

GAS MARKET SETTINGS INVESTIGATION CONSULTATION PAPER

Gas as a contributor to net carbon zero pathway

Gas Industry Company (GIC)

Tēnā koe,

Thank you for the opportunity to provide feedback on the Gas Market Settings Investigation Consultation Paper. Our key feedback to GIC is as follows:

The Paper is largely focused on Government concern for security of supply for thermal generation. In meetings on 4 March and 23rd of March 2021 with the GIC (Carolyn van Leuven), Refining NZ stated that the natural gas market was insufficiently supplied and that this was seriously impacting our ability to do business in New Zealand as a refinery.

Specifically, the report does not make it clear that there is an immediate natural gas security of supply problem in New Zealand. Refining NZ has been unable to secure any gas for next year and has been unable to secure the gas required to optimally run the refinery this year.

Further, because of the natural gas shortage, the price at which natural gas is being sold into thermal generation has contributed to very significant increases in electricity prices, making it unaffordable for many businesses including us. The report seems to be silent on this critical and immediate problem that requires action by Government.

In addition to the key feedback above, Refining NZ's view is that the Paper seems to overlook several other matters as follows:

1. The recovery of the natural gas market suggested in the report hinges on large industrials reducing consumption, new green initiatives coming online (without considering their commercial reality in New Zealand) and development activities on existing gas fields delivering additional gas. There is no consideration of the impacts if any of these were not to succeed such as was experienced with the Pohokura compression project in late 2020. The report should consider downside scenarios.
2. The requirement for more timely reporting of gas reserves and indication of how and when contingent resources might come to market and at what price point and range so that gas consumers can form a view on future supply and make informed business decisions.
3. The potential importance of LNG imports if the success of the work being carry out on existing fields or rolling out of new power generation or reduction of demand by large industrial was limited.

I appreciate the recent assistance offered by GIC, as Refining NZ continues to work to address its near-term gas security issues. We continue to be available to assist the GIC in its advice to Government on these important matters, a needed.

Nāku noa, nā



Naomi James
Chief Executive Officer
Refining NZ