

Clarus Group

A review of the depreciation of non-fixed duration easements

January 2026

Contents

Executive Summary	2
1. Introduction	3
2. Current Provisions	4
3. Unique circumstances in the gas sector	6
4. Accounting standards considerations	9
5. Ex-ante Financial Capital Maintenance	10
Limitation of our work	13

Executive Summary

Deloitte have been engaged by Firstgas, of which the Clarus Group is the parent company, to assess the current treatment of non-depreciable easements. This report considers reasons why the Commission may want to consider progressing its review of the treatment of non-depreciable easements sooner. These reasons include:

- Recognition of the principles of accounting standards that support reassessment of non-fixed duration easements, in light of the network stranding risk of Gas Pipeline Businesses (GPBs).
- Maintenance of ex-ante Financial Capital Maintenance (FCM) by reducing the risk of under-recovery of non-depreciable easements, given the recognition of shortened economic lives of the network assets of GPBs.

Fixed versus non-fixed easements in a sunset industry

Non-fixed duration easements arguably now have a finite economic life. This is because their usefulness will likely end when the gas networks winds down. Continuing to treat them as non-depreciable creates a risk of under-recovery for Firstgas. The Commission's accelerated depreciation approach under the current default price-quality path (DPP3) provides a strong precedent for aligning cost recovery with economic life.¹

We consider that recognising non-fixed duration easements have finite economic lives and allowing for depreciation would be more consistent with the principles of accounting standards, the principle of FCM and so maintain investment incentives, and ensure consistency with the treatment of other network assets. Early adoption spreads recovery across today's broader consumer base, smoothing price impacts and avoiding the potential for price shocks later when customer numbers have declined. We consider this approach delivers regulatory integrity and fairness while mitigating long-term stranding risk.

Potential options

Analysis in this report shows it is timely for the Commission to reconsider its treatment of non-depreciable easements as part of the default price-quality path reset, that will apply from 1 October 2026 (DPP4).

Gas pipeline businesses bear risk associated with the current transition to renewable energy sources. Faster than anticipated reductions in demand or an earlier than expected phase out of natural gas use means gas pipeline businesses may be exposed to stranding risks.

Our analysis suggests earlier consideration of the treatment non-depreciable easements:

- Mitigates the risk of under-recovery for Firstgas and is more consistent with the principle of FCM.
- Has the potential to smooth the impact on future price-shocks for consumers across regulatory periods; and in this case the price impact is unlikely to be substantial.

Overall, consideration of the treatment of non-depreciable easements as part of the DPP4 reset is not inconsistent with the overarching elements the Commission has identified in its approach to the DPP4 reset, which is to continue to incentivise businesses to invest, consider the impacts on today's consumers and tomorrow's consumers and manage price volatility within the DPP4 period.

¹ [Commerce Commission, Default price-quality paths for gas pipeline business from 1 October 2022 \(31 May 2022\)](#), table 4.1

1. Introduction

1.1. Purpose of this report

Deloitte (**we, us or our**) has prepared this report for Firstgas, of which the Clarus Group is the parent company, to provide preliminary advice on the Commerce Commission's (**Commission**) current treatment of non-depreciable easements for gas pipeline businesses.

This report covers three key issues that we believe are relevant for considering a review on the treatment of non-fixed life easements in the Gas Input Methodologies (**IMs**) for the purposes of DPP4 that will apply from 1 October 2026:

- The unique circumstances the gas sector is subject to.
- How accounting standards consider these circumstances.
- Financial Capital Maintenance and impact on consumers.

Table 1.1: Key focus areas in this report

Issue	Description
The unique circumstances the gas sector is subject to	Outlines the unique set of circumstances that of the gas sector will face with the growing risk of network closure.
How accounting standards consider these circumstances	Describes that accounting standards principles provide the consideration and option for the treatment of a change from indefinite lifetimes for intangible assets to finite, which builds the case that there is a need for additional considerations of the depreciation treatment of non-fixed life easements from a regulation perspective.
Financial Capital Maintenance and consumer impact	Considers how the FCM may be impacted under the Commission's current draft DPP4 decision and the consumer impact if an alternative view is considered, which build the case that a likely alternative view may better support FCM and preserve options of value to consumers.

Each of the issues is considered individually in the report and followed by concluding remarks for the Commission to consider.

