Gas Industry Co.

# Gas Market Commentary 2026 Q2

## Contents



## Gas Production

OMV announced in their combined annual report as at December 2025 that it expects the Māui field to cease production by the end of 2026. Methanex, which sources feedstock gas from Māui, will also cease production given its stated reliance on Māui. Methanex CEO, Rich Sumner, said in a Q1 2026 earnings call 'we no longer are capable of running our plant' in the event of a Māui closure. Average Māui production was 37.99 TJ/day this quarter, only slightly down from 38.89 TJ/day in the previous quarter.

Six unplanned outages occurred in Q2 2026, four at Kupe, one at Pohokura, and one at Ahuroa. The first Kupe outage was due to a wellhead platform trip which lasted for a day and dropped production by 21 TJ. Two other outages happened in quick succession on 8 and 10 May due to an inlet compressor trip and hot oil heater trip, while the latest Kupe outage was also due to a trip of the plant's hot oil heater. OMV disclosed that the outage at Pohokura was due to a depletion compression electrical fault, reducing production to 0 TJ/day for four days in March. Ahuroa suffered an unplanned extraction outage which was resolved within a day.

## Gas Consumption

Methanex idled production for most of May and June, cutting its gas consumption to 0 TJ/day. Historically, Methanex's idling of production has resulted in gas being redirected to electricity generation to meet winter electricity generation demand. This year, however, hydro conditions are stronger, with Transpower reporting storage at 110% of the historic mean for the week ending 3 May. Volumes of gas consumed for electricity generation appear to be lower than previous years when Methanex has idled its production. This year, Methanex's reduction of gas demand appears to have coincided with lower gas production at Mangahewa and Pohokura.

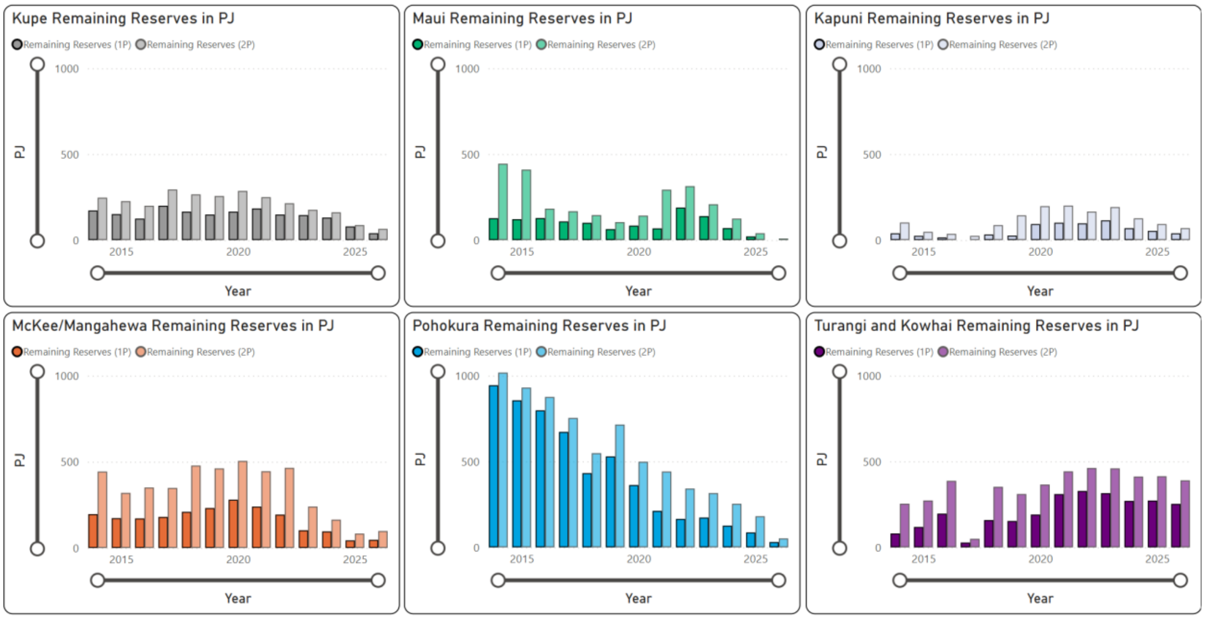
Ballance recovered from an outage at its Kapuni ammonia-urea plant in late March. Gas consumption returned to pre-outage levels above 20 TJ/day on 13 April after gas consumption fell to 0 TJ/day for 13 days in March. In other news, Ballance has secured a short-term gas contract to the end of 2026.

