

Southern Community Panel Assessment of New Zealand Oil & Gas performance against Letter of Expectations 2017

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 2016-17.

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 2016-2017) [Year 2]		
The Southern Community Panel expects that New Zealand Oil & Gas will:	New Zealand Oil & Gas Comments	Southern Community Panel comments
<p>1. Engage positively and meaningfully We expect New Zealand Oil & Gas to act with respect, honesty and transparency, listen to the Panel's feedback and respond to the Panel's requests in a timely manner.</p>	<p><i>We have continued to build trust and open engagement with the Panel. We have collaborated on funding decisions resulting in Dog Island Motu Piu, Science Fairs, and Yellow-Eyed Penguin Wildlife Hospital funding allocations. We have introduced changes to the company's portfolio, management and key employees in a timely way, and face-to-face.</i></p> <p><i>Much of the Panel's focus to date has been on community investment decisions, and building understanding of the industry and exploration process (reflecting the long timeframes of exploration). We recognise an increasing need to provide more detailed assessments of impacts both positive and negative. The Regional Economic Impact Assessment is one form of this (see item 6 below).</i></p>	<p><i>We found NZOG to have continued to build the trust with the panel and to have open engagement. They have collaborated on funding decisions after a robust process.</i></p> <p><i>Engagement has been genuine and of a high quality.</i></p> <p>Here's where we see room for development:</p> <p><i>Depending upon the outcome of the Clipper project, the panel may need to become more involved</i></p>
<p>2. Provide timely updates on key activities 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>We anticipate that the 2017-18 financial year will see an increase in discussion of impacts, effects, regulatory processes and mitigation opportunities, should the permit progress to the next stage of development.</i></p>	<p><i>They have provided good updates in between meetings with matters of interest or importance.</i></p> <p><i>We agree with this – early warning/ heads up of changes is appreciated. It allows us to keep our ear to the ground to assist in eliciting feedback from community when things are happening.</i></p>

<p>3. Provide appropriate information 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 effectively as possible.</p>	<p><i>We have attended 100% of the (four) meetings held between July 2016 and June 2017 (ie the financial year 16-17). Our new CEO and Senior Reservoir Engineer attended the February 2017 meeting, where the Clipper production options were discussed in some detail.</i></p> <p><i>A summary of regional royalty regimes was provided to the Panel following discussion (and request for the same), at the May meeting.</i></p> <p><i>The intention is to increasingly deliver detail on specific areas of interest identified by the Panel. This will enable the Panel to more confidently discuss the issues with their networks and bring these views to the table, to inform the company.</i></p>	<p><i>An NZOG rep (Anna) have attended all our panel meetings and where necessary other staff have attended to provide further technical detail.</i></p> <p><i>They were responsive to our requests for specific information</i></p> <p><i>Information provided has been interesting and easy to digest.</i></p> <p>Here's where we see room for development:</p> <p><i>We would appreciate more information on the risks of the activities to assist us in assessing those. Particularly the methods and mitigation options to manage risks. This is the issue I get asked about the most. We would like to understand the full spectrum (high risk, low impact + low risk, high impact).</i></p>
<p>4. Respond meaningfully to community perspectives We expect New Zealand Oil & Gas to demonstrate how it is responding to concerns or perspectives raised by the Community.</p>	<p><i>The 2016 Sustainability reporting process feedback identified a priority of capturing local value and promoting local content. This issue was added to the 2017 Letter of Expectations, with a draft corporate policy being discussed with the Panel. Following feedback from the Panel this was presented internally for adoption by the Board. Refer Item 6 for a detailed response.</i></p> <p><i>We have respectfully received feedback, in the form of open question eg relating to the company's position around renewable energy and role in supporting initiatives addressing climate change. We have responded to these questions in writing and in</i></p>	<p><i>NZOG have responded well to this key issue and the responses have been meaningful and appreciated.</i></p> <p>Here's where we see room for development:</p> <p><i>Remains a question in minds of some panel members whether local benefits are outweighed by wider effects and contribution to climate change etc. Have NZOG considered whether divestment of assets is an opportunity to pivot to an alternative</i></p>

	<p><i>person and encouraged the Panel to consider this issue being added to the 2018 Letter of Expectations. We have committed to considering options and responding to any issue that is included in the LoE (or outside that process).</i></p>	<p><i>business model (accepting that would be a significant decision)? Assuming that is not an option what are NZOG doing to confront climate change issues within the organisation itself (to offset/minimise carbon impacts of own activities) and how can NZOG use its influence to impact the behaviour of suppliers, JV partners etc.</i></p> <p><i>Regional Impact Study is still to be released. Panel members continue to look forward to the opportunity to delve into it.</i></p>
<p>5. Resource the Panel appropriately We expect to be appropriately resourced, including community funding as agreed with New Zealand Oil & Gas.</p>	<p><i>We have quickly filled the one vacated Panel position with a new Southland business representative who also brings strong community networks to the table. 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 again provided \$50k/year of community investment funding which has been allocated to Panel supported community projects: Wildlife Hospital, Dog Island Trust, Otago and Southland Science Fairs, and Cosy Homes Trusts in Otago and Southland. These projects were recommended to NZ O&G by the Panel, and align with agreed community investment themes.</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 currently low level of project activity. For example, articles in Yellow-Eyed Penguin newsletters and Facebook, Dog Island Motu Piu Trust media release, and personal address to the Otago Science Fair Prizegiving to promote the Panel. We have also committed to promoting the Panel through media releases relating to the release of the Barque Regional Economic Assessment report (delayed at the time of writing).</i></p>	<p><i>We found NZOG to have provided adequate resources to the panel to allow us to function and fulfil the terms of the LOE</i></p> <p><i>The resourcing is very much appreciated. It enables panel participants to focus on discussion rather than administration</i></p> <p><i>This has been excellent as the panel continues to build up its regional profile, setting the foundation for robust interaction with the community.</i></p>

<p>6. Look for opportunities to promote local content and capture local value where possible</p> <p>We expect New Zealand Oil & Gas to advocate for local benefits, where this is permitted within broader commercial and business strategy objectives. We would like to work with the company to develop a policy and process to promote this approach with its business partners.</p>	<p><i>We have initiated a Regional Economic Impact Study of the Commercialisation of the Barque prospect (Clipper permit), to answer the question ‘What will a commercial discovery mean for our region in terms of employment, growth and other economic benefits?’, and circulated the report summary to the Panel. We have kept the Panel updated regarding the media release of the report (delayed at the time of writing) and have committed to early notification of media release, and provision of basic information to enable the Panel to manage any enquiries as a result.</i></p> <p><i>We collaborated with the Panel on a new Capturing Local Benefits corporate policy to ensure we improve our own business processes, by demonstrating our commitment to proactively promoting regional growth in New Zealand.</i></p> <p><i>We have also incorporated the issue in to a new Sustainability Code of Practice for our partners and suppliers, also incorporating feedback from the Panel, as a tool to influence our partners.</i></p> <p><i>We believe these three examples demonstrate the mutual value of the Panel, providing positive pressure on the company to ensure social, environmental and local economic issues are active priorities for the company.</i></p>	<p><i>We have had respectful dialogue on this</i></p> <p><i>We agree with the summary of work done and are particularly pleased with the code of practice being developed given my understanding that NZOG will almost inevitably have a partner. There is a risk that partner uses NZOG’s ‘community capital’ without actually being committed to the same level of engagement etc. As mentioned above, release of REIS will inevitably raise questions about the flip side – what are the potential risks etc. We would be assisted by more information in this regard.</i></p>
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