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# Quarterly Report

March 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.

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## Gas today

The year began with an improvement in the gas supply-demand balance due to sustained hydro inflows and an extended maintenance shutdown at Huntly. This led to a drop in prices and gas being made available to industrial consumers, including Ballance which secured gas until mid-2026.

While strong hydrology, gas storage, Methanex demand response, and the Huntly coal stockpile may see sufficient gas to cover demand in winter 2026, the market remains vulnerable in 2027 and beyond due to rapidly declining indigenous gas supply.

These supply shortages and related price increases continue to lead to significant demand-side challenges with deindustrialisation resulting in some large gas customers closing down, and others expected to follow. The expected exit of Methanex, and the corresponding closure of the Maui gas field, will lead to a decline in the overall supply of gas to the market, which will impact the ability to use demand response as a tool to manage fuel shortages in dry years.

The Government has taken steps to improve the energy supply situation by overturning the 2018 exploration ban and introducing a \$200 million co-investment fund. While these are positive steps to improve the long-term investment environment, neither of these are immediate fixes given the long lead times for investment and the uncertainty around outcomes.

To provide a much-needed flexible energy supply and secure backup fuel for electricity generation during dry years, the Government is considering the development of an LNG import facility. Even if this does proceed, the market is likely to experience further periods of elevated demand relative to supply (particularly for electricity generation in winter), until the facility is operational.

The 2026 Gas Supply and Demand study, completed by PwC, found that LNG could provide a scalable and responsive source of gas to manage seasonal variability and support electricity generation during dry years. The study also found that LNG could be a viable economic option for other gas users. The study is discussed in more detail below.

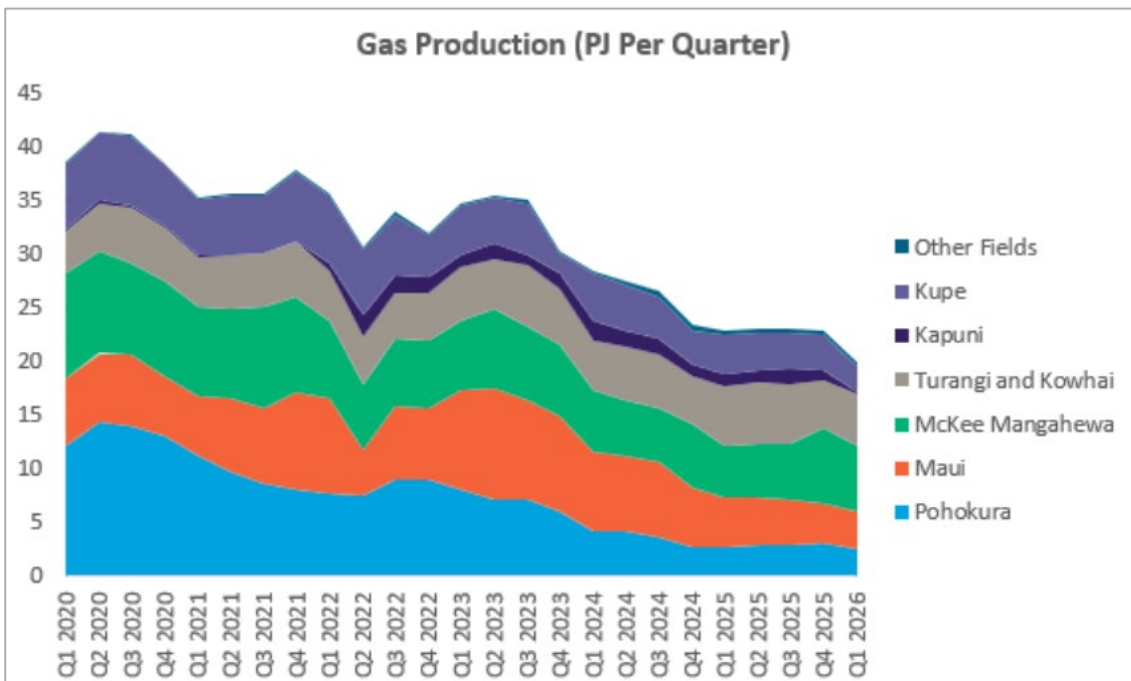
The current gas situation continues to be defined by security of supply issues, and the highest priorities for the industry remain investment in field development, progressing new gas supply options, and ensuring the market adequately manages supply and risk for all consumers.

