

Welcome to Gas Industry Co's *News Bulletin*, a periodic advisory of new and current consultations, workstream developments, publications and presentations.

Contents

- INVITATION: *Long Term Gas Supply and Demand Scenarios – 2016 Update* released
- Reminder of *Wholesale Levy Assurance Options Paper* – Consultation closing soon
- *2016 Annual Report* released
- Consumer switching numbers for September available

INVITATION

Long Term Gas Supply and Demand Scenarios - Released

Gas Industry Co has today released the *Long Term Gas Supply and Demand Scenarios – 2016 Update* (Scenarios 2016). This is the third edition of this Report commissioned by the Company from independent expert Concept Consulting Group (Concept). Gas Industry Co invites you to attend a presentation of *Scenarios 2016* by Concept's Simon Coates on **Thursday, 27 October 2016**. Event details are found below.

Scenarios 2016 explores gas supply and demand scenarios to understand how New Zealand's gas market may evolve over the period to 2040 and to inform industry decisions.

Scenarios 2016 identifies that gas supply conditions will most likely tighten due to the current low levels of exploration coupled with relatively high levels of demand. The conditions in the market are less certain in the medium to long term, depending on the outcomes of a number of market drivers which are subject to material uncertainty, particularly:

- Future oil prices and the consequent likely extent of exploration effort
- Future CO2 prices, and the consequent impact on gas demand – particularly the extent to which coal- and gas-fired power stations are displaced by renewables
- The future of the Tiwai aluminium smelter, and the consequent impact on power generation demand
- Population and GDP growth
- Future international gas and petrochemical prices

The Report analyses how different future outcomes for these drivers may affect New Zealand's gas market.

The scenarios in the Report are not predictions, but have been developed to understand the possible range of these uncertainties and how various plausible combinations may affect New Zealand's gas sector. As in the previous two editions, three broad composite scenarios are investigated, centred on different gas supply outcomes: plentiful, scarce and central. The scenarios are not equally likely; with the central scenario considered more likely over time as there are strong economic forces which will tend to bring the sector back into balance from a situation of relative plenty or scarcity. Thus, the plentiful and scarce scenarios are developed as 'bookends' to understand the possible range of different outcomes, but it is considered highly unlikely that such futures will persist on a sustained basis.

While *Scenarios 2016* finds that New Zealand's gas sector, like many sectors in our economy, is in a period of increased uncertainty, it notes that residential and commercial gas users are unlikely to be materially

affected by changing gas supply conditions. If New Zealand's reserves position continues to tighten over the next few years, it is likely that petrochemical demand will reduce over time, along with some gas-fired power generation demand. This will ensure gas remains available for the highest-value users (residential, commercial and industrial demand) for decades to come. Further, even with some upward pressure on wholesale gas prices from a tightening reserves position, gas is likely to remain competitive with other fuels for meeting the majority of these users' energy requirements.

Any change in demand from the petrochemical sector (which currently consumes around a half of New Zealand's annual gas production) in response to a changing reserves position, reflects this sector's important role as the major 'balancer' in the New Zealand gas market. This balancing role was previously performed in the early 2000s as the national gas supply tightened following the re-estimation of economic reserves in the Maui gas field. There may also be some adjustment in electricity generation though the rate of change may be slower.

[> Read more](#)

Event Details

When 1.00 to 3.30pm, Thursday 27 October 2016
Where Gas Industry Co, Level 8, The Todd Building, 95 Customhouse Quay, Wellington
RSVP [Estelle Tolmay](#) (by 5.00pm, Wednesday 26 October 2016)
If you are unable to attend, but wish to participate by conference call, please register [here](#).

OTHER NEWS ITEMS

Reminder: Wholesale Levy Assurance – Options Paper

Gas Industry Co would like to remind stakeholders that the consultation paper— *Wholesale Levy Assurance - Options Paper* (*Options Paper*) is open for submissions until **5.00pm, Tuesday 18 October 2016**.

The *Options Paper* describes issues that have been identified in respect of inaccurate payment of the wholesale levy. It seeks submitter's views on a series of options for providing an improved level of assurance that wholesale levy payers are each paying their fair share of the wholesale levy.

As we are not intending to hold a workshop on this *Options Paper*, please [email](#) us if you need any further clarification about the paper.

[> Make a submission](#)

2016 Annual Report released

Gas Industry Co's *2016 Annual Report* is now available on our website. The Report reflects on significant changes to the industry, and a busy Gas Industry Co work programme, in the year to June 2016.

September Consumer Switching Numbers available

The *Gas Registry Statistics – September 2016* recording gas consumer switching numbers for September have been published. There were 4,082 customer switches completed during the month. This was 1,808 fewer switches in September than in August 2016 and 1,170 fewer switches than in September 2015.

If you wish to discuss any aspect of this Bulletin, please contact us at info@gasindustry.co.nz or 04-4721800

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