

Local LPG production set to increase

The amount of LPG produced in New Zealand is set to increase, thanks to a number of developments taking place in Taranaki.

With Kupe fired up and the possibility of LPG production at Todd's McKee/Mangahewa site, LPGA president Albert de Geest said it looks likely New Zealand will be producing a small LPG surplus.

"If both McKee/Mangahewa and Kupe go ahead then New Zealand will not be importing LPG in the next few years, and will almost certainly be exporting a small surplus."

The Kupe gasfield being developed off the South Taranaki coast is expected to start producing gas, light oil and LPG in the September quarter of this year.

LPG extraction and storage facilities have been built at the Kupe onshore production station, and the field is expected to produce up to 90,000 tonnes of LPG annually – the same amount that New Zealand currently imports each year.

Todd Energy has filed resource consent applications with the Taranaki Regional Council and New Plymouth District Council to construct an LPG extraction plant at its McKee/Mangahewa field, east of Waitara.

Todd Energy managing director Richard Tweedie, said while Todd hasn't made a final decision on building the plant, the energy company viewed LPG as an important part of their business – both upstream and downstream.

"New Zealand for a long time was an exporter of LPG, but we are now in a position where we are an importer. With Kupe coming in and the potential of Mangahewa, we believe there will be more balance with LPG. We are seriously looking at LPG extraction."

LPG from Todd Energy's Pohokura share could also be pumped through to the new extraction plant but the viability of Mangahewa will be crucial to this decision.

Todd plans to drill a further three Mangahewa wells within the next 12 to 18 months, buoyed by the success of Mangahewa-3.

In addition, Todd has captured new blocks near its existing Mangahewa permits – a further vote of confidence in the field.

"Mangahewa is clearly our most exciting field at the moment," Mr Tweedie said.

Economics would decide if a 27-tonne plant was built, at a potential cost of \$50 million.

He said Todd wouldn't be looking at the plant if it didn't have an LPG retailing arm in Nova Gas.

Mangahewa could potentially be New Zealand's second largest gas field in terms of remaining recoverable reserves, behind only Pohokura, Mr Tweedie said.

"There is no question Pohokura is the largest hydrocarbon producing field in the country, it is world class. There's a general view that gas is in decline – this is a flawed assumption and the estimates have been too conservative."

Early indications show the Mangahewa field is likely to start producing 30,000 tonnes of LPG annually by early 2011.

But the future development of LPG production at Pohokura is less likely than it seemed a year ago, Albert de Geest said.

"It's anyone's guess what could happen there in the future. However, if it did occur, it would have a major effect on exports and local pricing."



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"Todd Energy managing director, Richard Tweedie

Recently market demand for LPG has shown a small decline because of the economic climate, which could also mean an increase in surplus for exports, and a possible softening of price.

"Export turns things around and upward pressure on prices dissipates. As a result, there is likely to be some pressure on local prices, but it's difficult to say when prices could fall and by how much."

He said if New Zealand began to export significant volumes, price could fall to export parity, i.e. the price of LPG in Australia or the Pacific Islands, less the cost of shipping.

Mr Tweedie said Todd still believes gas is, and will continue to be, an important part of New Zealand's energy mix.

"Give us more time to find more gas – I am confident that we will."

New findings on gas/LPG water heaters

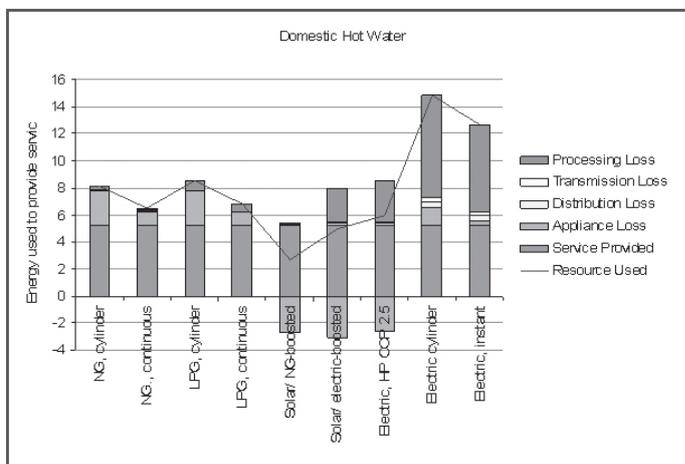
An update to the CAE report shows gas-powered water heaters compare favourably, in terms of efficiency, with hot water heat pumps.

Natural gas and LPG have scored well in an update to last year's CAE report which looks at the efficiency of different water heating methods.

The update to the report, commissioned by the LPGA and GANZ last year, compared continuous or storage cylinder gas and electric heaters, hot water heat pumps, and solar hot water systems boosted with gas or electricity.

