



**Recommendation to the Minister for
Energy to make Gas (Levy of Industry
Participants) Regulations 2026**





Executive Summary

Pursuant to section 43ZZB of the Gas Act 1992 (the Act), Gas Industry Co recommends to the Minister for Energy that regulations be made under section 43ZZE to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2026 (FY2027), totaling \$2,964,139 on the following basis:

- From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$4.98 for each ICP for each retail customer.
- From every industry participant on the first day of each month, a wholesale levy rate of 1.7058c/GJ based on gas purchases made directly from gas producers during the previous month.

Gas Industry Co notes that for FY2027:

- The levy funding requirement of \$2,964,139 (\$3,410,198 in FY2026), and market fees of \$3,074,700 (\$2,674,550 in FY2026). Added together, these result in total work programme costs for FY2027 of \$6,038,839 (\$6,084,748 in FY2026);
- The retail levy of \$4.98 is up from \$4.90 in FY2026 - a 1.63% increase; and
- The wholesale levy of 1.7058c/GJ is down from 1.7158c/GJ in FY2026 – a 0.58% decrease.

Gas Industry Co remains principally reliant on annual levies to provide the effective governance of the downstream gas sector that Part 4A of the Act requires. Gas Industry Co believes that the recommended levy rates are reasonable, and present good value for gas consumers and the wider industry.

The contents of this Levy Recommendation achieved broad support from industry stakeholders, through a robust annual consultation process.

This Levy Recommendation has been approved by Gas Industry Co's Board.



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1. Introduction

The Government and the gas industry have implemented a unique co-regulatory model in which a specially established 'industry body' develops and maintains governance arrangements for consumers and other participants in gas markets. Gas Industry Co was established in 2004 to perform the role of the industry body as set out in Part 4A of the Act. Gas Industry Co has two main sources of funding to meet the total costs of delivering its work programme and other aspects of its role as the industry body – market fees and the levy.

Market fees

Established gas governance rules and regulations include provision to recover costs directly required to meet Gas Industry Co's obligations under those arrangements (referred to as 'market fees'). These cover the contractually agreed costs of any service providers (particularly the Allocation Agent, the Registry Operator and the Critical Contingency Operator) and any other expected direct external costs or Gas Industry Co internal costs that relate to those arrangements.

A formal estimate of market fees for each set of rules or regulations is published two months before they apply with each new financial year commencing on 1 July. Market fees collected are applied to actual expenses incurred for each set of rules or regulations. Any shortfall or excess fees are invoiced/credited to the market fee payers in a year-end 'wash-up'.

Industry levy

The levy funds the industry body's costs that are not covered by market fees, including the direct costs of workstreams and non-operational expenditure.

The Act provides for the levy to be collected through annual regulations, on recommendation to the Minister by the industry body. Gas Industry Co develops its annual Levy Recommendation through a consultation process with levy payers and other stakeholders. This process includes development of an annual Work Programme, an indication of future activity, and the resulting estimated Total Work Programme Costs covering all activities to be undertaken by the industry body.

This paper provides that recommendation for the year commencing 1 July 2026 (FY2027).



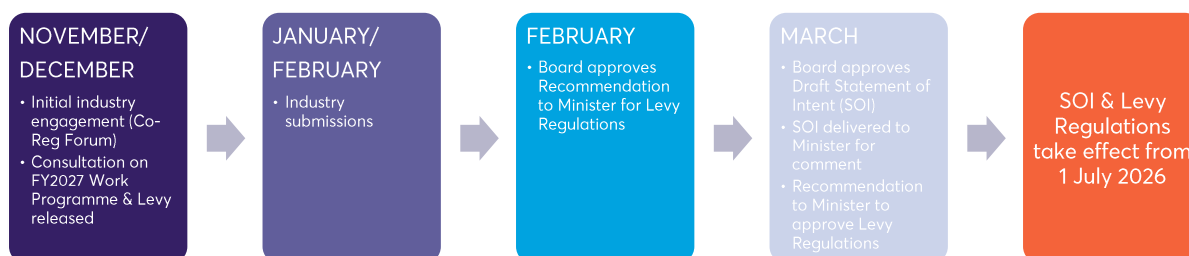
2. Consultation Process and Outcomes

Levy Consultation Process

In developing its annual Levy Recommendation to the Minister, Gas Industry Co consults on all aspects of its Work Programme, including costs and any forward indication for subsequent requests to be included in the Statement of Intent, and engages with interested stakeholders, including gas industry participants and major gas users. The process includes consultation on the proposed levy rate and amount, consistent with section 43ZZD(2)(b).

