

## Southern Community Panel Assessment of New Zealand Oil & Gas: performance against Letter of Expectations 2017-18

This report card assesses how New Zealand Oil & Gas has met the expectations of the Southern Community Panel, as expressed in its Letter of Expectations 2017-18.

The report card will be completed at the end of each financial year, and will be made available on the Southern Community Panel website.

Southern Community Panel Assessment of NZOG's performance against Letter of Expectations (financial year 2017-2018) [Year 3]		
The Southern Community Panel expects that New Zealand Oil & Gas will:	New Zealand Oil & Gas Comments	Southern Community Panel comments
<p><b>Engage positively and meaningfully</b></p> <p>"We expect New Zealand Oil &amp; Gas to act with respect, honesty and transparency, listen to the Panel's feedback, put community engagement at the heart of its considerations regarding impacts, report on how community feedback has been taken in to account, and respond to the Panel's requests in a timely manner"</p>	<p><i>Building on previous years' engagement we have continued to engage with the Panel with trust, openness and transparency. We have been upfront about progress in our southern permits as well as potential changes to the business brought on in 2017 through competing take-over offers. With the company now firmly focusing on growing in scale and capability we continue to be open with the Panel about our ambition for local exploration permits and the implications of the Government's decision to offer no new offshore exploration permits.</i></p> <p><i>We have continued to seek and respond to community views. We on environmental and climate change work programmes. We delivered the environmental information requested by the Panel and will continue to report this information in our Sustainability reporting.</i></p> <p><i>In response to requests from the Panel (as well as Iwi) we have commissioned a carbon impact study for the Barque development. The report will consider development options outlined in the Barque Regional Economic Impact study and analyse the domestic and international carbon impacts (positive and negative), and mitigation options. We circulated the scope for this study to the Panel for feedback, and we will share results when we have these.</i></p> <p><i>We facilitated the Panel chairperson to attend the annual Petroleum Conference, and present as part of a panel discussion on local oil and gas development. This emphasised strongly with our industry peers the importance of local voices.</i></p> <p><i>We believe these examples, and other feedback in this annual report card, demonstrate the mutual value of the Panel, and helping bring community perspectives to our social, environmental and local economic issues performance.</i></p> <p><b>Here's where we see room for our own development:</b></p>	<p><b>Feedback from Panel</b></p> <p><i>Happy with engagement level.</i></p> <p><i>Slightly surprised (but in a good way) by the willingness to tackle the carbon impact assessment. Realise this is charting new territory but believe it is going to be a really important tool to enable the community to understand the costs and benefits of this type of development.</i></p> <p><i>Hugely appreciate of the opportunity to attend the PEPANZ conference. It was a real eye opener.</i></p> <p><b>Here's where we see room for NZOG development:</b></p> <p><i>Govt policy announcements have created negative perception within community. Consider more concerted effort required to tell other side of the story.</i></p> <p><i>See benefit in finding better ways of communicating the global energy story to the</i></p>

