Quarterly Report

June 2025

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

We are the industry co-regulator, working with industry and government for safe, efficient, reliable, fair, and sustainable gas delivery.

The Government Policy Statement on Gas Governance requires us to report quarterly to the Minister for Energy on our progress towards meeting the Government's objectives and outcomes for the gas industry and any ministerial requests that may arise from time to time. This quarterly report is provided to meet that requirement.

This update reports on activities for the second quarter of 2025.

Contents

Gas today

Gas market stress has eased in the past month or so, as winter rain replenished the hydro lakes. With energy storage volumes across water and coal stronger, some gas has been released to industrial consumers, and a backlog of longer-term contracts has been renewed.

Some industrials report being unable to meet the new price levels. Oji paper's Kinleith paper plant closed at the end of June. We are expecting further industrial closures as customers are not able to take on higher prices. In addition, some retailers continue to actively reduce customers by not renewing contracts to customers, in a gas allocation decision.

Peak winter capacity margins remain a specific risk for next year, and contracts to make more gas available if needed for winter flexibility are not in place.

Drilling results at Turangi and Mangahewa will bring incremental extra gas supply to market Greymouth Petroleum and Contact have signed a seven-year gas sale agreement for the delivery of 7PJ from 1 October 2025.

In June, the Ministry for Business, Innovation and Employment (MBIE) updated New Zealand's gas reserves, as of 1 January 2025. 2P reserves (volumes expected to be produced at the 50% confidence level) were reduced from 1300PJ to 948PJ. Some volumes were reclassified as contingent resources (volumes that won't be produced unless something economic or technical changes).

Updated supply projections below show a continued reduction in the production outlook. The volumes shown rebase the outlook to actual production volumes recorded since the authoritative MBIE reserves update was produced. Output from gas fields is continuing to decline faster than previously expected.

Gas industry data insights

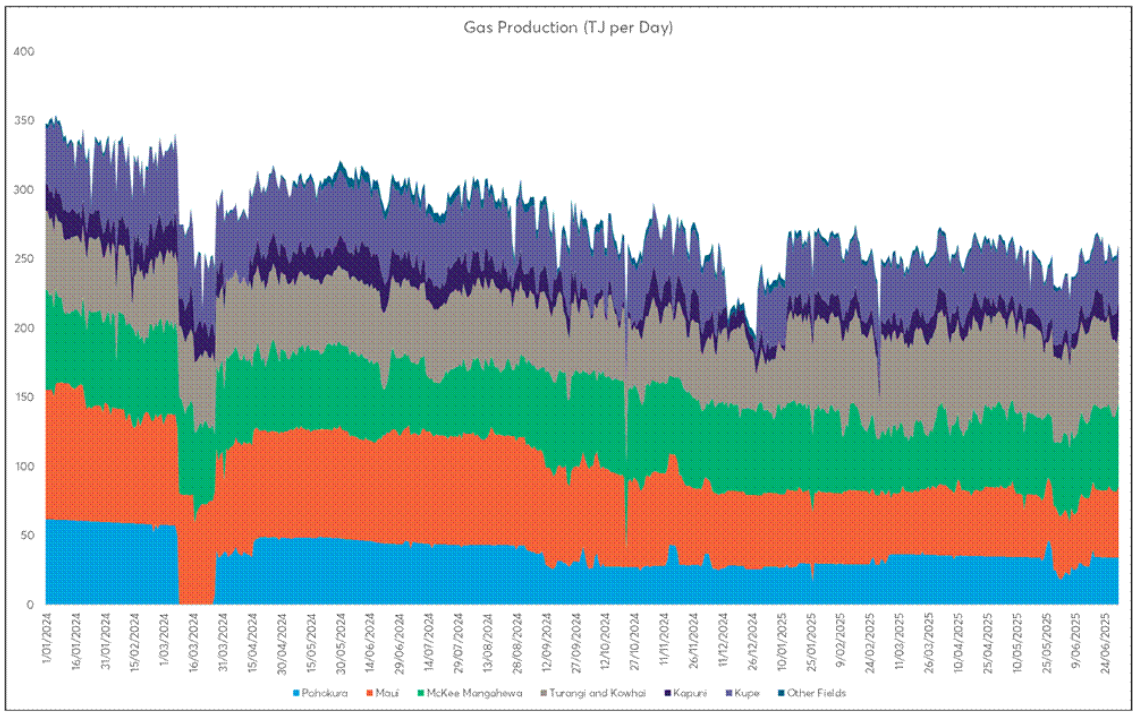
Production

Total field production volume in Q2 2025 was up 0.9% to 23.05PJ on the previous quarter, but down 16.5% on the same quarter in 2024.

For the full 2024 calendar year, total gas production into open access pipelines decreased from 136PJ to 106PJ on the year before. In the past four quarters (1 July 2024 to 30 June 2025), total gas production was 95PJ.

Average daily field production volumes were down by 50TJ/day compared to Q2 2024 (roughly equivalent to the current average output of one field).

These figures exclude gas transmitted through private pipeline.



Supply Projections

The Gas Supply Projections graph below has been updated with MBIE's latest petroleum reserves data, published in July 2025[1]. The MBIE reserves data is provided with a standard '2P' 50% probability that ultimate volumes will be greater or less than stated. (1P and 1C reserves data is also available on the MBIE website).

