Financial Capability Guidelines – Decommissioning

relating to Chapter 13 of the Petroleum Programme

Draft December 2024

Purpose of these guidelines

These guidelines support Chapter 13 of the Minerals Programme for Petroleum 2025 (the "Petroleum Programme") as that chapter relates to financial capability assessments.

These guidelines are for information and illustrative purposes only. The Minister retains legislative discretion in respect of all matters covered by these guidelines.

Where reference is made in these guidelines to a clause in the Petroleum Programme, this will be indicated by the prefix 'P', i.e., P13.16 refers to clause 13.16 of the Petroleum Programme.

Capitalised terms used but not defined in these guidelines have the meaning given to them in the Petroleum Programme.

Data confidentiality

All information received by the Ministry of Business, Innovation and Employment (MBIE) under sections 89ZF and 89ZK of the Crown Minerals Act 1991 will be maintained in accordance with MBIE operational policy. All information submitted to, and held by, MBIE is subject to the Official Information Act 1982 ("the OIA").

Contents

Introduction

These guidelines support Chapter 13 of the Petroleum Programme and provide information on, and examples of, the standard features and process of financial capability assessments of permit holders in the context of decommissioning.

The Minister retains legislative discretion in respect of all matters covered by these guidelines.

When the Minister may carry out a financial capability assessment

Clause 13.16 of the Petroleum Programme states that, at any time while the permit of a permit holder who is liable to carry out and meet the cost of decommissioning activities under the Act remains in force, the Minister may assess whether that permit holder is "highly likely" to have the financial capability to carry out and meet the costs of decommissioning (a "financial capability assessment").

Focus of assessments

G1. Permit holder and Permit Participant assessments (P13.16(1))

To inform the assessment of the permit holder, where there is more than 1 Permit Participant, the Minister will ordinarily make an assessment of the Permit Participants with a focus on the cashflow forecast, financial (point-in-time) metrics and qualitative information (see G3, G3(a)+(b), G4).

It is intended the Permit holder assessment is informed by the aggregated results of the respective Permit Participants.

An example approach based on a permit holder made up of multiple, unrelated, Permit Participants, is provided in G5.

Information on the assessment process, and a worked example

G2. How information may be used in assessments (P13.18(2))

The information received under P13.18(2) may be taken into account in the following way:

(i) field development plan – how the permit is planned to be developed, the work programme and associated commitments, timeframe and expected production profile (including an understanding of likely cessation of production and possible extension of permit life). The Minister will ordinarily use the information to inform the extent of potential development activities and the implications for future decommissioning obligations.

(ii) asset register – identifies the main components of petroleum infrastructure and number and type of wells. The Minister will ordinarily consider both the completeness of the register and how the details have been incorporated into the decommissioning plan.

(iii) decommissioning plan – what the scope of decommissioning entails with reference to section 89E and implications of 'total removal' (if any), the asset register and expected timeframe to complete. Where plans relating to undeveloped reserves are identified, the Minister will ordinarily be interested in how these have been incorporated into the future cashflows.

(iv) Decommissioning Cost Estimate – the estimated cost of carrying out the decommissioning plan. The current cost estimate will ordinarily be used in the financial (point-in-time) metrics and as an input into the cashflow forecast (see Appendix 2).

The cost estimates are expected to be updated for changes in development and decommissioning activities and/or costs. Where cashflow forecasts include revenue from undeveloped reserves, the decommissioning costs arising from developing those undeveloped reserves must also be included. This will ordinarily inform ongoing monitoring activities and the potential for alterations to future financial securities.

The decommissioning cost is also a matter to which the Minister must take into account when determining an acceptable financial security arrangement.

(v) information needed to monitor financial position - includes financial statements, together with current and future looking supporting information not otherwise included in the financial statements.

(vi) the circumstances of the Permit holder. This will ordinarily include consideration of any existing financial security arrangement (including amount) in place to meet decommissioning obligations.

(vii) any information relating to current or emerging risks to the Permit holder's ability to comply with their decommissioning obligations and

(viii) any other matters the Minister considers relevant.

