

Methanex New Zealand Limited
Level 38, The ANZ Centre
23-29 Albert Street
PO Box 4299
Auckland
NEW ZEALAND

Telephone 64 9 356 9300
Facsimile 64 9 356 9301



A Responsible Care® Company

17 March 2006

Ian Wilson
Gas Industry Company Limited
Level 9, State Insurance Tower
1 Willis Street, PO Box 10-646
WELLINGTON

Dear Ian

METHANEX NEW ZEALAND RESPONSE TO LEVY DISCUSSION PAPER

We have reviewed the Levy Discussion Paper provided to us last month. As Methanex is only involved in the wholesale side of the gas industry we will restrict our comments to those matters affecting the Wholesale Levy.

1. We do not see a compelling need to increase the Wholesale Levy.

We believe that the level of annual wholesale gas purchases forecast by GIC (115 PJ) is too low. Our own operation at Waitara Valley, which we intend to keep operating as long as global methanol prices and wholesale costs allow, can contribute up to 20 PJ of annual incremental wholesale demand. Similarly, increased electricity prices and fuel substitution significantly increases wholesale gas use. We are already experiencing this situation with the increased use of the New Plymouth power station by Contact Energy. The Huntly power station can also dramatically increase its gas usage by switching between coal and gas and we understand that Genesis Energy has contracted to take significant quantities of gas.

By adding Methanex' projected gas consumption during 2006 along with increased gas use by power companies, an annual volume of 140 PJ or more is likely. At the current level of 1.5c/GJ, the Wholesale Levy will raise the necessary \$2.0-2.2 million required from the wholesale gas purchasers with annual wholesale gas purchases in the 130-145 PJ range.

2. We recommend that in any event there is a rebate mechanism established to return any surplus revenues generated as a result of higher than forecast wholesale volumes back to the levy providers.

Irrespective of the level of the Wholesale Levy we believe that there needs to be a mechanism to re-distribute any surpluses back to those who pay. Since the levies are required as a cost-recovery mechanism there is no merit in surpluses being retained by GIC.

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- 3. We would support a move to levy re-determination being made on a two-yearly basis.**

If you wish to discuss our submission further please contact me.

Yours sincerely



Matthew Gardner
Commercial Advisor
Methanex New Zealand Ltd
Ph 09 356 9274