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# Quarterly Report

## March 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 first quarter of 2025.](#)

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# Gas today

Average spot gas prices rose sharply in the first quarter of the year.

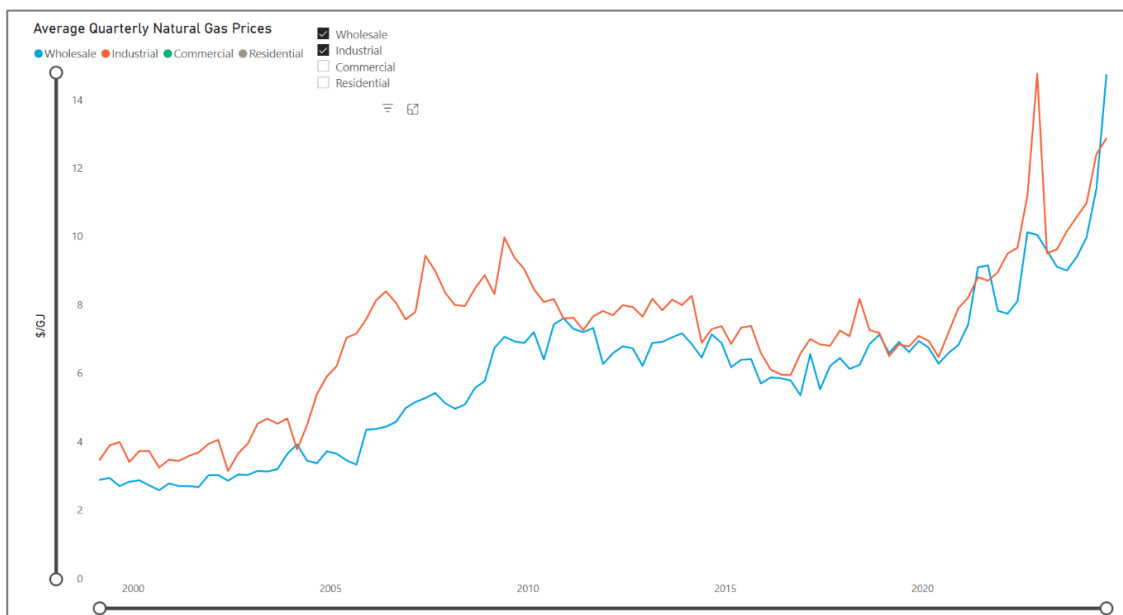
With more demand for gas than supply, markets are allocating gas to contracted consumers. Consumers with contracts expiring are either not being offered new contracts or are being offered contracts at significantly higher prices.

Prices have risen because of both supply and demand issues.

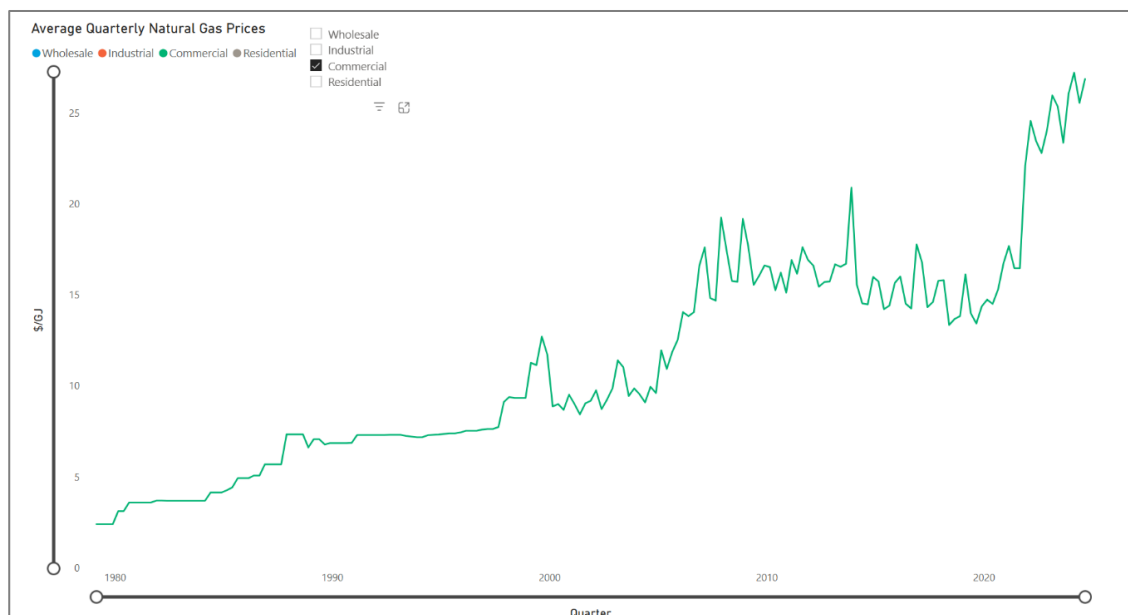
Gas production declined compared to last year as mature fields underperformed expectations, while a sharp decline in exploration and development activity over recent years has resulted in too little new gas entering the market to replace diminishing production.