	<p><i>In this financial year we expect to see significant decisions about the future of our South Island permits, and we will look to share our thinking with our community, and ensure community perspectives are fully understood.</i></p> <p><i>We believe the Government’s decision on further exploration revealed we have more work to do to win the confidence of the wider community about the positive contribution we can make and the way our activities are conducted.</i></p>	<p><i>public and discussion about why oil and gas exploration is required at all.</i></p>
<b>The Southern Community Panel expects that New Zealand Oil &amp; Gas will:</b>	<b>New Zealand Oil &amp; Gas Comments</b>	<b>Southern Community Panel comments</b>
<p><b>Provide timely updates on key activities</b></p> <p>“We expect to be kept informed in a timely manner about key events or activities relating to company activities, and issues relating to the wider industry. This will enable us to continually improve our understanding of the issues and thereby better reflect community concerns and views back to the company”.</p>	<p><i>We have provided regular updates via newsletter and email in advance or at the same time as significant development/media releases relating to the company. We have ensured key company people attend meetings to provide more technical or specific updates. We have been upfront noting that project progress is influenced by the lengthy timelines of our industry, and the uncertain current commercial environment.</i></p> <p><i>This year has seen an increase in discussion of impacts, effects, regulatory processes and mitigation opportunities, in the form of Information sheets that respond to Environmental priorities as nominated by the Panel (see item 3 below).</i></p> <p><b>Here’s where we see room for our own development:</b></p> <p><i>We are responding to a huge number of policy reviews, and we would like to grow the involvement of the Panel in helping us to shape our submissions and policy positions.</i></p>	<p><b>Feedback from Panel</b></p> <p><i>Updates have been timely and informative.</i></p> <p><b>Here’s where we see room for NZOG development:</b></p> <p><i>Agree with NZOG comment about the ability for the panel to feed into policy review.</i></p>
<p><b>Provide appropriate information</b></p> <p>“We expect to receive full, clear and understandable information, including making the right people available at the right time, to enable us to fully understand and represent the community perspective as</p>	<p><i>We have continued to provide written newsletter updates to the Panel, and ensure information is available on the Panel website.</i></p> <p><i>We have attended 100% of the (four) meetings held this financial year (between July 2017 and June 2018). John Pagani, External Relations Manager attended the May meeting, outlining the impact of the effects of the Government’s ban on the Clipper permit, and updating on timing and development options for Clipper and Toroa (NZOG’s southern permits).</i></p> <p><i>Each Panel member was provided with a copy of Sefton Darby ‘s ‘The Ground Between: Navigating the Oil and Mining Debate in New Zealand’ (BWB Press) book as an accessible, up to</i></p>	<p><b>Feedback from Panel</b></p> <p><i>Ongoing information provision has been excellent. Anna’s participation in the panel discussions is also noted and appreciated.</i></p> <p><b>Here’s where we see room for NZOG development:</b></p> <p><i>I think the panel would appreciate the</i></p>

<p>effectively as possible”.</p> <p><b>(Refer also to Environmental info sheets and climate change response work noted below)</b></p>	<p><i>date and balanced summary of the issues surrounding the petroleum sector in New Zealand.</i></p> <p><i>We developed and circulated environmentally focussed information sheets based on priority areas of interest identified by the Panel. These are also available on the Panel website, to enable the Panel to discuss issues in more detail within their networks. Topics include:</i></p> <ol style="list-style-type: none"> <li><i>1. The Regulatory Process</i></li> <li><i>2. What Drilling involves</i></li> <li><i>3. Summary of Environmental aspects</i></li> <li><i>4. Well head control</i></li> <li><i>5. Engineering for the Southern Oceans</i></li> <li><i>6. Marine Mammals</i></li> </ol> <p><b><i>Here’s where we see room for our own development:</i></b>  <i>We aim to bring members of our new Board to meet the Panel - and the wider community - in 2018.</i></p>	<p><i>opportunity to meet some of the Board members, and particularly those associated with the new Shareholders. I think there was some anxiety about the new shareholder and whether they will continue to support the level of engagement that has taken place to date. In many ways this is similar to Te Rununga’s expectations. We want to know the people we are working with.</i></p>
<p><b>The Southern Community Panel expects that New Zealand Oil &amp; Gas will:</b></p>	<p><b>New Zealand Oil &amp; Gas Comments</b></p>	<p><b>Southern Community Panel comments</b></p>
<p><b>Respond meaningfully to local concerns</b></p> <p>“a. Promoting local content and capturing local value where possible.</p> <p>b. provide information on likely environmental impacts and mitigation options including emissions from the Barque development options.</p> <p>c. respond thoughtfully and thoroughly to climate change</p>	<p><i>a) we continued to work on local impacts, building on the 2017 Capturing Local Economic Benefits policy which we developed in response to last year’s Panel feedback. This year included the release of the NZOG commissioned Barque Regional Economic Impact assessment which looked at potential local, regional and national economic contributions of a discovery at Barque (Clipper permit), and the potential industrial development that would occur in the local (as well as wider national) economy. This report was picked up widely in local and national media and as a consequence generated extensive local engagement meetings for us. We kept the Panel informed of the report, its release and implications throughout the process.</i></p> <p><i>b) We workshopped with the Panel to gain an understanding of community expectations for our environmental management, including climate change. This was an extensive process and resulted in agreement that the Panel recommend that the company positions itself as ‘ahead of the curve’ in terms of response to environmental issues. Two specific work plans were developed and agreed with the Panel: environmental management and climate change response.</i></p>	<p><b><i>Feedback from Panel</i></b></p> <p><i>NZOG have accepted feedback from panel on Climate Change matters. Climate Impact report has proven to be a challenge, but very interesting. Panel looks forward to hearing about the progress of that work.</i></p> <p><i>Programme to assist community groups to purchase electric vehicles is excellent and we see real value in seeing how that can be rolled out more widely.</i></p> <p><b><i>Here’s where we see room for NZOG development:</i></b></p> <p><i>Work with Community groups who get</i></p>

