MINISTRY OF BUSINESS, INNOVATION & EMPLOYMENT
HĪKINA WHAKATUTUKI

# BRIEFING

## Further Policy Funding options for LNG import facility

| | | | |
|---|---|---|---|
| **Date:** | 13 April 2026 | **Priority:** | High |
| **Security classification:** | In Confidence | **Tracking number:** | BRIEFING-REQ-0030932 |

| **Action sought** | | |
|---|---|---|
| | **Action sought** | **Deadline** |
| Hon Simeon Brown<br>**Minister for Energy** | **Indicate** preferred approach for Cabinet paper<br>**Forward** to the Ministerial Reference Group | 14 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 | | |

| **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☐ Overtaken by Events ☐ See Minister's Notes ☐ Withdrawn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**

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## Purpose

You have requested further advice on potential funding approaches for meeting costs of the LNG import facility. Confidential information entrusted to the Government [redacted]

## Executive summary

Cabinet has previously considered potential funding models for the LNG import facility and agreed a broad-based levy option with potential user fees to offset the levy. This model recognised LNG's substantial benefit to the electricity system in addressing dry year risk and bringing down forward prices. It was expected that forward prices would reduce by at least $10/MWh, far exceeding the expected levy of $2-4/MWh.

Since the Government's announcement to proceed with an LNG import terminal, forward prices have fallen around $20/MWh. In addition, studies commissioned by GIC and MBIE have illustrated the potential role for LNG in an orderly transition, reducing the risks/scale of accelerated demand destruction, higher gas and electricity prices, and dry year security of supply. Further information has also become available on the future of the Maui gas field and implications for gas supply. In addition, gas users have indicated their interest in access to LNG.

You have requested advice on the full spectrum of funding options that could be considered. Con [redacted]

Confidential information entrusted to the Government [redacted]

*Proposed parameters*

The following table sets out parameters we are seeking your feedback on. These could be included in your Cabinet paper and will be used to refine the spectrum of funding options set out further below as follows:

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*Spectrum of funding model options*

The following table sets out a continuum of funding models, from fully Crown funded to fully private. All options can be combined with a user fee regime to offset costs and ensure direct users of the facility make a fair contribution, in summary:

| | Option | Funding Model | Core Feature |
|---|---|---|---|
| Confidential information entrusted to the Government [redacted] | | | |

These options involve trade-offs between revenue certainty, efficiency, cost allocation and implementation complexity. Further work is required to fully consider the detail.

This paper also attaches two A3s on the problem definition, at your request.

MBIE officials will incorporate your decisions in this briefing in the upcoming Cabinet paper seeking confirmation of the LNG project, due to be lodged on 16 April for ECO on 22 April 2026.

## Recommended action

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

a **Note** the additional information received about the energy market since the December 2025 Cabinet decision on funding, including:

- Markets have responded positively to the Government's LNG decision, with electricity forward prices for 2028 and 2029 falling by around $20/MWh since the announcement.
- The GIC/PWC Gas Demand and Supply Study and Sense Partners Regional and Sectoral CGE modelling show the important role of LNG in mitigating economic impacts across the energy system.
- Gas users have discussed the importance of direct access to LNG with both Ministers and officials.

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d **Note** the spectrum of options MBIE has provided for the LNG funding model

*Noted*

e **Note** the attached A3s on the energy problem definition

*Noted*

f **Provide feedback** on the draft Cabinet paper Confidential information entrusted to the Government

*Feedback provided / No feedback*

g **Forward** this briefing to the Minister of Finance, Minster for Infrastructure, and Minister for Resources

*Yes / No*

Privacy of natural persons

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

13 / 04 / 2026

Hon Simeon Brown
**Minister for Energy**

___ / ___/ 2026

## Background on funding for LNG import facility and market developments

*Cabinet decisions to date*

1. Cabinet has previously agreed a package of actions to address New Zealand's security of supply risks. The Energy Package includes regulatory actions to ensure the sector invests to address these risks and investment actions. Key amongst the latter is the procurement of an LNG import facility, to provide dry-year cover as soon as possible.

2. LNG was selected as it can be deployed relatively quickly, provides flexible supply, is easy to decommission and has limited impacts on long-term market incentives to invest in managing dry year risk. Cabinet also noted that LNG could also provide for industrial gas demand, providing time for businesses to consider their best longer term energy solutions.