2. Current Provisions

Part 4 of the Commerce Act 1986 regulates the price and quality of goods and services in markets where there is little or no competition and little or no likelihood of a substantial increase in competition (monopoly markets). A core focus of Part 4 is ensuring consumer outcomes are consistent with outcomes produced in competitive markets, such that regulated suppliers have incentives to innovate and to invest, including in replacement, upgraded, and new assets.²

2.1. Provisions in the Input Methodologies

Under the IMs, a fixed-life easement is one that is either of a fixed duration or held for a fixed duration. Such easements are depreciable within the regulatory framework.³ By contrast, easements without a fixed duration (often treated as “indefinite-life” easements) are non-depreciable for regulatory purposes, reflecting the assumption that they provide benefits in perpetuity, implicitly suggesting such easements have an indefinite useful economic life.

Under the current IMs, Firstgas’ easement assets are not classified as fixed, are non-depreciable and do not have any resale value or alternative use.⁴

2.2. Commission’s view in the Issues Paper

The Commission’s Issues Paper for the gas DPP4 reset discusses the treatment of non-depreciable easements as a future issue raised by submitters.

In the issues paper, the Commission acknowledges that there may have been a shift in expectations regarding the ongoing benefits of land assets like easements, given the potential future reduction or closure of gas pipeline networks.⁵ However, the Commission considered there is no urgent or compelling reason to undertake an out-of-cycle IMs review before DPP4 for GPBs, which will take effect from 1 October 2026, as they do not have evidence that it would be material for DPP4 due to current immateriality concerns.⁴ Instead, the Commission intends to consider the matter in the next seven-yearly IM review (by 2030).

2.3. Commission’s draft DPP4 decision

The Commission’s draft decision in the DPP4 Draft decision reasons paper published on 27 November 2025 remained unchanged from the issues paper, where they have opted to defer the review of the treatment of non-depreciable easements to the next Part 4 IM review:⁶

“We [the Commission] are deferring consideration of this issue in the absence of information establishing that it is material for DPP4, or any other urgent or compelling reason to initiate an out-of-cycle review of the GDB and GTB IMs for the treatment of easements ahead of the DPP4 reset”

² [Commerce Act 1986 No 5 \(as at 27 November 2025\), Public Act 52A Purpose of Part – New Zealand Legislation](#)

³ Commerce Commission “Gas Transmission Services Input Methodologies (IM Review 2023) Amendment Determination 2023 [2023] NZCC 36” (13 December 2023) clause 1.1.4, definition of “fixed life easement”; clause 2.2.5(3); clause 5.3.7(3)

⁴ [Firstgas, Submission on Gas DPP4 Open Letter \(13 March 2025\)](#), page 3.

⁵ [Commerce Commission, Gas DPP4 reset 2026 – Issues Paper \(26 June 2025\)](#), para 2.38 and [Commerce Commission Gas DPP4 reset 2026 Issues paper – Attachments A-E \(June 2025\)](#), E2.3

⁶ [Commerce Commission, Gas DPP4 - Draft decision reasons paper - Attachments A-H \(27 November 2025\)](#), para F28.4, F28.5, F29 and [Commerce Commission, Gas DPP4 - Draft decision reasons paper \(27 November 2025\)](#) Table 3.8

2.4. Consideration

We note that in the context of gas pipeline businesses, the Commission saw it as appropriate to consider IM amendments outside of a typical seven-yearly review cycle ahead of the DPP reset for gas pipeline businesses in 2022. The Commission's decision was to shorten asset lives so that assumed asset lives better reflect the expected economic asset lives, given the expected decline in the use of gas networks. At that time, the Commission noted that the risk faced is not from new technology but from declining demand from consumers and a material risk of phase-out of gas pipeline services to meet the 2050 emissions target and related emission reduction policies.⁷

As set out below and reflected in the Commission's draft DPP4 decision, the risk of asset stranding for gas networks has materially increased. In these circumstances, the Commission is required to apply its statutory objective and the IMs in a coherent and internally consistent manner. The continued treatment of non-fixed-duration easements as non-depreciable is inconsistent with the DPP3 decision to shorten pipeline asset lives⁸ and the Commission's current scenario analysis, both of which explicitly assume that gas networks have a finite economic life and may be wound down or repurposed.⁹ Where a network has a finite economic life, easements that are economically and operationally inseparable from that network cannot reasonably be assumed to have an indefinite life or enduring value. If gas transportation ceases, such easements are unlikely to have resale value or alternative use, as their purpose is intrinsically linked to the existence of the network. This outcome would be inconsistent with the application of FCM under the IMs and with the Commission's obligation under section 52A of the Commerce Act 1986 to set price-quality paths that provide suppliers with a reasonable opportunity to recover their efficiently incurred costs, including a return of and on capital.¹⁰