The lakes used to store water are at very low levels for the time of year. Hydro storage for the generation of electricity is being priced for the risk that lakes remain low, which leads to a greater use of gas as a substitute.

Average Quarterly Natural Gas Prices – Wholesale and Industrial



## Average Quarterly Natural Gas Prices – Commercial



Demand for gas used to generate electricity at around 7.4PJ in this quarter is similar to the 7.6PJ for the same time last year, but this demand comprises a higher proportion than in the past.

A drilling programme now underway at Mangahewa is the first in that field since 2022. It will be important for re-validating the long-term development prospectivity of the field.

The industry supply outlook released by Enerlytica in April reported that "Optimism remains high that the new deep interval identified at Turangi will bring substantive new deliverability to the sector, however the extent of that increase remains unclear," after Greymouth Petroleum drilled three wells in the block during 2024. Enerlytica predicted 12-18 development wells could be planned for the Turangi field between 2025 and 2030, with each capable of adding 3-5TJ/day. "If drilling success continues, above-ground handling capacity could become constrained, requiring investment in gas plant expansion/debottlenecking," it said.

Energy volumes are insufficient for this year. There is enough gas for each of industrial and commercial consumers and petrochemical production, but there is insufficient to supply all of these sectors at past levels of consumption. While a larger proportion of gas is consumed to generate electricity, we expect to see industrial customers being offered unsustainable prices this year or, in some cases, not receiving responses to tenders.

Sufficient volumes of gas are available to meet residential demand. In line with our work programme, Gas Industry Co is analysing models for addressing constrained gas supply and is assessing consumer preferences and the effects of changes in the market to consumers.

A demand response agreement has now been announced for electricity generators to buy gas from Methanex to help cover demand over winter. The agreement will begin immediately and run for eight weeks.

Gas Industry Co welcomes the announcement of the demand response agreement.

Gas Industry Co has previously highlighted the lack of a multi-year arrangement between Methanex and generators to address the supply/demand challenge as leading to greater price volatility and energy uncertainty. We recognise parties need to be commercially rational. However, we believe the industry and consumers would benefit from a multi-year arrangement being established.

