

Statement of Intent

Financial Years 2026–2028



Gas Industry Co.





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Gas Industry Company Limited
(Gas Industry Co) was established in
2004 as the 'industry body' under
Part 4A of the Gas Act 1992 (Gas Act).

This Statement of Intent has been prepared by Gas Industry Co to meet the requirements of section 43ZQ of the Gas Act. It sets out the intended scope and objectives of Gas Industry Co's operations for the financial year ended 30 June 2026, and the following two financial years (30 June 2027 and 30 June 2028), and it provides information about the Company and its operating environment.

The work programme described in this Statement of Intent is designed to meet the governance objectives set out in section 43ZN of the Gas Act, with regard also to the objectives and outcomes of the April 2008 Government Policy Statement on Gas Governance, as well as the wider strategic objectives of the Company.

The Company's role is to:

- Develop arrangements, including regulations where appropriate, which improve:
 - » the operation of gas markets;
 - » access to infrastructure; and
 - » consumer outcomes.
- Develop these arrangements with the principal objective of ensuring that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- Oversee compliance with, and review, such arrangements.

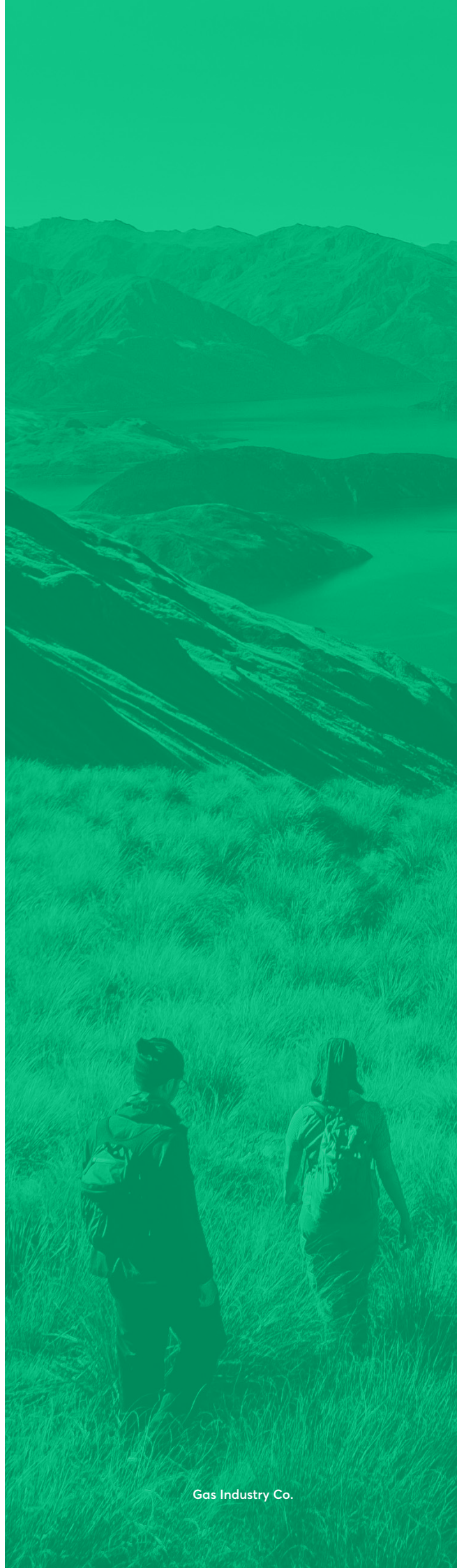
Gas Industry Co is required to report on the achievement of those objectives and on the performance and the current state of the New Zealand gas industry.



Hon Amy Adams
Chair
June 2025



Sam Elder
Deputy Chair
June 2025



Foreword

This Statement of Intent has been prepared during a time of significant change and constrained gas supplies. Our gas markets are stressed. The decline in gas production, although foreseen, has been faster than expected due to the maturity of our gas fields and lower investment in production. This shortfall is expected to continue for the remainder of the decade.

Current market stress is largely caused by issues beyond our control.

Demand for uncontracted gas has increased to support electricity generation. The result has been a sharp rise in the price of gas with customers facing difficulty accessing supply contracts.

No amount of regulation nor market tweaks can make it rain and reduce electricity demand for gas to generate power. Policy changes and technical issues contributed to the investment climate that has resulted in disappointing upstream production volumes and there is a need for more investment in the sector.

The busy work programme outlined in this Statement of Intent was consulted on across the sector in December 2024 and January 2025, following our Co-regulatory Forum in November 2024. It includes initiatives to respond, as we can within our mandate, to the challenges of our changing context. We respond when issues arise that have been anticipated in this Statement of Intent. Where greater commitments of resource are required, the historical approach has been for the Minister for Energy (the Minister) to request us to work on a new issue, which provides an accountability mechanism for work funded by the levy.

Our planned work in gas governance and facilitating gas markets will help deliver the settings required for investment and ensure market participants have confidence in a fair and efficient sector. Stable, well-functioning markets are needed to provide energy security at efficient prices.

Our work as a 'trusted advisor' will help prepare the sector and regulators for changing market conditions.

In this capacity, we expect to be asked to provide expertise in matters concerning security of supply, to facilitate industry engagement, and to provide support as policy responds to emerging priorities.

While gas will continue to have a long-term role, the nature of that gas will change. Biogas has started entering pipelines, and we are providing advice to accelerate its use. We will also continue to facilitate industry investigation into the importing of LNG as a long-term solution.

To fulfil our role as the industry body, we need to engage and consult widely across industry along with government, fellow regulators and all our stakeholders. We are grateful for their contribution, and ongoing constructive involvement.



Hon Amy Adams

Chair

June 2025



Andrew Knight

Chief Executive

June 2025

Summary of work programme priorities

This section summarises some of the priority items in Gas Industry Co's work programme for FY2026. The work programme is summarised in Table 1.

The work programme is grouped into the three classes of activities:

- Gas governance;
- Facilitating industry systems and processes; and
- Trusted advisor to government and industry.

The work programme structure fulfils our statutory role through efficient governance arrangements, progressing industry systems and processes, and facilitating forward-looking discussion on future strategic issues through our trusted advisor role.

Our work programme structure requires flexibility year-to-year as work programmes move between categories and multi-year pieces of work take shape.

This coming year (FY2026) our work programme focuses on our gas governance role through a number of recently commenced or proposed changes to gas governance arrangements. We also continue our work on security of supply.

Table 1. FY2026 work programme – Gas Industry Co roles and activities

Role	Comprising
1. Gas governance	<ul style="list-style-type: none">• Gas Governance Arrangements• Gas Governance Arrangements Recommendation to the Minister• Critical Contingency Management• Levy• Retail Gas Contracts Oversight Scheme• Gas Distribution Contracts Oversight Scheme• Other Reporting
2. Facilitating industry systems and processes	<ul style="list-style-type: none">• emsTradePoint• Guidelines to Enhance Consumer Outcomes• Gas Transmission
3. Trusted advisor to government and industry	<ul style="list-style-type: none">• Security of Supply• Consumer Voice

Consultation process

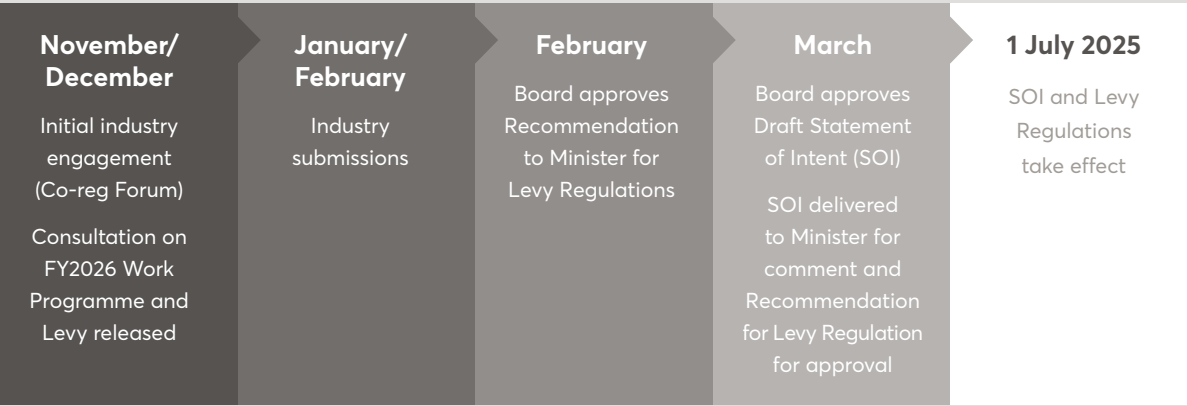
Consultation with industry stakeholders on Gas Industry Co’s intended work programme and budget requirements commenced with the Co-regulatory Forum, held in November 2024.