# Gas industry data insights

## Gas Production

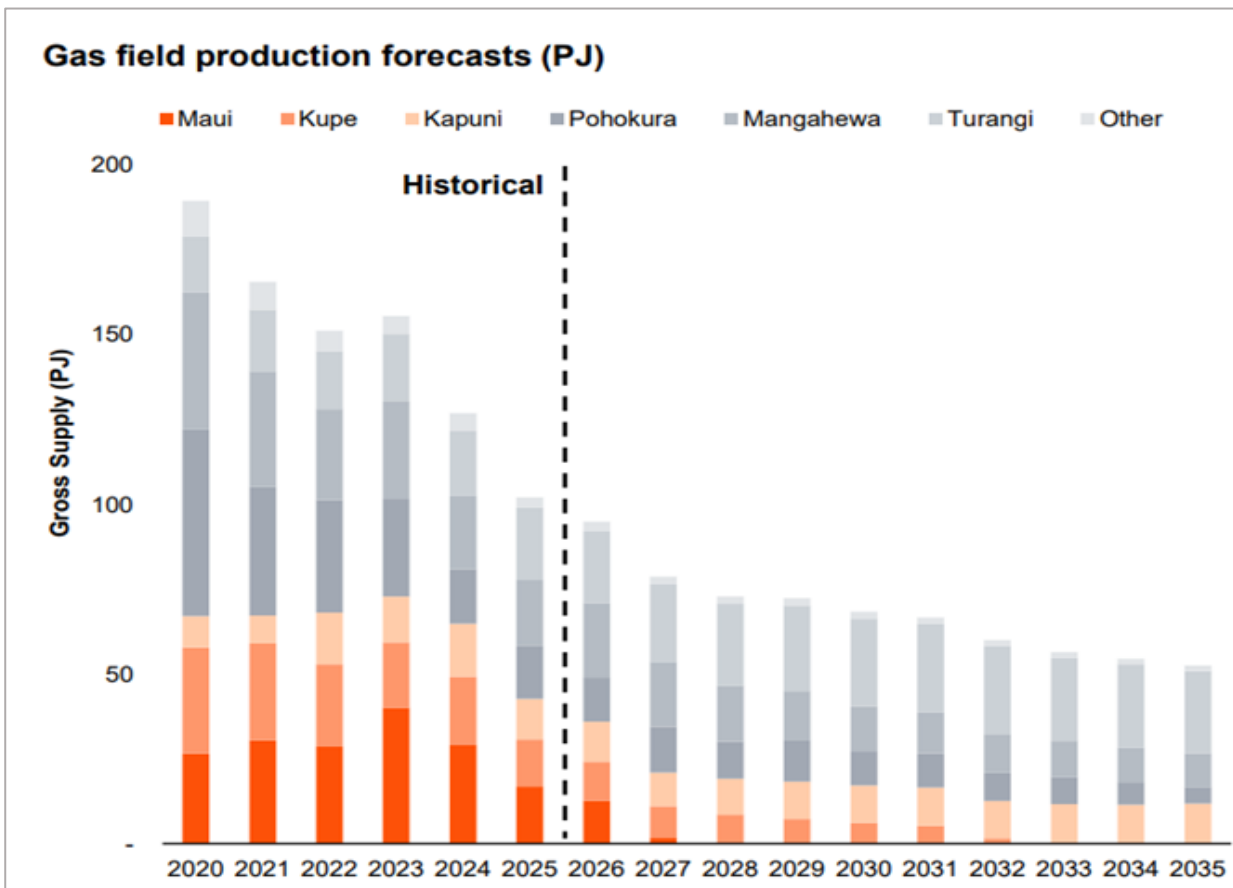
New Zealand’s six largest gas fields account for 98% of our gas supply. Since 2016, production has halved and it continues to decline as existing fields come to the end of their productive life, with Maui expected to close in 2027 at the latest.