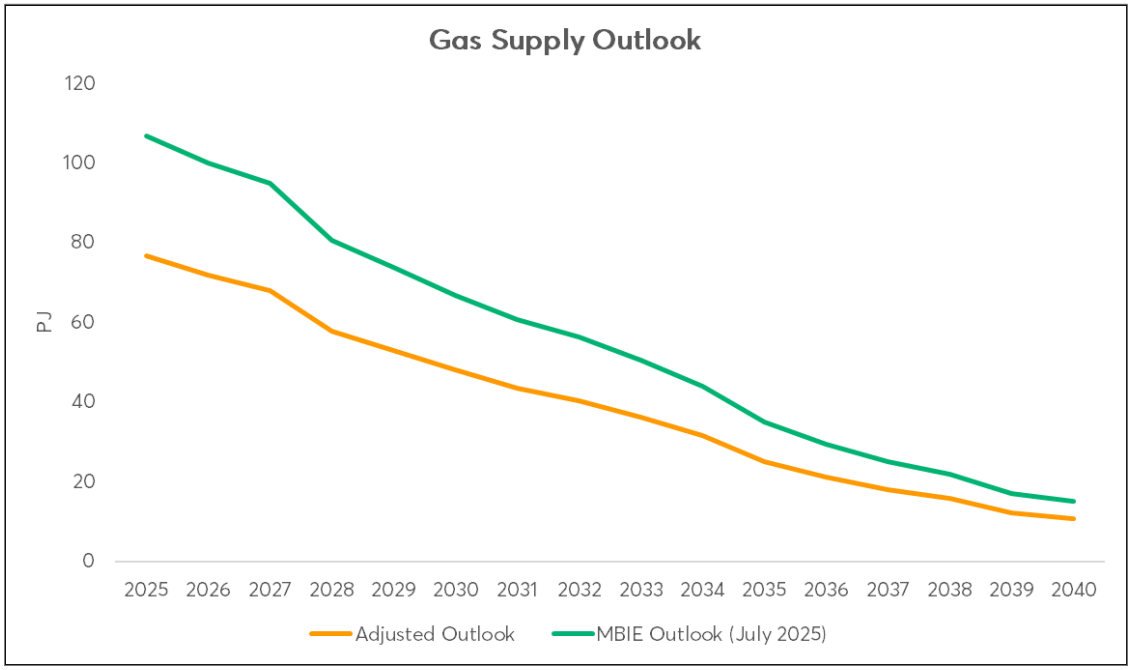
The Gas Supply Projections graph below re-produces the projection based on actual gas production to date and assumes current patterns continue. Two projections across all fields to 2040 are shown:

- the original projection (green line), based on 2024 data, and
- the adjusted projection (orange line), which incorporates actual 2025 data.

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

The difference between the two lines demonstrates the variance between initial estimates and observed results and depicts projections if this variance persists through the projection period.

The significantly reduced production shown by the orange line is due to production persistently not meeting the expected output. This highlights faster than expected rate of reserves decline.

