Quarterly Report

June 2026

Gas Industry Co is the home of New Zealand's gas governance, advice and data.

As the industry co-regulator, we work with industry and government for safe, efficient, reliable, fair, and sustainable gas delivery.

This report meets the requirement in the Government Policy Statement on Gas Governance that we report to the Minister for Energy each quarter on progress made towards meeting the Government's objectives and outcomes for the gas industry, and any ministerial requests that may arise from time to time.

Contents

Gas today

The short-term gas market outlook is positive heading into winter 2026, supported by strong hydro inflows, Ahuroa Gas Storage at 7PJ capacity, and a strong coal stockpile. This has led to industrial gas prices remaining steady, spot prices decreasing over the last three months, and Ballance securing a gas supply contract through to December.

Demand-side flexibility has also continued to play a key role, with Methanex idling its Motunui plant over May–June, and Genesis announcing a July–December closure of their gas-fired Rankine Unit 5.

While short-term market conditions are favourable, longer-term supply challenges continue to present risks beyond the immediate outlook reinforcing the need for continued focus on security of supply. This was highlighted in the gas reserve figures released by MBIE in May which showed that gas reserves are now at the lowest levels since records began. Probable 1P reserves (volumes to be produced at the 90% confidence level) have declined 24.6% (from 599.3 PJ to 451.7 PJ) in the last year. Contributing to that was a 55.5 PJ drop at Pohokura and Māui writing their reserves down to 0 which we had expected following OMV's announcement last quarter.

Several initiatives have been announced by the Government to assist in the longer term, including plans to progress an LNG import terminal in Port Taranaki, a $1.2 billion loan guarantee scheme to support commercial gas users transitioning to alternative energy sources, and the Winter Energy Reliability Obligation (see the Gas Market Commentary in Appendix A for more detail).

Gas Industry Co continues to progress two pieces of strategic work: Consumers, Costs and Fairness – Future Gas Availability, and the Future of Infrastructure.

The Consumers, Costs and Fairness – Future Gas Availability study will explore the role of gas in New Zealand, the importance of gas to the broader economy, and the contribution of different types of gas (indigenous, biogas, hydrogen and LPG) to the energy mix.

Building on the 2026 Supply and Demand study, this work will deepen our understanding of gas consumers, and the vulnerability different industries have to changes in gas supply, as well as the potential economic impacts of these changes. It will also explore the effects (positive and negative) of potential market interventions.

The study will be informed through consumer sector workshops and multiple industry interviews to improve the understanding of the types of business using gas by consumer group, their ability to manage within the energy market settings, and their economic contribution to New Zealand. Regional workshops were attended by more than 60 firms and further information is currently being gathered. Scenario analysis will be used to identify how different approaches impact particular consumer segments and the wider implications for New Zealand.

The study findings will inform conversations and approaches with energy market policy makers and regulators. We expect the study to be finalised by September.

Our Future of Gas Infrastructure work will investigate the impact to consumers of the continued decline in gas production, including future infrastructure costs; whether consumer costs can be reduced by reducing expenditure; and disconnection and decommissioning processes.

We are currently refining the scope of this work, following which we will complete a report to inform industry and policy makers. The report will be completed by the end of the year and will focus on alternative options to the current approach to allocation of gas infrastructure costs and how such options may be implemented. The report will not recommend a specific approach given that policy considerations should be factored into any recommendation.

We are aware that MBIE and the Commerce Commission are interested in our workstream and both are keen to explore opportunities as to how we might work together to avoid duplication of effort.

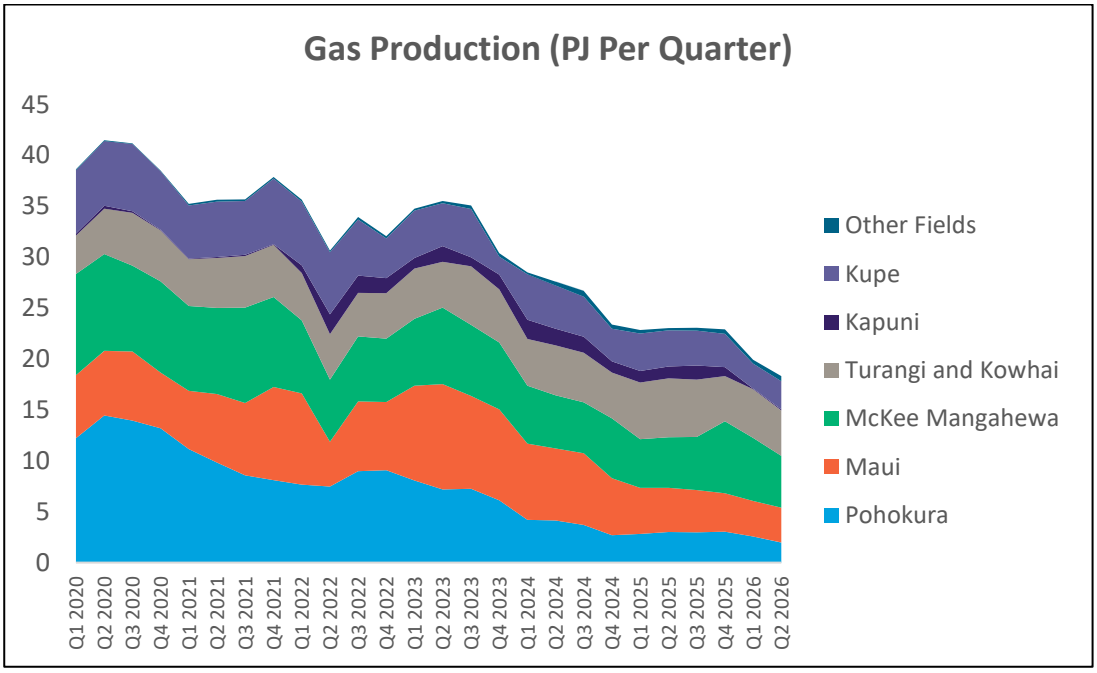
Overall, while near-term gas market conditions appear relatively well supported—underpinned by favourable hydro conditions and flexible demand responses—the sharp decline in reserves highlights a tightening gas supply, reinforcing the need for continued focus on security of supply and risk for all gas users.

