
Quarterly Report

January 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 fourth quarter of 2024.

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Gas today

New Zealand's gas market remains stressed.

Although most gas is bought and sold on long-term contracts, prices in contract renewals have risen and there is uncertainty about uncontracted gas demand in 2026.

Water and coal stockpiles are higher than a year ago and therefore demand for flexible gas for predicted winter 2025 conditions is expected to be met by agreements among industry participants. Development drilling this year may further increase gas availability. However, futures markets are signaling caution about winter energy markets.

Gas Industry Co is continuing to urge market participants to agree supply contracts for 2026.

OMV is drilling at Pohokura and Todd Energy has announced plans for development at its Mangahewa field. NZEC confirmed production from its Tariki field. These developments have the potential to contribute to supply. Longer term, significant volumes of new gas will be needed to meet demand that is currently uncontracted.

Frank Energy announced its withdrawal from retailing natural gas and LPG. Customers will be switched to parent company, Genesis Energy, from 1 March 2025. Frank cited a desire to simplify its offering, the introduction of a new billing system, and uncertainty over gas supplies, for its decision.

Security of Supply

Gas Industry Co remains closely engaged with industry and co-regulators on security of supply and the availability of gas to contribute to security for electricity.

Options for gas security through any mix of development, demand response, storage and supplemental fuel imports, require long-term contractual arrangements to underpin the investment. In the past, long-term contracts have been entered into by the petrochemical sector. Long-term confidence in the petrochemical sector continues to be central to gas security of supply for other sectors – especially electricity, which has an increasing demand for flexibility. As gas volumes decline, the cost of the demand response from petrochemicals will rise and availability will reduce.

Gas Industry Co sees uncertainty in whether the current commercial arrangements contract sufficient gas for potential flexibility requirements, and whether the security risk of dry, calm conditions is being offloaded to medium-sized industrials.

Work is continuing on the feasibility of LNG imports as part of the solution to long-term security of supply. While the technical options are being assessed, a commercial model for importing LNG has not advanced.

LNG imports would be likely to enter at higher prices than current domestic gas. The market response would depend on whether LNG supports the entire gas market or is restricted to consumers needing flexible supply (which is mainly electricity generators). A higher price umbrella might incentivise more domestic gas development but could exceed the propensity of some industrial consumers to pay.

Gas industry data insights

Supply and Demand Study

In November, we presented the 2024 EY Gas Supply and Demand study.

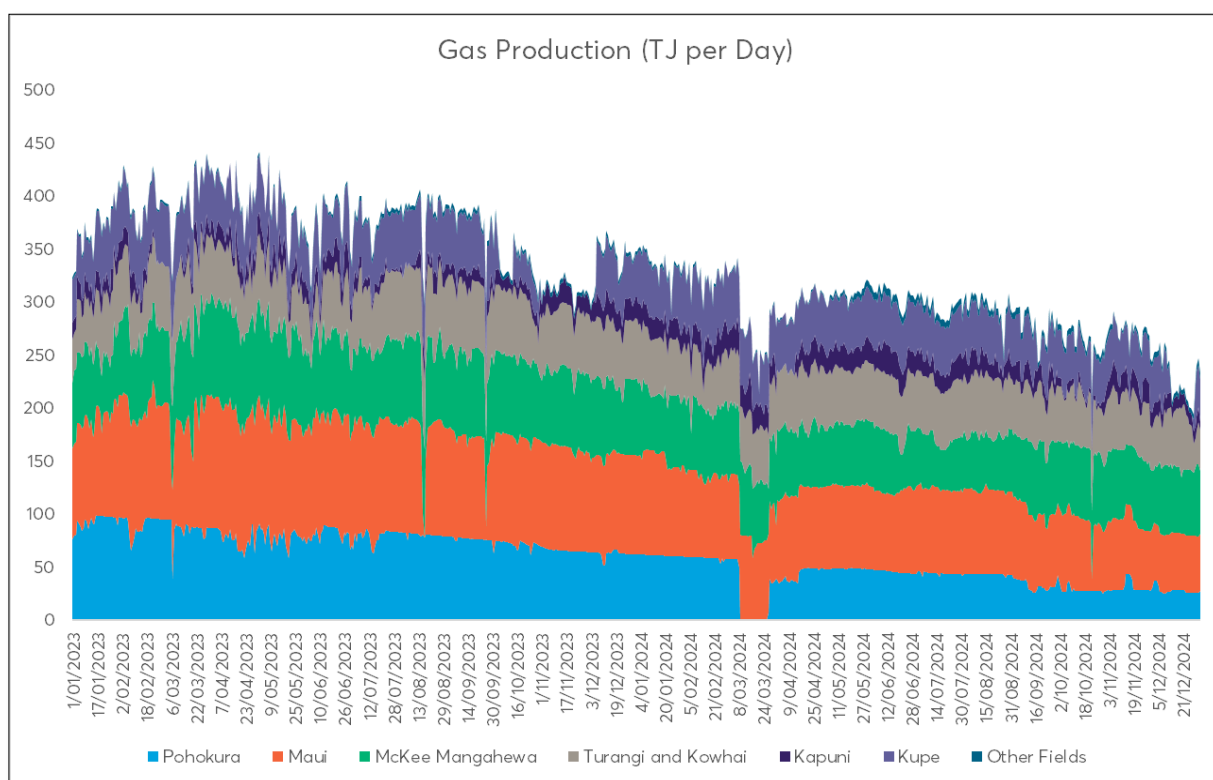
The study showed that investment in new gas is needed and that in the absence of a new gas discovery or an imported fuel, supply will be insufficient to meet demand if the current trajectory continues. Even with new supply entering the market, industrial closures could occur in response to fuel availability and prices.