⁷ [Commerce Commission, Default price-quality paths for gas pipeline businesses \(1 October 2022\)](#), para X17, X18

⁸ [Commerce Commission, Default price-quality paths for gas pipeline business from 1 October 2022 \(31 May 2022\)](#), para 6.1

⁹ [Commerce Commission, Default price-quality paths for gas pipeline business from 1 October 2022 \(31 May 2022\)](#), para 6.13

¹⁰ [Commerce Act 1986 No 5 \(as at 27 November 2025\), Public Act 52A Purpose of Part – New Zealand Legislation](#) and [Commerce Commission, Default price-quality paths for gas pipeline business from 1 October 2022 \(31 May 2022\)](#), para C55

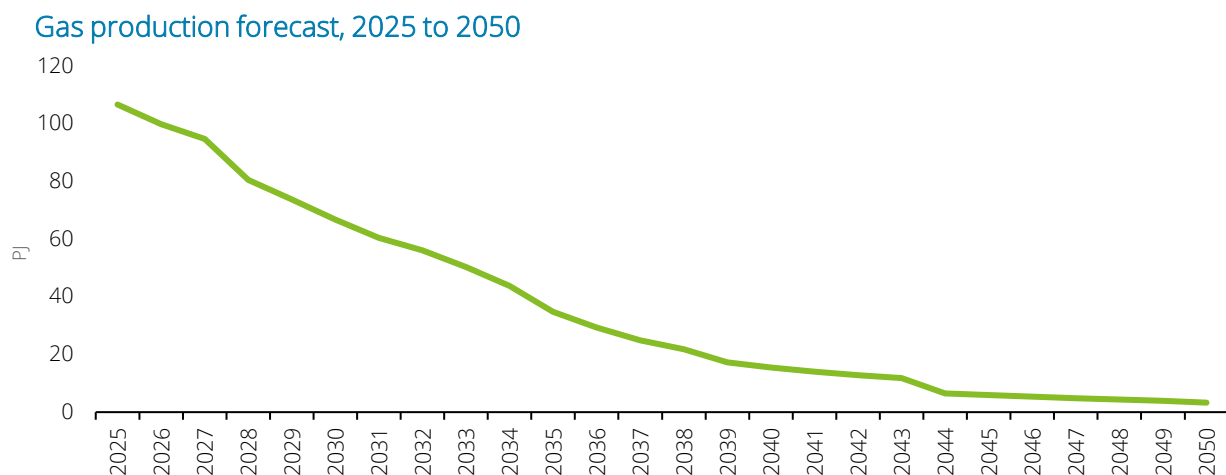
3. Unique circumstances in the gas sector

3.1. Long term decline in use of gas pipeline services

New Zealand's gas sector is navigating an extended period of uncertainty and change. Production from existing fields has fallen faster than anticipated, with the Ministry of Business, Innovation and Employment (MBIE) forecasting a near-term supply deficit of around 10 PJ.¹¹

MBIE's gas production forecast (at 1 Jan 2025) indicates a coming decline in the production of gas, as demonstrated in the figure below. Gas production is expected to fall 96.9% between 2025 and 2050, from 107 PJ to 3.3 PJ.¹² This fall in production may have significant impacts on the demand for gas transmission.

Figure 1: Forecast gas production (MBIE, as at 1 Jan 2025)



