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Gas Industry Co

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## **Submission on Gas Industry Co FY2027 Work Programme and Levy**

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### **Introduction**

1. Energy Resources Aotearoa is New Zealand's peak energy sector advocacy organisation. We represent participants from across the energy system, providing a strategic sector perspective on energy issues and their adjacent portfolios. We enable constructive collaboration to bring coherence across the energy sector through and beyond New Zealand's journey to net zero carbon emissions by 2050.
2. Our comments on the Gas Industry Co's ('the GIC') work programme and levy review for 2027 focus on the strategic challenges facing the gas sector and its role in supporting energy security and affordability. We consider these issues to be increasingly system-wide in nature, with direct implications for electricity reliability, affordability outcomes, and New Zealand's economic resilience.

### **Key messages and recommendations**

3. We provide more detailed comments on each workstream below, under the headings provided in the discussion document, but our key messages and recommendations are that:
  - a. gas supply security has become a system-level energy risk. Declining production, combined with weak investment signals, is placing pressure on gas availability, electricity reliability, and industrial competitiveness. The GIC should prioritise quantitative analysis of supply adequacy and security, including of LNG and biogas;

- b investment confidence must be actively rebuilt. Clear, durable policy and regulatory signals on the ongoing role of gas, including gas-fired generation, LNG options, and biogas, are essential to unlock capital and avoid disorderly decline (to the extent that this can be avoided);
- c gas policy must align with adjacent electricity market settings. Without alignment we will continue to have price volatility and the shifting, rather than solving, of system-wide risks. The GIC plays a key role in improving cross-agency co-ordination and system-level planning;
- d network viability requires proactive strategic management. As gas volumes change, network costs and asset utilisation risks increase. Early planning (including regular reviews of outdated regulation), adaptive pathways, and transparency are critical to avoid sudden cost shocks for consumers; and
- e funding arrangements should reflect the GIC's expanding strategic role. As levy revenues decline, funding mechanisms should ensure the GIC retains sufficient capability to deliver its core functions, which are increasingly strategic.

## Strategic context

- 4. The gas sector is undergoing rapid structural change. Declining domestic supply, evolving policy settings, and changing demand patterns are reshaping the market faster than anticipated. These changes are not occurring in isolation; they are interacting directly with electricity market pressures, dry-year risk, and broader economic conditions.
- 5. We consider that the pace and scale of change elevate 'gas supply' from a sector-specific issue to a system-wide and economic-wide strategic concern. The GIC's work programme should continue to reflect this shift, with a strong focus on long-term outcomes rather than short-term operational responses.

## Gas supply, investment, and energy security

- 6. Declining gas supply represents the most material strategic risk facing the gas market and, by extension, New Zealand's energy system and economy. Gas remains essential for firming renewable electricity generation, supporting industrial heat and feedstock needs, and providing flexibility during periods of peak demand or low hydro inflows.

7. We support the GIC's increased focus on supply security, LNG options, and upstream investment settings. A focus for the GIC could be on providing robust scenario analysis that clearly articulates the consequences of inaction, delayed investment and poor policy choices (e.g., the 2018 ban on offshore exploration).

### **Infrastructure and network viability**

8. As gas volumes evolve, the economics of transmission and distribution networks become increasingly challenging. The potential for LNG to be introduced into the pipelines is an obvious example of where the GIC could provide leadership and guidance, and implementing LNG levies.
9. We encourage the GIC to prioritise strategic work on network adaptation, including right-sizing of assets and their management pathways, and coordination with emerging fuels such as biogas to help support consumer confidence.
10. The GIC would be well placed to review and carry out regulatory fixes, such as relaxing pipeline gas specification requirements as they pertain to Wobbe Index & HCDP. As fields decline, keeping the current specs could be challenging and could cause increased cost and/or production curtailment.
11. As the biogas market grows, the GIC will need to ensure that pipelines are regulation-ready and available for blending the gases. This could also extend the long-term viability of a sub-network so advanced warning of it being a possibility will help support developers and customers with investment decisions.

### **Pricing, consumers, and market confidence**

12. Gas pricing outcomes increasingly reflect structural supply constraints rather than short-term market dynamics. Sustained high prices and volatility are already influencing industrial investment decisions such as fuel switching, and plant closures, with flow-on impacts for regional economies and employment.
13. Improved transparency, forward-looking analysis, and clear communication of risks will help market participants make informed decisions and reduce the likelihood of abrupt or inefficient responses.

## **Integration with electricity and climate policy**

14. We reiterate that gas policy cannot be developed in isolation. Decisions affecting gas supply and use have direct implications for electricity affordability and reliability, emissions, and wider systemic outcomes.
15. The GIC is well placed to support better alignment across agencies, particularly in relation to electricity market reform, dry-year risk management, and NZETS-driven fuel switching. Stronger integration will reduce the risk of policy-driven inefficiencies and unintended consequences.

## **Levy and funding considerations**

16. We acknowledge the challenges associated with funding the GIC's activities as gas supply declines. At the same time, the strategic importance of the GIC's role is increasing. It is not overplaying it to say that our economic growth and prosperity now hinges on how this issue is resolved.
17. We support further exploration of funding arrangements that provide stability and sufficient resourcing to enable the GIC to fulfil its mandate during a period of significant change.

## **Conclusion**

18. Energy Resources Aotearoa supports the strategic direction outlined in the GICs FY2027 Work Programme consultation. We encourage the GIC to continue elevating its focus on energy security, investment confidence, and system-wide co-ordination. Addressing these issues proactively will be critical to ensuring an orderly system evolution that maintains energy security, reliability, affordability, and economic resilience.