The work programme and budget addressing the Company’s strategic priorities were detailed in a Consultation Paper, which was issued in December 2024. Submissions on the Consultation Paper were considered in finalising the recommendation to the Minister for levy funding through regulations (Levy Recommendation) for the financial year ending 30 June 2026.

The consultation process led to the development of this Statement of Intent which, along with the Levy Recommendation, provides the basis for Gas Industry Co to deliver robust outcomes for gas consumers and the wider industry as part of our mandate as the industry body. The Levy Recommendation and draft Statement of Intent are presented to the Minister in March each year.

Figure 1 sets out the consultation and approval processes leading to the annual promulgation of Levy Regulations.

Figure 1. Consultation process



Operating environment

Gas Industry Co's work programme is directly influenced by the industry structure, and the legislative and policy framework. Together these form the Company's operating environment.

Industry context

Gas Industry Co regularly updates its estimates of gas supply and demand. Our latest update, published in late 2024, showed that in the absence of imported fuel or a significant domestic gas discovery, the supply of gas will become insufficient to meet demand if the current trajectory continues. It found investment in new gas is needed to avoid shortfalls that could become acute in the 2030s. The study showed greenhouse gas emissions out to 2035 were equal to, or lower than, the Climate Change Commission's demonstration pathway.

The situation has significantly worsened since we published the study, with the supply of gas already insufficient and the acute shortfall now likely to occur before 2030.

Over the next five years, substantial demand for gas appears to be uncontracted. Generators are increasingly relying on coal and gas to support generation when low wind or dry weather conditions reduce renewable options. Generators will continue to rely on intermittent gas, and appropriate market incentives are needed to support this security and minimise risks to wider energy security.

Our major producing fields are in decline and investment is below the level required to bring sufficient gas to market. Gas is available, but it requires favourable investment conditions to bring it to market.

This current supply and demand context is creating pressure in the gas market, with sharp rises in prices and customers facing difficulty accessing supply. This uncertainty is leading industrials to seek alternative energy options, decrease production (including as part of demand response measures) and, in some cases, exit New Zealand altogether.

Residential customers also face higher prices and suppliers are leaving the market or no longer taking on new customers.

Biogas and renewable gases are developing as longer-term solutions for decarbonising gas supplied to residential and small commercial consumers.

Overall, the strategic context is defined by security of supply, a change in the composition of the gas supply, and a change in the role of gas in the economy. The highest priorities for the industry in this context are investment in field development, progressing new gas supply options, and ensuring the market adequately manages supply and risk for all customers.

Legislative and policy framework

The gas industry, downstream of the exploration and production sector, is operated under a co-regulatory model. Gas Industry Co, as the industry body, creates the link between government and industry, delivers improved governance arrangements for participants and consumers, and provides high quality advice.

Gas Industry Co's regulatory oversight spans wholesale and retail natural gas markets, processing facilities, transmission, and distribution, and early-stage planning for the emergence of hydrogen and biofuels.

The settings are 'co-regulatory' because, under the Gas Act framework, Gas Industry Co makes recommendations to the Minister for Energy having regard to the objectives for the industry body in the Gas Act, and the objectives and outcomes in the Government Policy Statement.

As the industry body, Gas Industry Co's principal objective in recommending regulations is to ensure gas is delivered to existing and new customers in a safe, efficient, and reliable manner.

The Government Policy Statement has a broad policy objective for the entire gas industry. It sets the objective of ensuring that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner.

Other objectives specified by the Gas Act for the industry body in recommending regulations include:

- Facilitating and promoting the supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements;
- Ensuring barriers to competition are minimised, and incentives are maintained or enhanced for investment in gas processing facilities, transmission, and distribution;
- That delivered gas costs and prices are subject to sustained downward pressure;
- That risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties; and
- That consistency is maintained with the Government's gas safety regime.

Additional objectives for Gas Industry Co and the gas industry are set out in the Government Policy Statement, and include:

- The efficient use of energy and other resources that deliver gas to consumers,
- Facilitating competition in upstream and downstream gas markets by minimising barriers to access to essential infrastructure to the long-term benefit of end-users,
- The full costs of producing and transporting gas are signaled to consumers,
- Where gas services include a trade-off between quality and price, as far as possible, they reflect customers' preferences,
- The gas sector contributes to the government's climate change objectives (as set out in the New Zealand Energy Strategy, or any other document the Minister may specify from time to time) by minimising gas losses and promoting demand-side management and energy efficiency.

The Minister has statutory powers to make rules or to recommend regulations on a wide range of gas governance matters. Gas Industry Co, as industry body and co-regulator, advises the Minister about the exercise of many of these powers and must follow prescribed procedures before making a recommendation. Mandatory requirements include consultation with affected stakeholders and an assessment of the costs and benefits associated with any recommendation. All reasonably practicable options must be considered, including non-regulated options that achieve the same outcome.

Gas Industry Co monitors existing arrangements for effectiveness and relevance.



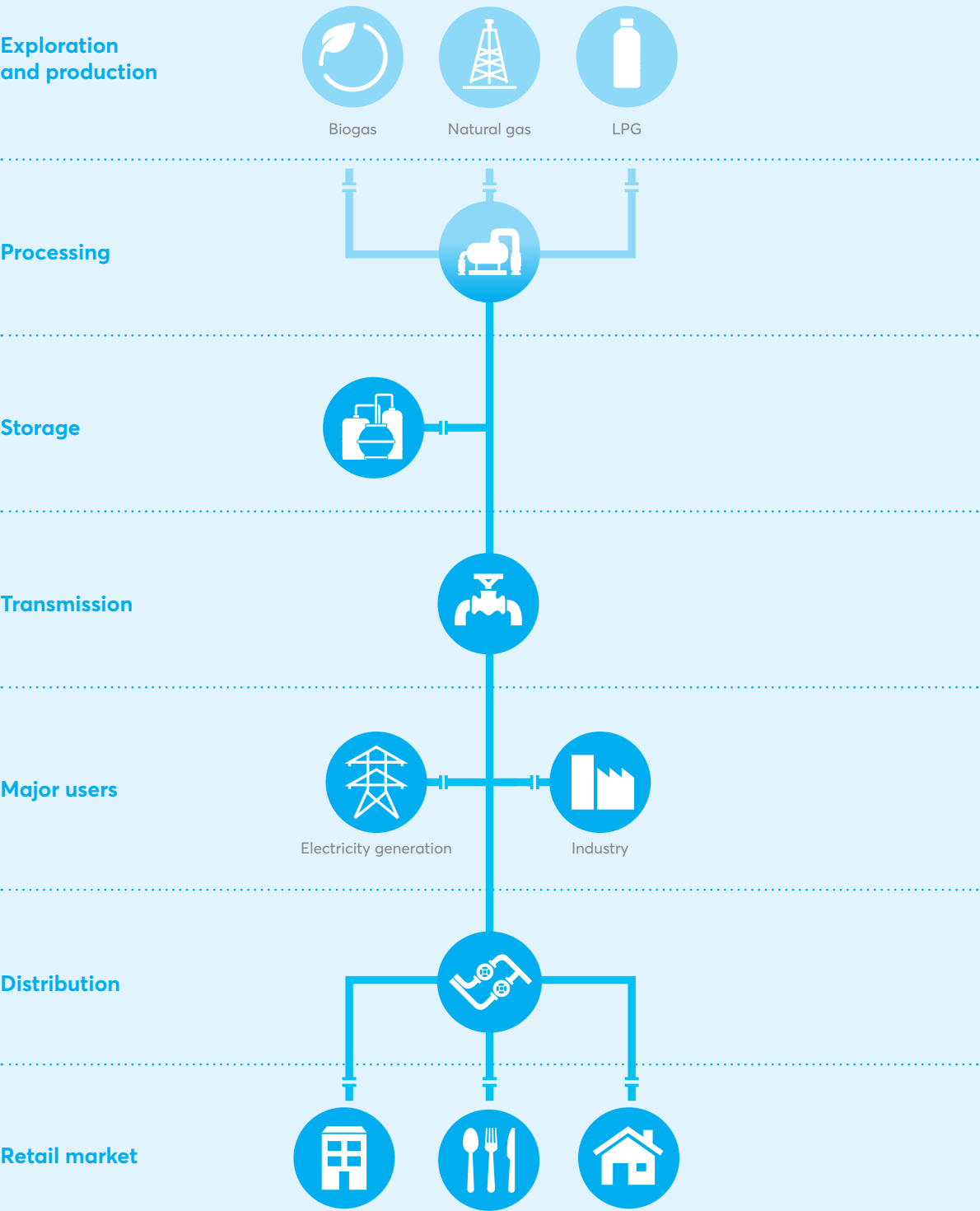
Gas Industry Co governance

Gas Industry Co is owned by industry participant shareholders and is incorporated as a company under the Companies Act 1993.