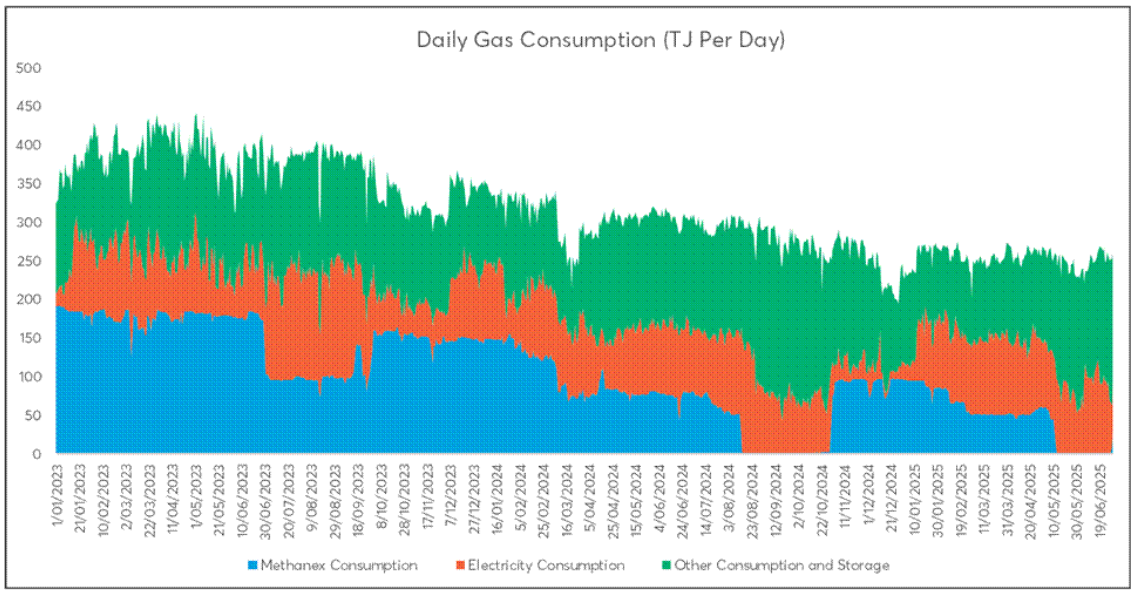


Gas consumption

	Methanex Consumption					Electricity Consumption					
	2023	2024	2025	% Change 2023 vs 2024	% Change 2024 vs 2025		2023	2024	2025	% Change 2023 vs 2024	% Change 2024 vs 2025
Q1	16.04	11.23	6.41	-30.0%	-42.9%	**Q1**	7.41	7.59	7.36	2.3%	-3.0%
Q2	16.35	7.19	2.26	-56.1%	-68.6%	**Q2**	6.32	7.46	8.21	18.1%	10.5%
Q3	9.27	2.97		-67.9%		**Q3**	12.10	8.49		-29.8%	
Q4	13.86	5.64		-59.3%		**Q4**	5.26	3.51		-33.2%	

In 2024 and the first two quarters of 2025, Methanex's gas consumption was substantially impacted by the reduction in Methanol production which made gas available for electricity generation.

Prior to Q3 2023, the consumption of gas for electricity generation had not exceeded Methanex's consumption in any quarter over the previous decade.



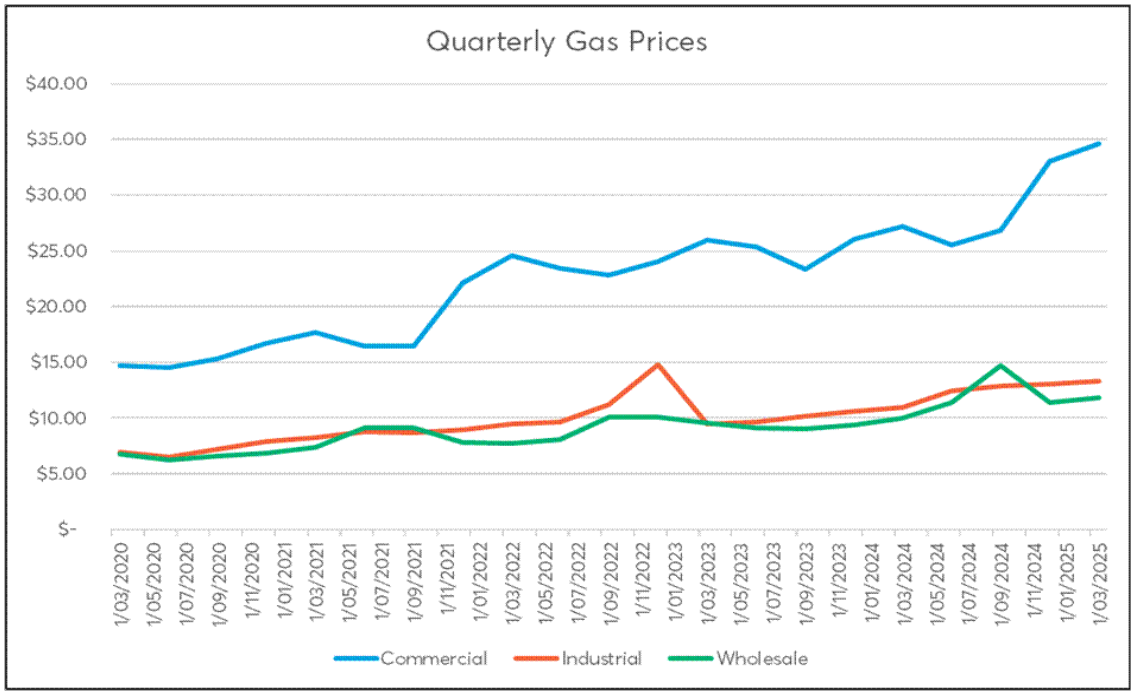
Commercial and industrial prices have increased over the past year

The following price data, for Q3 2023, has been collected from MBIE's Energy Prices dataset[2] and is reported with a one-quarter lag.

Commercial, industrial and wholesale prices continued an upward trend in Q1 2025.

Around 95% of gas is traded using long-term bilateral contracts. Average commercial contract durations are shorter and are more likely to be affected by current market conditions.

Prices exclude GST, as these sectors can either claim back GST or are exempt.