Key Steps in FY2027 Consultation Process

The diagram below sets out the key steps in the consultation process:



The consultation process commenced at the annual Co-Regulatory Forum on 27 November 2025. Feedback from this Forum was generally positive, and the paper "Consultation on Gas Industry Co FY2027 Work Programme and Levy" (Consultation Paper) was published on 18 December 2025. The Consultation Paper:

1. Sets out Gas Industry Co's strategic context and strategy;
2. Describes the work that Gas Industry Co will undertake in FY2027 and the estimated costs to carry out this work;
3. Outlines the amount of the Levy Funding Requirement for FY2027; and
4. Outlines the proposed levy rates for FY2027.

Reflecting that, the FY2027 draft work programme has been framed by the strategic issues that the industry faces, and the work Gas Industry Co is proposing to undertake in FY2027 to address these issues. This highlights where the majority of our focus and effort will be in FY2027.

The FY2027 work programme also includes a renewed focus on supporting industrial and residential gas consumers – including through the provision of data and advice to inform decision-making; ensuring that issues facing gas consumers (and the wider impacts of these) are socialised and well understood; and requesting assistance from the Minister/peer regulators to address these issues, where we do not have the regulatory powers/mandate to address these.

In addition, we will continue to meet our statutory requirements, and the objectives and outcomes included in the Gas Act 1992 (Gas Act) and the Government Policy Statement on Gas Governance 2008 (GPS).

Submissions were invited by 9 February 2026, and were received from Bluecurrent, Fonterra Co-operative Group Limited, the Major Gas Users Group, Greymouth Gas, Nova Energy, Powerco, Energy Resources Aotearoa, Clarus, Genesis Energy, the Bioenergy Association, and Ecogas.

Each submission and an Analysis of Submissions have been published on Gas Industry Co's website. In summary, there was broad support for Gas Industry Co's role, work programme, estimated costs, and associated levy rates.



3. FY2027 Levy Funding

FY2027 Levy funding summary

The costs corresponding to the Work Programme (set out in Appendix A). In summary:

- The levy funding requirement is \$2,964,139 (\$3,410,198 in FY2026), and market fees are \$3,074,700 (\$2,674,550 in FY2026). Added together, these result in total work programme costs for FY2027 of \$6,038,839 (\$6,084,748 in FY2026);
- The levy methodology is the same as that used in previous years and is based on the principle of beneficiary pays;
- The retail levy rate is \$4.98/ICP. This is up from \$4.90/ICP in FY2026 (a 1.63% increase); and
- The wholesale levy is \$1.7058/GJ. This is down from 1.7158c/GJ in FY2026 (a 0.58% decrease).

Levy funding calculation and trends

The following table provides details of the levy funding calculation:

Total Work Programme Costs (TWPC)	Indicative Market Fees		Levy Funding Requirement	
	Wholesale	Retail	Wholesale	Retail
	1,053,712	2,020,988	1,449,888	1,514,251
6,038,839	3,074,700		2,964,139	

The following table shows the actual Levy Funding Requirement for FY2021-26, and the recommended Levy Funding Requirement for FY2027, along with market fees to FY2026 and the indicative estimate for FY2027.

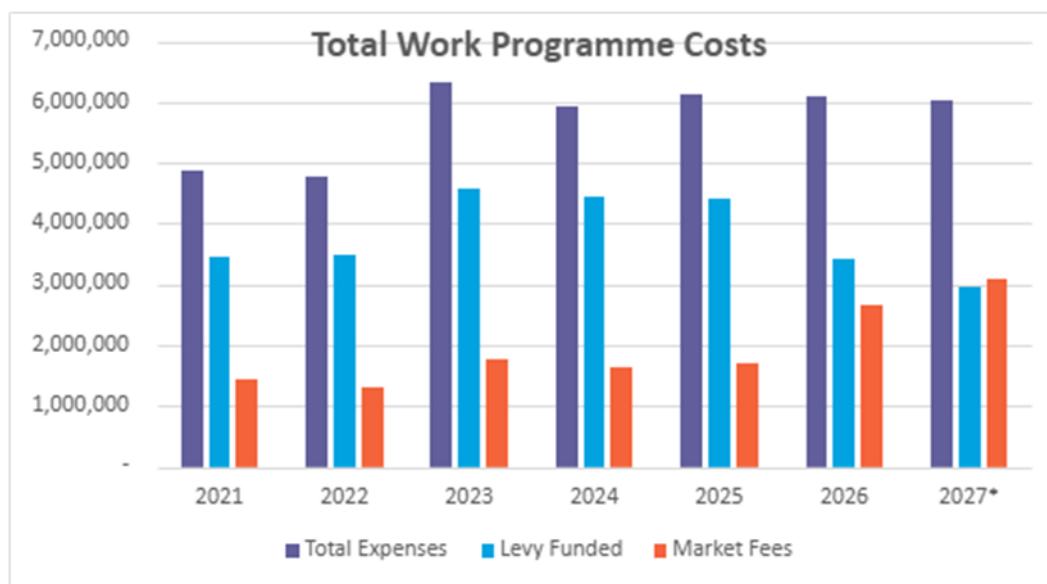
Table 2: Levy Funding Requirement and Market Fees - FY2021-27