Gas production of 19.9 PJ in Q1 2026 was down slightly from the 22.9 PJ in Q4 2025 (a 13% reduction). The McKee Mangahewa field was the only major field to see an increase in production in Q1 2026 compared with Q1 2025, up 29.6%. This increase was due to Todd Energy’s successful Mangahewa-D drilling campaign. Lower production figures at other major fields were mostly due to planned and unplanned outages.



## Forecast Gas Production

As shown in the graph below, indigenous gas supply is projected to halve in the next decade - from 112 PJ in 2025, to around 52 PJ in 2035. This represents a total decline of 60 PJ, which can be attributed to the expected shutdown of the Māui field in the short-term, and the continued decline in indigenous gas supply from our maturing gas fields.



This graph is sourced from the 2026 Gas Supply and Demand Study<sup>1</sup> commissioned by Gas Industry Company and sourced from Enerlytica (January 2026), MBIE, and PwC.

## Gas consumption – major users

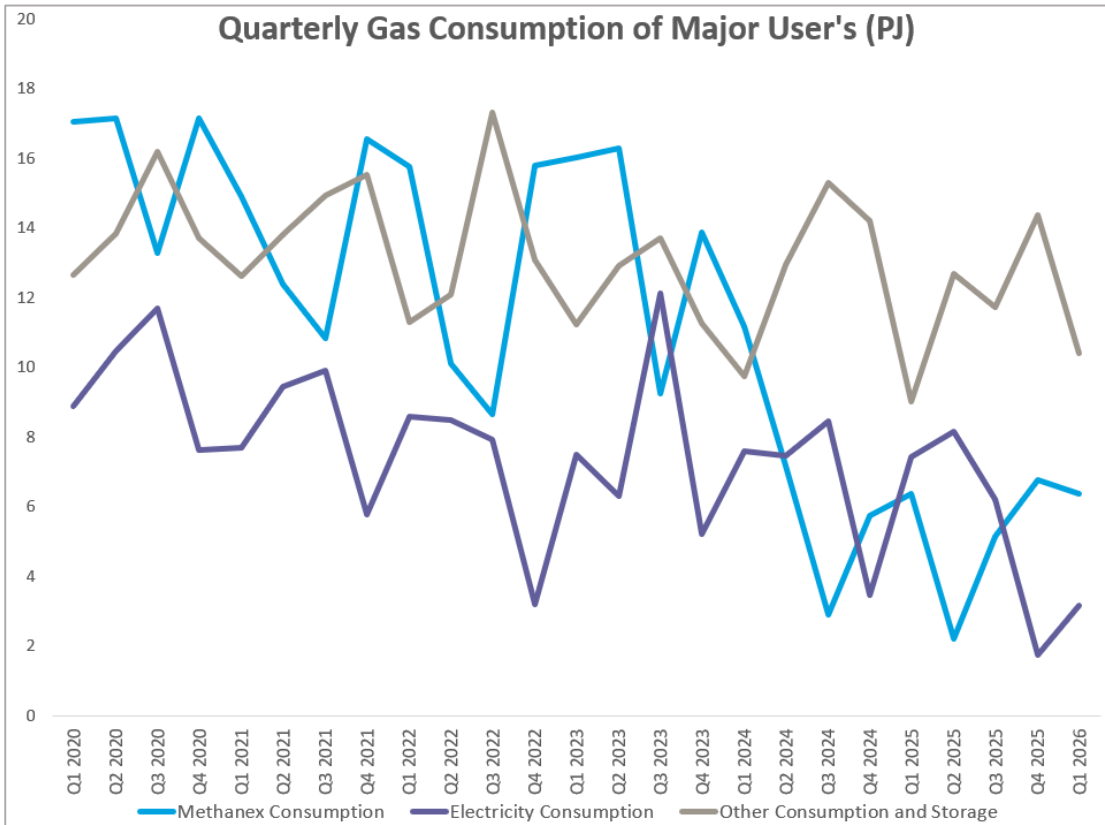
The decline in gas supply has necessitated a reduction in gas consumption, with Methanex's consumption reducing the most in proportion to total demand. The impact of declining supply has had less impact on electricity generators and other gas consumers obtaining supply, although prices have been higher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

