GREYMOUTH GAS

3 September 2026

Tim Kerr
Principal Adviser
Gas Industry Company Limited

Dear Tim,

Re: Greymouth feedback on Future of Gas Infrastructure workstream

Greymouth Gas New Zealand Limited ("Greymouth") supports GIC identifying, prioritising and addressing the major issues associated with the future of gas infrastructure and inviting feedback from interested parties.

GIC has framed this as a high-level workstream. Greymouth supports that approach. The greatest value will come from identifying the small number of core issues that most materially determine outcomes, making the associated risk-allocation choices explicit, and beginning to address them.

Greymouth has structured its feedback to address four core issues, the relevant allocation of risk, and where GIC leadership is required.

1. **Existing Infrastructure Cost Recovery**

- **Core issue 1: preventing the death spiral.**

The key challenge is how declining-demand risk is allocated as transmission and distribution costs are recovered from fewer consumers across lower volumes. Affordability concerns, stranded asset risk, investor confidence, tariff design and cross-subsidisation flow from this issue.

The problem is stark and warrants active leadership and sustained attention from GIC and government officials. The chart in the Appendix illustrates the arithmetic. On the assumptions, the indicative transport costs rise from approximately $6/GJ in 2027 to approximately $179/GJ by 2050. If regulated revenue remains broadly intact while 2P production reduces, the unit cost becomes untenable well before gas reserves are exhausted. The figures are not tariff forecasts; they demonstrate the systemic risk created by recovering a largely fixed revenue from a rapidly shrinking volume base. Absent intervention, the outcome is predictable. Customers disconnect, unit costs increase, additional customers disconnect, and the process repeats. Once established, that dynamic becomes impossible to reverse.

The existing regulatory cycle has not resolved this issue. GIC should elevate it with Ministers and establish a work programme focused on durable solutions rather than rolling forward existing settings. In Greymouth's submission, this is the most material issue facing gas consumers and gas infrastructure owners. It makes no sense that Ministers are progressing workstreams focused on achieving marginal efficiency gains in electricity distribution businesses while no equivalent programme exists for addressing the much larger allocative and productive efficiency issues emerging in gas pipeline businesses. Those issues will constrain economic growth.

The central risk-allocation question is which parties should bear declining-demand and unrecovered-cost risk, and in what proportions. Greymouth does not consider the starting position should be that those costs automatically fall on gas consumers or their proxies. It should not be overlooked that the network owners have recovered their capital costs many times over. The objective of this workstream should be to identify alternative approaches and the associated trade-offs for consumers, investors, network owners and government.

2. Future Infrastructure Expenditure

- **Core issue 2: providing an economic runway for gas.**

Greymouth considers the most material issue is not the efficiency of individual capex or opex decisions. Existing Commerce Commission processes scrutinise expenditure efficiency and prudence.

The fundamental question is whether energy and climate policy settings provide an economic runway for gas infrastructure to continue delivering value. The associated allocation-of-risk question is who bears the consequences if policy settings unnecessarily accelerate demand destruction, reduce throughput and strand assets. The chart in the Appendix shows why this cannot be separated from infrastructure cost recovery: shortening the production runway increases the transport burden on every remaining unit of gas. This debate is not remote and must be addressed before policy uncertainty drives the exit of gas producers and consumers.

In Greymouth's submission, GIC has the key advocacy and facilitation role in this discussion and should not shy away from it. Recent reporting suggests that an ETS review may be prioritised by a future government, reinforcing that these issues need to be addressed within the near term. The policy debate is live. It underscores the need for stable, well-signalled settings that allow participants time to prepare. Decisions regarding emissions budgets, ETS design, the treatment of forestry and agriculture, and climate policy will have a greater impact on gas infrastructure expenditures than debates about individual expenditure line-items.

GIC's statutory role is not limited to administration of existing arrangements. The future role of gas will materially affect consumers, infrastructure owners, industrial users and the economy. Accordingly, Greymouth considers GIC must facilitate discussion and advocate for a balanced consideration of gas within wider energy and climate policy settings.

Gas has made a substantial contribution to emissions reduction, through reduced domestic supply and associated demand destruction rather than direct regulatory intervention.

Greymouth would be concerned if the industry's economic runway is to be further eroded because policymakers choose to allocate a larger proportion of New Zealand's remaining emissions budget to sectors that have delivered fewer emissions reductions, or because emissions reductions are disproportionately sought from sectors covered by the ETS.

That is an allocation-of-risk question. GIC should be willing to facilitate and discuss whether the burden of future emissions reductions is being allocated efficiently, fairly and consistently across sectors, and whether policy choices are in fact transferring infrastructure and security-of-supply costs to gas consumers and their proxies.