Strategic oversight of the company is provided by the board of seven directors elected by the shareholders. Four directors, including the chair, are independent (having no material or financial interest in an industry participant), and three are non-independent (usually senior executives of industry participants).

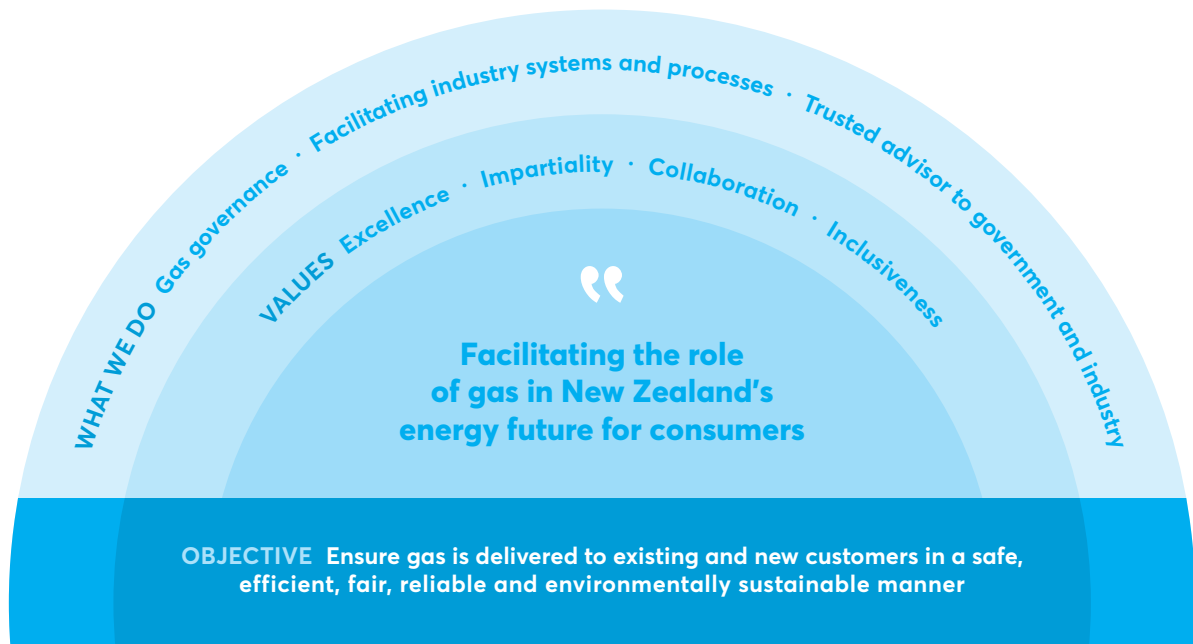
The Board meets about eight times a year and whenever matters require immediate attention. The board has one standing committee, the Independent Directors' Committee, comprising the four independent directors. This committee addresses matters where the industry-associated directors have potential or actual conflicts of interest.

Figure 2. Gas industry structure



Gas Industry Co's Strategy

Gas Industry Co's strategy is to deliver its statutory role and frames its proposed FY2026 work programme.



Industry performance

Gas Industry Co's strategic and work programme objectives seek to align with government policy objectives and outcomes, and to support industry performance, particularly in relation to consumer switching, downstream reconciliation, critical contingency management and transmission system balancing.

Gas Industry Co tracks the performance of the Switching Rules, Reconciliation Rules and Critical Contingency Management Regulations (CCM Regulations) and reports on their ongoing effectiveness, the competitive outcomes they foster, and industry participants' adherence to them.

The retail market is vibrant and competitive

Annual switching rates (as an indicator of contestability in the market) have ranged from 14 per cent to 16 per cent in the last five years. The large jump in switching in early 2025 was caused by the signaled exit of Frank Energy. See Figure 3 on page 14.

Switches are completed quickly

On average, switches take place in just over two business days. As a comparison, gas switches in the UK take about 17 days for domestic consumers.¹ See Figure 4 on page 14.

Gas customers generally have choice

The seven largest retailers are active at gas gates (where gas leaves the high-pressure transmission system and enters the local gas distribution networks) that together represent 99 percent of consumers.

Market concentration has increased slightly

While the market is significantly more competitive than it was a decade ago, it has become slightly less competitive over the past few years. This is primarily due to the reduction in the number of retailers including the

sale of Trustpower's retail business to Mercury, the exit of Hanergy, and Frank Energy signaling its exit by the end of March 2025. See Figure 5 on page 15.

Unaccounted for gas is down over the past decade

Unaccounted-for gas (UFG) is the difference between the *declared* gas volumes used, and the *actual* gas volumes used. It is measured at individual gas gates, which are points where the primary gas transmission system connects to local gas distribution networks. There are several causes of UFG which include meter errors, data errors, theft, and system leakage. However, it is difficult to determine the extent that each one of these causes is responsible when issues arise.

If left unchecked, UFG imposes a cost on the market because it represents gas that has been used but not disclosed. The cost of this UFG is then spread across, and paid for by, all connected parties on the distribution network for that gas gate. UFG is therefore a measure of market efficiency.

The Gas (Downstream Reconciliation) Rules 2008 were introduced to provide a process to correctly allocate gas volumes used to the responsible retailers. These rules have been instrumental in keeping UFG at low levels,

1. The UK regulator, Office of Gas and Electricity Markets (Ofgem), publishes a number of retail market indicators, including switching times, on its website at <https://www.ofgem.gov.uk/data-portal/retail-market-indicators>



The seven largest retailers are active at gas gates (where gas leaves the high-pressure system and enters the local gas distribution networks) that together represent 99 percent of consumers.

with associated cost savings estimated to be worth several million dollars a year. Benefits include improved market efficiency, more accurate retailer reporting, more equitable allocation of UFG among retailers, greater information transparency, and auditing that can more readily identify anomalies in consumption data.

In 2010, UFG was around 2.0% of injections. This dropped to less than 1.3% for several years (see Figure 6 on page 15). Today UFG is sitting at around 1.4%, a normal level by international standards. We suspect the lift in early 2020 was due to issues relating to the impact of COVID including access to meters, staffing of meter readers etc. Such issues lead to an increase in submissions with estimated meter reads, rather than actual reads, causing UFG when estimates differ from actuals.

Critical Contingency Management

The CCM Regulations outline the industry's response during supply emergencies. The response can include demand curtailment.

The CCM Regulations have been activated seven times since they came into full effect in 2010. The most recent event was in September 2024. This was caused by a breach of the pressure threshold after a pipeline integrity gauge (PIG), used for pigging the transmission pipeline in the area, deviated from its intended course and became lodged in the inlet piping at the Mount Maunganui Gas Gate.

Gas Industry Co monitors the effectiveness of the CCM Regulations through reviews of critical contingency events and annual exercises.

Compliance with Governance Rules and Regulations

The Compliance Regulations provide for the monitoring and enforcement of the other gas governance rules and regulations. They are designed as an efficient, low-cost means of determining and, where appropriate, settling rule breaches that raise material issues.

Allegations of breaches are first considered by Gas Industry Co as the Market Administrator. If it deems a material issue exists, the matter is referred to an independent investigator for further examination and, where appropriate, settlement.

Settlements must be referred to the Rulings Panel for approval or rejection.

The Rulings Panel is a one-person quasi-judicial body appointed by the Minister. It also considers matters where parties are unable to settle.

The Rulings Panel can issue fines, make orders for compensation or directing compliance, and suspend or terminate the rights of an industry participant.

Gas Industry Co liaises with market participants and promotes awareness of regulatory requirements.

