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Gas Industry Company

By email: consultations@gasindustry.co.nz

Submission on the *Gas Industry Company's FY2026 Work Programme and Levy*

Introduction

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net zero carbon emissions by 2050.
2. This document constitutes our brief submission on the [Gas Industry Company's FY2025 Work Programme and Levy](#).

Submission

Gas Industry Company's assessment of the strategic context

3. We agree with the Gas Industry Company's (the 'GIC's') assessment that change is now the constant feature. The declining gas production throughout 2024 has induced great stress for the energy sector, in particular for gas producers and large users. We witnessed the real effects of the decline on industry and jobs with several closures of firms and high energy prices throughout winter. Gas played an important role in stabilising the energy crisis while the country waited for rain. We support the GIC's main strategic focus on security of supply. Demand response is the necessary short term solution but it can only ever be a temporary fix.
4. The new strategic issues raised (consumer voice, the impacts of climate policy objectives, and much lower forecasted gas emissions than modelled) are all also important but will not be achieved if we do not have secure, affordable energy. We support the GIC's focus on these as a more holistic picture of what is happening for the sector. We support the work proposed on consumer voice.
5. We note there is an opportunity for sector participants to input into the Electricity Competition Taskforce work. Currently there is unclear language which

has potential to impact the gas sector.¹ Changes to allocation rules for natural gas must not negatively impact the delicate competition dynamics of the gas sector, which has relatively few firms and high barriers to entry. Policy objectives for managing risk in the electricity sector do not directly match with objectives for managing risk in the gas sector, even though they are both part of the broader energy system. The question for policy makers will be where and how the risk should be allocated across the energy system.

6. The GIC has a vital role to play and should be closely involved in the Electricity Authority's work, helping design the right balance of policies to ensure that gas continues to have the role of firming for electricity without unduly compromising competition or interfering in the contractual arrangements of our major industrials.
7. The role for biogas is a growing area of interest and we are supportive of GIC's role to advise and respond to priorities for regulation and accreditation in this emerging part of the market.

Work Programme prioritisation – process and gaps

8. We support the proposed process and the prioritisation of activities. .

Security of supply

9. In our view the most important strategic work for the GIC is gas security.
10. Our Gas Act 1992 regulates the supply of gas and has a strong focus on safety. The Government Policy Statement (GPS) on Gas Governance (2008) provides expectations and objectives for the GIC to pursue including 'the facilitation and promotion of the ongoing supply of gas [that] meets New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements'.
11. The new government's priorities reinforce the intent laid out in the 2008 GPS and we want to see the GIC play a leading role in helping to revitalise the upstream gas sector, consistent with that. In particular, we are interested in what the GIC is going to do to assist the Government in this task including ensuring that our energy system can quickly adapt should more gas become available and its impact on the international competitiveness of our exporters and on our households.
12. We currently have a system that relies on demand response for winter energy security. Gas from Methanex has played an important role but it is not a long-term solution. The priority must be on bringing additional gas supply to market

¹ See option 5.9 (m) – 'allocation – allocate firming resources by requiring holders of critical firming resources to make volumes available to support PPA transactions' – quoted from the Electricity Authority's consultation on *Entrant generators – context, headwinds and options for power purchase agreements*, current working paper.

for a more strategic, long-term fuel mix for future energy security and affordability.

13. There is an information gap about how secure our current gas supplies are, and will be, in the next ten years. A lot of work is being done on security of electricity supply by the Electricity Authority but this, understandably, looks at energy security through an electricity lens. The GIC will need to be involved in this work to ensure that electricity market risk is not offloaded to the gas market.
14. If electricity policies are designed in isolation of gas policies, the risk is that electricity policies could trump gas policies. In other words, the risks associated with electricity supply could be inadvertently moved to the gas sector, with potentially worse consequences overall for energy security and a negative impact on prices. Moving the problem could escalate the consequences.
15. We support your proposed work on LNG's impact on prices, as this could form a part of the mix in future and should be enabled by regulation.

Consumer voice

16. The other strategically important new area for focus is consumer voice. This is the other side of the supply security 'coin'. The focus on smaller, residential users represents an information gap that could inform pipeline maintenance and renewal, as well as biogas supply. We are aware of small business owners and residential customers asking for information about the lifetime cost and availability of natural gas (and its alternatives – bottled LPG, biogas supplements) who need trusted information from a regulator.
17. We welcome this work. It should help to restore confidence in the long lifetime of gas reticulation and go someways to rebutting false arguments made in recent years that the gas sector is facing a death spiral.
18. As part of the work on consumer voice – we consider that the GIC could provide some factual information about what electricity needs to replace gas at the residential and commercial end, for example:
 - a how much electricity (in MW) would be needed to replace all the gas usage in Wellington, Taranaki, Auckland, and other main centres that depend on gas;
 - b potential volumes of biogas that could be blended into pipelines over the next 2-10 years and educated guesses at how much natural gas that could replace while keeping existing pipeline infrastructure and associated commercial networks;

- c the potential volumes of biogas that could displace natural gas, where and when, to help understand the marginal cost of emissions abatement and identify priorities for highest priorities for use of biogas;² and
 - d provide Ministers with a one pager 'snapshot' of quantitative data of the gas sector and your 'top three priorities' for lead decision-makers to get a better understanding and have on-hand for public and media requests.
19. Otherwise, the focus should naturally be on the critical business-as-usual (BAU) regulatory work that only the GIC can do as market regulator.

Forecast gas volumes

20. We consider the GIC an expert in advising forecasted gas volumes. Unless you receive information to the contrary through this consultation, we judge the 110 PJ projection to be reasonable for informing the wholesale levy.

Levy rates

21. Levies are vital to the work you do as the regulator. Natural gas volumes are declining and with it, so will levy revenue.
22. We fully support the proposal to include other gases in the levy (biogas, LPG and LNG) as there would appear to be no logical argument for differential treatment.
23. We have no further comment on other governance activities proposed.

Conclusion

24. Thank you for the opportunity to make a submission on your FY2025 Work Programme and Levy. We look forward to working with you over the next year and discussing your overall feedback.

² We understand that Powerco is undertaking something similar, so we encourage the GIC to engage with them on this work rather than duplicating it.