The expected exit of Methanex (and related closure of the Maui 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 will also impact the ability of other consumers to secure gas supply. We understand that other gas 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 Q1 2026, gas used for electricity generation decreased 57.9% from the same quarter in 2025, due to strong hydro inflows. Gas use at Methanex in Q1 2026 remained relatively stable compared with the previous quarter - most likely due to the lower demand for gas for electricity generation.

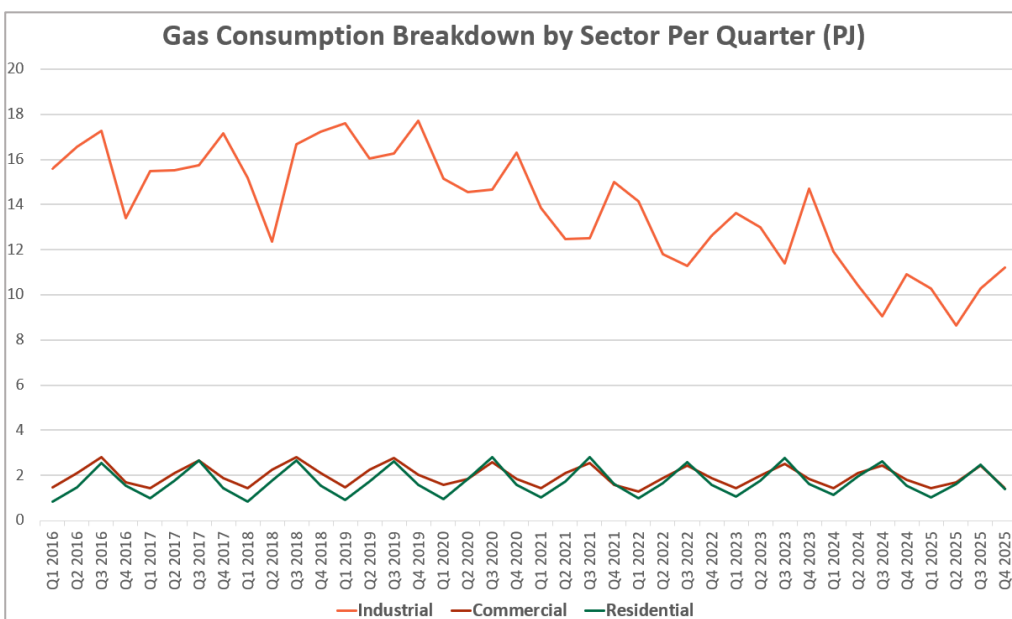
<sup>1</sup> [2026 Gas Supply and Demand Study](#)



## Gas consumption – industrial and commercial

Between Q1 2020 and Q1 2025, gas consumption by industrial consumers fell by 4.9 PJ, a decline of 32.2% due to the decline in gas supply and increasing prices. Without an increase in indigenous gas supply, we are likely to see industrial gas usage decline further.

Commercial gas use is cyclical and has remained relatively stable over the past 10 years, consuming an average of 2.0 PJ per quarter.

