should also resolve the issue of when farm animals can safely be put back on landfarms.

7. What about climate change?

The Commissioner notes in the report that the threat of climate change is ultimately what matters most. Natural gas can play a role in the transition to a low carbon economy when it is used to replace coal, but the potential for this is very limited in New Zealand. The Commissioner continues to promote a much stronger response to climate change.

8. What will the Commissioner be working on next?

The Commissioner's team are currently investigating the impact of climate change on New Zealand, and the management and conservation of the marine environment. She is also preparing for her role of commenting on environmental reports under the Environmental Reporting Bill currently before Parliament. To protect her independence, the Commissioner will not release new reports during the election campaign period.