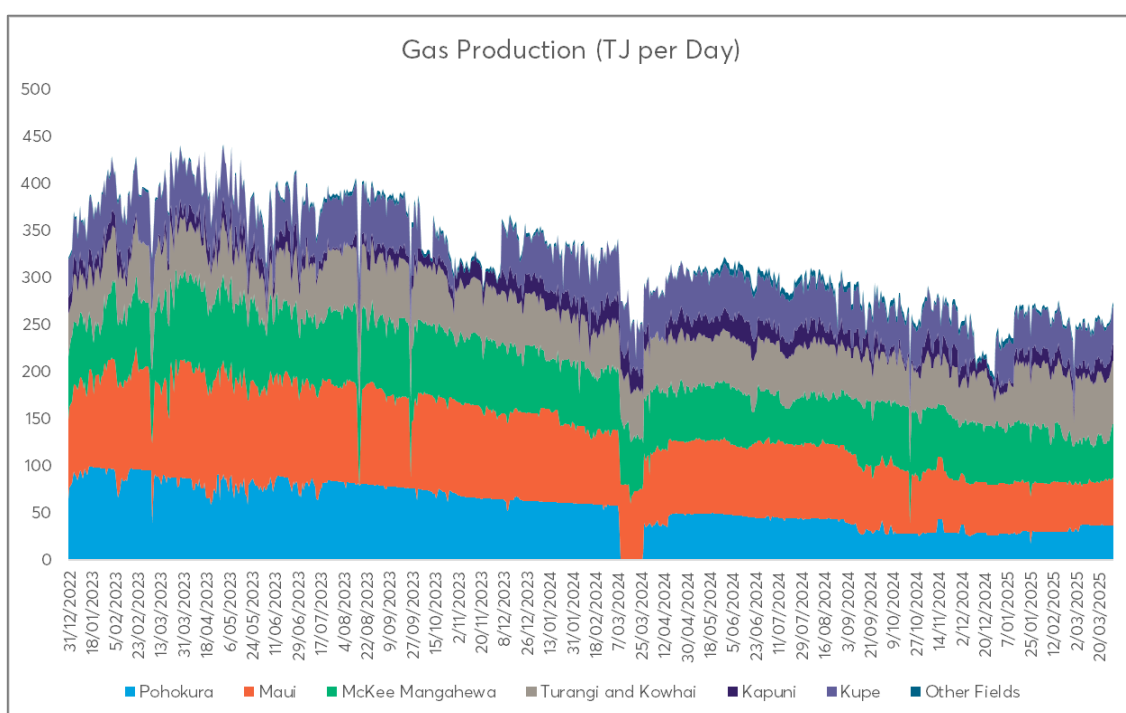
# Gas industry data insights

## Production

Total field production volumes in Q1 2025 were 22.85 PJ, down 2.3% on the previous quarter, and down 19.9% on Q1 2024. Production over Q1 2025 has shown typical variations.

Average daily field production volumes were notably down by 62 TJ/day compared to Q1 2024.

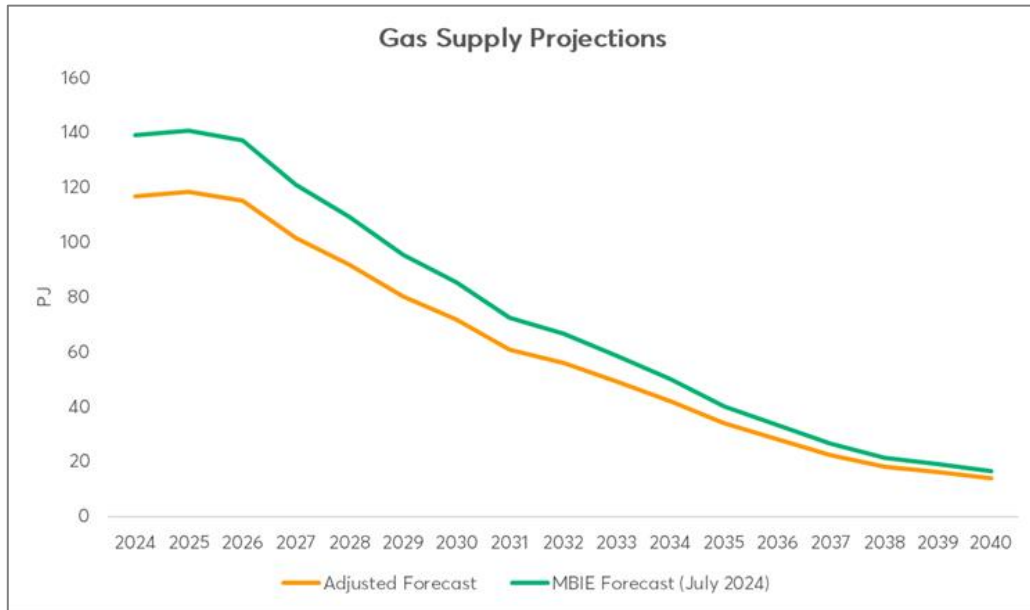
Looking at the full 2024 calendar year, total gas production into open access pipelines was 106 PJ, a 22.1% decrease on the 136 PJ produced the year before. (These figures exclude gas transported through private pipelines.)



