



Gas  
Industry  
Co.

Quarterly Report

# Quarterly Update

July 2022

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

Gas Industry Company is the industry co-regulator, working with industry and government for safe, efficient, reliable, fair, and sustainable gas delivery.

# 1. Gas Today

## Supply constraints easing

There has been a significant increase in future gas supply as a result of field development and investment. The Māui A programme, which ran from late 2020 until early 2022, almost doubled the field's production. However, there are continued constraints on the energy system, with ongoing uncertainty about the availability of gas from further field development.

The upstream industry is continuing to invest, which helps to deliver ongoing supply to provide security for energy consumers. The supply-demand situation for this winter is satisfactory, with less gas called on for electricity security in 2022 compared to 2021. However, supply and demand are not completely back in balance.

Further information about our Supply and Demand projections can be found on our [website](#).

The Ministry of Business, Innovation and Employment has released updated petroleum reserves [data](#) as at 1 January 2022. The data is compiled from permit holders' annual summary reports. They show a 5.1% decrease in Proven plus Probable (2P) reserves. The reserves data will inform an input to Gas Industry Co's updated Supply and Demand study.

Work is underway for the Gas Transition Plan. Gas Industry Co is working with MBIE on multiple workstreams within the Plan, establishing the project plan and governance. Market participants and industry groups have begun conversations in preparation for providing input to workstreams and scenarios. Initial areas of focus for consultation will include perspectives on the two project pillars, particularly on the effect on natural gas of hydrogen and renewable gas, and the feasibility of carbon capture use and storage in the transition.

The Gas Industry Co FY2023 levy recommendation was approved, and new levy regulations came into effect on 1 July 2022. Gas Industry Co remains grateful to industry for their thoughtful engagement throughout the levy consultation process and is looking forward to making progress on the projects that make up the FY2023 work programme.

Gas Industry Co is also welcoming Miriam Dean CNZM QC on board as the new Gas Industry Co Rulings Panel as of 29 August 2022.

## 2. Gas Industry Insights

### Data about gas production and major user consumption

Gas Industry Co has comprehensive gas sector information in our [data portal](#)

Data that is valuable for market participants includes daily gas production by major fields and consumption by the largest users. Monthly information about Ahuroa gas storage is displayed, along with average quarterly gas prices and supply.

Market analysts looking for detail about prices can quickly locate emsTradePoint daily gas prices and delivered quantity.

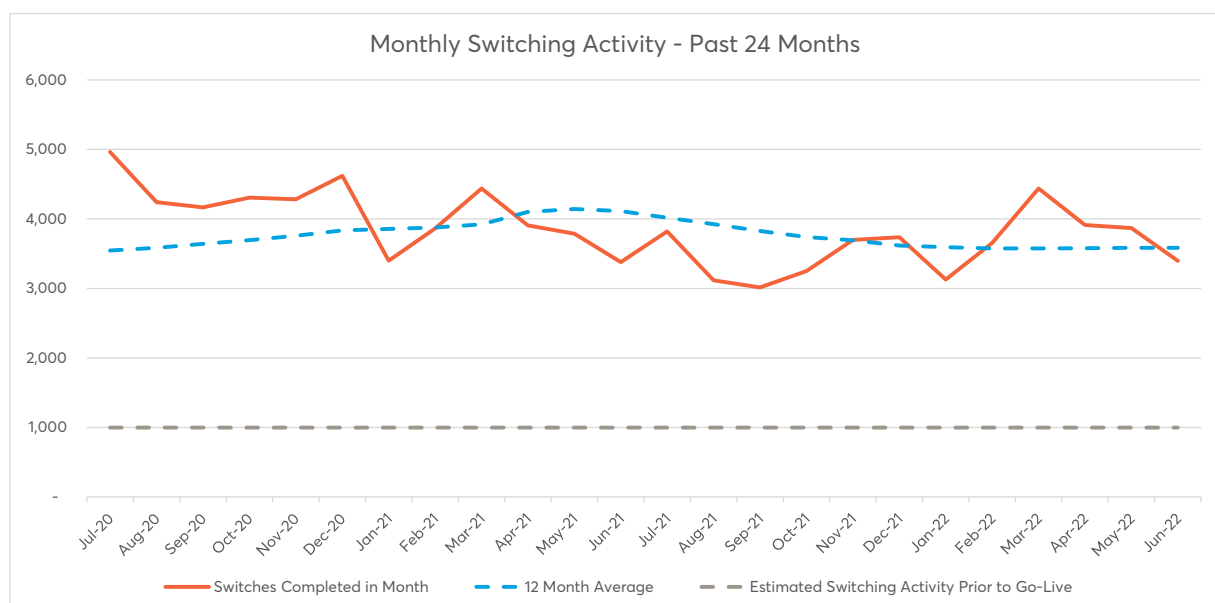
Detail to support security of supply, and help markets understand energy availability is provided through a portal recording planned gas production outages.