Gas industry data insights

Gas Production

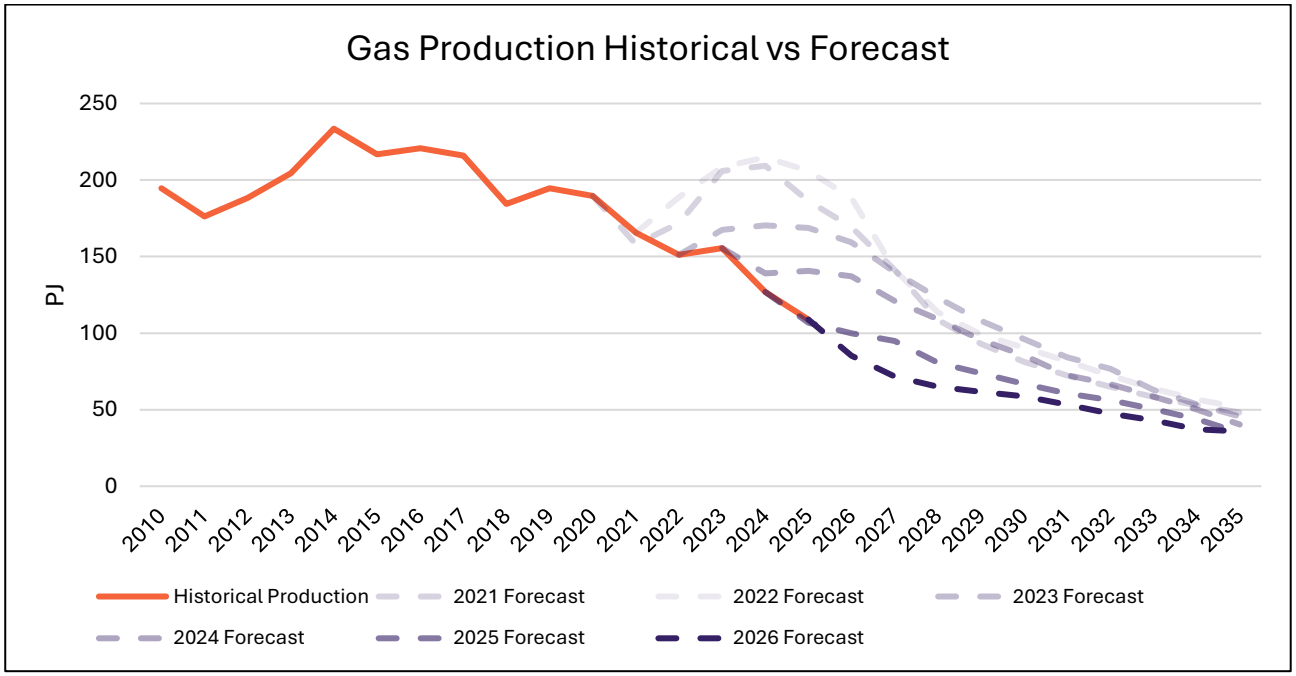
New Zealand's six largest gas fields account for 98% of our gas supply. Since 2016, production has halved and it continues to decline as existing fields come to the end of their productive life, with OMV indicating in its 2025 annual report that Māui is expected to cease production by the end of 2026.

Gas production totalled 18.3 PJ in Q2 2026, an 8% decrease from 19.9 PJ in Q1 2026. The decline was primarily driven by production drops of 23.0% at Pohokura and 17.9% at McKee/Mangahewa which appear to have coincided with Methanex idling production at its Motunui plant for most of May and June. Also contributing to this quarter's production reduction were four unplanned outages that occurred at Kupe and one at Pohokura. Kupe production recovered each time to at or just below their pre-outage production level of approximately 32 TJ/day.



Forecast Gas Production

As shown in the graph below, permit holders of active New Zealand petroleum mining fields project indigenous gas production to decrease 49.5 PJ (-58.0%) within the next decade – from 85.3 PJ in 2026 to 35.8 PJ in 2035. This can largely be attributed to the expected shutdown of the Māui gas field in the short-term, and the continued decline in indigenous gas supply from our maturing gas fields. Conversely, the Mangahewa-D drilling campaign in late 2025 has extended the life of the Mangahewa gas field by two years out to 2035.



This graph sources data from MBIE's Petroleum Reserve dataset[1].

