



27 July 2018

The Registrar

Commerce Commission

PO Box 2351

Wellington 6140

By email: registrar@comcom.govt.nz

OMV New Zealand/Shell: submission from Methanex on the Statement of Preliminary Issues

1. Thank you for the opportunity to make a submission on the Commerce Commission's Statement of Preliminary Issues on OMV New Zealand Limited's (**OMV**) application for clearance to acquire from Shell Investments NZ Limited 100% of the shares in each of Shell Exploration NZ Limited, Energy Infrastructure Limited, Shell Taranaki Limited, and Shell New Zealand (2011) Limited (together **Shell Companies**) (the **clearance application**).
2. We submit that the Commission should grant the clearance sought in the clearance application.

Outline of submission

3. In this submission, we outline:
 - (a) who we are, and the importance of the issues raised in the clearance application; and
 - (b) why we support OMV's purchase of the shares in the Shell Companies specified in the clearance application.

About Methanex: who we are

4. Methanex New Zealand is a wholly-owned subsidiary of Methanex Corporation, the world's largest producer and supplier of methanol. Our New Zealand operations comprise three methanol plants located across the Motunui and Waitara Valley sites in Taranaki. Most of the methanol produced in New Zealand is exported to markets in the Asia-Pacific region. The Asia-Pacific region is the largest methanol market in the world and New Zealand is well located to supply this market.

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5. We are the largest single user of gas in New Zealand. At capacity, our plants consume around 90PJ per year of gas, which represents approximately 45% of total gas market demand. We purchase gas from several different gas suppliers and fields, from both producers and wholesalers, under contract terms that typically range between one and several years.
6. Gas supply is critical to our business and our demand for gas is equally critical for the upstream producers, to enable the production of gas and associated liquids. We are reliant on the upstream parties exploring for, appraising and developing gas reserves and resources in a timely manner. We require sufficient continuity of gas supply commitments over sufficient terms to justify investment in the periodic major turnaround and refurbishment activities carried out at each of our three methanol plants.
7. In turn, our demand (and the base-load nature of this demand) provides sufficient scale to underwrite major exploration and development programmes.
8. As a reliable source of gas is essential to our business, the purchaser of the Shell Companies is of significant interest to us.

Why we support the clearance application

9. We agree with the clearance application that, if OMV did not acquire the Shell Companies, the counterfactual would likely involve the acquisition of the Shell Companies by another purchaser who participated in the competitive tender process and reached a late stage of that process. Those alternative purchasers are likely to be either a New Zealand based oil and gas company, an overseas-based oil and gas company, or an overseas-based purchaser outside the oil/gas industry assisting an oil and gas company.
10. Compared with the counterfactual, we submit that:
 - (a) OMV is the appropriate purchaser of the shares in the Shell Companies; and
 - (b) the acquisition of the shares by OMV will increase competition in the national market for the production and wholesale supply of natural gas.
11. It is important that the purchaser of the Shell companies fully exploits the remaining potential in the offshore Maui and Pohokura fields. The need for this is heightened by the Government's recent decision to cease the awarding of any further offshore exploration permits, which will eventually have a negative impact on gas supply.
12. OMV has the necessary credentials to operate and further develop the Maui and Pohokura gas fields as:
 - (a) OMV has extensive experience in the upstream oil and gas industry, both in New Zealand and internationally, and, as an existing party to the relevant joint ventures, has a detailed understanding of the Maui and Pohokura gas fields;
 - (b) OMV has the financial capacity to further develop those offshore fields; and
 - (c) those fields are of significance to OMV's global operations, with OMV stating that the assets are key to developing Australasia into a core region for the company.

13. Further development of the gas fields will ensure that the gas reserves in the fields are maximised. A greater supply of gas to the national market will increase competition.

Concentration of power

14. The clearance application provides that, post-acquisition of the Shell Companies, OMV will become the second largest producer by remaining 2P reserves with 28.3% share. Todd will remain the largest producer by reserves at 37.4% share and Greymouth having 19.4% share.
15. Both Todd and Greymouth hold significant undeveloped gas reserves and resources in onshore Taranaki fields. We believe that these reserves and resources could readily be further developed and additional gas brought to market.
16. As a major purchaser of gas supplies, we consider that, if OMV purchased the shares in the Shell Companies, there would be sufficient competition in the market to protect our interests and the interests of other purchasers.

Concluding remarks

17. We submit that the Commission should grant the clearance sought by OMV in its clearance application. We are happy to meet with the Commission to discuss any aspect of our submission.



Phil Watson

Director Asia Pacific Gas