### Quarterly Data

#### Residential switching still sits an annual churn rate of 14%

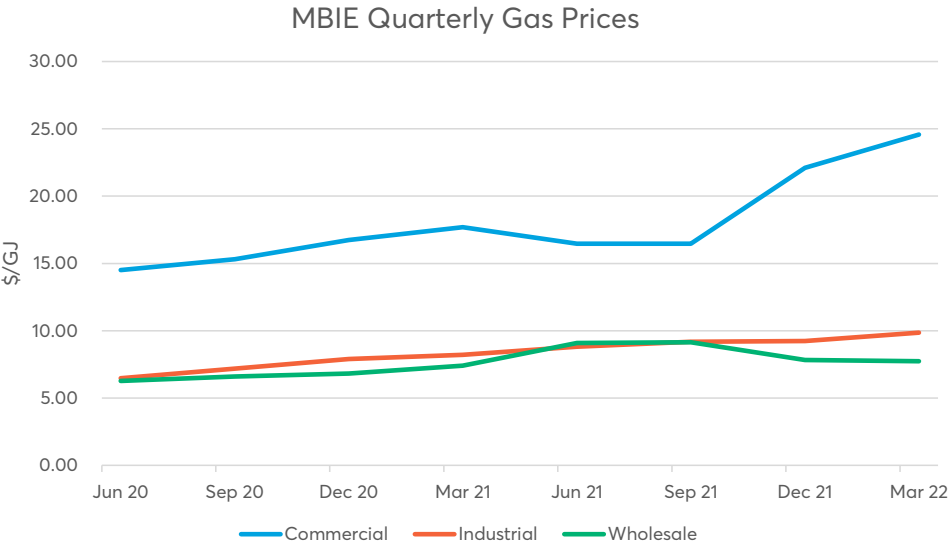
Over the past 12 months an average of 3,586 switches per month were completed, which translates to an annual churn rate of about 14 percent.

	April	May	June
2021	3907	3787	3378
2022	3914	3868	3397



Around 80 per cent of consumer switches are completed within three business days and 97 per cent are completed within seven business days.

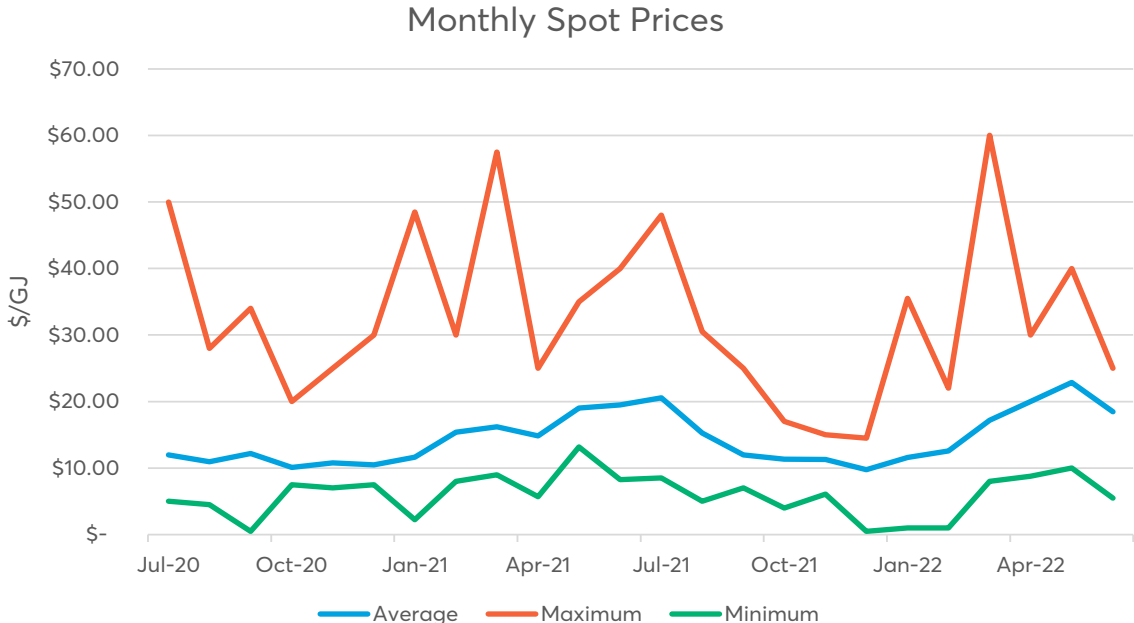
**Quarterly Gas Prices show Commercial pricing has risen due to constrained supply**