Gas consumption – major users

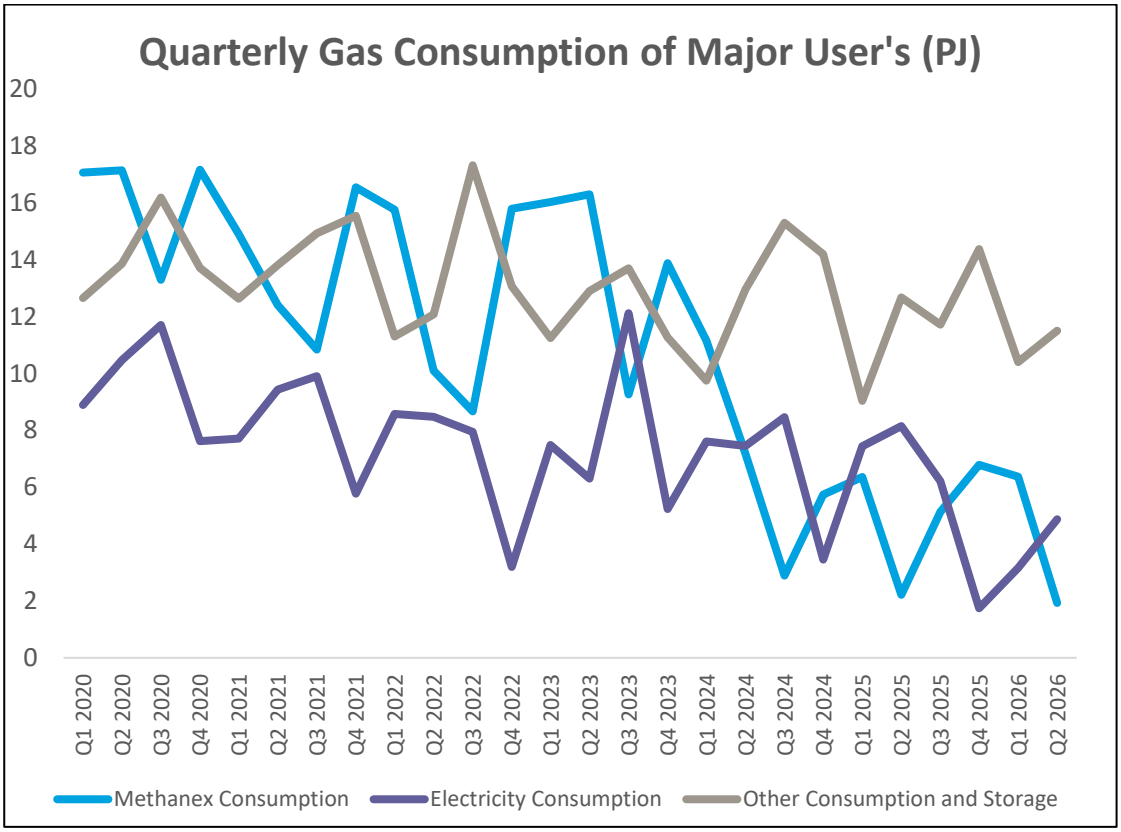
The decline in gas supply has necessitated a reduction in gas consumption, with Methanex's consumption reducing the most in proportion to total demand. The impact of declining supply has had less impact on electricity generators and other gas consumers obtaining supply, although prices have been higher than historical levels due to the shortage of supply.

The expected exit of Methanex (and related closure of the Māui gas field) will further reduce overall gas supplies and limit the extent to which demand response can be used to manage fuel shortages in dry years. It may also impact the ability of other consumers to secure gas supply. We understand that these consumers are either being offered short-term contracts for supply, or long-term contracts with a large price premium, reflecting concern around the future supply-demand balance.

The graph below shows the inverse relationship between gas consumption by Methanex and gas consumption by electricity generators - with Methanex throttling back production to allow gas to be used for power generation.

In Q2 2026, gas used for electricity generation decreased 40.2% from the same quarter in 2025, due to strong hydro inflows. Gas use at Methanex was down 4.4 PJ from the last quarter but around the same level from Q2 2025 due to the plant idling production to make gas available to other users.

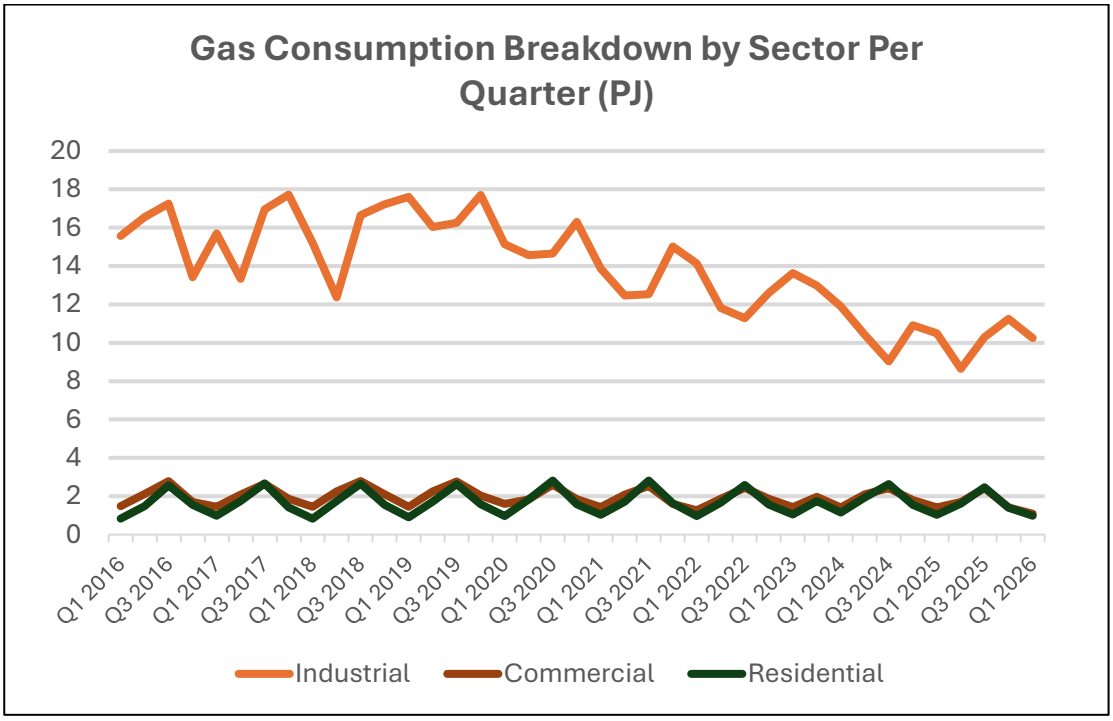
[1] Petroleum reserves data | Ministry of Business, Innovation & Employment



Gas consumption – industrial and commercial

Between Q1 2020 and Q1 2024, gas consumption by industrial consumers fell by 3.24 PJ (a decline of 21.4%) due to declining gas supply and increased prices. From 2024 onwards, Industrial gas consumption has been relatively stable at an average of 10.4 PJ per quarter due in large part to Methanex operating close to their 50TJ/day reported minimum.

