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Gas Industry Company
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Sent via email: info@gasindustry.co.nz

Submission: Information Disclosure: Problem Assessment

Please accept this letter as the submission of Methanex New Zealand (“Methanex”) on the Information Disclosure: Problem Assessment.

Methanex Corporation is the world’s largest producer and supplier of methanol. Methanex currently operates production sites in Canada, Chile, Egypt, New Zealand, Trinidad and Tobago and the United States. Our operations are supported by an extensive global supply chain of terminals, storage facilities and the world’s largest dedicated fleet of methanol ocean going vessels.

Methanex NZ is the largest production site globally for Methanex Corporation, accounting for 22% of our total methanol production in 2018 or 3% of the world’s total methanol supply. This is a material operation, by both New Zealand and global standards.

Methanex NZ is committed to working with the Gas Industry Company and stakeholders to resolve valid and reasonable issues concerning disclosure in the gas sector. We have addressed those questions that relate specifically to our role as a major gas user.

Do you agree with our assessment for major gas user facility outage information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.

Methanex agrees with GIC’s analysis that the risk profile associated with limited major gas user information is quite different to production information. A major gas user outage does not lead to gas security of supply concerns and nor does it lead to higher prices in the market.

GIC noted that there are factors that impact major gas users demand for gas that are unlikely to be captured by an outage disclosure regime. We agree with GIC’s comments in this regard. In addition, a major users outage disclosure wouldn’t necessarily provide reliable insights into the resulting impact on a major users gas demand or gas availability in the market. For example, when Methanex is not fully contracted on gas and we incur a plant outage, we would increase rates through our other plants. To the extent that we’re unable to make use of the gas ourselves, this gas won’t necessarily find its way to market. We may seek to place gas into storage for subsequent uplift for methanol production and producers may reduce production rates to meet the reduced demand. This may allow producers to carry out maintenance or other upstream activity. Our analysis of gas price response to outages during 2018 shows that while there is a notable gas price response to supplier outages, there is no material gas price response to our plant outages.

The uninterrupted supply of methanol to our customers is a key element to Methanex’ value proposition to our customers. As noted in our previous submission, the disclosure of our plant outages may result in an increase to our costs globally. The NZ methanol plant capacities are significant in global terms, with each of the Motunui plants representing ~1.25% of global production. To continue to meet our customers requirements during a

plant outage, we will need to source a substantial increase in quantities of methanol from the market and a disclosure obligation will likely increase the costs to achieve this. Given the opaqueness of the methanol market globally, any disclosure of outage information would put Methanex at a significant competitive disadvantage.

While it's not possible to accurately predict the impact of a plant outage on the cost of sourcing replacement product, for each 1% increase in methanol price our sourcing costs could increase by ~NZ\$0.5 million for each Motunui plant turnaround event.

Given the small size of the global methanol market, and the fact that the methanol spot market is relatively thinly traded, any outage information is closely guarded by methanol producers. For this reason, Methanex is very protective of its plant outage information and opposes any disclosure obligations.

Do you agree with our assessment for contract price and volume information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.

Yes, Methanex agrees with the GIC's assessment.

As Methanex previously submitted, gas price and volume information cannot be divorced from the other terms of bilateral contracts and in isolation we believe the information is not relevant in providing wholesale gas price signals. Gas prices under long term contracts are particularly irrelevant to establishing prices for transactions in the wholesale market.

Gas price and volume information under bilateral contracts is commercially sensitive and given the proportion of gas that Methanex purchases, it would be challenging to sufficiently aggregate the information to ensure that Methanex specific information is protected. Methanex opposes the disclosure of such information.

Do you agree with our assessment for major users' forecast gas consumption information? Have we missed aspects of the issue or are there parts that have not been described correctly? Please include details and any examples in your response.

Yes, Methanex agrees with the GIC's assessment.

Our forecast gas consumption is commercially sensitive information. Disclosure of this information could cause Methanex to incur greater costs than otherwise in international methanol markets and provide commercial leverage to gas suppliers in New Zealand.

In international markets, the potential for costs to be incurred by Methanex are for similar reasons to those noted above in relation to plant outage information. The public disclosure of this information will likely increase the cost incurred by Methanex in sourcing replacement product for customers, where Methanex' competitors do not have similar disclosure requirements.

In New Zealand, the disclosure of our forecast gas consumption may provide suppliers with commercial leverage in gas contract negotiations.

Yours sincerely



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