Figure 3. Monthly switching rates

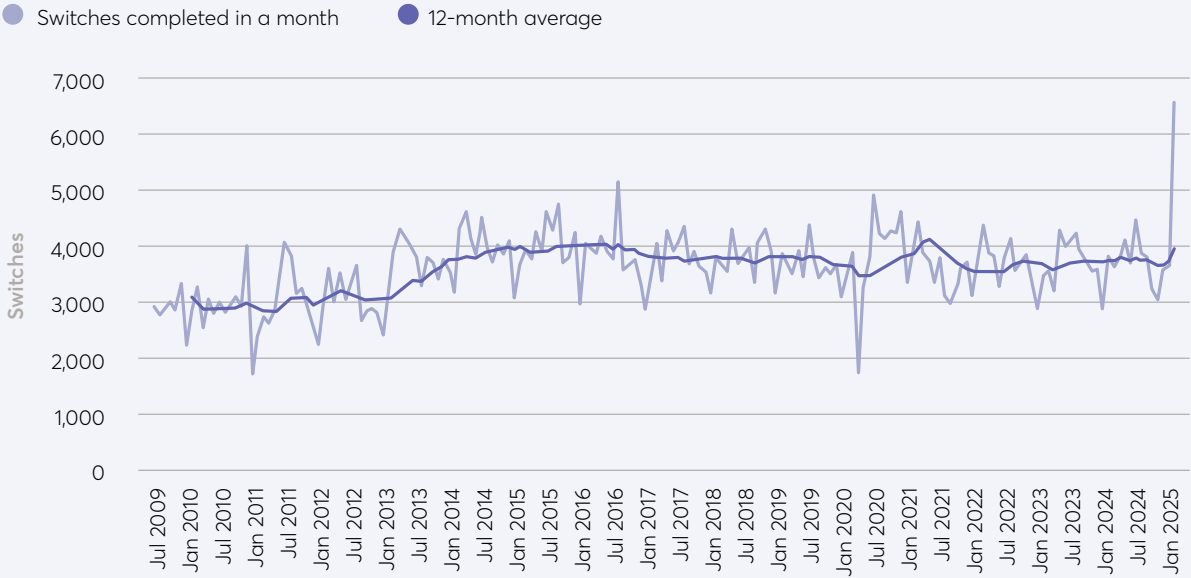


Figure 4. Average time to switch a customer

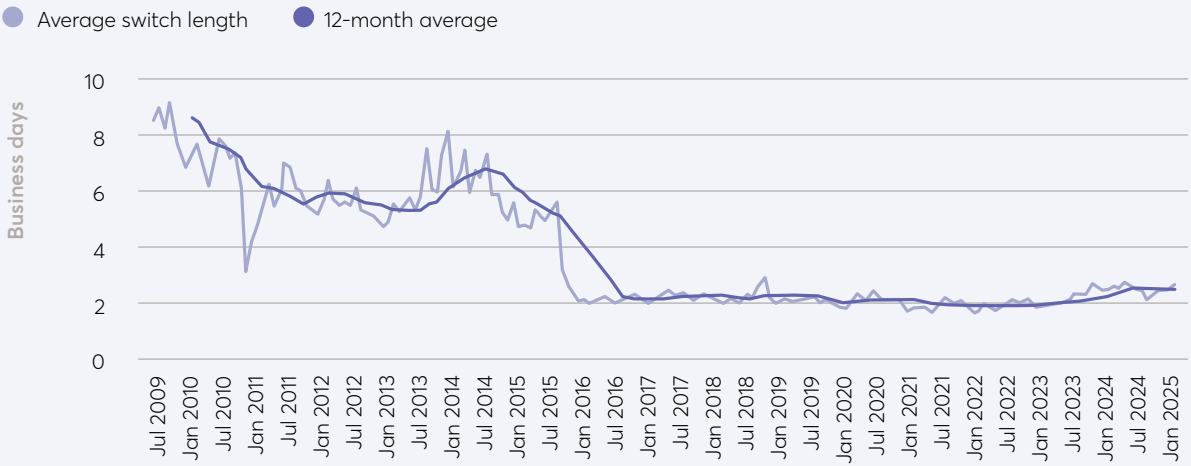


Figure 5. Retail market concentration

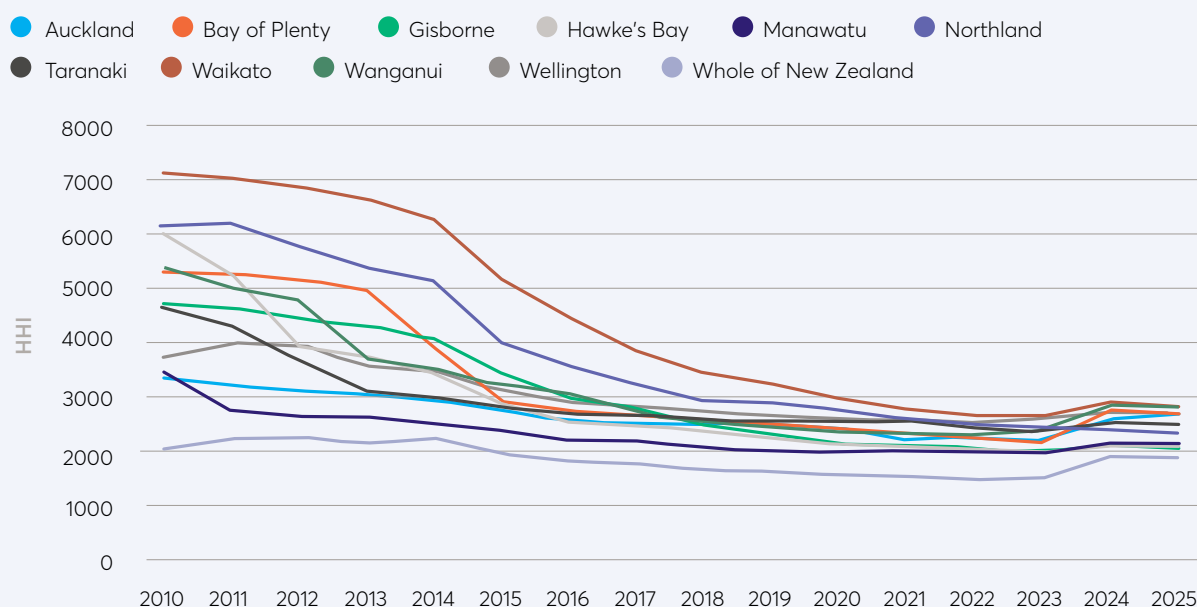
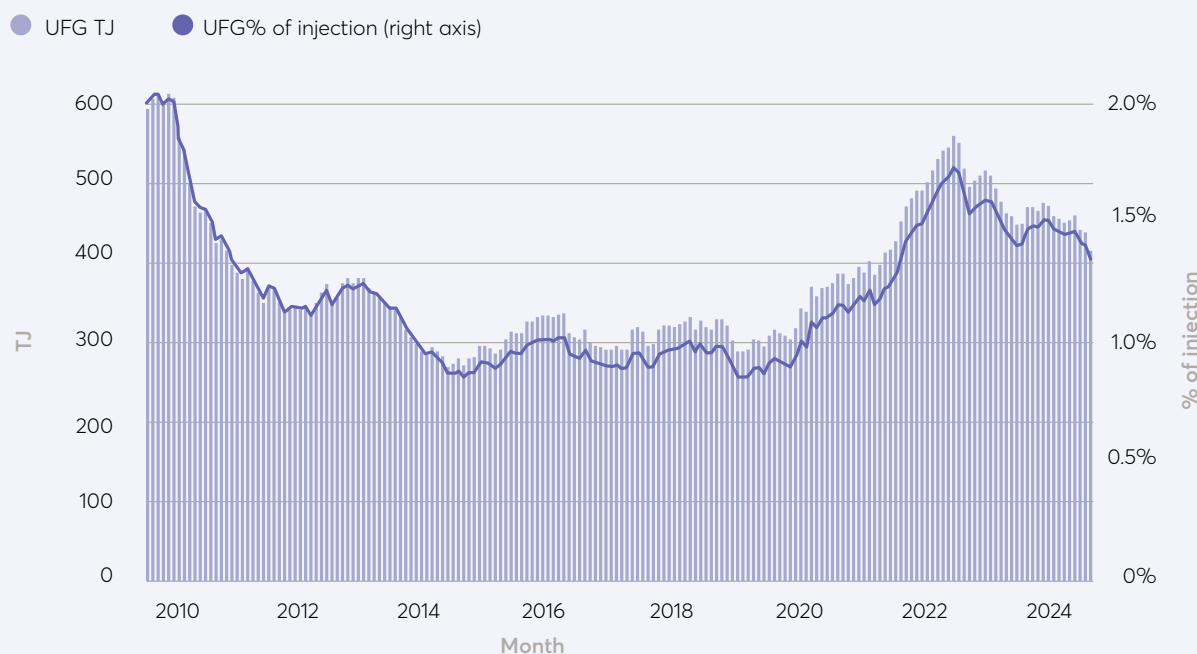


Figure 6. Annual unaccounted for gas



Work programme and indicative activities

This section outlines the scope of Gas Industry Co's operations for the financial years ended 30 June 2026 to 30 June 2028.