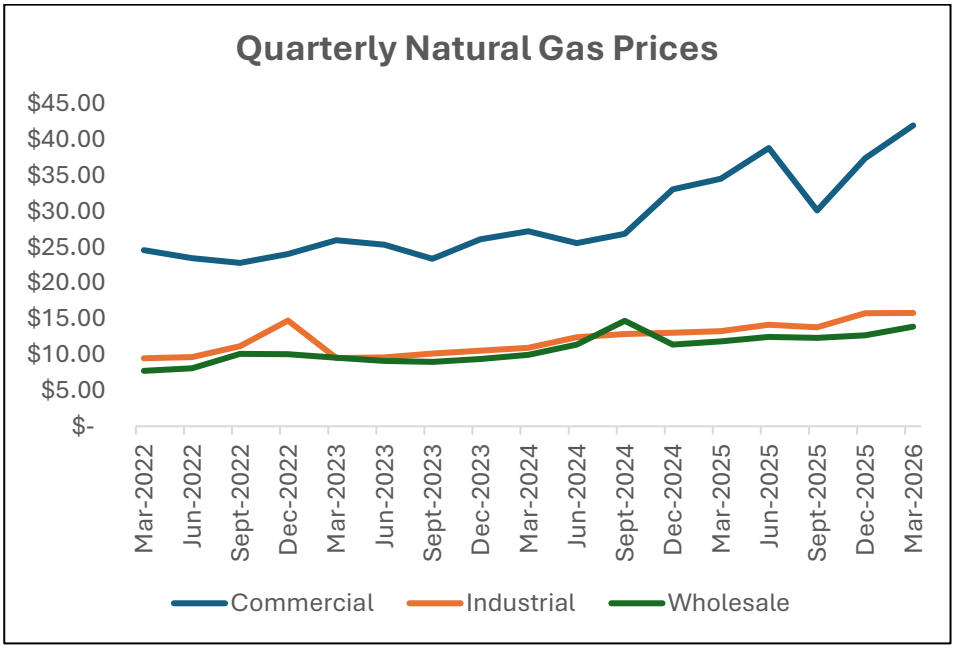
Commercial gas usage is seasonal and has remained relatively stable over the past 10 years consuming an average of 1.93 PJ per quarter.



The graph above sources data from MBIE's Gas Statistics dataset[2].

Gas prices

Around 95% of gas is traded via long-term bilateral contracts for wholesale and industrial consumers. Tightening gas supply has led to price increases and average commercial gas contract terms being shorter in recent years than has been seen historically. As some industrial contracts are long-term and for large volumes, the graph below may not necessarily provide an accurate representation of what new individual industrial contracts are priced at.

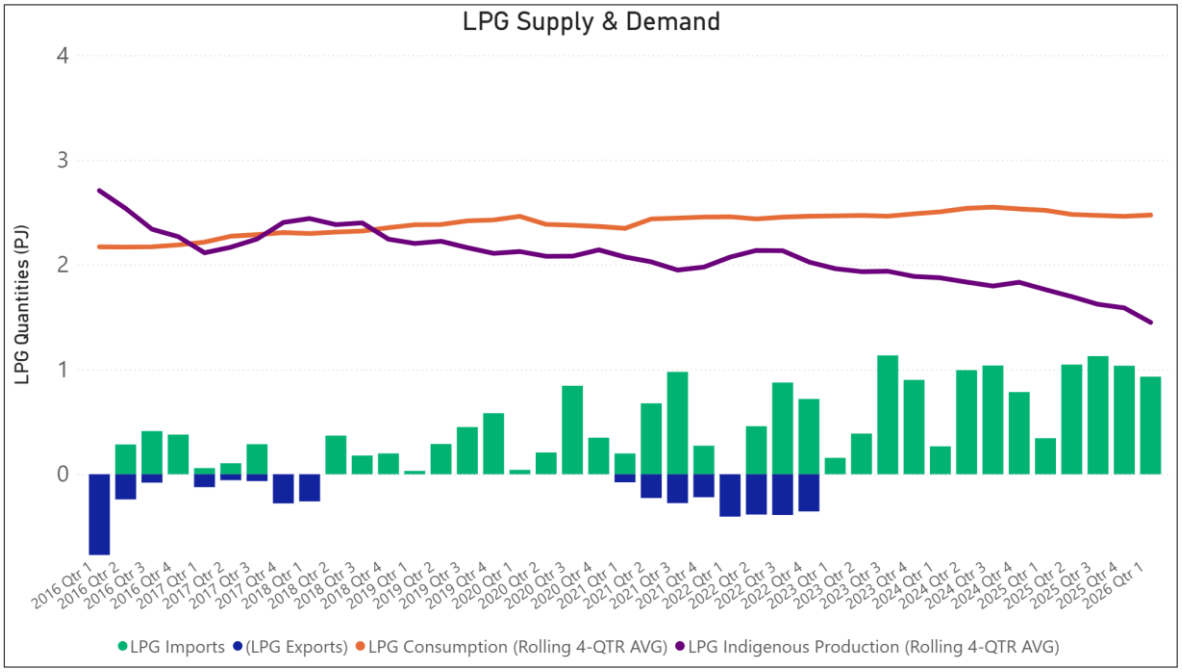


The Quarterly Natural Gas Prices graph above uses price data for Q4 2025 from MBIE's Energy Prices dataset[3].

