

AGREEMENT

BETWEEN

THE GOVERNMENT OF NEW ZEALAND

AND

THE GOVERNMENT OF JAPAN

ON

PETROLEUM STOCKS CONTRACTS

The Government of New Zealand and the Government of Japan (hereinafter referred to as the "Contracting Parties"),

RECOGNISING that, as Participating Countries in the International Energy Agency (hereinafter referred to as the "IEA") and on the basis of the International Energy Program (hereinafter referred to as the "IEP"), the Contracting Parties are obliged to maintain petroleum reserves equal to ninety (90) days of net petroleum imports and to comply with their obligations under the IEP following any activation of emergency measures by the Governing Board of the IEA to respond to a supply disruption;

RECOGNISING that, in order to fulfill its obligations under the Agreement on an International Energy Program done at Paris on 18 November, 1974, as amended and including decisions of the IEA Governing Board (hereinafter referred to as the "IEP Agreement"), the Government of New Zealand has decided to contract for additional petroleum stocks in New Zealand and overseas, and that contracts are expected to be in the form of an option to purchase petroleum stocks in certain prescribed circumstances; and

RECOGNISING that these petroleum stocks may be credited to New Zealand's petroleum reserves, provided that the Government of New Zealand has concluded an agreement referred to in Article 3 of the Annex to the IEP Agreement that no impediment shall be imposed to the transfer of stocks in an emergency to New Zealand;

HAVE AGREED as follows:

Article 1

For the purposes of this Agreement:

- (a) the term "Competent Authority" means:
 - (i) for the Government of New Zealand, the Ministry of Economic Development of New Zealand;
 - (ii) for the Government of Japan, the Ministry of Economy, Trade and Industry of Japan;

- (b) the term "entity of Japan" means any legal person or any other body duly constituted or otherwise organised under the law of Japan;

- (c) the term "impediment" means any legislative, physical or other measures with the effect of restricting or preventing the release of petroleum stocks held in Japan pursuant to petroleum stocks contracts notified in accordance with this Agreement;

- (d) the term "notification" includes communication by hand delivery, facsimile, and electronic mail;

- (e) the term "release" means the purchase, transfer of title or movement of petroleum stocks or the exit of petroleum stocks from the territory of Japan;

- (f) the term "petroleum" includes crude oil, condensate, gasoline, jet fuel and gas oil; and

- (g) the term "petroleum stocks contract" means any contract in place between the Government of New Zealand and an

entity of Japan that provides the Government of New Zealand with an option to purchase petroleum stocks held by the entity.

Article 2

1. The objective of this Agreement is to facilitate the Government of New Zealand's fulfillment of its obligations under Article 2 of the IEP Agreement.

2. In order to achieve this objective, this Agreement will enable petroleum stocks held in Japan under petroleum stocks contracts to be counted towards New Zealand's obligation under Article 2 of the IEP Agreement to maintain emergency reserves sufficient to sustain consumption for at least ninety (90) days with no net petroleum imports.

Article 3

This Agreement shall apply to all of the petroleum stocks contracts that are notified in accordance with Article 7 of this Agreement.

Article 4

The Competent Authorities of the Contracting Parties will conduct the co-operation under this Agreement in accordance with its provisions.

Article 5

The Competent Authority of New Zealand may negotiate petroleum stocks contracts with entities of Japan.

Article 6

1. The Competent Authority of New Zealand shall notify the Competent Authority of Japan of the total quantity of petroleum stocks for which it intends to seek petroleum stocks contracts. Such notification shall be made no less than two (2) months prior to the expected beginning of the term of the contracts.

2. The Competent Authority of Japan may notify the Competent Authority of New Zealand that it has determined a maximum limit on the quantity of petroleum stocks held in Japan that can be covered by petroleum stocks contracts entered into between the Government of New Zealand and entities of Japan. Such a determination may be made where the Competent Authority of Japan considers that the conclusion of petroleum stocks contracts in excess of this maximum limit would risk breaching the obligations of Japan to maintain petroleum reserves equal to ninety (90) days of net petroleum imports under the IEP.

