

# GAS NEW ZEALAND

Representing New Zealand's Gas Industry

smart. clean. efficient.



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### Welcome to Gas New Zealand, a joint publication of the LPG Association of NZ and the Gas Association of NZ.

Gas New Zealand will be published regularly as part of the industry's efforts to encourage the direct use of natural gas and LPG into households and small business.

Using natural gas and LPG as a direct energy source offers numerous cost, environmental and energy efficiency benefits, and Gas New Zealand hopes to educate consumers and policy makers about the many advantages of making wider use of this strategic energy asset.

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### DUOG: A POLITICIAN'S VIEWPOINT

In the lead up to this year's election, we asked National, Labour and the Green Party how they view the direct use of gas. Here's what each party's energy spokesperson had to say.

#### Hon Hekia Parata Acting minister of energy and resources

New Zealand is blessed with an abundance of energy resources – hydro, wind, geothermal, oil, gas and minerals.

Our Government's goal is to use all of those resources, responsibly, to secure our energy future and to lift our standard of living.

Globally, there are two energy challenges – energy security and responding to climate change – and coping with these challenges is a major undertaking.

For the foreseeable future, fossil fuels will continue to be an important part of the global energy mix, and making the most of our energy resources involves enabling investors to optimise the development of those resources.

Infrastructure is an important area of focus for the government, and the development of an efficient gas market is vital for ensuring that economic gas infrastructure investment occurs.

In recent years, there have been a number of studies looking into the direct use of gas, and we support such use where gas is the most competitive and efficient energy source. Gas has been shown to stack up well, both in terms of costs and greenhouse gas emissions, against other energy sources, at both the domestic and industrial levels.

Concerns continue to be expressed around the long-term availability of gas, although reserve levels have broadly kept pace with production since 2003. Furthermore, production has steadily increased since 2005, on the back of production commencing at Pohokura, Kupe and a number of smaller fields.

Exploration activity continues and the sector is confident that gas will continue to be found, in sufficient levels, to meet existing and future demand requirements.

We have put a significant focus on further incentivising petroleum exploration around New Zealand, and extended the 183-day tax exemption for seismic vessels and exploration rigs to the end of 2014, to make it easier for explorers to work in our waters.

We have also contributed to the increasing knowledge of our petroleum basins through sizeable investment in a data acquisition programme, and incentives will lead to a further improvement in our gas security of supply situation.

In this context, LPG has allowed those that are far from the reticulated natural gas network to benefit from our gas finds, and has provided lower transport fuel costs for those businesses with high mileage vehicles.

It has therefore provided important diversity in our energy mix. A good-news story is the rise in 45kg cylinder sales, which is an excellent example of what can happen in the retail energy sector with good marketing and strong competition, and I commend the industry for this success.

Gas is an efficient energy option for homes, businesses and industry, and contributes to New Zealand's overall energy security of supply. With a balanced approach to building a sustainable energy and resources future, this sector can play a significant role in raising living standards for New Zealanders over the long term.



#### Dr Kennedy Graham Green Party energy spokesperson

It is in New Zealand's direct interest to achieve national sustainability of resource use and contribute to climate stabilisation at the global level.

We are lucky to live in a country rich in renewable energy sources, and we want to make the most of our natural assets.

By living and doing business in smarter ways, we can achieve that twin goal. Part of that is by using less energy.

What electricity we do use can be from almost 100 percent renewable sources. The Green Party Energy Policy is about minimising the impact of climate change, and enabling all Kiwis to enjoy a higher quality life in a clean green Aotearoa New Zealand.



It is crucial that we use our remaining natural gas resources wisely. This means enhancing efficiency and using gas directly, rather than converting it to electricity. This will avoid the 50+ percent energy waste in that process and reduce electricity peak load.

The direct use of gas will be an important part of the transition to a low-carbon economy. In 2009, a Green Party report ('Getting There') showed how we could achieve affordable cuts in greenhouse gas emissions of 40 percent (below 1990 levels) by 2020. Phasing out coal in favour of the direct use of gas in industrial processes and hospitals was an important step in that plan for emission reductions.

