



5 February 2021

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Sent via email: consultations@gasindustry.co.nz

Dear Andrew

Gas Industry Company funding proposal for Financial Year 2022

Firstgas Group welcomes the opportunity to comment on the Gas Industry Company's (GIC) consultation paper "*Consultation on Gas Industry Co FY2022 Work Programme and Levy*" released in December 2020.

We support the consultation process undertaken on the work programme and consider the overall levy for FY2022 to be fair and reasonable.

Promoting the role gas can play in a carbon neutral world

The Climate Change Commission's draft advice highlights significant challenges for the gas sector to play a meaningful role in decarbonising New Zealand's energy sector. The draft recommendation to prohibit new gas connections after 2025¹ would significantly alter the gas industry and may preclude options for reducing emissions that have real value. We believe that the GIC's work programme needs to be clearly aligned towards facilitating gas' role in lowering emissions.

We firmly believe that gas and gas infrastructure has a role to play by delivering increasing quantities of renewable gas via networks over time. The GIC is aware that we have been working on several renewable gas options to evaluate their economic and technical viability in New Zealand:

- The technology for **biogas** is well established and functioning around the globe. Given the similar chemical make-up of biogas to natural gas (CH₄), there are few technical barriers to substituting biogas for natural gas and distributing this renewable gas across our networks. Firstgas is actively engaged in understanding the potential scale of this industry and bringing bio-gas technology into New Zealand.² The viability of biogas is proven overseas. For example, Denmark already supplies 35% of its gas demand as biogas via existing gas infrastructure.³ The bio-gas industry in Germany creates around 100,000 jobs with over 230 biogas plants injecting into gas networks.⁴
- Firstgas has completed the first stage of our **hydrogen** trial in collaboration with the Provincial Growth Fund. We plan to release the findings of this work in March 2021 and will begin phase two of this development shortly after that. We have also signed a collaboration agreement with Hiringa Energy to explore how green hydrogen can be distributed via pipelines to help decarbonise transport and heat.⁵ The potential use of hydrogen for large-scale energy storage to address New Zealand's hydro-electric variability is also relevant to this work.

The regulatory role played by the GIC needs to be directed at enabling renewable gases to be a part of the solution to lowering emissions. This includes ensuring the ability to inject renewable gases into

¹ [Page 60, CCC-ADVICE-TO-GOVT-31-JAN-2021-pdf.pdf \(amazonaws.com\)](#)

² <https://firstgas.co.nz/news/industry-leaders-collaborate-to-solve-global-energy-challenges/>

³ <https://ens.dk/en/our-responsibilities/bioenergy/biogas-denmark#:~:text=Biogas%20production%20in%20Denmark%20is,in%20or%20near%20bigger%20cities.>

⁴ <https://energypost.eu/biogas-and-biomethane-in-europe-denmark-germany-italy-lead/>

⁵ <https://firstgas.co.nz/news/firstgas-and-hiringa-energy-have-sights-set-on-advancing-green-hydrogen-together/>



existing distribution and transmission pipelines, and facilitating governance and commercial arrangements that provide incentives to invest in renewable gas production.

We believe that the most valuable initiative that the GIC can take in this area is to facilitate the introduction of a renewable gas certification scheme. Certification would allow customers to purchase renewable gas with confidence that the gas supplied is carbon zero and therefore reduces total emissions. We believe that a robust market for renewable gas will develop in New Zealand, based on the needs fulfilled by gas today and the experience in this area overseas. In Germany, for example, customers are willing to pay a premium for certified renewable gas.⁶

We strongly recommend that the GIC increases its resources focused on facilitating the role of gas in New Zealand's energy future, by directing a greater share of programme costs towards this work. We hope the GIC can build on the relationships that the COVID-19 pandemic necessitated. As a trusted advisor to Government, this will include building on relationships across the public sector to ensure the gas remains part of the energy solution.

A well-functioning gas sector remains a priority

Firstgas welcomes the continued focus on strong gas governance. We are committed to the ongoing stability of the gas market. We expect the downstream reconciliation audit, transmission quality standard and continuing critical contingency measures to be key areas of work in FY2022. This is not an exhaustive list and we would encourage the GIC to continue to engage with us where they see necessary.

Firstgas is committed to working closely with the GIC and industry players, as we review the future direction for the Gas Transmission Access Code, and the associated IT system. We consider that the GIC's forecast activities relating to GTAC in FY2022 are sensible, given decisions will not be made by Firstgas' Board until March 2021.

Maintaining momentum on information disclosure is critical

Firstgas continues to support increased disclosure for upstream producers and storage facilities.⁷ We have already started voluntary disclosures for our Ahuroa gas storage facility, facilitated under the PEPANZ code. We have found these disclosures to be easy to manage and very little work. We will continue to support the GICs' work in this area.

Alongside the current focus on outage information, we encourage the GIC to consider measures to improve the disclosure of gas production and reserves. The ability to continue to supply gas as we move towards carbon zero is critical to the viability of the gas sector. Our engagement with gas users and property developers highlights that there is a real lack of information and understanding of the security of New Zealand's gas supply. The gas statement of opportunities under Part 15D of the National Gas Rules⁸ in Australia is an example of what improved disclosure might look like.

Contact details

If you have any questions regarding this submission, please contact me on 027 472 7798 or via email at karen.collins@firstgasgroup.co.nz.

Yours sincerely

Karen Collins
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⁶ <https://www.greengas.net/brochure.html>

⁷ <https://firstgas.co.nz/wp-content/uploads/Firstgas-Submission-on-Gas-Information-Disclosure-and-Penalties-Amendment-Bill.pdf>

⁸ <https://www.aemo.com.au/Gas/National-planning-and-forecasting/Gas-Statement-of-Opportunities>



Attachment 1: Response to consultation questions

Question	Firstgas response
<p>Question 1: We seek your input about looming issues on the horizon which will be addressed in current or future work programmes, as mapped in 1.1 above. What other issues should be on our horizon?</p>	<p>The issues the GIC have identified in the future work programmes are a good summation of work programmes for the next 10 years. We would encourage the GIC to update this graph yearly. We also recommend that the GIC to begin to consider energy poverty going forward.</p>
<p>Question 2: 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>As noted in our cover letter, we will continue to investigate new technology and renewable gas. We would encourage the GIC to evaluate the readiness of the regulation to enable the injection of biogas and hydrogen into existing pipelines and to facilitate investment in renewable gas.</p> <p>We would also encourage the GIC to increase the resources available to this workstream.</p>
<p>Question 3: Do you have any comments on the process for developing Gas Industry Co's Work Programme and Levy?</p>	<p>We have no comments on the process, which we believe works well.</p>
<p>Question 4: 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>Firstgas appreciated the role the GIC took over these uncertain times.</p> <p>Firstgas appreciated the role that the GIC took over these uncertain times.</p> <p>We recognise the efficient way you were able to co-ordinate the gas sector in COVID-19 levels 4 and 3. The process also worked, given the challenges in rapidly coordinating between different sector players and govt agencies.</p>



Question	Response
<p>Question 5: Do you consider there to be any other items that should be included in Gas Industry Co's intended Work Programme for FY2022?</p> <p>If so, please describe the work required and how that work achieves the outcomes sought under the Gas Act and GPS</p>	<p>We would like to see a workstream around the security of supply. As noted above.</p>
<p>Question 6: 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>No.</p>
<p>Question 7: 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>N/A.</p>
<p>Question 8: Do you have any comment on the proposed levy rates for FY2022?</p>	<p>We consider that the levy for FY2022 is reasonable and fair.</p>