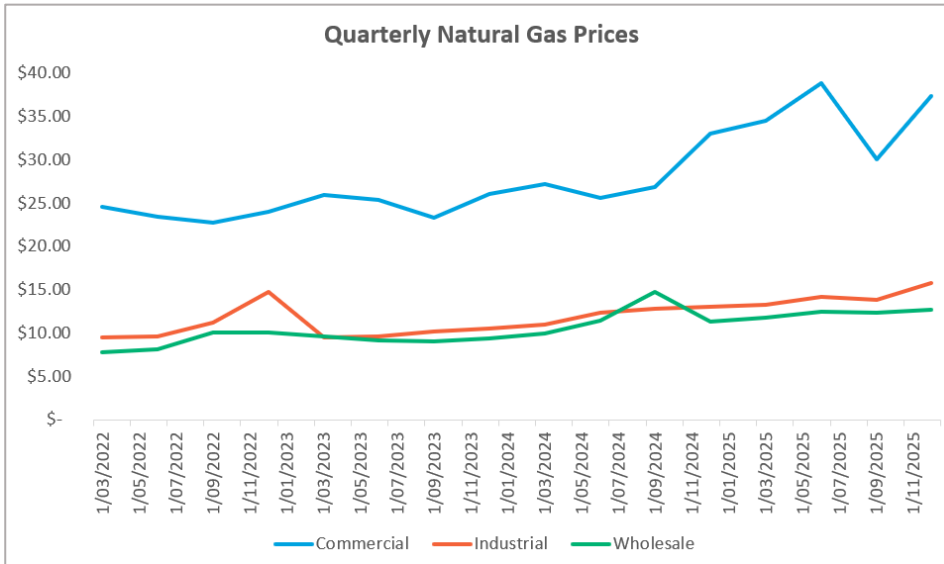


The graph above sources data from MBIE's Gas Statistics dataset<sup>2</sup>.

<sup>2</sup> Gas statistics | Ministry of Business, Innovation & Employment

## Gas prices

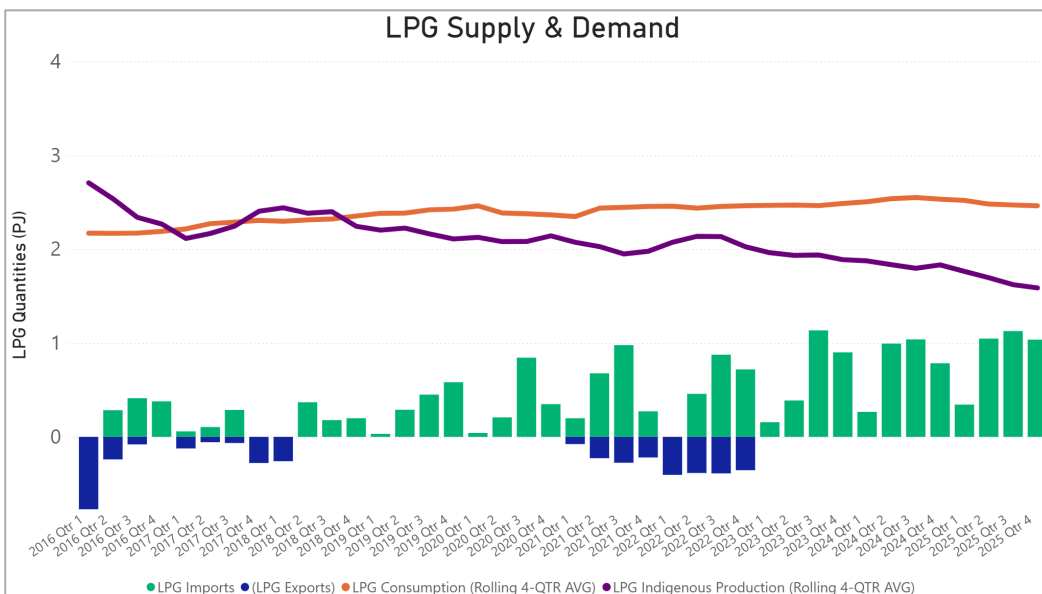
Around 95% of gas is traded via long-term bilateral contracts for wholesale and industrial consumers. Average commercial contract durations are shorter and are more impacted by current market conditions. Gas prices have increased over the past five years due to declining supply.