[2] Gas statistics | Ministry of Business, Innovation & Employment
[3] Energy Prices | Ministry of Business, Innovation & Employment

Liquid Petroleum Gas (LPG)

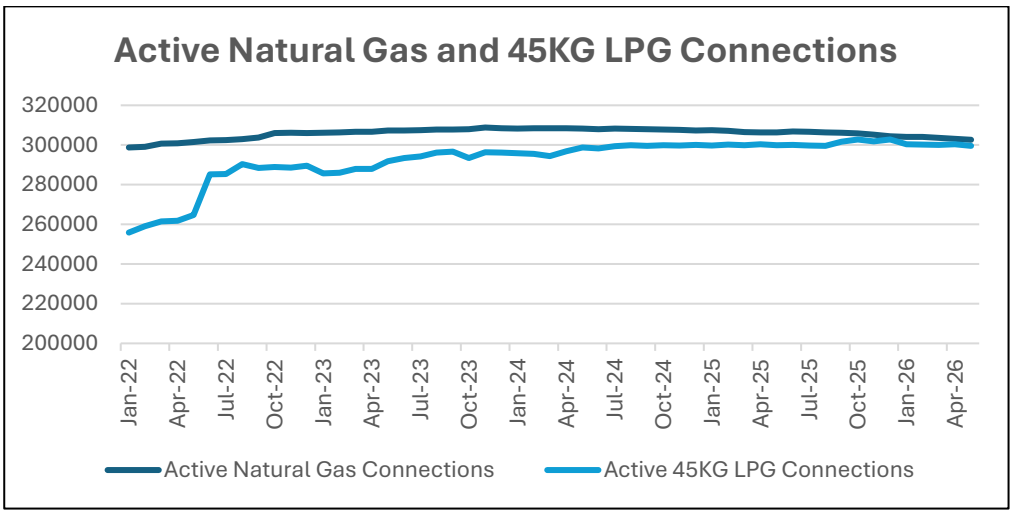
As natural gas supply has declined, so too has indigenous LPG production, down 36.9% in Q1 2026 compared to Q1 2025. LPG consumption has gradually increased over the past decade, rising 14.9%. This trend reflects New Zealand's growing reliance on LPG imports, which were 15.3% higher in 2025 than in 2024. Imported LPG has met the increased demand as well as demand from existing consumers that is not able to be met by indigenous gas supplies.



The LPG Supply & Demand graph above uses LPG figures MBIE Oil Statistics dataset[4].

Consumer numbers

The number of active LPG connections decreased by 629 (-0.21%) between February and May, while active natural gas connections fell by 1,432 during the same period (-0.47%). The impact of network owner requirements for capital contributions may have had an impact on the number of new consumers connecting to natural gas.

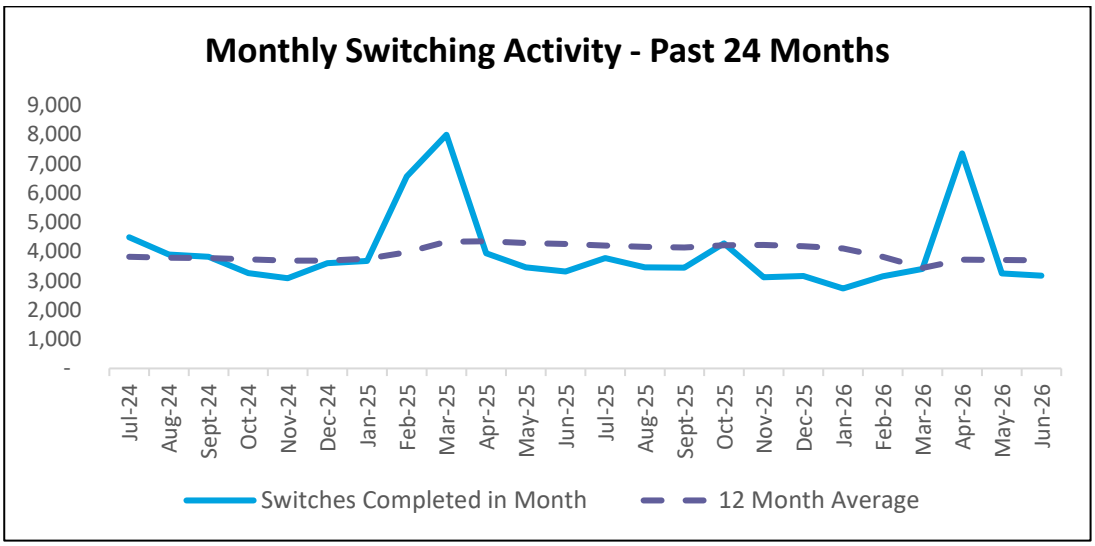


[4] Oil statistics | Ministry of Business, Innovation, and Employment

Consumer switching

As shown in the graph below, consumer switching increased in Q2 2026 driven by a significant spike in April as a result of the closure of MegaTEL and its consumers being switched to its parent company Nova. This is similar to the increase observed in early 2025 following Frank Energy's exit from the market and the transfer of its consumers to Genesis Energy. While this reduces the number of retailer brands in the market, competitive conditions are largely unchanged as Nova was MegaTEL's parent company.

The significant increase in consumer switching activity during April, including 4,471 switches away from MegaTEL alone, resulted in average switch completion times increasing to just under 3.5 days, compared with fewer than 2 days in March. Consumer switching rates show market competition in terms of; gas retailers competing for consumers, the impact of upward price pressure on consumer behaviour, and changing market dynamics in terms of the number of retailers prepared to offer gas.



Our work – progress towards meeting the Government's objectives and outcomes for the gas industry

(See the "Gas Today" section for details of our Consumers, Costs and Fairness – Future Gas Availability, and Future of Infrastructure work programmes).

LNG

The Government is actively considering the development of an LNG import facility, which would serve as a secure backup fuel source for electricity generation during dry years. A procurement process is underway.