[Gas Supply and Demand study - 2024](#)

Production

Production volumes for the three months to the end of December showed a decline across total field production compared to the previous quarter. Production decreased 19.9 per cent from 30.4 petajoules in Q4 2023 to 23.4PJ in Q4 2024.

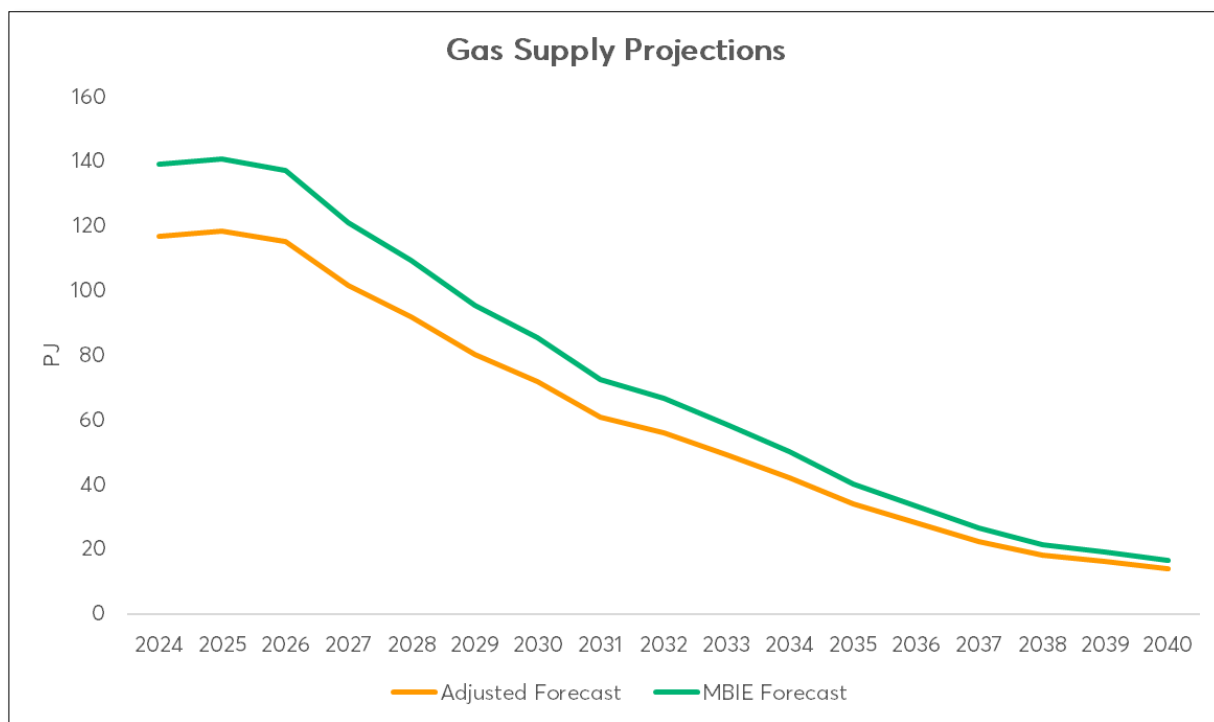
Production in the current year exhibited typical fluctuations, with the most notable events being production throttling at Kupe, the temporary shutdown at Pohokura for most of March, and a Kupe outage before Christmas. Total calendar gas production into open access pipelines was 106PJ, representing a 21% decrease from calendar 2023.