<p>issues, and work together to develop a policy and processes relating to climate change, including:</p> <ul style="list-style-type: none"> <li>- Measures that go further than simply participating in the ETS as required by law; and</li> <li>- Investigate options to develop or participate in projects that will promote uptake of renewable energy, promote energy efficiency, offset or mitigate carbon emissions”.</li> </ul>	<p><i>In terms of environmental management it was agreed in the first instance to concentrate on education materials to enable the Panel to discuss issues within their networks in slightly more detail. We agreed to provide the Panel with accessible information relating to priority areas of interest. We produced six information sheets, outlined in item 3 above, and have provided these to the Panel.</i></p> <p><i>We agreed a climate change work programme with the Panel, with a range of work streams over short, medium and long terms. The work plan includes commitments from the company to respond to the Net Zero Carbon bill which we will do in the form of Q&amp;As on our website and in Sustainability reporting. This is in development. We have also committed to releasing a carbon policy and looking at ways to support low emission research and development. In addition we are looking in to mitigation options. These are more complex and taking longer to work up, as they are also influenced by commercial changes in the company (ie which projects we are investing in). We expect to have a plan in place by the end of the year.</i></p> <p><i>Notably the discussions held with the Panel have influenced the way we engage on these issues, with our industry peers. We now take a leading role in PEPANZ (our industry body) climate change work, including holding the position of co-chair of the PEPANZ Net-Zero carbon emissions committee. This is a good example of the local community, via the Panel, positively influencing the company’s performance.</i></p> <p><b><i>Here’s where we see room for our own development:</i></b></p> <p><i>We need to ensure we deliver on the items outlined in the work programme in a timely manner, and ensure they are integrated in to our business processes.</i></p>	<p><i>funded electric cars to assist in disseminating information to support other take up electric vehicles.</i></p>
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The Southern Community Panel expects that New Zealand Oil & Gas will:	New Zealand Oil & Gas Comments	Southern Community Panel comments
<p><b>Resource the Panel appropriately</b> We expect to be appropriately resourced, including community funding as agreed with New Zealand Oil &amp; Gas.</p> <p>BI-P-16-V3</p>	<p><i>After relatively consistent composition over two+ years, three members left the Panel this year. Notably these were for personal reasons (retirement x 2 and one moving islands). We are pleased that to date we have never had a Panel member vacate their position on grounds of dissatisfaction with the Panel process.</i></p> <p><i>We have ensured the position vacated by Otago business representation was promptly filled. We worked hard to secure a new University student representation on the Panel but despite numerous meetings and communications this has not eventuated. We made initial enquiries with potential replacement for Otago social services representative (replacing a vacated spot), but decided to postpone replacement of this position, and a vacated Southland youth place, until we had greater certainty around the future of the Southern permits (and therefore the Panels form and function going forward). We have maintained a high level of meeting facilitation, premises and administration, reflecting the value we place on the Panel.</i></p> <p><i>We have continued to collaborate with the Panel on local community investment funding decisions, based around our agreed themes of kaitiakitanga/environmental stewardship, energy efficiency and science education. Specifically we allocated the \$50k/year to further support for Otago and Southland Science Fairs, Otago and Southland home insulation programmes, and the co-funding of an electric vehicle for Community Care Trust Otago/Southland.</i></p> <p><i>We have worked with community partners to promote community investment funding through avenues, and at a level, that is appropriate to the level of project activity.</i></p> <p><b>Here's where we see room for our own development:</b> <i>If we make a positive decision to progress our South Island permits we review our approach to community investment and engagement to better reflect the project.</i></p>	<p><b>Feedback from Panel</b></p> <p><i>This has all been excellent.</i></p> <p><b>Here's where we see room for NZOG development:</b></p> <p><i>Projects are a real slow burn. At times it feels as though we are just treading water. Accept that this is the reality of the sector. At times challenging to engage others in the discussion because there isn't a specific project to focus on.</i></p>

