



BRIEFING

Policy decisions for the Enabling Liquefied Natural Gas Bill (tranche two) - LNG import facility Funding Model

Date:	26 March 2026	Priority:	Medium
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0029644

Action sought		
	Action sought	Deadline
Hon Simon Watts Minister for Energy	<p>Agree the <i>Enabling LNG Bill</i> should provide for cost recovery mechanisms for the LNG import facility, Confidential</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>[REDACTED]</p> <p>Note officials will meet to discuss the funding model with you on Monday 30 March</p> <p>Forward to Minister of Finance, Minister for Infrastructure, Minister for Resources</p>	1 April 2026

Contact for telephone discussion (if required)			
Name	Position	Telephone	1st contact
Rebecca Heerdegen	Policy Director, Energy Markets	Privacy of natural persons	✓
Zuhaib Mirza	Policy Advisor	[REDACTED]	

The following departments/agencies have been consulted
The Treasury

Minister's office to complete:

- | | |
|---|--|
| <input type="checkbox"/> Approved | <input type="checkbox"/> Declined |
| <input type="checkbox"/> Noted | <input type="checkbox"/> Needs change |
| <input type="checkbox"/> Seen | <input type="checkbox"/> Overtaken by Events |
| <input type="checkbox"/> See Minister's Notes | <input type="checkbox"/> Withdrawn |

Comments



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Purpose

You have asked for advice on the full range of funding tools that could be used to meet the costs of the LNG import facility. In addition, this briefing seeks your decisions on which tools should be enabled in the *Enabling LNG Bill*, for inclusion in drafting instructions for Parliamentary Counsel Office (PCO).

Executive summary

Review of all funding options

This briefing reviews the funding model options for an LNG import facility, including Crown funding, levy funding and direct user-pays. **Confidential**

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We propose an enabling framework in legislation, with the detail to be developed in regulation in 2027. Your decisions are required in order to progress the drafting of the *Enabling LNG Bill*.

Decisions on specific design is not required until 2027

Officials recommend the enabling framework in the legislation follow a similar structure to the Electricity Industry levy. That is, the details of who pays and what share, would be set by regulations. The detailed decisions for the model would need to be taken in 2027, ahead of the LNG import facility becoming operational.

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Further advice to come on fiscal implications of the import facility...

The whole of life cost of the contract with the import service provider will likely be in the order of **Confidenti** While the annual fee will be funded by levy, **Confidential information entrusted to the**

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... and design of the operating model for LNG supply and fiscal implications

This briefing does not include advice on LNG supply, the operating model, or the structure/institutions needed to support LNG imports. These could also have fiscal implications. We are developing options in consultation with the Treasury and will provide advice on these matters in the coming weeks. **Confidential information entrusted to the Government**

Recommended action

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

a **Note** this briefing responds to your request for further detail on all funding options for the LNG import facility

Noted

b **Note** that Cabinet has previously agreed that there will be a levy to meet costs after any commercial revenue is accounted for

Noted

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- e **Note** that further advice will be provided on import facility arrangements and fiscal implications, as well the LNG supply model

Noted

Privacy of natural persons

Rebecca Heerdegen
Policy Director, Energy Markets
Building, Resources and Markets, MBIE

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Hon Simon Watts
Minister for Energy

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Overview of funding for LNG

1. There are three components to funding for LNG.

Component	Description	Funding source
LNG procurement process	Project procurement costs include development and running of Registration of Interest and Request for Proposal processes, including assessment of proposals. Inputs include commercial, legal and technical expertise. It may also include procurement costs such as a stipend.	Crown funded
LNG Import Facility Subject of this briefing	Payment of <i>LNG Import Facility Costs</i> . This includes the costs of securing and maintaining LNG import infrastructure and availability services i.e. the contractual service payments to the facility provider, relevant contract monitoring and management costs, and levy administration costs. It excludes the cost of the LNG commodity/molecules.	Proposed full cost recovery Privacy of [REDACTED]
LNG Supply	Cost of importing, processing and supplying LNG to end-users (electricity generation or direct gas user), working capital to support ordering of cargoes, gain/loss on sale of LNG and brokerage costs	Primarily via sales revenue, advice pending

2. This paper focusses on funding for the LNG import facility.
3. MBIE is currently managing procurement costs through a combination of baseline funding and reprioritisation within the energy portfolio (as agreed between the Minister of Finance and the Minister for Energy).
4. In the coming weeks, we will provide advice on LNG supply operating model and funding. We expect users to cover the costs of LNG supply.

