

## **A billion dollars more gas from Maui?**

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"Evidence that more gas can be extracted from the Maui field is good for New Zealand, but the extra gas will come at a much higher cost" said Mr John Blakeley, Convenor of the Sustainable Energy Forum (SEF). He was commenting on an analysis of the Maui gas situation included in the latest issue of Energy Watch - SEF's journal (see [www.sef.org.nz/energywatch/34maui.pdf](http://www.sef.org.nz/energywatch/34maui.pdf)).

Subsequent to this analysis, the Government's own publication Energy Data File (July 2004), released last week, reports an even chance of there being 300 petajoules (PJ) of gas recoverable from the Maui field as at 1 January 2003 over and above the 367PJ which the Independent Expert estimated at that date as being recoverable at the Maui contract price.

"Advice of this additional gas is welcome news because a sudden downward revision in gas quantities would have required drastic changes in electricity generation" Mr Blakeley said.

"The additional gas will give more flexibility in making the transition from Maui to new smaller gas fields such as Pohokura (estimated reserves of about 600 to 800PJ, commencing in 2006) and Kupe (estimated reserves of about 300PJ, commencing in 2007)".

"However, this additional gas from Maui will come at a much higher price than in the original 1973 contract, which provided for price rises to be only half that of inflation, so other fuels became progressively less competitive with Maui gas".

"A best estimate is that the current contract price is around \$1.75 a gigajoule (GJ), to which the Government adds a resource levy and a margin before on-selling it to the users at a price which is probably between \$2.50 and \$3.00 per GJ. However, post-Maui gas prices are expected to be between \$6 and \$7 per GJ within the next year (as reported in the Dominion Post, 30 July 2004)." Mr Blakeley said. "Present post-Maui prices are probably between \$5 and \$6 per GJ (Dominion Post, 18 September 2004)."

"Under the agreement announced on 2 June 2004 between the Government and the other parties to the Maui contracts, any gas over and above that estimated to be recoverable at the Maui contract price by the Independent Expert will be sold at the current market price, which is about double the present Maui contract price to end-users, but more than triple the price currently received by the owners of the Maui field" Mr Blakeley said. "This will give a very strong incentive to obtain the maximum possible amount of additional gas which is economically recoverable from the field".

"The analysis in Energy Watch inferred that there may be at least 130PJ of such additional gas with an 85% probability of being obtained. The Government's own just-released latest issue of Energy Data File (July 2004) reports that up to 300PJ of additional Maui gas reserves exist with a 50% probability of being obtained".

The more conservative (Energy Watch) estimate implies that the additional gas will probably be worth at least \$NZ800 million to the owners of the Maui field" Mr Blakeley said. The new just-released Energy Data File information indicates that the additional gas might be worth up to \$NZ1.8 billion in total to the field's owners over and above the gas provided under the Maui contract. This is in line with a statement in the Dominion Post on Saturday 18 September which notes that Maui may produce another 300PJ if the owners decide to drill another part of the field, which the industry expects."

"If in fact 300PJ of additional gas is obtained from the field, this will bring total Maui production up to 3862PJ compared with the original contract amount of 4060PJ, over 95% of that originally estimated amount" Mr Blakeley said. "The difference is that under the 2 June 2004 agreement, the field's owners will be receiving a lot more revenue now from obtaining some of this gas than provided for in the original 1973 Maui contract."

"We must use the 'more gas' breathing space to work hard on solutions that move us more rapidly towards a sustainable energy future" Mr Blakeley said.

*John Blakeley, the Convenor of the Sustainable Energy Forum, is a research fellow at Unitec.*