The Quarterly Natural Gas Prices graph above uses price data for Q4 2025 from MBIE's Energy Prices dataset<sup>3</sup>.

## Liquid Petroleum Gas (LPG)

As natural gas supply has declined, so too has indigenous LPG production, down 44.5% since 2016. LPG consumption has gradually increased (up 14.9% in 10 years), with imported LPG meeting the increased demand as well as demand from existing consumers that is not met by indigenous gas supplies.



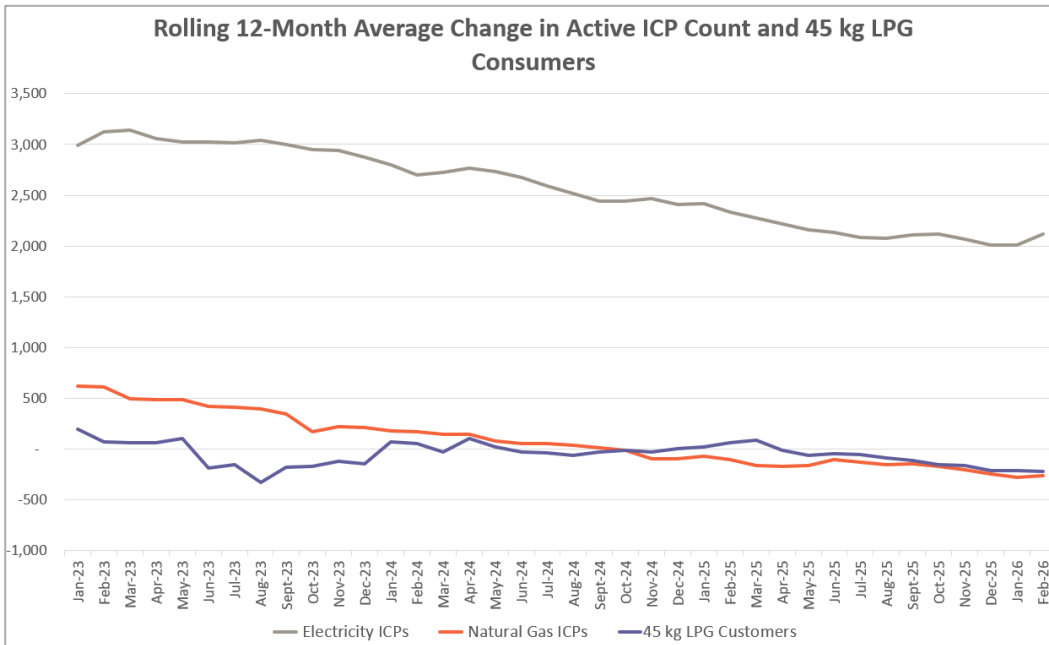
The LPG Supply & Demand graph above uses LPG figures MBIE Oil Statistics dataset<sup>4</sup>.

<sup>3</sup> [Energy Prices | Ministry of Business, Innovation & Employment](#)

<sup>4</sup> [Oil statistics | Ministry of Business, Innovation, and Employment](#)

## Consumer numbers

The number of LPG consumers decreased in Q4 2025 and again in Q1 2026. Both natural gas and electricity ICPs have continued the gradual decline that began in Q1 2023. These declines are likely due to the downturn in the residential construction sector and, in relation to natural gas, the impact of network owner requirements for capital contributions.



Electricity data in the above graph is sourced from EMI | EA data 'Growth in electricity connections'<sup>5</sup>.