Background on funding for LNG import facility

5. On 15 December 2025, Cabinet agreed to establish a levy to fund the costs of an LNG import facility and noted that this could be partially offset by other revenue. Cabinet delegated final decisions on enabling provisions to the Minister for Energy [CAB-25-MIN-0466 refers].
6. The levy on the electricity sector reflects the policy objective of ensuring electricity system security, particularly in dry years¹.
7. The procurement process has sought a build, own, operate model, that is, the facility itself will be owned and operated by the private sector. The Crown will be contracting for the availability of the service to ensure LNG can be imported when required.

¹ Dry year is defined as when there has been insufficient rain to power hydro, and is often coupled with periods of low wind, and limited sunshine. This typically occurs during winter, which is a period of peak electricity demand.

8. This model sits within a broader LNG import system, for which the Crown's role and institutional arrangements are still being determined. This may include additional functions or roles beyond the terminal infrastructure, which will be considered in subsequent advice.

LNG import facility services will be provided under a contract for service model


9. Under contract for service model, the Crown will incur LNG Import Facility Costs for access to the LNG import facility. The payments to meet these costs will reflect the costs of maintaining the infrastructure and ensuring it remains available, even if LNG is only imported intermittently.
10. The LNG Import Facility Costs would be determined through the crown's commercial arrangements with the facility provider. Legislation would not prescribe this amount directly but would instead provide for the recovery of relevant costs Confidential information

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12. You have requested further advice on the full breadth of funding tools that could be considered. This briefing also seeks your agreement to key policy decisions to enable drafting to progress.

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18. An additional consideration in the selection of a funding tool is that New Zealand has a number of international obligations providing for the phase out of subsidy of fossil fuels. While this is a funding stream for the import facility (not for the fuel itself), a Crown-funded model could be challenged as inconsistent with these obligations.

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³ [LNG import feasibility assessed — Gas New Zealand](#)

22. There is a strong economic case for LNG - the import facility provides system-wide reliability benefits, however, individual market participants have uncertain revenues, making it difficult to invest and creating a market failure. Confidential information entrusted to the [REDACTED]

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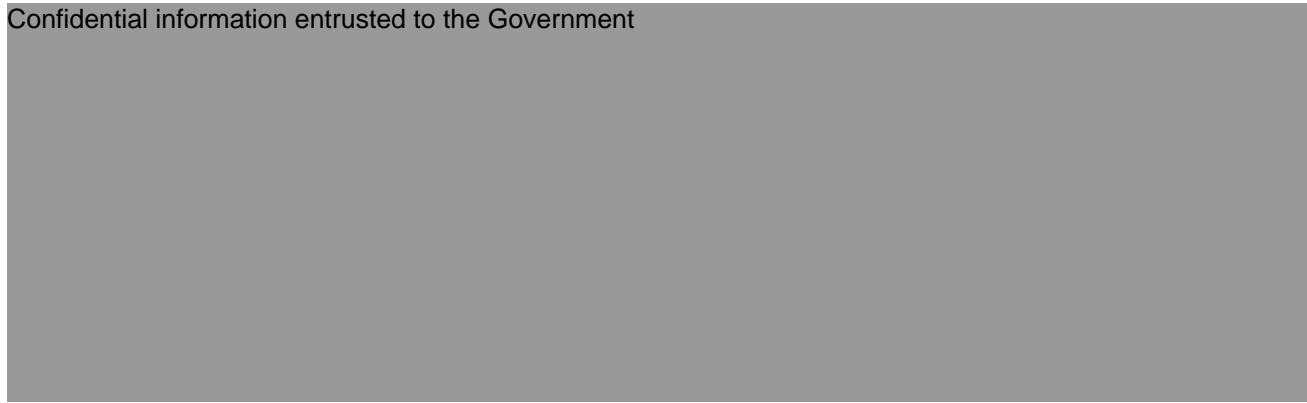


Fiscal implications for an LNG import facility using this funding model

45. The details of design need to be finalised, but the following sets out other fiscal implications of the import facility:
 - a. Establish appropriations from 2027/28, with no fiscal impact:
 - i. to pay for the LNG import facility fee