G3. Quantitative metrics and scoring (P13.18(4)(a)+(b))

To inform the financial capability assessment of the **Permit holder**, ordinarily an assessment of the Permit Participants will be undertaken to inform the Minister's decision.

The quantitative metrics to be applied are described below. The Score is determined by: Weight multiplied by the Rating (determined by the outcome of the metric)[1].

	Rating				
Financial (Point-in-time) **Metrics**	Low = 0	Medium = 1	High = 2	Weight	Score (Max)
Current Ratio (%)	<100	100 to 125	>125	5	10
Interest Cover (times)	<2	2 to 3	>3	5	10
Gearing (%)	>50	50 to 30	<30	5	10
Operating Cash to Debt (%)	<20	20 to 35	>35	5	10
Operating Margin (%)[2]	<0	0 to 15	>15	5	10
Decom Cost Cover (%)	<50	50 to 70	>70	10	20
Sub-Total (max =70, min = 0)					**70**

Note: no minimum score is required; however, a 'going concern' qualification (not an emphasis of matter) is likely to result in automatic non-achievement of the 'highly likely' test.

[1] Where borrowing is not relevant, score 10 for each of Interest Cover, Gearing and Operating Cash to Debt.

[2] If operating margin is affected by proximity to end of field life, it can be considered in qualitative information (see G4).

Cashflow (cash generation) Metrics	Low = 0	Medium = 1	High = 2	Weight	Score (Max)
Free Cashflow (times)[3]	<0.8	0.8 to 1.25	>1.25	50	100
Free Cashflow – revenue stress test (% discount in revenues)[4]	<10	10 to 25	>25	15	30
Sub-Total (max =130, min = 0)					**130**
Total Score (max =200, min = 0)					**200**

Note: The Minister will ordinarily take into consideration the 'price deck' being used in generating the free cashflow (including the revenue stress test).

Highly Likely ≥ 160 (being 80% of the maximum score), without an automatic non-achievement from having a 'going concern' qualification (not an emphasis of matter) and subject to any qualitative information adjustment.

G3(a). Financial (point-in-time) metrics[5] (P13.18(4)(a))

(1) The purpose of the financial metrics is to highlight any current risks to and vulnerabilities of the Permit Participant (and hence Permit holder) that may impact its financial capability to eventually carry out the decommissioning obligations. The financial metrics look at short-term measures and are indicative of the ability (and immediate challenges) to reach its long term cashflow.

(2) **Financial Metrics**

2.1 Current Ratio = Current Assets/Current Liabilities

2.2 Where borrowing is relevant:

- Interest Cover = Operating Cashflow/Interest Expenses
- Gearing[6,7] = Total Debt/(Total Debt + Equity)
- Operating Cashflow to Debt = Operating Cashflow/Total Debt

2.3 Operating Margin = (Revenue – Operating Costs[8])/Revenue

2.4 An additional test for all Permit Participants, which is seen as an indication of current financial capability and balance sheet strength, is:

- Decommissioning Cost Cover = Net Worth/ Decommissioning Cost, where

[3] Free Cashflow (as generated in the cashflow forecast) add back Decommissioning Cost Estimate (included in the cashflow forecast) plus amount/value of financial securities held (mark-to-market or face value, as appropriate and excluding Parent Company Guarantees (PCGs)) plus working capital (excluding inter-company receivables and any financial securities recognised in working capital) divided by the Decommissioning Cost Estimate (included in the cashflow forecast).

[4] The "revenue stress test" is: ((Free Cashflow less Decommissioning Cost) divided by Revenue) expressed as a percentage. Allowance should be made for the value of Financial Securities held (mark-to-market or face value, as appropriate and excluding PCGs) and working capital (excluding inter-company receivables). See G3(b).

[5] P13.19 addresses the provision of supporting information.

[6] More debt in a Permit Participant's capital structure carries greater risks, as debt must eventually be repaid and generally requires the borrower to make regular interest payments to the lender. A higher Gearing Ratio also implies that the Permit Participant will find it harder to borrow more funds, should the need arise.

