



BRIEFING

Draft Cabinet Paper: Procurement of Liquefied Natural Gas Facility Services

Date:	8 April 2026	Priority:	High
Security classification:	In Confidence	Tracking number:	BRIEFING-REQ-0030604

Action sought		
	Action sought	Deadline
Hon Simeon Brown Minister for Energy	Provide feedback on the draft Cabinet paper	9 April 2026

Contact for telephone discussion (if required)				
Name	Position	Telephone		1st contact
Sharon Corbett	Acting General Manager, Energy Markets	-	Privacy of natural persons	✓
John Scott	Policy Director, Energy Markets	-		

The following departments/agencies have been consulted
The Treasury has been consulted on the financial implications set out in the attached Cabinet paper.

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Withdrawn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 to revisit the way forward in relation to the ongoing LNG procurement given recent developments.

Recommended action

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

- a **Agree** to the Cabinet paper being lodged once your feedback has been incorporated.

Agree / Disagree

Privacy of natural persons



Sharon Corbett
Policy Director, Energy Markets
BRM, MBIE

08 / 04 / 2026

Hon Simeon Brown
Minister for Energy

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Background

1. You met with MBIE officials on Monday 6 April to discuss options for strengthening energy security, including the potential role of LNG in managing dry-year electricity risk.
2. You requested a draft Cabinet paper so that Cabinet can revisit the way-forward on LNG in light of recent developments, including:
 - a. The Middle-East conflict has disrupted global LNG supply and caused prices to rise
 - b. Domestic gas supply has continued to decline and the gas sector regulator has released the latest Gas Supply and Demand study which points to a disorderly transition without LNG.
3. You also requested MBIE's advice on why the sector itself will not deliver sufficient dry-year cover.
4. Attached for your consideration is a draft Cabinet paper developed following that discussion.

Revisiting the way forward on LNG

Background to decision on LNG in 2025

5. In 2024, the Government issued a Government Policy Statement (GPS) to the Electricity Authority, making it clear that the Government would not assume responsibility for managing risk on behalf of the sector.
6. When making the decision to commence procurement of LNG in September 2025, the Government was clear that:
 - a. it was progressing with LNG due to the urgent need to shore up fuel supply for our existing generation capacity, but
 - b. ultimately the responsibility to address dry year risk sits with the electricity sector and the Government would establish a regulatory framework to ensure the market has durable incentives to deliver long-duration dispatchable capacity.

Addressing a market failure – rationale for government involvement

7. The paper outlines that without significant regulatory intervention, there is no incentive for electricity generators to address dry year risk. Key barriers to a market solution are:
 - a. **Scale and co-ordination challenges:** it took more than 12 months for Huntly Heads of Agreement to be concluded, which was far simpler (involving only fuel procurement, and using existing infrastructure).
 - b. **Counter-party risk:** LNG facility providers are likely to want some sort of a guarantee in the event of law or operating environment change. It is very difficult for a private company to provide this type of guarantee.
 - c. **Funding limitations:** a commercial user-pays scheme would add up to \$22/GJ to the price of gas, making LNG uneconomic.
 - d. **Misaligned incentives:** the benefit of dry year risk cover falls mainly on electricity users (i.e. reduced risk premium in forward prices), whereas benefits to generators are more limited (and in some cases, cover may reduce profits).
8. Consistent with Cabinet's direction, we are developing a regulatory framework to ensure that ultimately the sector invests to cover dry year risk, e.g. when the Huntly Rankines need

replacement in the 2030s. However, the market cannot deliver an LNG import terminal in the urgent timeframes we face. Even if legislation could be passed and the framework put in place this year, generators would then make investment decisions on their individual responses to meet the new obligations and run their own procurement processes (likely 18-24 months). If the solution required coordination, this would require an extra year minimum (recognising the relatively simple Huntly deal took over a year). In short, even if the market agreed LNG was the right solution and worked together to deliver it, it is unlikely to be delivered before 2030 at the earliest.

9. The Cabinet paper notes that in 2025, Clarus, together with Contact Energy, Genesis Energy, Meridian Energy, and Mercury, publicly confirmed through jointly commissioned feasibility work that, while LNG import options are technically feasible, they do not present a viable commercial investment case without public-sector involvement or risk-sharing, due to high upfront costs and uncertainty over utilisation. Boston Consulting Group and the Frontier Report also found that there was not a commercial proposition for an LNG import facility.

Options for Government progressing LNG import facility (or not)

10. The paper sets out four options for how to proceed:

Free and frank opinions

11. None of the options are risk-free. The paper is intended to transparently present those risks and the options available, to support decisions on a preferred pathway and next steps.

Options for funding the terminal

12. Confidential information entrusted to the Government

Next Steps

13. The draft is being shared in parallel with the Treasury and DPMC for visibility.
14. Officials welcome your feedback on the overall framing, options presented, and any areas where you would like further refinement before the paper is finalised for Cabinet consideration. In parallel we will continue to refine the paper – particularly to shorten it and improve readability, recognising the attached draft was produced quickly.
15. Confidential information entrusted to the Government

Annexes

Annex One: Draft Cabinet Paper – Procurement of Liquefied Natural Gas Facility Services

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