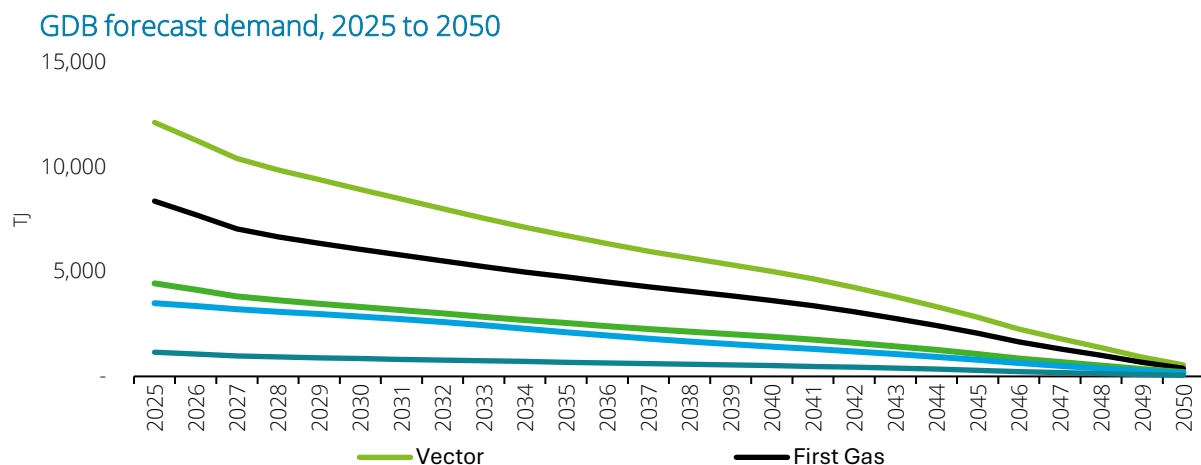
Source: Deloitte analysis based on MBIE New Zealand Petroleum Reserves tables (As at 1 Jan 2025)

Additionally, Concept Consulting's demand forecasts for gas distribution companies (GDB) project declining demand (and ICP numbers) as highlighted in the figure below. GDB demand does not completely capture transmission demand due to direct connections, but may be considered a proxy for GTB demand, due to the nature of the derived demand. GDB demand is forecast to decline from 8389 TJ in 2025 to 387 TJ in 2050. Concept's modelling also shows an accelerating decline in demand over the period.

¹¹ [Ministry of Business, Innovation & Employment, Gas production to fall below demand \(11 July 2024\)](#)

¹² [Petroleum reserves data | Ministry of Business, Innovation & Employment](#), as at 21 January 2025

Figure 2: Forecast GDB Demand



Source: Deloitte analysis based on Concept-Consulting-Gas-DPP4-Draft-demand-forecasts-report-August-2025-v2

Note: GDB demand does not perfectly capture GTB demand, due to direct connections. This trend is for illustrative purposes only.

3.2. Commission's draft DPP4 decision emphasises this decline

The Commission's Gas DPP4 Issues Paper and Draft decision frames these cross-currents as the backdrop for the next DPP4 reset, highlighting supply uncertainty, affordability pressures, and the still-evolving role of renewable gases and repurposing.¹³

- The gas sector is in a period of change and uncertainty and the main forward-looking issues for GPBs is how to recover capital costs in a declining market.
- With no current import or export facilities, New Zealand's gas production and consumption is tightly coupled. Forecasts for gas production have steadily fallen since 2020, with proven plus probable (2P) natural gas reserves falling from 1,300 PJ to 948 PJ in 2024. The recent and forecast decline has increased uncertainty for gas sector participants, causing some retailers to exit the market or refuse new customers.¹⁴
- All consumer segments are now facing gas price increases, with residential gas prices seeing around a 20% price increase in the first half of 2025 and industrial and wholesale gas prices both higher by about 50% since 2020. With the recent increase in cost of living, both businesses and households are exploring ways of reducing energy expenses. The possibility of prolonged, elevated gas prices has the potential for knock-on effects on demand.¹⁵

3.3. There is increased policy uncertainty associated with gas pipelines

Recent government and policy announcements have increased uncertainty around gas pipeline services. Changes in policy settings include the reversal of the offshore exploration ban and a \$200 million fund to co-invest in domestic gas fields. At the same time, the government has also taken a firm stance on carbon emissions goals, committing to a 2050 net carbon zero legislative target. A crucial component of the legislation in the context of the gas industry is the reduction of emissions of greenhouse gases (excluding biogenic methane) to net zero or lower, by 2050 and beyond.¹⁶ This has created mixed signals for sector investment horizons and consumer expectations.¹⁷

¹³ [Commerce Commission, Gas DPP4 reset 2026 – Issues Paper \(26 June 2025\), Executive summary](#)

¹⁴ [Commerce Commission, Gas DPP4 - Draft decision reasons paper \(27 November 2025\)](#), para 2.14, 2.15, 2.16

