

Submission to GIC on Gas Industry Co FY2022 Work Programme and Levy – dated 5 February 2021

From the Major Gas Users Group

Question	Comment
<p>Q1: We seek your input about looming issues on the horizon which will be addressed in current or future work programs, as mapped in 1.1 above. What other issues should be on our horizon?</p>	<p>The Climate Change Commission’s first advice to government (draft released 31 January 2021) poses ongoing and fundamental challenges to the prospects for gas in New Zealand. This makes it difficult to define and/or speculate what other issues may be on the GIC horizon.</p> <p>The range of topics (map 1.1) are comprehensive enough to address “business as usual” objectives but it would also help if these topics were examined further to ensure the scope of these workstreams fully capture their significance in the context of changing policy priorities. For example MGUG has advocated for greater disclosure of the extent of the gas resource in submitting on the current amending legislation to the Gas Act. Likewise how the direction for gas quality with regard to new energy technologies (hydrogen, bio gas etc) aligns with the policy directions proposed by the CCC needs to be considered. And</p> <p>GIC’s latest initiative to examine the stresses on current gas supply is very timely and we support it.</p> <p>GIC is reluctant to be seen as an advocate or lobbyist for the industry. There may be a fine line between the role of trusted</p>

	adviser and advocate/lobbyist but in any event we would expect GIC to take a proactive stance on issues facing the industry.
<p>Q2: Technology changes, changes to market structures, the potential for new renewable infrastructure, and uncertainty over prices will all have an impact on existing facilities, commercial arrangements and regulatory structures and systems</p> <ul style="list-style-type: none"> • What changes to regulatory structures and systems do you believe Gas Industry Co should be reviewing? <p>What other gas challenges arising from the energy sector transition should Gas Industry Co be assisting industry and Government to prepare for?</p>	<p>The current gas specification is unlikely to be fit for purpose in the emerging gas system. Reviewing the gas specification in anticipation of blending biogas and/or hydrogen and possibly higher LPG injections would enable more informed decisions on these emerging options.</p> <p>We understand that First Gas has been working on the capabilities of its assets to deliver different gas specifications but to date the scope of this investigation and conclusions have not yet been released. Regardless we think there is a role for the GIC in terms of the Gas Act and GPS in assessing whether the regulatory regime would be fit for purpose, including for production, transport, and end use of gases that would fall outside of the current gas specification.</p>
<p>Q3: Do you have any comments on the process for developing Gas Industry Co's Work Programme and Levy?</p>	<p>We are happy with the process.</p>
<p>Q4: Reflecting on Gas Industry Co's Sector Coordinating Entity Role in relation to the COVID-19 pandemic, we are interested in your feedback in relation to the following matters relating to both COVID-19 lockdowns (March and August 2020):</p> <ul style="list-style-type: none"> • Standard of communications from Gas Industry Co (eg was the messaging clear, timely, targeted?); • What went well/what could be improved? • Learnings to take forward/feedback for Gas Industry Co? • Learnings to take forward/feedback we can pass on to MBIE? <p>Any other comments you would like to add?</p>	<p>No comment</p>

<p>Q5: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2022? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.</p>	<p>With reference to 43ZN in the Gas Act, and Para 11 a), e) in the GPS: We believe that in its Trusted Advisor capacity the GIC should undertake a study to assess the various tipping points for gas infrastructure in light of the CCC assumptions for New Zealand gas demand.</p> <p>For example the CCC is promoting no new gas connections after 2025 and models a Methanex exit in 2026 while assuming that gas infrastructure would continue to be available for gas peaking generators as well as provide an option for biogas and hydrogen. Their projected natural gas demand is assumed to be (approximately) 56 PJ in 2035 and 20 PJ in 2050. Gas infrastructure might be regarded as generally large fixed cost investments supported by a critical mass of volume. It seems plausible that gas demand from stable large users has a significant impact on whether optionality around gas for generation, mass market can be assumed in absence of these loads. In that sense the transition from 160 J of gas to 20 PJ, may not be smooth, but disruptive. Within the broader national energy strategy that the CCC is advocating for, as well as its advice to Government on carbon budgets the broader energy system risks seems to have been overlooked.</p>
<p>Q6: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2022? Please provide reasons for your response.</p>	<p>We believe that our response to Q5 indicates urgent work that should be completed within the current financial year. If that means borrowing from FY22 we assume that the GIC would reprioritise the spending accordingly.</p>
<p>Q7: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do stakeholders consider the projection reasonable? If not, what would they consider an appropriate gas volume estimate to be?</p>	<p>No comment</p>

Q8: Do you have any comment on the proposed levy rates for FY2022?	No
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Yours sincerely

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