

# Quarterly Update

January 2024

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

Gas Industry Co is 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 of 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.

## Welcome to new Ministers

Gas Industry Co acknowledges the appointment of the incoming Energy Minister and Associate Minister and welcomes them to the portfolio. Gas Industry Company has enjoyed a constructive working relationship with Ministers and looks forward to continuing the relationship. Our CEO and Chair met Ministers in December and provided a briefing about our activity and issues in the gas sector.

A copy of our Briefing for Incoming Ministers is due to be published when the government makes all of its BIMs publicly available.

# 1. Gas Today

## **Gas supply and demand study shows production will be insufficient to meet demand, opportunities for emissions reduction and renewable gas**

Gas Industry Co has published a new study investigating current and future supply and demand in the gas industry in New Zealand.

The study was commissioned from EY, and completed in consultation with field operators, large industrial consumers, gas network owners, retailers, and owners of gas-inclusive electricity generation. It uses the most recent gas reserves and production information published by MBIE.

In all scenarios analysed in the report, the best estimate of commercially viable future natural gas production is insufficient to meet demand at some stage between 2025 and 2027.

Even if production becomes available from resources that are not currently commercially viable, gas production is shown to be insufficient to meet demand at some stage between 2028 and 2034.

The study says the current commercial environment is creating challenges for bringing new natural gas supply to market and demand may not be met. According to field operators, reduced activity is due to uncertainty around arrangements for decommissioning and other regulatory changes, difficulty obtaining resource consents, and difficulty getting finance for petroleum activity, rather than scarcity of natural gas as a resource.

New Zealand also has significant potential for renewable gas production. A vibrant biogas sector would have significant environmental, economic, and strategic benefits. Biogas could provide options for 'hard to abate' sectors where electrification is challenging, reduce the requirement for imported fuels, and divert organic waste from landfill. Who the end-user of biogas will be is currently unclear. The report says current estimates of the amount of commercially viable biogas fit nicely with residential consumption, but the price premium for green manufacturing might make its use by industrial consumers preferable both economically and environmentally.

Potential opportunities to reduce emissions could be actioned now, EY said. In particular, CCUS is an opportunity for New Zealand to accelerate its emissions reduction, take advantage of its remaining natural gas reserves without compromising the emissions budget, and maintain a competitive advantage for trade exposed, emissions intensive industries.

The report is available to read [here](#).

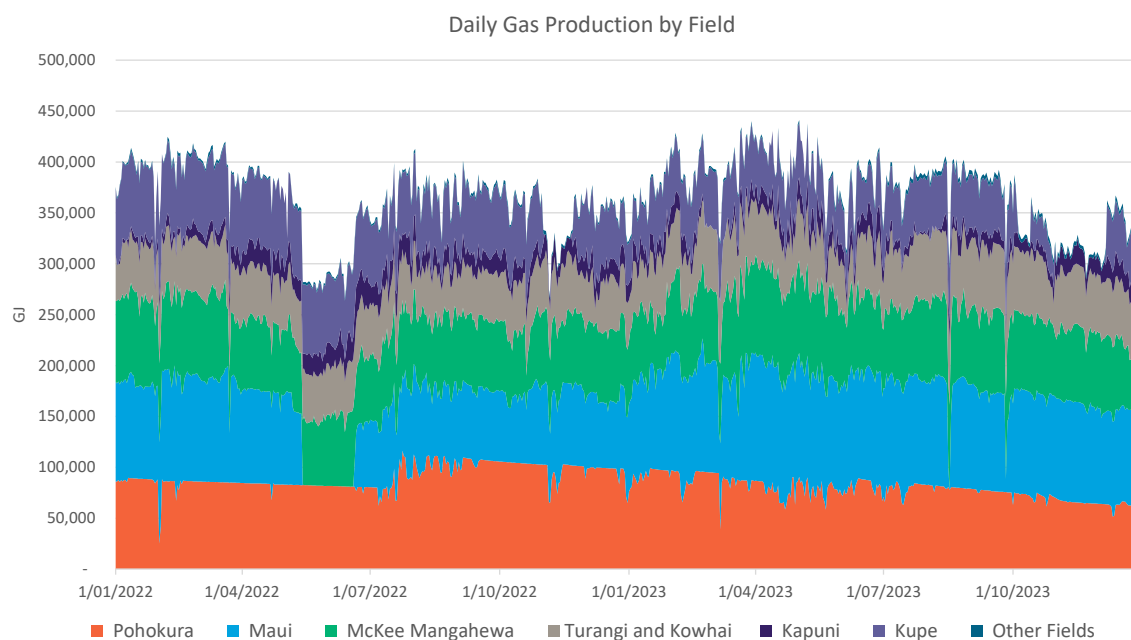
## **Industrial and commercial customers should seek to renew contracts early**

