



Gas
Industry
Co.

Quarterly Report

Quarterly Update

April 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.

This report reflects on activities for the first three months of 2024.

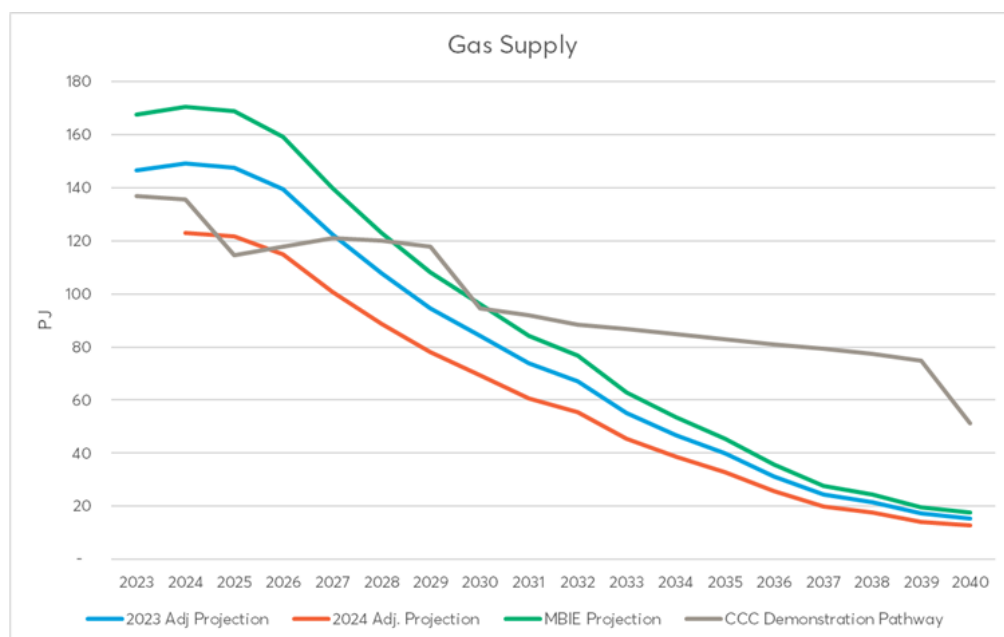
1. Gas today

Gas supply is at the bottom of expected volumes this year and insufficient gas is available to meet all contracted demand. As a result, industrial gas use has reduced. Investment is needed to bring new gas to market.

Gas Industry Co has prepared the chart below showing a projection of gas production. The green line shows expected production based on forecasts from the Ministry of Business, Innovation and Employment (MBIE) that were prepared mid-2023 using reserves and production data to 31 December 2022. The blue line updates the projection based on actual production performance in 2023.

The orange line is a further update based on actual production performance in the first quarter of 2024.

The chart is a projection based on past performance, not a prediction that takes into account likely market and investment responses. For example, gas production volumes may exceed this projection if investment occurs in response to the reductions in supply from existing investments. Production volumes may decline in 'chunks' if further investment in field development does not occur and major users are unable to secure sufficient long-term gas contracts.

