Gas Industry Co.

Level 10, Brandon House, 149 Featherston Street
PO Box 10-646, Wellington 6140, New Zealand

p. +64 4 472 1800 gasindustry.co.nz

Subject Future of Gas Infrastructure Workstream Scope and Methodology

Date 17 July 2026

This note outlines Gas Industry Co's proposed scope and methodology for the Future of Gas Infrastructure workstream. The workstream will explore selected issues that may arise as demand for gas pipeline services declines, with a particular focus on how existing infrastructure costs are recovered, how future infrastructure expenditure is reduced, and how disconnection and decommissioning could be approached.

The workstream was introduced through Gas Industry Co's most recent work programme consultation. Our Board has now endorsed the proposed approach, and we are seeking to share the scope with stakeholders before the work progresses further.

This workstream is intended to provide a starting point for discussion. It will identify key issues, describe possible options, and support informed engagement. Developing any policy or regulatory responses will require further work and may involve Gas Industry Co, other agencies, or industry participants.

Supply and demand context

The workstream will draw on the findings of Gas Industry Co's 2026 Supply and Demand Study. That study indicates that demand for gas pipeline services is expected to decline as some consumers electrify or cease operations. However, the pace and scale of that decline remains uncertain and will be influenced by a range of market, policy, technology, and consumer factors.

The workstream will not revisit or develop new forecasts of gas demand. Instead, it will start from the assumption that demand for gas pipeline services will decline and will consider the economic and social outcomes that could arise.

For simplicity, the workstream will not examine the blending of renewable gases or the repurposing of pipelines for renewable gases. These options may be relevant to the future of gas infrastructure, but they are outside the scope of this particular workstream.

The workstream will focus on three key matters:

- The recovery of existing infrastructure costs.
- Future infrastructure expenditure.
- Disconnection and decommissioning.

These matters have been selected because decisions by industry, regulators, and policy agencies could materially affect outcomes for consumers and gas pipeline businesses.

Gas Industry Co's role

The Government Policy Statement on Gas Governance expects Gas Industry Co to provide good publicly available information on the performance and present state of the gas industry. This workstream is intended to support that role by making key issues more visible and helping stakeholders engage with possible options.

The workstream will not recommend preferred solutions. Its purpose is to identify and explain the issues, improve shared understanding, and support discussion about issues where further policy, regulatory, or industry-led work may be needed.

As with all our work, we will be guided by the Government's policy objective for the industry:

> *"To ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner."*

We will use this objective as a framework for considering how different options may affect outcomes.

Recovery of existing infrastructure costs

This part of the workstream will consider how investment in existing gas infrastructure is recovered as demand for gas pipeline services declines. We will:

- Summarise the regulatory framework that applies to gas pipeline services and the Commerce Commission's current approach to recovery of gas infrastructure costs.
- Briefly discuss how gas pipeline businesses (GPBs) and retailers pass on pipeline costs to consumers.
- Discuss the implications of the current framework in the context of declining demand for gas pipeline services.
- Consider the social and economic outcomes associated with the current approach and describe how different consumers may be impacted.

A key focus will be the range of options for allocating risk associated with declining demand for gas pipeline services. The workstream will explain how different approaches could be implemented and what they may mean for consumers and gas pipeline businesses. Options are likely to include:

- Consumers bear the risk in relation to declining demand for gas pipeline services.
- GPBs bear the risk in relation to declining demand for gas pipeline services.
- GPBs and consumers share the risk in relation to declining demand for gas pipeline services.
- Wider socialisation of the risk in relation to declining demand for gas pipeline services.

Each option will be considered against the Gas Act and Government Policy Statement objectives. We intend to present this visually, supported by discussion explaining the rationale for how each option is assessed.

Future infrastructure expenditure

This section will consider whether there are opportunities to reduce future expenditure on gas infrastructure and, in doing so, help mitigate upward pressure on prices.

The workstream will focus on areas where further consideration may be needed because gas pipeline businesses may not currently be incentivised, or best placed, to lead that work. This may be because:

- The decision may not be in the interests of GPBs within the current regulatory framework (for example, potential financial impact).
- The decision would give rise to economic and social considerations such that a GPB may be reluctant to make that decision.
- The GPB is indifferent because the costs are incurred or passed through.

The areas we have identified are:

- Ceasing supply to low use areas.
- Operating the system in a different manner to reduce costs.
- Modifying industry systems and processes to reflect lower demand for gas.

The workstream may identify areas where further work is warranted, including whether that work should be industry-led or involve Gas Industry Co, the Commerce Commission, MBIE, or other parties.

Disconnection and decommissioning

This section will consider disconnection and decommissioning for individual consumer connections, as well as decommissioning of shared gas infrastructure.

We will consider cost allocation and process matters for both individual consumer connections and decommissioning of shared gas infrastructure (both distribution and transmission infrastructure).

For cost allocation, the workstream will consider options that allocate costs differently. These options are expected to include:

- Consumers bear the costs associated with disconnection and decommissioning of individual connections and shared gas infrastructure.
- GPBs bear the costs in relation to decommissioning individual connections and shared gas infrastructure.
- GPBs and consumers share the costs in relation to decommissioning of individual connections and shared gas infrastructure.
- Wider socialisation of the costs associated with decommissioning of individual connections and shared gas infrastructure.

As with existing infrastructure costs, the options will be considered against the Gas Act and Government Policy Statement objectives and presented visually with supporting discussion.

For process matters, the workstream will consider:

- Whether there is sufficient clarity regarding roles and responsibilities of GPBs, retailers and consumers.
- Coordination between key stakeholders such as consumers, retailers, GPBs and local authorities.

- Standards that may apply to decommissioned infrastructure.
- Timing of completion of work (including any resourcing constraints).

The workstream will consider whether these matters could be addressed through industry-led solutions or whether changes to regulatory arrangements may be required.

Proposed output

The proposed output is a written report supported by a presentation for stakeholders.

We intend to use visual material, supported by discussion, to help stakeholders engage with the issues and understand the trade-offs between different options.