Dairy farmers are approaching the end of milk production season for 2026. As a result, Fonterra's gas consumption has gradually declined as lower milk volumes reduce processing demand. This pattern is highly seasonal, with consumption typically easing from early May before increasing again in late July, consistent with previous years. Fonterra's daily average gas consumption in June 2026 was 3.52 TJ/day up slightly from 3.20 TJ/day the same time last year.

Genesis has announced a temporary shutdown of its Huntly Rankine Unit 5 for five months from July to December inclusive. A similar decision was made in 2025 when Unit 5 was shut down from October to December. The key difference this year is the shutdown commencing in Winter when the gas-fired Unit 5 is typically required to meet peak electricity demand. A July shutdown has been announced in the context of high hydrology 119% of historic mean for the week ending 7 June, and the Huntly operation coal stockpile having increased by 32.6% as at 31 March 2026 compared with the same time last year. Genesis has also stated that Unit 5 can start back-up within 3 – 5 days if needed.

## MBIE Reserves Data

Annual petroleum reserve figures were released by the Ministry of Business, Innovation and Employment (MBIE) on 14 May. Figures are compiled by MBIE using annual summary reports submitted by permit holders. 2026 figures reflect the continuing decline in gas reserves, with total proved remaining reserves (volumes to be produced at the 90% confidence level) at the lowest levels on record - down 24.6% from 599.3 PJ in 2025 to 451.7 PJ in 2026. Proved reserves at Pohokura have dropped 55.5 PJ (-64.5%) from 2025 to 2026, which is the largest decrease of the major fields excluding Māui (with proved reserves written down to 0). Pohokura's share of production from the major fields has fallen significantly, from 35% in 2018 to 14% in 2025.



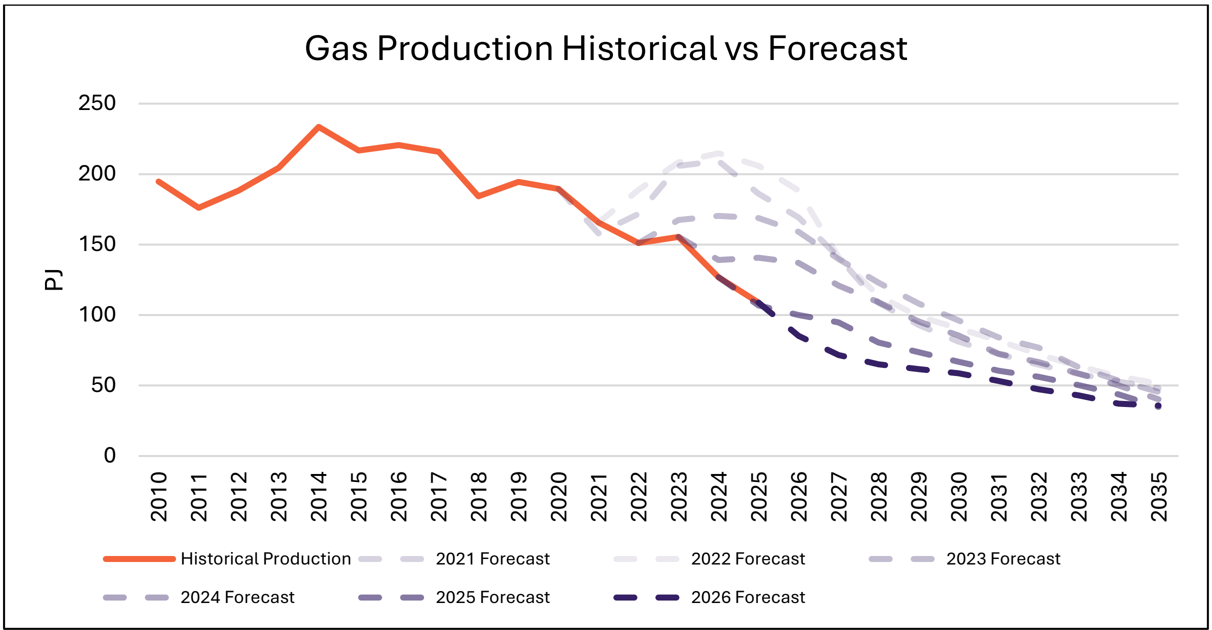
*This graph sources data from the MBIE Petroleum Reserves dataset[1].*

Permit holders also submit forward-looking gas production forecasts. This year's forecasts indicate that indigenous gas production will decrease 49.5 PJ (-58.0%) in the next decade – from 85.3 PJ in 2026 to 35.8 PJ in 2035 (shown below).