Gas-boosted solar systems also came out on top in the study when it came to comparing energy efficiency. The report said gas-boosted systems are 'generally superior to electricity-boosted solar systems and are less emissive'.

Natural gas and LPG continuous water heaters also scored well because they avoid the standing losses incurred in



cylinder storage systems.

When comparing efficiency, the report said any gas, solar, or electric heat pump system is significantly more resource-efficient than traditional electric systems.

The report found the large differences in resource efficiency and emissions are less pronounced when comparing costs. However, the natural gas-boosted solar system stands out as the cheapest option.

Minister interested in DUOG issues



The LPG Association was heartened by a recent meeting with Associate Energy Minister, Pansy Wong.

The Association requested the meeting in

collaboration with the Gas Association to brief the minister on downstream energy issues. This is part of the joint advocacy project the LPGA and GANZ have initiated to raise the profile of direct use of gas issues with the National-led government.

As part of her delegations, Ms Wong is responsible for the operation and effective investigation, compliance, enforcement and communication regime for gas and electrical safety; bioprospecting policy development and Gas Industry Company matters, including policy development and implementation.

LPGA executive director Peter Gilbert, said Ms Wong was very interested in direct use of gas issues and was keen to hear industry's views on what could be done to further stimulate the industry.

"In keeping with this Government's focus on energy security, she was alert to the importance of DUOG and the role it can play in underpinning residential energy supply."

Budget 2009 provides opportunities for DUOG

The LPGA plans to work closely with EECA to explore opportunities for its members to participate in the clean heating and insulation programmes announced in the recent Budget.

Association executive director, Peter Gilbert, says meetings have already been arranged with the Energy Efficiency and Conservation Authority to discuss the role that direct use of gas can play.

"This is an initiative we are undertaking in conjunction with the Gas Association. It provides a useful opportunity to heighten the profile of direct use of gas as a clean and efficient heating option."

The Government announced in the Budget that more than 180,000 New Zealand homes will have access to grants for insulation and clean heating over the next four years, as part of a major investment in household energy efficiency.

Budget 2009 allocates \$323.3 million over four years for a campaign to fit homes with insulation and clean heating devices such as heat pumps and approved wood burners. The scheme, which is open to owners and occupiers of houses built before 2000, will start on July 1 this year.

"The very fact that the Budget announcement did not mention direct use of gas appliances is indicative of the need for us to work more closely with EECA," Peter Gilbert said.

He said there is considerable scope to increase the penetration of flued gas appliances, both LPG and natural gas appliances.

Installation prices are competitive as is their running cost, and their efficiency is very high.

Last year, a report by the Centre For Advanced Engineering showed direct use of gas space and water heating appliances performed extremely favourably in a study that compared various installations and fuel sources.

Commitment to standards recognised

LPGA executive director Peter Gilbert, was awarded a Standards New Zealand Meritorious Service Award at a recent ceremony.

The awards ceremony recognised the work of the 2,000-plus committee members' voluntary contribution to standards development activity. Peter was one of six individuals whose contribution



Peter Gilbert

towards standards was recognised with the prestigious award.

Peter received the award because he is a staunch advocate of standards. He has a vast knowledge of the legislative and regulatory considerations for LPG and natural gas, with 40 years' experience in the industry.

He is a member of six development committees, two of which he has chaired, and has helped develop several gas industry standards.

"I am honoured to receive the award and grateful to the LPG Association for supporting my involvement on the standards development committees," Peter said.

Grounds for HSNO re-assessment confirmed

The LPGA has successfully convinced ERMA New Zealand that there are grounds for re-assessing how LPG is treated under Section 62 of the HSNO Act.

The Association made the initial application to ERMA to consider re-assessing the HSNO regulations relating to LPG in an effort to increase efficiencies and lower costs for industry.

"We have recently been informed that our initial application was successful in proving that there are grounds for re-assessment," LPGA executive director Peter Gilbert, said.

The application covers:

- Increasing the LPG storage threshold at which location certificates are required
- Removing the default requirement for spray cages to be placed over LPG tankers parked for an hour or longer
- Sorting out the separation distances for multi-vaporiser installations
- Alignment with the AS/NZS 1596
- Removing the requirement for a fire extinguisher in non-work places where there is more than 50kg LPG storage

The Association is now preparing a full application for re-assessment. ERMA New Zealand will check the application for completeness and it is then notified for public submission.

The application, and any submissions, are reviewed and a report is prepared for the decision-making committee. Public hearings may be held if requested by submitters, then the Authority's decision is publicly notified within the following 30 working days.

The Association prepared a risk analysis which sought to demonstrate the excessive nature of the existing regulations.