3. The Competent Authority of Japan shall notify the Competent Authority of New Zealand of any decision to set a maximum limit under paragraph 2 within two (2) weeks of receipt of the notification under paragraph 1 above. Where the Competent Authority of Japan fails to notify the Competent Authority of New Zealand of any decision within this timeframe, the Competent Authority of Japan shall be deemed to have approved the quantities notified under paragraph 1 above.

Article 7

1. The Competent Authority of New Zealand shall notify the Competent Authority of Japan of all petroleum stocks contracts concluded with entities of Japan. Such notification shall be made no less than two (2) weeks prior to the beginning of the term of any such contract.

2. The notification under paragraph 1 above shall contain the following details regarding each petroleum stocks contract entered into with entities of Japan, but will not include any price information:

- (a) the name and address of the entity with whom the contract is in place;
- (b) the nature and quantity of the stocks subject to the contract;
and
- (c) the term of the contract.

3. For the avoidance of doubt regarding the respective rights of the Contracting Parties over petroleum stocks held in Japan, notifications made under this Article shall constitute the formal record of stocks held in Japan which are subject to petroleum stocks contracts with the Government of New Zealand and to which this Agreement applies.

Article 8

1. The Government of New Zealand may exercise an option to purchase petroleum stocks, or may release the obligations of the entities of Japan under petroleum stocks contracts to which this Agreement applies when:

- (a) New Zealand's obligations under the IEP Agreement to implement emergency measures to deal with a reduction or threatened reduction of petroleum supplies have been activated; or
- (b) a domestic petroleum supply emergency has been declared by the Government of Japan and it has requested New Zealand's assistance and New Zealand's petroleum stocks are used to respond to such request.

2. The Government of New Zealand may exercise any purchase option regarding any or all stocks held on its behalf by an entity of Japan pursuant to a petroleum stocks contract, including multiple withdrawals under a single contract, where this is provided for in the contract.

Article 9

1. Where the Government of New Zealand has decided to exercise its purchase option under a petroleum stocks contract to which this Agreement applies in the circumstances referred to in Article 8, the Competent Authority of New Zealand shall notify the Competent Authority of Japan of that decision.

2. This notification shall be provided no less than ten (10) days before the exercise of the purchase option is intended to take place.

3. Within five (5) days of receipt of this notification, the Competent Authority of Japan may request consultations with the Competent Authority of New Zealand if it wishes to make the Competent Authority of New Zealand aware of factors or circumstances that the Government of New Zealand may wish to take into account in the exercise of its purchase option(s), including such circumstances described under subparagraph 1(b) of Article 8.

Article 10

The Government of Japan shall impose no impediment to the release, under a purchase option exercised by the Government of New Zealand, of part or all of the stocks covered by this Agreement.

Article 11

The Competent Authority of New Zealand shall notify the Competent Authority of Japan of any amendments to petroleum stocks contracts which affect any of the information provided under Article 7 of this Agreement.

Article 12

The Competent Authorities of both Contracting Parties shall consult with each other as soon as reasonably practicable:

- (a) where either of the Contracting Parties faces a supply emergency which has or may have an effect on petroleum stocks contracts to which this Agreement applies; or
- (b) if any circumstances arise which may be taken into consideration in the exercise of New Zealand's purchase options under petroleum stocks contracts to which this Agreement applies.

Article 13

The Contracting Parties may consult with each other, at the request of either of them, on any matter that may arise from or in connection with this Agreement.

Article 14

The implementation of this Agreement shall be subject to the applicable laws and regulations of each country.

Article 15

1. This Agreement shall enter into force upon signature by the Contracting Parties.
2. This Agreement may be amended by written agreement between the Contracting Parties.

3. This Agreement may be terminated by either Contracting Party upon giving twelve (12) months notice in writing.

IN WITNESS WHEREOF, the undersigned, being duly authorised by their respective Governments, have signed this Agreement.

DONE in duplicate at Wellington, this fifth day of November, 2007, in the Japanese and English languages, both texts being equally authentic.



FOR THE GOVERNMENT OF
NEW ZEALAND



FOR THE GOVERNMENT OF
JAPAN