**Excludes gas sold through private pipelines.*

The graph below compares actual production if current patterns continue to expectations.

It shows two projections of natural gas production (across all fields out to 2040): the original projection (green line), created without 2024 data, and the adjusted projection (orange line), which incorporates the actual 2024 data. The difference between these lines highlights the variance between initial estimates and observed results. The graph depicts projections if this variance persists through the projection period and are based on a comparison with the most recent MBIE petroleum reserves data, published in July 2024.¹



The above graphic is not a forecast – it is a demonstration of outcomes if current trends continue without new resources entering production. Drilling is currently underway to bring in new production from existing fields. More will be known about the effects of that investment once wells are completed during 2025.

Gas consumption

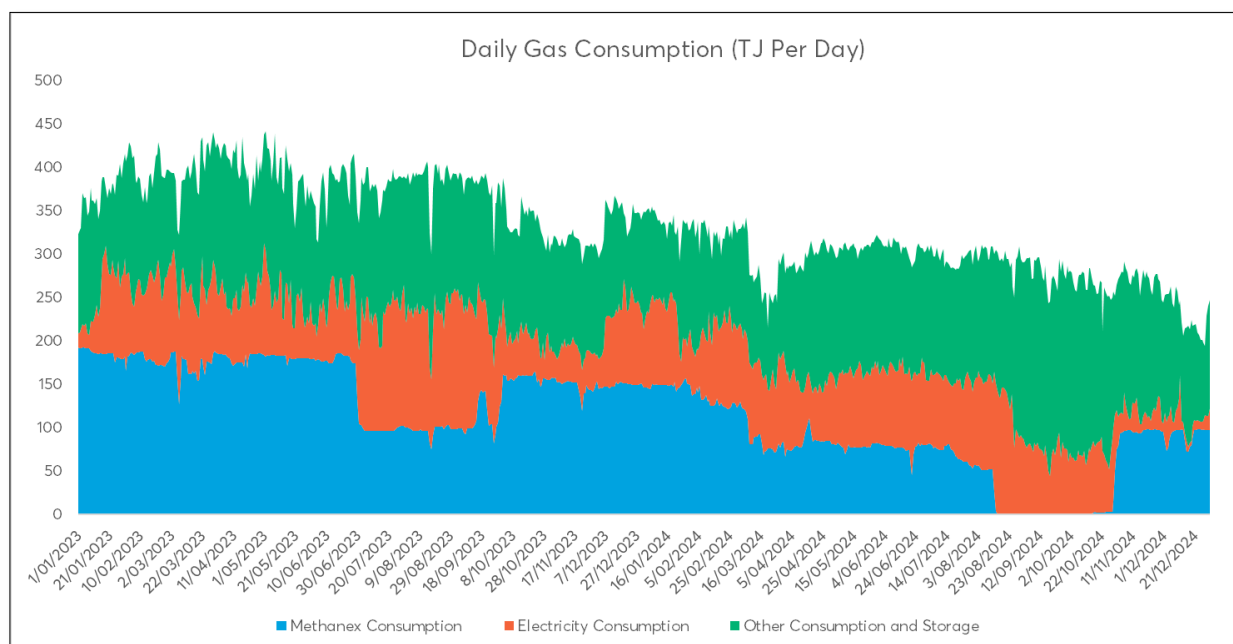
Gas consumption during the quarter declined overall, accompanied by a significant shift in consumption patterns.

Methanex's gas consumption in 2024 decreased by 51.33% compared to the same period in 2023. Lower methanol production was driven by reduced gas availability, as well as Methanex's mid-August shutdown, as part of a demand response measure which released gas for electricity generation.

Gas use for electricity generation also saw a substantial decline, falling by 49.78% in the last three months of 2024 compared to the same period in 2023. This occurred despite a contract to swap Methanex's gas consumption for electricity production.