[1] Petroleum reserves data | Ministry of Business, Innovation & Employment

In its 2025 submission, Pohokura forecast total gas production of 179.3 PJ with production forecast to cease in 2043. In this year's submission, the forecast has been revised down to 51.4 PJ with production forecast to cease in 2033.

Kapuni's forecast production has also been reduced by two years. The field is forecast to produce 69.1 PJ total and cease production in 2036, which is 12.1 PJ (-15.0%) less than was forecast last year. Conversely, Mangahewa is expected to produce for two more years than was forecast in 2025, with production forecast to total 94.6 PJ and the field to cease production by 2035.

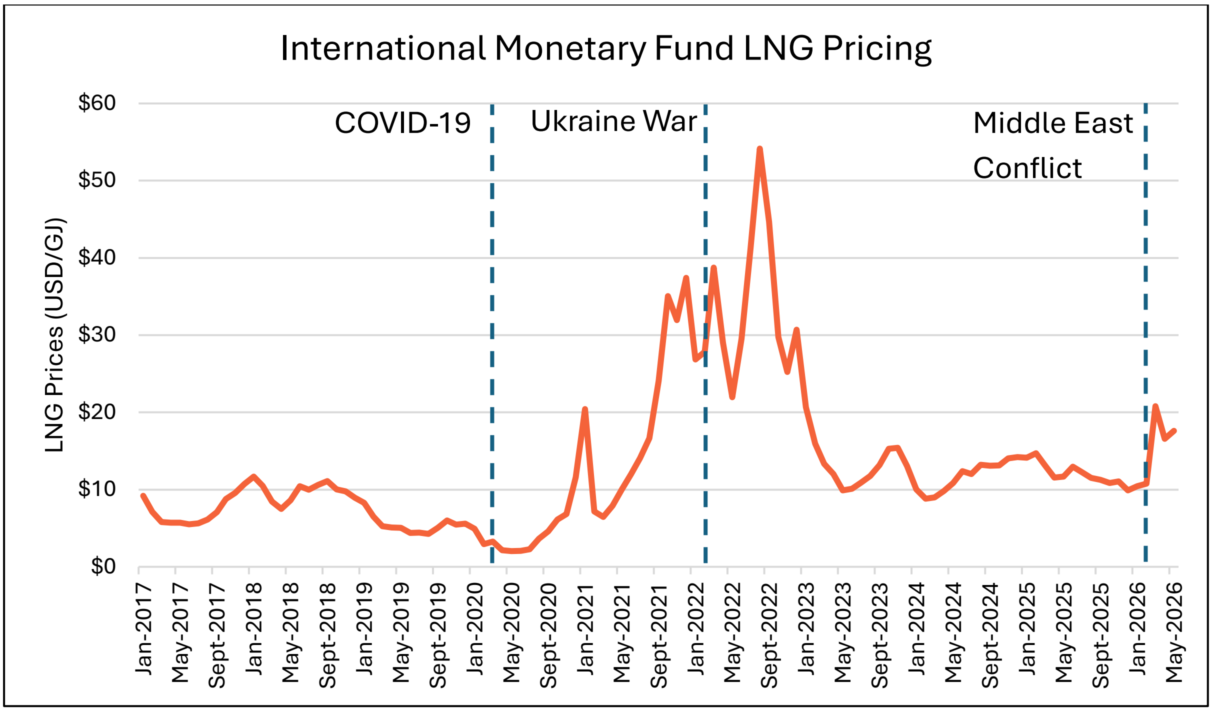



*This graph sources data from the MBIE Petroleum Reserves dataset[2].*

## Gas Prices

Conflict in the Middle East has forced Liquified Natural Gas (LNG) and Liquefied Petroleum Gas (LPG) prices up. Attacks and route closures have increased the LNG spot price from $10.44 USD/GJ in January to $17.61 USD/GJ in May (up 68.7%). Closer to home, Rockgas, New Zealand's largest LPG supplier, has introduced a temporary variable price adjustment on LPG orders, meter reads, and bottle fills. This adjustment added 4.1% to applicable LPG charges in May and 3.8% in June. The Rockgas LPG price adjustment has occurred in the context of the Middle East conflict.