"Our intention is to remove unnecessary regulation and cost without compromising existing safety standards."

In memoriam. Tony Gregory 1944-2009

Tony died peacefully in his sleep at his home in Singapore on Tuesday 17th March 2009, leaving two sons and two grandchildren, his wife Colleen having passed away in 2007.

Tony was born in the UK in 1944 in Carlisle, and emigrated to New Zealand in 1964 to take up a position with the Ministry of Works in the laboratories at Gracefield in Lower Hutt.

He was trained as an Industrial Ceramics Engineer, and worked in this position with New Zealand Insulators in Temuka before moving up to Auckland to take a position with AHL as a Production Engineer.

Tony joined Rinnai New Zealand in 1977, just two years after the company was founded. He originally served as Production Manager with responsibility for R&D and Supplier Relationships. His later work was as Technical

Manager, covering Training, Product Evaluation and Launching, R&D and Product Compliance.

Tony played a major part in the establishment of the cabinet heater market in New Zealand. At the request of the Department of Trade and Industry, he worked on the technical issues surrounding the introduction of these appliances.

Tony was a member of the LPGA Executive Committee for eight years and President for two years in 2001 and 2002. He was also a member of various Gas Industry Technical Committees.

Tony had a wide and excellent knowledge of gas equipment design and operation and was able to put this to service for the wider gas industry in these positions.

He was always friendly, calm, helpful and sincere and he will be greatly missed.

Hard or soft? The choice is yours!

We are reviewing the way we produce and distribute Gasline and we're keen to get your feedback.

At issue is whether we continue to post you a hard copy newsletter, or whether we email you an electronic 'e-zine'.

It's less expense to produce an e-zine, but we need to balance this with what's best for you.

Could you please email your preference – hard or soft – to info@fwc.co.nz.

Vector and NZOG sign LPG agreement

Vector and New Zealand Oil and Gas (NZOG) have signed a long-term contract for LPG supply.

Under the agreement, Vector will purchase NZOG's ongoing daily entitlements to LPG production from the Kupe oil and gas field.

The terms agreed are for the supply of approximately 15,000 tonnes per annum of LPG for a minimum of 10 years and a maximum of 15 years.

NZOG chief executive, David Salisbury, said the sales agreement is a great outcome for NZOG.

"We are delighted to have concluded a long term arrangement for the sale of our Kupe LPG at competitive prices and with a highly regarded business partner."

At the end of September 2008, the Kupe project was over 85 per cent complete. All of the offshore facilities were in place, with attention focused onshore at the production station near Hawera and the condensate storage facilities near New Plymouth.

The sales agreement is conditional upon the Kupe joint venture parties reaching a satisfactory agreement upon the operational procedures for each party to take or lift its LPG entitlement from the field.

"It's a valuable addition to Vector's existing LPG entitlements at Kapuni that allows Vector to maintain a competitive position in the LPG market," said Vector Group chief executive officer Simon Mackenzie.

He said the contract displaces LPG that would have otherwise been imported; an important consideration at times of volatile energy prices, exchange rates and concerns around security of energy supply.

Next stage for online testing system

The LPG Association's online accreditation for cylinder fillers is now up and running with over 200 site trainers completing the online tests.

The Association worked with training facilitators, Wavelength, to develop the e-based learning tool.

The final stages of phase two of the e-based learning tool are being rolled out to allow trainee approved fillers to take their annual theory test online.

LPGA executive director, Peter Gilbert, says online testing is just one part of the training.

"Ongoing supervision is vital for filler and customer safety and fillers must practise filling until they can do it correctly. As part of the HSNO Act, all fillers and trainers must be re-assessed each year, and this can now be carried out online."

The system also provides every individual with their own log in, and every employer with a company log in.

"This development is vital for ensuring everybody in the industry has current and complete accreditation. Employers will be able to check their employees' status and ensure they are complying with the Act."

The online system means site trainers and fillers are able to carry out assessments at their convenience, instead of having to attend sessions around the country.

"Being able to sit the tests online saves time and money. Just as importantly, we now have a permanent, up-to-date record, and independent verification, of who is accredited."

Forum 2009 to be held in capital

After an exciting event in Christchurch last year, the annual LPGA industry forum is returning to Wellington for 2009.

The industry-wide event will be held on Thursday 29 and Friday 30 of October.

"Over the next couple of months we will be working hard to confirm another fantastic line-up of speakers for this year's event," said LPGA executive director Peter Gilbert.

The industry forum is the perfect opportunity to ensure you and your company are kept informed of the important issues affecting the LPG industry.

"We also put a major emphasis on networking in a relaxed atmosphere."

Watch this space for further updates on speakers and details on how to register.