¹ [Energy prices | Ministry of Business, Innovation & Employment](#)

Methanex Consumption				Electricity Consumption			
Quarter	2023	2024	% Change	Quarter	2023	2024	%Change
1	16.04	11.23	-30.02%	1	7.41	7.59	2.27%
2	16.35	7.19	-56.06%	2	6.32	7.46	15.29%
3	9.27	2.97	-67.93%	3	12.10	8.49	-42.45%
4	13.86	5.64	-59.31%	4	5.26	3.51	-49.78%
Total	55.53	27.03	-51.33%	Total	31.09	27.05	-14.93%

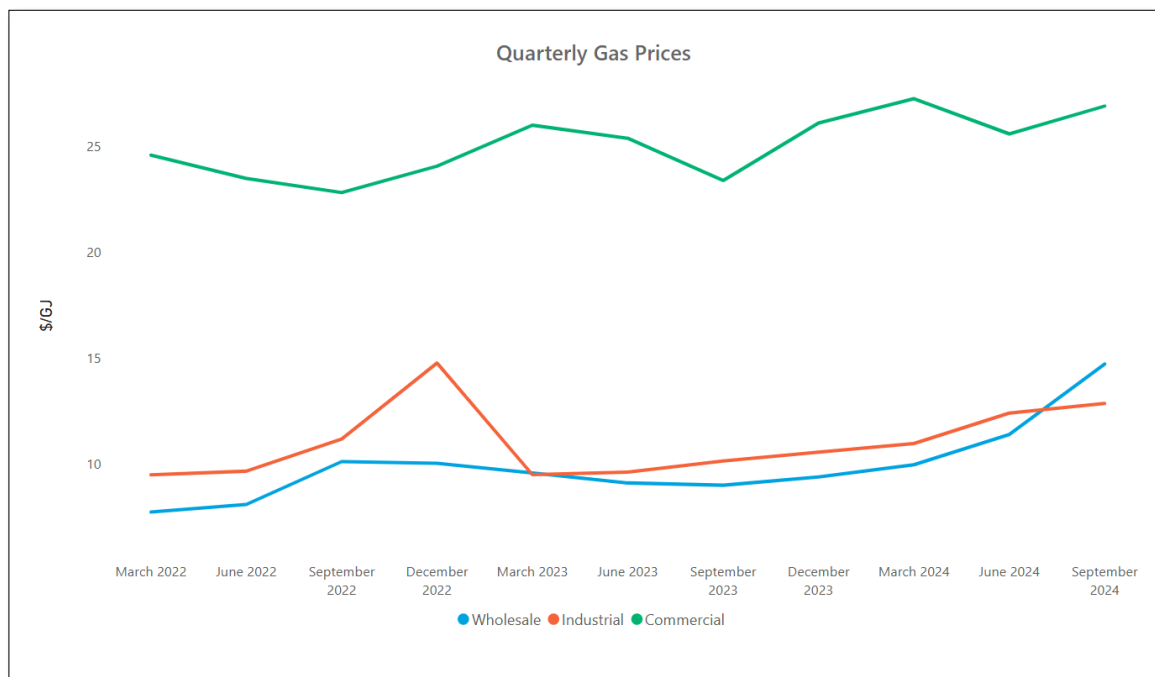


Commercial and industrial prices have increased over the past year

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 Q3 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.