[7] Where some or all the debt on a Permit Participant's balance sheet is intra-group and the Permit Participant believes that the simple Gearing Ratio calculation outlined above would misrepresent its true capital structure, the Permit Participant may provide details of the intra-group debt and an explanation of why the Minister should modify their view of the Permit Participant's solvency risk profile. In taking that additional information into consideration, the Minister may also need to see relevant financial information for the intra-group lender including any guarantee or similar.

[8] Operating Costs = Total Costs excluding interest, tax, depreciation, amortisation, impairment, decommissioning and exploration

Net Worth = Net Assets[9] less Intangibles (including Goodwill, Capitalised Exploration and Other Capital Commitments[10])

Decommissioning Cost = Permit Participant's share (based on its participating interest) of the Permit holder's Decommissioning Cost Estimate in current value terms[11,12,13]

(3) Where a Permit Participant has a high "investment grade" credit rating from a recognised credit rating agency[14] this is indicative of general financial solvency, liquidity and profitability and may be accepted in-lieu of the tests above, except the Decommissioning Cost Cover. Where a Permit Participant can rely on a suitable guarantee from a related company with a such a credit rating, the same would apply.

G3(b). Cashflow (cash generation) metrics and assumptions (P13.18(4)(b))

The Minister is interested in cash generation and evidence that the Permit holder (informed by Permit Participants) will have generated and will have sufficient cash to meet its commitments and obligations (including decommissioning obligations) as and when they occur.

Free Cashflow

Calculates how many times the free cashflow generated in the cashflow forecast (excluding the Decommissioning Cost Estimates included in the cashflow forecast) will 'cover' the Decommissioning Cost Estimates included in the cashflow forecast.

The amount of any financial securities held (mark-to-market or face value, as appropriate, excluding parent company guarantees) plus working capital (excluding inter-company receivables and any financial securities recognised in working capital) should be added to the free cashflow generated (unless already incorporated).

Income which may be receivable after decommissioning is complete (e.g. income tax and royalty refunds) can be included.

Debt

Where a Permit Participant carries (or intends to carry) debt in the future, MBIE will analyse each period set out in the cash flow forecast to assess its ability to service its existing and proposed debt.

Where MBIE's analysis of the Permit Participant's cashflow indicates periods of weakness, MBIE will seek clarification from the Permit Participant as to how it will mitigate these risks.

Free Cashflow (revenue stress test)

Calculates the percentage discount to oil/gas/LPG revenues that would result in breakeven cash generation after meeting all decommissioning obligations. It should be completed with the same working capital approach and assumptions used in the Free Cashflow (above). This is intended to 'stress test' the pricing assumptions used in the cashflow forecast. Some future revenue may be

[9] Net Assets can be adjusted for the 'net' decommissioning costs included in assets and the deemed liability. For the avoidance of doubt, Net Assets includes (based on its participating interest) the Net Assets from all permits in which the Permit Participant has participating interests.

[10] Other Capital Commitments includes exploration and other permit commitments.

[11] Provided under section 89ZC (P13.13) by the Permit Holder.

[12] Where a Permit Participant has participating interests in more than one permit, the total of its share (based on its participating interest) of **all** Decommissioning Cost Estimates for which the Permit Participant has a decommissioning obligation must be included.

[13] The Decommissioning Cost Estimate should be reduced by the amount of any financial security in place (excluding parent company guarantees).

[14] Moody's ≥ A3; Standard & Poor's or Fitch ≥ A-

based on contracted prices, so could be argued it is 'free of price risk'. The intention of the 'stress test' is to flex all revenue regardless of any contracted offtake, as it is a proxy to quantify 'value headroom' (which could be eroded by either revenue or cost changes). In addition, it provides some assurance that there is future value in the permit should a Permit Participant encounter financial difficulties.

It is recognised that over the medium to long term, any sustained price reductions would usually result in restructuring of activities and curtailment of some projects. The timing and extent of such activities and curtailments is challenging to estimate. Where the outcome of the 'stress test' results in an adverse outcome for the 'highly likely' test, this and other factors may be considered as qualitative information (see G4).