To avoid a situation where customers are coming to market in expected tight supply and demand conditions, Gas Industry Co recommends industrial and commercial customers with upcoming contract renewal should secure supply well in advance of the contract expiring.

## **Briefing to the incoming Ministers**

Gas Industry Co's briefing to new Energy Ministers is expected to be published in the current quarter as part of the government's wider release of all BIMs. The briefing includes a copy of Gas Industry Co's draft Gas Transition Plan.

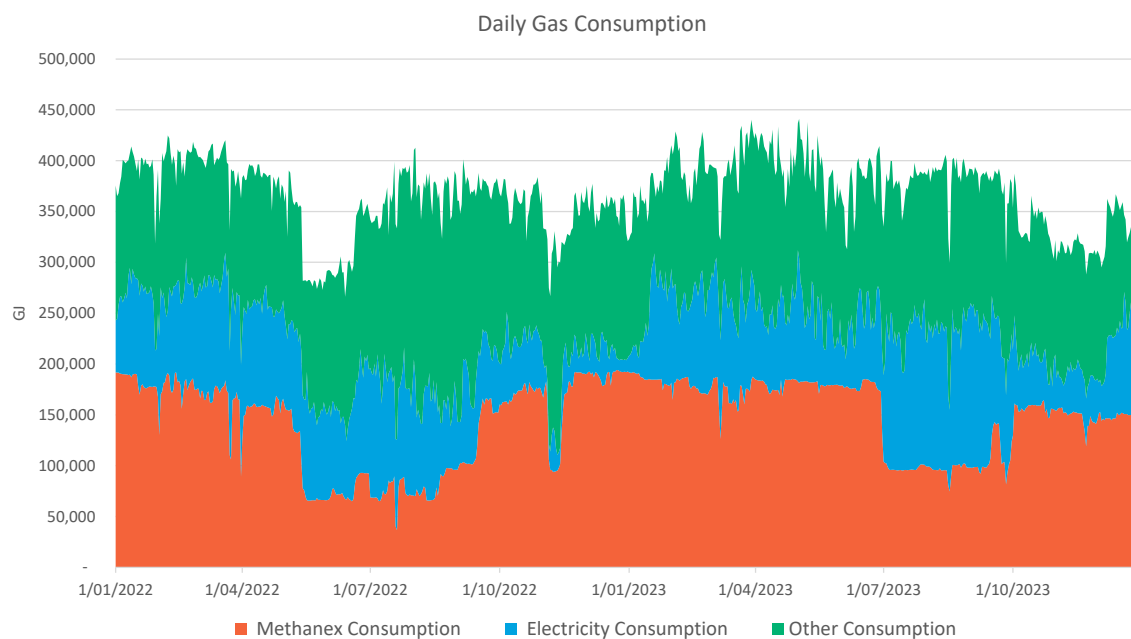
## Gas production



\*Excludes gas sold through private pipelines.

Production was limited during the quarter due to the Kupe gas field being shut down completely for part of October and all of November. Other fields experienced a steady decline over the quarter, peak daily production in December was 20,000 GJ lower than in October.

## Gas consumption



Gas used for electricity declined rapidly as Methanex's arrangement to sell gas to Genesis finished at the end of September. It was further reduced by Kupe's outages in October and November but increased as Kupe resumed production in December. Methanex's consumption increased, but remains around 25 TJ/day lower than before the winter sale to Genesis.

## 2. Gas Industry Insights

Comprehensive, timely gas sector information is available in our [data portal](#)

Data available for market participants includes daily gas production by major fields and consumption by the largest users, data about volumes of gas in the Ahuroa gas storage facility, and average quarterly gas prices and supply.