	Levy Funding Requirement	Market Fees
2021	3,450,182	1,436,000
2022	3,472,367	1,299,000
2023	4,579,373	1,713,450
2024	4,455,703	1,621,000
2025	4,422,758	1,694,566
2026	3,410,198	2,674,550
2027*	2,964,139	3,074,700

1. *recommended levy funding requirement/indicative market fees

Based on the combination of the FY2027 Levy Recommendation and indicative market fees in table 2, Total Work Programme Costs are expected to be \$6,038,839 for FY2027, compared to budgeted costs of \$6,084,748 in FY2026.

Chart 1: Total Work Programme Costs



Proposed levy methodology and rates

Gas Industry Co's existing levy methodology:

1. Is based on a set of Levy Principles. In summary, those Principles are economic efficiency, rationality, simplicity, equity, and revenue sufficiency. The full Principles are available on Gas Industry Co's website.
2. Has two components: a wholesale component and a retail component. These components are apportioned according to the cost allocated to each part of the annual Work Programme and apportioned among levy payers pro rata with either their wholesale levy volumes or ICP market shares. In years when the Work Programme focusses on retail issues, for instance, the retail levy rate will increase while the wholesale levy will decrease.

These arrangements have remained unchanged since 2007.

In summary:

1. The wholesale levy rate has been calculated using an assumption of 85 PJ (85,000,000 GJ) of gas consumption during the year (FY2026 110 PJ).
2. The retail levy rate is calculated using the current number of ACTIVE-CONTRACTED entries in the gas registry of 304,000 (FY2026 311,000).

This results in the following levy rates:

Table 3: FY2027 Levy rates

FY2027 Levy rates			
	Retail	Wholesale	Total
Direct costs	886,973	849,273	1,736,246
Indirect costs	627,278	600,615	1,227,893
Total Levy Funding Requirement			2,964,139
Basis of apportionment:	Per ICP	Per GJ	
Number	304,000	85,000,000	
Levy rate	\$4.98/ICP	1.7058c/GJ	

The impact of the levy on gas consumers is small. Assuming the levy is passed through to end users, residential gas consumers would each pay approximately \$5.41 per annum, or around 0.44% of their annual gas bill. For larger consumers, the amount of levy paid is proportionate to wholesale gas purchases and adds about 0.08% or less to the cost/GJ of gas. The largest consumers, who together consume much of the gas supply, are active participants in consultation and have raised no objections to the levy rate.

Gas Industry Co has determined that it should refund unutilised levies as soon as the annual accounts have been received by shareholders at the Annual Meeting. This also has some similarity with the wash-up arrangements collected under Market Fees. This policy encourages a predictable and stable levy by removing from the levy calculations any variability resulting from a fluctuating level of reserves.



4. Recommendation

Pursuant to section 43ZZB of the Gas Act 1992, Gas Industry Co recommends to the Minister for Energy that regulations be made to require industry participants to pay levies to the industry body in respect of the year commencing 1 July 2026, totalling \$2,964,139, on the following basis:

1. From every gas retailer who is an industry participant on the last day of each month, a retail levy based on one twelfth of the annual retail levy of \$4.98 for each ICP for each retail customer.
2. From every industry participant on the first day of each month, a wholesale levy rate of 1.7058c /GJ based on gas purchases made directly from gas producers during the previous month.