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

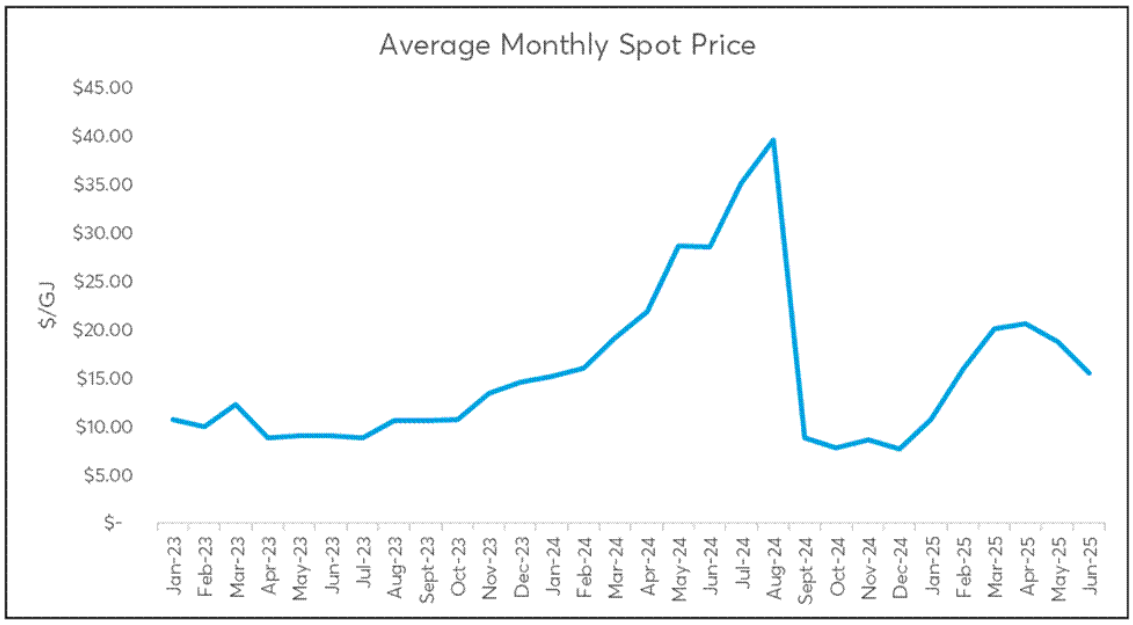
Monthly spot prices

The monthly gas spot price delivered via emsTradepoint, including daily trades and forward prices, is illustrated in the Average Monthly Spot Price graph below.

In 2024, 4.95PJ, (4.6%) of total natural gas production was traded on emsTradepoint (excluding private pipeline sales).

The graph shows that spot market prices decreased during Q2 2025, due to increased hydro inflows, which reduced demand for gas for power generation, leading to a decrease in the price of gas.

Prices exclude GST but include carbon costs.

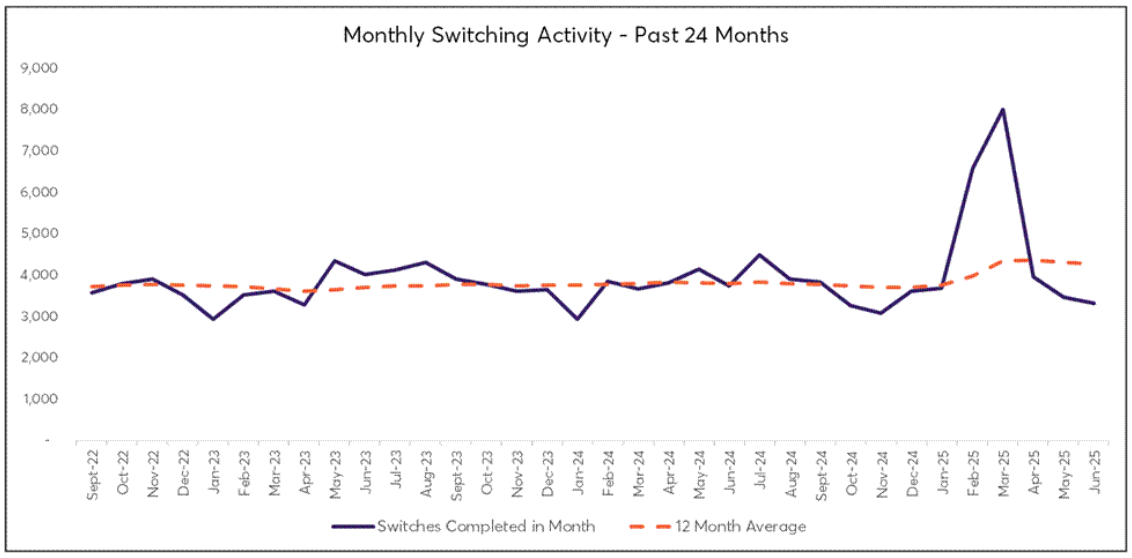


Consumer switching

Over the past 12 months (1 July 24 to 30 June 25) an average of 4258 switches were completed per month. This translates to an annual rate of switching (churn rate) of around 15%. Switching rates spiked in late 2024 and early 2025 due to Frank Energy leaving the retail market and switching customers over to parent retailer, Genesis.

On average, switches are completed within three business days.