¹⁵ [Commerce Commission, Gas DPP4 - Draft decision reasons paper \(27 November 2025\)](#), para 2.19, 2.20, 2.21

¹⁶ [FAQs: The 2050 target » Climate Change Commission](#)

¹⁷ [Hon Shane Jones: \\$200m set aside for Crown stake in new gas fields - 22 May 2025](#)

The Commission's Gas DPP4 also acknowledges this increased policy uncertainty, noting the following points:

- While it is generally accepted that achieving the Government's legislated net zero 2050 target will involve a significant reduction of carbon-emitting fuels like natural gas, the pace of this reduction and the role renewable gases may play in the future of the networks is uncertain. The Government's second emissions reduction plan (**ERP2**) signals a decline in natural gas consumption but also indicates a role for electricity generation out to 2050. ERP2 also signals a role for landfill gas capture, biogas and hydrogen as fuel substitutes, however, the pace and scale of update remain uncertain.¹⁸
- Recent Government policy changes have been more supportive of gas as a fuel, including removing the ban on gas exploration, the \$200m co-investment fund announced in the 2025 Budget for new gas fields being widened in scope to include development of existing fields, and the potential development of a liquified natural gas (**LNG**) import facility to serve New Zealand's largest gas users.¹⁹

3.4. Commission's DPP3 reset recognised this decline in an environment of evolving policy settings

In DPP3 (effective 1 October 2022 to 30 September 2026), the Commission shortened regulatory asset lives, effectively accelerating depreciation to better align recovery of capital costs with the expected economic life of gas networks as demand declines and policy settings evolve.²⁰ It applied asset-life adjustment factors for each GPB, capped real price increases at 10% per annum to smooth impacts on consumers, and signalled the possibility of further adjustments at future resets as new information emerges.²¹

Long-term financial modelling undertaken to support shortening regulatory asset lives consisted of two primary scenarios, a 2050 reference scenario and a 2060 wind-down scenario.²² The reference scenario is aligned with the 2050 net carbon zero legislative target, while the wind-down scenario assumes limited gas use for about a decade beyond 2050, suggesting that pipeline assets are expected to have only residual utility and may go unused after that point.¹⁷

Decisions made in DPP3 were driven by the threat of stranding, in light of the likely decline in gas pipeline services and evolving policy settings. A stranded network is one that is no longer commercially viable because, although the asset value remains in the RAB, the network owner cannot recover its investment, including through depreciation, due to an insufficient end-user base to generate the revenue required to achieve financial capital maintenance.

¹⁸ [Commerce Commission, Gas DPP4 - Draft decision reasons paper \(27 November 2025\)](#), para 2.25

¹⁹ [Commerce Commission, Gas DPP4 - Draft decision reasons paper \(27 November 2025\)](#), para 2.28

²⁰ [Commerce Commission, Default price-quality paths for gas pipeline businesses \(1 October 2022\)](#), para 6.10

²¹ [Commerce Commission, Default price-quality paths for gas pipeline businesses \(1 October 2022\)](#), para 6.28, 6.30.1, 6.30.2

²² [Commerce Commission, Default price-quality paths for gas pipeline businesses \(1 October 2022\)](#), para 6.21, 6.21.1, 6.21.2

4. Accounting standards considerations

4.1. Finite and indefinite-life intangible assets under accounting standards

Accounting standards require entities to account for intangible assets as having either an indefinite or finite live and requires a reassessment at each reporting period to determine whether the facts and circumstances continue to support an indefinite useful life assessment.

Under IAS 38, an asset should be regarded to have an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which it is expected to generate net cash inflows. This assessment is holistic and evidence-based, considering legal and contractual rights, technical and commercial obsolescence, expected usage and maintenance, and industry characteristics.²³

Paragraph 109 of IAS 38 states: *"The useful life of an intangible asset that is not being amortised shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate".*²⁴

When the life of an indefinite life intangible asset is reassessed as no longer being supported it should be tested for impairment, and should be amortised over its estimated remaining useful life and accounted for in the same manner as other intangible assets that are subject to amortisation, including further impairment testing when indicators of impairment exist.

4.2. Consideration in the context of a regulatory environment

By analogy, applying the same principles that exist under IFRS, the Commission's decision to allow accelerated depreciation of assets within easements could potentially be seen as an indicator that an indefinite life assessment for some or all of these easements may no longer be supportable. While uncertainty remains regarding the overall life of the gas network, the Commission's approach under DPP3 seems to suggest a potential change in the economic useful life of these assets.