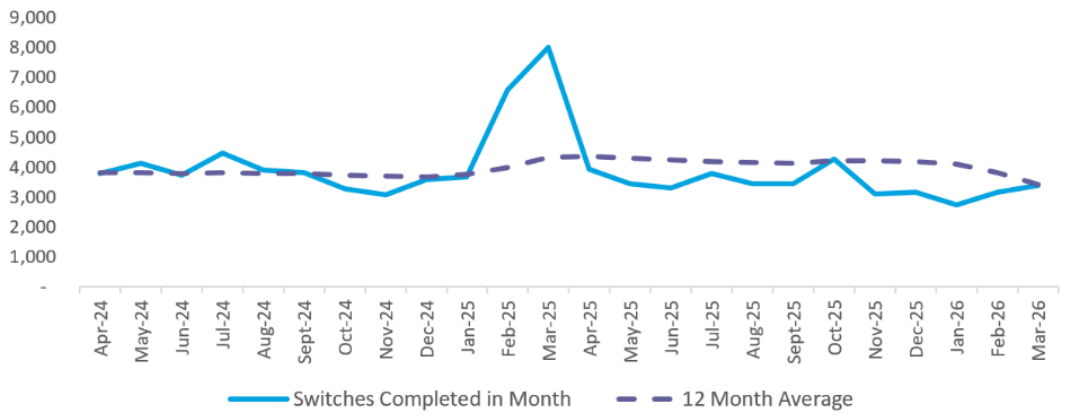
## Consumer switching

As shown in the graph below, consumer switching increased in Q1 2026 and is just below the 12-month average of 3,427. On average, switches were completed within two business days during the quarter. 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.

Switching rates spiked in early 2025 when Frank Energy left the retail market and consumers were switched to parent retailer, Genesis. We expect to see a similar spike in Q2 2026, as Nova has announced the closure of its subsidiary Megatel effective June 2026, with all consumers being switched to Nova.

<sup>5</sup> [EMI | EA data](#)

### Monthly Switching Activity - Past 24 Months



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

### 2026 Gas Supply and Demand study

The 2026 Gas Supply and Demand study was released on 12 March. The study, prepared by PwC, was presented at an online webinar for more than 80 participants and generated considerable media interest, which was largely positive.

The 2026 study considered two scenarios: one where the market relies on declining indigenous gas supply only, and a second where LNG is available to supplement domestic gas production.

It found that, in both scenarios, the indigenous gas market will contract significantly leading to deindustrialisation, but this is halved when LNG is introduced.

Under the first scenario, as indigenous supply continues to fall, consumers will face a rapid and potentially turbulent gas transition. Commercial and industrial businesses will need to switch to higher priced alternative energy sources or close operations, while gas-fired electricity generation will be forced to operate at constrained levels. The energy system will face increasing security of supply risks in dry years with the loss of flexible gas supply to support electricity generation. The potential for higher gas and electricity prices will lead to further industrial closures, and accelerated demand reduction.

Under the second scenario, importing LNG to supplement domestic gas could provide a scalable and responsive option to manage seasonal variability, and support electricity generation during dry years. LNG could also provide a viable economic option for other gas users (particularly those who have no ability to electrify) which could see its use extended beyond electricity security. LNG could help stabilise total gas supply and prices, and reduce the risk of abrupt industrial closures. It could also allow fuel-switching decisions to align with normal equipment replacement cycles and restore confidence in the market to support a more orderly transition. The amount of demand destruction halves when LNG is introduced.

The study projects that gas prices are materially lower when LNG is used to support indigenous gas supply than they would be without LNG. Contracts and hedging can be used to help manage risks associated with an international LNG market, whereas risks associated with declining indigenous gas production remain more difficult to mitigate.

The study showed that introducing LNG would not alter New Zealand's net zero ambitions, with the total gas supply falling below all of the Climate Change Commission's 2021 gas supply scenarios.