We have engaged with MBIE to ensure any amendments potentially required to the Gas Act are captured through enabling legislation and are preparing for further involvement as this work progresses.

Disconnections

We recently published[5] an educational resource for consumers that sets out industry processes in relation to disconnection and decommissioning and a consumer's options when gas is no longer required at their property.

We propose that issues regarding disconnection are considered as part of our Future of Infrastructure workstream.

Gas market information

Since the last quarter, we have delivered two initiatives to improve gas market transparency. First, we have expanded the range of publicly available data on our website by publishing figures on gas reserves and LPG. Second, we will shortly be releasing our inaugural Gas Market Commentary which can be found in Appendix A to this report.

Given the continual change in the current gas market and the need for industry participants to be able to access more up-to-date information, we are ensuring the information we receive as the industry body is used to its fullest extent. This is work done in addition to what will be produced following the recent Gas Market Transparency Amendment Bill.

Review of Gas Specification

This workstream considers whether there are opportunities to expand the gas specification, or its application, to enable material additional sources of gas supply (both domestic and LNG) while at the same time ensuring that appropriate levels of safety and reliability are maintained for consumers and balancing the commercial interests of industry participants.

We have engaged Plant & Platform to carry out this review which we expect to be completed later this year.

[5] Disconnections - Gas Industry

Gas governance rule changes

Following Ministerial approval of our recommendation last year, we have circulated a first draft of changes to the Gas (Downstream Reconciliation) Rules 2008 and Gas (Switching Arrangements) Rules 2008 to stakeholders. The changes make provision for advanced gas metering, daily allocations, and reconciliation of biomethane injections in downstream networks.

We held an industry workshop in late June to introduce the rule amendments. It was well attended by industry participants, who were engaged on the topics presented. Consultation on the draft rules will close at the end of July and from there we will determine the timing of next steps: finalising the draft amendments, planning implementation activities and working with participants and service providers on system changes.

We continue to administer, monitor and enforce New Zealand's gas governance arrangements, including critical contingency management, retail switching, downstream reconciliation, compliance, and industry levy settings.

Changes to the CCM Regulations

Following Ministerial acceptance of our recommendation to amend the Gas Governance (Critical Contingency Management) Regulations 2008 in September 2024, we have supported MBIE to develop drafting instructions for the Parliamentary Counsel Office (PCO).

Biogas

We have finalised the Terms of Reference for a biogas industry working group to achieve voluntary biogas blending agreements, establish long-term standing contracts, and support the certification scheme to reduce investment risk. The group is due to meet later this month.

2027 levy now in force and Statement of Intent on our website

The FY2027 levy came into force on 1 July 2026, and details of the Levy[6] and Statement of Intent 2027-2029[7] are available on our website.

This represents the culmination of the preparations required by the start of the new financial year, including extensive consultation with stakeholders, the promulgation of the new levy regulation, and the development of the Statement of Intent.

Our FY2027 Levy comprises:

- The retail levy of $4.98/ICP (up from $4.90/ICP in FY2026, an increase of 1.63%); and
- The wholesale levy of 1.7058 cents per gigajoule (down from 1.7158 cents per gigajoule in FY2026, a decrease of 0.58%).

[6] Levy - Gas Industry
[7] Gas-Industry-Statement-of-Intent-2027-2029.pdf

Critical Contingency Operator – annual exercise completed

The 2026 annual Critical Contingency Operator (CCO) exercise (Exercise Aitua) took place on 13 May to test the Firstgas Critical Contingency Management Plan and retailer emergency contacts.

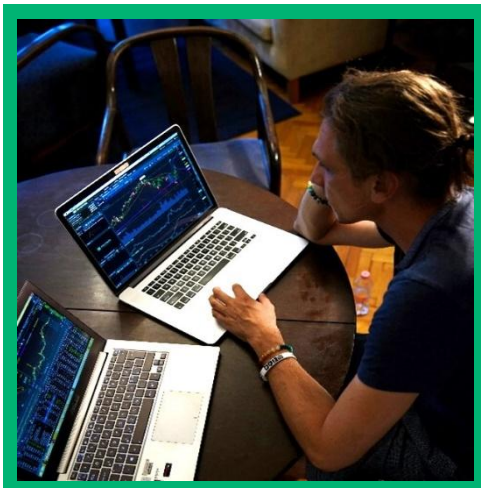
Critical contingency events are events that cause a loss of pressure on a part of the transmission network at a rate that could threaten the supply to distribution networks.

Exercise Aitua simulated a regional event where damage by a third party to the Firstgas Bay of Plenty Pipeline near Parawera resulted in a significant gas leak. The exercise required retailers to issue curtailment instructions to business customers and a media appeal requesting domestic customers in the affected area reduce their gas use.

The CCO is required to review the exercise. On 11 June it concluded that participants' performance had significantly improved from last year. There are only two minor action points for us to consider:

1. Continue to work with retailers and large consumers to ensure that they understand curtailment compliance processes and to investigate the continuing difference between registry numbers of ICPs and Retailer provided numbers (Gas Industry Co and Firstgas); and
2. Investigate options available to review the accuracy of retailer communications to help ensure efficient and effective outcomes (Gas Industry Co, CCO, Firstgas).

The report on Exercise Aitua is available on the CCO website.



Relevant, comprehensive, timely information at your fingertips

Visit our Online Data Portal for:

- Daily gas production by major gas fields
- Gas consumption by largest users
- Gas in storage volume data
- Average quarterly gas prices and supply

For field production and unplanned outage info contact us at info@gasindustry.co.nz

More information:

To get in touch or to find out more about the work we do:

Call us: 04 472 1800 Email us: info@gasindustry.co.nz Visit our website: www.gasindustry.co.nz

Appendix A - Gas Market Commentary

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.