*Procurement approach*

3. The Government is in the process of procuring LNG import services. The commercial model under development is typical for this type of service internationally, involving an annual payment or service fee for a specified level of service over a term of Commercia

4. The New Zealand project specifications require the facility to be capable of delivering 12PJ of LNG over any three-month period, with a deliverability of 180TJ per day. These specifications are based on meeting dry year gas-fired electricity needs.

5. The service fee enables the provider to recover a pro-rated portion of capital costs associated with the facility, port charges, crewing, maintenance costs and a return on investment.

*Funding decisions and changing context*

6. Cabinet agreed that the LNG import service should be fully cost recovered and that this would be achieved through a combination of user charges and levy (with the levy likely to be on the electricity sector in the first instance). The levy approach was adopted because the LNG facility was intended to function primarily as an insurance product, where value is derived from availability rather than continuous use.

7. Since the original decision to fund the facility through a levy mechanism, several developments have occurred:

   a. Electricity forward prices have fallen by around $20/MWh since the Government's announcement to proceed with procuring an LNG import facility. This indicates a significant direct benefit to the electricity system, estimated at around $800 million per annum.

   b. The GIC has released its annual Gas Supply and Demand study and Sense Partners has completed modelling of regional and sectoral impacts of declining gas supplies. Both studies illustrate the impact of declining domestic gas supply on electricity and gas users. Both studies also include scenarios where LNG is available and find that LNG reduces the risks of higher gas and electricity prices, accelerated demand destruction and security of supply issues.

   c. Further information has become available on the future of the Maui gas field and the implications for national gas supply.

   d. Gas users have engaged with Ministers and officials to emphasise the importance of having direct access to LNG.

*Implications and purpose of this briefing*

8. This changing context and additional information (covered in more depth in BRIEFING-REQ-0030426) indicates that LNG will play a primary role in addressing dry-year risk. Confidential [redacted]

Confidential information entrusted to the Government [redacted]

11. This briefing sets out the potential spectrum of funding options and their trade-offs and seeks your direction on which options you would like to see developed further. This briefing also attaches two draft A3s which explain the problem definition. We will update the draft Cabinet paper for your feedback.

## Policy parameters/principals for your direction

12. Funding for the LNG project can come from three sources:

    a. Taxpayers

    b. Electricity sector participants (generators, retailers and/or consumers)

    c. Gas sector participants (retailers and/or users)

13. This section sets out parameters we are seeking your feedback on. These could be included in your Cabinet paper and will be used to refine the spectrum of funding options set out further below.

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17. The funding model should support, or at least not run contrary to prioritising access for dry-year LNG supply, as this is the primary reason for Government intervention.

Confidential information entrusted to the Government [redacted]

Confidential information entrusted to the Government

## Overview of funding options for LNG

19. Funding of LNG import services is complex. The volume of LNG New Zealand is likely to require is difficult to accurately determine at this stage, is expected to be variable (with peaks in dry-year conditions) and the nature of demand – both in terms of volume and use – is likely to change over time. The import facility service is expected to Confidential These features make it uneconomic to simply charge a user fee per GJ to recover the costs of the facility.

20. In considering funding models, the following key considerations are relevant:

    a. **Revenue certainty**: the extent to which the model provides stable and predictable recovery of the LNG import facility service fee.

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    d. **Efficiency**: including considerations of timeliness, implementation risk, and administrative complexity.

    e. **Fiscal implications**: potential impacts on the Crown balance sheet and fiscal risk.

21. The following table sets out the broad options and an initial assessment of each. These options require further work and are provided as illustrative of the spectrum available. Options are also not mutually exclusive. Confidential information entrusted to the Government

Confidential information entrusted to the Government

Confidential information entrusted to the Government

## Comparative Assessment

22. The following table summarises the assessment of the leading options Confidential [redacted]

Confidential information entrusted to the Government [redacted]

## Trade-offs involved in funding model decisions

23. All options come with trade-offs.

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## Next Steps and Further Work

29. It will not be possible to fully assess options ahead of lodging the Cabinet paper on 16 April, however, Cabinet could set preferred parameters and delegate final decisions to you. We recommend including direction on whether the funding model should:

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30. We are also seeking your feedback on the attached A3s on the problem definition, including if one or both of these should be included in an updated Cabinet paper.

31. Once we have your feedback, we will update the Cabinet paper, Confidential information

## Annexes

Annex One: Problem Definition A3s

## Annex One: Problem Definition A3s