### Consumers, Costs and Fairness – Future Gas Availability

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 and 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. 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.

## Future of Infrastructure

Our FY2027 work programme identified the viability of gas networks as a strategic issue. We are undertaking an investigation on 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.

Following the release of our work programme, several stakeholders referenced the need for Gas Industry Co to work more closely with the Commerce Commission in relation to our proposed workstream. We have initiated discussions with Commission staff about this workstream and how we might work together to avoid duplication of effort.

## 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 over the design of the LNG Bill, to ensure any amendments potentially required to the Gas Act are captured and are preparing for further involvement as this work progresses.

## Biogas

At our meeting with Minister Watts on 3 December, we were asked to provide advice on what needs to be done to stand up a biogas market. Our advice is nearing completion and will be available when required by Minister Brown.

We have progressed our work to ensure that operational processes are fit for purpose to inject biomethane into networks and fair access to infrastructure is ensured, until we have clarity on the key priorities. An industry working group has been formed to provide specific advice on increasing biomethane production to address ministerial expectations for industry-led solutions.

## Maui/Methanex shut-down implications

We continue to support MBIE in preparing advice to you regarding the consequences to the electricity market following a Methanex/Maui exit.

We have commissioned the Critical Contingency Operator (CCO) to model the management of potential critical contingency scenarios where Methanex and Ballance are no longer available to stabilise the transmission system. The CCO's report will be used to inform consumers in higher curtailment bands about the potential risk that their business will be required to curtail earlier during a contingency event, so they can consider this when updating their risk management plans.

## Disconnections

We continue to engage with retailers and network owners regarding the industry's current approach to disconnection and decommissioning, with the intention of providing guidance for consumer advocates on the current approach.

We are currently preparing an educational resource for consumers that captures the differing processes of retailers and network owners. Pleasingly, those parties that we have spoken to appear to agree with our view that consumers should have an option as to whether they elect to disconnect or decommission.

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

## Gas market information

We are currently investigating opportunities to expand the information we make available through our regular reporting, our website and via consumer communications, to ensure the information available to us is used to its fullest extent. Our intention is to improve consumer education by sharing our insights on the state of the industry, referencing publicly available gas reserves and supply and demand data. Given our role in the industry, our commentary will not offer opinion but will be grounded in what we are seeing in the information we have access to.

## Gas governance

We are preparing a draft of changes to the Switching and Reconciliation Rules for stakeholder consultation in April, following Ministerial approval of our recommendation last year. These changes will make provision for advanced gas metering, daily allocations, and reconciliation of biomethane injections into downstream networks.

We are also working with the allocation agent and gas registry operator to assess the impact of the changes on industry systems and processes. Our intention is to get the draft rules to MBIE for review by the end of June 2026. MBIE will then submit the Rules for Ministerial approval.

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 CCM Regulation requirements

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).

MBIE's consultation on the amendments closed on 20 February 2026. We have since met with MBIE to discuss the submissions received and they will forward our feedback to the PCO.

## Industrial Gas Consumers

On 27 February, we met with members of the Major Gas Users Group and several industrial gas users online, to brief them on the 2026 Supply and Demand study and our FY2027 strategic

priorities. The meeting was extremely valuable, and a follow-up session took place on 1 April, when a delegation of 18 industrial gas users visited our offices.

A series of meetings is planned with regional gas users to develop the Consumers, Costs and Fairness – Future Gas Availability study.

## **FY2027 Work programme and Levy**

In March, we provided the FY2027-29 Statement of Intent for comment, and the FY2027 Levy Recommendation for Ministerial/Cabinet approval.

This followed the annual Co-regulatory Forum on the FY2027 Work Programme and Levy in November 2025 and industry consultation in January/February 2026.

The FY2027-29 Statement of Intent and FY2027 Levy Recommendation will take effect on 1 July 2026.