

20 September 2019

Sarah Stevenson
Manager, Resource Markets Policy
Ministry of Business, Innovation and Employment
Via email: Resource.Markets.Policy@mbie.govt.nz

Dear Sarah

Draft Minerals and Petroleum Resource Strategy for Aotearoa New Zealand: 2019-2029

1. This submission is made on behalf of the Major Gas Users Group (MGUG) and responds to the Resource Markets Policy Group email invitation dated 27 August 2019 for feedback on the development of the Aotearoa New Zealand Resource Strategy for Petroleum and Minerals 2019-2029.
2. MGUG was established in 2010 as a consumer voice for the interests of a number of industrial companies who are major consumers of natural gas. Members have been consulted on this submission and nothing in it is confidential. Some members may choose to make their own submissions. Membership of MGUG comprises:
 - Ballance Agri-Nutrients Ltd
 - Oji Fibre Solutions (NZ) Ltd
 - Fonterra Co-operative Group
 - New Zealand Steel Ltd
 - Refining NZ
3. In July 2019 MGUG responded to an invitation from the Ministry of Business, Innovation and Employment (MBIE) to provide feedback on the initial development of the strategy. MGUG indicated that it supported the development of a resources strategy. MGUG also agreed that gas had a role to play in the transition to a renewables future and noted that gas may have new roles to play in enabling new energies/technologies that meet New Zealand's environmental and climate goals¹. Members continue to hold those views.
4. MGUG expects the strategy will be subject to further comment/refinement as other legislation relevant to the sector is progressed, including the review of the Crown Minerals Act and the Gas Act. Accordingly we make some further observations on the strategy which we consider are consistent with our views expressed in July.
The strategy would benefit from more insight about the role of gas in the New Zealand economy.
5. The strategy document provides a snapshot of the value generated by the entire sector. We are concerned about gas and its role in the New Zealand economy.

¹ https://www.energynews.co.nz/news-story/zero-carbon-bill/43592/8-rivers-sets-out-projects-emissions-reduction-potential?utm_source=newsletter&utm_medium=email&utm_campaign=energy-news-newsletter

6. As it stands the document is supportive of gas e.g. at page 5 it says “oil and gas have a role in providing us with the energy we need to run our economy as we transition..[to a low carbon economy]”). The strategy notes that it is to help guide the minerals and petroleum sectors but then is vague about what that could mean for the economy and each sector as it transitions.
7. The strategy notes “fossil fuels will be phased out carefully over time” (page 20). This begs the question what the strategy is trying to achieve, particularly when it comes to gas. It is not clear whether the strategy considers natural gas to be a part of delivering value in New Zealand.
8. The strategy would be better informed if it examined how gas contributes to the economy - who are the users, what do they use gas for, their role and significance to the New Zealand economy, including in the facilitation of lower emissions energies and technologies. This would enable all stakeholders to understand the use of the resource, the value it provides, the constraints that would impact on its use, and what the mining sector could provide, both now and in the future.

The strategy would benefit from greater insight into how gas could assist the transition to a renewables future

9. A number of technologies contributing to the transition to a low carbon economy are focussed on the availability of natural gas, including for replacing coal, providing security for electricity demand, supporting greater electrification and in the production of alternative fuels such as hydrogen. Hydrogen could also augment natural gas supply by being blended into the existing gas pipeline infrastructure. These initiatives could help extend the availability of gas during the period of transition as well as reduce emissions.

The strategy should seek to ensure a good and transparent understanding of our gas supply

10. Action area 2 (Securing affordable resources to meet our minerals and energy needs at page 25) indicates a current action to establish a better understanding of our gas supply for energy security.
11. The disruption to gas supply in 2018 when Pohokura and supply from other fields was disrupted has raised more immediate and serious concerns about the ability of the New Zealand gas market to provide sufficient and secure supply of natural gas over the medium term. These outages, combined with the apparent fragility of the energy system over the period, have seriously undermined confidence in the gas market. The Ems Tradepoint market has indicated spot gas trading at significantly higher price levels compared to before the Pohokura outages. There has been significant change in the structure of the gas market, where gas availability and system flexibility is reduced because supply is more dependent on

aging fields. There has also greater concentration of ownership of the resource. All of these issues have highlighted the poor transparency of the gas market

12. The gas market appears to be going through fundamental change; security of supply is becoming less certain and prices are being driven by scarcity. The market context has evolved quite rapidly raising concerns about security of future supply and the implications for demand.
13. Action area 2 (Securing affordable resources to meet our minerals and energy needs at page 25) indicates a current action to establish a better understanding of our gas supply for energy security.
14. Lack of transparency of information in the gas sector has emerged as a clear issue for the sector. A work stream is underway via the regulator Gas Industry Company (GIC) to further refine the problem. Hopefully we will have an outcome that meets all participants needs.
15. MGUG has also raised the lack of information around the extent of the resource as an issue. Hence we are interested in what appears to be MBIE undertaking a workstream related to security. But there is little background on the reasons/objectives for this work stream in the strategy. Understanding gas supply for energy security affects all. MBIE should ensure appropriate levels of information to ensure fullest possible disclosure.

The strategy based on 10 years is short and does not reflect investment where assets lives can be expected to be 20-30 years.

16. The strategy is assumed to apply for 10 years; 2019 to 2029. When considering major investment in energy use members are considering timeframes for investment well in excess of those contemplated by the strategy. Hence when looked at in its entirety the strategy raises uncertainty for investment, which is challenging if, as the strategy says, fossil fuels will be phased out carefully over time.

Yours sincerely



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Privacy of natural persons