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MEDIA RELEASE

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Agreement shows importance of Methanex to New Zealand's energy system

An agreement between Methanex and Genesis Energy to provide 3.4-4.4PJ of gas to support electricity security of supply is being welcomed by Gas Industry Company.

"Methanex is the country's largest single energy user. It plays a crucial role in New Zealand's energy system. It is making a notable contribution to New Zealand by foregoing gas that it has a contract entitlement to use in its own business," Gas Industry Company Chief Executive Andrew Knight says.

A consultation paper released last week as part of the Gas Market Settings Investigation indicated that New Zealand's energy supply is very tight and will remain tight into 2022.

Andrew Knight says the commercial agreement negotiated between Methanex and Genesis Energy is a sound way to allocate scarce energy resources.

"Methanex demand for gas helps to drive investment confidence that leads to ongoing development of existing gas fields. Until the electricity system transitions to 100% renewable, demand for gas to make electricity will become even more intermittent as electricity will be more dependent on variable resources. Large energy using export businesses, including methanol manufacture and aluminium smelting, are currently being called upon for the required flexibility. Methanex has already responded through its previous decision to idle its Waitara production plant.

"Gas Industry Company's current consultation is looking at ways for gas to deliver security of supply.

"The transition to renewables requires investment confidence to develop existing gas fields, which in turn depends on long term supply contracts. Methanex is the most significant purchaser. Today's announcement illustrates the crucial role Methanex plays in New Zealand's energy system and security of electricity supply. The electricity that can be produced from this gas is equivalent to three and a half times the storage capacity of Lake Manapouri."

Consultation on Gas Industry Company's Gas Market Settings Investigation is open until 24 June. The consultation paper is available here: <https://www.gasindustry.co.nz/work-programmes/gas-market-settings-investigation/developing-2/consultation-3/>

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