[2] Petroleum reserves data | Ministry of Business, Innovation & Employment




*This graph sources data from the International Monetary Fund (IMF) dataset[3].*

## Government Announcements

In early April the Prime Minister announced the appointment of Hon Simeon Brown as the Minister for Energy, taking over from Hon Simon Watts. This is the second time Minister Brown has held the Energy portfolio, with his previous tenure running from November 2023 to January 2025.

The Government has announced support for gas users in the form of a guarantee of up to $1.2B worth of bank loans to assist them in transitioning away from gas amid rapidly declining indigenous supply. The Government will guarantee 80% of each supported loan, while banks may issue these loans at lower interest rates. To be eligible, gas users will need to have used more than 1,000 GJ of gas in a year.

The following are key points from the Budget 2026 announcement relating to the energy sector:

- The Government funded entity EECA (Energy Efficiency and Conservation Authority) will receive $5.9m to assist current gas-reliant businesses in switching fuels.

[3] IMF Data Explorer

- $450m has been set aside to help with any future liquid fuel-related issues that arise from conflict in the Middle East.
- $150m will be allocated to increase New Zealand's liquid fuel reserves in a deal with Z Energy.
- Genesis Energy will receive capital investment from the Government to bring additional firming capacity to market.
- Overall, the Energy Security portfolio receives $198m operating expenditure over 4 years and a further $198m for capital spending.

Parliament passed the Gas (Market Transparency) Amendment Bill under urgency on 29 May. The Bill allows the Government to make regulations to collect and publish data from market participants. Hon Simeon Brown said, 'In this environment, access to reliable, timely information is vital,' which was in response to the 2026 MBIE Reserves Data showing the lowest gas reserves since records began. The legislation contemplates disclosure of data to MBIE or Gas Industry Co.

A June Beehive update on the proposed LNG import terminal introduced two notable developments:

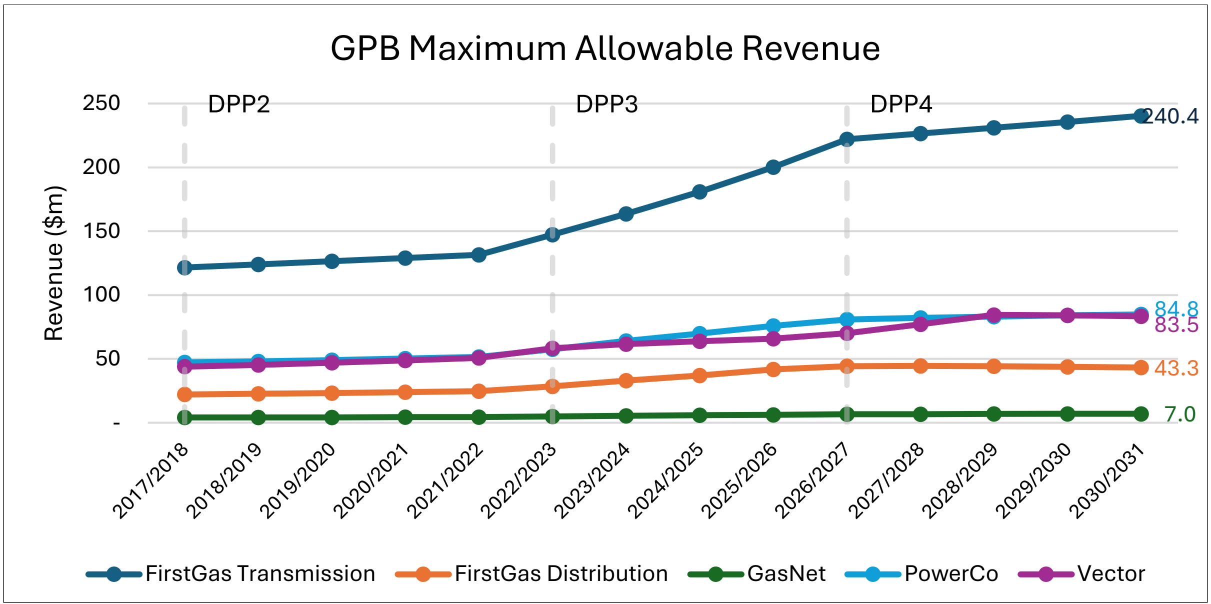
- funding of the terminal may now be allocated to electricity retailers, and
- two providers have been progressed to a Request for Proposal (RFP).

