

22 February 2019

Andy Hume
 Manager, Energy Markets Policy
 Ministry of Business, Innovation and Employment
 Wellington
 (via email to energymarkets@mbie.govt.nz)

Dear Andy,

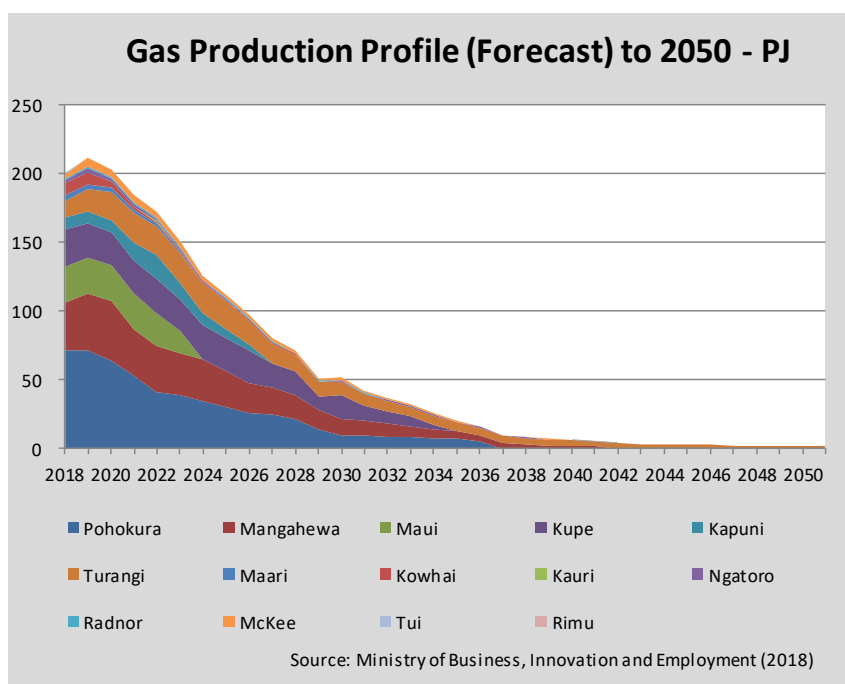
Re: Consultation on MBIE/EECA paper entitled Process Heat in New Zealand – Opportunities and barriers to lowering emissions

1. This is a submission by the Major Gas Users Group on the Ministry of Business Innovation and Employment and Energy Efficiency and Conservation Authority technical paper Process Heat in New Zealand: Opportunities and barriers to lowering emissions, published 22 January 2019.
2. The Major Gas Users Group (MGUG) comprises:
 - a. Ballance Agri-Nutrients Ltd
 - b. Fonterra Co-operative Group
 - c. New Zealand Steel Ltd
 - d. Oji Fibre Solutions Ltd
 - e. Refining NZ

3. Nothing in this submission is confidential and some members may choose to make separate submissions.

4. Gas availability faces an uncertain future in New Zealand now, as a result of the Government’s April 2018 decision. MBIE’s own figures (see opposite) suggest we may be approaching a point in the near term where supply will fall short of being able to meet demand (as early as 2022).

5. This adds a complex dimension for energy intensive businesses considering refurbishing, replacing or indeed investing in greenfield energy efficiency projects.



There is significant uncertainty for investment where the risk to gas supply is now greatly elevated.

6. Hence the political process has created a barrier to ensuring New Zealand's gas resources are used in the most efficient and value adding manner, including the impact on emissions. Perhaps more importantly it has negated the opportunity for proper consideration of the role gas can and could play, as an efficient and lower emissions fuel in the New Zealand economy and in the transition to a renewables future.
7. Unfortunately the paper, while recognising the need for a more comprehensive approach to considering energy intensive industries (para 31), stops short of going that far, or indeed suggesting it as a possible pathway. This is disappointing.
8. MGUG has always considered that the role of gas in the New Zealand economy is not well understood and has for some time sought a more appropriate assessment of its value and the contribution it makes.¹
9. MBIE has already noted in its Regulatory Impact Statement (RIS) on the amendments to the Crown Minerals Act, that the exploration and production ban could lead to a number of impacts including:
 - a. A reduction in opportunities for companies to invest in New Zealand;
 - b. Broader economic impacts which have not been modelled;
 - c. A reduction in the security and affordability of gas supply of gas (and possibly electricity) as the gas resource becomes scarce;
 - d. Shifting production elsewhere may mean higher global emissions;
 - e. Higher risk that existing investment will not be fully recovered.
10. MBIE has acknowledged in the RIS, that detailed contribution of the upstream petroleum sector to the downstream gas users has never been modelled (at page 13)².
11. We believe the value of this technical paper would be enhanced if it were to recommend a better understanding of these industries' use of natural gas (including as a feedstock) along with the broader role they play as major consumers of gas in contributing to economic value in New Zealand.

Yours sincerely



Richard Hale/Len Houwers
Hale & Twomey Ltd/Arete Consulting Ltd
Secretariat for the Major Gas Users Group

¹ MGUG wrote to the Treasury as long ago as October 2012 suggesting that the contribution of natural gas to the New Zealand productive sector would be an appropriate study topic for the Productivity Commission.

² <https://treasury.govt.nz/sites/default/files/2018-09/ria-mbie-pct-sep18.pdf>