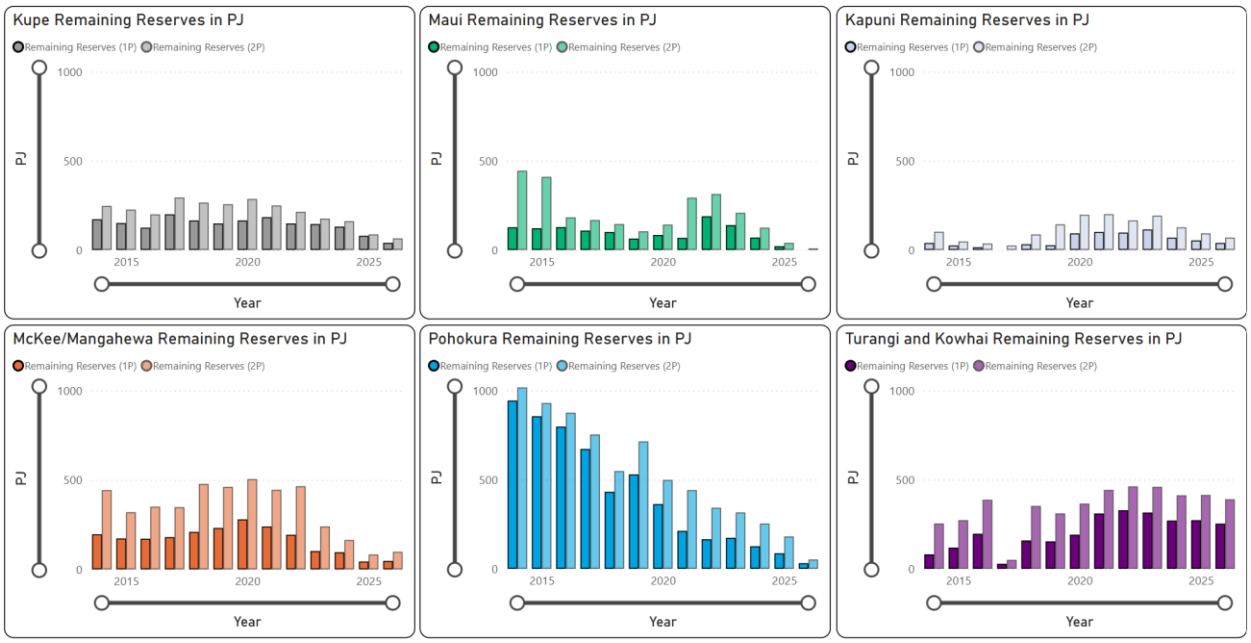
Ballance recovered from an outage at its Kapuni ammonia-urea plant in late March. Gas consumption returned to pre-outage levels above 20 TJ/day on 13 April after gas consumption fell to 0 TJ/day for 13 days in March. In other news, Ballance has secured a short-term gas contract to the end of 2026.

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.

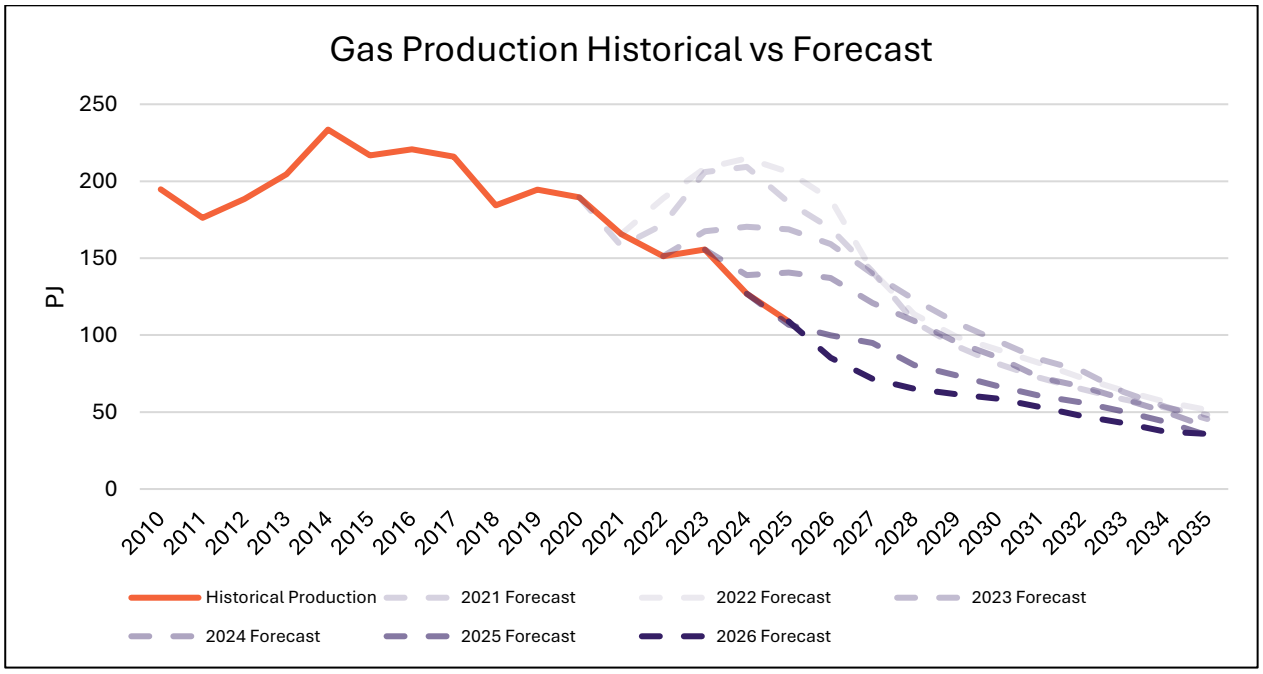


This graph sources data from MBIE's Petroleum Reserve dataset[8].