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, of which around 95% is traded via long-term bilateral contracts.

Commercial prices have risen steeply for the Dec-21 and Mar-22 quarters largely in response to constrained supply across the whole energy system. Meanwhile, gas prices for larger users, which is represented by industrial and wholesale prices in the above graph, have continued to rise steadily over time. Albeit wholesale prices having recently stepped down to Mar-21 levels during the latest two quarters.

**Monthly Spot Prices do not reflect trends in the contract market**

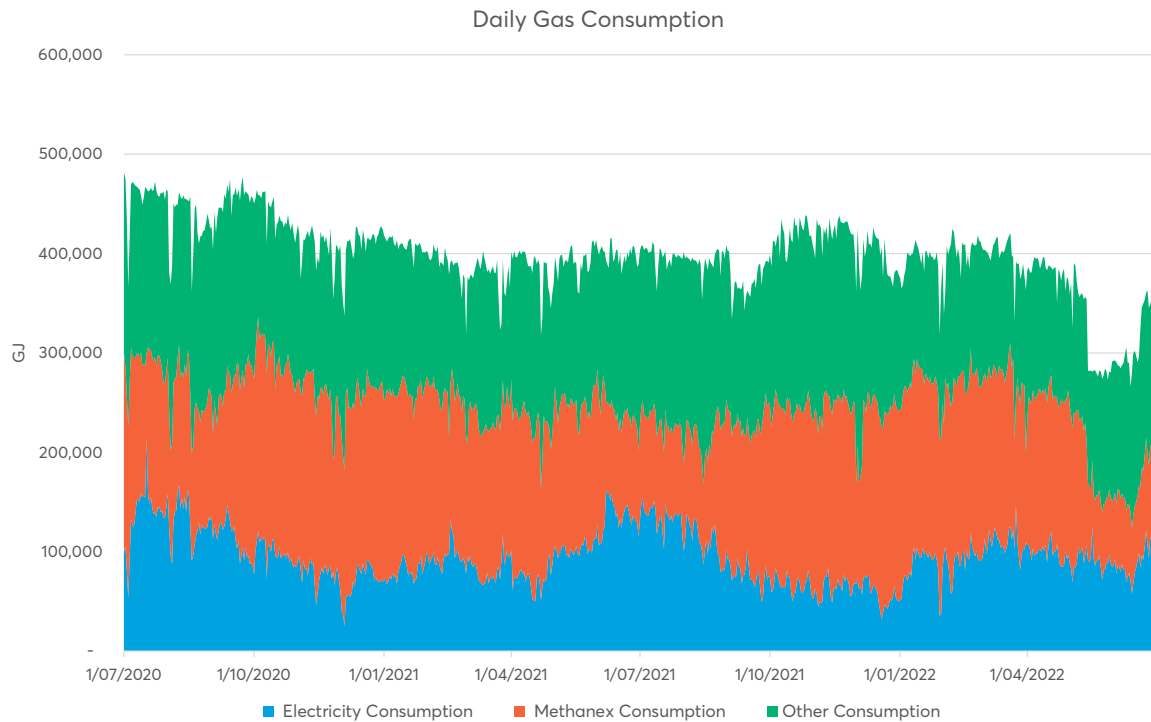


\*Spot price includes daily trades and forward prices.

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 2020.

Spot market trades are not reflecting the trends in the contract markets.