Market analysts looking for detail about prices can quickly locate emsTradepoint daily gas prices and delivered quantities.

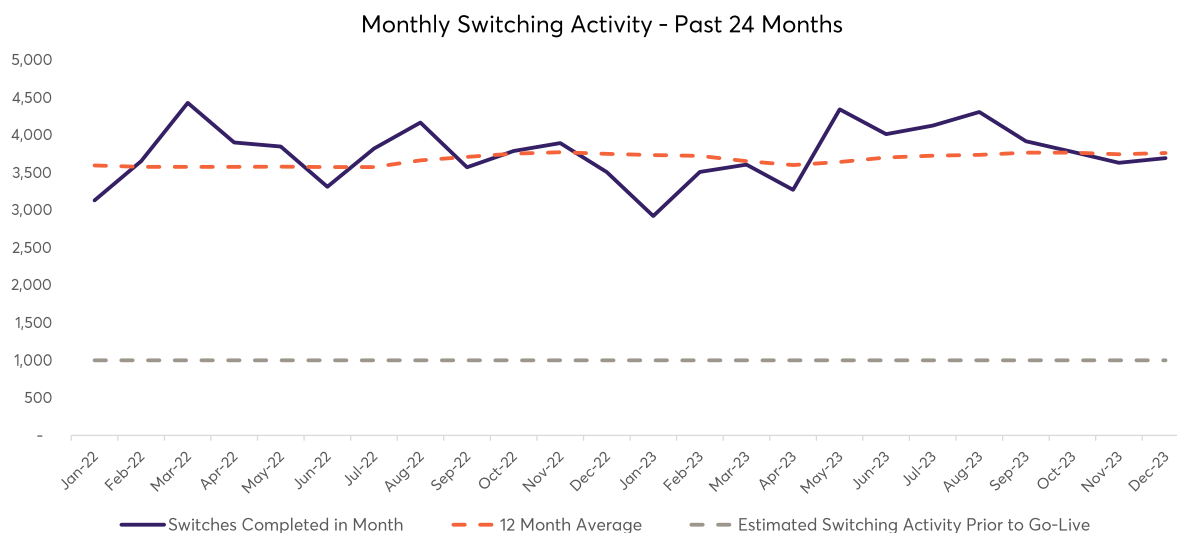
Detail to support security of supply, and help markets understand energy availability, is provided through a portal recording planned gas production outages.

### Quarterly Data

#### Residential switching annual churn rate of 15%

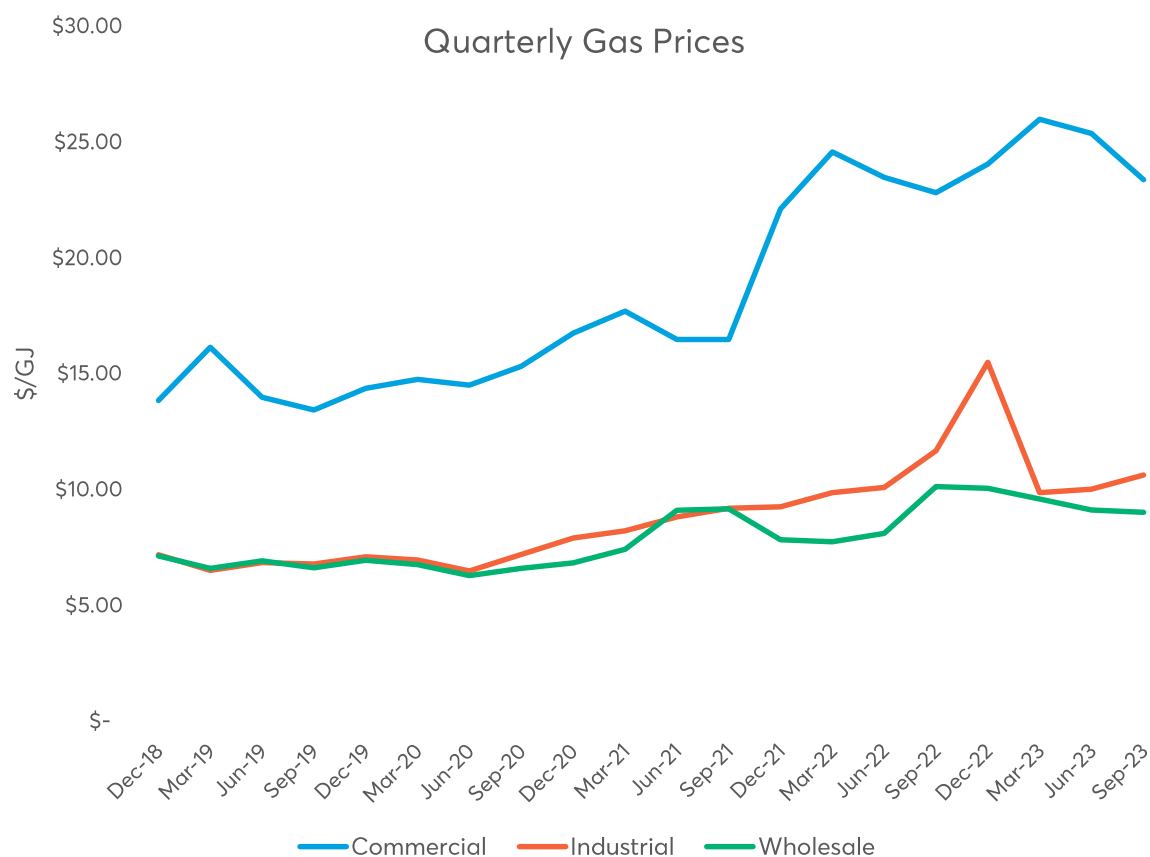
Over the past 12 months an average of 3,758 switches per month were completed, which translates to an annual churn rate of about 15 percent.