\*Excludes gas sold through private pipelines.

The Gas Supply Projections graph below is a projection of actual gas production if current patterns continue. It shows two projections across all fields to 2040: the original projection (green line), created without actual 2024 data, and the adjusted projection (orange line) which incorporates the actual 2024 data.

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



The graph is based on a comparison with the most recent MBIE petroleum reserves data, published in July 2024<sup>1</sup>. Please note, that the MBIE reserves data is provided with a 50% percentile expectation, meaning that there is a 50% probability it will not be met and a 50% probability that it will be exceeded.

## Gas consumption

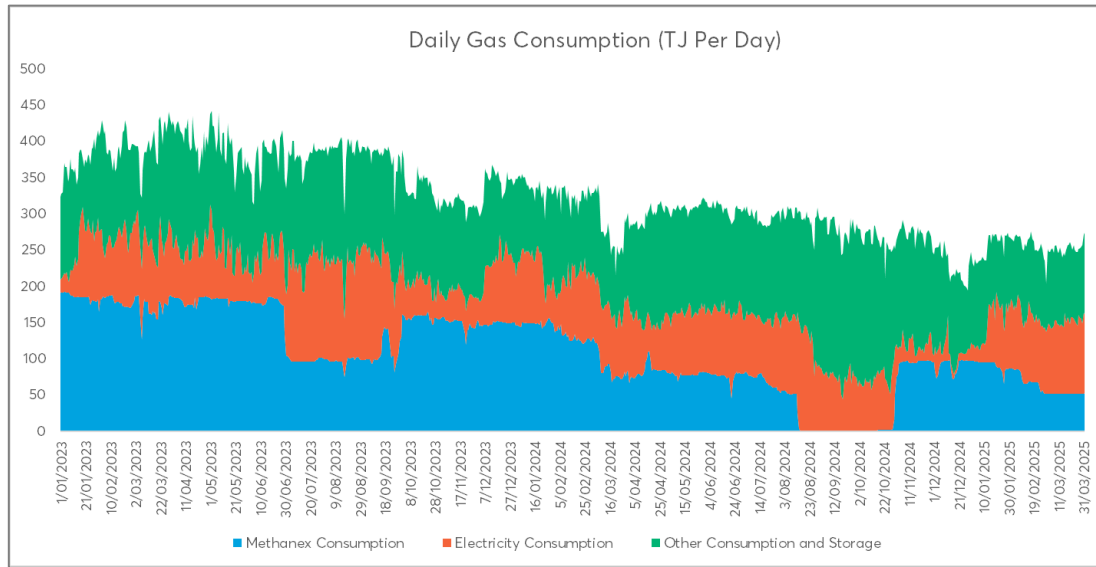
Gas consumption during the quarter declined overall, marked by a notable shift in gas use.

Methanex Consumption						Electricity Consumption					
Quarter	2023	2024	2025	% Change 2023 vs 2024	% Change 2024 vs 2025	Quarter	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		-56.1%		Q2	6.32	7.46		18.1%	
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%	
Total	55.53	27.03	6.41	-51.3%		Total	31.09	27.05	7.36	13.0%	

In 2024 and Q1 2025, Methanex's gas consumption was substantially impacted by reduced Methanol production and making 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.