Sensitivities

The cashflow model assumptions and input estimates may be subject to various sensitivities. These will evaluate how the forecast cashflow reacts to and is able to withstand reasonable financial shocks, and the potential effect on the Permit Participant being able to meet its commitments and obligations and to its sources of funding (see Appendix 2). The outcomes may be considered as qualitative information.

Permit Holder Consistency

In the interests of Permit holder consistency, a cashflow forecast (or at least core permit specific assumptions such as reserves, production, operating and future development costs and decommissioning timing and cost) provided by the Permit Operator (excluding "owner costs") would be advantageous, both for efficiency and consistency. Where this is not feasible, MBIE will take a considered view based on the information provided by the Permit Participants.

Cashflow Forecast Assumptions

The cashflow should be on a 'total company' basis[15] and capture the activities of the Permit Participant, including all permits (including exploration permits) in which it has a participating interest.

Where the Permit Participant has non-permit interests (e.g., activities unrelated to the Permit holder activities), those activities should be included in the cashflow. This is to enable a full picture of all the commitments and obligations of the Permit Participant which may affect its ability to meet its decommissioning obligations. Where those non-permit interests are cashflow positive, it would enhance the assessment of financial capability.

Cashflow forecasts <u>should not</u> be discounted

Otherwise, if a discounted cashflow model is utilised, the discount rate should be set to zero.

Level of Detail

The Minister would, as far as practicable, seek to use existing Permit holder and Participant resources. It is expected the cashflow model will provide a reasonable level of detail reflective of Permit Participant operations and information provided to management. Key revenue, the more material operating costs (including major maintenance (e.g., shutdowns, workovers)), capital expenditure, financing and dividends should be separately identified. Appendix 2 provides an example of the type of information, as applicable, that would normally be expected in a cashflow forecast.

This should enable the Minister to better understand the general narrative underpinning the cashflow model.

[15] In referring to "total company" the assumption is the Permit Participant is a company in its own right.

Where a Permit Participant has interests in more than one permit, financial capability will be assessed based on all its permit interests. The degree of detail should reflect that.

Cashflow Forecast Model. MBIE is likely to request a copy of the model in excel format (appropriately password protected).

Reserves – Permit Expiry during implementation. The Petroleum Programme at P13.4 and P13.5 provides details on when the decommissioning obligations must be undertaken. In general terms, the latest date the decommissioning obligations must be met is before the expiry or surrender of the current permit.

During implementation of the Programme and guidelines, where remaining 2P reserves extend beyond the permit expiry date they can continue to be used in the cashflow forecast for up to 36 months after the date the Minister has determined the acceptable financial security arrangement. The 36 months is to allow time for an application for and the granting of any permit extension.

This implementation phase applies only to existing permits at the time the Petroleum Programme comes into force and the earlier of 36 months or the first of any extension application which has either been approved or declined.

G4. Qualitative information (13.18(6))

The following are examples of factors which may affect the Permit holder's or Permit Participant's ability to meet its financial and non-financial forecasts. The Minister may take these into account in reaching a decision on financial capability. In no particular order:

- Matters arising in asset review meeting discussions.
- Audit – Key Audit Matters (where provided), audit management letter, going concern notes and Audit Opinion (especially qualifications, emphasis of matter).
- Current or emerging risks to the Permit holder's and Permit Participant's ability to comply with their decommissioning obligations.
- Events or issues (including post balance date events) for a Permit Participant or a Permit holder that has potentially detrimental financial implications. Examples may include Permit Participant re-financing, unexpected drop in production, sale or purchase of an interest in a permit.
- Contingent liabilities and assets (e.g., guarantees provided to or from others, legal cases).
- Financial statements segmentation note – areas of operation.
- Production and development history compared to forecasts, which is indicative of forecast accuracy.
- Undeveloped reserves and the timeframe to commit to and implement projects (e.g., move undeveloped to developed reserves) – impact on future revenues.
- Contingent resources and challenges in converting to reserves.
- Proven record of decommissioning activity (including accuracy of cost estimates).
- Decommissioning obligation growth or reduction - future decommissioning costs and risk (e.g., a change in the number of non-productive/shut-in/suspended wells; idle petroleum infrastructure). "Early" decommissioning activity is well regarded.

