

Hon Dr Megan Woods

MP for Wigram

Minister of Housing

Minister of Energy and Resources

Minister of Research, Science and Innovation

Associate Minister of Finance



Andrew Knight
Chief Executive
Gas Industry Company

Via email: Andrew.Knight@gasindustry.co.nz

Dear Andrew,

Thank you for the Gas Industry Company's recent briefing setting out key facts and issues affecting the gas industry. I am writing to you to raise a matter I would like you to report back on.

New Zealand has set a path for a net zero emissions economy. Under the Climate Change Response (Zero Carbon) Amendment Act 2019, Government has a legislated target of net zero greenhouse gas emissions (other than biogenic methane) by 2050. New Zealand also has a 2030 target under the Paris Agreement to reduce emissions by 30 per cent below 2005 emissions.

This Government is also committed to achieving 100 per cent renewable electricity by 2030. Decarbonisation will require the New Zealand's electricity system to transition away from non-renewable sources. I want to ensure that current market, commercial, and regulatory settings that provide for gas availability and flexibility are fit-for-purpose in supporting this transition.

In particular, I would like you to investigate the current settings in the natural gas market around contractual arrangements, including tendering processes, and how these affect overall availability and flexibility of gas supply. I am particularly interested in:

- How current market, commercial, and regulatory settings in the gas market support security of supply in the electricity market (particularly during periods of heightened demand), and whether these are fit-for-purpose for ensuring that thermal generation is provided during the transition
- How current market, commercial, and regulatory settings provide major gas users with sufficient certainty/transparency about gas supply for their operations, and whether these are fit-for-purpose during the transition.

I would like you to report back to me on the above. This report back should set out the current arrangements, identify any potential issues, and a proposed work programme to address any potential issues. I wish for you to report back to me by the middle of 2021.

I would appreciate if you could please keep MBIE official informed as your work progresses.

Should you wish to discuss this issue further, or have any questions, please get in touch with my MBIE officials in the first instance.

Yours Sincerely,

A handwritten signature in blue ink, appearing to read 'M. Woods', with a stylized flourish at the end.

Hon/Dr Megan Woods

Minister of Energy and Resources
18 December 2020