<sup>1</sup> [Petroleum reserves data | Ministry of Business, Innovation & Employment](#)



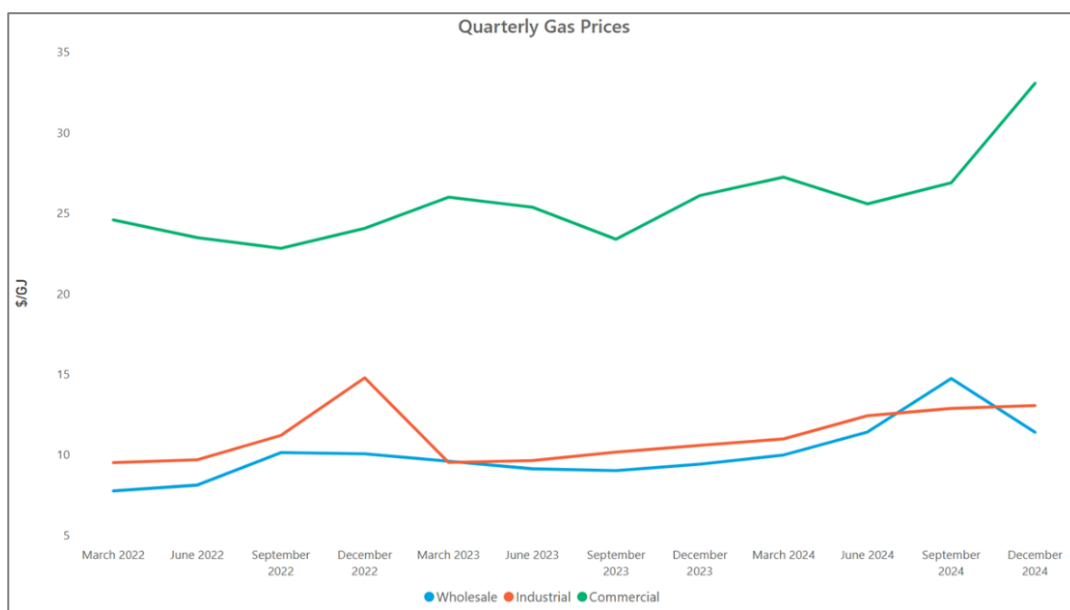
## Commercial and industrial prices have increased over the past year

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

Commercial, wholesale and industrial prices continued an upward trend in Q4 2024. Prices exclude GST (as these sectors can either claim back GST or are exempt). Around 95% of gas is traded via long-term bilateral contracts. Average commercial contract durations are shorter and are likely to be affected by current market conditions.

