

6 August 2024

Attention: Carbon Capture, Utilisation, and Storage (CCUS) Submissions
Ministry of Business, Innovation and Employment (MBIE)

By e-mail to: gasfuelpolicy@mbie.govt.nz

Methanex New Zealand Limited (Methanex) – Consultation on Gas Carbon Capture, Utilisation, and Storage (CCUS)

Methanex welcomes the opportunity to respond to the consultation document issued by the Ministry of Business, Innovation and Employment (MBIE) in July 2024 *“Proposed regulatory regime for Carbon Capture, Utilisation, and Storage (CCUS)”* (the Consultation Document).

Methanex supports the development of a regulatory framework for CCUS in New Zealand. Furthermore, Methanex endorses the development of CCUS policies that align with international benchmarks. Implementation of an enabling regulatory regime for CCUS will position New Zealand alongside other nations with the potential to attract investment to the country.

Methanex and methanol manufacture can play a significant role as a sink for emitted carbon dioxide (the “utilisation” in CCUS). CO₂ is an input to the methanol manufacturing process where it is incorporated in the methanol produced and not emitted. Utilising CO₂ in this manner is potentially a higher-value alternative to storing captured CO₂ in underground formations.

It is widely understood that CCUS will play a role in decarbonising the world’s hard-to-abate industries, hence it makes sense to have CCUS as a tool in New Zealand’s decarbonisation toolkit. The main barriers to utilisation and/or storage of CO₂ are the costs of capture, the availability of CO₂ transportation infrastructure and uncertainty of the gas supply outlook/large industrial sites.

Methanex is investigating CCUS in North America where the opportunity is supported by plentiful gas availability, existing infrastructure (transportation and storage) and government incentives. A notable example of an enabling regulatory framework for CCUS is in Canada, where the combination of state and federal incentives has prompted Methanex to collaborate with a CCUS technology provider and invest in a Preliminary Front-End Engineering and Design (Pre-FEED) study for CCUS deployment at our methanol facility in Medicine Hat, Alberta¹. This collaboration highlights the potential for carbon capture utilisation and storage in New Zealand. A portion of the captured CO₂ will be used as feedstock to produce additional methanol with the remaining CO₂ permanently sequestered safely underground.

Like steel, aluminium, cement, urea and other base industrial products, methanol is a fundamental building block used by all societies, today and in the future, including in New Zealand. Demand for

¹ [Methanex and Entroply Partner to Reduce Emissions in Methanol Production](#)

methanol continues to grow as a commodity chemical used in the manufacture of essential everyday applications and in low-carbon energy technologies such as solar panels, wind turbines and electric vehicles. Global demand for methanol is also increasing in clean-burning fuel applications.

Methanex makes methanol from gas, the lowest emission production method currently deployed at scale, globally. The industry's marginal supply source is coal-based methanol production with approximately five times the emissions of gas-based production. If New Zealand's methanol production were to cease, it would create space in the market for, and stimulate increased production from, coal-based supply with the associated increase in global emissions.

Current gas production estimates do not instil confidence that enough gas will be made available to underpin large scale capital investment such as CCUS but these estimates evolve over time and are dependent on "above ground factors" as much as on geological factors. If New Zealand gets these policy settings right, including CCUS settings, we remain positive that the gas required for New Zealand's low emission energy security will be developed.

Thank you for the opportunity to submit and we would welcome the opportunity to discuss any of the matters raised in this letter.

Yours sincerely



Stuart McCall
Managing Director
Methanex New Zealand Ltd.