	October	November	December
<b>2022</b>	3786	3891	3505
<b>2023</b>	3777	3629	3693



Around 76 per cent of consumer switches are completed within three business days and 97 percent are completed within seven business days.

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

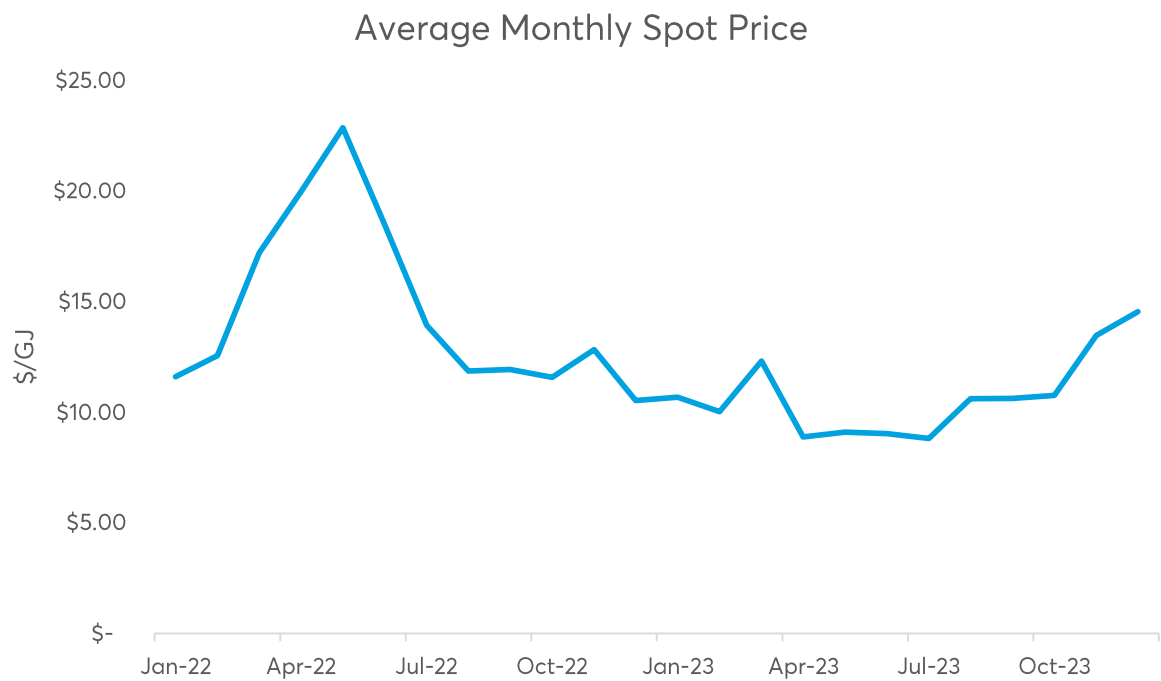


MBIE quarterly prices for commercial, industrial, and wholesale sectors have changed at different rates during the past 12-months. These prices are representative of all natural gas produced in New Zealand and exclude GST.