The Statement of Intent focuses on the first year of the three-year period. Indicative themes are provided for our work programme for the following two financial years, FY2027 and FY2028, to provide guidance about likely future direction.

The FY2026 work programme has been developed having regard to:

- The Gas Act and Government Policy Statement objectives and outcomes for the gas industry;
- Gas Industry Co's statutory accountabilities under existing governance arrangements; and
- Reporting requirements under the Gas Act and Companies Act.

The FY2026 forecast activities for each work programme are outlined below.

These forecast activities are specific and were confirmed following our FY2026 Work Programme and Levy consultation process with industry stakeholders.

The work programme was broadly supported in submissions. The submissions themselves, and the Analysis of Submissions, can be found on Gas Industry Co's website.

The work programme is grouped into three classes of activities:

- Gas governance;
- Facilitating industry systems and processes; and
- Trusted advisor to government and industry.

Gas governance

Work programme activities that relate to gas governance are given priority in the work programme as they are, or stem from, statutory obligations. Funding for gas governance activities is derived from a combination of market fees and levy.

Facilitating industry systems and processes

Gas Industry Co has undertaken activities requested by industry to deliver independent or centralised services. Examples of the facilitation role includes a wide set of activities including management of the D+1 model, the gas registry, or reconciliation processes, through to hosting the website for upstream outage disclosures.

Meaningful progress on these projects requires that these projects are budgeted and included in the work programme. These activities are funded from a combination of market fees and levy.

Trusted advisor to government and industry

The trusted advisor role reflects the activities we undertake to inform about the gas industry. Gas Industry Co's role has grown and become more pronounced as the wider energy sector and government entities have sought to develop their understanding of the role of gas in the changing energy future.

Examples include the Supply and Demand studies, engagement with government agencies such as MBIE, ECCA or the Climate Commission, and discussions with industry regarding government processes.

It is essential that sufficient budget is included to allow these activities to be undertaken. They are funded by the levy.

FY2026 WORK PROGRAMME: GAS GOVERNANCE

Gas Governance Arrangements

Fulfil Gas Industry Co's statutory roles under each of the existing gas governance arrangements:

- Gas (Downstream Reconciliation) Rules 2008;
- Gas Governance (Compliance) Regulations 2008;
- Gas (Critical Contingency Management) Regulations 2008;
- Gas (Switching Arrangements) Rules 2008; and
- Gas (Facility Outage Information Disclosure) Rules 2022.

Gas Governance Arrangements Recommendation to the Minister

In November 2024, we made a Recommendation to the Minister to amend the Gas (Downstream Reconciliation) Rules 2008 (Reconciliation Rules), the Gas (Switching Arrangements) Rules 2008 (Switching Rules), and associated systems, to make provision for advanced gas meters, injection of renewable gases and D+1 (daily allocations). This recommendation was approved on 7 February 2025.

Forecast activities for FY2026 include:

- Engaging with industry on rule drafting and detailed specifications for the implementation of the system changes;
- Non-regulatory work, for example consulting on and publishing guidelines and information exchange protocols; and
- Go-live of new arrangements and monitoring of new processes (eg UFG allocation and D+1) to ensure they are working effectively.

Critical Contingency Management

The purpose of the Gas Governance (Critical Contingency Management) Regulations 2008 (CCM Regulations) is to achieve the effective management of critical gas outages and other security of supply contingencies without compromising long-term security of supply.

The CCM Regulations provide for the appointment of a Critical Contingency Operation (CCO) and that role is responsible for determining, managing, and terminating critical contingencies, as well as associated activities such as stakeholder training and running exercises.

We are currently supporting MBIE through the legislative change process to progress amendments to the CCM Regulations.

Forecast activities for FY2026 include:

- Implement proposed changes to the CCM Regulations including consequential changes to existing industry processes.

Levy

Gas Industry Co's levy arrangements have remained unchanged since 2007. However, wholesale gas volumes are continuing to decline, while the consumption of LPG, LNG and biogas is expected to increase.

Forecast activities for FY2026 include:

- Consulting with industry in relation to the possibility of Gas Industry Co levying LPG, LNG and biogas; and
- Considering whether changes would be required to the Gas Act or levy regulations to enable this.

Retail Gas Contracts Oversight Scheme

In 2010, Gas Industry Co established a Retail Gas Contracts Oversight Scheme to assess retailers' contracts with residential and small commercial/industrial consumers, against a series of Benchmarks and Reasonable Consumer Expectations. Reviews are undertaken by an Independent Assessor, usually on a three-yearly basis.

The next full assessment of retailer alignment with the Retail Gas Contracts Oversight Scheme is scheduled for FY2027.

Forecast activities for FY2026 include:

- Providing information to new entrant retailers to help them understand their obligations and the governance processes.

Gas Distribution Contracts Oversight Scheme

In 2012, Gas Industry Co established the Gas Distribution Contracts Oversight Scheme, an industry-agreed scheme which assesses standard contracts between gas distributors and gas retailers, against a set of principles.

Gas Industry Co appointed an Independent Assessor in FY2014 who found that contracts offered by distributors exhibited 'substantial' alignment with the set of principles agreed upon.

Following the 2014 assessment, it was agreed that Gas Industry Co's assessments would be undertaken on an exceptions basis (as contracts are revised or replaced).

During FY2025, Gas Industry Co appointed an Independent Assessor to undertake a review of Firstgas's standard gas use-of-system agreement, with the Independent Assessor's report, and Gas Industry Co's response to the report, due to be published in the short term.

Forecast activities for FY2026 include:

- Following up with retailers on progress towards putting a signed agreement in place; and
- Liaising with distributors regarding any changes to their contracts.

Other Reporting

Gas Industry Co is required by the Gas Act to report on the present state and performance of the gas industry. It does this through a number of publications, including Switching Statistics, Quarterly Reports and Industry Performance Measures.

Forecast activities for FY2026 include:

- Completing performance audits under the Downstream Reconciliation Rules and the Switching Rules and commissioning event audits as required;
- Preparing and publishing the Statement of Intent and Annual Report to meet statutory timeframes; and
- Reporting on the present state and performance of the gas industry through a number of publications (eg switching statistics and Quarterly Reports).

FY2026 WORK PROGRAMME: FACILITATING INDUSTRY SYSTEMS AND PROCESSES

emsTradepoint

We note Transpower's most recent statement on emsTradepoint has the system continuing until September 2025.

Given the importance of a trading platform, we may assume a role in managing the transition of emsTradepoint after September 2025, including consulting on a range of options, which may include Gas Industry Co purchasing the gas trading platform if necessary to ensure security of supply.

Guidelines to Enhance Consumer Outcomes

Gas Industry Co developed new guidelines for the gas industry to enhance consumer outcomes in response to the recommendations arising from the Electricity Price Review for the electricity industry.

The guidelines are as follows:

- **Gas Consumer Care Guidelines** provide guidance for gas retailers in helping residential gas consumers who may experience insufficient access to gas or payment difficulties.
- **Gas Saves and Winbacks Guidelines** provide guidance for gas retailers in managing the saves and winbacks behaviour.
- **Guidelines for Raising Awareness of Utilities Disputes and Powerswitch** provide guidance for gas retailers and gas distributors to raise consumer awareness of the services provided by Utilities Disputes and Powerswitch through their customer communications.

In August 2023, we assessed dual-fuel retailer alignment with these guidelines and received feedback from retailers that aspects of the guidelines should be reviewed, and consideration given to whether the guidelines are appropriate. We committed to undertaking further assessment of the guidelines.

In 2024, the Electricity Authority conducted a review of the electricity Consumer Care Guidelines as part of its process to make the electricity guidelines mandatory.

We elected to defer our assessment of dual-fuel retailer alignment with our guidelines until we have an opportunity to consider the final form of the electricity Consumer Care Guidelines.

