



## BRIEFING

### Update on Liquefied Natural Gas

<b>Date:</b>	14 August 2025	<b>Priority:</b>	High
<b>Security classification:</b>	In Confidence	<b>Tracking number:</b>	BRIEFING-REQ-0019276

Action sought		
	Action sought	Deadline
Hon Simon Watts <b>Minister for Energy</b>	<b>Note</b> the contents prior to the multi-Minister energy strategy session meeting on Monday 18 August	18 August 2025
Hon Shane Jones <b>Associate Minister for Energy</b>	Confidential advice to Government	

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

Minister's office to complete:

☐ Approved

☐ Declined

☐ Noted

☐ Needs change

☐ Seen

☐ Overtaken by Events

☐ See Minister's Notes

☐ Withdrawn

Comments



# BRIEFING

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### Purpose

To provide you an update on liquefied natural gas (LNG) and test your comfort with MBIE spending a further Confidential advice to on work on LNG in the period before a decision is made by Cabinet in September (or December) on whether to procure LNG infrastructure or not.

### Recommended action

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

- a **Note** the progress update on LNG procurement, prior to the multi-Minister energy strategy session meeting on Monday 18 August

*Noted*

- b **Agree** MBIE continue preparation for LNG procurement, incurring up to a further:

- Confidenti ahead of consideration by Cabinet on whether to proceed, assuming that decision is made in September, and
- Confidenti ahead of consideration by Cabinet on whether to proceed, assuming that decision is made in December

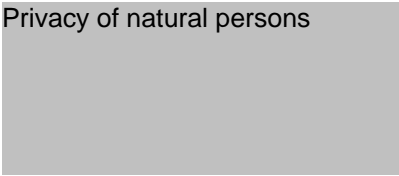
*Agree / Disagree*

- c **Note** the LNG procurement process requires specialist expertise and that costs for the overall procurement process (including external expertise) will be in the order of Confidential

*Noted*

- d **Indicate** your preferred approach to funding the costs of the procurement process, either:
- i. Commission advice on options to *reprioritise* funding from within the energy portfolio; or
  - ii. *Seek additional funding* as part of Cabinet decisions on whether to proceed with procurement of LNG
- Reprioritise / Seek additional funding*

Privacy of natural persons



Justine Cannon  
**Energy Markets, MBIE**  
13 / 08 / 2025

Hon Simon Watts  
**Minister for Energy**

..... / ..... / .....

Hon Shane Jones  
**Associate Minister for Energy**

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## **Work to date on procuring LNG means the Government will be an informed purchaser**

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1. MBIE has undertaken a rapid programme of work to inform potential LNG procurement. This includes:
  - a. A review of the sector-commissioned investigation into LNG importation (authored by Gas Strategies UK)
  - b. Commercial Information [REDACTED]
  - c. Understanding typical procurement and contractual arrangements, including technical requirements, used for LNG import internationally
  - d. Development of the Government's potential role/functions, including commercial unit, and funding model.
2. LNG will require a three-part procurement:
  - a. Import facility, including LNG storage and regasification unit(s), connection to the gas pipeline, and possible port developments
  - b. Establishing a panel of LNG suppliers, for spot market purchases
  - c. Securing underground gas storage (likely required to balance large delivery loads, lead time on orders, and actual usage).

## **Preparations underway for next steps on LNG facility**

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3. The work outlined in paragraph (1) has informed a revision of the timelines for development of an LNG facility (discussed further in next section) and early development of key documents that will be needed for procuring LNG.

### **Key documentation in development for going to market**

4. We are currently writing the Procurement Information Memorandum (which provides high level information to the market) and are beginning to develop the Request for Proposal (RFP) document. The RFP is a significant and technical document. It will include a mix of process, technical and commercial requirements:
  - a. Process: schedule of relevant dates, instruction for bidders, documentation needed, rules around accessing information and contacting people, evaluation criteria
  - b. Technical: term of operation of plant, maximum & minimum send-out rates, information needed on operations, modelling requirements
  - c. Commercial: force majeure clauses, treatment of changes in NZ law, definition of failure to deliver, remedies for failure to deliver, outline of commercial arrangements.

### **Establishing a commercial team**

5. We have scoped the initial requirements for a commercial team to progress LNG procurement. This has been designed so that it can progress as a standalone unit, or as part of implementing a commercial team to deliver on recommendations in the Review of Electricity Markets.

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## Compiling collateral material for bidders

6. We have identified material that ideally would be made available for prospective suppliers of LNG infrastructure and are assessing the ease (and cost) with which this material can be compiled. We are also starting to prepare the early stages of the process needed to facilitate an effective launch of a procurement exercise for an LNG facility.

## Decisions now required on further expenditure/activity

7. Decisions are now required on how much resource to allocate to the project at this point, prior to Cabinet making a decision on whether to procure an LNG import facility or not.