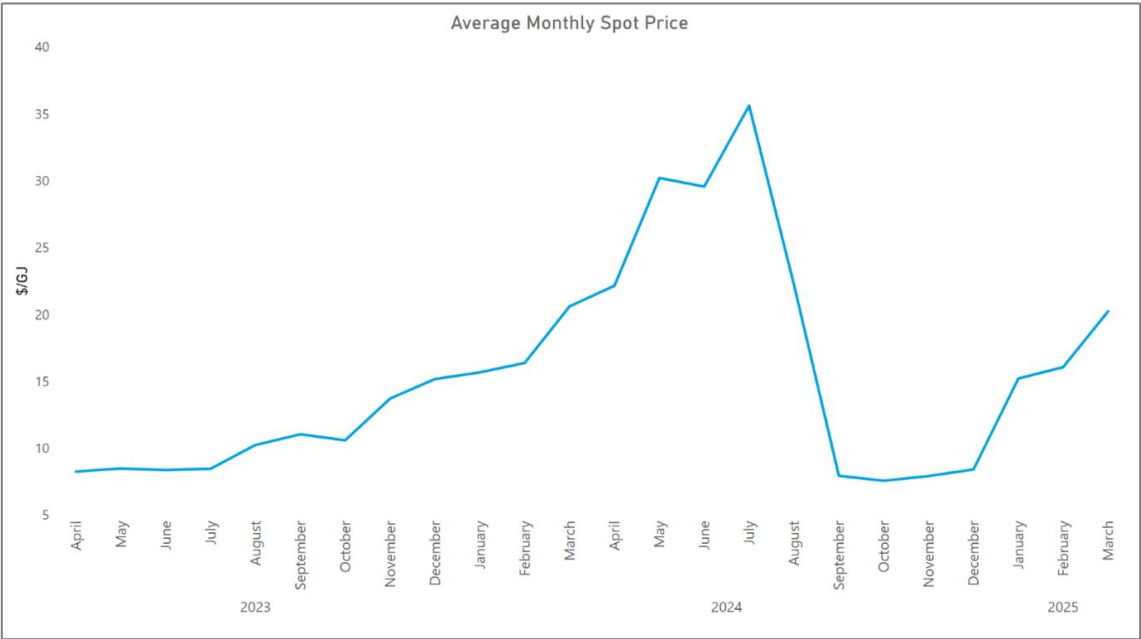
## Monthly spot prices

The monthly gas spot price delivered via emsTradepoint, including daily trades and forward prices, is illustrated in the Quarterly Gas Prices graph below. (Excludes GST but includes carbon costs.)



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

The Average Monthly Spot Price graph below shows that spot market prices increased during Q1 2025 compared to the previous quarter, due to decreased hydro inflows and low gas production. Demand for gas for power generation has been rising as we head into winter and is leading to increases in the price of gas.

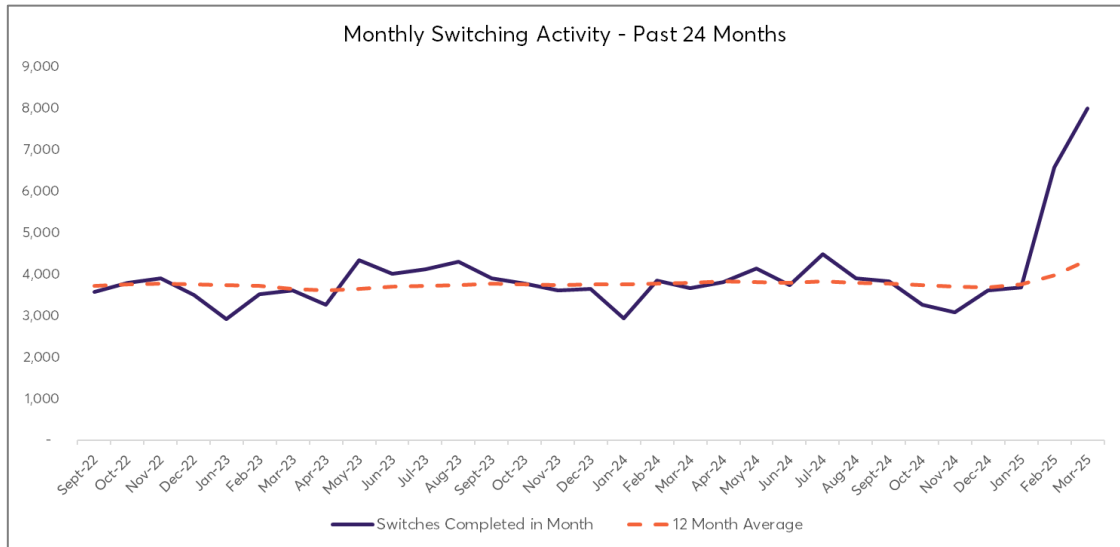


Consumer switching

Over the past 12 months (March 24 to March 25) an average of 4338 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.