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).

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.

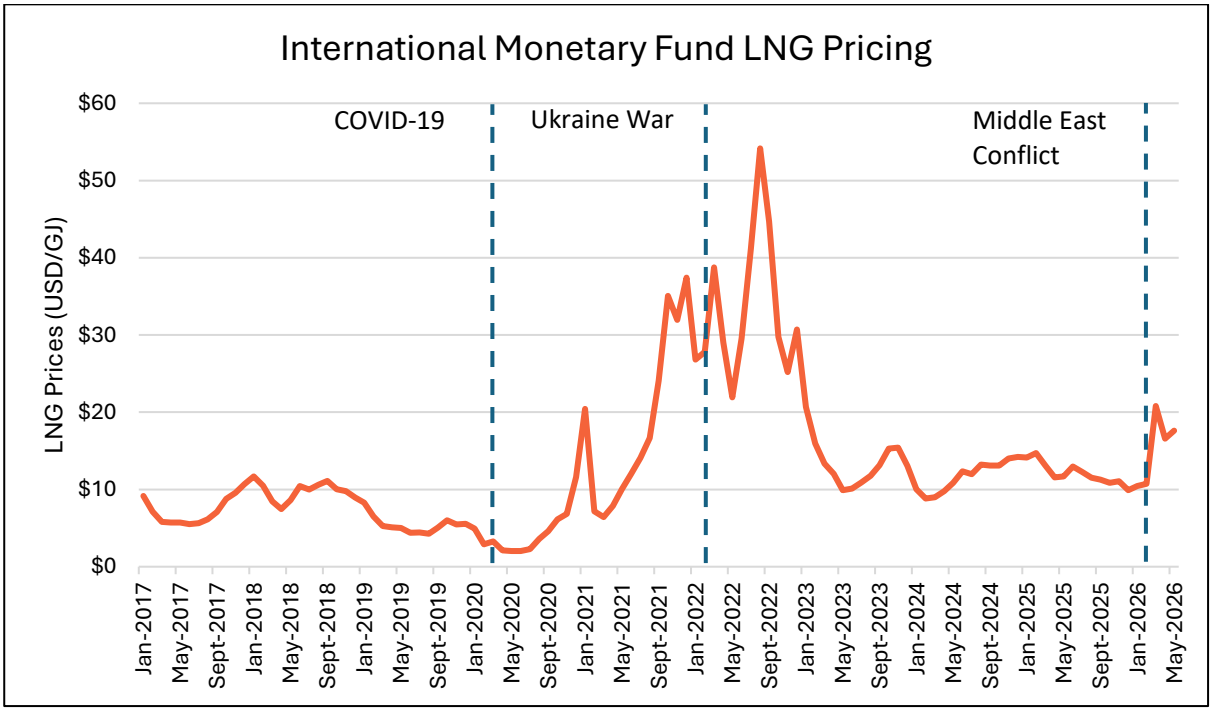


This graph sources data from MBIE's Petroleum Reserve dataset[9].

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

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.



This graph sources data from the International Monetary Fund (IMF)[10].

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.
- $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.

[10] IMF Data Explorer

- 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:

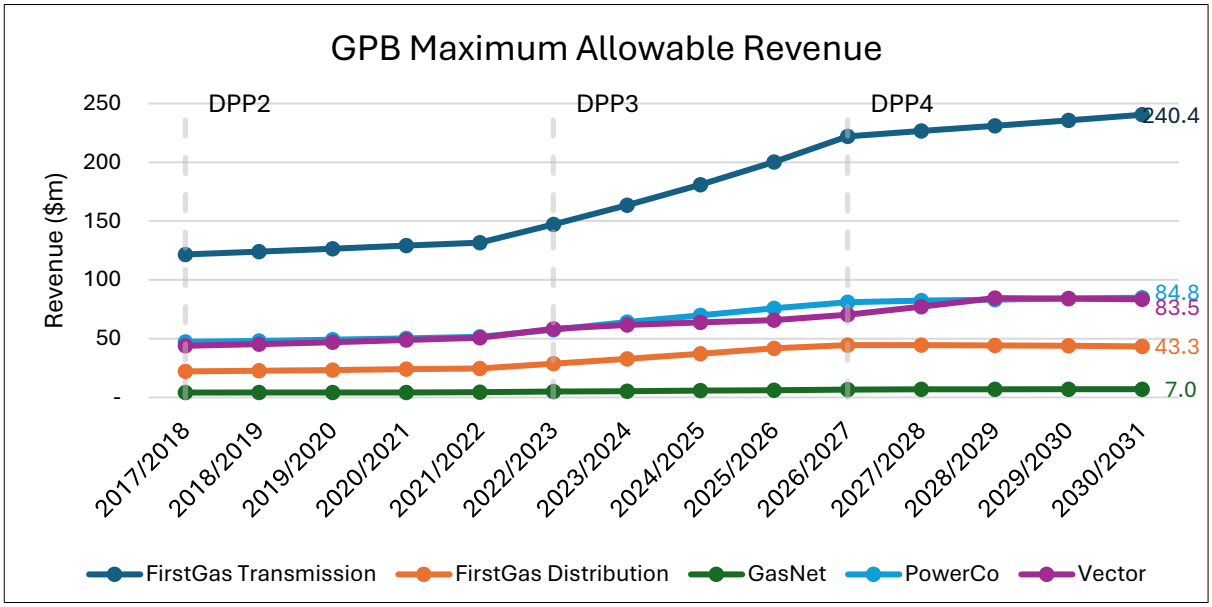
- funding of the terminal may now be allocated to electricity retailers, and
- two providers have been progressed to a Request for Proposal (RFP).

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 decision[11].

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.

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 the 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.

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