The Southern Community Panel expects that New Zealand Oil & Gas will:	New Zealand Oil & Gas Comments	Southern Community Panel comments
<p><b>Promote the Southern Community Panel as appropriate, relative to the level of activity undertaken by New Zealand Oil &amp; Gas Ltd</b></p> <p>“We expect New Zealand Oil &amp; Gas to take opportunities to promote the Panel as a vehicle for the voice of the Southern Community. We expect that promotion of the Panel, and consequential community awareness, will be commensurate with the level of activity undertaken by the Company – i.e. it will rise significantly if exploration drilling proceeds”.</p>	<p><i>We continue to promote the Panel in our industry networks, such as at the Petroleum conference, and locally through relationships with community partners (eg requirements for the Panel to be promoted in Community Care Trust communications on the EV co-funding).</i></p> <p><i>We believe the word-of-mouth and local promotions remains appropriate given remaining uncertainties around the development of the exploration permit. Should there be a positive commitment to an exploration well (due by April 2019) engagement would significantly increase, and would be structured around the platform we have established with the Panel.</i></p> <p><b><i>Here’s where we see room for our own development:</i></b>  <i>If we make a positive decision to progress our South Island permits we review our approach to community investment and engagement, and consequentially promotion and or expansion of the Panel or other engagement methods, to better reflect the project.</i></p>	<p><b><i>Feedback from Panel</i></b></p> <p><i>As above</i></p> <p><b><i>Here’s where we see room for NZOG development:</i></b></p> <p><i>As above</i></p>
<p><b>Ensure feedback is two-way</b></p> <p>“We (the Panel) will endeavour to ensure that the Company is kept up to date with the issues that we believe are of concern to the networks and communities</p>	<p><i>We have added the Agenda ‘feedback from networks’ so this is discussed at each meeting. We elicited feedback from the Panel on their networks’ discussion of the Government’s announcement to end future offshore block-offers.</i></p> <p><b><i>Here’s where we see room for our own development:</i></b>  <i>We could spend more time exploring and understanding local viewpoints to identify areas of commonality that could be built upon.</i></p>	<p><b><i>Feedback from Panel</i></b></p> <p><i>This continues to be a little but stilted. But again largely due to the relative lack of activity. As mentioned above there are some big issues at play – including the global energy picture. It would be really helpful to find ways of communicating</i></p>

<p>we represent”.</p>		<p><i>information about this to help the discussion within the community if/when it kicks off.</i></p> <p><b><i>Here’s where we see room for NZOG development:</i></b></p> <p><i>Consider making more direct approaches to different community groups to see whether they would like to engage directly.</i></p>
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