



BRIEFING

Draft Cabinet Paper: Procurement framework for the importation of Liquified Natural Gas

Date:	9 May 2025	Priority:	High
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0013801

Action sought		
	Action sought	Deadline
Hon Simon Watts Minister for Energy	Note the contents of the attached draft Cabinet paper and provide feedback. Discuss with officials whether you prefer this paper to be considered at ECO on either 21 May or 4 June.	12 May 2025

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Justine Cannon	General Manager	Privacy of natural persons	
John Scott	Policy Director		✓

The following departments/agencies have been consulted
Will consult Treasury and DPMC starting 9 May

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



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Purpose

To provide you with a draft Cabinet paper on a procurement framework for liquefied natural gas (LNG) as per Cabinet's invitation. This draft paper does not seek agreement to proceeding with Crown investment in LNG. Our advice is that a decision to proceed should be taken as part of decisions on the role for the Crown in relation to dry year risk, informed by the review into the performance of the electricity market.

The draft paper does not include information from the industry study of small-scale options for LNG importation (the small scale study). Officials have not seen this work yet – we expect to receive a briefing on the small scale study on 13 May. Fully incorporating the results of the small scale study in the Cabinet paper implies discussion of the Cabinet paper at ECO on 4 June (lodge 29 May).

We are concerned that the timeframes implicit in a "traditional" procurement model are too slow. Given this, the draft Cabinet paper identifies a procurement process that is designed to result in an LNG importation facility being available by December 2027. We are testing this timeframe through the development of a high-level project plan that will cover port and pipeline improvements, permitting, procurement, and the development and installation of LNG infrastructure. No decision on the best approach to procurement is sought at this stage.

Recommended action

The Ministry of Business, Innovation and Employment recommends that you:

- a **Note** the attached Cabinet paper and provide comments

Comments Provided

- b **Note** that the attached paper addresses the matters covered in the relevant Cabinet minute with the exception of information from the study on small scale LNG importation, as the relevant study is not yet available

Noted

- c **Note** that inclusion of results from the small scale study implies consideration of the attached Cabinet paper at ECO on 4 June, and **discuss** your preferences in terms of timing with officials

Discussed

- d **Note** that the question of whether New Zealand should invest in a LNG import facility or not will be addressed following completion of the independent review of the electricity system

Noted

Privacy of natural persons

Justine Cannon
Energy Markets, MBIE

Hon Simon Watts
Minister for Energy

9 May 2025

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Cabinet invited you to develop a procurement framework for the importation of LNG

1. Cabinet invited you to report to ECO by the end of May on a procurement framework for Crown investment in LNG imports, taking account of industry investigations into small-scale LNG imports and the independent review of electricity market performance [ECO-25-MIN-0055 refers]. The Cabinet invitation included reference to the cost of procurement, and any liabilities that could arise for the Crown.
2. This was a part of a broader report to Cabinet which considered various actions to improve the security and affordability of New Zealand's energy supplies, ease New Zealander's cost of living, and remove a significant barrier to economic growth. Any ultimate decisions on Crown procurement of LNG should align with the role agreed for the Crown in addressing dry-year risk, informed by the review of electricity market performance.

There are many options in terms of importing LNG, and work is ongoing

3. There are many options that could be developed in terms of importing LNG, both in terms of location and type of operation. This makes a classical procurement task tricky. Each of the different options have different underlying costs, timeframes and difficulties associated with them¹ – and the different locations have different on-shore infrastructure requirements. Further, without being able to consider the report on small-scale LNG import options, it is difficult to ascertain how best to reflect small scale possibilities in the procurement process.
4. MBIE considers that there is merit in continuing work on a procurement framework. The draft Cabinet paper seeks agreement from Cabinet for this to occur. The next stage of the work will seek to narrow down the way in which any procurement is to occur, as well as firm up cost estimates etc.
5. Commercial Information
6. More work is underway to understand timing in terms of procurement and the (possible) subsequent development of an LNG import facility. The draft Cabinet paper includes timeframes from a Gas Strategies report on large-scale options. These timeframes assume normal consenting processes so it should be possible to shorten these, given Government's stated intent to legislate to ensure an LNG facility does not face regulatory roadblocks. We are still waiting for information on small-scale options.
7. The draft paper sets out some information on the supporting elements that would need to be agreed for procurement to proceed, such as the funding model and a possible commercial structure. To successfully run a procurement exercise for LNG infrastructure, it will be necessary to progress these matters to some degree at least.

Timing of report-back

8. The draft paper does not include information from the industry study of small-scale options for LNG importation (the small scale study).² Officials have not seen this work yet – we

¹ As an example, a key issue with Marsden Point is the inability to easily move large quantities of gas from the site due to pipeline constraints.