Accounting standards require an entity to continue to reassess all facts and circumstances that supports an indefinite life assessment and requires changes to be made to the assessment when those facts and circumstances no longer support the original indefinite economic useful life assessment.

This supports the case for regulatory consideration that, given the unique and evolving nature of the gas sector, regulation can similarly incorporate such principles. Accordingly, non-fixed duration easements could be reclassified to align with the IM definition of fixed assets, consistent with the treatment of other gas transmission assets, supporting cost recovery in line with the economic life of the network through depreciation.

²³ [IFRS, IAS 38 Intangible Assets \(as at 16 January 2026\)](#), para 88, 90

²⁴ [IFRS, IAS 38 Intangible Assets \(as at 16 January 2026\)](#), para 109

5. Ex-ante Financial Capital Maintenance

5.1. The expectation of ex-ante financial capital maintenance

One of the key principles underpinning Part 4 regulation under the Commerce Act 1986 is ex-ante FCM.

The principle of ex-ante FCM reflects that regulation is intended to incentivise efficient investment and promote other outcomes consistent with competitive markets. Application of the ex-ante FCM principle means regulated suppliers have the expectation of earning their risk-adjusted cost of capital (i.e., a 'normal return'), and of maintaining their financial capital in real terms over the lifetime of their investments.

The Commission uses the building blocks methodology (BBM) to implement this expectation.²⁵ Maintaining the integrity of BBM to deliver the expectation of ex-ante FCM is, in turn, consistent with the purposes of Part 4 of the Commerce Act²⁶, which includes providing regulated suppliers the opportunity to earn a normal return on their efficient incurred investments and maintaining incentives to invest.

Regulated suppliers are exposed to residual asset stranding risk as the Part 4 regime does not guarantee that regulated suppliers earn a normal return over the life of the assets. Networks can become fully or partially economically stranded if at any point in time a network owner can no longer expect to recoup their investment, including through depreciation. This could occur if the price increases required to recover their costs exceed consumers' aggregate willingness or ability to pay for the assets over the lifetime of these assets. For example, if demand were to drop faster than current modelling, or if the Government were to enforce restrictions or an early phase-out of natural gas use, GPBs may be exposed to unmitigated economic network stranding risk for the RAB as a whole.²⁷

5.2. Shortening of asset lives in DPP3 reflected the principle of FCM

The shortening of asset lives under DPP3 explicitly supported ex-ante expectations of FCM.²⁸ The shortening of asset lives mitigates the risk of asset stranding and maintains expectations of earning a 'normal return' on efficiently incurred investments, which in turn promotes incentives to invest.

Importantly, as the Commission notes:²⁹

"[w]hile the prospect of asset-related not being recovered may not be imminent (i.e., under-recoveries are unlikely to occur in DPP3 or DPP4), it is the expectation that under-recoveries may eventuate in the future (together with the challenges posed by the expectation of declining gas volumes and uncertainty over willingness or ability of consumers to pay in the interim) that signals an economic stranding event and threatens current investment incentives".

²⁵ [Commerce Commission, Input Methodologies Review \(20 December 2022\)](#), para X15

²⁶ [Commerce Commission, Financing and incentivising efficient expenditure during the energy transition topic paper \(13 December 2023\)](#), para X29

²⁷ [Commerce Commission, Input Methodologies Review \(20 December 2022\)](#), para X18

²⁸ [Commerce Commission, Default price-quality paths for gas pipeline business from 1 October 2022 \(31 May 2022\)](#), para C55

²⁹ [Commerce Commission, Default price-quality paths for gas pipeline business from 1 October 2022 \(31 May 2022\)](#), para 6.12.

We agree with the Commission that it is the expectation of under-recovery over the longer term that is likely to undermine the principle of FCM and impact investment incentives, more so than consideration of under-recovery over the next two regulatory periods.

5.3. The current treatment of non-fixed duration easements risks FCM

Firstgas' value of non-fixed duration easements is \$60.5m.³⁰ While these assets are included in Firstgas' RAB, where the WACC provides a return on capital, the inability to claim depreciation means the capital invested in non-fixed duration easements is not recovered currently. By deferring consideration of the treatment of non-fixed duration easements till the next IM review (by 2030), the risk or expectation of under-recovery is heightened for Firstgas' transmission network, undermining the principle of FCM and impacting its investment incentives.

