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## Commission Approves Pohokura Joint Marketing

The Commerce Commission has authorised the Pohokura partners to jointly market and sell gas from their offshore Taranaki field.

The commission said it would allow the three competitors (Shell Exploration NZ Ltd, Todd Petroleum Mining Co. Ltd and OMV New Zealand Ltd) to work together to jointly market and sell gas produced from the Pohokura field, situated within permit PEP 38459.

However, the commission imposed three conditions:

- The partners only jointly market and sell gas after June 30, 2006 if the Pohokura field is fully operational.
- The commission authorises any subsequent sale of any interest in the field.
- The partners allow reselling of gas to third parties.

Commission acting chairperson Paula Rebstock said the decision to authorise the joint marketing arrangement reflected the fact that the development of some gas fields required a joint venture approach so gas from those fields could be brought to market as quickly as possible.

"The commission prefers separate marketing because competition is enhanced by more competitors. The purchasers of the gas may be able to negotiate lower prices, and better terms and conditions when they have a choice of supplier. Joint marketing lessens competition and represents a detriment to the economy."

However, the commission accepted that joint marketing should result in the earlier development of New Zealand's largest new gas field, and that early development had significant benefits to the New Zealand public.

Ms Rebstock cautioned other players against assuming any automatic approval of other joint marketing and selling proposals, saying this decision reflected the present state of the gas market. A statement by the Pohokura joint venture partners said that the attaching of significant conditions might delay development of the project.

However the largest partner, Shell New Zealand, also said the Commerce Commission's approval of the application to jointly market gas was a positive step towards delivery of the project. Shell New Zealand's Chairman, Lloyd Taylor, said that from a Shell perspective, Pohokura is still on track for first gas in 2006, despite the company's disappointment about the Commission's conditions attached to the joint marketing approval. ■