² There is a placeholder on this in the draft Cabinet paper.

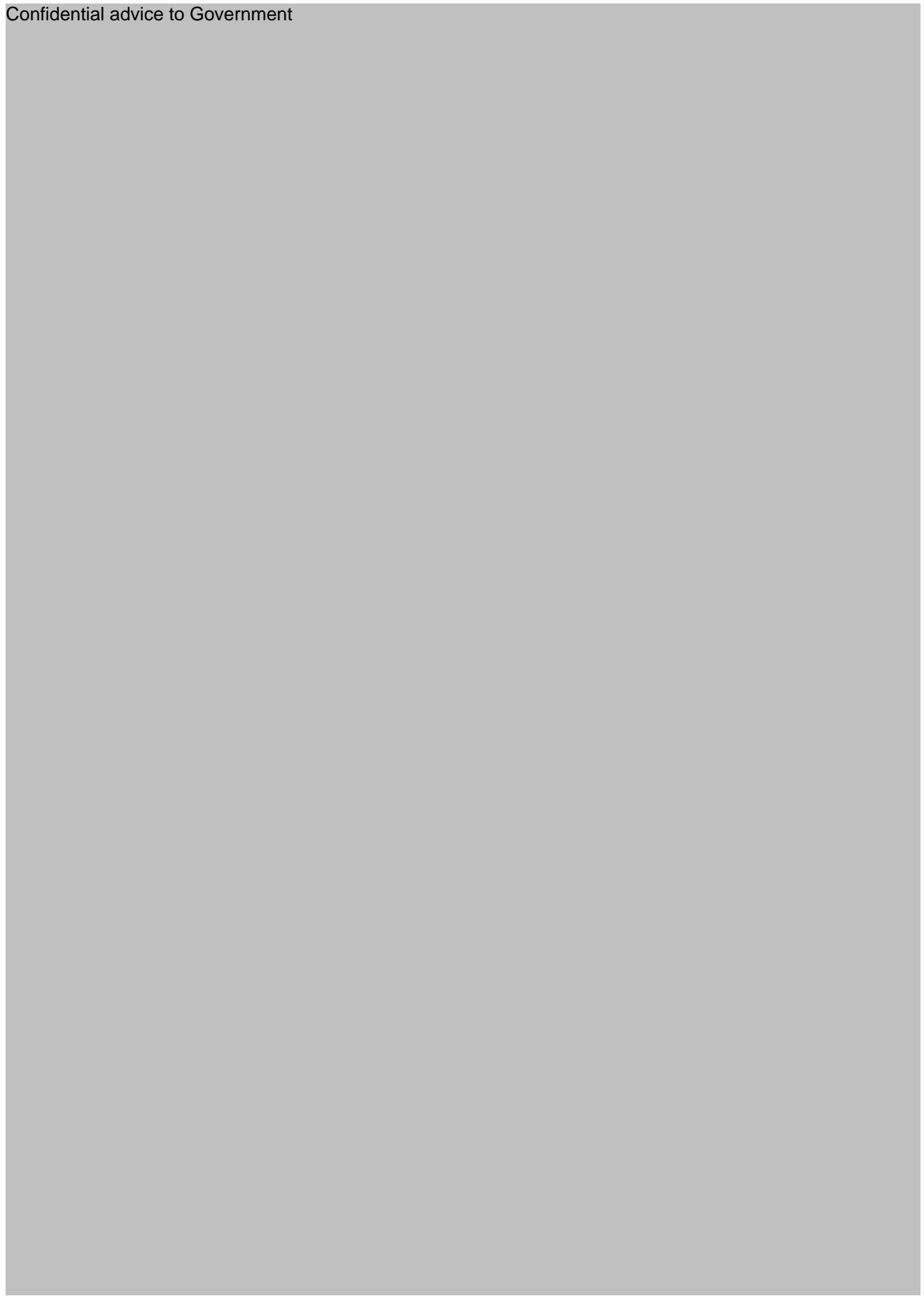
expect to receive a briefing on the small scale study on 13 May (you are due to meet Clarus to discuss this work on 15 May).

9. In order to incorporate the results of the small scale study in the Cabinet paper, we recommend lodging the paper on 29 May, with discussion of the Cabinet paper at ECO on 4 June (the week prior is a recess week). More time would also allow more refinement of the Cabinet paper


Annex

Annex One: Draft Cabinet paper

Confidential advice to Government



Confidential advice to Government



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Confidential advice to Government



⁵ Small-scale LNG can be equated to a low-level domestic supply of gas that essentially “trickle charges” a storage facility so that facility is full at the start of a winter.

Confidential advice to Government



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