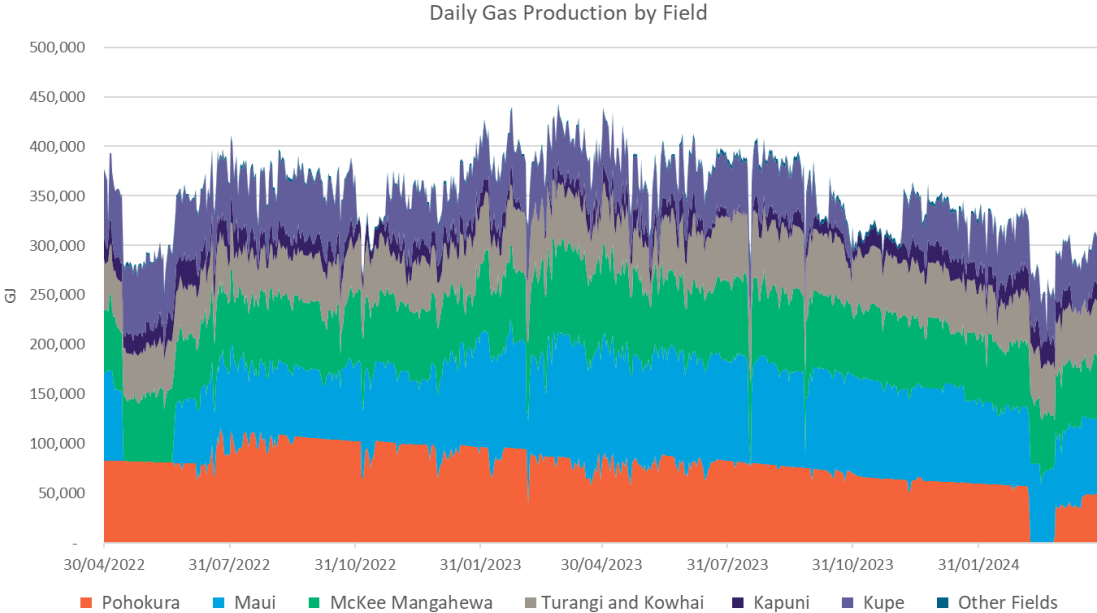


Industrial and commercial customers should seek to renew contracts early

Our advice to large gas consumers is that gas supplies are likely to be constrained throughout the decade. To avoid a situation where customers are coming to market in expected tight supply and demand conditions, we recommend industrial and commercial customers with upcoming contract renewal should consider re-contracting early and for as much of their future consumption volumes as they can obtain. Some industrial consumers may not be able to secure expected gas volumes and prices are likely to be significantly higher.

Gas production

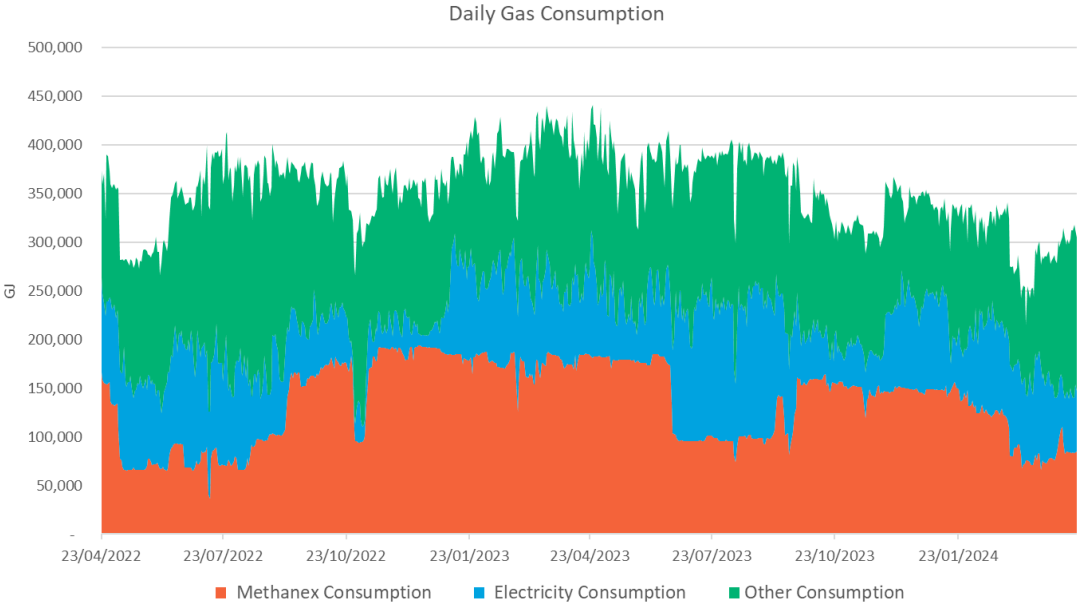
Production was limited during the quarter due to a planned outage at Pohokura during March. Other fields decreased slightly over the quarter, with peak daily production in April 50,000 GJ lower than in January.



*Excludes gas sold through private pipelines.