3. Disconnection and Decommissioning

- **Core issue 3: establishing a simple and fair consumer exit pathway that does not over-burden retailers.**

When a consumer at an ICP no longer wishes to use gas, the focus should be on simple processes, clear responsibilities (having regard to PCBU obligations), proportionate charges, and the removal of unnecessary barriers to customer choice.

The allocation-of-risk question is whether disconnecting consumers should be expected to fund work beyond what is necessary to close out their connection. Greymouth considers ICP decommissioning should require no more than removal of the meter and associated administrative updates. A consumer's decision to cease taking gas should not automatically trigger obligations to remove or decommission service lines, nor should it be used as a mechanism to recover future network decommissioning costs.

Service lines form part of the regulated network and are distinct from the ICP itself. Property owners and network companies may agree separate arrangements in respect of service lines, but those issues should not be conflated with ICP disconnection. It is unclear what process or obligations apply where a property owner wishes to permanently decommission a service line.

GIC should focus on establishing a simple, transparent and efficient pathway for ICP disconnection, including clear delineation of responsibilities between consumers, retailers and network owners. Particular attention should be given to ensuring retailers are not burdened with responsibilities that sit with network owners or other parties. This issue should be addressed before broader network decommissioning questions, as it concerns the more immediate issues of customer choice and market participation, whereas the other concerns the future of physical network assets.

- **Core issue 4: establishing a long-term framework for decommissioning gas infrastructure.**

Gas infrastructure should continue operating while it provides economic value to consumers and the wider energy system. The challenge is ensuring there is sufficient time to develop an orderly, durable and well-understood pathway for decommissioning.

In Greymouth's view, the principal issue is not immediate cost allocation, but the absence of a long-term planning and policy framework. Decisions regarding decommissioning are likely to require coordination between gas governance arrangements, safety regulation, environmental requirements, property rights, and the regulated pipeline framework administered by the Commerce Commission. The framework should define what constitutes decommissioning, what standards apply, and under what circumstances assets should be removed, isolated or left in place.

The allocation-of-risk issue is whether decommissioning costs and liabilities should sit with consumers, infrastructure owners, investors, taxpayers, or be shared between those groups. Greymouth does not consider it should be assumed at the outset that such costs are borne exclusively by consumers.

As a starting position, the current regulated pipeline framework was not established on the basis that consumers would fund future industry-wide decommissioning. Consumers have paid for the construction, operation, maintenance and replacement of infrastructure through regulated charges. They have not historically been charged for the retirement of an industry in structural decline, nor has the DPP framework systematically collected funding for that purpose.

The starting position for this workstream should be that decommissioning liabilities are presently unallocated rather than consumer allocated. The burden of proof should sit with those arguing consumers ought to bear those costs, not with consumers arguing they should not. Any proposal to allocate decommissioning liabilities to consumers must be justified as a matter of policy and risk allocation, rather than assumed as a continuation of existing regulatory arrangements.

Given the scale and complexity of these issues, Greymouth considers decommissioning should be approached as a long-term planning and policy exercise rather than an immediate cost-recovery exercise. Decisions regarding decommissioning will require coordination between gas governance arrangements, the regulated pipeline framework, safety regulation, environmental requirements, property rights and wider government policy. The priority for GIC is to initiate that discussion and develop a framework that can evolve over time alongside existing regulatory arrangements.

In Greymouth's submission, success for this workstream would be a roadmap identifying the policy, regulatory and legislative work required before the payment burden issue can be answered.

The framework should be robust to insolvency and premature market exit. Any decommissioning regime must contemplate circumstances where an infrastructure owner is unable or unwilling to discharge its obligations, and how responsibilities would be managed in those situations.

Conclusion

Greymouth is concerned that there is a risk this workstream becomes a report about a series of siloed issues rather than a programme of work focused on resolving them.

The issues identified above are strongly interconnected. The chart in the Appendix makes that interdependence visible: policy settings affect production and throughput; throughput affects transport cost recovery; transport costs affect consumer exit; and accelerated exit brings decommissioning questions forward. These matters must be treated as a system rather than allocated to separate regulatory silos.

In Greymouth's submission, GIC must take ownership of the issues. This means translating this workstream into GIC's work programme, convening the Commerce Commission, MBIE and relevant agencies where responsibilities intersect, and advocating where policy settings negatively impact gas consumers and infrastructure. The future role of gas, declining-demand risk, consumer transition issues and long-term decommissioning frameworks are all areas where GIC must lead.

