

26 April 2019

Andrew Jefferies
Chief Executive Officer
New Zealand Oil & Gas Limited
36 Tennyson Street, Te Aro
WELLINGTON, 6011

Dear Andrew,

LETTER OF EXPECTATION 2018-20

We write to you as the Southern Community Panel (SCP) to outline our expected relationship with New Zealand Oil & Gas and the expected engagement protocols between us for the coming financial year ending 30 June 2019.

This letter builds on our three previous Letters of Expectation (2015-16, 2016-17 and 2017-18) and associated Report Cards, which are all available to the public on our website <http://southern.communitypanel.org.nz/>. It also follows the engagement protocols outlined in our Southern Community Panel Charter. We note this letter is to cover a longer period, to the end of 2020 financial year, reflecting the lower level of activity with permits in our region. However we expect this should be reviewed should that activity increase.

We understand New Zealand Oil & Gas has established the SCP as a vehicle for two-way relationship building: primarily for the company to better understand local views and values, and for the Panel as representatives of the local community to help inform New Zealand Oil & Gas's community investment.

We note that the permits held by New Zealand Oil & Gas that are located in the Southern region (eg the Clipper and Toroa permits) are subject to very long timeframes and activity levels have been further impacted on by recent changes to the Crown Minerals Act. We also note there are other permits in the region that the company may look to secure an interest in.

We recognise that whilst the company has reduced its operational activities in the region, the Panel remains an important vehicle for engagement with the local community. We expect that New Zealand Oil & Gas Ltd will continue a dialogue and demonstrate commitment to the community by:

- Continuing to meet with the Panel twice-yearly, keeping us informed about key events or activities relating to company activities, and issues relating to the wider industry, and maintaining an openness to (and actively seeking out) perspectives from the wider community (as expressed in more detail in Attachment 1);
- Broadening the Panel coverage, to include membership representing South Canterbury;

- Continuing to collaborate with the Panel on its on opportunities for community investment in the Southern region, at the same level as previous years (\$50,000 plus GST for 2018-19), and consistent with the Community Panel investment principles and criteria agreed in 2015;
- Actively seeking input from the Panel on the company's sustainability work plans, building on the specific environmental and climate change questions raised in previous Letters of Expectation;
- Providing more information on:
 - o the gas supply chain to support industry claims that exported gas will displace higher emitting fuels such as coal; and
 - o The global energy supply/demand profile and the role that fossil fuels may continue to plan in the energy mix.
- Ensuring that any potential new partner is invited to meet the community representatives at the time of committing to enter a permit/well planning.
- Continuing to provide the necessary financial and human resources to support the operation of the SCP.

We look forward to our continued engagement with New Zealand Oil & Gas over the coming year.

Yours sincerely

A handwritten signature in blue ink that reads "Bridget Irving". The signature is written in a cursive, flowing style.

Bridget Irving
Convenor
Southern Community Panel

Attachment 1

In undertaking engagement with our community, we expect New Zealand Oil & Gas to:

- have open, transparent and honest engagement with us, underpinned by a no-surprises policy;
- put community engagement at the heart of its considerations regarding the impacts of its activities in our community;
- make full, clear and understandable information available to us so we can assess the impacts of activities on our community;
- listen to our concerns and seek to discover and deliver a solution;
- seek to understand issues from the perspective of each community member, especially where that perspective is unfamiliar to New Zealand Oil & Gas;
- have a free and frank exchange of views with us regarding the impact and benefits of its activities within our community, allowing the SCP to work through the concerns of its respective communities in relation to New Zealand Oil & Gas's activities;
- demonstrate how our feedback has been taken in to account; and
- continue to report on this engagement in a Sustainability Report and on Panel and company websites to ensure open and transparent communication.
- Respond meaningfully to issues raised by the community, demonstrating how they have been taken account of.