

10 September 2021

Andrew Knight
Chief Executive
Gas Industry Company
Level 8, The Todd Building
95 Customhouse Quay
Wellington 6143

via e-mail: Andrew.Knight@gasindustry.co.nz

Dear Andrew

Submission on the Final Statement of Proposal for Production and Storage Facility Outage Information

This letter is Energy Resources Aotearoa's submission on the Final Statement of Proposal for Production and Storage Facility Outage Information issued by the Gas Industry Company ("GIC") in July 2021.

We appreciate the opportunity to comment and thank you for accepting this late response from us. As our members Todd Energy and OMV have prepared some detailed comments on a range of detailed matters informed by their own operational experience and expertise, we do not address specific components of potential regulatory settings. Rather, we offer:

- a support for using the Upstream Gas Outage Information Disclosure Code 2020 ("the Code") as the basis for regulations;
- b some insights to improve the proposed regulatory objective; and
- c a suggested pathway forward.

As stated in earlier engagement with the GIC, in principle we prefer a middle-ground option of an 'improved status quo', which would resemble a continuation of the industry-led Code but with improvements made to it. We remain unconvinced that a regulatory solution is the efficient option or in the best long-term interests of gas consumers.



However, if the GIC is to recommend regulations, it is pleasing that the Code is being used as the base. The industry devised the Code in good faith and intended the regime to address the market's concerns. In lieu of being provided with the opportunity to review its efficacy at addressing the problems it was tasked with resolving, our preliminary assessment is that it has been generally well received. It is, therefore, appropriate that it be used in the broad manner proposed by the GIC.

We generally support the proposed regulatory objective, with some minor exceptions (edited into the following with underlines and strikethrough):

"That arrangements are in place ~~that to~~ ensure the efficient and effective ~~and~~ ~~timely~~ availability of material gas production and storage outage information for all gas and related market participants"

We suggest that adding the economic concept of "efficiency" as a goal would be useful, in addition to, if not in place of, effectiveness. If 'effectiveness' is retained in the objective statement, then we would note that timeliness is a dimension of effectiveness and can be removed.

We welcome the GIC's addition of the qualifier "material." This goes some way to addressing a concern we made in an earlier submission, where we said:

"Our only comment on this is to note the importance of applying realistic and pragmatic standards when judging information availability. Perfect information is unobtainable in the real world, and this must be acknowledged (at least implicitly in the interpretation of the regulatory objective) in order to avoid the over-identification of alleged information failures which leads to an excessive presumption in favour of intervention and regulation to 'correct' the situation."¹

Another test, or touchstone, to include in the regulations would be the principle that disclosure regulations should only be imposed up to the point where public or social benefits exceed costs.

We consider it would be beneficial for the GIC to keep engaged with the industry as progress on regulations is made, so long as this is possible within the confines of the Gas Act. We specifically recommend the GIC give serious consideration to releasing an exposure draft of the regulations, once drafted, to test the wording for workability.

Our plans for data release

On a matter separate to the Statement of Proposal, but relevant to market information more generally I also update you on some of our plans. As you know,

¹ Submission on the Draft Statement of Proposal concerning Gas Production and Storage Facility Outage Information. Page 1. <https://www.energyresources.org.nz/dmsdocument/169>

Energy Resources Aotearoa is actively looking to promote the release of more timely petroleum field data, and to compile and present it on a longitudinal basis. We are working with our Board on this and expect to make further progress at our December board meeting.

While the Board has yet to make final decisions, key data that we are seeking to collate and release include:

- a petroleum field data on resources and reserves;
- b petroleum production forecasts (both oil and gas);
- c acreage of petroleum permits; and
- d investment (money spent) in petroleum exploration and production.

We consider that prompt release of this data would help result in greater confidence in the integrity of the gas market, and help achieve better, more efficient market outcomes. We would welcome engagement with the GIC as our plans develop to ensure that we are coordinating effectively.

We appreciate the opportunity to comment on the Statement of Proposal. Should you wish to discuss anything raised in this submission please contact Joshua O'Rourke, Policy Manager, on either 022 368 0158 or via e-mail: joshua@energyresources.org.nz.

Yours sincerely



John Carnegie
Chief Executive
Energy Resources Aotearoa