## The approach to procurement has been updated

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8. There are two key findings from the reviews **Commercial Information** the Gas Strategies reports that are especially relevant to the procurement exercise:
  - a. there isn't a stand-out location for an LNG import facility, though 4-6 promising locations have been identified with various pros and cons including in and around Port Taranaki, and (partially due to this),
  - b. procuring LNG infrastructure will take longer than was previously anticipated due to the level of information needed to assess whether a scheme can be made to work.
9. In terms of the last of these points, potential providers will require approximately 6 months to develop a proposal with sufficient design and engineering specificity to address meteocean conditions (waves), mooring arrangements, and other site-specific technical issues. This level of detail is required for the Government to be able to assess and make a decision on a provider with a high level of confidence that the proposed solution can be delivered.
10. Given the need for potential providers to thoroughly understand conditions in New Zealand and design accordingly, it is not possible to run a thorough procurement process where contracts could be signed by mid-2026. Assuming a decision to procure LNG infrastructure in September 2025, the revised timeframe would see a contract being signed with the successful infrastructure provider in late 2026 or early 2027.<sup>1</sup> An overview of the steps of the procurement process is set out in Annex 1. Annex 1 also includes an option for aligning a decision on LNG with other commercial actions that the Government may choose as a result of the Review of Electricity Market.
11. This lengthened timeframe (relative to earlier estimates) would not be the case if there was a suitable deepwater port already available for an LNG facility. In that scenario, procuring the infrastructure would be far simpler. This is not the case unfortunately.

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<sup>1</sup> A procurement process of 12 months or more isn't unusual for complex infrastructure projects. For example, Wellington Bus Services (buses, routes, depots, etc) was 2 years from RFT to delivery. Large roading projects are typically 6-8 months.  
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12. Free and frank opinions

[REDACTED]

[REDACTED]

[REDACTED]

13. Consideration is being given to how best to manage these matters. Free and frank opinions

[REDACTED]

## **Funding commitment needed to maintain momentum**

14. Confidential advice to Government [REDACTED], MBIE has undertaken a range of activities to prepare for a possible procurement exercise. Expenditure up until the end of August on the LNG project is estimated to total Confidential advice to Government [REDACTED]
15. To allow procurement to get underway shortly after a Cabinet decision to procure a conventional-scale LNG facility in September or December, the following are in train:
- Strengthening the internal team working on LNG, including hiring a programme director to oversee the work (the likely candidate comes with significant experience in the New Zealand gas industry)
  - Retaining the services of external legal counsel to assist with the preparation of procurement documents and the procurement exercise, if it occurs
  - Retaining the services of international technical experts on LNG to assist with preparing detailed procurement documents and the following assessment processes,
  - Preparation of the procurement documents and processes.

## **Anticipated expenditure ahead of Cabinet decisions**

16. We estimate that, to progress the work, the following expenditures are required, prior to a decision to proceed (or otherwise) with procuring LNG infrastructure. These expenditures are presented in a two-by-two matrix; an optimal vs a minimal level of expenditure, and different timings of when a decision is made to proceed with procuring LNG infrastructure or not (September or December).

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<sup>2</sup> Ministers are permitted to make a broad set of decisions (with some limited exceptions) right up to an election but by convention, tend not to do so.

Confidential advice to Government

17. MBIE is drawing this money from funds allocated to implementing the review of electricity market performance. We would like to discuss your preferences on the pace of work on LNG and expenditure. Should your preference be to fund ongoing work at the minimum level identified above, this would compromise the ability to go-live with a procurement process in the timeframes implied in Annex 1. While it would be possible to completely stop work on procuring LNG infrastructure, this is not recommended as it would be slow to regain momentum on the project.
18. The funding above is largely to support the commercial team required for procuring an LNG facility. Some of these people will also be supporting the commercial work required to implement government decisions on the electricity market review. If Cabinet decided not to procure an LNG facility, those people would be retained (e.g. the programme director will be overseeing any commercial work required to deliver on Review decisions).
19. MBIE is not intending to engage additional technical expertise until Cabinet has made a decision to move to procurement. This will minimise expenditure on activities that cannot be re-purposed.

### **Cost of procurement process for an LNG Facility estimated around \$4 million**

20. Overall, we expect procurement of LNG to cost around **Confidential** (spread over the 2025/26 and 2026/27 financial years). This includes the cost of technical and legal advice to support the offer to market, the assessment of proposals and commercial negotiations.<sup>3</sup> This will require funding, either through reprioritisation within the portfolio, or new money. We are seeking an indication of your preferred approach.
21. It is also worth noting that this cost figure is highly indicative, and will depend on the number of proposals received, and the costs of external expertise (for which we have not yet entered agreements).

Confidential advice to Government

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<sup>3</sup> It is only possible to provide an estimate of the total funding required, as, for example, it is not known how many proposals will be received. It may be possible to cover the costs of procuring the LNG itself and any underground gas storage that is needed within the **Confidential** – and MBIE would seek to do so.  
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## **Annex**

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### Annex 1: Stages of a Possible Procurement Process



**Annex 1: Key stages of the procurement exercise**

Stage		Estimated timing ( <u>September</u> decision to proceed)	Estimated timing if progressed with wider commercial work ( <u>December</u> decision to proceed)
1	Pre-decision preparations	Now	Now
2	Decision to proceed with procurement	Sept 2025	Dec 2025
3	Pre-announcement stakeholder exercise (likely to include Port Taranaki, iwi, Clarus)	Sept 2025	Dec 2025
4	Announcement; issuing of initial procurement documentation (including a Confidentiality Agreement and a Project Information Memorandum) to interested parties	Oct 2025	Dec 2025
5	Release of a RFP to interested parties	Dec 2025	Feb 2026
6	Initial proposals received; initial assessment	Mar 2026	May 2026
7	Final proposals received; assessment of technical fit of both the bidder and the proposal	Jun 2026	Aug 2026

Commercial Information

This timeframe is based on a conventional-scale LNG import facility, with clear and effective delegations to expedite further decision-making.