

14 June 2019

Resource Markets Policy
Ministry of Business, Innovation & Employment
PO Box 1473
Wellington 6140

Sent via email: Resource.Markets.Policy@mbie.govt.nz

Submission: Options for Amending the Gas Act 1992

Please accept this letter as the submission of Methanex New Zealand (“Methanex”) on the Options for Amending the Gas Act 1992, Discussion Document.

Methanex Corporation is the world’s largest producer and supplier of methanol. Methanex currently operates production sites in Canada, Chile, Egypt, New Zealand, Trinidad and Tobago and the United States. Our operations are supported by an extensive global supply chain of terminals, storage facilities and the world’s largest dedicated fleet of methanol ocean going vessels.

Methanex NZ is the largest production site globally for Methanex Corporation, accounting for 22% of our total methanol production in 2018 or 3% of the world’s total methanol supply. Additionally, NZ produced methanol makes up 6% of all globally traded methanol and 22% of all methanol imported into China¹. This is a material operation, by both New Zealand and global standards.

Methanex NZ is committed to working with the Ministry of Business, Innovation & Employment and other stakeholders to resolve valid and reasonable issues concerning disclosure in the gas sector. As the single largest gas user in New Zealand, we look to answer those questions that are relevant to our position in the New Zealand gas market.

Of the questions raised within the discussion document, Q9 points to the heart of the issue and asks:

Do you support the inclusion of an additional regulation/rule making power in the Act to require broader disclosure of information from the gas industry?

1. Methanex Corporation does not agree with an additional regulation/rule to require broader disclosure of information for gas users.
2. We concur that Methanex is the single largest gas user in New Zealand, and while this does mean we are important in the gas market, we do not believe disclosure of our plant outage, pricing and volume information will assist New Zealand’s broader energy security.
3. Methanex’ contracted gas is typically sizable in volume and duration of supply, with the negotiated price reflecting this and other commercial matters. Therefore, when taken in isolation, the gas price does not accurately reflect the full commercial deal. Additionally, our gas pricing is typically based on a unique

¹ http://www.shipsfocus.com/wp-content/uploads/2018/02/2_Chemical_Market_Outlook-GLOBAL-CHEMICAL-SHIPPING.pdf

formula that varies dependent on methanol price; this formula would be irrelevant to other potential buyers.

4. As such, we do not believe that disclosure of gas price under our bilateral contracts would be helpful in providing guidance to market participants. Once contracted, this gas is not available to the NZ wholesale gas market and naturally does not have bearing on what may be purchased on the spot market.
5. For wholesale market data to be relevant and useful it needs to relate to accessible, tradeable gas. Methanex NZ considers that this is already provided for via ems-tradepoint and would be distorted by disseminating pricing and volume information from bi-lateral gas contracts.

DISCLOSURE IMPACT - METHANEX CORPORATION

6. The consultation paper is seeking the view “on the potential addition of a provision to the Act that would enable broader information disclosure (of) gas governance arrangements.” Methanex Corporation would like it noted that nowhere in the globe is it required to disclose its gas governance arrangements.
7. It has long been Methanex Corporation’s global policy to not publicly disclose plant outage information. This is deemed to be commercially sensitive and could have an impact on sector wide demand and supply, with a flow on effect to product pricing.
8. Due to the significance of our New Zealand operation to the methanol industry as a whole, we are of the understanding that the Gas Industry Company has in the past been contacted by our international competitors seeking to confirm our plant outage information. While we do not believe this information was provided, it does show the reality of this situation and the potential to undermine our operations through public information disclosure.
9. Therefore, there is significant risk for our business in revealing commercially sensitive information; specifically, where the information is individually identifiable and relates to plant outages or contract details. Methanex could face adverse consequences if such information were to be widely disclosed, given the prospect that its competitors in global methanol markets would be able to use that information to gain a competitive advantage where they are not required to disclose such information themselves.