Gas consumption

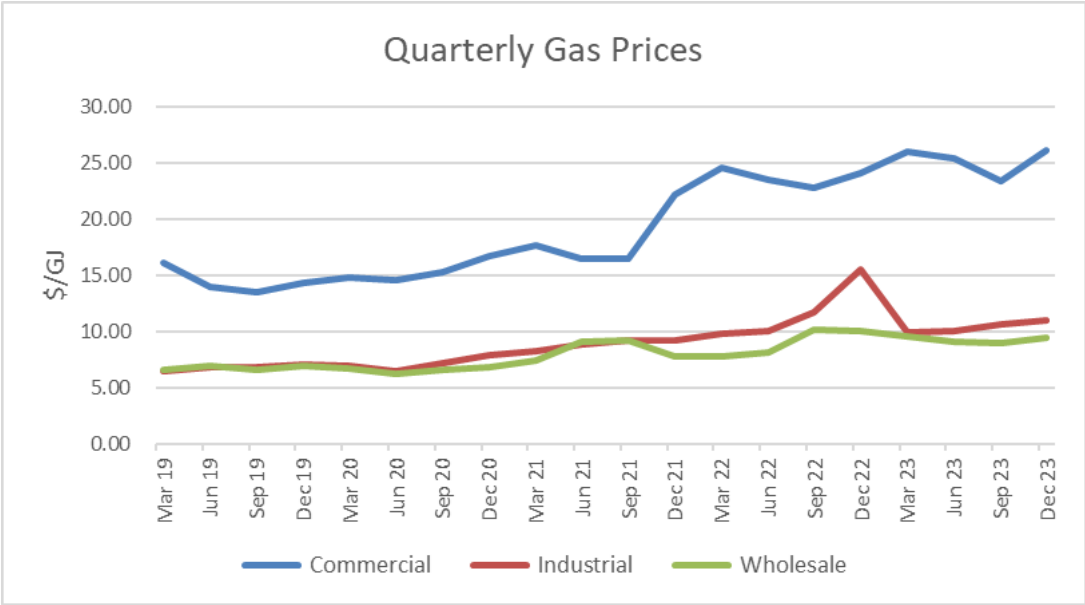
Gas used for electricity generation remained steady this quarter despite a significant planned outage at Pohokura during March. Other gas users, including Methanex, were affected by this which is reflected in step drops in daily gas consumption across both user groups during March.



Commercial and industrial prices have increased over the past year

Pricing data shows an upward trend. These prices are representative of all natural gas produced in New Zealand and exclude GST.

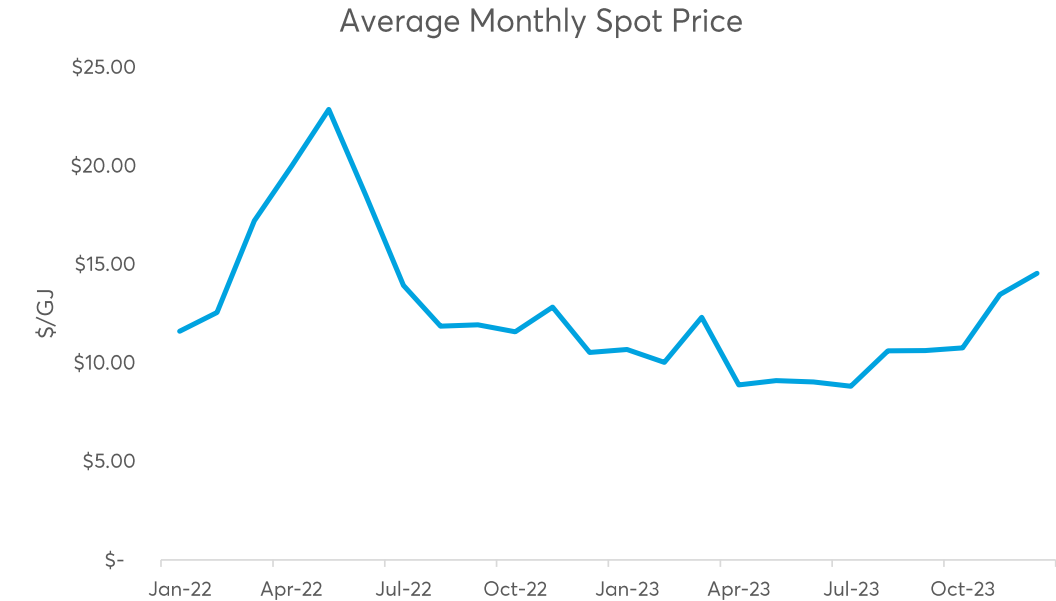
Around 95 percent of gas is traded via long-term bilateral contracts. Commercial contracts are rising faster in the graph below. Average commercial contract durations are shorter and are likely to be affected by current market conditions.



Monthly Spot Prices

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

This graph shows the spot price per month on gas delivered via emsTradepoint. This covered approximately 4 percent of the total gas produced.



2. Gas industry insights

Comprehensive, timely gas sector information is available in our online portal

Data available via [our data portal](#) for market participants includes:

- daily gas production by major fields
- consumption by the largest users
- data about volumes of gas in the Ahuroa gas storage facility
- average quarterly gas prices and supply.

Market analysts looking for price detail can find daily gas prices and delivered quantities via [emsTradeport](#).