The global economy is at a turning point. We must phase out fossil fuels by 2050 if we want a healthy planet and a stable climate for our children and grandchildren.

The Green Party has, as part of its election priorities, developed a fiscally-costed, and practical, economic plan to create 100,000 green jobs over the next three years. Many of those will be involved in insulating homes and generating clean energy.

We have an opportunity to achieve a richer New Zealand, and a healthy climate for future generations. We have the technical know-how; all we need is the political will.

#### David Parker Labour energy spokesperson

New Zealand is fortunate to have a number of energy options - including renewables and fossil fuels.

The choice of fuels used is driven mainly by economic and environmental considerations.

The direct use of gas by households and businesses is an important part of our energy mix.

We know that gas is efficiently converted to heat when used for heating (space and water), cooking and running appliances. The industry (and consumers) have the benefit of the infrastructure already in place to distribute gas, especially in the North Island, and indigenous sources of gas. For these reasons we see gas as an important part the mix for some time to come.



Over the coming decades, Labour is committed to New Zealand transitioning to a cleaner energy system with more renewables and less use of fossil fuels. We want 90 percent of our electricity to come from renewables by 2025, a goal that New Zealand is on target to achieve.

The use of gas over coal can help New Zealand to reduce its greenhouse emissions. Under the emissions trading scheme (ETS) the relative cost of gas compared with coal has improved. Substituting gas for coal also plays a role in improving air quality for New Zealanders. This too is important.

The pace of change towards gas over coal, and from gas to renewables is hard to predict with accuracy. It depends upon many factors including the international impetus towards greenhouse gas reductions, technological change, and costs. What is clear is that gas will be needed and used for many years to come.

### FIRST-EVER GAS NEW ZEALAND INDUSTRY FORUM GENERATES BIG TURNOUT

This year, in a first-time-ever move, the LPG Association (LPGA), the Gas Association of NZ (GANZ) and the New Zealand Institute of Gas Engineers (NZIGE), held a gas industry wide forum. The forum was designed to be relevant to, and appeal to, a much broader cross-section of gas industry participants – and judging from the turnout, and supportive feedback to date, it was extremely successful.

The event was held at Taupo's Wairakei Resort and saw 135 attendees enjoy an interesting mix of presentations that covered not only gas industry issues but also the delivery of technical papers and a technical workshop.

Over the next few months, Gas New Zealand will highlight presentations from speakers at the industry forum. This edition focusses on presentations from John Kidd and Steve Bielby.

John Kidd, head of research for McDouall Stuart, spoke to attendees on *The big picture: Gas & LPG in New Zealand's equation*. Mr Kidd's presentation focussed on how unconventional gas finds are becoming far more conventional, as seen in the United States, with more gas coming on stream and prices falling dramatically. Mr Kidd believes New Zealand has great potential and sees a future where, in five years' time, unconventional gas will be readily available and prices will continue to fall.

In addition, Steve Bielby, chief executive of the Gas Industry Co., looked at *LPG and the New Zealand gas story*. His presentation gave insight into where the industry is likely to be by 2030. He focussed on three scenarios for the future: slow decline, medium pick up and back where we once were. Mr Bielby believes the industry needs to find more, cheaper, gas and it needs to increase its marketing objectives.

The business side of the programme was complemented by the typically successful social programme that included an afternoon's golf, a lake cruising/fishing trip and a geothermal plant visit.

Forum presentations can be downloaded [here](#).



Hon Hekia Parata, acting minister of energy, delivers the opening address and officially opens the Forum.



John Kidd from McDouall Stuart delivers the first session on Gas and LPG in New Zealand's Energy Equation.

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The views expressed in this publication are not necessarily those of the LPGA, or GANZ. The LPGA can be contacted by telephone (04) 914 1765, fax (04) 914 1766, or mail PO Box 1776, Wellington.

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