Around 95% of gas is traded via long-term bilateral contracts. In the chart above, prices rose steeply between September and December 2021 for the smaller volumes of gas being purchased by commercial consumers coming off contract and have remained elevated since.

Industrial prices rose sharply between September and December 2022, but settled back down by March 2023.

Monthly Spot Prices: trending down

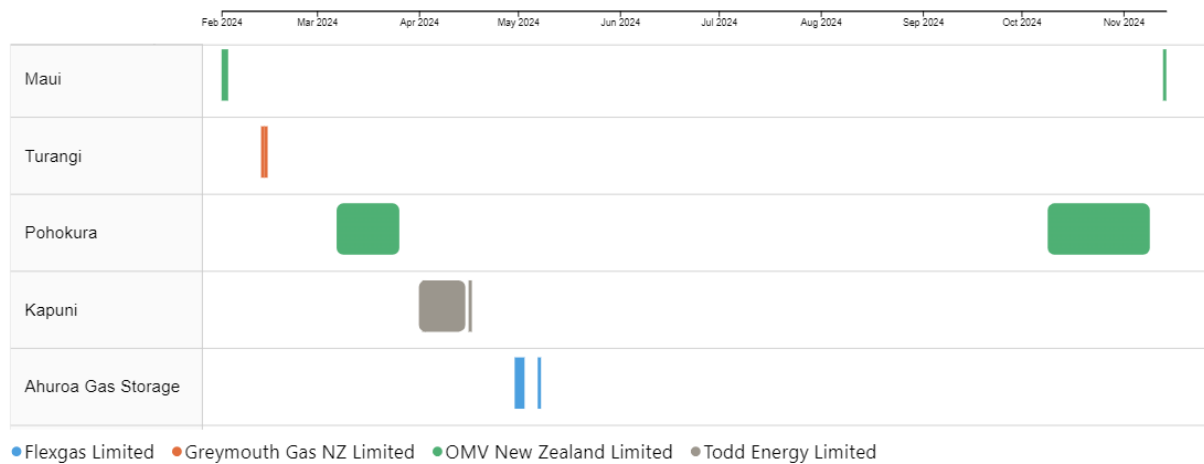


\* Spot price includes daily trades and forward prices. Shown prices exclude GST but include carbon costs.

This graph shows the average, maximum and minimum price per month on gas delivered via emsTradepoint. This covered approximately 4% of the total gas produced in 2022.

Upcoming planned outages

All Planned Outages



This graph shows all planned outages that have been disclosed through our new [outage disclosure page](#). For more information on planned gas production outages, see our [website](#).

## 3. Our Work in Progress

### FY2025 Work Programme and Levy Consultation Paper

In December we released our planned work programme for FY2025, and the levy that industry participants will pay, for consultation. The consultation is available on our website [here](#).

Our industry self-regulatory model depends on industry participants having a say about our work programme plans. We held our annual co-regulatory forum on 30 November, and the work programme reflects the priorities discussed there.

Submissions close on 9 February 2024.

### Upcoming changes to gas governance arrangements

Gas Industry Co has released a Statement of Proposal (SOP) for a coordinated set of changes to the Reconciliation Rules and Switching Rules that support market-led activities including:

- rollout of advanced gas meters,
- D+1 (daily allocations),
- the upcoming trial injection of biomethane in gas networks.

The SOP was published on 15 December 2023.

Gas Industry Co has used this opportunity to propose changes collected on rule change registers over the last few years. We aim to provide a recommendation to the Minister in early 2024.

This will ensure our gas governance arrangements remain fit for purpose for the next period.

### Recommendation to Minister on proposed amendments to gas governance regulations

On 7 December 2023, Gas Industry Co recommended that the Minister amends Schedule 1 of the Gas Governance (Critical Contingency Management) Regulations 2008.

