



Submission prepared by: Joshua O'Rourke of Energy Resources Aotearoa. 8 February 2022. [joshua@energyresources.org.nz](mailto:joshua@energyresources.org.nz)

Question	Comment
Q1: Do submitters agree with Gas Industry Co's assessment of the strategic context?	<p>The description provides a good assessment of the strategic context.</p> <p>We note the investment of capital, which the section mentions, is contingent upon at least two important factors:</p> <ul style="list-style-type: none"><li>• predictable and stable settings; and</li><li>• reasonable confidence that downstream counterparties will be around in New Zealand long enough to justify the investment.</li></ul> <p>Unfortunately, there is a cacophony of negative signals which add significant risk (especially for the next cycle of investments which may see production beyond 2030) for those considering investing in natural gas projects including the development of contingent resources. The upstream petroleum sector operates with significant technical and commercial risks as it is, so adding political and policy risk compromises a key factor that has traditionally made New Zealand's sector attractive to invest in.</p> <p>Key issues in the current political and policy environment which compound uncertainty and risk for gas producers are:</p> <ul style="list-style-type: none"><li>• the 2030 100% renewable electricity target;</li><li>• review of the industrial allocation regime;</li><li>• a possible ban on new gas connections;</li><li>• phasing out fuel fossils in process heat;</li><li>• the NZ Battery Project and Lake Onslow pumped hydro concept;</li><li>• implementation of the regime to create perpetual liability on Crown Mineral permits in the context of decommissioning.</li></ul> <p>The above current risks exist in a context where the potential for hurried and surprising policy implementation has been clearly demonstrated e.g. the end to new petroleum exploration permits outside onshore Taranaki.</p> <p>We make two final points about the line stating "Strategies will be needed to allocate a diminishing quantity of gas alongside the need for gas to provide security in an increasingly renewable energy system":</p>

- care should be exercised in stating and interpreting the statement that “strategies will be needed”. Allocating resources is best achieved through price signals and open markets, so any ‘strategy’ should be firmly market orientated; and
- the phrase “diminishing quantity of gas” pre-supposes outcomes and may be too subjective.

Q2:	<p>Do submitters agree with Gas Industry Co initiating and progressing the workstreams identified in the Gas Market Settings Investigation final report (detailed in section 3.2)?</p>	<p>Largely yes. We make two comments.</p> <p><i>Gas Transition Pathway</i></p> <p>The concept of this work is good. We draw attention to our recent commencement of a substantial project with the Boston Consulting Group which will identify issues, opportunities and challenges for the natural gas sector as it navigates the low emissions transition, with a key output being the identification of actions that operators, the collective industry, and government should do to achieve optimal outcomes. To ensure this is grounded in the local political economy and practical, the research will be informed by and based upon a central case study and supplementary workshops.</p> <p>We will work with the GIC as we progress this project and are confident that it will be a useful input into the proposed Gas Transition Pathways. We welcome and encourage the GIC work continue to work with us it develops its thinking on its proposed project.</p> <p><i>Avoiding and reducing emissions</i></p> <p>On page 10, a workstream is proposed to look at “How gas supports energy needs that cannot be met by electricity (including green gases, avoiding and reducing emissions, and the viability of emission capture)”. The meaning of the parenthetical comments is a little unclear, but we remind the GIC that the avoidance and reduction of emissions is being and will continue to be driven by the capped Emissions Trading Scheme. The capped ETS neutralises the effectiveness of practically all other policies. A note we produced on this matter can be found at: <a href="https://www.energyresources.org.nz/dmsdocument/202">https://www.energyresources.org.nz/dmsdocument/202</a></p>
Q3:	<p>Do submitters have any comments on the process for developing Gas Industry Co’s FY2023 Work Programme and Levy?</p>	<p>n/a</p>

<p>Q4: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2023? If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS.</p>	<p>No.</p>
<p>Q5: Do you consider there to be any items that should be excluded from Gas Industry Co's intended Work Programme for FY2023? Please provide reasons for your response.</p>	<p>Not necessarily but, as covered in our response to question 2, the implications of the capped ETS should be carefully considered before progressing work on emissions.</p>
<p>Q6: Gas Industry Co is particularly interested in industry comment on the forecast gas volumes - do</p>	<p>[ALL RESPONSES TO Q6 TREATED AS CONFIDENTIAL AND NOT PUBLISHED.]</p>

stakeholders consider the 185 PJ projection reasonable? If not, what would they consider an appropriate gas volume estimate to be? **NOTE – any submissions provided in response to this question will be treated as confidential and will not be published.**

Q7: Do you have any comment on the proposed levy rates for FY2023? n/a