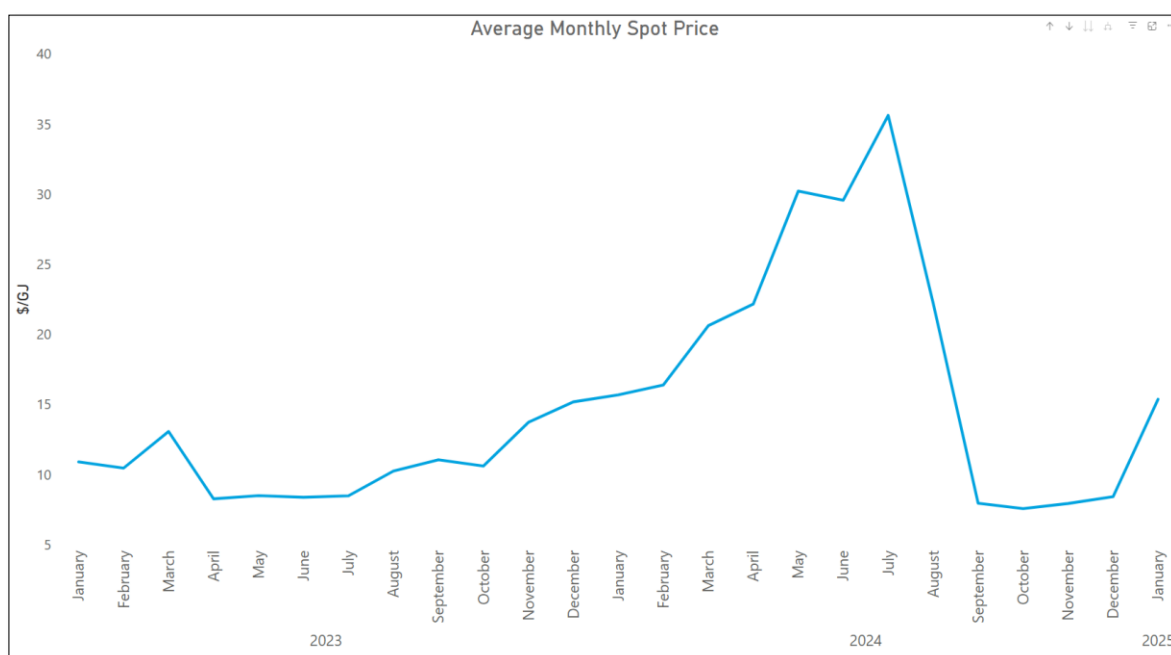
² [Energy prices | Ministry of Business, Innovation & Employment](#)



Monthly Spot Prices

The graph below shows the spot price per month of gas delivered via emsTradepoint. This includes daily trades and forward prices. These prices exclude GST but include carbon costs. 4.95PJ was traded on emsTradepoint in 2024 which is 4.3% of natural gas production (excluding private pipeline sales).

Spot market prices during the quarter were much lower than in the previous quarter, showing the impact of stressed market conditions during winter 2024. Demand for gas for power generation eased around the start of the quarter and average prices dropped as a result. Spot prices have been higher since the quarter end.



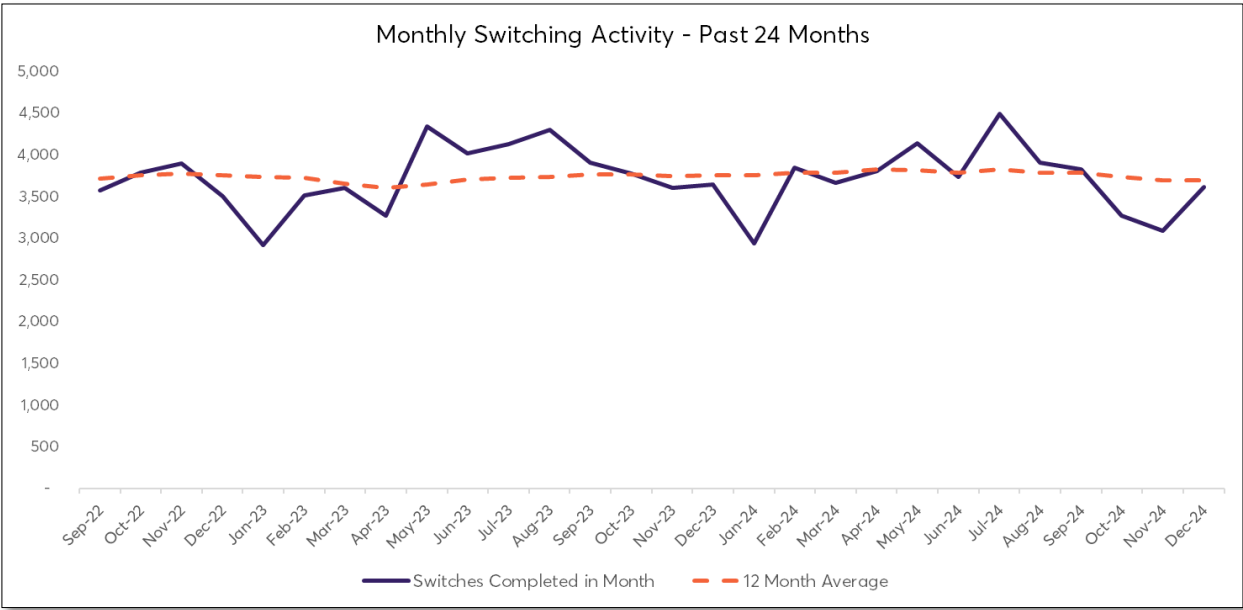
Consumer Switching

Over the past 12 months (Dec 23 to Dec 24) an average of 3689 switches per month were completed, which translates to an annual rate of switching (churn rate) of around 14%.