The purpose of the proposed amendment is to remove the Broadlands and Taupo gas gates from Schedule 1 of the Regulations. The proposed amendment will ensure that the Regulations are consistent with Firstgas's operation of the gas transmission system between Reporoa and Taupo from March 2024.

Firstgas intends to reduce the operating pressure on this section of the transmission system to enable the blending of biomethane. The proposed amendment will avoid a critical contingency being declared in relation to normal operation of the gas transmission system.

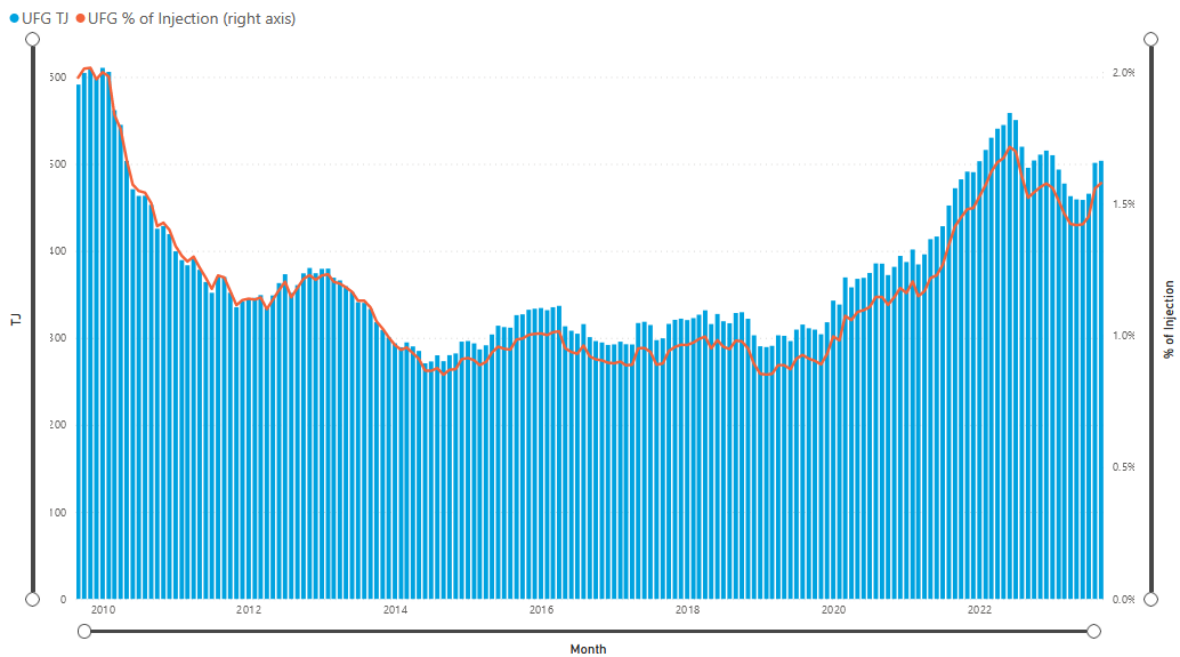
The proposed amendment is being made in reliance on the urgent recommendation process in the Gas Act. Consultation on the proposed amendment will occur as part of Gas Industry Co's broader package of proposed changes to the Regulations that will be consulted on in early 2024.

You can read the recommendation on our website [here](#).

## Unaccounted for gas

Unaccounted for gas (UFG) is the difference between the volume of gas injected into each distribution network and retailers' submissions for the volume their customers have used. Unaccounted for gas typically arises from retailer estimation error, metering, or energy conversion inaccuracies. The cost of unaccounted for gas is spread across all retailers depending on their customer mix.

The below graph shows that UFG (12-month rolling total) recently peaked in June 2022. Gas Industry Co has since been working to reduce UFG, but the two most recent months of data show that there is still more work to do.





## About Us

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

We work closely with industry players and regulatory agencies to develop arrangements and regulations and we provide trusted advice to industry and government about issues in the gas industry.

To get in touch or to find out more about the work we do, please contact us on 04 472 1800 or at [info@gasindustry.co.nz](mailto:info@gasindustry.co.nz) or head to our website [www.gasindustry.co.nz](http://www.gasindustry.co.nz)