Appendix A Work Programme

DRAFT FY2027 WORK PROGRAMME		
Strategic Issues:		
Gas Supply	Viability of Networks	Gas Pricing
Gas industry roadmap	Future of infrastructure	Industrial gas consumers
Lack of upstream investment		Residential gas consumers
LNG		
Biogas		
Demand response for dry years		
Provision of gas market data		
Levy funding arrangements		
Other Activities:		
Educate and influence		
Gas Governance arrangements		

Gas Industry Co FY2027 Work Programme - Strategic Issues: Gas Supply

Gas Industry Roadmap

Given the rapid decline in gas supply, we believe it is timely to revisit how the industry can move to a lower carbon future in a managed and orderly way, with the least impact on consumers.

Work in FY2027 may include:

- Preparing advice to the Minister and industry in relation to how the gas industry can move to a lower carbon future in a way that minimises consumer impacts.

Lack of Upstream Investment

The lack of upstream investment has led to a rapidly declining gas supply situation.

The Government has announced an action to 'reduce sovereign policy risk for investors', with options being considered including indemnities; co-investment (eg \$200m set aside for exploration, gas storage); public/private partnerships and other procurement contracts. Further decisions are expected in early 2026.

Work in FY2027 may include:

- Advising the Minister on changes to the gas supply and demand balance, and any implications for Government policy;
- Assisting with work arising from the Government's action, as appropriate.

LNG

The Government is exploring supplementing indigenous gas with LNG with a procurement process commenced for development of an LNG import terminal with possible delivery from 1 June 2027. Announcements are expected imminently.

Work in FY2027 may include:

- Facilitating industry processes, and advising Government (where requested) on matters relating to the importation of LNG; and
- Advising on regulatory roadblocks hindering the uptake of LNG.

Biogas

The October 2025 Government Statement on Biogas noted that the Government will take a "market-led approach" to supporting the establishment of a biogas market.

Numerous agencies are involved in biogas (MBIE, MfE, Biogas Association, GasNZ), however we are concerned about the lack of coordination and potential for duplication of effort.

Work in FY2027 may include:

- Providing advice to the Minister outlining barriers currently inhibiting the creation of a biogas market in New Zealand, and detailing actions that need to be undertaken (either by Gas Industry Co or others) to enable this;
- Liaising with stakeholders to gather information and to identify market-led measures to meet the Minister's expectations; and
- Completing any remaining work in relation to the amendment of the Downstream and Switching Rules to accommodate the injection of renewable gases into downstream networks.

Demand response for dry year cover

Concerns regarding the long-term viability of Methanex has been highlighted in our previous Supply and Demand studies. If Methanex exits New Zealand demand response will be unavailable for power generation in dry years.

The Government is currently consulting on strengthening the regulatory framework for dry years. This includes ensuring Transpower's security of supply assessments are fit for purpose

and adapt to evolving information about declining gas supplies. Recommendations are expected in early 2026.

In FY2027 we will:

- Continue to work closely with the Electricity Authority in relation to the extent to which gas is able to provide dry year cover (including as provided for in our MoU);
- Publish the codified 2026 Supply and Demand study (with input from Minister/MBIE);
- Where relevant, assist on any recommendations arising from the Government's consultation on strengthening the regulatory framework for dry years.

Levy funding arrangements

With gas supply forecast to reduce further, we are concerned that current levy funding arrangements are no longer fit for purpose to allow us to generate the income required to deliver our work programme.

In FY2027 we intend to:

- Review the current levy funding arrangements to determine if they are fit for purpose; and
- If necessary, commence steps to introduce an alternative funding arrangement.

Gas Industry Co FY2027 Work Programme - Strategic Issues: Viability of Networks

Future of infrastructure

As the gas industry contracts, the future of infrastructure and increasing costs to consumers who are unable to transition are becoming key issues.

In FY2027 we intend to:

- Investigate the impacts on consumers of the continued decline in gas production, including the future of infrastructure and costs; and
- Consider whether consumer costs could be reduced by 'right sizing' the network for future loads (eg by allowing networks to be run at lower pressures or with fewer compressors).

Further activities may include:

- Supporting MBIE and Commerce Commission regarding any changes impacting pipeline regulation;
- Assessing any proposed changes to the transmission codes;
- Assessing transmission pricing changes and their impact on industrial customers; and
- Reviewing transmission pipeline interconnections as required, address any concerns regarding reasonable access, and amending the Guidelines as required.

Gas Industry Co FY2027 Work Programme - Strategic Issues: Gas Pricing

Industrial gas consumers

We continue to receive reports that even where volumes are available to meet demand, some industrials are planning to close or exit New Zealand in response to high forward gas prices.