	April	May	June
2025	2989	2397	2330
2024	2677	2685	2569



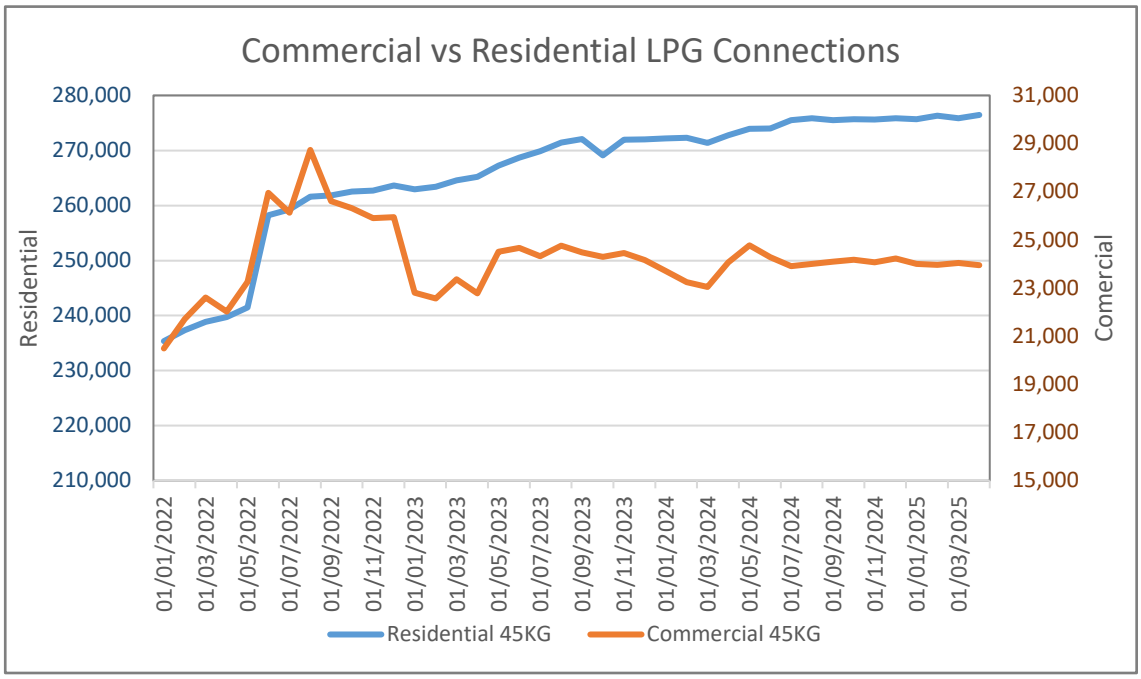
Liquid Petroleum Gas (LPG)

This new section examines emerging trends in the LPG market (45kg bottle), including whether there is substitution occurring between natural gas and LPG. This may show in the graph as increase in the growth rate of LPG connections.

The graph below shows:

- Residential LPG connections showed steady growth over the past few years.
- Commercial LPG connections trend has been relatively stable.

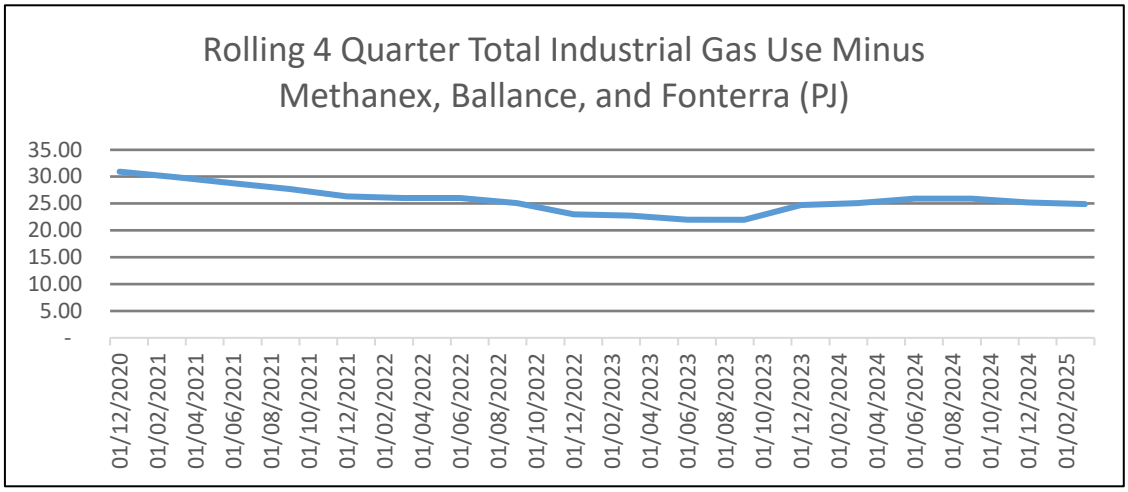
An indicated increase in mid-2022 was due to a data collection change, where direct wholesale customer figures were expanded to include retailers and franchisees, capturing all 45KG customers.