### Daily Gas Consumption affected by production outage

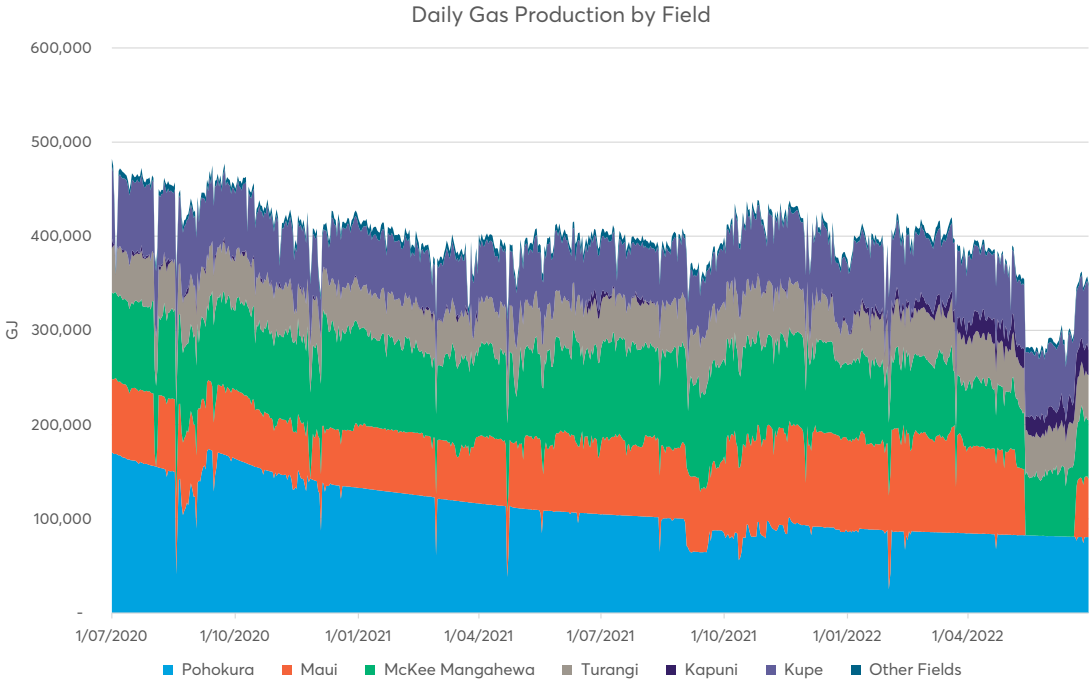


\*Excludes private pipelines

This graph breaks down the consumption of gas delivered through the open access pipeline network. The two largest users of gas are methanol production, followed by electricity generation and cogeneration.

The decline in the last quarter reflects the production outage at Maui.

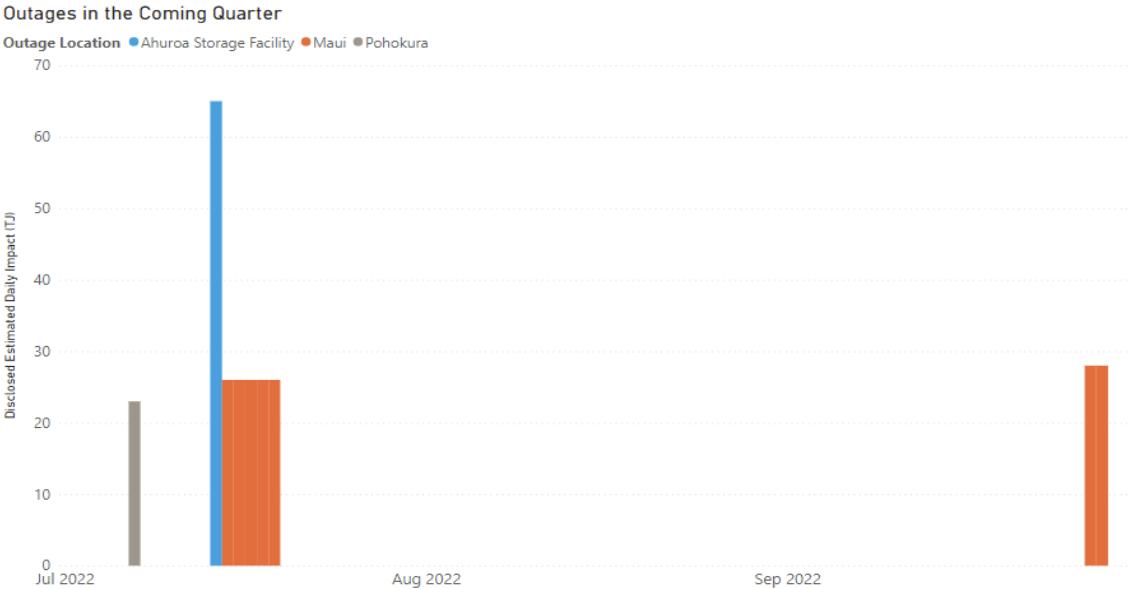
## Gas Production reflects decline at Pohokura and Maui maintenance outage



\*Excludes private pipelines.