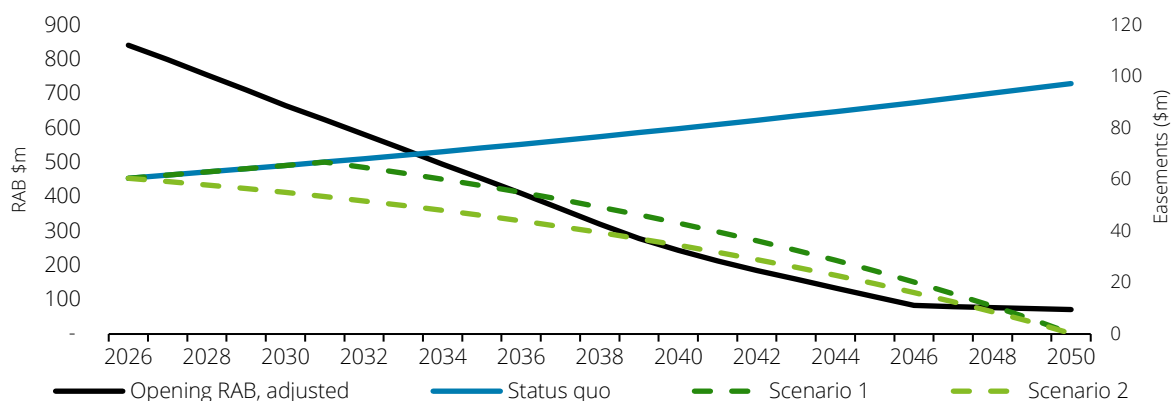
To highlight the impact on Firstgas' Transmission business and potential inconsistencies with treatment of non-fixed duration easements and other transmission assets, we have completed high-level analysis of asset values over time for three scenarios:

- Status quo: Easement assets remain non depreciable.
- Scenario 1: Easement assets are allowed to be depreciated under DPP5.
- Scenario 2: Easement assets are allowed to be depreciated under DPP4.

Figures used are based on the Commission's stranded asset model³¹ and easement asset values provided by Firstgas management and consider three distinct scenarios for the treatment of easements and their regulatory implications. For **illustrative purposes**, we have used an end value of 2050, aligned with the current net zero emission targets, noting the Commission's asset stranding model considers multiple ending years.

Figure 3: Illustrative asset value scenarios depending on treatment of easements

Illustrative asset value scenarios



Source: Commerce Commission Asset stranding model Gas DPP4 draft decision 27 November 2025, Firstgas Management, Deloitte analysis
 Note: Opening RAB, adjusted line excludes non-depreciable assets, of which is almost all is relating to easements.

Under the **status quo**, easement asset values continue to increase through revaluations under the IMs, while the RAB value declines. This creates a clear inconsistency with the treatment of other stranded assets and results in an estimated \$96 million balance remaining on the books by 2050 with no mechanism for cost recovery, contrary to the principles of FCM. Such an outcome is inconsistent and risks distorting incentives for efficient investment, contrary to the Commission's statutory objective under s52A of the Commerce Act.³²

³⁰ Provided by Firstgas Management.

³¹ [Commerce Commission, Gas DPP4 Draft decision Financial modelling suite \(27 November 2025\)](#)

³² [Commerce Act 1986 No 5 \(as at 27 November 2025\), Public Act 52A Purpose of Part – New Zealand Legislation](#)

By contrast, **Scenarios 1 and 2** apply a depreciation approach aligned with IM clause 2.2.5(2), ensuring easements decline in value in line with RAB assets. This approach provides a fairer and more transparent outcome, consistent with the treatment of other transmission assets. Importantly, it provides a mechanism for recovery of the investment in non-fixed duration easements. There is a risk that the remaining life might be shorter within DPP5, as shown in the trends in the Commission's draft DPP4 decision. Acting now will mitigate the risk of under-recovery under FCM.

5.4. Impact on consumers

In response to Firstgas' submission to the Commission's Open Letter, the Commission states that they do not believe the treatment of non-depreciable assets to be material enough for DPP4 for the Commission to conduct an out-of-cycle review to the IMs.³³ We agree with the Commission that the impact on consumers is not substantial.