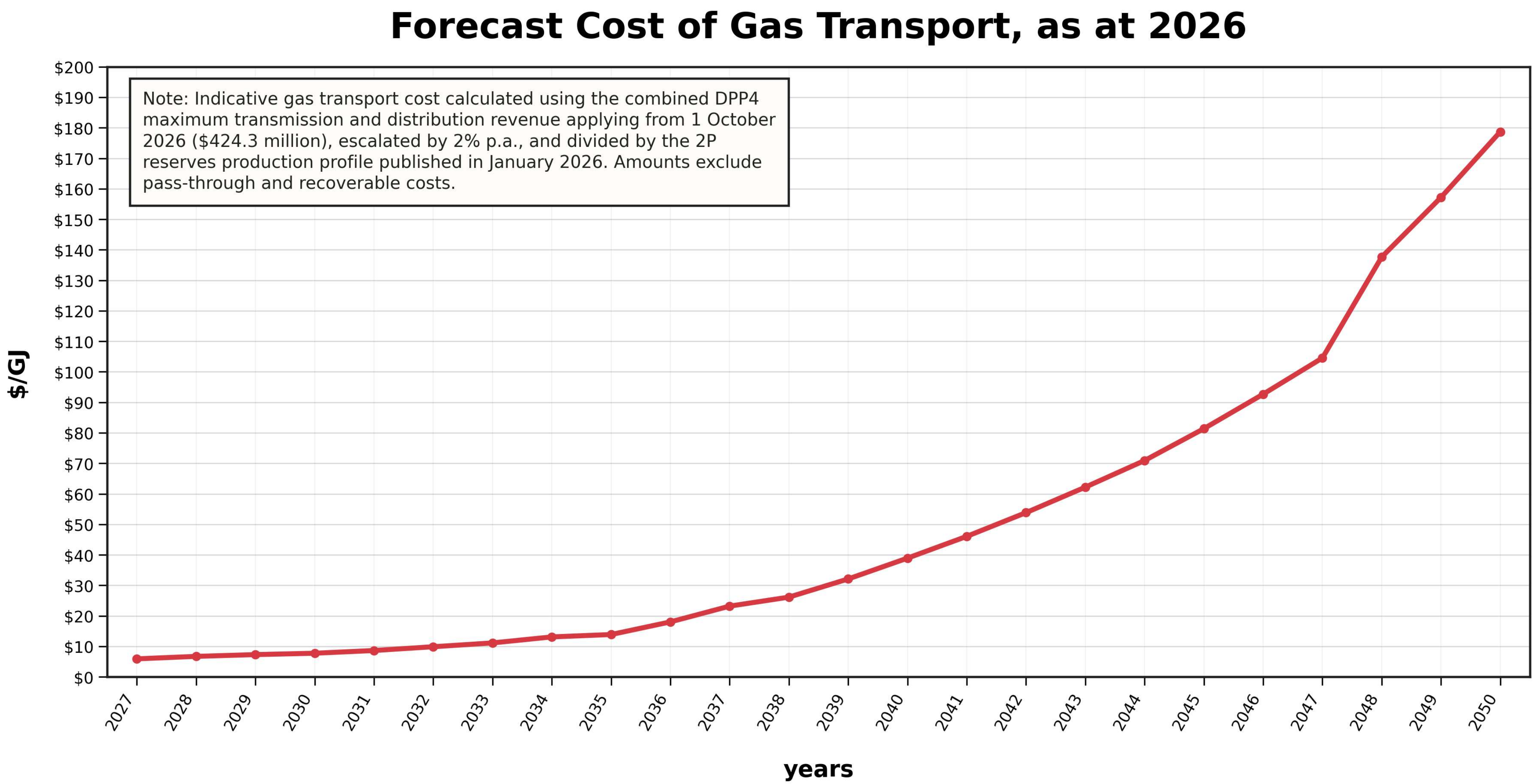
This requires discipline. GIC must be prepared to stop, defer or narrow lower-value work that adds no practical benefit so that resources can be directed to the structural issues that determine outcomes.

These issues must be addressed with urgency.

Yours sincerely

Chris Boxall

Chris Boxall
Commercial Manager


Forecast Cost of Gas Transport, as at 2026
Note: Indicative gas transport cost calculated using the combined DPP4 maximum transmission and distribution revenue applying from 1 October 2026 ($424.3 million), escalated by 2% p.a., and divided by the 2P reserves production profile published in January 2026. Amounts exclude pass-through and recoverable costs.
$/GJ
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$90
$100
$110
$120
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