We are currently awaiting the finalisation of the electricity Consumer Care Guidelines, after which we will undertake the scheduled assessment of the alignment of dual-fuel retailers with the gas industry guidelines.

Forecast activities for FY2026 include:

- Reviewing retailer feedback on the guidelines, including feedback from the review of the guidelines for electricity retailers, and consider whether any changes are appropriate; and
- Assessing retailer and distributor alignment with the guidelines.

Gas Transmission

The suitability of transmission arrangements during the energy transition is a matter that will likely require further consideration.

Forecast activities for FY2026 could include:

- Working with the Commerce Commission regarding any changes impacting pipeline regulation;
- Monitoring work undertaken by Firstgas to replace the OATIS system;
- Assessing any proposed changes to the transmission codes;
- Transmission pricing changes remain an issue for industrial customers and feedback on increases may require engagement by Gas Industry Co; and
- Reviewing transmission pipeline interconnections as required, addressing any concerns regarding reasonable access, and amending the guidelines as required.

FY2026 WORK PROGRAMME: TRUSTED ADVISOR TO GOVERNMENT AND INDUSTRY

Security of Supply

Work on issues relating to the security of supply during the energy transition will continue to be required.

Forecast activities for FY2026 could include:

- Facilitating industry and advising Government to enable imported LNG to be available by winter 2026;
- Blending of renewable gases into gas networks and measures to bring renewable gases into the natural gas market, such as tradeable renewable gas certificates and other market measures;
- Consideration of whether additional or changed mechanisms are needed to ensure natural gas is available to all users in times of unexpectedly tight supply; and
- Our regular supply and demand studies.

Consumer Voice

Based on preliminary work showing fuel switching costs may be much higher than thought, we are interested in better understanding the lifetime cost and emissions outlook for residential and small commercial gas customers.

Forecast activities for FY2026 could include:

- Investigating the lifetime cost to residential consumers and the cost of emissions abatement of fuel switching.



FORECAST ACTIVITIES FOR FY2027 AND FY2028

This Statement of Intent focuses on the first year of the three-year period and includes indicative activity in the subsequent two years.

The multi-year scope reflects the requirement for funding to be approved by regulation each year, the changing nature of the industry and the co-regulatory role. It also recognises that policy development requires comprehensive consultation, which provides the opportunity for continuous improvements in policy thinking.

The energy sector is in a period of significant change and upheaval, which can make it a challenge to forward plan our work programme. All forecast activities for FY2027 and FY2028 are subject to change due to the pending outcome of our current work, evolving priorities and changes to the wider environment.

We have outlined our indicative future activities in as much detail as we currently can, but it is important to recognise the uncertain and changeable nature of these workstreams.

Gas governance and facilitating industry systems and processes

FY2027 and FY2028 indicative activities

Future activity for our gas governance and facilitating industry systems workstreams may include:

- Further work in relation to levy regulation and/or process changes which may be required following the outcome of industry consultation and our own analysis.
- Determining the extension (or otherwise) of the CCO Service Provider beyond the expiry of the current term (expiring 2 March 2027).
- Undertaking the Retail Gas Contracts Oversight Scheme Benchmark Assessment Report in 2027. Actioning any network owner changes under the Gas Distribution Contracts Oversight Scheme.
- Delivering on our obligations under each of the governance arrangements, for example appointing and managing service providers, monitoring market behaviour, reporting, investigations, and compliance.

- Ensuring our governance arrangements and industry systems remain fit-for-purpose as the gas market develops (particularly with respect to the future of the networks, renewable gases, potential market consolidation, further penetration of advanced gas meters and greater availability and granularity of gas market data). This will be implemented using our standard policy development process: issue identification, developing options, industry consultation, statements of proposal and recommendations to the Minister.
- Ensuring industry systems stay up to speed with technological developments, security requirements and IT industry best practice.

Trusted advisor to government and industry

FY2027 and FY2028 indicative activities

- As required by the government policy statement on gas, we provide trusted advice to government and industry about safe, efficient, reliable, fair and sustainable delivery of gas to consumers.
- Issues identified in our workstreams are likely to require further activity in FY2027 and FY2028. These activities are inherently uncertain and require us to be responsive to government priorities, industry and other regulatory agencies. These activities are currently expected to include:
 - » Assessments of the security of gas supply and investment in gas deliverability;
 - » Analysis of gas markets and the balance between supply and demand;
 - » Updating estimated emissions from various uses of natural gas use and the most efficient distribution;
 - » Considering models for allocating constrained gas supply;
 - » Reviewing the LPG market; and
 - » Improved assessment of consumer preferences and effects on consumers of changes in the market.

Financial matters

Gas Industry Co develops funding budgets to support its work programme proposals as part of the consultation process discussed in the section **Work Programme Priorities** above.

Gas Industry Co has three sources of funding to meet the expected costs of delivering effective co-regulation and fulfilling its statutory and GPS obligations. They are:

Levy funding

Section 43ZZB of the Gas Act enables Gas Industry Co to recommend to the Minister that regulations be made to require industry participants to pay a levy to cover the costs of Gas Industry Co exercising its functions as the industry body.

The levy covers the costs of the Company's policy work and market administration excluding external service providers and some consultants. Any excess levy recovered in a financial year is generally refunded to levy payers in the following year unless special circumstances warrant otherwise.

Market fees

Section 43S of the Gas Act enables gas governance regulations or rules to be made that provide for the funding by industry participants of the operation of those regulations or rules. The Switching Rules, Reconciliation Rules, CCM Regulations, and Compliance Regulations contain market fee provisions. These fees are used to recover the costs of external service providers and consultants, as provided for in the relevant regulations, as well as staff costs relating to the administration of gas governance rules and regulations.

Annual fees

Gas Industry Co's Constitution provides that the Board may set an annual fee each year in respect of each share issued. The annual fee is currently \$2,000 per shareholder per annum. The Board has resolved that these fees will be set aside to establish cash reserves.

Flexibility and cost efficiencies

It is always possible that unplanned, unbudgeted work might be needed due to the changing nature of the industry and the period between the development and implementation of our work programmes.

Gas Industry Co prefers not to budget for contingency amounts in order to keep the levy at a reasonable level. If unplanned or unbudgeted work becomes a priority, Gas Industry Co will reassess its planned workstreams and milestones. Over recent years we have been successful using this approach in progressing key industry priorities while maintaining appropriate cost discipline.

Gas Industry Co has a specific focus on delivering efficiency and value for money in both its operational workstreams and in the provision of support services. It carefully considers how each item in the work programme should be budgeted. Some areas are demand-driven, and full provision for each of these is not made individually. Instead, Gas Industry Co makes a modest provision for these items and manages the global amount.

FY2026 levy funding summary

Details of funding for FY2026 are included in industry consultation and the annual recommendation to the Minister, which results in annual levy regulations. In summary for FY2026:

- An annual levy of \$3,410,198 (\$4,422,758 in FY2025), and market fees of \$2,674,550 (\$1,694,566 in FY2025). Added together, these result in a total work programme cost for FY2026 of \$6,084,748 (\$6,117,324 in FY2025).
- The wholesale levy revenue is \$1,887,414 for FY2026 and will be collected each month from the relevant levy payers at a rate of 1.7158c/GJ based on each industry participant's volume of gas purchased from gas producers (the wholesale levy is 7.56% higher than in FY2025).
- The retail levy revenue is \$1,522,783. This is calculated based on Gas Industry Co's estimate of 311,000 active ICP's, at a levy rate of \$4.90/ICP per annum (the retail levy is 25.02% lower than in FY2025).

Financial statements

In accordance with section 43ZR of the Gas Act, Gas Industry Co's forecast financial statements are set out as follows:

These statements have been prepared using information consistent with that used for the calculation of the FY2026 Gas Industry Co levy.

Further details about the assumptions, revenue calculations and workstream expenses used to calculate the FY2026 levy can be found in the document, Consultation on Gas Industry Co FY2026 Work Programme and Levy, issued in December 2024.

The FY2025 forecast was approved by Gas Industry Co's Board and includes actual results for the period 1 July 2024 to 28 February 2025, and an up-to-date forecast to 30 June 2025.

We acknowledge responsibility for the forecast financial statements contained in this report and for the judgments used in their preparation.

We certify that the information in this report is, except where noted, consistent with the budget estimates contained in Gas Industry Co's FY2026 Levy Recommendation that has been made to the Minister for Energy under section 43ZZB of the Gas Act.