Detail to support security of supply, and help markets understand energy availability, is provided through an online data portal which reports planned gas production outages.

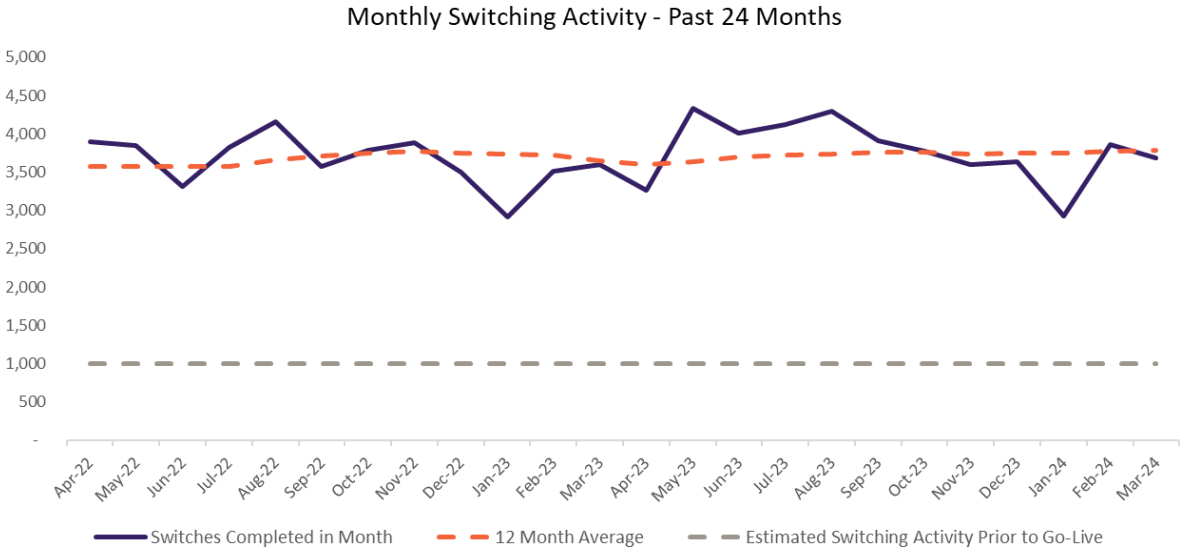
Quarterly data

Residential switching annual churn rate of 15%

Over the past 12 months an average of 3,786 switches per month were completed, which translates to an annual churn rate of about 15 percent.

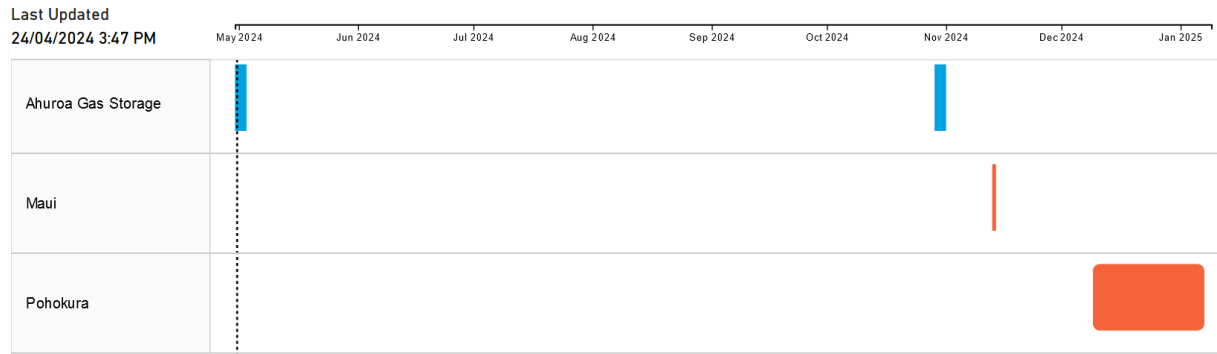
Around 73 percent of consumer switches are completed within 3 business days and 97 percent are completed within 7 business days.

	January	February	March
2023	2,920	3,507	3,604
2024	2,933	3,856	3,682



Upcoming planned outages

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



● Flexgas Limited ● OMV New Zealand Limited

3. Our work in progress

Good progress on biomethane

Three biomethane initiatives have paved the way for biomethane's viability as a gas alternative.

The first is Standards New Zealand's publication of [an interim NZS5442 gas quality standard](#) to be consistent with biomethane injection into the reticulated gas distribution network.

