



9 December 2019

Andrew Knight
Chief Executive Officer
Gas Industry Company Limited

Dear Andrew,

Re: Information Disclosure: Problem Assessment

1. The problem

- 1.1 The paper considers information elements in the short-term but does not appear to consider the medium to long-term information issues.
- 1.2 This appears contrary to page 12 of the GIC options paper dated March 2019: “A transparent wholesale gas market is one in which market participants have ready access to **long** and short term information...”.

2. How did this problem arise?

- 2.1 Perhaps because GIC does not consider that energy markets are interrelated on a short and/or long run basis?
- 2.2 Whatever the reason, this problem should be addressed by the GIC. GIC said “*our initial work focused on gaining a broad understanding of possible information issues”.* That is not evident in the current paper, despite submissions on long-term matters in earlier papers.

3. The Minister’s letters

3.1 The Minister says:

- “*I am writing to raise a matter ... [that] relates to information disclosure requirements for industry participants where information could have an impact on the downstream gas market” - 25 July 2018 to GIC. The test is what information (i.e. any information) for industry participants (i.e. anyone in energy) could impact gas. That is a broad test.*
- “*The New Zealand energy system has recently experienced a period of lower than average hydro storage and reduced gas supply. ... I am concerned to ensure the continuing stability of New Zealand’s energy system, and that energy sector participants are able to manage market risks appropriately across the energy system.” – 3 December 2018 to gas producers. The context is clear.*

- *"I would like to highlight the importance of timely information to consumers and energy markets."* – 3 December 2018 to gas producers. The focus is information impacting energy markets.

4. Kaitiakitanga

4.1 Medium to long-term information issues include:

- Advocacy for the role and value of gas today vs. counterfactuals – fixing the limited information disclosure and understanding of coal emissions, creating measures that show the level of competition for commercial and industrial gas consumers, and measuring the quantity of demand idling and demand destruction.
- Interpretation of existing information in a long-term context – including assumptions relating to contingent resources and drilling, 'affordability', and whether industry has the capabilities to manage energy risks and/or to accept adverse outcomes.
- Thought leadership on gas' role in facilitating decarbonisation – including how NZ might achieve its net zero carbon vision using gas and/or carbon capture and storage, and properly exploring what would happen without gas.

4.2 Substantive integrated thought leadership is what is required if NZ is going to properly implement sustainability, wellbeing and circular economy initiatives without jeopardising security of supply or the livelihoods of stakeholders or future-holders.

4.3 Ignoring long term energy information risks adverse economic and environmental outcomes; even adverse wellbeing outcomes if the economy cannot fund desired initiatives.

Yours sincerely

Chris Boxall
Commercial Manager