- Recent movements in the "price deck" (i.e., pricing assumptions) being used, including the "Free Cashflow – revenue stress test" result.
- Results from sensitivities run (see Appendix 2 Cashflow Sensitivity Analysis)
- Alternative revenue sources, including other petroleum assets.
- Results from the Financial Metrics, for example
    - where the sub-total is <30.
    - the metric is being adversely affected by the proximity to end of field life (such as the operating margin).

This list is not exhaustive and there may be other factors which prompt further analysis.

G5. Example assessment of Permit holder with multiple Permit Participants

It is intended the Permit holder assessment is informed by the aggregated results of the respective Permit Participants.

As an example of how the Minister may approach the assessment, the following is based on a Permit holder made up of multiple, unrelated, Permit Participants.

Given variability across permits, individual cases may be assessed on their own merits[16].

The table below uses the individual Permit Participant financial capability scores calculated using the approach in G3. This includes the quantitative result together with any adjustment for the qualitative information (if any).

The "weighted score" (the 'contribution' to the Permit holder score) is determined by the Permit Participant "Score" multiplied by the Permit Participant's "interest in permit".

Permit Participant	Score	% Interest in Permit	Weighted Score
Company A	100	10	10
Company B	100	10	10
Company C	180	80	144
Total (max =200, min = 0)			**164**

Highly Likely ≥ 160 (being 80% of the maximum score)

(1) If all Permit Participants are assessed as 'highly likely' relative to their permit participating interest, then the Permit holder is likely to be considered to have financial capability, subject to any adjustment arising from qualitative information relevant to the Permit holder (see G4). If that is not the case, the Permit holder may still be capable of being 'highly likely'.

(2) In the example above, on the face of it, the Permit holder would be assessed as being "highly likely" although Company A and Company B are not "highly likely" in their own right.

(3) Each Permit holder where Company A and Company B has an interest will ordinarily be reviewed to identify the capability of the other Permit Participants to meet the decommissioning obligations of the Permit holder (in the same way as above). There are several factors which may be taken into consideration by the Minister at that stage, including:

- whether the presence of one or more "highly likely" Permit Participants provides sufficient risk mitigation of the Permit holder meeting its decommissioning obligations, answer the question "what would happen in the event that the "higher risk" Permit Participant failed"?

[16] For example, where a Permit Participant has a minor participating interest and the outcome of its financial capability assessment will not affect the outcome of the overall Permit Holder assessment, the Minister may decide not to undertake an assessment of the minor participating interest.

For example, would other "highly likely" Permit Participants if 'deemed' to have a higher percentage interest in the permit enable "highly likely" to be achieved (effectively a 'several' test). And in such an event, what are the risks of other Permit holders where the "highly likely" Permit Participants have a participating interest.

- review of existing financial security arrangements in the permit to assess whether sufficient security is held (or can reasonably be expected) to meet decommissioning obligations.

The Minister is likely to discuss the results of the assessment with the Permit holder before finalising and notifying the outcome to the Permit holder[17].

Monitoring financial capability

G6. When monitoring may occur (P13.20)

Information needed to monitor financial position is something the Minister may take into account in considering whether to carry out, and when carrying out, a financial capability assessment (see P13.17 and P13.18).

Permit holders assessed as "highly likely" are likely to be monitored annually based on:

- the financial (point-in-time) metrics used in the assessment, based on financial statements provided annually.
- a 'light-touch' review of updates to field development plans, asset registers, decommissioning plans and cost estimates (see 13.18(2)).
- a 'light touch' review of other qualitative information such as those factors included in G4.
- the extent to which the existing acceptable financial security arrangements are available to secure performance of the decommissioning obligations.

