



Methanex New Zealand Ltd
409 Main North Road, SH3, Motunui
Private Bag 2011, New Plymouth 4342
New Zealand

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Submissions
Electricity Authority
PO Box 10041
Wellington 6143

Submitted via email to: consult-2021dryearreview@ea.govt.nz

Please accept this letter as the feedback of Methanex New Zealand Limited ('Methanex') to your consultation document – 2021 Dry Year Event Review, December 2021. We thank you for the opportunity to provide our perspective.

Our feedback is as follows:

1. Do you agree with the findings in the MartinJenkins report? If not, why not?

As a key gas market participant, Methanex generally agrees with the findings in the MartinJenkins report but makes the following comments:

- MartinJenkins did not consult with us, other major gas users or representatives from the upstream gas sector as part of its report. Given that gas was a significant part of the solution to responding to the dry year event then input from these bodies would have provided a broader perspective on some of the issues raised.
- The MartinJenkins report affirms the effectiveness of the regulated free market approach but that “subjective elements in policies have detracted from certainty, as has the perceived potential for political intervention overriding the market regime.” We also consider that market-based responses are the best solution if allocation issues arise. We also believe that market-based responses are also the best solution to address the dry year risk challenge.
- While it is not necessarily in the scope of this paper, we believe that the findings need to be considered in the context of the broader picture of overall energy security and not simply electricity security. We cannot lose sight of the fact that we need a thriving and, more importantly, diverse energy market now and for decades to come. Last year’s event will provide no better example of the need to continue to support the gas market as one of the best dry solutions we currently have.
- The findings in the report certainly provide an electricity market perspective but we believe there needs to be significant further discussion on, for example, the implications of what

standing and transparent arrangements would have on the wider energy sector and how the increased certainty this may provide to some will be offset by reduced certainty to others.

2. With regard to the 2021 Dry Year Event, do you have any feedback on:
 - a. The Authority's actual and perceived performance during the event
 - b. The system operator's actual and perceived performance during the event
 - c. The dry year risk regime and incentives
 - d. The preparedness of the industry (including the Authority)

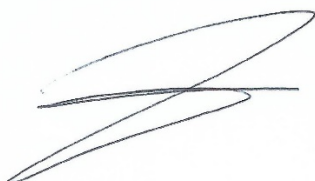
No specific comments.

General Comments:

- Our business is focused on the production and distribution of methanol. Reducing production, as we did in 2021 to support our highly renewable, but less reliable, electricity sector and provide a solution for its dry year risk challenge, is not our preference. This puts at risk our ability to meet our contractual commitments and it is always in a suboptimal and costly way. However, we recognise the energy security role that we can play.
- Methanex makes long-term capital investments to maintain safe and reliable plants which requires long-term gas supply security. Our long-term gas contracts help underpin the continued exploration in the gas market which will continue to be a key part of New Zealand's electricity security for decades to come as we all transition to a lower emission economy. We believe that gas is a key part of the solution to address dry-year risk, but we cannot expect that the continued erosion of support and confidence in the gas market to continue indefinitely without the consequence of less exploration and availability of gas.
- As greater renewable energy generation capability is developed, so is the need for the expansion of options to ensure the continued security of energy supply.

Thank you for considering our feedback. We welcome the opportunity to collaborate and have further discussion on our perspectives.

Yours sincerely



Stuart McCall

Managing Director
Methanex New Zealand Ltd.

+64 21 179 6863
smccall@methanex.com