DISCLOSURE IMPACT - NEW ZEALAND ENERGY SECURITY

10. Methanex plays a key role in the New Zealand energy sector, providing a healthy gas demand that incentivises exploration for future gas supply which is vital for cost effective, secure, low emission electricity supply; supporting industry and North Island residential customers.
11. As Methanex underpins the New Zealand gas market by entering into long-term contracts, using approximately 45% of the country’s natural gas output, we provide the stable base load demand that makes upstream exploration and development viable. These contracts are often entered into prior to a field being developed and provide both the impetus and financial security for gas sector development.

Methanex will continue to be part of the conversation about “Options for amending the Gas Act 1992” and how this will look for major gas users. We encourage the development of supportive policies that recognise the uniqueness of the New Zealand energy market and the tensions between national and international sectors.

When weighing up the benefits of information disclosure, MBIE should include consideration of consequences for individual organisations potentially required to disclose. It should carefully and objectively consider whether any disclosure requirements will provide relevant information for the intended parties and whether the benefits of disclosure outweigh the risks and costs to the disclosing companies.

We would welcome the opportunity to discuss these matters face-to-face or provide you the opportunity to visit our production facility here in New Plymouth.

Yours sincerely

A handwritten signature in black ink, consisting of the letters 'D' and 'W' in a cursive, stylized font.

DEAN RICHARDSON
MANAGING DIRECTOR
METHANEX NEW ZEALAND LTD

Privacy of natural persons

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We are the world's largest producer and supplier of methanol to major international markets, with production sites around the globe.

How methanol production is used:

55%

HIGH TECH
HIGH DEMAND
PRODUCTS



Pharmaceuticals, wind turbines, solar panels, paint, clothes, electronics and medication.

45%

ENERGY
APPLICATIONS



Marine fuel, transport fuels, biodiesel and industrial boilers.



Our key markets in New Zealand are China, Japan and Korea.



Our contributions to the economy total

8% of Taranaki GDP
\$834 million
Nationally



Methanex is New Zealand's **only** methanol producer, exporting up to **2.4 million tonnes per year** from our two sites in Taranaki.

We underpin the New Zealand gas market, using approximately 45% of the country's natural gas output.



We employ over 270 jobs directly & 3,000 jobs indirectly.

Our headquarters are in Vancouver, Canada.
Methanex is listed on the Toronto and NASDAQ stock exchanges.

REDUCING GLOBAL EMISSIONS



RENEWABLE ENERGY

Methanol can be made from geothermal and industrial waste gas feedstocks. We have commercial interest in a plant in Iceland (CRI) making renewable methanol; though not yet at a commercial scale.

REDUCE EMISSIONS

Methanol is important in manufacturing products that help reduce emissions. E.g. electric cars, solar panels, batteries and wind turbines.



34%

Reduction of Methanex global CO2 intensity since 1994.

Our gas-based methanol plants are among the most CO2 efficient plants in the world; with less than half the emissions of coal-based plants.



READILY BIODEGRADABLE

Methanol is a clean-burning, clear liquid chemical that is water soluble.



EMISSION REDUCTION COMPARED TO CURRENT FUEL

CO2*

25%

Sulphur (SOx)

99%

Nitrogen (NOx)

60%

Particulate Matter (PM)

95%

*According to recent Stena Line trial

Emissions reduction

Providing significant benefits in the transition to a lower emissions economy.



Shipping is a developing market

Replacing heavier marine fuels for low-sulphur emissions.



Power generation

The Energy Sector is methanol's fastest growing market.



Methanol is a cost effective liquid fuel alternative for power generation.



1000+

INDUSTRIAL BOILERS CONVERTED IN CHINA

To run on liquid methanol. Demand for methanol is expected to grow as China phases out coal-fueled boilers.



BOILER AND SHIPPING CONVERSIONS

Only minor modifications are needed to accommodate the use of methanol as a fuel.



WE'VE ADOPTED THE TECHNOLOGY

Seven methanol powered ships, with four more on order, were introduced to our fleet in 2016; they are regular visitors to Port Taranaki.