This graph breaks down the production of gas delivered through the open access pipeline network by field.

## Upcoming planned outages



This graph shows the planned outages at gas fields and storage facilities between June and September 2022. For more information on planned gas production outages, see our [website](#).

## 3. Our Work in Progress

### Gas Transition Plan

The Emissions Reduction Plan includes work to develop a [Gas Transition Plan](#) to drive emission reductions from natural gas. The plan will be a key input into a broader Energy Strategy, showing how emissions from gas can be reduced in line with targets in emissions budgets, legislation, and in New Zealand's international commitments.

The Gas Transition Plan will identify opportunities and benefits and provide a framework to assist in making difficult decisions through the transition. The Gas Transition Plan is expected to:

- a. help inform decision-making and further action by government; and
- b. help to inform industry on the required investments and work to ensure an equitable transition away from the use of natural gas.

The Gas Transition Plan will cover the first three emissions budgets out to 2035, while signaling the longer-term direction out to 2050, particularly on:

- a. the natural gas transition pathways; and
- b. what is required to facilitate the uptake of renewable gases.

Gas Industry Co is working with the Ministry of Business, Innovation and Employment to develop the plan. The Ministry is engaging with consumers, non-government organisations, other interested parties, and Treaty partners. Gas Industry Co expects to engage closely with industry as the plan develops.

Work to develop the plan commenced in May 2022.

Public consultation on the plan is expected around mid-2023 before it is finalised and published in the second half of 2023. The Energy Strategy is expected at the end of 2024.

### Gas Industry Co FY2023 levy recommendation approved

The Levy Recommendation was approved by the Cabinet Legislation Committee on 12 May. The recommendation has been Gazetted, and the levy regulations came into effect on 1 July.

### The Gas Industry Co Statement of Intent for the next three financial years published in July

Our Statement of Intent process includes a work programme and associated costs for the following financial year, and indicative activity for at least the subsequent two years.

Work programme costs are mostly funded through market fees under gas governance rules and through annual levy regulations.

The Statement of Intent was gazetted and published on our website on 1 July 2022.

### Consultation: resolving the financial impact of consumption and injection errors

Gas Industry Co recently completed a consultation within our Downstream Reconciliation work programme which asked for allocation participants' views on proposals for resolving errors in consumption or injection information submitted to the allocation agent where the window for a special allocation has closed.

Gas Industry Co received responses to this consultation from Vector, Mercury, Contact and Nova.

All parties who submitted agreed with the proposals outlined in the paper.

This provides us with an industry agreed approach to future financial resolutions by aligning materiality thresholds of financial settlements with those of special allocations, and by including the cost of carbon in the calculation of settlement values for misallocated gas.

The submissions analysis can be read [here](#).

## Information Disclosure Consultation

On 18 May 2022, the Minister of Energy and Resources approved Gas Industry Co's recommendation to introduce new gas governance rules for the disclosure of gas production and gas storage facility outage information.

Gas Industry Co sought [feedback](#) on the drafting of the proposed rules.

This consultation period ended on 25 July 2022. We received six submissions and they can be read [here](#).

We are currently reviewing the submissions to determine if the proposal is ready to go the Minister for consideration.

## Critical Contingency Operator Annual Exercise

The annual Critical Contingency Exercise, Exercise Atiru was carried out on 18 May 2022. The exercise scenario involved the failure of the Kaitoke Compressor Station and a subsequent loss of two gas production stations affecting power in Taranaki.

The exercise provided an opportunity for parties (the CCO, TSO and Retailers) to practice their response to a critical contingency event in a safe environment and subsequently enhance their knowledge and competency for dealing with an actual event.

The CCO's exercise report was published on 16 June 2022, and indicated that the exercise was generally well received, along with a small number of recommendations. Gas Industry Co will be engaging with the CCO and industry to address these recommendations.



## Find 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.

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)