Earlier in the year, funding was proposed to be through a levy on electricity users. The Government is now proposing that funding occurs through a funding model with electricity retailers. A contract with the preferred provider is planned to be signed this year with the facility up and running in 2028. The proposed facility will be located at Port Taranaki.

On the same day as the LNG update, Hon Simeon Brown announced that consultation had commenced on an obligation for major electricity users to store back-up energy when dry years are forecast. The Winter Energy Reliability Obligation will look to reduce exposure to major price spikes when renewable generation levels are low, as happened in Winter 2024. Proposed penalties for non-compliance will range 'from a maximum of $2 million to up to $10 million, or three times the commercial gain, or 10% of a company's turnover – whichever is the greatest.' The cover options that were mentioned included the proposed LNG terminal, new generation, demand response, and energy storage. A 2,500 GWh annual generation threshold has been proposed which would currently mean Contact, Genesis, Mercury, Meridian, and Tiwai Aluminum would be under the obligation.

## Commerce Commission Announcement

Final decisions on the Gas Default-Price-Path 4 were released by the Commerce Commission on 27 May. This fourth determination sets the weighted average prices or revenue that Gas Pipeline Business' (GPBs) are able to recover for the next five years. Maximum Allowable Revenue (MAR) has been increased from DPP3 consistent with the Commission's decision to accelerate depreciation in response to potential for declining demand for gas pipeline service in the future. Accelerated depreciation results in recovery of gas infrastructure costs sooner with the intention of mitigating price increases in the future for a smaller pool of consumers who continue to use gas. Other key points were capital spending allowances decreased, operation expenditure has increased, and no decommissioning costs allocated.




*This graph sources data from the Commerce Commission Gas Default-Price-Path 4 decisions[4].*

## Other

Matahio Energy who own Cheal, Cheal East, Sidewinder, Puka, and Supplejack petroleum permits have announced that they have entered into a share purchase agreement to sell Matahio to Sunda Energy Plc. Sunda Energy Plc are a British-listed company with projects in Timor-Leste, Philippines, and now Taranaki. Cheal and Cheal East produced 255.13 TJ of gas in the first half of 2026.

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[4] 2026 Gas default price-quality path | Commerce Commission

The last of MegaTEL's customers were transferred to Nova in April, following Nova's January announcement that it would consolidate the MegaTEL brand. While this reduces the number of retailer brands in the market, competitive conditions are largely unchanged as MegaTEL was a Nova subsidiary. MegaTEL's main value-add was its Korean and Chinese language customer support, which Nova has confirmed it will retain. Since January, MegaTEL customers had been transferred to Nova with the majority and final amount occurring in the month of April with 4,471 active ICPs transferred.

New Zealand's natural weather climate cycle has begun to shift this winter, as forecasted by Earth Sciences New Zealand. Their July – September seasonal climate outlook forecasts rainfall to be above normal on the west of the South Island (where majority of South Island controlled storage catchments are) but below normal for the inflows into Lake Taupō (the main controlled storage catchment area of the North Island). This could reduce demand for gas-fired generation in the near-term, with hydro providing 59% of electricity generation over the past year, according to Transpower.

A successful annual critical contingency exercise was held on 13 May 2026. Exercise Aitua, run from the Firstgas New Plymouth office, tested the Firstgas Critical Contingency Management Plan and retailers' emergency contact for customers. The scenario centred around damage to the Bay of Plenty Pipeline in Parawera which required response from the Firstgas Emergency Management Team, Incident Management Team, and Critical Contingency Operator. Feedback from Firstgas, CCO, and Gas Industry Company was positive, with discussion focused mainly on the exercise format rather than response capability. More information can be found on the OATIS notices search.