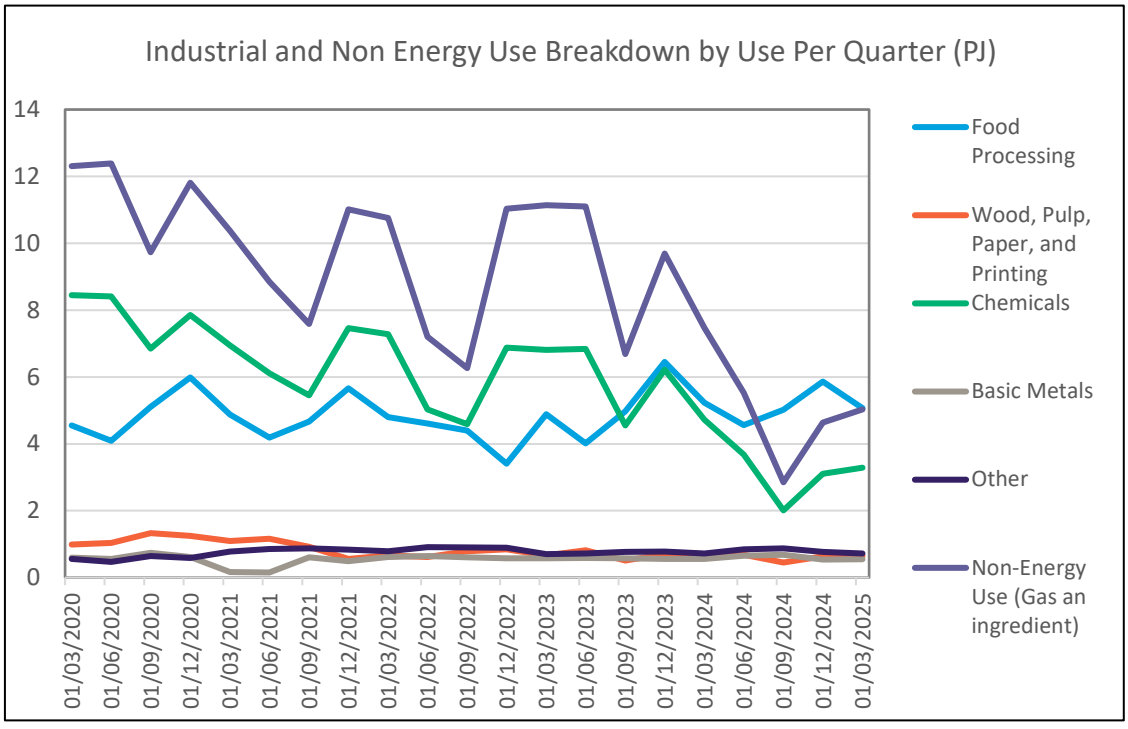
Industrial Gas Use

The Rolling 4 Quarter graph below shows quarterly gas consumption for small to medium industrial gas users had declined from 30.94PJ in 2020 to 22.99PJ by early 2023. Since then, consumption for these gas users appears to have stabilised at around 25PJ.

The graph below uses data derived from MBIE's gas statistics[3], supplemented with OATIS (Open Access Transmission Information System) data for Methanex, Ballance, and Fonterra. This information is not precise because MBIE's data sources are confidential and OATIS does not include private pipeline consumption.



The Industrial and non-energy graph below shows the sectoral breakdown of industrial gas use. We do not know what categories Ballance, Methanex and Fonterra have been included in, and in what proportion. However, it is likely Methanex and Balance account for most of the 'non-energy use and will contribute to "Chemicals", and Fonterra is likely captured in the "Food Processing" category.



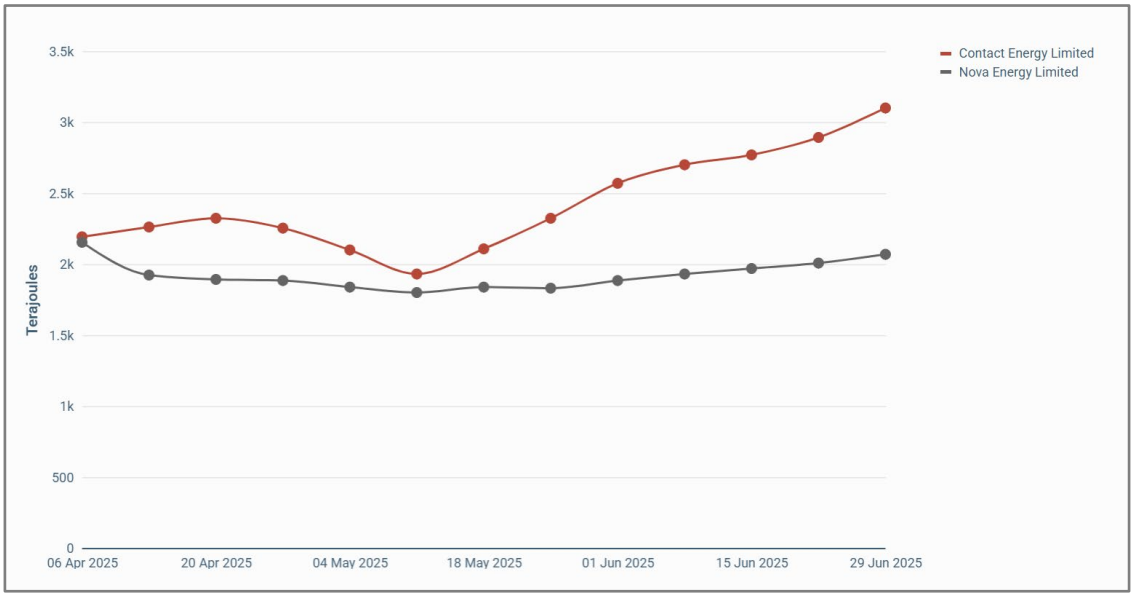
The graph above uses information sourced from MBIE gas consumption data[3].

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

Thermal fuel information

The Electricity Authority has introduced a thermal fuels dashboard which looks at the different types of thermal fuel (gas, stored gas, solid fuel and diesel) available to support the New Zealand power system[4].