Hon Amy Adams
Chair
June 2025



Sam Elder
Deputy Chair
June 2025

Forecast Statement of Financial Performance

	Budget FY2026 (\$)	Forecast FY2025 (\$)	Actual FY2024 (\$)
REVENUE			
Wholesale levy	1,887,414	1,835,109	1,890,810
Retail levy	1,522,784	2,016,824	2,015,131
Levy revenue subtotal	3,410,198	3,851,933	3,905,941
Market fees	1,774,550	1,384,737	1,328,748
Annual fees	26,000	26,000	24,000
Interest income	18,000	16,680	42,971
Subtotal other revenue	1,818,550	1,427,417	1,395,719
Total revenue	5,228,748	5,279,350	5,301,660
EXPENSES			
Depreciation and amortisation	91,605	73,164	78,984
Operating lease expenses	305,000	270,599	313,098
Fees paid to audit firm – financial statement audit	37,800	35,925	34,125
Directors' fees	262,460	216,426	259,820
General expenses	379,980	334,154	386,127
Recruitment expenses	–	74,027	23,259
Technical, economic, and legal advice	979,600	484,470	712,157
Service provider fees	1,774,550	1,384,737	1,213,032
KiwiSaver contributions	61,711	63,040	61,280
Employee benefit expense	2,192,042	2,034,838	2,046,174
Employee benefit expense recovered by market fees	(900,000)	–	–
Total expenses	5,184,748	4,971,380	5,128,056
Finance costs	–	–	–
Total expenditure	5,184,748	4,971,380	5,128,056
Profit/(loss) before tax	44,000	307,970	173,604
Income tax expense	–	4,670	12,032
Profit/(loss) for the year	44,000	303,300	161,572

Forecast Statement of Financial Position

	Budget FY2026 (\$)	Forecast FY2025 (\$)	Actual FY2024 (\$)
CURRENT ASSETS			
Cash and cash equivalents	1,430,054	1,364,449	1,319,439
Term deposit	–	–	–
Trade and other receivables	47,632	48,324	125,802
Prepayments	78,614	71,568	70,388
Income tax receivable	–	–	–
Total current assets	1,556,300	1,484,341	1,515,629
NON-CURRENT ASSETS			
Property, plant and equipment	66,671	93,062	79,357
Intangible assets	255,186	302,297	349,408
Total non-current assets	321,857	395,359	428,765
Total assets	1,878,157	1,879,700	1,944,394
CURRENT LIABILITIES			
Trade and other payables	396,124	436,681	792,655
Employee entitlements	227,085	232,071	244,092
Redeemable shares	13	13	12
Total current liabilities	623,222	668,765	1,036,759
Total liabilities	623,222	668,765	1,036,759
Net assets	1,254,935	1,210,935	907,635
<i>Represented by</i>			
Industry reserves	348,935	330,935	53,635
Retained earnings	906,000	880,000	854,000
Total shareholders' funds	1,254,935	1,210,935	907,635

Forecast Statement of Movement in Equity

	Budget FY2026			Forecast FY2025		
	Industry reserves (\$)	Retained earnings (\$)	Total (\$)	Industry reserves (\$)	Retained earnings (\$)	Total (\$)
Opening balance	330,935	880,000	1,210,935	53,635	854,000	907,635
Net surplus/(deficit) for the year	–	44,000	44,000	–	303,300	303,300
Industry advances reserves transfer	18,000	(18,000)	–	277,300	(277,300)	–
Forecast closing balance	348,935	906,000	1,254,935	330,935	880,000	1,210,935

Forecast Statement of Cash Flows

	Budget FY2026 (\$)	Forecast FY2025 (\$)	Actual FY2024 (\$)
CASH FLOWS FROM OPERATING ACTIVITIES			
Levy revenue	3,410,198	3,869,350	3,858,020
Market fee revenue	1,774,550	1,370,067	1,447,189
Annual fees	26,000	26,000	24,000
Interest received	18,000	16,680	42,971
Net GST	–	–	6,722
	5,228,748	5,282,097	5,378,902
<i>Cash was applied to</i>			
Payments to suppliers	(2,576,930)	(2,743,626)	(2,653,997)
Payments to employees	(2,253,753)	(2,196,275)	(2,149,483)
Payments to directors	(262,460)	(195,482)	(202,658)
Refund of levy to industry participants	–	–	–
Taxes paid	–	(4,614)	(12,032)
Net GST	–	(57,354)	–
	(5,093,143)	(5,197,351)	(5,018,170)
Net cash inflows from operating activities	135,605	84,746	360,732
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment	(70,000)	(39,736)	(24,522)
Purchase of intangible assets	–	–	–
Net cash flows from investing activities	(70,000)	(39,736)	(24,522)
Net cash flows	65,605	45,010	336,210
Opening cash balance	1,364,449	1,319,439	983,229
Closing cash balance	1,430,054	1,364,449	1,319,439

Statement of Contingent Liabilities and Commitments

Gas Industry Co has no known contingent liabilities or assets.

Gas Industry Co's lease commitment in relation to its current premises commenced on 1 June 2023 and expires on 31 May 2033 at an annual rental of approximately \$250,201.

Gas Industry Co has various ongoing commitments for the operation of the Company.

	Budget FY2026 (\$)	Forecast FY2025 (\$)
OPERATING LEASE COMMITMENTS		
Within one year	254,242	254,242
Later than one year but not later than five years	1,271,210	1,271,210
Later than five years	233,055	487,297
Total operating lease commitments	1,758,507	2,012,749
SERVICE PROVIDER COMMITMENTS		
Within one year	956,299	1,168,053
Later than one year but not later than five years	214,025	1,170,323
Later than five years	–	–
Total service provider commitments	1,170,323	2,338,376



Statement of Accounting Policies

The following accounting policies apply to these financial statements:

Reporting entity

Gas Industry Co is a company incorporated under the Companies Act 1993 that was approved as the co-regulator of the gas industry by Order in Council on 22 December 2004. These prospective financial statements have been prepared in accordance with section 43ZR of the Gas Act 1992 and the Financial Reporting Act 1993.

Measurement base

These financial statements have been prepared on an historical cost basis.

Particular accounting policies

These financial statements are prepared in accordance with New Zealand generally accepted accounting practice. The following particular accounting policies that materially affect the measurement of financial performance, financial position, and cash flows have been applied consistently.

Revenue

Revenue is derived from Gas Industry Co's levies and market fees imposed under Subpart 2 of Part 4A of the Gas Act 1992; from annual fees charged to shareholders and from interest on deposits. Such revenue is recognised when earned and is reported in the financial period to which it relates.

Taxation

With the exception of its interest income, Gas Industry Co's revenue is not regarded as gross income in terms of section CB 1 of the Income Tax Act 2007.

Goods and services tax (GST)

The Statement of Financial Performance and Statement of Cash Flows have been prepared so that all components are stated exclusive of GST. All items in the Statement of Financial Position are stated net of GST.

Accounts receivable

These are carried at estimated realisable value after providing for debts where collection is doubtful.

Employee entitlements

Employee entitlements to salaries and wages, annual leave, and other benefits are recognised when they accrue to employees.

Financial instruments

Financial instruments carried on the Statement of Financial Position include cash and bank balances, investments, receivables, trade creditors, and borrowings. Except for those items covered by a separate accounting policy, all financial instruments are shown at their estimated fair value.

Depreciation

Depreciation of fixed assets is provided on a straight-line basis, so as to allocate the depreciable amount of assets over their useful lives. The depreciable amount is the historical cost.