	January	February	March
2025	2258	3578	7938
2024	2068	2698	2470





# Our work in progress

## Te Horo hydrogen trial

Firstgas is undertaking a hydrogen blending trial at Te Horo, a community on the Kapiti Coast with approximately 14 gas connections. The trial follows a study released in 2021 which found that Firstgas' low pressure distribution networks could transport a blend of hydrogen and natural gas up to 20% by 2035, with the possibility of increasing hydrogen volumes to 100% by 2050.

The trial, which is supported by other gas distribution businesses, is scheduled to take place over the next few months. It will involve the incremental blending of hydrogen into this network up to a maximum of 15%, using bottles and specially designed blending infrastructure. Firstgas will assess the performance of its network and any impact on consumer appliances.

We continue to meet with Firstgas for updates on the project, and to discuss the potential impact on the gas allocation arrangements in the Gas (Downstream Reconciliation) Rules 2008. We have determined that due to the short-term nature of the trial, and the small number of consumers involved, no significant changes to the Rules or the allocation system are required. However, a more general framework for dealing with injection and the blending of renewable gases into downstream networks will be implemented as part of the gas governance amendments that were approved earlier this year.

## Biogas and Biomethane discussion paper

We continue to believe that Biogas will play a role in supporting New Zealand's energy security. We are working with industry and government agencies to support policy development and the uptake of biogas production and use, and will report back to you when there is more information to share.

We are also working on a discussion paper on the issues associated with biomethane replacing natural gas in pipelines, and the pragmatic potential solutions to support uptake from a demand-side perspective. We will update you as this work progresses.

## Consumer outcomes

We are progressing our study into consumer outcomes as part of our consumer voice workstream. The study compares the costs and emission efficiencies to both consumers and networks from switching residential gas consumers to electricity. It will include the opportunity cost of using gas as a fuel to generate electricity compared with using gas directly for household energy, and the emissions consequences of switching residential gas consumers to electricity, both for the lifetime emissions of consumers and for the energy system where gas is used as a fuel to make electricity. The report is expected to be ready and provided to you in Q3, 2025.

## Critical Contingency Management (CCM) recommendation

The Parliamentary Counsel Office is currently drafting the changes to the Gas Governance (Critical Contingency Management) Regulations 2008 following our recommendations to the Minister for Energy.

## Critical Contingency Operator – annual exercise

This year's annual Critical Contingency Operator (CCO) exercise will take place on 21 May 2025. The exercise tests the Firstgas Critical Contingency Management Plan and retailer emergency contacts.

## Guidelines for Determining Regional Critical Contingencies

We are updating the Guidelines for Determining Regional Critical Contingencies to assist the Critical Contingency Operator (CCO) in determining whether a critical contingency event is regional. Consultation on the draft guidelines closed on 30 April 2025 and we expect to release the results in May 2025.

## Gas Governance arrangements

Earlier this year, you approved the Recommendation to amend the Reconciliation Rules and Switching Rules. These amendments will make provision for advanced gas meters, injection of renewable gases and D+1 (daily allocations) to ensure gas governance arrangements remain fit for purpose as technology, gas supply and commercial arrangements evolve in the downstream gas market.

We are making progress with the detailed work of rule drafting and implementation matters and will continue to work closely with MBIE to provide you with a final version of the amended Rules for gazetting.

## FY2026 Work programme and Levy

In March, we presented you with the FY2026-28 Statement of Intent detailing the FY2026 work programme and related matters for comment, and the 2026 Levy Recommendation for Ministerial/Cabinet approval.

This followed the annual Co-regulatory Forum in November 2024 and industry consultation in January/February 2025 on the FY2026 work programme and associated levy budget.

The FY2026-28 Statement of Intent and 2026 Levy Recommendation will take effect on 1 July 2025.



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## 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:

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Visit our website: [www.gasindustry.co.nz](http://www.gasindustry.co.nz)