Stored gas



[4] Thermal fuel information | Electricity Authority

Our work in progress

Unaccounted for gas

Unaccounted for gas (UFG) is the difference between the volume of gas injected at a gas gate and the volume of customer consumption submitted by retailers to the allocation agent. The difference, UFG, is a cost that is worn by all participants connected to each gas gate.

UFG can arise from metering inaccuracies, unauthorised consumption (ie. theft), and data-handling errors.

Between 2020 and June 2022, annual UFG in New Zealand rose from 1.0% to 1.7%, an increase of around 220,000GJ or $1.7 million per year. While this represented a significant increase, even at its peak, this level remained within normal ranges internationally.

Since we initially reported our concern at this increase in UFG, we have carried out the following work to better understand the situation and front foot any potential issues. We:

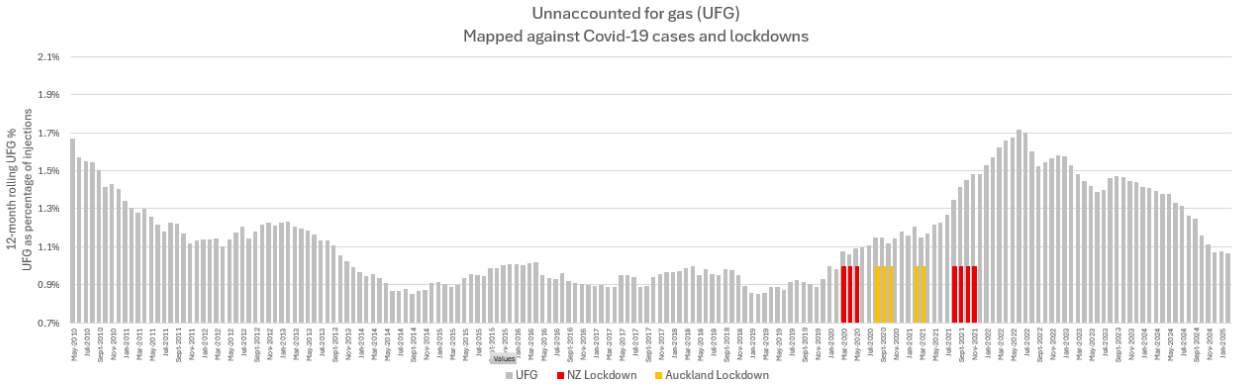
- Completed an in-depth investigation of one participant whose meter read frequency was non-compliant. This investigation found there was no material contribution to UFG, however the participant is now obtaining more frequent meter reads.
- Closely reviewed past audit reports for non-compliance with potential impacts on UFG. A review of alleged breaches from the previous audit cycle did not raise material concerns.
- Advised participants and auditors that we will be investigating alleged breaches linked to UFG identified through the audit programme. We found one material alleged breach in the current audit cycle, but it was an isolated incident and did not explain the increase in UFG across the transmission system.
- Set up systems and processes to proactively monitor UFG at individual gas gates. Although we had previously monitored UFG, this new work has identified minor cases which were then captured in the washup process.

Although these activities helped to mitigate isolated cases of UFG, we found no single large material driver for the increase in UFG across the transmission system.

Informal industry feedback suggests a key driver for the increase in UFG between 2020 and mid-2022 was the Covid-19 pandemic. During this time, lockdowns and movement restrictions disrupted regular meter readings resulting in a negative impact on the estimation algorithms used by retailers to generate their customer consumption submissions. The cumulative impact of these issues across all retailers may have resulted in an increase in UFG recorded during this period.

Since the Covid-19 peak, it has taken two years for UFG to return to normal levels. This could be explained as one year to return to regular reads, and a second year for retailer systems and processes to normalised updated data.

The graph below demonstrates increased UFG over the Covid-19 period, and the time lag from the peak of Covid-19 cases to when UFG returns to more normal levels in December 2024.



If the impact of Covid-19 movement restrictions was the reason for the increase in UFG over this period, we believe that such an increase is unlikely to occur again.

Developments in gas metering will help to mitigate future risk including a new rule requiring telemetry for customers using more than 20TJ of gas, and the installation of new, advanced gas meters that send electronic readings, at homes and small businesses.

We will continue to monitor UFG using our tracking tools and investigate possible problems or alleged UFG related breaches.

2025 levy now in force and Statement of Intent on our website.

The FY2026 levy came into force on 1 July 2025, and the Levy and Statement of Intent 2026-2028 is now 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 2025 Levy comprises:

- The retail levy of $4.90/ICP is down from $6.53/ICP in FY2025, a decrease of 25.02%.
- The wholesale levy of 1.7158 cents per gigajoule is up from 1.5952 cents per gigajoule in FY2025. The increase of 7.56% was driven by a 110PJ draft gas volume assumption (down from 150PJ in FY2025).

The Gas (Levy of Industry Participants) Regulations 2025

Retail Gas Contracts Oversight Scheme – review concludes no changes are needed

Our review of the voluntary Retail Gas Contracts Oversight Scheme (Scheme) benchmarks and Reasonable Consumer Expectations has concluded that no changes are needed at this time. Our decision was informed by the three submissions received through our consultation process, the last assessment report, feedback from the Independent Reviewer, and insights from previous assessments.