We are assisting industrial gas consumers who want to take responsibility for their own gas procurement and delivery to become shippers under the Gas Transmission Code, and retailers under our gas governance arrangements.

In FY2027, we will:

- Continue to provide data and advice to industrial gas consumers to ensure they are making informed decisions;
- Monitor reports from industrial gas consumers regarding gas availability and pricing;
- Ensure that issues facing industrial gas consumers (and the impacts of these) are socialised and well understood (including through regular communications/ stakeholder engagement);
- Advise the Minister/peer regulators regarding issues facing industrial gas consumers;
- Continue to support industrial gas consumers who want to take responsibility for their own gas procurement and delivery.

Residential gas consumers

Residential gas prices are continuing to rise, and some retailers are no longer offering gas.

In FY2027 we will:

- Continue to provide data to inform residential gas consumers, aiding them in making informed decisions;
- Monitor the availability and pricing of gas for residential consumers;
- Ensure that issues facing residential gas consumers are socialised and well understood (including through regular communications/ stakeholder engagement);
- Advise the Minister/peer regulators/consumer groups about issues facing residential gas consumers;
- Engage an independent assessor to carry out the 3-yearly review of retail gas contracts
- Assess retailer and distributor alignment with the Consumer Care guidelines, monitor the effectiveness of the guidelines, and propose any necessary amendments to them.

Gas Industry Co FY2027 Work Programme – Other activities

Educate and influence

- Provide advice to the Minister and industry on matters concerning the gas industry;
- Stakeholder engagement, including presenting at conferences and forums; hosting industry workshops; and presenting to industry participant Boards; and
- Reporting on the present state and performance of the gas industry.

Gas Governance arrangements

Fulfilling Gas Industry Co's statutory roles under the following gas governance arrangements, and ensuring that the arrangements remain fit for purpose as the industry transitions:

- Gas (Downstream Reconciliation) Rules 2008;
- Gas Governance (Compliance) Regulations 2008;
- Gas (Critical Contingency Management) Regulations 2008;
- Gas (Switching Arrangements) Rules 2008; and
- Gas (Facility Outage Information Disclosure) Rules 2022.



Appendix B Key Industry Background

Gas is a key contributor to New Zealand, at around 14% of primary energy supply. In the past decade, the gas industry in New Zealand has undergone substantial change, transitioning from reliance on the large Maui field in 2007, then reduced production from Pohokura, to now drawing supplies from multiple smaller fields.

Gas is an important fuel for industrial, commercial, and residential consumers. In 2009, there were about 250,000 gas consumers; today, there are over 300,000.

Gas Industry Co has developed a mix of formal rules and regulations (e.g. critical contingency management, reconciliation, switching) and non-regulated arrangements (e.g. retail contracts, distribution contracts) that are well-advanced in meeting the legislative and policy objectives and outcomes that the Government expects the industry to achieve.

These arrangements have contributed to the development of a healthy downstream gas market. Key indicators include:

- a) 7 distinct retail gas brands.
- b) 99% of gas customers are connected to a network where four or more retailers trade, suggesting that the retail gas sector is generally competitive throughout the North Island.
- c) On average, 4,225 gas consumers switch gas supplier each month, which translates to an annual churn of about 17% of gas consumers. In 2025, 72% of consumer switches were completed within three business days; and 99% were completed within 7 business days.
- d) 81% of residential consumers have switched retailer at least once in the past 17 years; 74% of small commercial, 80% of large commercial sites, and 76% of large industrial sites have switched at least once.
- e) Annual unaccounted-for gas (UFG) has historically ranged between 1.00% to 1.25%, however UFG began trending upwards in 2020, peaking at 1.7% in mid-2022. Since then, UFG has continued to trend downwards and now sits around 1.1%.

About Gas Industry Co

Gas Industry Co is the gas industry body and co-regulator under the Gas Act. Its role is to:

- Develop arrangements, including regulations where appropriate, which improve:
 - the operation of gas markets;
 - access to infrastructure; and
 - consumer outcomes;
- Develop these arrangements with the principal objective to ensure that gas is delivered to existing and new customers in a safe, efficient, reliable, fair and environmentally sustainable manner; and
- Oversee compliance with, and review such arrangements.

Gas Industry Co is required to have regard to the Government's policy objectives for the gas sector, and to report on the achievement of those objectives and on the state of the New Zealand gas industry.

ENQUIRIES:
INFO@GASINDUSTRY.CO.NZ