Where there appears to be some deterioration in the financials identified from the above, the Minister may request advice from the external auditor related to the cashflow model (where that model is subject to independent audit review) based on an "agreed upon procedure". Such advice would confirm the key inputs and assumptions as described were used, whether the calculations were 'robust' and confirm the outputs from the model are as provided to MBIE.

If there is a marked deterioration in financial position identified from the monitoring (e.g., significant increase in the Decommissioning Cost Estimate, additional debt, materially lower cashflows and/or cashflow projections, acquisitions/divestments) the Minister may consider there is, for example, an emerging risk to the Permit holder's ability to comply with their decommissioning obligations and hence incorporate that into the consideration of whether and when to undertake a financial capability assessment (see P13.17/18 and G2).

Otherwise, it is anticipated that a full financial capability assessment (i.e., including the cashflow metrics) will be undertaken every 3-5 years. That decision will be made with reference to the criteria outlined in P13.17, including any need for the financial capability assessment baseline to be refreshed.

A consideration will be the required amount of the acceptable financial security arrangement determined by the Minister (s89ZN) and the extent to which that amount is currently held.

Permit holders assessed as not being "highly likely" (see G5) may be subject to a full financial capability assessment annually. That decision would be made with reference to the considerations outlined in P13.17, including:

- the required amount of the acceptable financial security arrangement and the extent to which that amount is currently held.

[17] As required by section 89ZJ

- whether there has been either a marked improvement or deterioration in the financial metrics
- the assessment of the impact of the Permit Participant on the Permit holder as a whole.

Appendices

Appendix 1. Data confidentiality

All information received by MBIE under section 89ZF and 89ZK (Confidential Information) will be subject to specific operational policy relating to the protection of sensitive financial information. A number of controls to safeguard Confidential Information will be implemented, including:

- **Receiving Confidential Information.** All Confidential Information will be sent to a specific email account (nzpam-financial-assessment@nzpam.govt.nz). Access to that email inbox is restricted to a limited number of MBIE staff (with access by other staff on a case-by-case basis) who will complete and review all assessments. Those supplying Confidential Information can elect to password protect attached electronic files, with the password separately communicated to MBIE staff completing the assessments.
- **Storing Confidential Information.** All working documents and records will be stored electronically in a sub folder structure within MBIE. Only the same MBIE staff will have access to this sub folder structure. It will be subject to a full audit trail of any access made to the records held.
- **Using Confidential Information.** Confidential Information will only be used in connection with financial capability assessments under section 89ZG, including any ongoing monitoring of financial capability. Any ratios or financial analysis derived from the Confidential Information will be treated as Confidential Information.
- **Reviewing Confidential Information.** Suppliers of Confidential Information may request copies of their Confidential Information and may update their Confidential Information prior to any financial capability assessment being completed.
- **Disclosing Confidential Information.** Section 90A of the Act includes a prohibition on the disclosure of Confidential Information, subject to where disclosure is required by another enactment. If the Confidential Information came within the scope of an Official Information Act 1982 (OIA) request, the Confidential Information must be considered for release in accordance with the OIA. MBIE will need to consider if making the information available would be likely unreasonably to prejudice the commercial position of the participant who supplied or who is subject to the Confidential Information. If the likelihood of release unreasonably prejudices the commercial position of the participant who supplied or is the subject of the Confidential Information outweighs the public interest in release of the Confidential Information, the Confidential Information may be withheld.
- **Disposing of Confidential Information** – Where Confidential Information is to be disposed of, it shall be managed under the MBIE Records Retention and Disposal Schedule which adheres to the requirements of the Public Records Act 2005.

Appendix 2. Cashflow forecast expectations

The cashflow forecast should:

Core Assumptions

- start from the balance date of the latest financial statements provided to MBIE to the date in the future when all commitments and obligations are fully discharged (including decommissioning obligations)[18].
- capture all activities of the Permit Participant (where the Permit Participant has interests in more than one permit, the information should be provided for the entity as a whole, split to show the metrics as they directly relate to each permit).
- be phased and presented on an annual basis.
- be calculated on a future value basis (i.e., with price/cost escalation but without discounting) – an indicator of expected free cash generation.
- provide the source of the inflation and exchange rate assumptions used.

