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New Zealand gas industry in robust shape and managing key issues

A new review of the New Zealand natural gas sector paints a picture of an industry in generally good shape, continuing to make major contribution to New Zealand homes and businesses, and managing the key issues and opportunities it faces.

“The New Zealand Gas Story – the State and Performance of the New Zealand Gas Industry” has been prepared by the industry co-regulator, Gas Industry Co, and updates the previous industry review in 2006.

“After more than 40 years, the gas sector continues to make a large and valuable contribution to New Zealand’s energy mix, the nation’s economy and to the lifestyle of many New Zealanders. All signs point to it doing so for many more years to come,” said Gas Industry Co Chief Executive, Steve Bielby, on the report’s publication today. “Gas is used by around 260,000 consumers and is the fuel of choice for many of the key businesses that drive our economy.”

He said the *Gas Story* is about optimising this contribution, in terms of a legacy of assets, ongoing investment, and the potential arising from a global resurgence in gas exploration and use as leading economies look to gas as a key part of their economic and growth policies.

While making a substantial contribution in the New Zealand context, the gas industry in this country is comparatively small by international standards and, without gas importation or cross-border pipeline systems seen in other parts of the world, is largely self-sufficient.

The report identifies areas where the governance regime recognises the industry’s unique characteristics, and is fit for purpose; and where more formal rules and regulations have been required to improve market operations.

Mr Bielby said the industry overall is robust and largely meeting the policy objectives set for it. There is a continuing need to incentivise prospecting and exploration, but the indications point to strong investment and gas supplies in the immediate future.

“That’s not to say the industry is without issues – it is complex and multi-faceted, and there are challenges around transmission capacity access, developing transparent wholesale market mechanisms, and environmental concerns associated with gas as a fossil fuel.”

Mr Bielby said the industry has become more sophisticated as it has developed it, but it will need to continue to evolve further to meet the demands of modern consumers and investors.

“Questions around whether there should be a more formal wholesale gas market, the capacity and ongoing high level of infrastructure reliability, and presenting a compelling energy choice for consumers exemplify the challenges that the industry is managing. It is good to see progress is being made.

The report has been prepared to fulfil two purposes. Firstly, an obligation on Gas Industry Co to report on the current state and performance of the industry and, secondly, as a response to a request by industry participants for Gas Industry Co to play a central role in bringing together the entire New Zealand gas story.

“We routinely report on the industry’s performance through our regular reporting processes, but the public and many industry participants often don’t see the end-to-end story - only those bits that are close to them,” said Mr Bielby.

“Stitching together a more comprehensive wellhead-to-consumer review has provided an opportunity for us to stand back and take a thorough snapshot of where the industry sits today, while weaving in the broader story about its history and development, the policy and regulatory framework that governs it, how the industry is meeting those policy expectations, and how it is positioned for the challenges and opportunities of the future.

“In this way, we see it as assisting wider knowledge and understanding of gas and its role in the economy and society, and providing potential new participants and users with an information base that will help them in their investment decisions.”

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