Our modelling finds that based on the current value of non-fixed-duration easements (\$60.5m for transmission and \$115k for distribution easements)³⁴, the expected impact on consumer prices is unlikely to be substantial. This, in our view, builds a case that while maintaining FCM, the impact on consumers and price shocks, if depreciation were allowed on non-fixed life easements with a finite life due to the stranded network, can be expected to be minimal, relative to the status quo and implement in DPP4.

The table below illustrates the impact of allowing for depreciation of non-fixed life transmission easements to consumers.

Table 5.1: Illustrative impact on average consumers prices for the gas transmission component

Scenario	2026	2031	2040	2050
Status quo	-	-	-	-
Scenario 1	-	1.1%	1.7%	3.3%
Scenario 2	0.8%	0.9%	1.4%	2.8%

Source: Deloitte based on preliminary illustrative modelling for Firstgas

Note: The modelling is based on the Commerce Commissions Asset stranding model Gas DPP4 draft decision 27 November 2025. We have assumed asset life until 2060, and a 5% annual decline in demand based on forecasted GDB demand.

The percentages in the table above represent the increase in consumer prices due to a depreciation charge on easements for Firstgas, which as shown are not substantial. If depreciation were allowed on non-fixed life easements for Firstgas, the likely impact on the average consumer prices for the gas transmission component, in 2026, will be approximately 0.8%. This is unlikely to result in a price shock, as gas transmission is only one small component of the overall total household gas bill.

As shown in the table above, under Scenario 2 where the depreciation of non-fixed easements is not deferred, the price impact on consumers is smaller in the longer term than Scenario 1, where the decision is deferred to DPP5.

By continually deferring the depreciation treatment of easements, this annual charge may only grow as the consumer base declines and the depreciation charges are able to be spread over a smaller consumer base. Deferring also increases the risk of consumers facing a future price-shock, which is inconsistent with the Commissions approach to applying accelerated depreciation in DPP3.³⁵ We consider earlier adoption is not inconsistent with minimising price shocks and FCM principles.

³³ [Commerce Commission, Gas DPP4 reset 2026 – Issues Paper \(26 June 2025\)](#), para 2.38.

³⁴ Firstgas Management, January 2026.

³⁵ [Commerce Commission, Default price-quality paths for gas pipeline business from 1 October 2022 \(31 May 2022\)](#), para X13

Limitation of our work

General use restriction

This report is prepared solely for the internal use of the Clarus Group. This report is not intended to and should not be used or relied upon by anyone else and we accept no duty of care to any other person or entity. The report has been prepared for the purpose of advice on the regulation of Firstgas' gas pipeline services. You should not refer to or use our name or the advice for any other purpose.



Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited (“DTTL”), its global network of member firms, and their related entities (collectively, the “Deloitte organisation”). DTTL (also referred to as “Deloitte Global”) and each of its member firms and related entities are legally separate and independent entities, which cannot obligate or bind each other in respect of third parties. DTTL and each DTTL member firm and related entity is liable only for its own acts and omissions, and not those of each other. DTTL does not provide services to clients. Please see www.deloitte.com/about to learn more.

Deloitte Asia Pacific Limited is a company limited by guarantee and a member firm of DTTL. Members of Deloitte Asia Pacific Limited and their related entities, each of which is a separate and independent legal entity, provide services from more than 100 cities across the region, including Auckland, Bangkok, Beijing, Bengaluru, Hanoi, Hong Kong, Jakarta, Kuala Lumpur, Manila, Melbourne, Mumbai, New Delhi, Osaka, Seoul, Shanghai, Singapore, Sydney, Taipei and Tokyo.

Deloitte provides leading professional services to nearly 90% of the Fortune Global 500® and thousands of private companies. Our people deliver measurable and lasting results that help reinforce public trust in capital markets and enable clients to transform and thrive. Building on its 180-year history, Deloitte spans more than 150 countries and territories. Learn how Deloitte’s approximately 460,000 people worldwide make an impact that matters at www.deloitte.com.

Deloitte New Zealand brings together more than 1900 specialist professionals providing audit, tax, technology and systems, strategy and performance improvement, risk management, corporate finance, business recovery, forensic and accounting services. Our people are based in Auckland, Tauranga, Hamilton, Rotorua, Wellington, Christchurch, Queenstown and Dunedin, serving clients that range from New Zealand’s largest companies and public sector organisations to smaller businesses with ambition to grow. For more information about Deloitte in New Zealand, look to our website www.deloitte.co.nz.