The estimated useful lives are:

- IT hardware and software, 3–5 years
- Office equipment, 4–10 years
- Leasehold improvements, Term of lease

Statement of Cash Flows

- Operating activities include all transactions and other events that are not investing or financing activities.
- Investing activities are those relating to the acquisition, holding and disposal of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.
- Financing activities are those activities that result in changes in the size and composition of the capital structure of Gas Industry Co. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.
- Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

Statement of Significant Underlying Assumptions

The following assumptions have been made in the development of the forecast financial statements:

- These forecast financial statements comply with New Zealand generally accepted accounting practice. The measurement base applied is historical cost.
- Accrual accounting has been used to prepare these financial statements.
- These statements have been prepared on a going-concern basis.
- The forecast financial statements have been presented for the purpose of providing financial information that underlies the work programme as set out in the 2026–2028 *Statement of Intent*. This financial information may not be appropriate for other purposes.
- It is not intended that these financial forecasts will be re-issued.
- Actual financial results achieved for the period covered are likely to vary from the information presented and the variations may be material.
- There is limited ability to alter Gas Industry Co's revenue other than through the annual levy process.
- Section 43S of the Gas Act enables Gas Industry Co to collect from industry participants fees relating to the ongoing costs associated with gas market rules and regulations.
- An annual levy of \$3,410,198 is assumed to be effective from 1 July 2025 and is paid monthly. Any monthly levy not payable due to the date on which the levy regulations come into force will be paid on the 20th of the month following the levy regulations coming into force.
- The wholesale levy revenue is budgeted to be \$1,887,414 for FY2026 and will be collected each month from the relevant levy payers at a rate of 1.7158c/GJ based on each industry participant's volume of gas purchased from gas producers.
- The retail levy revenue is budgeted to be \$1,522,783. This is calculated based on Gas Industry Co's estimate of 311,000 active ICP's, at a levy rate of \$4.90/ICP per annum. Active Contracted ICPs indicate a customer at the ICP has a contract with the retailer. The retail levy is payable only on active ICPs. If the actual number of ICPs substantially differs from the estimate, there may be a small difference in the retail levy revenue.
- The FY2026 levy calculation is based on a work programme consistent with the Government Policy Statement on Gas Governance 2008 (GPS). If, during the plan period, the current GPS is amended, there may be an impact on our operating costs, resulting in the possible over or under-recovery of levy revenue in FY2026. Section 43ZZC(3) of the Gas Act provides that any over or under-recoveries can be taken into account in setting the levy in subsequent financial years. However, to ensure transparency around the calculation of each year's levy, the Board has determined that, unless required for unanticipated or ongoing work programme costs, any surplus should be returned to levy payers by way of refund once the year-end accounts have been received by shareholders at the Annual Meeting.
- The forecast equity for the year ending 30 June 2025 is approximately \$1,210,935 and will be set aside to be held as cash reserves.
- Gas Industry Co's budget is based on a best estimate of the costs to deliver the work programme prepared for calculation of the FY2026 levy. Budgets are set significantly in advance of consultation on proposed new policy initiatives. Accordingly, actual expenditure may vary from budgeted expenditure as policy design is revised to reflect changes that may be required as a result of submissions received and further analysis. This also applies to the administration of gas governance rules and regulations (funded through market fees).

Alignment with government policy objectives and outcomes

Gas Industry Co's Strategic Objectives – to facilitate gas governance and markets that deliver gas in a safe, efficient, fair, reliable, and environmentally sustainable manner, to facilitate the industry through the energy transition, and to act as a trusted advisor to government and industry – are aligned with the objectives and outcomes contained in the Gas Act and GPS.

The table below shows how the Company's workstreams help move toward meeting those objectives and outcomes.

GIC work programme FY2026 and future areas of work	Gas Act, GPS Objectives and Outcomes Alignment				
	Efficiency	Reliability	Safety	Environment	Fairness
Gas Governance Arrangements Recommendation to Minister	✓	●	●	✓	✓
Critical Contingency Management	✓	✓	✓	✓	✓
Levy	✓	●	●	✓	✓
Retail Gas Contracts Oversight Scheme	✓	●	●	●	✓
Gas Distribution Contracts Oversight Scheme	✓	●	●	●	✓
Other Reporting	✓	✓	●	●	✓
emsTradePoint	✓	●	●	●	✓
Guidelines to Enhance Consumer Outcomes	✓	●	●	●	✓
Gas Transmission	✓	✓	✓	●	✓
Security of Supply	✓	✓	●	✓	✓
Consumer Voice	✓	●	●	●	✓

Table 2. Gas Act, GPS Objectives and Outcomes Assessment Criteria

Criterion	Objective/outcome	Text
1	Gas Act s43ZN(a)	The principal objective is to ensure that gas is delivered to existing and new customers in a safe, efficient, and reliable manner
2	Gas Act s43ZN(b)(i)	Facilitation and promotion of the ongoing supply of gas to meet New Zealand's energy needs, by providing access to essential infrastructure and competitive market arrangements
3	Gas Act s43ZN(b)(ii)	Barriers to competition in the gas industry are minimised
4	Gas Act s43ZN(b)(iii)	Incentives for investment in gas processing facilities, transmission, and distribution are maintained or enhanced
5	Gas Act s43ZN(b)(iv)	Delivered gas costs and prices are subject to sustained downward pressure
6	Gas Act 43ZN(b)(v)	Risks relating to security of supply, including transport arrangements, are properly and efficiently managed by all parties
7	Gas Act s43ZN(b)(vi)	Consistency with the Government's gas safety regime is maintained
8	GPS Item 12(a)	Energy and other resources used to deliver gas to consumers are used efficiently
9	GPS Item 12(b)	Competition is facilitated in upstream and downstream gas markets by minimising barriers to access to essential infrastructure to the long-term benefit of end users
10	GPS Item 12(c)	The full costs of producing and transporting gas are signalled to consumers
11	GPS Item 12(d)	The quality of gas services where those services include a trade-off between quality and price, as far as possible, reflect customers' preferences
12	GPS Item 12(e)	The gas sector contributes to achieving the Government's climate change objectives as set out in the New Zealand Energy Strategy, or any other document the Minister for Energy may specify from time to time, by minimising gas losses and promoting demand-side management and energy efficiency
13	GPS Item 9	It is also the Government's objective that Gas Industry Co takes account of fairness and environmental sustainability in all its recommendations. To this end, the government's objective for the entire gas industry is as follows: To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner
14	GPS Item 13 point 1	Pursue: An efficient market structure for the provision of gas metering, pipeline and energy services

Table 2. Gas Act, GPS Objectives and Outcomes Assessment Criteria (*continued*)

Criterion	Objective/outcome	Text
15	GPS Item 13 point 2	Pursue: The respective roles of gas metering, pipeline and gas retail participants are able to be clearly understood
16	GPS Item 13 point 3	Pursue: Efficient arrangements for the short-term trading of gas
17	GPS Item 13 point 4	Pursue: Accurate, efficient and timely arrangements for the allocation and reconciliation of upstream gas quantities
18	GPS Item 13 point 5	Pursue: Gas industry participants and new entrants are able to access transmission pipelines on reasonable terms and conditions
19	GPS Item 13 point 6	Gas governance arrangements are supported by appropriate compliance and dispute resolution processes

Table 3. Categorisation of Assessment Criteria

	Efficiency	Reliability	Safety	Environment	Fairness
Gas Act	Criterion 1	Criterion 1	Criterion 1		
	Criterion 2	Criterion 2	Criterion 7		
	Criterion 3	Criterion 6			
	Criterion 4				
	Criterion 5				
GPS Objective	Criterion 8			Criterion 8	Criterion 13
	Criterion 9			Criterion 12	
	Criterion 10			Criterion 13	
	Criterion 11				
GPS Outcome	Criterion 14				Criterion 18
	Criterion 15				
	Criterion 16				
	Criterion 17				
	Criterion 19				

Other information

Additional reporting

In addition to the reporting described in the work programme, Gas Industry Co also provides the Minister with briefings and advice as requested, or as necessary. There are no specific matters, outside those detailed in this *Statement of Intent*, on which Gas Industry Co expects to make a decision that would require it to consult or notify the Minister.

Service providers

The following entities and individuals provide specified services to Gas Industry Co:

Governance arrangement	Role	Service provider
Switching Rules	Registry operator	Jade Software Corporation
Reconciliation Rules (including D+1)	Allocation agent	Energy Market Services (Transpower)
CCM Regulations	Critical contingency operator	Plant & Platform



Directory

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Board of Directors

Hon Amy Adams, *Chair, Independent Director*
Sam Elder, *Deputy Chair, Independent Director*
Andrew Brown, *Independent Director*
Mike Fuge
Babu Bahirathan
Paul Goodeve

Executive

Andrew Knight, Chief Executive
Susan Dunne, General Manager Corporate Services

Auditors

KPMG, Wellington

Bankers

Westpac New Zealand Limited

Shareholders

Contact Energy Limited
Echelon Resources Limited
emsTradepoint Limited
First Gas Limited
Genesis Energy Limited
Greymouth Gas New Zealand Limited
Mercury NZ Limited
Methanex New Zealand Limited
New Zealand Energy Corp
Nova Energy Limited
OMV New Zealand Limited
Powerco Limited
Vector Limited

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