A high churn rate in a retail market suggests customers find changing retailers easy. This, in turn, puts pressure on retailers to offer competitive terms and pricing.

On average, switches are completed within three business days.

	October	November	December
2024	2298	2010	2232
2023	2786	2497	2554



Our work in progress

Hon Amy Adams joins the Gas Industry Co Board

The Hon Amy Adams joined the Board as an Independent Director in December. Amy served as a Member of Parliament from 2008 to 2020, including 6 years in Cabinet, after a successful career as a commercial lawyer.

In her ministerial roles, Amy was known for her analytical approach to legislative matters and was active in shaping policy on infrastructure and economic development. Her efforts included driving improvements in New Zealand's telecommunications infrastructure and advocating for policies that supported business growth and economic stability. Amy also served on various parliamentary committees scrutinizing and shaping legislation.

Amy is the current Chancellor of the University of Canterbury and holds volunteer positions with St John Ambulance and Melanoma NZ.

After completing a Board skills gap analysis, a subcommittee will be appointed to lead the recruitment process for the remaining independent Director vacancy.

FY2026 Work programme and Levy

On 28 November we held our annual Co-regulatory Forum to discuss the FY2026 work programme and associated levy budget. The proposed work programme and levy, and feedback received, has formed the basis of the consultation paper, which is out for consultation until Friday, 7 February 2025.

We expect to present you with the FY2026-28 Statement of Intent detailing the FY2026 work programme and related matters for comment, and the Levy Recommendation for Ministerial/Cabinet approval, in March 2025.

Biogas

A Biogas workstream gas was established to help support the uptake of a biogas market by:

- ensuring appropriate allocation rules and systems are in place,
- designing and implementing a framework to support certification systems,
- developing an interim monitoring system to track uptake of biogas production (until allocation systems are fit for purpose),
- designing a renewable gas mandate as a potential backup solution to support uptake, if required, and
- investigating the cost of connecting production facilities to distribution networks.

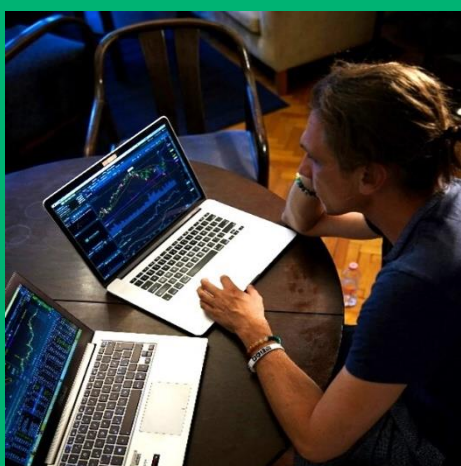
We are also participating in the Biomethane/Biogas carbon Intensity Project Steering Group to produce a methodology to identify the renewable origin of feedstocks and calculating the carbon intensity of biogas and biomethane.

Critical Contingency Management (CCM) Recommendation

We have been supporting MBIE to develop drafting instructions which have been sent to the Parliamentary Counsel Office for drafting.

Gas Governance Arrangements

In November we provided you with a Recommendation to amend the Reconciliation Rules and Switching Rules. These amendments make provision for advanced gas meters, injection of renewable gases and D+1 (daily allocations). The Statement of Proposal also included some non-regulatory proposals which are now being progressed, including functional enhancements to the gas registry and allocation system which stakeholders had supported in submissions.



Relevant, comprehensive, timely
information at your fingertips

Visit our Online Data Portal for:

- Daily gas production by major gas fields
- Gas consumption by largest users
- Gas in storage volume data
- Average quarterly gas prices and supply

To receive gas field production and unplanned outage information via email every Mon, Wed and Fri, contact us at info@gasindustry.co.nz

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

To get in touch or to find out more about the work we do:

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Visit our website: www.gasindustry.co.nz