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Next steps

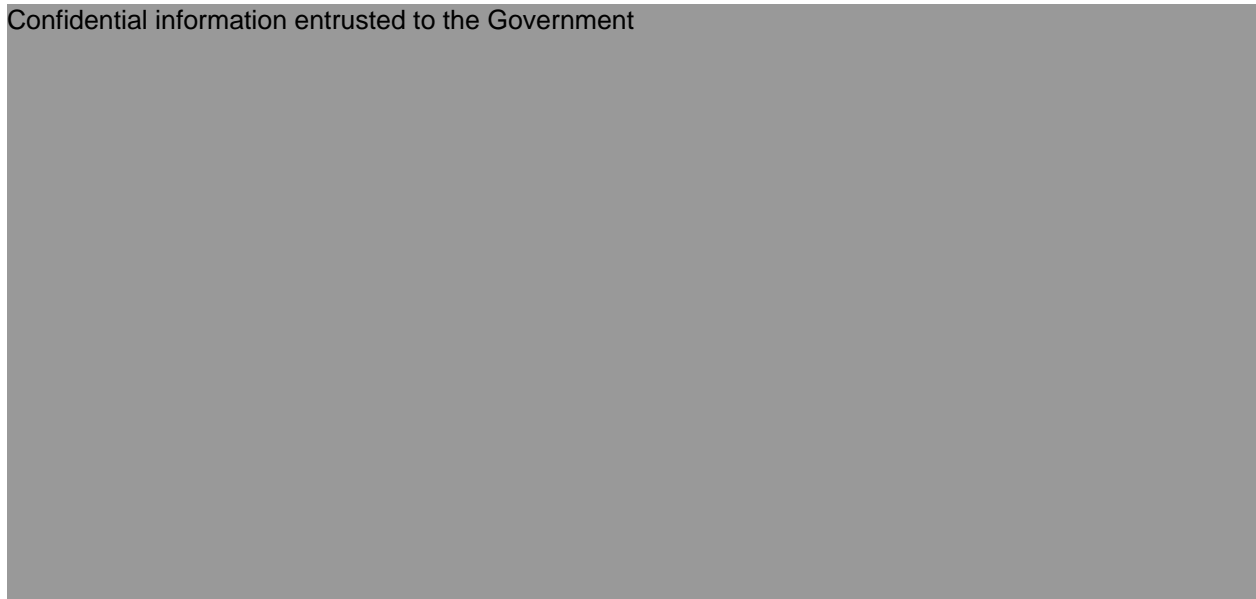
47. We are meeting with you on Monday 30 March to discuss the funding model.

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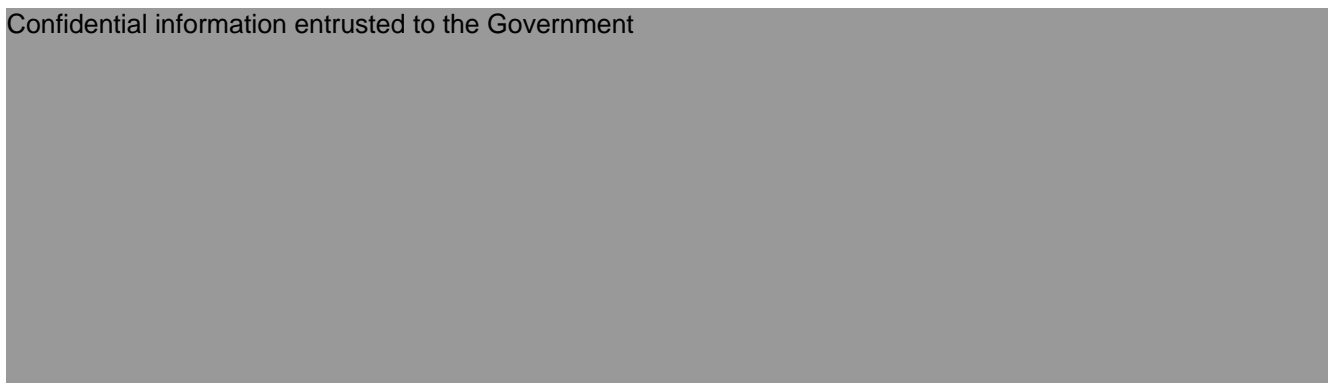
50. The following timeline sets out key points for development and funding of the LNG import facility:

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Further advice to come on finance and institutional arrangements for the LNG import facility

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Further advice to come on LNG supply operating and funding model

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Annexes

Annex One: LNG import facility funding tool assessment


Annex Two: Confidential options analysis

Annex Three: Scenario testing

Annex Four: Confidential


Annex One: LNG import facility funding tool assessment

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Annex Two: Confidential information options analysis

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Annex Three: Scenario testing

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