Revenues (and 'cash-based' financial security receipts)

- use 2P reserves[19] as the basis for petroleum revenues. The production forecast for each product (i.e., oil, gas, LPG) must be shown, clearly identifiable and reconciled to the reserves report.
- use recognised independent oil price forecasts and contracted New Zealand gas prices (or independent forecasts) adjusted for any market premium or discount. MBIE will factor in the "price deck"[20] being used in the evaluation of the free cashflow generated.
- use current pricing for non-petroleum revenues adjusted for expected volume changes (including existing users' shutdown plans where material).
- include any 'cash based' financial securities that will be available to be applied to fund decommissioning obligations.
- include any funding arrangements necessary to further develop 2P reserves and/or provide known or committed future funding.
- include estimated proceeds from sale of assets, after the calculation of any Decommissioning Cost Estimate contingency, based on the expected sale price at the time of decommissioning (i.e. take into account the age, wear and tear, reasonably expected for assets of the age when they will be decommissioned).

Costs (and 'cash-based' financial security payments)

- include normal operating costs (including insurance if not an owner cost) and costs of post-cessation of production and pre-decommissioning activity (e.g., lighthouse mode, site leases) if not included in the Decommissioning Cost Estimate.
- make appropriate provision for known ad-hoc costs including consenting, certification, shutdowns, and reasonable assumptions on the likelihood and impact of workover repairs. Where material, adjust production forecasts.
- include the costs of any projects (e.g., to develop 2P reserves and approved other non-reserve related projects) where revenue from those projects is included in the cashflow forecast or the projects will be required to continue business.

[18] See P13.4 assuming no exemption or deferral granted.

[19] Based on the Petroleum Resources Management System guidelines.

[20] The assumptions on the future price of the commodity. Also referred to as the 'base case' forward curve.

- include the costs of any other obligations (including but not limited to decommissioning costs associated with petroleum infrastructure and the plug and abandonment of wells).
- include any other expenses or other payments that the Permit Participant will need to satisfy, in particular, repayment of debt and interest expenses including related party transactions within a group (this may be a best estimate of expected terms and conditions, where possible based on recent transactions).
- include individual Permit Participant (owner) costs and projected dividends.
- include cash tax (including estimated tax refunds) and royalties (both over-riding and Crown, including estimated refunds)[21].
- include payments made in respect of any 'cash-based' financial securities (e.g., interest, repayment).

Other (supporting information)

- briefly describe how project costs have been estimated, the contingencies applied to those costs and expectations as to timing of completion and rate of production from development activities.
- describe in appropriate detail any assumptions which justify future cost reductions included in the cashflow forecast.
- provide details of debt or other funding facilities including related party transactions within a Group, where that information is available.
- provide details of any securities granted by the Permit Participant including provided against future production or the proceeds of any future production.
- provide details of any hedging arrangements or similar.
- where surplus cash is generated, identify where the cash will be held (e.g., NZ registered bank, inter-group), in which entity's name and country of jurisdiction.
- provide details of existing non-cash financial securities which secure performance of the decommissioning obligations.

Cashflow Sensitivity Analysis

The following cashflow sensitivities may be requested on a case-by-case basis:

- lower oil, gas and/or LPG prices – noting the 'stress test', included if MBIE wished to use different price assumptions.
- lower or higher exchange rates.
- higher interest rates.
- higher inflation/escalation rates.
- capex/decommissioning cost overruns assuming upper contingency assumption.
- delays to field/project start-up.
- lower than expected production (available for sale).
- if not the base case, the scenario where permit expiry date equals cessation of 2P production (plus time to complete decommissioning).

[21] Cash tax and royalties payable should be based on normal timeframes. Any refunds assumed in accordance with the Income Tax Act and relevant royalty regime. Note – a refund of Accounting Profit Royalty may result in Ad Valorem Royalty being payable (and offset).