We worked with Standards New Zealand to revise the standard so that it now includes test methods and frequencies for biomethane and to amend the limits for certain gas components such as oxygen and contaminants.

The final version of this standard—which is required to be published within 24 months of the interim standard publication—is expected to be consistent with the blending of hydrogen gas within the network.

The release of the Interim Standard is also consistent with a commercial arrangement between Clarus and Ecogas to inject biomethane into Clarus's transmission pipeline.

The excess biomethane produced at Ecogas's food waste-to-bioenergy facility at Reporoa will be injected into the transmission system for supply to gas consumers in the Taupo and Reporoa region.

Finally, Powerco announced in March two joint ventures projects that will assess the viability of turning biogas currently flared into a product that can feed through its pipeline network.

The first project is with Manawatu District Council using biogas from its wastewater treatment plant near Feilding. The second is with a private company that operates a landfill near Marton. We are engaging with PowerCo throughout this process to continue to address regulatory barriers to projects such as these.

Retail Gas Contracts Oversight Scheme

In April, we released our consultation paper reviewing the Retail Gas Contracts Oversight Scheme Benchmarks and Reasonable Consumer Expectations (RCEs).

The Retail Gas Contracts Scheme is a voluntary scheme which assesses standard published gas contracts against a set of benchmarks and reasonable consumer expectations.

Last year an independent assessor evaluated eleven published supply arrangements (nine residential, two business) across nine retailers. It found overall substantial alignment with the benchmarks.

We are now consulting on those benchmarks and reasonable consumer expectations.

The paper seeks stakeholders' views on a number of the scheme's benchmarks or our interpretation of those benchmarks and RCEs. These are prefaced by an overview of the scheme and broader context, including previous independent assessment of retailer alignment and noting Consumer Care Guidelines developments.

Submissions close on 17 May 2024.

Annual monitoring disclosures and certificates

The Gas (Facilities Outage Information Disclosure) Rules 2022 took effect on 1 April 2023. The exceptions were rules 15.2 and 16.2 under Part 5 (monitoring), and rule 18 under Part 6 (certification). These three rules came into force on 1 April 2024.

These rules provide for effective and timely disclosure of information for an unplanned outage or planned outage at a gas production or storage facility for all gas and related market participants.

They require gas producers and gas storage owners to provide the Gas Industry Company with the information required under Part 5 of the rules and their annual outage information disclosure certificate by no later than 15 April 2024.

More information is available on our website: [Information Disclosure](#)

Amendment to CCM Regulations and Firstgas's CCMP

The Gas Governance (Critical Contingency Management) Regulations 2008 have been amended on our recommendation to the Minister to remove the Broadlands and Taupo gas gates from the critical contingency threshold limits in Schedule 1 of the Regulations. The amendment took effect on 8 March.

Notice of the Minister's decision on the amendment is available on the [on the Government Gazette website](#) and a copy of the Gas Governance (Critical Contingency Management) Amendment Regulations 2024 is available on [the Legislation website](#).

Statement of Proposal on amending the Gas Governance (Critical Contingency Management) Regulations 2008

We have opened consultation on a wider package of changes to the Gas Governance (Critical Contingency Management) Regulations 2008. Our Statement of Proposal responds to the need to adapt the CCM regulations to operational changes in the last decade and implements learning from previous events and CCM exercises to increase efficiency.

The statement and supporting documents are posted [on our website](#).

Performance audits improvements

Currently seven performance audits are underway across retailers, meter owners and distributors. We arrange these audits at regular intervals under Gas (Downstream Reconciliation) Rules 2008 and the Gas (Switching Arrangements) Rules 2008.

The current audit cycle began in September last year. To date general compliance is good, which is similar to the previous audit cycle.

At the start of the audit cycle, we worked with auditors and industry to improve how alleged breaches are summarised in reports. The audit report now includes participant comments on resolution timeframes for alleged breaches and further contextual questions for the Market Administrator. This will enable the Market Administrator to improve the timing of catchups with participants when following up on fixes to alleged breaches, and significantly improve the speed to determine the materiality of alleged breaches.

Critical Contingency Operator exercise

This year's annual Critical Contingency Operator (CCO) exercise will take place on 15 May 2024. The exercise tests the Firstgas Critical Contingency Management Plan and retailer emergency contacts.

To prepare for the annual exercise, CCO held an overview training session for new industry participants on 10 April. This training is to ensure stakeholders understand their responsibilities in the event of a critical contingency.

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 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 or head to our website www.gasindustry.co.nz