Unless anything consequential arises from our review of the gas Consumer Care Guidelines, we do not propose to make any changes to the benchmarks and Reasonable Consumer Expectations.

Outage Information Disclosure – Annual compliance assessment finds no unexplained discrepancies

We have completed our assessment of gas production forecasts and compliance with the Gas (Facilities Outage Information Disclosure) Rules 2022. These rules facilitate transparent disclosure of information regarding planned or unplanned outages at gas production or storage facilities.

Our review of 12-month production forecasts for the period April 24 - March 25, compared with actual production and reported outages, focused on drops of 20 terajoules (TJ) or more in actual production versus forecasts. We found no unexplained discrepancies in actual production compared to the forecast data provided for the period.

Biomethane

We continue to work on existing workstreams and to initiate activities to enable and encourage the use of biomethane as a supplement to natural gas. This includes consulting with industry and other stakeholders to kick-start the uptake of biomethane production, focusing in particular on potentially economic feedstock available from wastewater treatment plants and landfills in urban areas. We are investigating voluntary or mandatory blending in the gas networks, the facilitation of trading renewable gas certificates, and investigating the option to underwrite production investment through long term supply contracts with larger users.

Our work programme includes:

- Updating gas governance rules to facilitate the use of biomethane on distribution networks,
- Developing a voluntary framework to support the credibility of biogas certification schemes,
- Establishing a monitoring system to track the uptake and use of biogas (in conjunction with the Bio Energy Association), and
- Undertaking targeted consultation with the gas sector on options to accelerate and increase biogas demand.

We are also participating (with MBIE) in a sub-working group for renewable gases set up by the Gas Pipeline Businesses. The current scope includes technical aspects such as gas standards, connection cost allocation/recovery, and production facility location identification.

Revised Consumer Care guidelines

Gas Industry Co published consumer care guidelines for gas retailers in August 2022. These guidelines provide for gas retailers to assist medically dependent and vulnerable gas consumers and align the gas industry's processes with the electricity market consumer care guidelines that resulted from the 2019 Electricity Price Review.

On 1 January 2025, the Electricity Authority (EA) issued updated electricity market consumer care obligations, by amendment to the Electricity Industry Participation Code (Code). These electricity market consumer care obligations are now mandatory to ensure consistent care and protection for all residential electricity consumers.

Given the similarities and links between the electricity and gas markets, and Gas Industry Co's policy objective "to ensure that gas is delivered to existing and new customers in a safe, efficient, fair, reliable and environmentally sustainable manner", Gas Industry Co has decided to update its consumer care guidelines for gas retailers, to align these with the new Code provisions.

We are currently drafting a revised set of gas consumer care guidelines to ensure that the guidelines are aligned with the electricity consumer care obligations and expect to release a consultation paper in August.

Gas information Exchange Protocol consultation

Information relating to gas connections and gas consumption is routinely exchanged between gas market participants. Specifying and standardising the format for information exchange creates efficiencies and allows participants to automate the production, transmission and receipt of such information.

In May, we consulted on the review of existing gas information exchange protocols and the possible introduction of new ones. Some of the proposed protocols addressed recent developments in the gas industry: Advanced Gas Meters, Gas Consumer Care Guidelines, and the Use of System Agreements between distributors and retailers. Other proposed protocols were based on areas where additional Electricity Information Exchange Protocols have been developed. Adopting similar protocols in the gas industry could improve the efficiency of gas industry processes.

The consultation closed on Friday 13 June, and we received formal and informal feedback from Contact Energy, Genesis, Mercury, Powerco and Bluecurrent.

We have now considered the submissions received and these will be summarised for release in late July or early August. This summary will include our direct response to questions raised and initial thoughts regarding which protocols to develop, which to retain as they are, and which to amend.

Critical Contingency Operator – annual exercise completed

This year's annual Critical Contingency Operator (CCO) exercise (Exercise Tukurua) took place on 21 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 Tukurua simulated a regional event where damage by a third party 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. It concluded that Firstgas and retailers have established applicable processes and procedures for responding to critical contingency events, in accordance with the regulations.

The report provided 13 recommendations to enhance the efficiency of the processes and procedures to support the current framework. Gas Industry Co will support the implementation of these recommendations.

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

Chief Executive Andrew Knight to leave Gas Industry Co

In May, Gas Industry Co Chief Executive, Andrew Knight, announced that he had accepted a position outside the industry and will leave Gas Industry Co in September.

Andrew has been the Chief Executive since March 2018 and previously served on the Board between 2012 and 2016. He has led Gas Industry Co through a period of unprecedented change and earned considerable respect and confidence across the energy industry and with co-regulators. We will be sorry to see him leave but fully understand his enthusiasm to return to leading a business

A Board subcommittee has been convened to lead a recruitment process for the Chief Executive vacancy.

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

About us

Gas Industry Co is the industry body that co-regulates gas, so New Zealanders enjoy safe, efficient, fair, reliable, and environmentally sustainable gas delivery.

We work closely with industry and regulatory agencies to develop arrangements and regulations. We provide data and trusted advice to industry and government.

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