

Fonterra Submission on GIC Work Programme and Levy for FY 2025

February 2025

Fonterra welcomes the opportunity to comment on the Gas Industry Company (GIC) FY 2025 Work Programme and Levies.

As a user of natural gas in our North Island sites we require that the gas industry is stable, competitive and efficient to ensure ongoing security of supply to our sites for the continued processing of our farmer shareholder's milk.

Fonterra has a strategic plan to reduce our greenhouse gas emissions associated with the processing of milk at our sites in line with achieving our stated target of being Net-Zero by 2050. This strategy has Fonterra using fossil gas for at least the next several decades at reducing volumes to allow a coordinated stable transition, therefore we need a stable competitive and efficient gas industry.

As a member of the Major Gas Users Group, Fonterra supports their submission in addition to our own commentary below.

The consultation document correctly identifies the current situation and the future needs of the gas industry out to 2050. But we do believe there is a risk of a disorderly transition to a smaller gas market that requires greater focus to mitigate.

It is critical that all parties have more visibility of information to reduce the ability of parties to profit unfairly from asymmetrical knowledge during the transition period, as well as to reduce fear and risk in the market. To this end, we recommend the GIC have a specific work program to increase the timeliness of field reserves and production capability data being made available.

The GIC should also work with the Commerce Commission to explore the impact of market consolidation and subsequent reduced competition and its impact on a fair market including the impact of the emsTradepoint gas market closure and ongoing access to a functioning gas spot market.

The GIC should also consider modelling the cost-benefits of the impact from the Commerce Commission's accelerated depreciation of gas transmission and distribution pipelines. This has the potential to inadvertently speed up the transition by driving gas price higher due the impact of fixed costs being spread across falling gas volume, making it increasingly uneconomic for gas users. We continue to believe the Commerce Commission's decision needs to be reconsidered in light of recent developments.

We believe biogas is another crucial area of work that will support the transition. The importance of this work is reflected by the 17 respondents who rated it very important in the Gas Transition Issues paper. We believe the GIC should work with EECA and MfE as key stakeholders to develop plans for regional anaerobic digestors capable of producing methane for pipeline injection. Local councils are vital to the success of these projects, as they have the largest source of feedstocks, but they lack the funding or resourcing to develop business cases that will drive these projects forward commercially.

Developing a market process for the reconciliation of biogas injection into the pipeline and subsequent end use reconciliation at specific ICPs will also be valuable work by the GIC. This will support renewable claims that can be auditable by third parties.

Alongside this, the GIC should continue developing a market framework that allows for multiparty relationships at the ICP level, thereby enabling a mixture of renewable and non-renewable gases to be associated with the ICP.

The work program also needs to ensure that the review of potential LNG supply is engaging with all upstream and downstream stakeholders and that the full financials are considered. Currently, it is very vague as to a) who will pay for the infrastructure and b) what is the delivered-to-user LNG gas cost including T&D compared to alternatives like electricity, biogas or biomass.

Finally, if pipeline owners are planning decommissioning sooner than the market is anticipating, we believe that appropriate regulations should be in place, similar to the Chorus copper network decommissioning regulations. We recommend this is included in the GIC work programme.

We welcome further engagement on our submission.